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PUBLIC SERVICE
COMMISSION

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Robert M. Conroy
Manager - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@eon-us.com

July 14, 2008

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH
BILLING PERIOD ENDING OCTOBER 31, 2007 AND APRIL 30,
2008***
CASE NO. 2008-00216

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and ten (10) copies of the Direct Testimony of Robert M. Conroy and the Response of Kentucky Utilities Company to the Information Requested in Appendix B of the Commission's Order dated June 17, 2008, in the above-referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIOD ENDING OCTOBER 31, 2007)
AND APRIL 30, 2008)**

**CASE NO.
2008-00216**

DIRECT TESTIMONY OF

**ROBERT M. CONROY
DIRECTOR - RATES
E.ON U.S. SERVICES INC.**

Filed: July 14, 2008

1 **Q. Please state your name, title, and business address.**

2 A. My name is Robert M. Conroy. I am the Director – Rates for E.ON U.S. Services
3 Inc., which provides services to Louisville Gas and Electric Company (“LG&E”) and
4 Kentucky Utilities Company (“KU”) (collectively “the Companies”). My business
5 address is 220 West Main Street, Louisville, Kentucky, 40202. A complete statement
6 of my education and work experience is attached to this testimony as Appendix A.

7 **Q. Have you previously testified before this Commission?**

8 A. Yes. I have previously testified before this Commission in proceedings concerning
9 the Companies’ fuel adjustment clauses and environmental surcharge mechanisms.

10 **Q. What is the purpose of this proceeding?**

11 A. The purpose of this proceeding is to review the past operation of KU’s environmental
12 surcharge during the six-month billing period ending October 31, 2007 and the six-
13 month billing period ending April 30, 2008, and determine whether the surcharge
14 amounts collected during these periods are just and reasonable.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to review the operation of KU’s environmental
17 surcharge during the billing periods under review, demonstrate the amounts collected
18 during these periods were just and reasonable, present and discuss KU’s proposed
19 adjustment to the Environmental Surcharge Revenue Requirement based on the
20 operation of the surcharge during those periods and explain how the environmental
21 surcharge factors were calculated during the periods under review.

22 **Q. Please review the operation of the environmental surcharge for the billing**
23 **periods included in this review.**

1 A. KU billed an environmental surcharge to its customers from May 1, 2007 through
2 October 31, 2007 and November 1, 2007 through April 30, 2008. For purposes of the
3 Commission's examination in this case, the monthly KU environmental surcharges
4 are considered as the six-month billing period ending October 31, 2007 and the six-
5 month billing period ending April 30, 2008. In each month of these periods, KU
6 calculated the environmental surcharge factors by using the costs incurred as recorded
7 on its books and records for the expense months of March 2007 through February
8 2008, and in accordance with the requirements of the Commission's previous orders
9 concerning KU's environmental surcharge.

10 **Q. What costs were included in the calculation of the environmental surcharge**
11 **factors for the billing periods under review?**

12 A. The capital and operating costs included in the calculation of the environmental
13 surcharge factors for these billing periods were the costs incurred each month by KU
14 from March 2007 through February 2008, as detailed in the attachment to Question
15 No. 2 of the Commission Staff Request for Information, incorporating all required
16 revisions.

17 The monthly environmental surcharge factors applied during the billing
18 periods under review were calculated consistent with the Commission's orders in
19 KU's previous applications to assess or amend its environmental surcharge
20 mechanism and plan, as well as orders issued in previous review cases, most recently
21 Case No. 2007-00379. The monthly environmental surcharge reports filed with the
22 Commission during this time reflect the various changes to the reporting forms
23 ordered by the Commission from time to time.

1 **Q. Are there any changes or adjustments in Rate Base from the originally filed**
2 **expense months?**

3 **A.** All changes to Rate Base from the originally filed billing periods and their associated
4 impact to the ECR billing factor have been reflected in the expense month that the
5 changes were made. All changes to Rate Base and their impact are summarized in
6 KU's response to the Commission Staff Request for Information, Question No. 1.

7 **Q. Are there any changes necessary to the jurisdictional revenue requirement**
8 **(E(m))?**

9 **A.** Yes. Adjustments to E(m) are necessary for compliance with the Commission's
10 Order in Case No. 2000-00439 to reflect the actual changes in the overall rate of
11 return on capitalization that is used in the determination of the return on
12 environmental rate base associated with the Post 1994 Plans. The changes in the
13 actual cost of long term debt and capital structure resulted in a decrease to cumulative
14 E(m) of \$2,297,506. The details of and support for this calculation is shown in KU's
15 response to Question No. 1 of the Commission Staff Request for Information.

16 **Q. As a result of the operation of the environmental surcharge during the billing**
17 **periods under review, is an adjustment to the revenue requirement necessary?**

18 **A.** Yes. KU experienced a cumulative under-recovery of \$22,563 for the billing periods
19 ending April 30, 2008. KU's response to Question No. 2 of the Commission Staff
20 Request for Information shows the calculation of the \$22,563 cumulative under-
21 recovery. Therefore, an adjustment to the revenue requirement is necessary to
22 reconcile the collection of past surcharge revenues with the actual cost for the billing
23 periods under review.

1 **Q. What kind of adjustment is KU proposing in this case as a result of the operation**
2 **of the environmental surcharge during these billing periods?**

3 A. KU is proposing that the cumulative under-recovery of \$22,563 be recovered in the
4 month following the Commission's Order in this proceeding. Specifically, KU
5 recommends that the Commission approve an increase to the Environmental
6 Surcharge Revenue Requirement of \$22,563 for one month, beginning in the first full
7 billing month following the Commission's Order in this proceeding. This method is
8 consistent with the method of implementing previous over- or under- recovery
9 positions in prior ECR review cases.

10 **Q. What rate of return is KU proposing to use for all ECR Plans upon the**
11 **Commission's Order in this proceeding?**

12 A. KU is recommending an overall rate of return on capital of 11.13%, including the
13 currently approved 10.50% return on equity and adjusted capitalization, to be used to
14 calculate the environmental surcharge. This is based on capitalization as of February
15 29, 2008.

16 **Q. What is your recommendation to the Commission in this case?**

17 A. KU makes the following recommendations to the Commission in this case:
18 a) The Commission should approve the proposed increase to the Environmental
19 Surcharge Revenue Requirement of \$22,563 for one month, beginning in the
20 first full billing month following the Commission's Order in this proceeding;
21 and

1 b) The Commission should determine environmental surcharge amounts for the
2 six-month billing periods ending October 31, 2007 and April 30, 2008 to be
3 just and reasonable.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

APPENDIX A

Robert M. Conroy

Director – Rates
E.ON U.S. Services Inc.
220 West Main Street
Louisville, Kentucky 40202
(502) 627-3324

Education

Masters of Business Administration
Indiana University (Southeast campus), December 1998. GPA: 3.9.
Bachelor of Science in Electrical Engineering;
Rose Hulman Institute of Technology, May 1987. GPA: 3.3
Essentials of Leadership, London Business School, 2004.
Center for Creative Leadership, Foundations in Leadership program, 1998.
Registered Professional Engineer in Kentucky, 1995.

Previous Positions

Manager, Rates	April 2004 – Feb. 2008
Manager, Generation Systems Planning	Feb. 2001 – April 2004
Group Leader, Generation Systems Planning	Feb. 2000 – Feb. 2001
Lead Planning Engineer	Oct. 1999 – Feb. 2000
Consulting System Planning Analyst	April 1996 – Oct. 1999
System Planning Analyst III & IV	Oct. 1992 - April 1996
System Planning Analyst II	Jan. 1991 - Oct. 1992
Electrical Engineer II	Jun. 1990 - Jan. 1991
Electrical Engineer I	Jun. 1987 - Jun. 1990

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF KENTUCKY)	CASE NO.
UTILITIES COMPANY FOR THE SIX-MONTH)	2008-00216
BILLING PERIOD ENDING OCTOBER 31, 2007)	
AND APRIL 30, 2008)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
INFORMATION REQUESTED IN
APPENDIX B OF COMMISSION'S ORDER
DATED JUNE 17, 2008

FILED: July 14, 2008

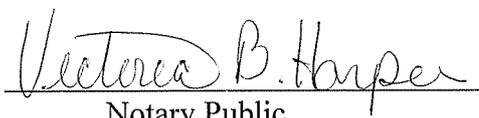
VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting and Reporting for E.ON U.S. Services Inc., that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.


SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this fourteenth day of July, 2008.

 (SEAL)
Notary Public

My Commission Expires:
Sept 20, 2010

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated June 17, 2008**

Case No. 2008-00216

Question No. 1

Witness: Shannon L. Charnas / Robert M. Conroy

Q-1. Concerning the rate of return on the four amendments to the environmental compliance plan, for each of the periods under review, calculate any true-up adjustment needed to recognize changes in KU's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in KU's jurisdictional capital structure. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment is to be included in the determination of the over- or under-recovery of the surcharge for the billing period under review.

A-1. Please see the attachment.

KU calculated the true-up adjustment to recognize changes in the cost of debt and capital structures in two steps, shown on Pages 1 and 2 of the attachment to this response. Page 1 reflects the true-up required due to changes between the Rate Base as Filed and the Rate Base as Revised through the Monthly Filings. Page 2 represents the true-up in the Rate of Return as filed compared to the actual Rate of Return calculations. No further revisions to Rate Base were identified during this review proceeding. All revisions have been reflected in the monthly filing during the review period.

Pages 3 and 4 provide the adjusted weighted average cost of capital for all periods under review.

KU did not engage in accounts receivable financing during the periods under review.

Kentucky Utilities
Overall Rate of Return True-up Adjustment - Revised Rate Base
Impact on Calculated E(m) - Post 1994 Plan

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate Base as Filed	Rate Base As Revised	Change in Rate Base (5) - (4)	True-up Adjustment (3) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustement (7) * (8)
May-07	Mar-07	11.52%	\$ 514,745,622	\$ 511,921,503	\$ (2,824,119)	\$ (27,112)	83.42%	\$ (22,616)
Jun-07	Apr-07	11.52%	550,916,628	547,830,501	(3,086,127)	(29,627)	85.81%	(25,423)
Jul-07	May-07	11.52%	586,792,405	583,059,022	(3,733,383)	(35,840)	83.08%	(29,776)
Aug-07	Jun-07	11.52%	628,228,783	618,272,493	(9,956,290)	(95,580)	85.70%	(81,912)
Sep-07	Jul-07	11.52%	662,455,732	652,064,986	(10,390,746)	(99,751)	84.72%	(84,509)
Oct-07	Aug-07	11.52%	691,522,098	685,861,631	(5,660,467)	(54,340)	85.27%	(46,336)
						\$ (342,251)		\$ (290,573)
Nov-07	Sep-07	11.52%	\$ 723,316,963	\$ 717,693,961	\$ (5,623,002)	\$ (53,981)	84.55%	\$ (45,641)
Dec-07	Oct-07	11.52%	757,947,281	752,361,745	(5,585,536)	(53,621)	85.32%	(45,750)
Jan-08	Nov-07	11.52%	781,567,118	776,019,046	(5,548,072)	(53,261)	83.75%	(44,606)
Feb-08	Dec-07	11.52%	811,489,514	811,489,514	-	-	82.92%	-
Mar-08	Jan-08	11.52%	839,500,759	839,500,759	-	-	84.20%	-
Apr-08	Feb-08	11.52%	865,431,944	865,431,944	-	-	85.76%	-
						\$ (160,863)		\$ (135,997)
Cumulative Impact of Changes in Rate Base						\$ (503,114)		\$ (426,570)

Kentucky Utilities
Overall Rate of Return True-up Adjustment - Revised Rate of Return
Impact on Calculated E(m) - Post 1994 Plan

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return (4) - (3)	Rate Base as Revised	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1 00	Jursidictional True up Adjustement (7) * (8)
May-07	Mar-07	11.52%	11.13%	-0.39%	\$ 511,921,503	(166,374)	83.42%	(138,790)
Jun-07	Apr-07	11.52%	11.13%	-0.39%	547,830,501	(178,045)	85.81%	(152,780)
Jul-07	May-07	11.52%	11.13%	-0.39%	583,059,022	(189,494)	83.08%	(157,432)
Aug-07	Jun-07	11.52%	11.13%	-0.39%	618,272,493	(200,939)	85.70%	(172,204)
Sep-07	Jul-07	11.52%	11.13%	-0.39%	652,064,986	(211,921)	84.72%	(179,540)
Oct-07	Aug-07	11.52%	11.13%	-0.39%	685,861,631	(222,905)	85.27%	(190,071)
						(1,169,678)		(990,817)
Nov-07	Sep-07	11.52%	11.13%	-0.39%	\$ 717,693,961	(233,251)	84.55%	(197,213)
Dec-07	Oct-07	11.52%	11.13%	-0.39%	752,361,745	(244,518)	85.32%	(208,622)
Jan-08	Nov-07	11.52%	11.13%	-0.39%	776,019,046	(252,206)	83.75%	(211,223)
Feb-08	Dec-07	11.52%	11.13%	-0.39%	811,489,514	(263,734)	82.92%	(218,688)
Mar-08	Jan-08	11.52%	11.13%	-0.39%	839,500,759	(272,838)	84.20%	(229,729)
Apr-08	Feb-08	11.52%	11.13%	-0.39%	865,431,944	(281,265)	85.76%	(241,213)
						(1,547,812)		(1,306,689)
Cumulative Impact of Changes in Rate of Return						\$ (2,717,490)		\$ (2,297,506)

Kentucky Utilities Company
Adjusted Electric Rate of Return on Common Equity
10/31/2007

(1)	(2) Total Company Capitalization	(3) Adjustments to Total Co Capitalization	(4) Adjusted Total Company Capitalization	(5) Capital Structure	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization
	(20)	(2) - (3)	(4) / (4), row 7		(4) * (6)	
1 Long-Term Debt	1,163,753,140	10,462,030	1,153,291,110	45 10%	88 20%	1,017,168,160
2 Med Term Notes Payable	-	-	-	0 00%	88 20%	-
3 Short-Term Debt	51,345,054	461,587	50,883,467	1 99%	88 20%	44,877,691
4 Preferred Stock	-	-	-	0 00%	88 20%	-
5 Accounts Receivable Financing	-	-	-	0 00%	88 20%	-
6 Common Equity	1,386,757,190	33,900,309	1,352,856,881	52 91%	88 20%	1,193,179,183
7	2,601,855,384	44,823,926	2,557,031,458	100 00%		2,255,225,035

(1)	(8) Kentucky Jurisdictional Capitalization	(9) Adjustments to Ky Juris Capitalization	(10) Adjusted Ky Jurisdictional Capitalization	(11) Capital Structure	(12) Annual Cost Rate	(13) Weighted Cost of Capital
	(7)	(24)	(8) - (9)	(10) / (10), row 7		(11) * (12)
1 Long-Term Debt	1,017,168,160	287,719,643	729,448,517	45 10%	5 00%	2 25%
2 Med Term Notes Payable	-	-	-	0 00%	0 00%	0 00%
3 Short-Term Debt	44,877,691	12,694,256	32,183,435	1 99%	5 05%	0 10%
4 Preferred Stock	-	-	-	0 00%	0 00%	0 00%
5 Accounts Receivable Financing	-	-	-	0 00%	0 00%	0 00%
6 Common Equity	1,193,179,183	337,506,720	855,672,463	52 91%	10 50%	5 56%
7	2,255,225,035	637,920,619	1,617,304,415	100 00%		7 91%
8 Weighted Cost of Capital Grossed up for Income Tax Effect $\{ROR + (ROR - DR) \times [TR / (1 - TR)]\}$						11 13%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization	(15) Capital Structure	(16) Undistributed Subsidiary Earnings	(17) Investments in EEI	(18) Other Investments	(19) Minimum Pension Liability	(20) Total Adjustments to Total Company Capitalization
	(2)	(14) / (14), row 7		(17) row 7 x (15)	(18) row 7 x (15)		(16) + (17) + (18) - (19)
1 Long-Term Debt	1,163,753,140	44 728%	-	10,166,317	295,713	-	10,462,030
2 Med Term Notes Payable	-	0 000%	-	-	-	-	-
3 Short-Term Debt	51,345,054	1 973%	-	448,540	13,047	-	461,587
4 Preferred Stock	-	0 000%	-	-	-	-	-
5 Accounts Receivable Financing	-	0 000%	-	-	-	-	-
6 Common Equity	1,386,757,190	53 299%	21,433,493	12,114,436	352,380	-	33,900,309
7	2,601,855,384	100 000%	21,433,493	22,729,293	661,140	-	44,823,926

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization	(22) Capital Structure	(23) Environmental Surcharge Post-1994 Plan	(24) Adjustments to Ky Juris Capitalization
	(8)	(21) / (21), row 7	(23) row 7 x (22)	(23)
1 Long-Term Debt	1,017,168,160	45 10%	287,719,643	287,719,643
2 Med Term Notes Payable	-	0 00%	-	-
3 Short-Term Debt	44,877,691	1 99%	12,694,256	12,694,256
4 Preferred Stock	-	0 00%	-	-
5 Accounts Receivable Financing	-	0 00%	-	-
6 Common Equity	1,193,179,183	52 91%	337,506,720	337,506,720
7	2,255,225,035	100 00%	637,920,619	637,920,619

Kentucky Utilities Company
Adjusted Electric Rate of Return on Common Equity
4/30/2008

(1)	(2) Total Company Capitalization	(3) Adjustments to Total Co Capitalization (20)	(4) Adjusted Total Company Capitalization (2) - (3)	(5) Capital Structure (4) / (4), row 7	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization (4) * (6)
1 Long-Term Debt	1,247,059,520	11,162,883	1,235,896,637	44.07%	87.94%	1,086,847,503
2 Med Term Notes Payable	-	-	-	0.00%	87.94%	-
3 Short-Term Debt	93,302,454	835,185	92,467,269	3.30%	87.94%	81,315,716
4 Preferred Stock	-	-	-	0.00%	87.94%	-
5 Accounts Receivable Financing	-	-	-	0.00%	87.94%	-
6 Common Equity	1,513,015,410	37,128,230	1,475,887,180	52.63%	87.94%	1,297,895,186
7	2,853,377,384	49,126,298	2,804,251,086	100.00%		2,466,058,405

(1)	(8) Kentucky Jurisdictional Capitalization (7)	(9) Adjustments to Ky Juris Capitalization (24)	(10) Adjusted Ky Jurisdictional Capitalization (8) - (9)	(11) Capital Structure (10) / (10), row 7	(12) Annual Cost Rate	(13) Weighted Cost of Capital (11) * (12)
1 Long-Term Debt	1,086,847,503	348,714,128	738,133,375	44.07%	5.24%	2.31%
2 Med Term Notes Payable	-	-	-	0.00%	0.00%	0.00%
3 Short-Term Debt	81,315,716	26,090,081	55,225,635	3.30%	2.63%	0.09%
4 Preferred Stock	-	-	-	0.00%	0.00%	0.00%
5 Accounts Receivable Financing	-	-	-	0.00%	0.00%	0.00%
6 Common Equity	1,297,895,186	416,428,604	881,466,582	52.63%	10.50%	5.53%
7	2,466,058,405	791,232,812	1,674,825,593	100.00%		7.92%
8 Weighted Cost of Capital Grossed up for Income Tax Effect $\{ROR + (ROR - DR) \times [TR / (1 - TR)]\}$						11.13%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization (2)	(15) Capital Structure (14) / (14), row 7	(16) Undistributed Subsidiary Earnings	(17) Investments in EEI (17) row 7 x (15)	(18) Other Investments (18) row 7 x (15)	(19) Minimum Pension Liability	(20) Total Adjustments to Total Company Capitalization (16) + (17) + (18) - (19)
1 Long-Term Debt	1,247,059,520	43.705%	-	10,873,934	288,949	-	11,162,883
2 Med Term Notes Payable	-	0.000%	-	-	-	-	-
3 Short-Term Debt	93,302,454	3.270%	-	813,567	21,619	-	835,185
4 Preferred Stock	-	0.000%	-	-	-	-	-
5 Accounts Receivable Financing	-	0.000%	-	-	-	-	-
6 Common Equity	1,513,015,410	53.025%	23,584,679	13,192,978	350,572	-	37,128,230
7	2,853,377,384	100.000%	23,584,679	24,880,479	661,140	-	49,126,298

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization (8)	(22) Capital Structure (21) / (21), row 7	(23) Environmental Surcharge Post-1994 Plan (23) row 7 x (22)	(24) Adjustments to Ky Juris Capitalization (23)
1 Long-Term Debt	1,086,847,503	44.07%	348,714,128	348,714,128
2 Med Term Notes Payable	-	0.00%	-	-
3 Short-Term Debt	81,315,716	3.30%	26,090,081	26,090,081
4 Preferred Stock	-	0.00%	-	-
5 Accounts Receivable Financing	-	0.00%	-	-
6 Common Equity	1,297,895,186	52.63%	416,428,604	416,428,604
7	2,466,058,405	100.00%	791,232,812	791,232,812

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated June 17, 2008**

Case No. 2008-00216

Question No. 2

Witness: Robert M. Conroy

- Q-2. For each of the periods under review, prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the billing period under review. Include the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period under review. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings KU has submitted during the billing periods under review. Include a calculation of any additional over- or under-recovery amount KU believes needs to be recognized for the 6-month reviews. Include all supporting calculations and documentation for any such additional over- or under-recovery.
- A-2. Please see the attachment to this response for the summary schedule.

Kentucky Utilities
 Calculation of E(m) and Jurisdictional Surcharge Billing Factor
 Summary Schedule for Expense Months March 2007 through February 2008

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Expense Month	Rate Base as Revised ES Form 2.00	Monthly Rate Base as Revised (2) / 12	Rate of Return as Revised	Operating Expenses (net of allowance proceeds) ES Form 2.00	Total E(m) (3) * (4) + (5)	Retail Allocation Ratio ES Form 1.10	Retail E(m) (6) * (7)
Mar-07	511,921,503	42,660,125	11.13%	293,904	5,041,976	83.42%	4,206,016
Apr-07	547,830,501	45,652,542	11.13%	770,850	5,851,978	85.81%	5,021,582
May-07	583,059,022	48,588,252	11.13%	1,000,328	6,408,200	83.08%	5,323,933
Jun-07	618,272,493	51,522,708	11.13%	1,759,415	7,493,892	85.70%	6,422,266
Jul-07	652,064,986	54,338,749	11.13%	2,144,308	8,192,211	84.72%	6,940,441
Aug-07	685,861,631	57,155,136	11.13%	2,028,724	8,390,091	85.27%	7,154,230
Sep-07	717,693,961	59,807,830	11.13%	1,499,893	8,156,504	84.55%	6,896,325
Oct-07	752,361,745	62,696,812	11.13%	1,617,797	8,595,952	85.32%	7,334,066
Nov-07	776,019,046	64,668,254	11.13%	1,554,607	8,752,184	83.75%	7,329,954
Dec-07	811,489,514	67,624,126	11.13%	1,627,390	9,153,955	82.92%	7,590,460
Jan-08	839,500,759	69,958,397	11.13%	1,424,993	9,211,363	84.20%	7,755,967
Feb-08	865,431,944	72,119,329	11.13%	1,449,628	9,476,509	85.76%	8,127,054

(1) Expense Month	(2) Retail E(m)	(3) Adjustment For OMU Environmental Expenses per Case No. 2003-00434	(4) Adjustment to Retail E(m) for Monthly True-up Case No. 2006-00129	(5) Retail E(m) Including all Adjustments	(6) Average Monthly Retail Revenues ES Form 1.00	(7) Current Environmental Surcharge Factor (CESF) (5) / (6)	(8) Base Environmental Surcharge Factor (BESF)	(9) Monthly Environmental Surcharge Factor (MESF) (7) - (8)	(10) ECR Billing Factor Revenues	(11) ECR Revenue Recovered Through Base Rates	(12) Combined Total Over/(Under) Recovery
Mar-07	4,206,016	83,333	399,375	4,688,724	79,931,362	5.87%	3.11%	2.76%			
Apr-07	5,021,582	83,333	399,374	5,504,289	80,637,289	6.83%	3.11%	3.72%	2,339,019	2,016,822	(332,884)
May-07	5,323,933	83,333		5,407,266	81,235,959	6.66%	3.11%	3.55%	3,973,879	2,214,070	683,660
Jun-07	6,422,266	83,333		6,505,599	82,545,385	7.88%	3.11%	4.77%	4,095,263	2,340,993	1,028,990
Jul-07	6,940,441	83,333		7,023,774	83,244,843	8.44%	3.11%	5.33%	4,367,489	2,479,181	341,071
Aug-07	7,154,230	83,333		7,237,563	83,131,325	8.71%	3.11%	5.60%	5,094,711	2,534,872	605,809
Sep-07									4,696,399	2,132,319	(408,846)
Oct-07	6,896,325	83,333		6,979,658	84,095,039	8.30%	3.11%	5.19%			
Nov-07	7,334,066	83,333		7,417,399	84,881,902	8.74%	3.11%	5.63%	3,486,782	2,000,449	(1,492,427)
Dec-07	7,329,954	83,333		7,413,287	85,220,895	8.70%	3.11%	5.59%	5,482,500	2,258,900	324,001
Jan-08	7,590,460	83,333		7,673,793	85,684,224	8.96%	3.11%	5.85%	8,085,888	2,598,897	3,271,498
Feb-08	7,755,967	83,333		7,839,300	88,275,137	8.88%	3.11%	5.77%	5,168,528	2,527,869	22,604
Mar-08	8,127,054	83,333		8,210,387	88,972,444	9.23%	3.11%	6.12%	2,964,623	2,360,997	(2,513,681)
Apr-08									4,587,476	2,070,551	(1,552,360)
	80,102,295			81,901,040				Grand Total	54,342,557	27,535,920	(22,563)

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated June 17, 2008**

Case No. 2008-00216

Question No. 3

Witness: Shannon L. Charnas

Q-3. Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported during the billing period under review for Pollution Control Deferred Income Taxes.

A-3. Please see the attachment.

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2001 - Plan
Project 16 -- Emission Monitoring

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	900,209	18,994
Apr-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	910,068	18,994
May-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	919,927	18,994
Jun-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	929,786	18,994
Jul-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	939,645	18,994
Aug-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	949,504	18,994
Sep-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	959,363	18,994
Oct-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	969,222	18,994
Nov-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	979,081	18,994
Dec-07	9,775,541	16,203	41,547	25,344	38.9000%	9,859	988,940	18,994
Jan-08	9,775,541	16,203	38,431	22,228	38.9000%	8,647	997,587	18,994
Feb-08	9,775,541	16,203	38,431	22,228	38.9000%	8,647	1,006,234	18,994

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2001 - Plan
Project 17 -- NOx

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	27,967,076	205,174
Apr-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	28,115,777	205,174
May-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	28,264,478	205,174
Jun-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	28,413,179	205,174
Jul-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	28,561,880	205,174
Aug-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	28,710,581	205,174
Sep-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	28,859,282	205,174
Oct-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	29,007,983	205,174
Nov-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	29,156,684	205,174
Dec-07	216,964,277	456,301	1,915,513	1,459,212	38.9000%	148,701	29,305,385	205,174
Jan-08	216,964,277	456,301	1,773,222	1,316,921	38.9000%	124,817	29,430,202	205,174
Feb-08	216,964,277	456,301	1,773,222	1,316,921	38.9000%	124,817	29,555,019	205,174

Note: Due to Bonus Depreciation for tax purposes, taken on certain components of Project 17, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2005 received 30% bonus depreciation, which reduces the Federal tax basis to 70% of the plant balance. A sample calculation of deferred taxes for March 2007 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed. Difference	Fed Tax Rate	Fed Def Tax
151,874,994	456,301	805,385	349,084	35.0000%	122,179
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
216,964,277	456,301	1,136,332	680,031	6.0000%	40,802

St. Offset for Fed Taxes not Owed
(14,281)

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2003 - Plan
Project 18 -- New Ash Storage

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,142,671	-
Apr-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,154,971	-
May-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,167,271	-
Jun-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,179,571	-
Jul-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,191,871	-
Aug-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,204,171	-
Sep-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,216,471	-
Oct-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,228,771	-
Nov-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,241,071	-
Dec-07	16,148,295	29,067	141,310	112,243	38.9000%	12,300	2,253,371	-
Jan-08	16,148,295	29,067	130,695	101,628	38.9000%	10,527	2,263,898	-
Feb-08	16,148,295	29,067	130,695	101,628	38.9000%	10,527	2,274,425	-

Note: Due to Bonus Depreciation for tax purposes taken on Project 18, the deferred tax calculation for this project is computed separately for Federal and State purposes. Specifically, for Federal taxes, certain assets placed in service in 2005 received 30% bonus depreciation, which reduces the Federal tax basis to 70% of the plant balance. A sample calculation of deferred taxes for March 2007 is shown below:

Federal Basis	Book Depr.	Federal Tax Depr	Fed. Difference	Fed Tax Rate	Fed Def Tax
11,303,807	29,067	58,186	29,119	35.0000%	10,192
State Basis	Book Depr.	State Tax Depr	St. Difference	State Tax Rate	St Def Tax
16,148,295	29,067	83,123	54,056	6.0000%	3,243

St. Offset for Fed Taxes not Owed
(1,135)

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2005 - Plan

Project 19 -- Ash Handling at Ghent 1 and Ghent Station

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	398,915	718	3,809	3,091	38.9000%	1,202	13,702	28,433
Apr-07	398,915	718	3,809	3,091	38.9000%	1,202	14,904	28,433
May-07	398,915	718	3,809	3,091	38.9000%	1,202	16,107	28,433
Jun-07	398,915	718	3,809	3,091	38.9000%	1,202	17,309	28,433
Jul-07	398,915	718	3,809	3,091	38.9000%	1,202	18,512	28,433
Aug-07	398,915	718	3,809	3,091	38.9000%	1,202	19,714	28,433
Sep-07	398,915	718	3,809	3,091	38.9000%	1,202	20,916	28,433
Oct-07	398,915	718	3,809	3,091	38.9000%	1,202	22,119	28,433
Nov-07	398,915	718	3,809	3,091	38.9000%	1,202	23,321	28,433
Dec-07	398,915	718	3,809	3,091	38.9000%	1,202	24,524	28,433
Jan-08	398,915	718	3,737	3,019	38.9000%	1,174	25,698	28,433
Feb-08	398,915	718	3,737	3,019	38.9000%	1,174	26,872	28,433

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2005 - Plan
Project 20 -- Ash Treatment Basin at E.W. Brown

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2005 - Plan
Project 21 -- FGD's

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	136,503,019	322,488	1,267,531	945,043	38.9000%	367,622	367,622	(756,585)
Jul-07	136,503,019	644,977	1,267,531	622,554	38.9000%	242,174	609,795	(756,585)
Aug-07	136,503,019	644,977	1,267,531	622,554	38.9000%	242,174	851,969	(756,585)
Sep-07	136,503,019	644,977	1,267,531	622,554	38.9000%	242,174	1,094,142	(756,585)
Oct-07	136,503,019	644,977	1,267,531	622,554	38.9000%	242,174	1,336,316	(756,585)
Nov-07	136,503,019	644,977	1,267,531	622,554	38.9000%	242,174	1,578,489	(756,585)
Dec-07	143,837,362	656,926	1,542,569	885,643	38.9000%	344,515	1,923,004	(756,585)
Jan-08	143,837,362	668,875	1,347,619	678,744	38.9000%	264,031	2,187,036	(761,567)
Feb-08	143,837,362	668,875	1,347,619	678,744	38.9000%	264,031	2,451,067	(761,567)

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2006 - Plan
Project 23 - TC2 AQCS Equipment

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2006 - Plan
Project 24 - Sorbent Injection

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	-	-	-	-	38.9000%	-	-	-
Apr-07	-	-	-	-	38.9000%	-	-	-
May-07	-	-	-	-	38.9000%	-	-	-
Jun-07	-	-	-	-	38.9000%	-	-	-
Jul-07	-	-	-	-	38.9000%	-	-	-
Aug-07	-	-	-	-	38.9000%	-	-	-
Sep-07	-	-	-	-	38.9000%	-	-	-
Oct-07	-	-	-	-	38.9000%	-	-	-
Nov-07	-	-	-	-	38.9000%	-	-	-
Dec-07	-	-	-	-	38.9000%	-	-	-
Jan-08	-	-	-	-	38.9000%	-	-	-
Feb-08	-	-	-	-	38.9000%	-	-	-

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2006 - Plan
Project 25 - Mercury Monitors

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	149,749	383	1,728	1,345	38.9000%	523	2,924	-
Apr-07	149,749	383	1,728	1,345	38.9000%	523	3,447	-
May-07	149,749	383	1,728	1,345	38.9000%	523	3,970	-
Jun-07	149,749	383	1,728	1,345	38.9000%	523	4,494	-
Jul-07	149,749	383	1,728	1,345	38.9000%	523	5,017	-
Aug-07	149,749	383	1,728	1,345	38.9000%	523	5,540	-
Sep-07	149,749	383	1,728	1,345	38.9000%	523	6,063	-
Oct-07	265,290	1,346	3,654	2,308	38.9000%	898	6,961	-
Nov-07	265,290	2,308	3,654	1,346	38.9000%	524	7,485	-
Dec-07	265,290	2,308	3,654	1,346	38.9000%	524	8,008	-
Jan-08	265,290	2,308	3,627	1,319	38.9000%	513	8,521	-
Feb-08	265,290	2,308	3,627	1,319	38.9000%	513	9,034	-

Kentucky Utilities Company
Deferred Tax Calculations
Post-1994 Environmental Compliance Plans, by Approved Project

2006 - Plan

Project 27 - E.W. Brown Electrostatic Precipitators

Month	Plant Balance	Book Depreciation	Tax Depreciation	Temporary Difference	Income Tax Rate	Deferred Tax	Accumulated Deferred Taxes	Deferred Taxes on Retirements
Mar-07	46,715	152	580	428	38.9000%	166	1,678	2,274
Apr-07	46,715	152	580	428	38.9000%	166	1,844	2,274
May-07	46,715	152	580	428	38.9000%	166	2,011	2,274
Jun-07	46,715	152	580	428	38.9000%	166	2,177	2,274
Jul-07	46,715	152	580	428	38.9000%	166	2,344	2,274
Aug-07	46,715	152	580	428	38.9000%	166	2,510	2,274
Sep-07	46,715	152	580	428	38.9000%	166	2,677	2,274
Oct-07	46,715	152	580	428	38.9000%	166	2,843	2,274
Nov-07	46,715	152	580	428	38.9000%	166	3,010	2,274
Dec-07	46,715	152	580	428	38.9000%	166	3,176	2,274
Jan-08	46,715	152	571	419	38.9000%	163	3,339	2,274
Feb-08	46,715	152	571	419	38.9000%	163	3,502	2,274

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated June 17, 2008**

Case No. 2008-00216

Question No. 4

Witness: Shannon L. Charnas

Q-4. Provide the percentage of KU's long-term debt that has a variable interest rate as of the last expense month in the billing period under review.

A-4. The requested information for the two six-month period under review is as follows:

For the last expense month of the billing period of May 1, 2007, through October 31, 2007, the percentage of KU's long-term debt with a variable rate was 29%.

For the last expense month of the billing period of November 1, 2007, through April 30, 2008, the percentage of KU's long-term debt with a variable rate was 25%.

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated June 17, 2008**

Case No. 2008-00216

Question No. 5

Witness: Shannon L. Charnas

- Q-5. Refer to ES Form 2.50, Pollution Control – Operations & Maintenance Expenses, for the March 2007 through February 2008 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-5. Attached please find a schedule showing the changes in operations and maintenance expense accounts for March 2007 through February 2008 expense months. The changes in the expense levels are reasonable and occurred as a part of routine plant operations and maintenance. Monthly variances in the NOx operation account, 506104, and the sorbent injection operation account, 506109, result from the timing of ammonia purchases and operation of the system during the ozone season (May through September). The increase in sorbent injection maintenance costs, account 512102, in June 2007, was due to the installation of injection ports for the SCR for the ozone season. Other monthly variances in this account are the result of routine monthly maintenance. Monthly variances in account 512005, scrubber maintenance, result from the timing of routine monthly maintenance of the FGDs. July and August 2007 balances in account 502006, scrubber operations, included costs for Ghent Unit 1, which should be excluded from the ECR filings. The amounts were reversed in September 2007. The September 2007 balance of account 512101, NOx maintenance, represents a reversal of July and August 2007 charges for Ghent Unit 2. These charges were allocated to all Ghent units, which inadvertently included Ghent 2, thus the reason for the reversal in September.

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses

O&M Expense Account	Ghent												
	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Jan-08	Feb-08	Period	% Change from Prior	Period	% Change from Prior	
2001 Plan													
506104 NOx Operation -- Consumables	-	94,611	157,694	189,199	214,503	201,262	20%	13%	20%	13%	201,262	-6%	
506105 NOx Operation -- Labor and Other	-	-	-	-	-	-	0%	0%	0%	0%	-	0%	
512101 NOx Maintenance	43,620	35,774	16,149	4,845	21,060	7,381	-18%	-70%	-70%	335%	7,381	-65%	
Total 2001 Plan O&M Expenses	43,620	130,385	173,843	194,044	235,563	208,643	199%	33%	12%	21%	208,643	-11%	
2005 Plan													
502006 Scrubber Operations	-	-	-	76,533	293,171	125,452	0%	100%	100%	283%	125,452	-57%	
512005 Scrubber Maintenance	-	-	-	-	-	194	0%	0%	0%	0%	194	100%	
Total 2005 Plan O&M Expenses	-	-	-	76,533	293,171	125,646	0%	0%	0%	283%	125,646	-57%	
2006 Plan													
506104 NOx Operation -- Consumables	-	-	-	-	-	-	0%	0%	0%	0%	-	0%	
506105 NOx Operation -- Labor and Other	-	-	-	-	-	-	0%	0%	0%	0%	-	0%	
512101 NOx Maintenance	-	-	-	-	3,797	112	0%	0%	0%	100%	112	-97%	
506109 Sorbent Injection Operation	-	-	34,982	57,471	139,020	137,151	100%	64%	64%	142%	137,151	-1%	
512102 Sorbent Injection Maintenance	-	766	6,119	304,574	26,623	58,589	100%	699%	4878%	-91%	58,589	120%	
506110 Mercury Monitors Operation	-	-	-	-	-	-	0%	0%	0%	0%	-	0%	
512103 Mercury Monitors Maintenance	-	-	-	-	-	-	0%	0%	0%	0%	-	0%	
Total 2006 Plan O&M Expenses	-	766	41,101	362,045	169,440	195,852	0%	5266%	781%	-53%	195,852	16%	
2001 Plan													
506104 NOx Operation -- Consumables	168,033	-17%	-100%	28,399	100%	-	0%	0%	-	0%	49,954	100%	
506105 NOx Operation -- Labor and Other	-	0%	0%	-	0%	-	0%	0%	0%	0%	-	0%	
512101 NOx Maintenance	6,414	-13%	810%	9,932	-83%	98,268	58,342	810%	889%	29,374	18,213	-38%	
Total 2001 Plan O&M Expenses	174,447	-16%	58,342	38,331	-34%	98,268	58,342	810%	156%	29,374	68,167	132%	
2005 Plan													
502006 Scrubber Operations	(184,698)	-247%	79,476	97,465	23%	70,434	542	79,476	206%	83,948	72,009	-14%	
512005 Scrubber Maintenance	155	-20%	542	535	-1%	1,637	80,018	542	72,071	7,911	8,858	12%	
Total 2005 Plan O&M Expenses	(184,543)	-247%	80,018	98,000	22%	72,071	80,018	80,018	-26%	91,859	80,867	-12%	
2006 Plan													
506104 NOx Operation -- Consumables	-	0%	0%	-	0%	-	0%	0%	0%	0%	-	0%	
506105 NOx Operation -- Labor and Other	-	0%	0%	-	0%	-	0%	0%	0%	0%	-	0%	
512101 NOx Maintenance	(3,909)	-3590%	-	-100%	0%	-	-100%	-	0%	-	-	0%	
506109 Sorbent Injection Operation	83,205	-39%	16,288	2,540	-84%	-	-80%	2,540	-100%	-	-	0%	
512102 Sorbent Injection Maintenance	13,190	-77%	23,994	7	-100%	-	82%	7	-100%	-	-	0%	
506110 Mercury Monitors Operation	-	0%	-	-	0%	-	0%	-	0%	-	-	0%	
512103 Mercury Monitors Maintenance	-	0%	-	-	0%	-	0%	-	0%	-	-	0%	
Total 2006 Plan O&M Expenses	92,486	-53%	40,282	2,547	-94%	-	-56%	2,547	-100%	-	-	0%	

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated June 17, 2008**

Case No. 2008-00216

Question No. 6

Witness: Shannon L. Charnas

- Q-6. The Commission previously ordered that KU's cost of debt and preferred stock would be reviewed and re-established during the 6-month review case. Provide the following information as of February 29, 2008:
- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and Kentucky jurisdictional bases.
 - b. The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined. If applicable, provide the blended interest rates on total company and Kentucky jurisdictional bases.
 - c. KU's calculation of its weighted average cost of capital for environmental surcharge purposes.
- A-6.
- a. Please see the attachment. There was no preferred stock as of February 29, 2008, therefore it is not listed in the attached schedule.
 - b. Please see the attachment. There was no preferred stock as of February 29, 2008, therefore it is not listed in the attached schedule.
 - c. Please see the attachment.

Kentucky Utilities Company
Outstanding Balances - Capitalization
As of February 29, 2008

1	2	3
	Outstanding Balance Total Company	Outstanding Balance KY Jurisdictional 87.94%
1 Long-Term Debt	\$1,263,753,140	\$1,111,344,511
2 Short-Term Debt	\$48,000,454	\$42,211,599
3 Common Equity	\$1,467,474,030	\$1,290,496,662

Kentucky Utilities Company
Blended Interest Rates
As of February 29, 2008

	1
	Blended Interest Rate
	<u>Total Company</u>
1 Long-Term Debt	5.19%
2 Short-Term Debt	3.08%

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
February 29, 2008

	Due	Rate	Principal	Interest(income)	Annualized Cost			Total	Embedded Cost
					Amortized Debt Issuance Expense	Premium	Amortized Loss-Required Debt		
LONG-TERM DEBT									
Pollution Control Bonds -									
Series 11 - Series A	05/01/23	8 75000% *	12,900,000	1,128,750	17,292	-	16,788	1,162,830	9 01
Series 12	02/01/32	1 20000% *	20,930,000	251,160	4,104	-	36,300	291,564	1 39
Series 13	02/01/32	1 20000% *	2,400,000	28,800	2,856	-	4,164	35,820	1 49
Series 14	02/01/32	1 20000% *	2,400,000	28,800	1,140	-	15,660	45,600	1 90
Series 15	02/01/32	1 20000% *	7,400,000	88,800	3,180	-	12,744	104,724	1 42
Series 16	10/01/32	4 52700% *	96,000,000	4,345,920	72,708	-	186,036	4,604,664	4 80
Series 17	10/01/34	4 42500% *	50,000,000	2,212,500	40,068	-	53,940	2,306,508	4 61
Series 18	06/01/35	4 39200% *	13,266,950	582,684	17,700	-	-	600,384	4 53
Series 19	06/01/35	4 39200% *	13,266,950	582,684	17,988	-	-	600,672	4 53
Series 20	06/01/36	4 30000% *	16,693,620	717,826	20,688	-	-	738,514	4 42
Series 21	06/01/36	4 75500% *	16,693,620	793,782	20,601	-	-	814,383	4 88
Series 22	10/01/34	4 65000% *	54,000,000	2,511,000	37,343	-	-	2,548,343	4 72
CC 2007A \$17 8M	02/01/26	4 65000% *	17,875,000	831,188	22,278	-	-	853,466	4 77
TC 2007A \$8 9M	03/01/37	4 65000% *	8,927,000	415,106	10,763	-	-	425,869	4 77
Called Bonds			-	-	-	-	110,904	110,905	-
Total External Debt			332,753,140	14,519,000	288,709	-	436,536	15,244,246	1.21%
Notes Payable to Fidelity Corp									
Notes Payable to Fidelity Corp	04/30/13	4 550%	100,000,000	4,550,000	-	-	-	4,550,000	4 55
Notes Payable to Fidelity Corp	08/15/13	5 310%	75,000,000	3,982,500	-	-	-	3,982,500	5 31
Notes Payable to Fidelity Corp	11/24/10	4 240%	33,000,000	1,399,200	-	-	-	1,399,200	4 24
Notes Payable to Fidelity Corp	01/16/12	4 390%	50,000,000	2,195,000	-	-	-	2,195,000	4 39
Notes Payable to Fidelity Corp	07/08/15	4 735%	50,000,000	2,367,500	-	-	-	2,367,500	4 74
Notes Payable to Fidelity Corp	12/21/15	5 360%	75,000,000	4,020,000	-	-	-	4,020,000	5 36
Notes Payable to Fidelity Corp	06/23/36	6 330%	50,000,000	3,165,000	-	-	-	3,165,000	6 33
Notes Payable to Fidelity Corp	10/25/16	5 675%	50,000,000	2,837,500	-	-	-	2,837,500	5 68
Notes Payable to Fidelity Corp	02/07/22	5 690%	53,000,000	3,015,700	-	-	-	3,015,700	5 69
Notes Payable to Fidelity Corp	03/30/37	5 860%	75,000,000	4,395,000	-	-	-	4,395,000	5 86
Notes Payable to Fidelity Corp	06/20/17	5 980%	50,000,000	2,990,000	-	-	-	2,990,000	5 98
Notes Payable to Fidelity Corp	09/14/28	5 960%	100,000,000	5,960,000	-	-	-	5,960,000	5 96
Notes Payable to Fidelity Corp	10/25/19	5 710%	70,000,000	3,997,000	-	-	-	3,997,000	5 71
Notes Payable to Fidelity Corp	12/19/14	5 450%	100,000,000	5,450,000	-	-	-	5,450,000	5 45
Total Internal Debt			931,000,000	50,324,400	-	-	-	50,324,400	3.98%
Total			1,263,753,140	64,843,400	288,709	0	436,536	65,568,646	5.19%

	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost
				Expense	Premium	Loss		
SHORT TERM DEBT								
Notes Payable to Associated Company	3 080% *	48,000,454	1,478,414	-	-	-	1,478,414	3 08
Total		48,000,454	1,478,414	-	-	-	1,478,414	3.08%

Embedded Cost of Total Debt 67,047,060 5.11%

* Composite rate at end of current month

1 Series P and R bonds were redeemed in 2003, and 2005, respectively. They were not replaced with other bond series. The remaining unamortized expense is being amortized over the remainder of the original lives (due 5/15/07 and 6/1/25 respectively) of the bonds as loss on required debt.

Kentucky Utilities Company
 Outstanding Balances - Adjusted Jurisdictional Capitalization
 As of February 29, 2008

1	2	3	4	5	6	7
	Electric Only	Capital Structure	Cost Rate	Weighted Average Cost of Capital	Tax Gross-up Factor	Weighted Average Cost of Capital with Equity Gross-up
1	Long-Term Debt	762,392,967	45.798%	5.19%	2.38%	2.38%
2	Short-Term Debt	28,957,561	1.740%	3.08%	0.05%	0.05%
3	Common Equity	873,345,702	52.463%	10.50%	0.5797	8.70%
4	Total	1,664,696,230				11.13%
						Rate of Return Grossed Up: 11.13%

Weighted Cost of Capital Grossed up for Income Tax Effect $\{ROR + (ROR - DR) \times [TR/(1-TR)]\}$

See tax rate calculation on 6(c) page (2)

**ECR - Gross-up Revenue Factor &
Composite Income Tax Calculation
2008**

	2008 Federal & State Production Credit W/ 6% 2008 State <u>Tax Rate Included</u>
1. Assume pre-tax income of	\$ 100.0000
2. State income tax (see below)	<u>5.6604</u>
3. Taxable income for Federal income tax before production credit	94.3396
	6%
4. Less: Production tax credit (6% of Line 3)	<u>5.6604</u>
5. Taxable income for Federal income tax	88.6792
6. Federal income tax (35% of Line 5)	<u>31.0377</u>
7. Total State and Federal income taxes (Line 2 + Line 6)	<u>\$ 36.6981</u>
8. Gross-up Revenue Factor	<u><u>63.3019</u></u>
9. Therefore, the composite rate is:	
10. Federal	31.0377%
11. State	<u>5.6604%</u>
12. Total	<u><u>36.6981%</u></u>

State Income Tax Calculation

1. Assume pre-tax income of	\$ 100.0000
2. Less: Production tax credit	<u>5.6604</u>
3. Taxable income for State income tax	94.3396
4. State Tax Rate	<u>6.0000%</u>
5. State Income Tax	<u><u>5.6604</u></u>