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SEP 11 2008

**PUBLIC SERVICE
COMMISSION**

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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

September 11, 2008

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

RE: *Application of Kentucky Utilities Company for an Adjustment of Base Rates – Case No. 2008-00251*

Application of Kentucky Utilities Company to File Depreciation Study – Case No. 2007-00565

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Kentucky Utilities Company to the Attorney General's (AG) Initial Requests for Information dated August 27, 2008, in the above-referenced matters.

Also, enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information requested in Question Nos. 44(a), 78, 107 and 115.

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

Counsel of Record

Allyson K. Sturgeon, Senior Corporate Attorney – E.ON U.S. LLC
Robert M. Watt – Stoll Keenon Ogden PLLC (Kentucky Utilities)
Kendrick R. Riggs – Stoll Keenon Ogden PLLC (Kentucky Utilities)
W. Duncan Crosby – Stoll Keenon Ogden PLLC (Kentucky Utilities)
Dennis Howard II – Office of the Attorney General (AG)
Lawrence W. Cook – Office of the Attorney General (AG)
Paul D. Adams – Office of the Attorney General (AG)
Michael L. Kurtz – Boehm, Kurtz & Lowry (KIUC)
David C. Brown – Stites and Harbison (Kroger)
Willis L. Wilson – LFUCG Department of Law (LFUCG)
Joe F. Childers (CAK and CAC)

Consultants to the Parties

Steve Seelye – The Prime Group (E.ON U.S. LLC)
William A. Avera – FINCAP, Inc (E.ON U.S. LLC)
John Spanos – Gannett Fleming, Inc. (E.ON U.S. LLC)
Robert Henkes (AG)
Michael Majoros – Snavely King Majoros O'Connor & Lee (AG)
Glenn Watkins – Technical Associates (AG)
Dr. J. Randall Woolridge – Smeal College of Business (AG)
Lane Kollen – Kennedy and Associates (KIUC)
Kevin C. Higgins – Energy Strategies, LLC (Kroger)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY)	CASE NO.
UTILITIES COMPANY FOR AN)	2008-00251
ADJUSTMENT OF BASE RATES)	

APPLICATION OF KENTUCKY)	CASE NO.
UTILITIES COMPANY TO FILE)	2007-00565
DEPRECIATION STUDY)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO THE
INITIAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL (AG)
DATED AUGUST 27, 2008

FILED: September 11, 2008

VERIFICATION

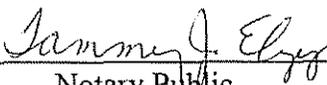
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says that he is the Chief Financial Officer, for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2008.

 (SEAL)

Notary Public

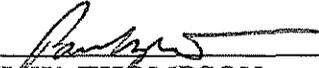
My Commission Expires:

November 9, 2010

VERIFICATION

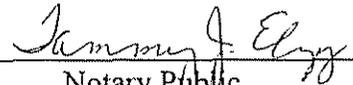
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is the Senior Vice President, Energy services for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



PAUL W. THOMPSON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2008.

 (SEAL)

Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

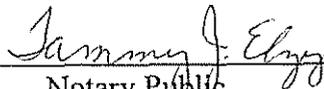
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paula H. Pottinger, Ph.D.**, being duly sworn, deposes and says that she is the Senior Vice President, Human Resources for Kentucky Utilities Company, 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.



PAULA H. POTTINGER, Ph.D.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2008.

 (SEAL)

Notary Public

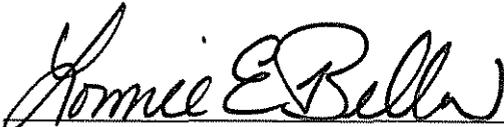
My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is the Vice President, State Regulation and Rates for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2008.

 (SEAL)

Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

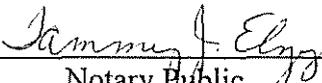
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



ROBERT M. CONROY

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2008.

 (SEAL)

Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Kentucky Utilities Company, 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.

Valerie L. Scott
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2008.

Sammy J. Ely (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

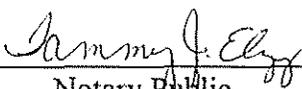
VERIFICATION

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 for Kentucky Utilities Company, 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 10th day of September, 2008.

 (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

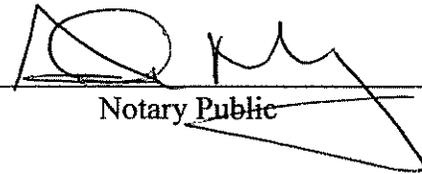
STATE OF TEXAS)
) **SS:**
COUNTY OF TRAVIS)

The undersigned, **William E. Avera**, being duly sworn, deposes and says that he is President of FINCAP, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



WILLIAM E. AVERA

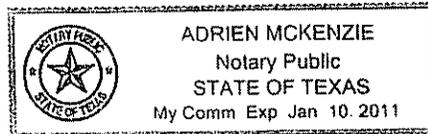
Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8th day of September, 2008.

 (SEAL)

Notary Public

My Commission Expires:

1/10/2011



KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 1

Responding Witness: Lonnie E. Bellar

- Q-1. Please identify and describe any ratemaking adjustments and/or rate making methodologies that have not previously been addressed and/or adopted by the KY PSC.
- A-1. The testimony filed by the Company contains detailed discussions for each ratemaking adjustment and references to previous proceedings where the adjustment have been addressed. In addition, the Company discusses the details of those adjustments that are unique to the test year and may not have been specifically addressed in prior proceedings. All of the adjustments are consistent with rate making principals for determining base rates based on a historical test year.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 2

Responding Witness: Lonnie E. Bellar

- Q-2. Please identify and describe any ratemaking adjustments and/or ratemaking methodologies that are different from the ratemaking adjustments and/or ratemaking methodologies authorized by the KY PSC in the prior rate case, Case No. 2003-0434.
- A-2. Please see the response to Question No. 1.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 3

Responding Witness: Valerie L. Scott

Q-3. Rives Exhibit 1, Schedule 1.42 shows the use of a PSC assessment rate of .1603% and a bad debt factor of .203% in the determination of the Gross Up Revenue Factor. In this regard, provide the following information:

- a. Worksheet showing the derivation of the .1603% and .203% factors.
- b. Provide the actual PSC assessment rate for electric and gas revenues in the test year and the current assessment rate for 2008.
- c. Provide the actual bad debt factor for the year prior to the test year.

A-3. a. PSC assessment (notice date, 06/17/08) \$ 1,792,751
2007 annual gross intra-state revenues reported to the PSC \$ 1,118,372,259
Assessment / Revenues 0.1603%

Net charge-offs for the test year ended 04/30/08 \$ 2,375,238
Billed revenues from ultimate consumers for the twelve months ended 04/30/08 \$1,169,688,236
Net charge-offs / Billed revenues from ultimate consumers 0.2030%

See also Question No. 63.

- b. The 0.1603% in (a) above is the actual assessment rate for the period 07/01/08 through 06/30/09. For the period 07/01/07 through 06/30/08, the assessment rate was 0.1706%.
- c. The actual bad debt factor for the year prior to the test year was 0.1804%.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 4

Responding Witness: Shannon L. Charnas

- Q-4. Please explain why it is no longer necessary for the Company to make adjustments to its electric rate base and capital structure for the E.W. Brown Repairs and Green River 1 and 2 Retirements, as it did in Case No. 2003-0434.
- A-4. KU's capital accounts at September 30, 2003 reflected capital repairs that were made to combustion turbine Nos. 6 & 7 at the E.W. Brown Power Station. KU was reimbursed for these repairs in November 2003, and the amount of the repairs was credited to the capital accounts. Green River units 1 and 2 were retired in March 2004. All adjustments related to the retirement have been recorded and there are no impacts to the test year ended April 30, 2008. These events were considered one-time events that were unique to the test year ended September 30, 2003. No effects of these events are included in the test year ended April 30, 2008, and no similar issues exist in the test year ended April 30, 2008, therefore, no adjustment is required to KU's rate base or capital structure as of April 30, 2008.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 5

Responding Witness: S. Bradford Rives

- Q-5. As shown on Rives Exhibit 2, page 1, the Company is proposing a debt to total capitalization ratio of 47.37% and associated equity to total capitalization ratio of 52.63% in its determination of the proposed overall rate of return of 8.31%. In this regard, please provide the following information:
- a. Why hasn't the Company reflected the debt to total capitalization ratio of 48.94% and equity to total capitalization ratio of 51.06% discussed on page 20, lines 5 – 18 of Mr. Rives' testimony, given that "disregarding the impact of purchased power agreements could limit the Company's future access to attractively priced debt capital"?
 - b. What would be the overall cost of capital (as compared to the currently reflected rate of 8.31%) based on the debt and equity ratios referenced in part (a) above? Please provide all supporting calculations.
- A-5.
- a. The capital structure presented on Rives Exhibit 2, page 1 reflects only those items that appear on the financial statements. In order to maintain consistency within the application, there was no adjustment made to the income statement or balance sheet to reflect the imputed debt calculated by S&P. The Company believes it is appropriate to recover the actual debt costs incurred. However, the imputed debt cannot be ignored in considering the target capital structure because the target is based on rating agency methodology.
 - b. If the imputed debt of \$86.1 million is used along with the incremental interest expense calculated by S&P of \$3.8 million, the overall cost of capital is reduced to 8.21%. This assumes that there is no change in the cost of equity or existing debt as a result of these changes. See attached for details.

KENTUCKY UTILITIES

Capitalization at April 30, 2008

	Per Books April 30, 2008 (1)	Capital Structure (2)	Reacquired Bonds (not retired) (3)	Undistributed Subsidiary Earnings (4)	Investment in EEI (Col 2 x Col 5 Line 5) (5)	Investments in OVEC and Other (Col 2 x Col 6 Line 5) (6)	Adjustments to Total Company Capitalization (Sum of Col 3 - Col 6) (7)	Adjusted Total Company Capitalization (Col 1 + Col 7) (8)
1. Short Term Debt	\$ 93,302,454	3.17%	\$ (16,693,620)	\$ -	\$ (788,711)	\$ (20,958)	\$ (17,503,289)	\$ 75,799,165
2. Long Term Debt	1,247,059,520	42.42%	16,693,620	-	(10,554,299)	(280,456)	5,858,865	1,252,918,385
3. Imputed Debt	86,100,000	2.93%	-	-	(728,998)	(19,371)	(748,369)	85,351,631
4. Common Equity	1,513,015,410	51.48%	-	(23,584,679)	(12,808,470)	(340,355)	(36,733,504)	1,476,281,906
5. Total Capitalization	<u>\$2,939,477,384</u>	<u>100.00%</u>	<u>\$ -</u>	<u>\$ (23,584,679)</u>	<u>\$ (24,880,478)</u>	<u>\$ (661,140)</u>	<u>\$ (49,126,297)</u>	<u>\$2,890,351,087</u>

	Adjusted Total Company Capitalization (8)	Jurisdictional Rate Base Percentage (Exhibit 3 Line 23) (9)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 x Col 9) (10)	Adjusted Jurisdictional Capital Structure (11)	Annual Cost Rate (12)	Cost of Capital (Col 11 x Col 12) (13)
1. Short Term Debt	\$ 75,799,165	73.94%	\$ 56,045,903	2.62%	2.63%	0.07%
2. Long Term Debt	1,252,918,385	73.94%	926,407,854	43.35%	5.21%	2.26%
3. Imputed Debt	85,351,631	73.94%	63,108,996	2.95%	4.41%	0.13%
4. Common Equity	1,476,281,906	73.94%	1,091,562,841	51.08%	11.25%	5.75%
5. Total Capitalization	<u>\$2,890,351,087</u>		<u>\$2,137,125,594</u>	<u>100.00%</u>		<u>8.21%</u>

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008

Question No. 6

Responding Witness: Shannon L. Charnas

- Q-6. With regard to the proposed pro forma depreciation expense adjustment shown on Rives Exhibit 1, Schedule 1.14, please provide the following information:
- a. Provide schedules showing the detailed derivation of the proposed pro forma annualized electric depreciation expenses of \$111,536,507. These schedules should show that the application of Mr. Spanos's proposed depreciation rates to the Company's proposed depreciable test year-end plant as of 4/30/08 would result in the proposed annualized depreciation expense level.
 - b. Do the proposed annualized depreciation expenses of \$111,536,507 include depreciation expenses associated with ARO assets and/or post-1995 ECR investments? If so, identify these depreciation expense amounts and explain why these expenses are included. If not, explain why not.
 - c. The Company's unadjusted test year electric depreciation expenses of \$124,356,219 include \$335,141 and \$12,754,702 for per books ARO and post-1995 ECR depreciation expenses. The Company has proposed to increase these unadjusted depreciation expenses of \$124,356,219 by \$270,131. Therefore, the Company's proposed pro forma adjusted annualized depreciation expenses include \$13,089,843 for per books ARO and post-1995 ECR depreciation expenses. Please confirm this and explain why it is appropriate that the proposed pro forma adjusted annualized depreciation expenses include \$13,089,843 for per books ARO and post-1995 ECR depreciation expenses.
- A-6. a. See attached.
- b. No. The depreciation expenses associated with ARO assets and post-1995 ECR investments have been eliminated from the proposed pro forma annualized electric depreciation expenses of \$111,536,507. The impact of the ARO depreciation is eliminated on the income statement through regulatory accounting. The post-1995 ECR investment depreciation is also not included in line 1 on Reference Schedule 1.14 because recovery for these expenses is received through the ECR mechanism. This is consistent with the elimination of these same items from the depreciation expense per books.

- c. The Company does not agree. The Company's unadjusted test year electric depreciation expenses of \$124,356,219 does include \$335,141 and \$12,754,702 for per books ARO and post-1995 ECR depreciation expenses. This amount is subtracted from the unadjusted test year electric depreciation expense of \$124,356,219 to arrive at the depreciation expense per books excluding ARO and post-1995 ECR investment of \$111,266,376. It is the \$111,266,376 that the Company is proposing to increase by the \$270,131 to arrive at the annualized depreciation expenses for the test year under proposed rates. Therefore, the \$335,141 and \$12,754,702 for ARO and Post-1995 ECR environmental depreciation expense is excluded from the pro forma annualized depreciation expenses.

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
Intangible Plant			
301 Organization	44,456	0.00%	-
302 Franchises and Consents	83,453	0.00%	-
303 Misc. Intangible Plant	25,536,344	20.00%	5,107,269
Total Intangible Plant	25,664,252		5,107,269
Steam Production Plant			
310.00 Land	10,874,263	0.00%	-
311.00 Structures and Improvements			
5603 Tyrone Unit 3	5,540,781	0.00%	-
5604 Tyrone Units 1&2	583,381	0.00%	-
5613 Green River Unit 3	2,818,745	0.00%	-
5614 Green River Unit 4	4,584,599	0.00%	-
5615 Green River Units 1&2	2,596,587	0.00%	-
5621 Brown Unit 1	4,703,190	0.59%	27,749
5622 Brown Unit 2	2,102,892	0.06%	1,262
5623 Brown Unit 3	20,393,087	0.55%	112,162
5643 Pineville Unit 3	16,204	0.00%	-
5650 Ghent Unit 1 Scrubber	24,301,127	2.69%	653,700
5651 Ghent Unit 1	17,401,172	0.40%	69,605
5652 Ghent Unit 2	16,011,013	0.52%	83,257
5653 Ghent Unit 3	41,471,559	1.19%	493,512
5654 Ghent Unit 4	29,847,745	1.42%	423,838
5591 System Laboratory	805,716	1.56%	12,569
	173,177,798		1,877,653
312.00 Boiler Plant Equipment			
5603 Tyrone Unit 3	12,871,948	4.30%	553,494
5604 Tyrone Units 1&2	421,900	0.00%	-
5613 Green River Unit 3	11,306,456	3.39%	383,289
5614 Green River Unit 4	24,333,224	4.50%	1,094,995
5615 Green River Units 1&2	127,047	2.52%	3,202

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
5621 Brown Unit 1	35,820,003	3.10%	1,110,420
5622 Brown Unit 2	29,419,949	3.14%	923,786
5623 Brown Unit 3	86,541,309	2.95%	2,552,969
5643 Pineville Unit 3	226,832	0.00%	-
5650 Ghent Unit 1 Scrubber	86,520,141	4.01%	3,469,458
5651 Ghent Unit 1	163,735,182	4.02%	6,582,154
5652 Ghent Unit 2	89,995,577	2.45%	2,204,892
5653 Ghent Unit 3	259,377,006	2.76%	7,158,805
5654 Ghent Unit 4	231,652,822	2.94%	6,810,593
5659 Coal Cars	7,647,232	2.41%	184,298
5660 Ghent 3 Scrubber	118,758,718	4.01%	4,762,225
	<u>1,158,755,347</u>		<u>37,794,579</u>
314.00 Turbogenerator Units			
5603 Tyrone Unit 3	4,717,000	3.68%	173,586
5604 Tyrone Units 1&2	68,206	0.00%	-
5613 Green River Unit 3	4,469,895	3.14%	140,355
5614 Green River Unit 4	10,171,918	4.05%	411,963
5621 Brown Unit 1	4,833,421	1.16%	56,068
5622 Brown Unit 2	11,041,057	3.04%	335,648
5623 Brown Unit 3	27,652,377	3.31%	915,294
5651 Ghent Unit 1	25,577,290	2.36%	603,624
5652 Ghent Unit 2	29,546,661	2.19%	647,072
5653 Ghent Unit 3	40,076,564	2.11%	845,616
5654 Ghent Unit 4	51,922,998	2.30%	1,194,229
	<u>210,077,388</u>		<u>5,323,453</u>
315.00 Accessory Electric Equipment			
5603 Tyrone Unit 3	707,890	0.00%	-
5604 Tyrone Units 1&2	99,211	0.00%	-
5613 Green River Unit 3	781,287	0.00%	-
5614 Green River Unit 4	1,147,502	1.47%	16,868
5621 Brown Unit 1	3,329,621	2.09%	69,589

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
5622 Brown Unit 2	997,856	0.45%	4,490
5623 Brown Unit 3	6,453,917	0.54%	34,851
5650 Ghent Unit 1 Scrubber	3,016,784	2.73%	82,358
5651 Ghent Unit 1	7,703,537	0.57%	43,910
5652 Ghent Unit 2	10,873,596	0.63%	68,504
5653 Ghent Unit 3	25,991,761	1.05%	272,913
5654 Ghent Unit 4	21,911,936	1.24%	271,708
5660 Ghent 3 Scrubber	11,277,367	2.73%	307,872
	<u>94,292,263</u>		<u>1,173,064</u>
316.00 Miscellaneous Plant Equipment			
5603 Tyrone Unit 3	526,592	3.45%	18,167
5604 Tyrone Units 1&2	50,127	0.00%	-
5613 Green River Unit 3	153,382	4.28%	6,565
5614 Green River Unit 4	2,165,959	3.04%	65,845
5615 Green River Units 1&2	84,750	0.00%	-
5621 Brown Unit 1	424,540	2.41%	10,231
5622 Brown Unit 2	106,658	0.82%	875
5623 Brown Unit 3	4,317,609	2.47%	106,645
5650 Ghent Unit 1 Scrubber	985,410	3.00%	29,562
5651 Ghent Unit 1	1,718,709	1.51%	25,953
5652 Ghent Unit 2	1,500,525	1.17%	17,556
5653 Ghent Unit 3	3,150,438	1.41%	44,421
5654 Ghent Unit 4	6,247,981	2.12%	132,457
5591 System Laboratory	2,229,677	2.96%	65,998
	<u>23,662,356</u>		<u>524,276</u>
317.00 Asset Retirement Obligations - Steam	9,249,179		
Total Steam	<u><u>1,680,088,593</u></u>		<u><u>46,693,026</u></u>
Hydraulic Production Plant			
5691 Dix Dam			
330.10 Land Rights	879,311	0.00%	-
331.00 Structures and Improvements	453,195	1.31%	5,937
332.00 Reservoirs, Dams & Waterways	9,025,249	0.73%	65,884
333.00 Water Wheels, Turbines and Generators	436,634	0.68%	2,969

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
334.00 Accessory Electric Equipment	85,383	0.93%	794
335.00 Misc. Power Plant Equipment	101,513	4.21%	4,274
336.00 Roads, Railroads and Bridges	46,976	0.00%	-
337.00 Asset Retirement Obligation - Hydro	4,970		
	<u>11,033,232</u>		<u>79,858</u>
Other Production Plant			
340.10 Land Rights - 5645 Brown CT 9 Gas Pipeline	176,409	3.62%	6,386
340.20 Land	118,514	0.00%	-
341.00 Structures and Improvements			
5697 Paddy's Run Generator 13	1,910,328	3.33%	63,614
5635 Brown CT 5	775,082	3.34%	25,888
5636 Brown CT 6	192,814	3.40%	6,556
5637 Brown CT 7	544,966	3.24%	17,657
5638 Brown CT 8	2,012,655	2.87%	57,763
5639 Brown CT 9	4,641,055	2.87%	133,198
5640 Brown CT 10	1,865,718	2.87%	53,546
5641 Brown CT 11	1,858,754	3.00%	55,763
0470 Trimble County CT 5	3,740,231	3.47%	129,786
0471 Trimble County CT 6	3,588,684	3.44%	123,451
0474 Trimble County CT 7	3,559,155	3.69%	131,333
0475 Trimble County CT 8	3,548,852	3.69%	130,953
0476 Trimble County CT 9	3,655,976	3.69%	134,906
0477 Trimble County CT 10	3,653,030	3.69%	134,797
5696 Haefling Units 1,2,&3	434,853	8.89%	38,658
	<u>35,982,154</u>		<u>1,237,867</u>
342.00 Fuel Holders, Producers and Accessories			
5697 Paddy's Run Generator 13	1,995,101	3.37%	67,235
5635 Brown CT 5	727,929	3.36%	24,458
5636 Brown CT 6	146,515	3.16%	4,630
5637 Brown CT 7	145,745	3.16%	4,606
5638 Brown CT 8	19,613	2.86%	561

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
5639 Brown CT 9	1,932,187	2.87%	55,454
5640 Brown CT 10	31,738	2.85%	905
5641 Brown CT 11	52,430	2.96%	1,552
5645 Brown CT 9 Gas Pipeline	8,106,131	2.79%	226,161
0470 Trimble County CT 5	239,584	3.48%	8,338
0471 Trimble County CT 6	239,246	3.48%	8,326
0473 Trimble County CT Pipeline	4,850,115	3.51%	170,239
0474 Trimble County CT 7	578,059	3.74%	21,619
0475 Trimble County CT 8	576,386	3.74%	21,557
0476 Trimble County CT 9	593,786	3.74%	22,208
0477 Trimble County CT 10	622,873	3.74%	23,295
5696 Haeffling Units 1,2,&3	227,578	0.48%	1,092
	21,085,015		662,235
343.00 Prime Movers			
5697 Paddy's Run Generator 13	17,421,691	4.49%	782,234
5635 Brown CT 5	13,182,503	4.60%	606,395
5636 Brown CT 6	30,423,304	4.52%	1,375,133
5637 Brown CT 7	30,024,907	4.56%	1,369,136
5638 Brown CT 8	26,344,009	4.13%	1,088,008
5639 Brown CT 9	21,502,647	4.00%	860,106
5640 Brown CT 10	19,670,646	4.04%	794,694
5641 Brown CT 11	34,931,891	4.17%	1,456,660
0470 Trimble County CT 5	30,564,294	4.66%	1,424,296
0471 Trimble County CT 6	30,443,723	4.66%	1,418,677
0474 Trimble County CT 7	22,773,708	5.17%	1,177,401
0475 Trimble County CT 8	22,568,161	5.16%	1,164,517
0476 Trimble County CT 9	22,401,560	5.16%	1,155,920
0477 Trimble County CT 10	22,385,894	5.16%	1,155,112
	344,638,937		15,828,290
344.00 Generators			
5697 Paddy's Run Generator 13	5,185,636	2.96%	153,495
5635 Brown CT 5	2,831,528	2.96%	83,813
5636 Brown CT 6	3,712,620	2.78%	103,211

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
5637 Brown CT 7	3,722,788	2.78%	103,494
5638 Brown CT 8	4,953,961	2.49%	123,354
5639 Brown CT 9	5,452,041	2.36%	128,668
5640 Brown CT 10	4,944,423	2.49%	123,116
5641 Brown CT 11	5,187,040	2.56%	132,788
0470 Trimble County CT 5	3,763,275	3.06%	115,156
0471 Trimble County CT 6	3,757,947	3.06%	114,993
0474 Trimble County CT 7	2,950,282	3.26%	96,179
0475 Trimble County CT 8	2,937,930	3.26%	95,777
0476 Trimble County CT 9	2,957,520	3.26%	96,415
0477 Trimble County CT 10	2,954,149	3.26%	96,305
5696 Haefling Units 1,2,&3	4,023,002	0.00%	-
	59,334,142		1,566,764
345.00 Accessory Electric Equipment			
5697 Paddy's Run Generator 13	2,456,320	3.04%	74,672
5635 Brown CT 5	1,332,167	3.04%	40,498
5636 Brown CT 6	1,354,816	2.86%	38,748
5637 Brown CT 7	1,347,700	2.86%	38,544
5638 Brown CT 8	1,799,436	2.56%	46,066
5639 Brown CT 9	3,226,186	2.49%	80,332
5640 Brown CT 10	1,804,419	2.58%	46,554
5641 Brown CT 11	916,326	2.63%	24,099
0470 Trimble County CT 5	1,677,092	3.14%	52,661
0471 Trimble County CT 6	1,674,719	3.14%	52,586
0474 Trimble County CT 7	3,146,235	3.35%	105,399
0475 Trimble County CT 8	3,137,127	3.35%	105,094
0476 Trimble County CT 9	3,231,827	3.35%	108,266
0477 Trimble County CT 10	3,229,223	3.35%	108,179
5696 Haefling Units 1,2,&3	623,419	0.00%	-
	30,957,013		921,698
346.00 Miscellaneous Plant Equipment			
5697 Paddy's Run Generator 13	1,089,550	3.70%	40,313
5635 Brown CT 5	2,139,353	3.71%	79,370
5636 Brown CT 6	48,960	3.93%	1,924
5637 Brown CT 7	35,647	3.76%	1,340

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
5638 Brown CT 8	230,069	3.20%	7,362
5639 Brown CT 9	760,255	3.19%	24,252
5640 Brown CT 10	274,391	3.30%	9,055
5641 Brown CT 11	548,588	3.76%	20,627
0470 Trimble County CT 5	28,964	4.81%	1,393
0474 Trimble County CT 7	8,889	4.13%	367
0475 Trimble County CT 8	8,861	4.13%	366
0476 Trimble County CT 9	9,114	4.14%	377
0477 Trimble County CT 10	9,106	4.13%	376
5696 Haeffling Units 1,2,&3	35,805	1.97%	705
	<u>5,227,550</u>		<u>187,829</u>
347.00 Asset Retirement Obligations - Other Productio	70,990		
Total Other Production	<u>497,590,725</u>		<u>20,411,068</u>
Transmission Plant			
350.1 Land Rights	23,341,455	1.12%	261,424
350.2 Land	1,232,665	0.00%	-
352.1 Struct. and Impr. Non Sys Control	7,228,687	1.75%	126,502
352.2 Struct. and Impr. Sys Control	1,154,520	1.63%	18,819
353.1 Station Equipment	175,730,576	2.46%	4,322,972
353.2 Syst Control/Microwave Equip	14,749,281	0.56%	82,596
354 Towers & Fixtures	63,279,467	1.30%	822,633
355 Poles & Fixtures	100,687,186	2.91%	2,929,997
356 Overhead Conductors and Devices	132,799,950	2.05%	2,722,399
357 Underground Conduit	448,760	3.19%	14,315
358 Underground Conductors & Devices	1,114,762	1.45%	16,164
359 Transmission ARO's	11,027		
Total Transmission Plant	<u>521,778,335</u>		<u>11,317,822</u>

Kentucky Utilities Company

Annualized Depreciation

as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
Distribution Plant			
360.1 Land Rights	1,496,173	0.70%	10,473
360.2 Land	1,998,646	0.00%	-
361 Structures and Improvements	5,058,913	2.00%	101,178
362 Station Equipment	103,445,343	2.82%	2,917,159
364 Poles Towers & Fixtures	212,853,185	3.25%	6,917,729
365 Overhead Conductors and Devices	199,717,218	4.23%	8,448,038
366 Underground Conduit	1,546,234	2.06%	31,852
367 Underground Conductors & Devices	86,404,514	2.86%	2,471,169
368 Line Transformers	248,482,289	3.83%	9,516,872
369 Services	83,122,059	2.57%	2,136,237
370 Meters	65,364,852	2.79%	1,823,679
371 Installations on Customer Premises	18,284,592	3.05%	557,680
373 Street Lighting & Signal Systems	53,771,544	3.16%	1,699,181
374 Asset Retirement Cost - Distribution	18,611		
Total Distribution Plant	1,081,564,173		36,631,247
General Plant			
389.2 Land	2,575,973	0.00%	-
390.1 Structures & Improvements	29,901,859	2.30%	687,743
390.2 Improvements to Leased Property	531,973	2.04%	10,852
391.1 Office Furniture & Equipment	6,548,609	4.19%	274,387
391.2 Non PC Computer Equipment	10,163,473	10.14%	1,030,576
391.3 Cash Processing Equipment	448,191	23.26%	104,249
391.4 Personal Computer Equipment	2,486,306	21.10%	524,610
392 Transportation Equipment	18,955,798	20.00%	3,791,160
393 Stores Equipment	735,053	5.25%	38,590
394 Tool, Shop & Garage Equipment	5,473,498	4.75%	259,991
395 Laboratory Equipment	3,160,382	27.42%	866,577
396 Power Operated Equipment	270,942	6.62%	17,936

Kentucky Utilities Company
Annualized Depreciation
as of April 30, 2008

Property Group	Depreciable Balance 4-30-08	2006 New ELG RATES	Depreciation Under ELG
397.10 Communication Equipment - Carrier	8,835,076	7.13%	629,941
397.20 Communication Equip. - Remote Contrc	3,913,060	7.95%	311,088
397.30 Communication Equipment - Mobile	5,087,846	7.30%	371,413
398 Misc Equipment	373,590	20.54%	76,735
Total General Plant	<u>99,461,628</u>		<u>8,995,849</u>
Total Plant in Service	3,917,180,939		
Total Annual Depreciation excluding ARO amounts			<u><u>129,236,140</u></u>
Less Amounts not included in Income Statement Depreciation			
Coal Cars			184,298
Brown Gas Pipeline			226,161
TC Gas Pipeline			170,239
Account 139200 Transportation Equip.			3,791,160
Subtotal			<u>4,371,858</u>
Total Annualized Depr. less ARO and Amts not in Inc. St. Depr.			<u><u>124,864,282</u></u>
Less ECR Depreciation			13,327,774
Total Annualized Depreciation excluding ECR and ARO			<u><u>111,536,507</u></u>

Kentucky Utilities - ECR April 2008

		<u>2006 Proposed ELG Rates</u>	<u>ELG Annual Amount</u>
2001 Plan			
<u>Project 16 -- NOx Ghent Plant</u>			
<u>Ghent 4</u>	1/1/2002		
Investments	4,551,149	2.94%	133,803.78
Retirements, Original Cost	(44,311)		(960.00)
<u>Ghent 2</u>	3/1/2002		
Investments	5,224,392	2.45%	127,997.60
Retirements, Original Cost	(41,180)		(756.00)
<u>Project 17 -- SCRs and NOx Modifications</u>			
<u>Tyrone 3 -- Original In-service</u>			
<u>amount</u>	11/1/2001		
Investments	1,262,166	4.30%	54,273.14
Retirements, Original Cost	(216,581)		(4,608.00)
<u>Tyrone 3 -- December 2004 Additions</u>			
Investments	12/1/2004		
	87,293	4.30%	3,753.60
<u>Green River 3 Original Investments</u>			
Investments	7/1/2002		
	1,358,579	3.39%	46,055.83
Retirements, Original Cost	(149,233)		(2,892.00)
<u>Green River 3 December 2004</u>			
<u>Additions</u>			
Investments	12/1/2004		
	269,265	3.39%	9,128.08
<u>Brown 2 Original Investment</u>			
Investments	12/1/2002		
	1,937,045	3.15%	61,016.92
Retirements, Original Cost	(918,431)		(26,448.00)
<u>Brown 2 December 2004 Additions</u>			
Investments	12/1/2004		
	776,167	3.15%	24,449.25
<u>Ghent 3 Original Investment</u>			
Investments	3/1/2004		
	71,476,281	2.76%	1,972,745.36
Retirements, Original Cost	(172,301)		(3,828.00)

Kentucky Utilities - ECR April 2008

		2006 Proposed ELG Rates	ELG Annual Amount
<u>Ghent 3 December 2004 Additions</u>	12/1/2004		
Investments	2,958,119	2.76%	81,644.08
<u>Ghent 3 April 2005 Additions</u>	3/1/2004		
Investments	2,971,181	2.76%	82,004.61
<u>Ghent 4 Original Investment</u>	4/1/2004		
Investments	53,324,763	2.94%	1,567,748.03
Retirements, Original Cost	(216,248)		(4,668.00)
<u>Ghent 4 December 2004 Additions</u>	12/1/2004		
Investments	3,288,376	2.94%	96,678.26
<u>Ghent 4 April 2005 Additions</u>	4/1/2004		
Investments	3,518,957	2.94%	103,457.34
<u>Brown 3 Original Investment</u>	5/1/2004		
Investments	2,102,228	2.95%	62,015.73
Retirements, Original Cost	(848,647)		(33,180.00)
<u>Brown 3 December 2004 Additions</u>	12/1/2004		
Investments	364,407	2.95%	10,750.01
<u>Brown 3 April 2005 Additions</u>	5/1/2004		
Investments	754	2.95%	22.24
<u>Ghent 1 Original Investment</u>	5/1/2004		
Investments	56,004,868	4.02%	2,251,395.69
Retirements, Original Cost	(113,614)		(3,540.00)
<u>Ghent 1 December 2004 Additions</u>	12/1/2004		
Investments	9,617,570	4.02%	386,626.31
<u>Ghent 1 April 2005 Additions</u>	5/1/2004		
Investments	3,520,209	4.02%	141,512.40
<u>Ghent 2 - December 2004 Addition</u>	12/1/2004		
Investments	13,192	2.45%	323.20

Kentucky Utilities - ECR April 2008

		<u>2006 Proposed ELG Rates</u>	<u>ELG Annual Amount</u>
<u>GH1 SCR Catalyst Addition May</u>			
<u>2006</u>	5/1/2006		
Investments	2,112,857	4.02%	84,936.84
2001 Plan Additions	226,739,818		
2001 Plan Retirements	(2,720,546)		
2003 Plan			
<u>Project 18 -- Ghent Ash Pond</u>			
	12/1/2003		
Investments	16,148,295	2.94%	474,759.87
2005 Plan			
<u>Project 19 - Ash Handling at Ghent 1 and Ghent Station</u>			
<u>Ghent Station - Ash Pipe Repl Addition</u>			
	4/1/2006		
Investments	398,915	2.94%	11,728.11
Retirements, Original Cost	(292,425)		(6,312.00)
<u>Project 21 - FGDs</u>			
<u>Ghent 3</u>			
	6/1/2007		
Investments-Total	136,503,019	4.01%	5,473,771.06
Retirements, Original Cost	(4,047,526)		(89,220.00)
<u>Brown Training Bldg/Warehouse</u>			
	12/1/2007		
Investments-Total	7,334,344	2.95%	216,363.14
Retirements -- Original Cost	(74,700)		(2,916.00)
2005 Plan Additions	144,236,278		
2005 Plan Retirements	(4,414,651)		

Kentucky Utilities - ECR April 2008

		<u>2006 Proposed ELG Rates</u>	<u>ELG Annual Amount</u>
2006 Plan			
<u>Project 25 -- Mercury Monitors</u>			
<u>Tyrone 3</u>	12/31/2006		
Investments	18,149	4.30%	780.39
<u>Brown 3</u>	12/31/2006		
Investments	68,158	2.95%	2,010.66
<u>Ghent 4</u>	12/31/2006		
Investments	45,279	2.94%	1,331.21
<u>Green River 4</u>	12/31/2006		
Investments	18,164	4.50%	817.36
<u>CEMS Stackvision EDR Upgrade</u>	10/1/2007		
Investments	115,540	20.00%	23,108.00
<u>Project 27 -- ESP</u>			
<u>Brown</u>	6/15/2006		
Investments	46,715	2.95%	1,378.10
Retirements, Original Cost	(32,691)		(1,284.00)
2006 Plan Additions	312,005		
2006 Plan Retirements	(32,691)		
Total Additions	387,436,395.58		
Total Retirements	(7,167,887.87)		
	<u>380,268,507.71</u>		
Total Depreciation Expense - ELG			<u>13,327,774.21</u>

**Kentucky Utilities Company
Environmental Surcharge Depreciation
Period Ended April 30, 2008**

Depreciation Per ECR Filings

May-07	495,449
June-07	810,503
July-07	1,132,991
August-07	1,132,991
September-07	1,132,991
October-07	1,133,954
November-07	1,134,917
December-07	1,146,622
January-08	1,158,571
February-08	1,158,571
March-08	1,158,571
April-08	1,158,571
Total Per ECR Filings	<u><u>12,754,702</u></u>

Financial Statement Depreciation Year Ended April 30, 2008 - Page 13

Depreciation	118,828,023
Depreciation for Asset Retirement Costs	335,141
Amortization Expense	<u>5,193,055</u>
Total	124,356,219
Exclude ARO	(335,141)
Exclude ECR Filings	<u>(12,754,702)</u>
Financial Statement Depreciation excluding ARO and ECR	111,266,376

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 7

Responding Witness: Shannon L. Charnas

- Q-7. For each item included in the test year above-the-line operating expenses that involve an amortization of an unamortized balance, please provide the following information in the same format and detail as per the response to AG-1-17 in LG&E's prior rate case, Case No. 2003-00433:
- a. Account number and title of the amortization and the amortization expense included in the test year for rate making in this case.
 - b. The date and amount of the original unamortized balance, the established amortization period and resultant annual amortization amount.
 - c. The unamortized balance as of 4/30/08 and the expected expiration date of the amortization.
 - d. Explanation whether the amortization has been approved for rate inclusion by the PSC and a reference in which Order the PSC granted this rate making treatment.
- A-7. See attached.

Kentucky Utilities Company
Above-The-Line Operating Expenses Involving Amortization of Unamortized Balances

Account Number	Title of Amortization	Expense in Test Year	Date of Orig Bal	Original Balance	Amorization Period	Annual Amort Amt (1)	Unamortized Bal @ 4/30/08	Expiration Date	Approved By PSC	Order No.
935	IT Expenses	\$ 2,105,597	Various	\$ -	Various	\$ 3,361,248	\$ -	Various	No	
931	Carrollton Sale/Leaseback	4,412	8/1/2006	75,000	8/1/2006 - 7/31/2023	4,412	67,279	7/31/2023	No	
928	Earnings Sharing Mechanism	10,656	7/1/2004	191,799	7/1/2004 - 6/30/2007	63,936	-	6/30/2007	Yes	2003-00434
593	Ice Storm Expenses	791,604	7/1/2004	3,958,002	7/1/2004 - 6/30/2009	791,604	923,520	6/30/2009	Yes	2003-00434
924	Insurance	3,020,271	Various	3,413,960	Various	2,701,573	1,353,306	Various	No	
925	Insurance	704,286	Various	707,438	Various	741,235	492,735	Various	No	
512	Maintenance Contracts	19,781	Various	Various	Various	-	-	12/31/2007	No	
935	Maintenance Contracts	3,285	Various	3,285	Various	8,500	-	Various	No	
930	Management Audit Expenses	27,330	7/1/2004	491,945	7/1/2004 - 6/30/2007	163,980	-	6/30/2007	Yes	2003-00434
555	OMU Scrubber Construction Fund	161,734	1/4/2004	2,607,633	1/4/2004 - 11/30/2019	157,601	1,838,673	11/30/2019	No	
928	Rate Case Expenses	65,096	7/1/2004	1,171,725	7/1/2004 - 6/30/2007	390,576	-	6/30/2007	Yes	2003-00434
566	Southwest Power Pool	1,425,067	9/1/2007	2,137,600	9/1/2007 - 8/31/2008	2,137,600	712,533	8/30/2008	No	
566	Tennessee Valley Authority	613,973	9/1/2007	920,960	9/1/2007 - 8/31/2008	920,960	306,987	8/30/2008	No	
408	PSC Assessment	1,769,547	Various	Various	Various	1,790,517	298,418	Various	No	
566	Transmission	37,053	Various	125,703	Various	125,703	88,650	Various	No	
404	Intangible Assets	5,193,055	Various	Various	Various	5,149,572	7,167,678	Various	No	

(1) Annual Amortization Amount is based on April 2008 amortization expense.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 8

Responding Witness: Valerie L. Scott

- Q-8. The Company's balance sheet as of 4/30/08 shows a total KY jurisdictional accumulated deferred income tax (ADIT) balance of \$308,318,833 under Deferred Credits and a total jurisdictional prepaid ADIT balance of \$47,013,194 under Deferred Debits, for a net per books jurisdictional ADIT balance as of 4/30/08 of \$261,305,639. In this regard, please provide the following information:
- a. Provide detailed breakout and a description of all of the components making up the above-referenced total jurisdictional ADIT balances, also indicating which of these ADIT components have been considered for rate base inclusion and which have not and why not.
 - b. Reconcile the ADIT components to be identified in part (a) above as having been considered for rate base inclusion to the jurisdictional electric ADIT balance of \$256,897,609 shown on Rives Exhibit 3, page 1, line 7.
- A-8. a. The ADIT jurisdictional amounts provided on PSC 1-13 have been revised. The attached spreadsheet reflects the revised deferred tax amounts.

Accumulated deferred income taxes are maintained on a total company basis only and are not maintained by Kentucky jurisdiction or other jurisdictions. Therefore, the attached spreadsheet provides the detailed breakout of the total Company ADIT balances and allocates the Kentucky and other jurisdictions ADIT asset and liability totals.

Amounts excluded from rate base are the investment in EEI due to EEI being a non-regulated investment activity. Other ADIT components excluded from rate base include non qualified benefits, charitable contributions, and deferred taxes related to an environmental assessment.

- b. See attached.

Kentucky Utilities Company
Case No. 2008-00251
Attorney General - 1st Data Response
Questions 8a & 8b

Accumulated Deferred Tax Balance 4/30/08

8a. Description	FEDERAL			STATE			TOTAL		
	TOTAL	KY Jurisdiction	Other	TOTAL	KY Jurisdiction	Other	TOTAL	KY Jurisdiction	Other
Bad Debt Reserve	637,999			116,353			754,352		
CAFC	922,298			168,200			1,090,498		
Contributions-UK - (excluded from rate base)	82,250			15,000			97,250		
Deferred Operating	26,416			4,818			31,234		
Deferred RAR	970			176			1,146		
DSM	593,734			108,280			702,013		
Environmental Assessment - (excluded from rate base)	329,000			60,000			389,000		
FAS 106 - Post Retirement	19,467,859			3,550,370			23,018,229		
FAS 109: ITC: Excess Deferred Tax, & Gross-up	9,179,242			1,410,970			10,590,212		
FAS 112 - Post Employment	1,899,972			346,500			2,246,471		
FAS 133 OCI	(283,682)			-			(283,682)		
FAS 143 - 190	10,553,269			2,333,729			12,886,998		
Flowage Rights Amortization	72,749			13,267			86,016		
Mark to Market	(126,673)			(23,102)			(149,775)		
Non-Qualified Thrift - (excluded from rate base)	152,724			27,852			180,576		
OMU Excess Amortization	635,568			115,908			751,476		
Over/Under Accrual FICA	163,650			29,844			193,493		
Over/Under Accrual of PSC Tax	(294,540)			(53,716)			(348,255)		
Over/Under Accrual of UN/INS	4,656			849			5,506		
Pensions	(4,600,767)			(839,048)			(5,439,814)		
Public Liability	186,000			33,921			219,921		
State Taxes	765,611						765,611		
Supplement Retirement - (excluded from rate base)	99,358			18,120			117,478		
Vacation Pay	1,380,457			251,755			1,632,212		
VA over/under Recovery Fuel Clause	(173,797)			(31,695)			(205,492)		
Worker's Compensation	1,019,412			185,911			1,205,324		
Subtotal - Deferred Tax Asset	42,693,736	36,344,532	6,349,203	7,844,262	6,677,702	1,166,560	50,537,997	43,022,234	7,515,763
AFUDC-Debt, Repair Allow., Misc Book	(19,969,252)			(3,535,715)			(23,504,966)		
CIAC & Interest Capitalized	29,635,658			6,695,080			36,330,738		
EEL/Div Rec 20% - (excluded from rate base)	(7,540,620)			(1,375,189)			(8,915,809)		
Emission Allowances	(535,353)			(97,633)			(632,987)		
FAC Under Recovery VA & KY	(9,036,543)			(1,648,002)			(10,684,545)		
FAS 109: ITC: Excess Deferred Tax, & Gross-up	671,250			9,617,880			10,289,130		
FAS 143 ARO	(2,534,638)			(628,378)			(3,163,016)		
FAS 143 - 283	(7,854,310)			(1,675,383)			(9,529,693)		
Loss on Reacquired Debt	(3,311,232)			(603,870)			(3,915,102)		
Merger Surcredit	(170,740)			(31,137)			(201,877)		
MISO Exit Fees - Transmission	(4,887,607)			(891,337)			(5,778,944)		
Tax Depreciation	(259,678,004)			(51,463,124)			(311,141,127)		
SEC 174 Qualified Software	(170,724)			(31,135)			(201,859)		
Storm Damages	(325,539)			(59,370)			(384,909)		
Subtotal - Deferred Tax Liability	(285,707,653)	(243,218,610)	(42,489,043)	(45,727,313)	(38,926,971)	(6,800,342)	(331,434,967)	(282,145,582)	(49,289,385)
Net Deferred Tax Liability	(243,013,918)	(206,874,078)	(36,139,840)	(37,883,051)	(32,249,269)	(5,633,782)	(280,896,970)	(239,123,348)	(41,773,622)

Kentucky Utilities Company
Case No. 2008-00251
Attorney General - 1st Data Response
Questions 8a & 8b

Accumulated Deferred Tax Balance 4/30/08

8b.

	TOTAL		
	TOTAL	KY Jurisdiction	Other
Net Deferred Tax Liability	(280,896,970)	(239,123,348)	(41,773,622)
Less:			
Contributions-UK - (excluded from rate base)	97,250	-	97,250
EEI/Div Rec 20% - (excluded from rate base)	(8,915,809)	-	(8,915,809)
Non-Qualified Thrift - (excluded from rate base)	180,576	-	180,576
Supplement Retirement - (excluded from rate base)	117,478	-	117,478
Environmental Assessment - (excluded from rate base)	389,000	-	389,000
Net Deferred Tax Liability Included in Rate Base	(272,765,464)	(239,123,348)	(33,642,116)
FAS 109 Def. Income Taxes - (FAS 71 Regulatory Acc.)	(20,879,333)	(17,774,261)	(3,105,071)
Net Deferred Tax Liability Included in Rate Base Less Fas 109	(293,644,797)	(256,897,609)	(36,747,188)

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 9

Responding Witness: Valerie L. Scott

- Q-9. Attachment to Response to PSC-1-13(a)(b), pages 3 and 6 show a net jurisdictional FAS 109 ADIT balance of \$17,892,975 in accounts 182328 through 182331 and accounts 254001 through 254004. Please explain why the Company has not used this net balance of \$17.9 million as a rate base deduction, similar to what it did in the Company's prior case, Case No. 2003-00434.
- A-9. The Company did include accounts 182328 through 182331 and accounts 254001 through 254004 in the rate base deductions. These amounts are included in line 7 "Accumulated Deferred Income Taxes" along with the 190, 282 and 283 accounts. Also see attached schedule.

Kentucky Utilities Company
Case No 2008-00251
Attorney General - 1st Data Response
Question 9

Revised response to PSC 1st Data Request, 13(a)(b)

<u>Accounts</u>	<u>Total Company</u>	<u>Kentucky Jurisdiction</u>	<u>Other Jurisdiction</u>
182328-182331	7,156,565	6,092,275	1,064,290
190001-190011	50,537,997	43,022,234	7,515,763
254001-254004	(28,035,898)	(23,866,536)	(4,169,362)
282001-283012	(331,434,967)	(282,145,582)	(49,289,385)
Net	(301,776,303)	(256,897,609)	(44,878,694)
Rives Exhibit 3 pg 1 of 3	(293,644,797)	(256,897,609)	(36,747,188)
Difference	<u>(8,131,506)</u>	<u>0</u>	<u>(8,131,506)</u>

The difference is due to the below the line deferred tax balances in the 190 and 283 accounts.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 10

Responding Witness: S. Bradford Rives

Q-10. The Company has proposed to exclude all ARO-related assets, liabilities and accumulated depreciation from rate base. In this regard, please provide the following information:

- a. Why hasn't the Company removed all associated ARO-related capital from the capitalization on Rives Exhibit 2?
- b. If all ARO-related capital were to be removed from the capitalization, what would be the net capitalization dollar amount adjustment and how would it change the electric capitalization adjustment balance of \$40,955,983 on Rives Exhibit 2, page 2?

A-10. a. and b. See the response to PSC-2 Question No. 96.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 11

Responding Witness: Shannon L. Charnas

Q-11. With regard to the average test year M&S, prepayment and emission allowances balances shown on lines 17 through 19 of Rives Exhibit 3, page 1, please provide the following information:

- a. Schedule showing the actual monthly M&S, prepayment and emission allowance balances from which the 13-month average rate base inclusions shown on Rives Exhibit 3 were derived. In addition, show the calculations for the prepayment balance adjustment.
- b. Actual monthly M&S, prepayment and emission allowance balances for all months after the test year through to date.

A-11. a. See attached. Emission allowances are shown as of the balance sheet date of April 30, 2008. A 13-month average is not calculated. There are no prepayment balance adjustments. Prepayments include only account 165001, Prepaid Insurance.

- b. See attached.

**Kentucky Utilities Company
13-Month Average Calculations**

	Materials & Supplies	Undistributed Stores Expense	Fuel Inventory	Total M&S	Prepayments
(a)					
April 2007	\$ 25,633,096	\$ 6,079,527	\$ 62,663,137	\$ 94,375,760	\$ 2,120,224
May	25,711,017	6,070,639	68,536,308	100,317,964	1,785,944
June	25,920,006	6,260,839	67,016,276	99,197,121	1,456,930
July	26,003,660	6,294,406	63,592,591	95,890,657	1,121,772
August	26,573,378	6,358,651	60,806,232	93,738,261	786,614
September	26,521,211	6,557,506	48,956,338	82,035,055	451,456
October	26,453,370	6,569,540	55,304,779	88,327,689	116,298
November	26,588,017	6,404,130	52,764,896	85,757,043	2,429,887
December	27,370,026	6,454,808	41,770,628	75,595,462	2,260,935
January 2008	27,414,374	6,542,042	41,778,205	75,734,621	2,706,743
February	27,811,764	6,350,194	40,174,766	74,336,724	2,419,842
March	27,633,554	6,468,775	36,893,400	70,995,729	2,132,942
April	28,045,638	6,524,614	46,647,687	81,217,939	1,846,041
Total	\$347,679,111	\$ 82,935,671	\$ 686,905,243	\$1,117,520,025	\$21,635,628
13-month Average	\$ 26,744,547	\$ 6,379,667	\$ 52,838,865	\$ 85,963,079	\$ 1,664,279
Kentucky Jurisdictional					
Allocation Factors	0.86173	0.86173	0.86841		0.87799
Kentucky Jurisdictional					
Balances	\$ 23,046,632	\$ 5,497,550	\$ 45,885,975	\$ 74,430,157	\$ 1,461,220
Other Jurisdictional					
Balance	\$ 3,697,915	\$ 882,117	\$ 6,952,890	\$ 11,532,922	\$ 203,059
(b)					
May	\$ 28,176,795	\$ 6,498,164	\$ 56,160,099	\$ 90,835,058	\$ 1,559,141
June	28,419,719	6,360,858	55,673,866	90,454,443	1,253,470
July	28,921,508	6,422,213	46,798,591	82,142,312	969,697
August	29,348,359	6,400,985	55,005,776	90,755,121	685,925

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 12

Responding Witness: S. Bradford Rives

- Q-12. With regard to the electric CWC adjustment of (\$1,942,732) shown on Rives Exhibit 4, line 20, please provide the following information:
- a. Confirm that, based on the CWC calculation methodology used by the Company, the CWC adjustment of (\$1,942,732) incorporates 1/8th of the proposed depreciation expense adjustment of \$236,248 (Rives Exhibit 1, page 1, line 17) and of the proposed taxes other than income tax adjustments of \$447,054 and (\$208,516) on Rives Exhibit 1, page 2, lines 36, and 37. If you do not agree, explain your disagreement.
 - b. Confirm that if one were to appropriately remove these depreciation expense and taxes other than income tax adjustments from the CWC calculations, this would change the proposed CWC decrease amount of (\$1,942,732) to a revised and corrected CWC decrease amount of (\$2,002,080). If you do not agree, explain your disagreement.
- A-12. a. The Company agrees and confirms.
- b. The Company agrees and confirms.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 13

Responding Witness: Robert M. Conroy

- Q-13. The April 2008 Monthly Financial Report shows that the unadjusted test year O&M expenses include \$472,287,284 for fuel expenses. In this regard, please provide the following information:
- a. What portion of these total fuel expenses of \$472,287,284 represents fuel expenses recovered through the separate FAC rate recovery mechanism and which portion is recovered through the Company's base rates?
 - b. Reconcile the expense amount recovered through the FAC to be provided in response to part (a) to the test year FAC fuel expense of \$96,155,056 shown in Rives Exhibit 1, Schedule 1.03.
- A-13. a. FAC and base fuel recovery, on a cents per kWh sold, includes in addition to fuel burned, purchased power expenses, and credits for the fuel and purchased power expense incurred to make off-system sales. Additionally, some fuel expense included in test year fuel expenses may have been excluded from the FAC due to the forced outage exclusion in the FAC regulations. Therefore, the Company is not able to determine what portion of total fuel expense is recovered through the FAC.
- b. FAC fuel expense as shown in Rives Exhibit 1, Schedule 1.03 is a calculation of the amount of expense KU was allowed to recover from its Kentucky retail customers. It is reported as fuel expense based on the assumption that absent timing differences, KU will recover 100% of its allowed expense from customers. However, KU's FAC is calculated on the basis of total expenses and is applied only to Kentucky retail customers. Therefore, the requested reconciliation cannot be performed.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 14

Responding Witness: Shannon L. Charnas

- Q-14. Page 5 of 8 of the Volume 1 Financial Exhibits included in the Filing Requirements shows that the unadjusted test year net operating income includes (\$583,107) for gain on the disposition of allowances and \$1,901,344 for Accretion Expense. In this regard, please provide the following information:
- a. Explain the reasons for and nature of the \$456,255 gain on disposition of allowances.
 - b. Provide the equivalent actual gains on disposition of allowances in each of the 3 years prior to the test year.
 - c. Explain the reasons for and nature of the \$1,901,344 Accretion Expense.
 - d. Provide the equivalent actual Accretion Expenses in each of the 3 years prior to the test year.
- A-14. a. The gain of \$583,107 results from the approximately 2.8% of allowances allocated to KU each year and sold through the U.S. EPA allowance auction in March. The appropriate portion of the gain has been reflected in the ECR calculations.
- b. The gain on disposition of allowances for the years 2005, 2006 and 2007 was \$1,108,364, \$1,283,929 and \$706,852, respectively.
 - c. The ARO liability at any point in time is recorded at the net present value of the estimated future cost of the removal obligation. The \$1,901,344 in accretion expense is the period-to-period increase in the carrying amount of the ARO liability that accounts for the time value of money. As explained in PSC-2 Question No. 94 all aspects of ARO assets and liabilities have been removed for ratemaking purposes.

- d. The accretion expense in each of the 3 years prior to the test year is as follows:

	<u>Accretion Expense</u>
Year ended 12/31/07	\$ 1,861,362.72
Year ended 12/31/06	\$ 1,747,614.99
Year ended 12/31/05	\$ 1,388,148.00

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 15

Responding Witness: Valerie L. Scott

- Q-15. With regard to the unadjusted test year Taxes Other Than Income Taxes of \$16,998,492, please provide the following information:
- a. Breakout of these total tax amounts by Taxes Other Than Income Tax components.
 - b. Actual Taxes Other Than Income Taxes, in total and broken out by tax component, for the years 2005, 2006 and 2007.
 - c. Explain why Volume 3, Tab 42 lists the unadjusted taxes o/t income taxes in the amount of \$31,059,519.
- A-15. a. See attached.
- b. See attached.
- c. The \$31,059,519 listed in Volume 3, Tab 42 – line 10 – Taxes Other Than Income Taxes, is the Investment Tax Credit. This amount should have been included in line 11 – Income Taxes – Federal, State, and Deferred for a total of \$66,273,490. Line 10 – Taxes Other Than Income Taxes should have been \$16,998,492. A revised Income Statement is attached.

Kentucky Utilities Company
Case No. 2008-00251
Case No. 2007-00565
Taxes Other Than Income Taxes by Tax Component

Description	12 Months Ended 4/30/2008			Total Company 12 Months Ended		
	Total Company	Jurisdictional	Kentucky	12/31/2007	12/31/2006	12/31/2005
		%	Jurisdictional			
Property Tax	\$ 11,388,302	0.8804 (1)	\$ 10,026,011	\$ 10,864,407	\$ 11,367,261	\$ 10,482,653
Federal & State Unemployment	248,757	0.8914 (2)	221,739	179,964	182,437	58,138
FICA	5,631,081	0.8914 (2)	5,019,479	5,717,315	5,469,567	5,166,154
PSC Fee	1,769,547	-	1,769,547	1,727,606	1,535,521	703,174
Miscellaneous	(43,852)	0.8730 (3)	(38,284)	(50,215)	48,282	45,975
Total	\$ 18,993,835		\$ 16,998,492	\$ 18,439,077	\$ 18,603,068	\$ 16,456,094

(1) Jurisdictional Allocator - NETPLANT from the KU Jurisdictional Separation Study

(2) Jurisdictional Allocator - LABOR from the KU Jurisdictional Separation Study

(3) Jurisdictional Allocator - PLANT from the KU Jurisdictional Separation Study

KENTUCKY UTILITIES COMPANY
Revised Income Statement
12 Months Ending April 30, 2008

	<u>Jurisdictional Electric</u>	<u>Adjustments Inc (Dec)</u>	<u>Adjusted</u>
1 OPERATING REVENUES			
2 Sales to Ultimate Consumers	1,100,598,589		1,100,598,589
3 Sales for Resale	47,398,641		47,398,641
4 Miscellaneous	6,158,811		6,158,811
5 Total Operating Revenues	<u>1,154,156,041</u>	(1) (133,458,131)	<u>1,020,697,910</u>
6			
7 OPERATING EXPENSES			
8 Operation and Maintenance	788,240,011	(2) (108,178,360)	680,061,651
9 Depreciation and Amortization	108,502,421	(3) 236,248	108,738,669
10 Taxes Other Than Income Taxes	16,998,492	(4) 332,338	17,330,830
11 Income Taxes	66,273,490	(5) (10,208,629)	56,064,861
12 Total Utility Operating Expenses	<u>980,014,414</u>	<u>(117,818,403)</u>	<u>862,196,011</u>
13 Net Utility Operating Income	174,141,627	(15,639,728)	158,501,899
14			
15 Net Other Income and Deductions	-		-
16			
17 Net Interest Charges	<u>56,236,895</u>		<u>56,236,895</u>
18			
19 Net Income	117,904,732	(15,639,728)	102,265,004
20			
21 Net Income Available for Common	<u>117,904,732</u>	<u>(15,639,728)</u>	<u>102,265,004</u>

Net other income and deductions are not assigned to Kentucky jurisdiction

(1) See Bellar Exhibit 1 for the following:		(3) See Charnas Exhibit 1 for the following:	
Schedule 1 00	(6,878,000)	Schedule 1 14	<u>236,248</u>
Schedule 1 01	18,568,431		
Schedule 1 02	3,405,550	(4) See Scott Exhibit 1 for the following:	
See Conroy Exhibit 1 for the following:		Schedule 1 15	93,800
Schedule 1 03	(116,253,633)	Schedule 1 33	447,054
Schedule 1 04	98,267	Schedule 1 34	<u>(208,516)</u>
Schedule 1 05	(54,342,557)		<u>332,338</u>
Schedule 1 06	21,935,653	(5) See Scott Exhibit 1 for the following:	
Schedule 1 07	(371,295)	Schedule 1 39	(9,719,707)
See Charnas Exhibit 1 for the following:		Schedule 1 40	(1,198,199)
Schedule 1 08	90,748	Schedule 1 41	<u>709,277</u>
Schedule 1 09	17,682,129		<u>(10,208,629)</u>
Schedule 1 10	(4,429,150)		
See Seelye Exhibit 1 for the following:			
Schedule 1 11	(8,721,229)		
Schedule 1 12	(4,243,045)		
	<u>(133,458,131)</u>		
(2) See Conroy Exhibit 1 for the following:			
Schedule 1 03	(96,155,056)		
Schedule 1 05	(16,467,656)		
Schedule 1 06	8,506,554		
See Seelye Exhibit 1 for the following:			
Schedule 1 11	(4,355,146)		
Schedule 1 12	(2,747,550)		
See Scott Exhibit 1 for the following:			
Schedule 1 15	1,456,169		
Schedule 1 16	(152,671)		
Schedule 1 17	1,114,405		
Schedule 1 23	1,961,979		
Schedule 1 25	2,721,857		
See Charnas Exhibit 1 for the following:			
Schedule 1 08	(8,127)		
Schedule 1 10	(4,437,148)		
Schedule 1 18	(2,731,370)		
Schedule 1 19	664,233		
Schedule 1 20	(436,901)		
Schedule 1 21	(37,986)		
Schedule 1 22	(497,965)		
Schedule 1 27	324,904		
Schedule 1 28	(9,585)		
Schedule 1 29	978,329		
Schedule 1 30	65,522		
Schedule 1 31	198,608		
See Bellar Exhibit 1 for the following:			
Schedule 1 26	1,199,403		
See Scott / Bellar Exhibit 1 for the following:			
Schedule 1 24	(1,338,790)		
See Rives Exhibit 1 for the following:			
Schedule 1 32	2,005,628		
	<u>(108,178,360)</u>		

KENTUCKY UTILITIES COMPANY**CASE NO. 2008-00251****CASE NO. 2007-00565****Response to Initial Requests for Information of the Attorney General****Dated August 27, 2008****Question No. 16****Responding Witness: Shannon L. Charnas**

Q-16. For each of the miscellaneous operating revenue categories in accounts 451, 454 and 456, shown on page 5 of 8 of Volume 1 – Financial Exhibits, provide the actual revenues for each of the 12-month periods ending 4/30/05, 4/30/06, 4/30/07 and 7/31/08. Also, provide a brief description of the nature of each of these miscellaneous revenue categories.

A-16.

	12 months ended <u>07/31/08</u>	12 months ended <u>04/30/07</u>	12 months ended <u>04/30/06</u>	12 months ended <u>04/30/05</u>
<u>Electric Operations</u>				
Miscellaneous Service Revenue	\$1,326,250	\$1,345,878	\$1,470,230	\$1,347,928
Rent from Electric Property	2,001,718	2,751,459	1,980,209	1,936,112
Other Electric Revenues	3,887,040	14,611,907	43,988,112	19,472,597

Below is a description of the accounts from the Uniform System of Accounts.

Miscellaneous Electric Service Revenue (Account 451): Revenue for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts, including the following:

1. Fees for changing, connecting, or disconnecting service.
2. Profit on maintenance of appliances, wiring, piping, or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less customer payments) on closing of work orders for plant installed for temporary service under one year.
4. Recovery of expenses in connection with current diversion cases.

Rent from Electric Property (Account 454): Rental revenue for the use by others of land, buildings, and other property devoted to electric operations by the utility. Also includes amounts received by the utility for interest, return, or in reimbursement of taxes or depreciation on the property when property owned by

the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement.

Other Electric Revenues (Account 456): Operating revenue not included in categories above, including the following:

1. Commission on sale/distribution of electricity of others when sold under rates filed by such others.
2. Compensation for minor/incidental service provided for others such as customer billing, engineering, etc.
3. Profit/loss on sale of materials & supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sale of steam excluding steam heating or steam transfer among joint facility operations.
5. Transmission of others' electricity over utility's transmission facilities.
6. Revenue from rights/benefits received from others through R&D and demonstration ventures.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 17

Responding Witness: Valerie L. Scott

- Q-17. As shown on Rives Exhibit 1, Schedule 1.42, through its proposed revenue conversion factor, the Company has proposed to charge the ratepayers for bad debt and PSC assessment expenses (at ratios of .203% and .1603%) associated with the proposed electric and gas rate increases in this case. Please confirm this.
- A-17. Yes, the Company has proposed to gross-up revenues for bad debt expenses at 0.2030% and PSC assessment expenses at 0.1603%. See also Question No. 3.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 18

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas

- Q-18. With regard to the unbilled revenue data shown on Rives Exhibit 1, Schedule 1.00, please provide the following information:
- a. Do the unbilled revenue amounts for 4/30/07 and 4/30/08 shown on Schedule 1.00 represent unadjusted unbilled revenues as they were recorded on the Company's books and records as of 4/30/07 and 4/30/08? If not, explain what they represent.
 - b. Confirm that the unbilled revenues of \$32,325,000 as of April 30, 2007 include not only unbilled base rate revenues, but also unbilled FAC, ECR and DSM revenues. If you do not agree, explain your disagreement.
 - c. Please identify what portion of the unbilled revenues of \$32,325,000 as of April 30, 2007 represents unbilled base rate revenues and what portion represents unbilled FAC, ECR and DSM revenues.
 - d. Confirm that the unbilled revenues of \$39,203,000 as of April 30, 2008 include not only unbilled base rate revenues, but also unbilled FAC, ECR and DSM revenues. If you do not agree, explain your disagreement.
 - e. Please identify what portion of the unbilled revenues of \$39,203,000 as of April 30, 2008 represents unbilled base rate revenues and what portion represents unbilled FAC, ECR and DSM revenues.
 - f. Confirm that the unbilled revenue difference of \$6,878,000 includes not only unbilled base rate revenues, but also unbilled FAC, ECR and DSM revenues. If you do not agree, explain your disagreement.
 - g. Please identify what portion of the unbilled revenue difference of \$6,878,000 represents unbilled base rate revenues and what portion represents unbilled FAC, ECR and DSM revenues.
 - h. Since all FAC, ECR and DSM revenues have been (and should be) eliminated from this rate case (because they are separately addressed in the FAC, ECR and DSM rate mechanisms), why would it be appropriate to make pro forma adjustments reducing the test year revenues for unbilled FAC, ECR and DSM revenues as the Company is proposing on Schedule 1.00?
 - i. Explain why the Company has not reduced the pro forma bad debt expenses and PSC assessments by applying its proposed bad debt ratio of 203% and

PSC assessment ratio of .1603% to the proposed revenue reduction adjustment of \$6,878,000.

A-18. a. The unbilled revenue amounts for 04/30/07 and 04/30/08 shown on Schedule 1.00 represent the unbilled revenues as they were recorded on KU's books and records on 04/30/07 and 04/30/08.

b. The unbilled revenue of \$32,325,000 as of April 30, 2007 includes unbilled ECR and DSM revenues in addition to unbilled base rate revenues. FAC revenues were not included in the electric unbilled calculation at April 30, 2007; these were included in the monthly FAC accrual (see Rives Exhibit 1, Reference Schedule 1.09).

c. The unbilled revenue of \$32,325,000 for electric as of April 30, 2007 includes the following components:

Unbilled Base Rates	\$31,660,884
FAC	0
DSM	133,312
ECR	1,116,699

d. The unbilled revenue of \$39,203,000 as of April 30, 2008 includes unbilled FAC, ECR, and DSM revenues in addition to unbilled base rate revenues.

e. The unbilled revenue of \$39,203,000 for electric as of April 30, 2008 includes the following components:

Unbilled Base Rates	\$37,969,134
FAC	409,208
DSM	141,309
ECR	1,404,291

f. The unbilled revenue difference of \$6,878,000 does include unbilled FAC, ECR, and DSM revenues in addition to unbilled base rate revenues. In April 30, 2007, unbilled revenue did not include FAC unbilled revenues as it did as April 30, 2008; however, these revenues were included in accrued revenue.

g. The unbilled revenue difference of \$6,878,000 includes the following components:

Unbilled Base Rates	(\$6,308,250)
FAC	(409,208)
DSM	(7,998)
ECR	(287,592)

- h. To fully eliminate the separate mechanisms, the Company has eliminated billed revenues for these mechanisms on Reference Schedules 1.10, 1.05, 1.03. The amounts accrued were eliminated on Reference Schedule 1.09. The unbilled portion was removed in Reference Schedule 1.00.
- i. The PSC adjustment and bad debt ratio are calculated based on billed revenue, and are applied to billed revenue, thus no reduction is necessary to the proposed electric and gas revenue adjustments.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 19

Responding Witness: Lonnie E. Bellar

Q-19. Please reconcile the Merger Surcredit elimination adjustment amount of \$18,568,431 shown on Rives Exhibit 1, Schedule 1.01 to the annual Merger Surcredit amounts shown in the tariffs in Volume 1, Tab 8.

A-19. The actual Merger Surcredit revenues for the test period ending April 30, 2008 are \$18,568,431. This amount eliminates 100% of the Merger Surcredit from test period revenues. This amount does not equal the Savings to be Distributed amount on the tariff of \$17,898,933 due to actual billing variances and the amortization of the lump sum settlement payment amounts of \$1,069,892. The cumulative difference between actual billing amounts and the Merger Surcredit tariff amounts are trued-up through the balancing adjustment as prescribed in the tariff.

<u>12 Months Ended April 2008</u>	<u>Actual Billing</u>	<u>Per Tariff</u>	<u>Balancing Adjustment</u>
Savings to be Distributed	\$17,498,539	\$17,898,933	\$ 400,394
Settlement Payment Amortization	1,069,892	1,069,892	0
Total Merger Surcredit	<u>\$18,568,431</u>	<u>\$18,968,825</u>	<u>\$ 400,394</u>

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 20

Responding Witness: Lonnie E. Bellar

Q-20. Please reconcile the VDT Surcredit elimination adjustment amount of \$3,405,550 shown on Rives Exhibit 1, Schedule 1.02 to the annual VDT Surcredit amounts shown in the tariffs in Volume 1, Tab 8.

A-20. The actual VDT Surcredit revenues for the test period ending April 30, 2008 are \$3,405,550. This amount eliminates 100% of the VDT Surcredit from test period revenues. This amount does not equal the Net Savings to be Distributed amount on the tariff of \$3,360,000 due to actual billing variances. The cumulative difference between actual billing amounts and the VDT Surcredit tariff amounts are trued-up through the balancing adjustment as prescribed in the tariff.

<u>12 Months Ended April 2008</u>	<u>Actual Billing</u>	<u>Per Tariff</u>	<u>Balancing Adjustment</u>
Net Savings to be Distributed	\$ 3,405,550	\$ 3,360,000	\$ (45,550)
Total VDT Surcredit	<u>\$ 3,405,550</u>	<u>\$ 3,360,000</u>	<u>\$ (45,550)</u>

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 21

Responding Witness: S. Bradford Rives

- Q-21. Since KU is a so-called "Option 1" company for ITC accounting purposes, is it true that for ratemaking purposes, KU must reduce rate base by the cumulative unamortized ADITC balance while not reflecting the annual amortization of the ADITC balance in the calculation of the annual income taxes? If this is not the case, please explain the correct ratemaking treatment.
- A-21. Yes this is true. KU is an "Option 1" company for ITC accounting purposes. This treatment is consistent with the method proposed by the Company and agreed to by the Commission in Case No. 2007-00178. The rate base has been reduced by the unamortized ITC amount and no amortization of the ITC has been included in the calculation of the above-the-line annual income taxes.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 22

Responding Witness: S. Bradford Rives

Q-22. Page 266 of the Company's 2007 FERC Form 1 shows that the 2007 ITC amortization for the 10% and 8% ITC amounted to \$591,310 and that there was no ITC amortization for the 15% ACGT tax credit. The same FERC Form 1 page also shows that by 12/31/07, the Company had booked accumulated ACGT tax credits of \$42,566,647. Please explain in detail why the Company increased its 2007 annual income taxes by this cumulative ACGT tax credit balance of \$42,566,647, as shown on page 114 of the same FERC Form 1.

A-22. The \$42,566,647 does not represent the accumulated ACGT tax credits at 12/31/07, but the ACGT activity for 2007. The \$42,566,647 of ACGT tax credits has been directly offset in federal current income taxes, thus having no net income tax expense effect. Please refer to page 261 of FERC Form 1 to see the current income tax expense offset. Below is an illustration using the 2007 calendar year amounts as to how the ACGT tax credit is recorded:

	<u>Debit</u>	<u>Credit</u>
Current Tax Payable	\$ 42,566,647	
Current Tax Expense		\$ 42,566,647
ITC Expense	\$ 42,566,647	
Accumulated Deferred ITC		\$ 42,566,647

See also the Company's 2007 FERC Form 1 filed in Volume 2 of 5, section 32, in the Company's application.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 23

Responding Witness: S. Bradford Rives

Q-23. Page 5 of 7 of the Volume 1 Financial Exhibits show actual test year jurisdictional Investment Credit Adjustment – Net that increases the test year income taxes by \$31,059,519. In this regard, please provide the following information:

- a. Since the Company is a so-called Option 1 company for ITC regulatory accounting purposes, explain why the Company is reflecting any ITC amortization to determine its test year income taxes.
- b. Explain why the ITC Adjustment – Net amount increases the income taxes by \$31.1 million rather than decreasing income taxes which usually is the case due to the ITC amortization tax credits.
- c. Provide the actual ITC amortization amounts booked in each of the years 2003 through 2007 and compare these ITC amortization bookings to the test year net adjustment amount of \$31,059,519.

- A-23.
- a. The Company is not reflecting any ITC amortization in determining its test year income taxes. The \$31,059,519 does not relate to ITC amortization. The \$31,059,519 is the ITC claimed for the test period for the Advanced Coal Credit. As explained in the prior question, Question No. 22, the \$31,059,519 is entirely offset in current federal taxes and therefore, has no net income tax expense effect. Please refer to the illustration of ACGT tax credit journal entry in the response to Question No. 22.
 - b. The \$31.1 million ITC adjustment is not amortization. It is the amount of accumulated ACGT added during the test year. The \$31.1 million is offset in current federal taxes which results in no net income tax expense effect.
 - c. As explained in parts (a) and (b) above the \$31,059,519 is not ITC amortization. See the attached schedule for the comparison of the amortization of ITC for years 2003 through 2007.

Kentucky Utilities Company
Case No. 2008-00251
Response to Attorney General
Question 23c

Year	15% ACGT ITC Provided	Pre 15% ACGT ITC Provided	Total Provided *
2003	-	-	-
2004	-	-	-
2005	-	-	-
2006	12,000,000	-	12,000,000
2007	42,566,647	-	42,566,647
Test Year	35,891,647	-	35,891,647

Tax			
Year	ITC Amortized	ITC Amortized	Total Amortized
2003	-	(2,640,951)	(2,640,951)
2004	-	(2,053,848)	(2,053,848)
2005	-	(1,699,404)	(1,699,404)
2006	-	(1,081,872)	(1,081,872)
2007	-	(591,310)	(591,310)
Test Year	-	(498,975)	(498,975)

Year	ITC Net	ITC Net	Total Net
2003	-	(2,640,951)	(2,640,951)
2004	-	(2,053,848)	(2,053,848)
2005	-	(1,699,404)	(1,699,404)
2006	12,000,000	(1,081,872)	10,918,128
2007	42,566,647	(591,310)	41,975,337
Test Year	35,891,647	(498,975)	35,392,672

* Comparison based on 100% of ITC booked in each given year Per question 23c. the \$31,059,519 is the Jurisdictional amount of ITC provided during the test year. ($\$35,891,647 \times 86.537\% = \$31,059,519$)

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 24

Responding Witness: S. Bradford Rives

Q-24. With regard to the Company's ACGT (Coal Tax Credit) progress expenditure credits, please provide the following information:

- a. What is the cumulative jurisdictional ACGT tax credit balance as of 4/30/08?
- b. Is it true that the income tax credits resulting from the amortization of the ACITC will not start until sometime in 2010 when TC2 is scheduled to go into service for tax purposes? If not, please explain.

A-24. a. The cumulative amount recorded through April 30, 2008 is \$57,766,647. The Kentucky jurisdictional amount at April 30, 2008 is \$49,989,467.

- b. The Energy Policy Act of 2005 provided for a new Advanced Coal Credit for new electric generation meeting stringent environment standards in addition to certain other criteria. The Company applied for and was awarded a \$101.25 million tax credit by the Department of Energy. This award was subsequently reviewed and approved by the Internal Revenue Service. These credits will benefit the KU customers over the life of the Trimble County 2 facility. See also Application of Kentucky Utilities in Case No. 2007-00178 for a further discussion of the credit and the related accounting and ratemaking treatment.

While the Company is able to claim the ACGT for progress expenditures during construction, the amortization of the ACGT will begin when the unit goes into service, which is expected in 2010.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 25

Responding Witness: Valerie L. Scott

Q-25. Page 5 of 8 of the Volume 1 Financial Exhibits shows that the unadjusted test year total income taxes amount to \$66,273,490 (\$35,213,972 + \$31,059,519). In this regard, please provide the following information:

- a. In the same format and detail as shown in LG&E's response to data request No. 25 in LG&E's prior rate case, Case No. 2003-00433, provide all of the income tax components and calculations that make up the total unadjusted per books test year jurisdictional income taxes of \$66,273,490.
- b. Please provide the permanent timing difference items and amounts (e.g., preferred dividends paid, ESOP reinvestments, non-deductible meals and entertainment, non-taxable dividends paid, etc) included in the calculations of the Operating Account income taxes of \$66,273,490. Indicate whether they involve taxable income deductions or additions.
- c. Please indicate where exactly in this response the 2006 income tax true-up amounts of (\$497,646) and \$333,891 and the Kentucky Coal Credit of \$598,704 shown on Exhibit 1, Schedule 1.41 are reflected.
- d. Please provide the total jurisdictional interest expenses used as taxable income deductions in the calculations of the operating income taxes of \$66,273,490. Provide such interest amounts in total and broken out by interest expense component.

A-25. a. See attached.

The Company calculates income taxes on a total Company basis. The attached schedule allocates the actual total Company results to the Kentucky and Other Jurisdiction. The Kentucky jurisdictional factor used in Rives Exhibit 1, Reference Schedule 1.41 for the income tax adjustment is 93.025%.

b. See attached.

c. The income tax true up amount of (\$497,646), along with an additional federal adjustment of (\$209,547), for a total of (\$707,193), can be found on the attached schedule by adding the amounts from line 19, column 7 and line 40,

columns 7. Also see response to PSC-2 Question No. 118(a) for an additional federal adjustment of (\$209,547).

The income tax true up amount of (\$333,891) is the sum of the amounts on the attached schedule on line 31, column 7 and line 47, column 7.

The Kentucky coal credit can be found on the attached schedule line 32, column 7.

- d. See attached.

Kentucky Utilities Company
Case No. 2008-00251
Question AG 25a, 25b & 25c
12 Months Ended 4/30/08

(1) Line No.	(2) Book Taxable Income	(3) Total Co 230,875,547	(4) Kentucky Retail Operating	(5) Nonoperating	(6) Other Jurisdictional Operating	(7) Total Operating 200,081,804	(8) Total Nonoperating 30,793,743
1	Permanent Differences:					0	(78,750)
2	Dividend income exclusion (70%)	(78,750)				0	(18,840,000)
3	EEL dividend @ 80%	(18,840,000)				360,070	0
4	Meals and Entertainment (50%)	360,070				0	1,458,420
5	Non-Deductible Expenses	1,458,420					(2,058,051)
6	Life Insurance	(2,058,051)				(353,910)	0
7	FAS 106 Subsidy	(353,910)				30,467	0
8	FAS 112 Subsidy	30,467				(9,607,401)	0
9	Section 199	(9,607,401)					
10	Total Permanent Differences	(29,089,155)				(9,570,774)	(19,518,381)
11	Total Federal Timing Differences					22,836,271	(3,473,691)
12	(See detail below)	19,362,580					
13	Subtotal	221,148,972				213,347,301	7,801,671
14	Total state tax expense	(12,309,511)				(11,937,651)	(371,860)
15	Federal Taxable Income	208,839,461				201,409,650	7,429,811
16	Federal Income Tax Rate	35.00%				35.00%	35.00%
17	Current Federal Tax Before Adjustments	73,093,811				70,493,377	2,600,434
18	Investment Tax Credits	(35,891,647)				(35,891,647)	0
19	Other Adjustments Est vs Actual	(4,468,054)				(2,946,263)	(1,521,791)
20	Total Federal Current Tax Expense	32,734,110	29,943,376	1,078,643	1,712,091	31,655,467	1,078,643
21	State Current Tax Expense:					208,939,250	7,801,671
22	State Taxable Income	216,740,921					
23	State tax adjustments:					0	(33,750)
24	Dividend income (30%)	(33,750)					

Kentucky Utilities Company
Case No. 2008-00251
Question AG 25a, 25b & 25c
12 Months Ended 4/30/08

(1) Line	(2)	(3) <u>Total Co</u>	(4) <u>Kentucky Retail Operating</u>	(5) <u>Nonoperating</u>	(6) <u>Other Jurisdictional Operating</u>	(7) <u>Total Operating</u>	(8) <u>Total Nonoperating</u>
25	Dividend income (20%)	(4,710,000)					(4,710,000)
26	Exp Assoc W/ Non-Tax Inc.	2,356,399				0	2,356,399
27	Federal Preferred Stock Dividend Exclud	(13,985)				0	(13,985)
		214,339,585				208,939,250	5,400,335
28	State Income Tax Rate	6.00%				6.00%	6.00%
29	SubTotal State Current Tax Expense	12,860,375				12,536,355	324,020
30	State Tax Adjustments:						
31	Other Adjustments, Est vs Actual	(571,222)				(224,728)	(346,494)
32	Credits (Coal)	(598,704)				(598,704)	0
33	Total State Current Tax Expense	<u>11,690,449</u>	<u>10,570,796</u>	<u>(22,474)</u>	<u>1,142,127</u>	<u>11,712,923</u>	<u>(22,474)</u>
34	Deferred Tax Adjustments:						
35	Total Federal Timing Differences per above	(19,362,580)				(22,836,271)	3,473,691
36	Deferred State Tax Adjustments	897,272				1,105,693	(208,421)
		(18,465,308)				(21,730,578)	3,265,270
37	Federal Income Tax Rate	35.00%				35.00%	35.00%
		(6,462,858)				(7,605,702)	1,142,844
38	Deferred Tax Adjustments	(2,000,000)				(2,000,000)	0
39	Investment Tax Credit	(498,975)				0	(498,975)
40	Other Adjustments, Est vs Actual	2,248,961				2,239,070	9,891
41	Federal Deferred Tax Adjustment	<u>(6,712,872)</u>	<u>(4,995,760)</u>	<u>653,760</u>	<u>(2,370,873)</u>	<u>(7,366,632)</u>	<u>653,760</u>
42	Timing Differences (State):						
43	Total State Timing Differences	(14,954,529)				(18,428,220)	3,473,691

Kentucky Utilities Company
Case No. 2008-00251
Question AG 25a, 25b & 25c
12 Months Ended 4/30/08

(1) Line	(2)	(3) <u>Total Co</u> (14,954,529)	(4) Kentucky Retail <u>Operating</u>	(5) <u>Nonoperating</u>	(6) Other Jurisdictional <u>Operating</u>	(7) <u>Total</u> <u>Operating</u> (18,428,220)	(8) <u>Total</u> <u>Nonoperating</u> 3,473,691
44	State Income Tax Rate	6.00%				6.00%	6.00%
45	Subtotal	(897,272)				(1,105,693)	208,421
46	Deferred Tax Adjustments:	(104,000)				(104,000)	0
47	Other Adjustments, Est vs Actual	560,423				558,619	1,803
48	State Deferred Tax Adjustment	(440,849)	(304,439)	210,224	(346,635)	(651,074)	210,224
49	Summary						
50	Total Current and Deferred Fed. Tax Expense	26,520,214				24,288,836	2,231,378
51	Total Current and Deferred State Tax Expense	11,249,600				11,061,850	187,750
52	ITC Amortization	35,392,672				35,891,647	(498,975)
53	Total Tax Expense	73,162,486	66,273,494	1,920,153	4,968,839	71,242,333	1,920,153

Kentucky Utilities Company
Case No. 2008-00251
Question AG 25a, 25b & 25c
12 Months Ended 4/30/08

(1) Line	(2)	(3) <u>Total Co</u>	(4) <u>Kentucky Retail Operating</u>	(5) <u>Nonoperating</u>	(6) <u>Other Jurisdictional Operating</u>	(7) <u>Total Operating</u>	(8) <u>Total Nonoperating</u>
<u>Temporary Differences</u>							
54	Accrued Liabilities/Reserve	(905,944)				(905,944)	0
55	Capitalized Interest	31,573,220				31,573,220	0
56	Cost of Removal	250,000				250,000	0
57	Customer Advances For Construction	830,470				830,470	0
58	Emission Allowances	1,280,704				1,280,704	0
59	Environmental Assessment	1,000,000				0	1,000,000
60	Equity in Subsidiary Earnings - EEI	(4,549,531)				0	(4,549,531)
61	FAC Under Recovery KY	(5,096,221)				(5,096,221)	0
62	FAS 87 Pension	4,167,349				4,167,349	0
63	FAS 106 Post Retirement Benefits	287,355				287,355	0
64	FAS 112 Post Employment Benefits	(909,588)				(909,588)	0
65	FAS 133	(328,589)				(328,589)	0
66	FAS 143 - Asset Retirement Obligation	(267,351)				(267,351)	0
67	Loss on Reacquired Debt – Amortization	501,084				501,084	0
68	Mark to Market	390,709				390,709	0
69	Medical Plan	(360,543)				(360,543)	0
70	Method Life/Tax Depreciation	(11,237,438)				(11,237,438)	0
71	MISO Exit Fees	3,931,171				3,931,171	0
72	Over/Under Collections - VA	2,931,514				2,931,514	0
73	State Tax Current	(4,290,199)				(4,290,199)	0
74	Storm Damages	791,604				791,604	0
75	Supplemental Retirement Plan	265,236				0	265,236
76	Unamortized Loss on Bonds	(365,041)				(365,041)	0
77	University of Kentucky Contribution	(220,569)				0	(220,569)
78	Vacation Pay	211,984				211,984	0
79	Workers Compensation	(457,912)				(457,912)	0
80	Other	(60,894)				(92,067)	31,173
81	Federal Temporary Differences	<u>19,362,580</u>	<u>16,461,651</u>	<u>(3,473,691)</u>	<u>6,374,620</u>	<u>22,836,271</u>	<u>(3,473,691)</u>
82	Federal Temporary Differences	19,362,580				22,836,271	(3,473,691)

Kentucky Utilities Company
Case No. 2008-00251
Question AG 25a, 25b & 25c
12 Months Ended 4/30/08

(1) Line	(2)	(3) <u>Total Co</u>	(4) <u>Kentucky Retail Operating</u>	(5) <u>Nonoperating</u>	(6) <u>Other Jurisdictional Operating</u>	(7) <u>Total Operating</u>	(8) <u>Total Nonoperating</u>
83	Less: Capitalized Interest	195,657				195,657	0
84	Method Life/Tax Depreciation	8,502,593				8,502,593	0
85	State Tax Current	(4,290,199)				(4,290,199)	0
86	State Temporary Differences	<u>14,954,529</u>	<u>12,845,187</u>	<u>(3,473,691)</u>	<u>5,583,033</u>	<u>18,428,220</u>	<u>(3,473,691)</u>

Interest Expense for the 12 months ended 4/30/08

	Total
	<u>Operating</u>
Long-Term Debt	56,189,348
Amortization of Debt Expense	739,209
Other Interest	<u>4,403,581</u>
Total used for income tax calculation	61,332,138
Remove AFUDC Interest	<u>1,379,941</u>
Adjusted Interest Total Company	62,712,079
Jurisdictional Percentage	<u>73.94%</u>
Interest per Rives Exhibit 1, Schedule 1.40	<u><u>46,369,311</u></u>

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 26

Responding Witness: Valerie L. Scott

- Q-26. With regard to the Kentucky Coal Tax Credit referenced on Rives Exhibit 1, Schedule 1.33, please provide the following information:
- a. Actual Kentucky Coal Tax Credits received by the Company in each of the years 2003 through 2007 and during the 12-month period ended 7/31/08. Provide each of these annual Coal Tax Credit amounts in total and as broken out between the portions of the total Coal Tax Credits applied first as income tax credits and then as property tax credits.
 - b. Effective which date in 2009 will the Coal Tax Credit statute expire? Please provide actual source documentation in support of your response.
 - c. Is there currently information available concerning other potential tax credit statutes or mechanisms that will replace, in whole or partially, the effect of the current Coal Tax Credit statute? If so, provide all available details.
- A-26.
- a. See response to PSC-2 Question No. 116. For the twelve months ended 7/31/08 the Company's coal tax credit received was \$2,490,758 based on the Kentucky coal purchases for calendar year 2007. The amount recorded as a credit to income tax expense for the twelve months ended 7/31/08 was \$1,245,379, one half of the total credit.
 - b. See response to PSC-2 Question No. 116(d).
 - c. The Company is not aware of any potential tax credit statutes or mechanisms that would replace or extend the current Coal Tax Credit statute. Kentucky does have a statute for new clean coal facilities that was created in 2005 (KRS 141.428) that provides a two dollar per ton credit for eligible Kentucky coal purchases. Facilities eligible for the "Kentucky Clean Coal Incentive" must be certified by the Environmental and Public Protection Cabinet. At the present time, no Company facilities qualify for this credit.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 27

Responding Witness: Valerie L. Scott

- Q-27. With regard to the total jurisdictional Interest per Books (excluding Other Interest) amount of \$46,369,311 shown on Rives Exhibit 1, Schedule 1.40, line 4, please provide the following information:
- a. Provide a detailed interest component breakout of the jurisdictional interest amount (excluding Other Interest) of \$46,369,311.
 - b. What actual jurisdictional interest amount has been used as a tax deduction in the determination of the Company's unadjusted jurisdictional test year income taxes of \$66,273,490 as compared to the total jurisdictional interest amount of \$46,369,311? Please provide total interest amount and component breakout.
 - c. Reconcile the total test year jurisdictional interest amount of \$46,369,311 to the total unadjusted test year jurisdictional interest charges of \$56,236,895 shown on page 6 of 8 of the Volume 1 Financial Exhibits. Provide this reconciliation in total and by interest component.
- A-27. a. See attached.
- b. See attached.
- c. See attached.

Kentucky Utilities Company
CASE NO. 2008-00251
CASE NO. 2007-00565

Analysis of Interest Charges
April 30, 2008

	<u>12 Months Ending</u>
Interest on Long-term Debt	
Loan Agreement - Pollution Control Bonds	
Mercer County 2000 Series A due 05/01/23 Var%	\$ 289,040.62
Carroll County 2002 Series A due 02/01/32 Var%	668,579.44
Carroll County 2002 Series B due 02/01/32 Var%	76,664.60
Muhlenburg County 2002 Series A due 02/01/32 Var%	76,664.60
Mercer County 2002 Series A due 02/01/32 Var%	236,382.59
Carroll County 2002 Series C due 10/01/32 Var%	3,980,229.33
Carroll County 2004 Series A due 10/01/34 Var%	2,235,902.78
Carroll County 2005 Series A due 06/01/35 Var%	534,538.31
Carroll County 2005 Series B due 06/01/35 Var%	525,429.43
Carroll County 2006 Series A due 06/01/36 Var%	716,659.43
Carroll County 2006 Series C due 06/01/36 Var%	803,019.49
Carroll County 2006 Series B due 10/01/34 Var%	2,238,217.50
Carroll County 2007 Series A due 02/01/26 Var%	372,642.73
Trimble County 2007 Series A due 03/01/37 Var%	742,875.06
Fidelia	42,343,091.59
Hardin Promissory Note	<u>349,410.84</u>
Total	<u>\$ 56,189,348.34</u>
Amortization of Debt Expense - Net	
Amortization of Debt Expense	291,703.44
Amortization of Loss on Reacquired Debt	<u>447,505.12</u>
Total	<u>\$ 739,208.56</u>
Other Interest Charges	
Customers' Deposits	1,111,987.27
Interest on Debt to Associated Companies	5,783,521.71
AFUDC Borrowed Funds	(1,379,940.85)
Other Interest	<u>(3,411.25)</u>
Total	<u>\$ 5,512,156.88</u>
Total Interest per books	<u>\$ 62,440,713.78</u>
Deduct Other Interest to be excluded	
Customers' Deposits	1,111,987.27
AFUDC Borrowed Funds	(1,379,940.85)
Other Interest	<u>(3,411.25)</u>
Total Interest to Exclude for Other Interest	<u>\$ (271,364.83)</u>
Interest to Include Before KY Jurisdictional Application	<u>\$ 62,712,078.61</u>
Percentage of KY Jurisdictional Base Rate Base to Company Rate Base per Exhibit 3 page 1 of 3	<u>73.94%</u>
Kentucky Jurisdictional Interest per books (excluding Other Interest)	<u>\$ 46,369,310.92</u>

Interest Expense for the 12 months ended 4/30/08

	Total
	<i>Operating</i>
Long-Term Debt	\$ 56,189,348
Amortization of Debt Expense	739,209
Other Interest	4,403,581
Total used for income tax calculation	61,332,138
Remove AFUDC Interest	1,379,941
Adjusted Interest Total Company	62,712,079
Jurisdictional Percentage	73.94%
Interest per Rives Exhibit 1, Schedule 1.40	<u>\$ 46,369,311</u>

Kentucky Utilities Company**CASE NO. 2008-00251****CASE NO. 2007-00565**

Jurisdictional Interest per Rives Exhibit 1, Schedule 1.40, line 4	\$ 46,369,311
Percentage of KY Jurisdictional Base Rate Base to Company Rate Base per Rives Exhibit 3 page 1 of 3	<u>73.94%</u>
Total Company Interest Excluding Other Interest	\$ 62,712,079
Customers' Deposits	1,111,987
AFUDC Borrowed Funds	(1,379,941)
Other Interest	<u>(3,411)</u>
Total Company Test Year Interest Charges per Books	\$ 62,440,714
KY Jurisdictional Percentage Allocator	<u>90.0645%</u>
Total Unadjusted Test Year Jurisdictional Interest Charges	<u><u>\$ 56,236,895</u></u>

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 28

Responding Witness: Robert M. Conroy

Q-28. Please provide a copy of the actual ECR Expense Roll-In source documentation referenced at the bottom of Rives Exhibit 1, Schedule 1.06.

A-28. See attached.

Kentucky Utilities Company

Calculation of ECR Roll-in At February 28, 2007

Calculation of Revenue Requirement for Roll-In:

Environmental Compliance Rate Base		Post-1994 Plan at Feb 28, 2007
Pollution Control Plant in Service	ES Form 2 00, February 2007	240,437,831
Pollution Control CWIP Excluding AFUDC	ES Form 2 00, February 2007	<u>255,269,869</u>
	Subtotal	495,707,700
Additions:		
Emission Allowances, net of baseline	ES Form 2 00, February 2007	1,286,517
	ES Form 2 00, February 2007 per corrections made in Case No 2007-00379	<u>153,616</u>
Cash Working Capital Allowance		1,440,133
	Subtotal	1,440,133
Deductions:		
Accumulated Depreciation on Pollution Control Plant	ES Form 2 00, February 2007	16,772,692
Pollution Control Deferred Income Taxes	ES Form 2 00, February 2007	30,600,634
	ES Form 2 00, February 2007 as revised September 21, 2007	<u>2,049,747</u>
Pollution Control Deferred Investment Tax Credit		49,423,073
	Subtotal	49,423,073
		<u>\$ 447,724,760</u>
	ES Form 1 10, February 2007 as revised April 23, 2007	11 52%
Rate of Return – Environmental Compliance Rate Base		
		<u>\$ 51,577,892</u>
Return on Environmental Compliance Rate Base		\$ 51,577,892
Pollution Control Operating Expenses		
12 Month Depreciation and Amortization Expense	See Support Schedule A	5,927,060
12 Month Taxes Other than Income Taxes	See Support Schedule A	425,002
12 Month Operating and Maintenance Expense	See Support Schedule A	1,228,923
12 Month Emission Allowance Expense, net of amounts in base rates	See Support Schedule A	<u>3,162,166</u>
Total Pollution Control Operating Expenses		\$ 10,743,151
Gross Proceeds from By-Product & Allowance Sales	See Support Schedule B	997,763
Total Company Environmental Surcharge Gross Revenue Requirement – Roll In Amount		
Return on Environmental Compliance Rate Base		51,577,892
Pollution Control Operating Expenses		10,743,151
Less Gross Proceeds from By-Product & Allowance Sales		<u>(997,763)</u>
Roll In Amount		\$ 61,323,280
Jurisdictional Allocation Ratio – Roll In	See Support Schedule C	<u>80.7487%</u>
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	<u>947,408,732</u>
Roll In Jurisdictional Environmental Surcharge Factor:		
Total Company Environmental Surcharge Gross Revenue Requirement – Roll In Amount		\$ 61,323,280
Jurisdictional Allocation Ratio – Roll In		<u>80.7487%</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement – Gross Roll In Amount		49,517,782
Less Jurisdictional Environmental Revenue Previously Rolled In (Case No 2006-00129)		<u>25,837,275</u>
Jurisdictional Environmental Surcharge Gross Revenue Requirement – Net Roll In Amount		\$ 23,680,507
Base Revenues for the 12-Months Ending March 2008	\$	898,641,240
BESF, Gross Roll-in Amount		5 5103%

Support Schedule A

12 Month Balances for Selected Operating Expense Accounts

	Depreciation & Amortization Steam Plant	Taxes Other than Income Taxes	Operating and Maintenance Expense			Emission Allowance Expense FERC 509	Total
			FERC 502	FERC 506	FERC 512		
Mar-06	489,336	31,830	-	-	14,878	86,178	622,222
Apr-06	489,169	31,804	-	-	18,380	275,023	814,376
May-06	492,274	31,804	-	183,663	10,083	244,630	962,454
Jun-06	495,021	31,804	-	170,786	12,370	323,078	1,033,059
Jul-06	495,021	31,804	-	89,876	1,240	362,622	980,563
Aug-06	495,021	31,804	-	277,148	27,974	389,585	1,221,532
Sep-06	495,021	31,804	-	51,747	11,299	274,685	864,556
Oct-06	495,021	31,804	-	120,001	44,999	265,207	957,032
Nov-06	495,021	31,804	-	-	3,174	336,180	866,179
Dec-06	495,257	31,785	-	-	182,825	350,299	1,060,166
Jan-07	495,449	53,477	-	-	2,505	150,725	702,156
Feb-07	495,449	53,478	-	-	5,975	162,300	717,202
less Base Rate amount						(56,346)	(58,346)
Totals	5,927,060	425,002	-	893,221	335,702	3,162,166	10,743,151

Support Schedule B

12 Month Balances for Allowance Sales and By-Product Sales

	Total Proceeds		Total All Sale Proceeds
	from Allowance Sales ES Form 2 00	Proceeds from By- Product Sales ES Form 2 00	
Mar-06	-	-	-
Apr-06	-	-	-
May-06	997,763	-	997,763
Jun-06	-	-	-
Jul-06	-	-	-
Aug-06	-	-	-
Sep-06	-	-	-
Oct-06	-	-	-
Nov-06	-	-	-
Dec-06	-	-	-
Jan-07	-	-	-
Feb-07	-	-	-
Totals	997,763	-	997,763

Support Schedule C

12 Month Balances for Jurisdictional Revenues and Allocation Ratio

	KY Retail Revenues, Excl Envir Surch Revenues ES Form 3 00	Total Company Revenues, Excluding Envir Surch Revenues ES Form 3 00	KY Retail Allocation Ratio KY Retail/ Total Company		Base Customer, Energy and Demand Revenue
Apr-06	68,755,693	83,562,797	82.2803%	May-07	61,916,867
May-06	68,234,266	87,442,260	78.0335%	Jun-07	68,408,960
Jun-06	74,606,468	92,328,022	80.8059%	Jul-07	72,598,831
Jul-06	83,221,371	104,447,112	79.6780%	Aug-07	76,507,246
Aug-06	91,244,948	110,143,316	82.8420%	Sep-07	78,877,563
Sep-06	84,811,424	103,862,140	81.6577%	Oct-07	81,928,933
Oct-06	78,930,377	94,323,004	83.6809%	Nov-07	60,139,006
Nov-06	70,608,407	96,282,335	73.3347%	Dec-07	64,154,037
Dec-06	84,190,754	102,328,365	82.2751%	Jan-08	94,210,096
Jan-07	82,191,054	104,238,572	78.8490%	Feb-08	90,981,947
Feb-07	89,711,381	108,889,154	82.3878%	Mar-08	85,322,815
Totals	\$ 947,408,732	\$ 1,173,279,765	80.7487%		898,641,240

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 29

Responding Witness: William Steven Seelye

- Q-29. Page 5 of 8 of the Volume 1 Financial Exhibits shows a breakdown of the actual unadjusted test year retail jurisdictional operating revenues by revenue class. Please identify in which revenue class KU's Off-System Sales revenues are included and identify the test year retail jurisdictional Off-System Sales revenues, in total and as broken out by each specific Off-System Sales component.
- A-29. Seelye Exhibit 19 shows the allocation of jurisdictional Off-System Sales revenues to the rate classes. Total jurisdictional Off-System Sales for the test year was \$6,317,218; of this, \$6,407,967 relates to spot market sales and -\$90,749 relates to net brokered revenues which are eliminated from revenue requirement in Rives Exhibit 1, Reference Schedule 1.08.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 30

Responding Witness: Robert M. Conroy / William Steven Seelye

- Q-30. With regard to Seelye Exhibit 14, please provide the following information:
- a. Provide workpapers and explanatory narrative showing the calculations and calculation components supporting the Base FAC expenses per KWH of \$0.02591.
 - b. Do the actual test year variable production expenses of \$35,171,777 include variable production expenses that are being recovered in the ECR and DSM rate mechanisms? If not, explain why not. If so, provide the variable production expenses per KWH for only the base portion of the variable productions expenses of \$35,171,777.
- A-30. a. See attached. The base fuel component of \$0.02591 per kWh was developed in the last 2-year FAC review, Case No. 2006-00509 and approved by the Commission in its Order dated October 12, 2007.
- b. The variable production expenses of \$35,171,777 include variable production expenses that are being recovered through the ECR rate mechanism but do not include expenses that are being recovered through the DSM rate mechanism. DSM expenses are not recorded as production expenses. Excluding the variable production expenses that are being recovered through the ECR rate mechanism, the variable production expenses would be \$34,458,796 (\$35,171,777 less \$712,981 of jurisdictional ECR related expenses recorded in Account 512 = \$34,458,796).

KENTUCKY UTILITIES COMPANY

**Response to Information Requested in Appendix B of
Commission's Order Dated December 18, 2006**

Case No. 2006-00509

Question No. 1

Witness: Robert M. Conroy

Q-1. State the month to be used as the base period (b). Include a comprehensive, detailed explanation of the factors considered in the selection of this month as being representative of the net generating cost per kWh that KU will incur between November 1, 2006 and October 31, 2008 ("the next 2-year period").

A-1. KU recommends that October 2006 be used as the base period. The F(m)/S(m) for October 2006 was \$0.02591/kWh (see attached table). KU estimates that the average F(m)/S(m) for the period November 2006 through October 2007 will be \$0.02534/kWh; average F(m)/S(m) for the period November 2007 through October 2008 will be \$0.02608/kWh. The F(m)/S(m) for October 2006 of \$0.02591 is closest to the average of the projected fuel factors for the next 2-year period (\$0.02573/kWh). For this reason KU believes that October 2006 is the appropriate month to use as the base period for the next 2-year period.

KU determined the projected F(m)/S(m) results using projected coal, oil and gas expenses, purchased power expenses, off-system sales revenues and all associated generated, purchased and sold kilowatt hours for the period.

KENTUCKY UTILITIES COMPANY

RETAIL FUEL ADJUSTMENT CLAUSE

FUEL COST PER KWH

FOR THE EXPENSE MONTHS ENDING OCTOBER 31, 2006

(1)	(2)	(3)	(4)	(5)
EXPENSE MONTH	EXPENSE MONTH \$/KWH*	FAC BASE \$/KWH	BILLING MONTH	BILLING MONTH FAC FACTOR COL 2 - 3
Jan-06	\$0.02013	\$0.01810	Mar-06	\$0.00203
Feb-06	\$0.02250	\$0.01810	Apr-06	\$0.00440
Mar-06	\$0.02530	\$0.01810	May-06	\$0.00720
Apr-06	\$0.02418	\$0.01810	Jun-06	\$0.00608
May-06	\$0.02533	\$0.01810	Jul-06	\$0.00723
Jun-06	\$0.02639	\$0.01810	Aug-06	\$0.00829
Jul-06	\$0.02757	\$0.01810	Sep-06	\$0.00947
Aug-06	\$0.03109	\$0.01810	Oct-06	\$0.01299
Sep-06	\$0.02318	\$0.01810	Nov-06	\$0.00508
Oct-06	\$0.02591	\$0.01810	Dec-06	\$0.00781
AVERAGE	\$0.02516	\$0.01810	AVERAGE	\$0.00706

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 31

Responding Witness: William Steven Seelye

- Q-31. Based on the Company's proposed bad debt ratio of .203% and PSC assessment ratio of .1603% (used in the revenue conversion factor to gross up the rate increase request for the incremental bad debt and PSC assessment expenses associated with the requested rate increase), the Company's proposed weather normalization revenue decrease adjustment of \$8,721,229 (Rives Exhibit 1, page 1, line 14) would result in a corresponding bad debt and PSC assessment decrease of \$31,684 (.3633% x \$8,721,229). Please explain why this expense adjustment has not been reflected by the Company on Seelye Exhibit 20.
- A-31. Seelye Exhibit 20 is a zero intercept analysis for the class cost of service study. Assuming that the question was intended to refer to Seelye Exhibit 13, this expense adjustment *should not* be included in the Adjustment to Operating Income shown on Seelye Exhibit 13. On Rives Exhibit 8, the bad debt and PSC ratios are applied to the net revenue deficiency after all revenue and expense adjustments are made, and should not also be applied to individual adjustments. Applying the gross up factor (or parts thereof) to individual adjustments and then applying the adjustment to the net operating income deficiency would result in an incorrect overall revenue deficiency (sufficiency).

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 32

Responding Witness: Shannon L. Charnas / William Steven Seelye

- Q-32. With regard to Seelye Exhibit 15, page 1, for each of the exact same customer classes for which the 13-month average numbers are shown in column (1) [i.e., for Residential Rate RS Rate Code 010, 050; Residential Rate RS Code 020, 060, 080; General Service Secondary and General Service Primary; and so on] provide the equivalent actual month-end number of customers for the months of April 2005 through July 2008.
- A-32. See response to Question No. 165.

KENTUCKY UTILITIES COMPANY**CASE NO. 2008-00251****CASE NO. 2007-00565****Response to Initial Requests for Information of the Attorney General****Dated August 27, 2008****Question No. 33****Responding Witness: William Steven Seelye**

Q-33. With regard to Seelye Exhibit 15, page 2, provide the following information:

- a. Explain why the total billed test year revenues of \$1,100,598,589 is not equal to the total test year billed revenues of \$1,147,278,041 shown on Rives Exhibit 1, page 1, lines 1 and 3 (\$1,154,156,041 less unbilled revenues of \$6,878,000 = \$1,147,278).
- b. Please confirm that the test year billed revenues with the eliminations of the revenue items recovered in the separate rate rider mechanisms for the Merger Surcredit; VDT Surcredit; FAC and ECR revenues; DSM revenues; and Brokered/Swap sales revenues amount to \$1,117,769,004 in accordance with the revenue information shown on Rives Exhibit 1, page 1, lines 1, 3, 4, 5, 6, 7, 8, 9, 10, 11,12, and 13:

Per books Operating Revenues (line 1)	\$1,154,156,041
Remove Unbilled Revenues (line 3)	(6,878,000)
Remove Merger Surcredit Rev. (line 4)	18,568,431
Remove VDT Surcredit Revenues (line 5)	3,405,550
Remove FAC Revenues (line 6)	(116,253,633)
Add Back FAC Roll-In (Sch. 1.04)	84,205,087
Remove ECR Revenues (line 8)	(54,342,557)
Add Back ECR Roll-In (line 9)	21,935,653
Off-System ECR Adjustment (line 10)	(371,295)
Remove Brokered/Swap Sales Rev. (line 11)	90,748
Remove ECR, MSR, VDT, FAC Accruals (line 12)	17,682,129
Remove DSM Revenues (line 13)	(4,429,150)
Net billed Base Rate Revenues	<u>\$1,117,769,004</u>

- c. Please confirm that the test year net electric O&M expenses with the eliminations of the test year wage/salary, pension and benefit and regulatory commission expenses, as well as the eliminations of the expense items recovered in the separate rate rider mechanisms for the FAC, ECR and DSM expenses and Brokered/Swap sales expenses amount to \$688,327,451 in accordance with the information shown on Seelye Exhibit 15, page 2 and Rives Exhibit 1, page 1, lines 6, 7, 8, 9, 11 and 13:

Per books O&M Expenses (Exh. 15, p.2)	\$788,754,775
---------------------------------------	---------------

Remove FAC Expenses (line 6)	(96,155,056)
Add Back FAC Roll-In (Sch. 1.04)	82,205,087
Remove ECR Expenses (line 8)	(16,467,656)
Add Back ECR Roll-In (line 9)	8,506,554
Remove Brokered/Swap Sales Exp (line 11)	(8,127)
Remove DSM Expenses (line 13)	(4,437,148)
Remove Wages and Salaries (Exh. 15, p.2)	(55,166,658)
Remove Pensions & Benefits (Exh. 15, p.2)	(19,877,328)
Remove Reg. Comm. Exp. (Exh. 15, p.2)	<u>(1,026,991)</u>
Net Base O&M Expenses	<u>\$688,327,451</u>

A-33. a. The \$1,100,598,589 amount represents total Sales to Ultimate Consumers and includes both billed and unbilled revenues. As Billed Revenue is equal to \$1,112,462,089. The \$1,154,156,041 amount represents Total Operating Revenue and includes a number of revenue items.

b. Billed Revenue is reconciled as follows:

Total Operating Revenue (Rives Exhibit 1 Page 1 line 1)	\$1,154,156,041
Less:	
Accrued Revenues	(17,682,129)
Intercompany Sales	41,161,612
Off-System Sales	6,327,778
Brokered Sales	(90,748)
Redundant Capacity	10,854
Misc Service Revenues	1,578,059
Rent From Electric Property	1,994,812
Other Electric Revenue	2,585,939
Unbilled Revenue	6,878,000
Revenue Adjustment	(334)
<u>Merger Surcredit Amortization</u>	<u>(1,069,892)</u>
Seelye Exhibit 3 Page 1 of 24	\$1,112,462,089

- c. Mr. Seelye does not agree with this calculation. In prior proceedings, the Commission's accepted methodology for calculating net operating expenses for purposes of deriving the net operating ratio has been determined without consideration of pro-forma adjustments.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 34

Responding Witness: S. Bradford Rives / Lonnie E. Bellar

Q-34. Please identify and quantify any changes to the filing results that should be made based on additional information that became available after the Company prepared its base rate filings.

A-34. Other than items noted in response to the various requests for information due September 11, 2008 in this proceeding, the Company is not aware of any changes to its filing results, with the following exceptions:

Upon further analysis and investigation, KU has discovered that its filed adjustments to capitalization in this proceeding are overstated due to three items: (1) double-counting KU's equity in subsidiary earnings; (2) not adjusting equity in subsidiary earnings by the related deferred taxes associated with those earnings; and (3) not reducing capital by non-utility property.¹ Each of these adjustments is explained below.

As page 1 of the attachment to this response shows, in the three rate cases (Case Nos. 7804, 8177, and 8624) and the Performance-Based Ratemaking ("PBR") proceeding (Case No. 98-474) prior to KU's most recent rate case, Case No. 2003-00434, KU correctly deducted "Investments in Subsidiary Companies" from capitalization (page 1, line 1), but removed from that deduction KU's "Equity in Subsidiary Earnings" (page 1, line 2).² "Equity in Subsidiary Earnings" is then deducted separately on page 1 at line 4. This ensures that KU's equity in its subsidiary earnings is deducted from its capitalization only once. KU's analysis and investigation has revealed that KU erroneously deducted its equity in

¹ See *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Base Rates*, Case No. 2008-00251, Testimony of S. Bradford Rives Exh. 2, Cols. 4-6 (July 29, 2008).

² See *In the Matter of: General Adjustment of Rates of Kentucky Utilities Company*, Case No. 7804, Newton Exh. 2 and Davis Exh. 1; *In the Matter of: General Adjustment of Electric Rates of Kentucky Utilities Company*, Case No. 8177, Newton Exh. 2 and Davis Exh. 1; *In the Matter of: General Adjustment of Electric Rates of Kentucky Utilities Company*, Case No. 8624, Newton Exh. 2 and Davis Exh. 1; *In the Matter of: Application of Kentucky Utilities Company for Approval of an Alternative Method of Regulation of Its Rates and Services*, Case No. 1998-00474, Order Appx. C (January 7, 2000); *In the Matter of: An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order Appx. E (June 30, 2004).

subsidiary earnings twice in its most recent base rate proceeding, and that it erred in the same way in this base rate proceeding.

KU further seeks to revise Rives Exhibit 2 to reflect that the deferred taxes associated with the equity in subsidiary earnings need to be properly reflected in the capitalization adjustment. The deferred taxes (page 1, line 5) need to be deducted from equity in subsidiary earnings to arrive at the net earnings impact within the equity component of capital. This adjustment appears on page 1 at line 6 in the attachment to this response.

Finally, KU seeks to add a deduction from capitalization for non-utility property. As shown on page 1 at line 8 in the attachment and the supporting exhibits from KU's past rate cases, until the PBR case KU consistently deducted non-utility property from its capitalization.³ In its final order in the PBR proceeding, the Commission required KU not to make such a deduction,⁴ which precedent KU followed in its most recent rate case.⁵ That notwithstanding, KU does not believe it is appropriate to include in its capitalization assets that are not used for utility operations, and therefore seeks to include this adjustment as shown on page 1 at line 9 in the attachment to this response.

KU therefore submits this update to adjust Exhibit 2 to the Testimony of S. Bradford Rives, filed in this proceeding on July 29, 2008 ("Rives Exhibit 2") as shown on page 2 of the attachment to this response. KU also includes the supporting exhibits from KU's past rate cases in the attachment to this response.

³ *Id*

⁴ *In the Matter of: Application of Kentucky Utilities Company for Approval of an Alternative Method of Regulation of Its Rates and Services*, Case No. 1998-00474, Order at 62 (January 7, 2000).

⁵ *In the Matter of: An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order Appx. E (June 30, 2004).

KENTUCKY UTILITIES

ANALYSIS OF CAPITALIZATION ADJUSTMENTS FOR 1980-2008

Line No.	Adjustments to Capitalization	Case No. 7804 as of 01/31/80	Case No. 8177 as of 12/31/80	Case No. 8624 as of 6/30/82	Case No. 98-474 as of 12/31/98	Case No. 2003-434 as of 09/30/03	Case No. 2008-251 as of 04/30/08	Adjusted Case No. 2008-251 as of 04/30/08
1.	Investments in Subsidiary Companies	\$ (25,524,615)	\$ (29,517,638)	\$ (39,505,579)	\$ (2,156,438)	\$ (10,239,079)	\$ (24,880,479)	\$ (24,880,479)
2.	Less: Equity in Subsidiary Earnings (1)	(6,536,780)	(6,529,803)	(6,117,745)	(860,638)	-	-	(23,584,679)
3.	Subtotal (2)	(18,987,835)	(22,987,835)	(33,387,834)	(1,295,800)	(10,239,079)	(24,880,479)	(1,295,800)
4.	Equity in Subsidiary Earnings (1)	(6,536,780)	(6,529,803)	(6,117,745)	(860,638)	(8,943,279)	(23,584,679)	(23,584,679)
5.	Deferred Taxes	(6,536,780)	(6,529,803)	(6,117,745)	(860,638)	(8,943,279)	(23,584,679)	8,915,810
6.	Subtotal	(13,073,560)	(13,059,606)	(12,235,490)	(1,721,276)	(17,886,558)	(47,169,358)	(14,668,869)
7.	Investments in OVEC and Other	(385,105)	(381,969)	(373,233)	(806,485)	(798,053)	(661,140)	(661,140)
8.	Nonutility Property-Less Reserve	(388,569)	(385,913)	(306,958)	-	-	-	(179,121)
9.	Subtotal	(773,674)	(767,882)	(680,191)	(806,485)	(798,053)	(661,140)	(840,261)
10.	Total Adjustments to Capitalization (Line 3+6+9)	\$ (26,298,289)	\$ (30,285,520)	\$ (40,185,770)	\$ (2,962,923)	\$ (19,980,411)	\$ (49,126,298)	\$ (16,804,930)

(1) Unappropriated Undistributed Subsidiary Earnings.

(2) Net investment in subsidiary companies included investment in KU's Virginia operations (Old Dominion Power Company), which was a separate subsidiary prior to 1991, when it was merged into Kentucky Utilities Company.

KENTUCKY UTILITIES

Capitalization at April 30, 2008
Revised Undistributed Subsidiary Earnings (Col 4), Investment in EEI (Col 5) and Investments in OVEC and Other (Col 6)

	Per Books 04-30-08 (1)	Capital Structure (2)	Required Bonds (not retired) (3)	Undistributed Subsidiary Earnings (4)	Investment in EEI (Col 2 x Col 5 Line 4) (5)	Investments in OVEC and Other (Col 2 x Col 6 Line 4) (6)	Adjustments to Total Company Capitalization (Sum of Col 3 - Col 6) (7)	Adjusted Total Company Capitalization (Col 1 + Col 7) (8)
1. Short Term Debt	\$ 93,302,454	3.27%	\$ (16,693,620)	\$ -	\$ (42,373)	\$ (27,477)	\$ (16,763,470)	\$ 76,538,984
2. Long Term Debt	1,247,059,520	43.70%	16,693,620	-	(566,265)	(367,194)	15,760,161	1,262,819,681
3. Common Equity	1,513,015,410	53.03%	-	(14,668,869)	(687,162)	(445,590)	(15,801,621)	1,497,213,789
4. Total Capitalization	\$ 2,853,377,384	100.00%	\$ -	\$ (14,668,869)	\$ (1,295,800)	\$ (840,261)	\$ (16,804,930)	\$ 2,836,572,454

	Adjusted Total Company Capitalization (8)	Jurisdictional Rate Base Percentage (Exhibit 3 Line 23) (9)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 x Col 9) (10)	Adjusted Jurisdictional Capital Structure (11)	Annual Cost Rate (12)	Cost of Capital (Col 11 x Col 12) (13)
1. Short Term Debt	\$ 76,538,984	73.94%	\$ 56,592,925	2.70%	2.63%	0.07%
2. Long Term Debt	1,262,819,681	73.94%	933,728,872	44.52%	5.21%	2.32%
3. Common Equity	1,497,213,789	73.94%	1,107,039,876	52.78%	11.25%	5.94%
4. Total Capitalization	\$ 2,836,572,454		\$ 2,097,361,673	100.00%		8.33%

**Kentucky Utilities Company
Rollforward of Investment in EEI**

(a) Year	(b) Capital Stock Ownership (Initial Investment)	(c) Beginning Balance Equity in Earnings	(d) Earnings	(e) Dividends	(f) Net Activity	(g) Ending Balance Equity in Earnings	(h) Ending Balance Total Investment	(i) Deferred Taxes	(j) Cash Flow	(k) Check S/B
	(Form 1 p 224)	(Form 1 p 224)	(Form 1 p 225)	(Form 1 p 225)	(d)-(e)	(c)+(f)	(g)+(b)		Form 1 p 120	+(f)-(i)
1996	1,295,800	848,998	2,436,136	2,460,420	(24,284)	824,714	2,120,514		(24,284)	-
1997	1,295,800	824,714	2,480,168	2,443,622	36,546	861,260	2,157,060		36,546	-
1998	1,295,800	861,260	2,167,436	2,168,058	(622)	860,638	2,156,438	(73,148)		-
1999	1,295,800	860,638	2,333,723	2,366,775	(33,052)	827,586	2,123,386	(57,931)	(622)	-
2000	1,295,800	827,586	2,242,280	2,312,037	(69,757)	757,829	2,053,629	(53,048)	(33,052)	-
2001	1,295,800	757,829	1,802,856	2,060,553	(257,697)	500,132	1,795,932	(53,048)	(69,757)	-
2002	1,295,800	500,132	6,967,101	1,585,021	5,382,080	5,882,212	7,178,012	(411,754)	(257,697)	-
2003	1,295,800	5,882,212	3,644,247		3,644,247	9,526,459	10,822,259	(666,851)	5,382,080	-
2004	1,295,800	9,526,459	2,559,212		2,559,212	12,085,671	13,381,471	(845,996)	3,644,247	-
2005	1,295,800	12,085,671	2,256,843		2,256,843	14,342,514	15,638,314	(5,672,466)	2,559,212	-
2006	1,295,800	14,342,514	29,405,773	27,500,000	1,905,773	16,248,287	17,544,087	(6,320,585)	2,256,843	-
2007	1,295,800	16,248,287	26,358,781	21,400,000	4,958,781	21,207,068	22,502,868	(8,249,551)	1,905,773	-
4/30/08 - YTD	1,295,800	21,207,068	9,877,611	7,500,000	2,377,611	23,584,679	24,880,479	(8,915,810)	4,958,781	(1)

Case 7804

KENTUCKY UTILITIES COMPANY
 CAPITALIZATION
 JANUARY 31, 1980

	(1)	(2)	(3)	(4)
	Total Per Books	Adjustments (Page 2)	Adjusted Balance	Kentucky Jurisdiction
1. Common Stock Equity	\$255 170 424	\$ (13 003 533)	\$242 167 091	5204 558 541
2. Preferred Stock	90 000 000	(2 340 752)	87 659 248	74 045 767
3. First Mortgage Bonds	142 465 074	(8 906 956)	333 558 118	281 756 542
4. Bank Notes	25 000 000	(650 209)	24 349 791	20 568 268
5. Short Term Debt	<u>53 715 000</u>	<u>(1 397 039)</u>	<u>52 317 961</u>	<u>44 192 982</u>
6. Total	<u>\$766 350 498</u>	<u>\$ (26 298 289)</u>	<u>\$740 052 209</u>	<u>\$625 122 100</u>

(1) Davis Exhibit 1, Page 14.

(4) Bradley Exhibit 1.

Case 7804

Newton Exhibit
Page 2

KENTUCKY UTILITIES COMPANY
ADJUSTMENTS TO CAPITALIZATION

1. Common Stock Equity	\$ (6 536 780)	Subsidiary Earnings
	(6 466 553)	Portion of Other Investments
2. Total	<u>\$ (13 003 333)</u>	
3. Preferred Stock	<u>\$ (2 340 752)</u>	Portion of Other Investments
4. First Mortgage	<u>\$ (8 906 956)</u>	Portion of Other Investments
5. Bank Notes	<u>\$ (650 209)</u>	Portion of Other Investments
6. Short Term Debt	<u>\$ (1 397 049)</u>	Portion of Other Investments
7. Total Adjustments to Capital	<u>\$ (26 298 289)</u>	

Note: Subsidiary Earnings per Davis Exhibit 1, Page 14.
Other investments of \$19 761 509 per Davis Exhibit 1,
Page 12, apportioned to each capital component by ratio
of that component to total capital.

Case 7804

Notice Exhibit A
Davis Exhibit 1
Page 11

KENTUCKY UTILITIES COMPANY

BALANCE SHEET
JANUARY 31, 1980
807 KAR 50:005
Section 6(9)
And
Section 9(1)(a)

Assets	
Utility Plant:	
Original Cost-Plant in Service	\$ 876 362 669
Construction Work in Progress	185 365 887
Total	<u>\$1 061 728 556</u>
Accumulated Provision for Depreciation and Amortization	\$ 256 287 090
Net Utility Plant	<u>\$ 805 441 466</u>
Investments and Funds:	
Non Utility Plant less reserve of \$13 895	\$ 388 569
Investments in Subsidiary Companies	25 524 615
Other Investments	385 105
Special Funds	7 018 172
Net Investments and Funds	<u>\$ 33 316 461</u>
Cash	
Cash	\$ 6 693 678
Special Deposits	2 594 988
Working Funds	44 984
Total Cash	<u>\$ 9 333 650</u>
Receivables:	
Customer Receivables	\$ 16 878 278
Miscellaneous Receivables	10 628 516
Accumulated Provision for Uncollectible Accounts	(268 400)
Total	<u>\$ 27 238 394</u>
Receivables from Associated Companies	1 873 416
Net Receivables	<u>\$ 29 111 810</u>
Inventories:	
Fuel	\$ 59 567 378
Materials and Supplies	6 093 062
Stores Expense Undistributed	1 075 116
Total Inventories	<u>\$ 66 735 556</u>
Other Current Assets:	
Prepayments	\$ 697 590
Interest and Dividends Receivable	55 800
Accrued Utility Revenues	3 682 991
Total Other Current Assets	<u>\$ 4 436 381</u>
Deferred Debits:	
Unamortized Debt Expense	\$ 1 497 427
Preliminary Survey	2 295 608
Job Work	72 523
Other Deferred Debits	554 760
Total Deferred Debits	<u>\$ 4 420 318</u>
Total Assets	<u>\$ 952 795 642</u>

Notice Exhibit A
Divia Exhibit 1
Page 14

KENTUCKY UTILITIES COMPANY

BALANCE SHEET
JANUARY 31, 1980
807 KAR 50:005
Section 6(9)
And
Section 9(1)(a)

Liabilities

Common Stock Equity:

Common Stock	\$107 963 270
Premium on Capital Stock	55 637 601
Unappropriated Retained Earnings	84 982 958
Appropriated Retained Earnings-Amortization Reserve Federal	49 815
Unappropriated Undistributed Subsidiary Earnings	6 536 780
Total Common Stock Equity	<u>\$255 170 424</u>

Preferred Stock	\$ 90 000 000
First Mortgage Bonds, including unamortized premium	342 465 074
Bank Notes	25 000 000
Commercial Paper Due Currently	<u>53 715 000</u>
Total Capitalization and Commercial Paper Due Currently	\$766 350 498

Current liabilities:

Accounts Payable	\$ 15 323 970
Payable to Associated Companies	15 364
Customers' Deposits	3 865 253
Taxes Accrued	3 958 215
Interest Accrued on Long-term Debt	8 902 885
Other Interest Accrued	542 153
Tax Collections Payable	997 302
Dividends declared	7 501 553
Revenue subject to possible refund with interest	8 749 165
Other Current and Accrued Liabilities	6 060 417
Total Current Liabilities	<u>\$ 55 916 277</u>

Deferred Credits:

Customers' Advances for Construction	\$ 1 072 883
Accumulated Deferred Income Taxes	83 033 105
Accumulated Deferred Investment Tax Credits	46 362 565
Other Deferred Credits	2 200
Total Deferred Credits	<u>\$130 470 753</u>

Reserves:

Insurance Reserve	\$ 58 114
Total Reserves	<u>\$ 58 114</u>

Total Liabilities 5952 795 642

Case 8177

KENTUCKY UTILITIES COMPANY
 CAPITALIZATION

	<u>December 31, 1980</u>				<u>September 30, 1982</u>			
	<u>Total</u>	<u>Adjustments</u>	<u>Adjusted Balance</u>	<u>Kentucky Jurisdiction</u>	<u>Total</u>	<u>Adjustments</u>	<u>Adjusted Balance</u>	<u>Kentucky Jurisdiction</u>
Common Stock Equity	\$283,934,773	\$(13,979,964)	\$269,954,809	\$228,030,827	\$ 346,624	\$(20,639)	\$325,985	\$275,360
Preferred Stock	110,000,000	(2,954,229)	107,045,771	90,421,563	134,000	(5,539)	128,461	108,511
Long Term Debt	455,398,497	(12,230,466)	443,168,031	374,344,036	516,898	(21,366)	495,532	410,576
Short Term Debt	<u>41,735,000</u>	<u>(1,120,861)</u>	<u>40,614,139</u>	<u>34,306,763</u>	<u>17,500</u>	<u>(723)</u>	<u>16,777</u>	<u>10,171</u>
Total	<u>\$891,068,270</u>	<u>\$(30,285,520)</u>	<u>\$860,782,750</u>	<u>\$727,103,189</u>	<u>\$ 1,015,022</u>	<u>\$(48,267)</u>	<u>\$966,755</u>	<u>\$816,618</u>

Davis Exhibits 1 and 4

Hewitt Exhibit 1

Case 8177

KENTUCKY UTILITIES COMPANY
 ADJUSTMENTS TO CAPITALIZATION

	<u>December 31, 1980</u>	<u>September 30, 1982</u> (In Thousands)	
1. Common Stock Equity	\$ (6,529,803)	\$ (6,311)	Subsidiary Earnings
2.	<u>(7,450,161)</u>	<u>(14,328)</u>	Portion of Other Investments
3. Total	\$(13,979,964)	\$ (20,639)	
4. Preferred Stock	(2,954,229)	(5,539)	Portion of Other Investments
5. Long Term Debt	\$(12,230,466)	\$ (21,366)	Portion of Other Investments
6. Short Term Debt	<u>(1,120,861)</u>	<u>(723)</u>	Portion of Other Investments
7. Total	<u><u>\$(30,285,520)</u></u>	<u><u>\$ (48,267)</u></u>	

Case 8177

Notice Exhibit A
Davis Exhibit 1
Page 14

KENTUCKY UTILITIES COMPANY

BALANCE SHEET
DECEMBER 31, 1980
807 KAR 50:005
Section 6(9)
And
Section 9(1)(a)

Assets	
Utility Plant:	
Original Cost-Plant in Service	\$ 911 680 809
Construction Work in Progress	301 927 539
Total	\$1 213 608 348
Accumulated Provision for Depreciation and Amortization	281 126 940
Net Utility Plant	\$ 932 481 408
Investments and Funds:	
Non Utility Plant less reserve of \$20 770	\$ 385 913
Investments in Subsidiary Companies	29 517 638
Other Investments	381 969
Special Funds	7 664 444
Net Investments and Funds	\$ 37 949 964
Cash	
Cash	\$ 6 755 330
Special Deposits	686 750
Working Funds	46 919
Total Cash	\$ 7 488 999
Receivables:	
Customer Receivables	\$ 19 877 650
Miscellaneous Receivables	9 227 586
Accumulated Provision for Uncollectible Accounts	(380 200)
Total	\$ 1 450 986
Receivables from Associated Companies	30 176 022
Net Receivables	\$ 30 176 022
Inventories:	
Fuel	\$ 60 668 499
Materials and Supplies	6 824 705
Stores Expense Undistributed	1 168 824
Total Inventories	\$ 68 662 028
Other Current Assets:	
Prepayments	\$ 412 916
Interest and Dividends Receivable	8 255
Accrued Utility Revenues	4 598 421
Total Other Current Assets	\$ 5 019 592
Deferred Debits:	
Unamortized Debt Expense	\$ 2 064 512
Preliminary Survey	80 114
Clearing accounts	334 434
Job Work	45 626
Other Deferred Debits	446 416
Total Deferred Debits	\$ 2 971 102
Total Assets	\$1 084 749 115

Case 8177

Notice Exhibit A
 Davis Exhibit 1
 Page 14

KENTUCKY UTILITIES COMPANY

BALANCE SHEET
 DECEMBER 31, 1980
 807 KAR 50:005
 Section 6 (9)
 And
 Section 9(1)(a)

Liabilities

Common Stock Equity:	
Common Stock	\$ 126 148 800
Premium on Capital Stock	67 873 410
Unappropriated Retained Earnings	83 332 072
Appropriated Retained Earnings-Amortization Reserve Federal	50 688
Unappropriated Undistributed Subsidiary Earnings	6 529 803
Total Common Stock Equity	\$ 283 934 773
Preferred Stock	\$ 110 000 000
First Mortgage Bonds, including unamortized premium	370 398 497
Bank Notes	85 000 000
Commercial Paper Due Currently	41 735 000
Total Capitalization and Commercial Paper Due Currently	\$ 891 068 270
Current Liabilities:	
Accounts Payable	\$ 16 871 763
Payable to Associated Companies	12 510
Customers' Deposits	4 088 407
Taxes Accrued	2 163 479
Interest Accrued on Long-Term Debt	9 168 302
Other Interest Accrued	562 685
Tax Collections Payable	1 878 275
Other Current and Accrued Liabilities	14 923 995
Total Current Liabilities	\$ 49 669 416
Deferred Credits:	
Customers' Advances for Construction	\$ 1 236 196
Accumulated Deferred Income Taxes	90 913 377
Accumulated Deferred Investment Tax Credits	51 805 354
Other Deferred Credits	2 200
Total Deferred Credits	\$ 143 957 127
Reserves:	
Insurance Reserve	\$ 54 302
Total Reserves	\$ 54 302
Total Liabilities	\$1 084 749 115

Case 8624

KENTUCKY UTILITIES COMPANY
CAPITALIZATION

June 30, 1982

	Total (a)	Adjustments (b)	Adjusted Balance	Target Capitalization		Ratio	
				Kentucky (c) Jurisdiction	Adjustments (d)		Kentucky Jurisdiction
Common Stock Equity	\$340,731,541	\$(18,044,960)	\$322,686,581	\$271,357,079	\$38,701,565	\$310,058,644	40.0%
Preferred Stock	108,817,300	(3,876,941)	104,940,359	68,247,244	8,646,082	96,893,326	12.5%
Long Term Debt	490,389,976	(17,480,304)	472,909,672	397,683,931	(29,489,292)	368,194,639	47.5%
Short Term Debt	22,020,000	(783,565)	21,236,435	17,858,355	(17,858,355)	-	
Total	\$961,958,817	\$(40,185,770)	\$921,773,047	\$775,146,609	-	\$775,146,609	100.0%

- (a) Total per Davis Exhibit 1, page 15
- (b) Less subsidiary earnings and other investments, Newton Exhibit 2, page 2
- (c) Kentucky jurisdiction allocated same as Rate Base per Willhite Exhibit 1, page 1.
- (d) Test year ratios, Newton Exhibit 2, page 3, adjusted to target ratios

Case 8624

Newton Exhibit 2
Page 2

KENTUCKY UTILITIES COMPANY
ADJUSTMENTS TO CAPITALIZATION

June 30, 1982

1. Common Stock Equity	\$ (6,117,745)	Subsidiary Earnings
2.	<u>(11,927,216)</u>	Portion of Other Investments
3. Total	\$ (18,044,960)	
4. Preferred Stock	(3,876,941)	Portion of Other Investments
5. Long Term Debt	\$ (17,480,304)	Portion of Other Investments
6. Short Term Debt	<u>(783,565)</u>	Portion of Other Investments
7. Total	<u>\$ (40,185,770)</u>	

Davis Exhibit 1, page 14, lines 8-10

Case 8624

Notice Exhibit A
Davis Exhibit 1
Page 14

KENTUCKY UTILITIES CO

Financial Exhibit

Balance Sheet

807 KAR 50:005
Section 6(a)
and
Section 9(1)(a)

Line No.	Title of Account Col. A	No. Col. B	As of
			June 30, 1982 Col. C
1.	<u>Utility Plant</u>		
2.	Utility Plant	101-106	\$1,177,936,544
3.	Construction Work in Progress	107	190,707,627
4.	Total Utility Plant		<u>1,368,644,172</u>
5.	Less Accumulated Provision for Depreciation	108	335,955,334
6.	Net Utility Plant		<u>1,032,688,837</u>
7.	<u>Other Property & Investments</u>		
8.	Nonutility property (less Accum.Prov.for Depreciation)	121,122	306,958
9.	Investment in Subsidiary Companies	123.1	39,505,579
10.	Other Investments	124	373,233
11.	Special Funds	125-128	8,464,086
12.	Total Other Property & Investments		<u>48,649,856</u>
13.	<u>Current and Accrued Assets</u>		
14.	Cash	131	4,344,478
15.	Special Deposits	132-134	44,556
16.	Working Funds	135	49,869
17.	Temporary Cash Investments	136	-
18.	Notes and Accounts Receivable (less Accum. Prov. for Uncoll. Accts.)	141-144	25,424,789
19.	Receivables from Associated Companies	145-146	2,239,101
20.	Fuel	151	64,662,481
21.	Materials and Supplies	154-163	7,823,988
22.	Prepayments	165	604,865
23.	Interest & Dividends Receivable	171	267,784
24.	Accrued Utility Revenues	173	4,857,732
25.	Total Current & Accrued Assets		<u>110,319,643</u>
26.	<u>Deferred Debits</u>		
27.	Unamortized Debt Expense	181	1,952,129
28.	Preliminary Survey & Investigation Charges	183	130,988
29.	Clearing Accounts	184	397,648
30.	Miscellaneous Deferred Debits	186	1,435,102
31.	Total Deferred Debits		<u>3,915,867</u>
	Total Assets and Other Debits		<u>\$1,195,574,203</u>

Notice Exhibit A
Davis Exhibit 1
Page 15

KENTUCKY UTILITIES COMPANY

Financial Exhibit

Balance Sheet

807 KAR 50:005
Section 6(a)
and
Section 9(1)(a)

Line No.	Title of Account Col. A	No. Col. B	As of June 30, 1982 Col. C
	<u>Proprietary Capital</u>		
1.	Common Stock Issued	201	\$ 159,419,770
3.	Preferred Stock Issued	204	108,817,000
4.	Premium on Capital Stock	207	85,415,082
5.	Gain on Resale or Cancellation of Reacquired		
6.	Stock	210	119,262
7.	Capital Stock Expense	214	(46,842)
8.	Retained Earnings	215-216	89,706,824
9.	Unapprop. Undistr. Subsidiary Earnings	216.1	6,117,745
10.	Total Proprietary Capital		<u>449,548,841</u>
	<u>Long-Term Debt</u>		
11.	Bonds	221	374,100,000
12.	Other Long-Term Debt	224	115,000,000
13.	Unamortized Premium on Long-Term Debt	225	1,289,976
14.	Total Long-Term Debt		<u>490,389,976</u>
	<u>Current & Accrued Liabilities</u>		
16.	Notes Payable	231	22,020,000
17.	Accounts Payable	232	21,638,820
18.	Payables to Associated Companies	233-234	108,106
19.	Customer Deposits	235	4,983,385
20.	Taxes Accrued	236	3,618,320
21.	Interest Accrued	237	12,188,030
22.	Dividends Declared	238	-
23.	Tax Collections Payable	241	1,479,179
24.	Misc. Current & Accrued Liabilities	242	7,323,740
25.	Total Current & Accrued Liabilities		<u>73,359,580</u>
	<u>Deferred Credits</u>		
27.	Customer Advances for Construction	252	1,863,446
28.	Accumulated Deferred Investment Tax Cr.	255	70,565,125
29.	Other Deferred Credits	253	131,481
30.	Accumulated Deferred Income Taxes	281-283	109,661,452
31.	Total Deferred Credits		<u>182,221,504</u>
	<u>Operating Reserves</u>		
33.	Operating Reserves	261-265	54,302
34.	Total Liabilities & Other Credits		<u>\$1,195,574,203</u>

Case 98-474

APPENDIX C (continued)

Allocation of Total Company Capitalization to Kentucky Jurisdictional Capitalization

Component of Capitalization	Total Company Balances at 12/31/98	Adjustments to Total Co. Capitalization	Adjusted Total Company Capitalization	Capital Structure	KY Juris. Capitalization	Adjustments to KY Juris. Capitalization	Adjusted KY Jurisdictional Capitalization
Long-Term Debt	546,330,000	(962,636)	545,367,364	45.83%	473,051,652	(126,445,340)	346,606,312
Preferred Stock	40,000,000	(70,427)	39,929,573	3.35%	34,634,912	(0)	34,634,912
Common Equity	606,712,973	(1,929,860)	604,783,113	50.82%	524,588,872	(0)	524,588,872
Total Capitalization	1,193,042,973	(2,962,923)	1,190,080,050	100.00%	1,032,275,436	(126,445,340)	905,830,096

Long-Term Debt, Preferred Stock, and Common Equity were allocated to Kentucky Jurisdictional Capitalization by applying the Kentucky Jurisdictional Rate Base percentage of 86.74% to the Adjusted Total Company Capitalization Balances.

Adjustments to Total Company Capitalization:

	Investment in EEI	Equity in EEI Earnings	Other Investments	Total Adjustments
Long-Term Debt	593,347	0	369,289	962,636
Preferred Stock	43,409	0	27,018	70,427
Common Equity	659,044	860,638	410,178	1,929,860
Totals	1,295,800	860,638	806,485	2,962,923

The allocation of the Investment in EEI and Other Investments was based on the test period actual capital structure. This capital structure was composed of 45.79% Long-Term Debt, 3.35% Preferred Stock, and 50.86% Common Equity. The assignment of the Equity in EEI Earnings totally to Common Equity results in the adjusted Capital Structure shown in the schedule above. The Other Investments reflect KU's investment in the Ohio Valley Electric Corporation and various county industrial development programs.

Adjustments to Kentucky Jurisdictional Capitalization:

This adjustment reflects the removal of the Kentucky Jurisdictional balances for KU's environmental surcharge. The jurisdictional balances are presented in Appendix B to this Order. The net adjustment of \$126,445,340 represents the sum of the Pollution Control Utility Plant and Pollution Control CWIP plus Spare Parts, Limestone, and Emission Allowances, less Accumulated Depreciation on Pollution Control Plant. The allocation was to Long-Term Debt, as described in the Order. The resulting capital structure is 38.20% Long-Term Debt, 3.83% Preferred Stock, and 57.91% Common Equity.

KENTUCKY UTILITIES COMPANY
COMPARATIVE BALANCE SHEETS AS OF DECEMBER 31, 1999 AND 1998

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Utility Plant			Capitalization		
Utility Plant at Original Cost	2,851,066,582.49	2,685,527,353.49	Common Stock	308,139,977.56	308,139,977.56
Less Reserves for Depreciation & Amortization	(1,288,819,320.35)	(1,208,182,682.15)	Common Stock Expense	(594,394.29)	(594,394.29)
Total	1,562,247,262.14	1,477,344,671.34	Retained Earnings	328,642,126.18	298,306,751.48
Investments - At Cost			Unappropriated Undistributed Subsidiary Earnings	827,586.21	860,638.13
Nonutility Property-Less Reserve	3,820,555.23	3,888,741.48	Total Common Equity	637,015,295.66	606,712,972.88
Investments In Subsidiary Companies	2,123,386.21	2,156,438.13	Preferred Stock	40,000,000.00	40,000,000.00
Other	910,355.17	806,485.15	First Mortgage Bonds	484,830,000.00	546,330,000.00
Special Funds	7,495,076.53	7,385,880.28	Other Long-Term Debt	-	-
Total	14,349,373.14	14,237,545.04	Total Long-Term Debt	484,830,000.00	546,330,000.00
Current and Accrued Assets			Total Capitalization	1,161,845,295.66	1,193,042,972.88
Cash	6,231,656.71	25,145,576.77	Current and Accrued Liabilities		
Special Deposits	388,091.14	72,944.34	Advances from Associated Companies	61,500,000.00	-
Temporary Cash Investments	173,060.25	33,730,684.79	Long-Term Debt Due in 1 Year	-	-
Accounts Receivable-Less Reserve	88,549,457.96	93,376,185.20	Notes Payable to Associated Companies	91,061,060.67	115,501,582.53
Notes Receivable from Assoc. Companies	-	12,748,358.74	Accounts Payable	46,288,488.25	16,266,833.40
Accounts Receivable from Assoc Companies	30,224,921.42	23,927,315.45	Accounts Payable to Associated Companies	10,428,558.04	10,354,544.86
Materials & Supplies-At Average Cost	21,964,979.21	19,969,836.52	Customer Deposits	10,502,005.90	16,733,088.30
Fuel	4,248,048.18	4,278,632.66	Taxes Accrued	7,329,294.60	8,110,134.51
Plant Materials & Operating Supplies	3,059,884.83	2,426,630.17	Interest Accrued	19,149,774.24	18,188,000.00
Stores Expense	494,239.00	628,655.00	Dividends Declared	8,188,624.34	-
Prepayments	189,225.17	-	Misc. Current & Accrued Liabilities	-	-
Allowance Inventory	-	-	Total	254,447,806.04	195,770,396.82
Miscellaneous Current & Accrued Assets	155,523,513.87	216,304,819.64	Deferred Credits and Other		
Total	155,523,513.87	216,304,819.64	Accumulated Deferred Income Taxes	322,974,864.00	322,773,531.00
Deferred Debits and Other			Investment Tax Credit	18,574,553.00	22,301,583.00
Unamortized Debt Expense	4,826,738.87	5,227,390.19	Deferred Tax Liability	68,027,458.00	72,309,488.00
Unamortized Loss on Bonds	7,594,380.12	8,675,439.96	Customer Advances for Construction	1,173,743.27	1,263,850.33
Accumulated Deferred Income Taxes	79,354,405.45	78,280,266.57	Other Deferred Credits	5,804,408.38	6,159,582.96
Deferred Regulatory Assets	40,474,380.32	45,979,872.01	Misc. Long-Term Liabilities	23,626,833.02	17,670,783.02
Other Deferred Debits	25,111,041.28	19,858,473.26	Misc. Long-Term Liab. Due to Assoc. Co.	2,242,913.00	2,242,913.00
Total	157,360,946.04	158,021,441.99	Accum Provision for Post-Retirement Benefits	30,763,220.82	32,373,377.00
Total Assets and Other Debits	1,889,481,095.19	1,865,908,478.01	Total	473,187,993.49	477,095,108.31
Total Liabilities and Other Credits	1,889,481,095.19	1,865,908,478.01	Total Liabilities and Other Credits	1,889,481,095.19	1,865,908,478.01

APPENDIX E
 APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2003-00434 DATED

Determination of KU's Jurisdictional Capitalization

KU's Total Company Capitalization

	<u>Test Year Actual Balances</u>	<u>Updated Capital Structure</u>	<u>Revised TY Actual Balances</u>	<u>Adjustments to Total Company Capitalization</u>	<u>Adjusted Total Company Capitalization</u>
Long-Term Debt	613,712,167	43.69%	729,956,465	(4,822,123)	725,134,342
Short-Term Debt	98,730,542	2.41%	40,265,394	(265,995)	39,999,399
Accounts Receivable Securitization	49,300,000	0.00%	0	0	0
Preferred Stock	40,000,000	2.36%	39,430,013	(260,476)	39,169,537
Common Equity	<u>869,020,543</u>	<u>51.54%</u>	<u>861,111,380</u>	<u>(4,169,442)</u>	<u>856,941,938</u>
Totals	<u>1,670,763,252</u>	<u>100.00%</u>	<u>1,670,763,252</u>	<u>(9,518,036)</u>	<u>1,661,245,216</u>

Adjustments to Total Company Capitalization

	<u>Undistributed Subsidiary Earnings</u>	<u>Investment in Electric Energy, Inc.</u>	<u>Other Investments</u>	<u>Minimum Pension Liability</u>	<u>Adjustments to Total Company Capitalization</u>
Long-Term Debt	0	(4,473,454)	(348,669)	0	(4,822,123)
Short-Term Debt	0	(246,762)	(19,233)	0	(265,995)
Preferred Stock	0	(241,642)	(18,834)	0	(260,476)
Common Equity	<u>(8,943,279)</u>	<u>(5,277,221)</u>	<u>(411,317)</u>	<u>10,462,375</u>	<u>(4,169,442)</u>
Totals	<u>(8,943,279)</u>	<u>(10,239,079)</u>	<u>(798,053)</u>	<u>10,462,375</u>	<u>(9,518,036)</u>

KENTUCKY UTILITIES COMPANY
COMPARATIVE BALANCE SHEETS AS OF SEPTEMBER 30, 2003 AND 2002

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Utility Plant			Capitalization		
Utility Plant at Original Cost.....	3,527,901,229.10	3,224,033,705.02	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation & Amortization.....	1,600,258,254.68	1,528,492,305.16	Common Stock Expense.....	(594,394.29)	(594,394.29)
Total.....	1,927,642,974.42	1,695,541,399.86	Paid-In Capital.....	15,000,000.00	15,000,000.00
Investments - At Cost			Other Comprehensive Income.....	(10,158,966.50)	4,363,814.60
Nonutility Property-Less Reserve.....	896,680.16	897,090.58	Retained Earnings.....	547,690,647.47	472,059,012.33
Investments in Subsidiary Companies.....	10,239,079.00	6,607,927.68	Unappropriated Undistributed Subsidiary Earnings.....	8,943,279.00	5,312,127.68
Investments in KU-R.....	3,000,000.00	3,000,000.00	Total Common Equity.....	869,020,543.24	804,280,537.88
Ohio Valley Electric Corporation.....	250,000.00	250,000.00	Preferred Stock.....	40,000,000.00	40,000,000.00
Other.....	548,053.13	837,899.66	First Mortgage Bonds.....	422,830,000.00	484,830,000.00
Special Funds.....	5,242,439.10	5,173,190.58	Other Long-Term Debt.....	175,000,000.00	-
Total.....	20,176,251.39	16,766,108.50	LT Notes Payable to Associated Companies.....	15,882,167.00	9,665,600.00
Current and Accrued Assets			Long-Term Debt Marked to Market.....	613,712,167.00	494,495,600.00
Cash.....	9,085,680.49	6,687,347.37	Total Long-Term Debt.....	1,522,732,710.24	1,338,776,137.88
Special Deposits.....	246,616.37	102,929.26	Total Capitalization.....	1,522,732,710.24	1,338,776,137.88
Temporary Cash Investments.....	1,173,057.35	7,083,490.70	Current and Accrued Liabilities		
Accounts Receivable-Less Reserve.....	36,538,156.00	33,457,130.00	Advances from Associated Companies.....	-	-
Notes Receivable from Assoc. Companies.....	10,325,288.89	11,019,706.29	Long-Term Debt Due in 1 Year.....	98,730,541.95	87,689,649.91
Accounts Receivable from KU-R.....	33,559,694.22	33,980,866.20	Notes Payable to Associated Companies.....	43,280,523.27	33,673,751.07
Materials & Supplies-At Average Cost			Accounts Payable.....	24,912,999.77	39,653,939.41
Fuel.....	22,073,546.17	22,039,199.66	Accounts Payable to Associated Companies.....	12,940,956.22	11,650,791.74
Plant Materials & Operating Supplies.....	5,156,409.00	4,756,697.43	Customer Deposits.....	10,539,547.13	12,637,032.95
Stores Expense.....	69,415.36	89,371.12	Taxes Accrued.....	5,458,770.83	4,767,068.77
Allowance Inventory.....	2,901,731.05	2,722,583.49	Interest Accrued.....	188,001.65	188,000.00
Prepayments.....	461,045.82	1,692,981.37	Dividends Declared.....	6,177,048.80	6,582,975.13
Miscellaneous Current & Accrued Assets.....	121,590,640.72	123,632,302.89	Misc. Current & Accrued Liabilities.....	202,228,389.62	196,843,208.98
Total.....	195,752,825.60	184,200,798.85	Total.....	325,260,086.79	318,579,479.13
Deferred Debits and Other			Accumulated Deferred Income Taxes.....	6,519,139.00	9,238,543.00
Unamortized Debt Expense.....	4,832,022.42	3,976,968.29	Investment Tax Credit.....	52,934,445.00	54,943,455.00
Unamortized Loss on Bonds.....	8,835,282.07	6,693,194.30	Regulatory Liabilities.....	1,504,616.25	1,492,333.42
Accumulated Deferred Income Taxes.....	64,893,528.76	75,669,056.13	Customer Advances for Construction.....	19,392,583.50	-
Deferred Regulatory Assets.....	73,823,744.07	69,429,300.30	Asset Retirement Obligations.....	28,999,862.03	14,605,191.26
Other Deferred Debits.....	43,368,248.28	28,432,279.83	Other Deferred Credits.....	50,115,629.00	31,583,087.61
Total.....	2,265,162,692.13	2,020,140,610.10	Misc. Long-Term Liab. Due to Assoc. Co.....	55,475,230.70	54,079,173.82
Accum Provision for Post-Retirement Benefits.....	540,201,592.27	484,521,263.24	Total.....	2,265,162,692.13	2,020,140,610.10
Total Assets and Other Debits.....	2,265,162,692.13	2,020,140,610.10	Total Liabilities and Other Credits.....	2,265,162,692.13	2,020,140,610.10

Kentucky Utilities Company
Comparative Balance Sheets as of April 30, 2008 and 2007

	This Year	Last Year	Liabilities and Other Credits	This Year	Last Year
Assets and Other Debits					
Utility Plant			Capitalization		
Utility Plant at Original Cost.....	5,151,234,451.43	4,380,737,063.36	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation and Amortization.....	1,972,362,644.75	1,876,367,654.84	Common Stock Expense.....	(321,288.87)	(321,288.87)
Total.....	3,178,871,806.68	2,504,369,408.52	Paid-In Capital.....	115,000,000.00	15,000,000.00
Investments - at Cost			Other Comprehensive Income.....	1,066,612,042.33	910,723,554.25
Ohio Valley Electric Corporation.....	250,000.00	250,000.00	Unappropriated Undistributed Subsidiary Earnings.....	23,584,678.80	18,512,140.00
Nonutility Property-Less Reserve.....	179,120.94	969,025.81	Total Common Equity.....	1,513,015,409.82	1,252,054,382.94
Investments in Subsidiary Companies.....	24,880,478.80	19,807,940.00	Preferred Stock.....	-	-
Special Funds.....	6,046,655.99	8,140,713.10	Pollution Control Bonds - Net of Reacquired Bonds..	316,059,520.00	305,951,140.00
Other.....	411,140.00	426,140.00	LT Notes Payable to Associated Companies.....	931,000,000.00	611,000,000.00
Total.....	31,767,395.73	29,593,818.91	Total Long-term Debt.....	1,247,059,520.00	916,951,140.00
Current and Accrued Assets			Total Capitalization.....	2,760,074,929.82	2,169,005,522.94
Cash.....	2,125,603.26	6,086,367.97	Current and Accrued Liabilities		
Special Deposits.....	4,334,948.68	20,304,946.92	Long-term Debt Due in 1 Year.....	-	-
Temporary Cash Investments.....	17,681.67	16,974.95	ST Notes Payable to Associated Companies.....	93,302,454.00	62,745,054.00
Accounts Receivable-Less Reserve.....	142,596,743.77	122,698,210.48	Notes Payable.....	-	-
Notes Receivable from Associated Companies.....	-	-	Notes Payable to Associated Companies.....	-	-
Accounts Receivable from Associated Companies.....	49,694.17	6,252,255.78	Accounts Payable.....	134,916,555.69	125,790,911.56
Materials and Supplies-At Average Cost			Accounts Payable to Associated Companies.....	36,181,072.10	102,807,708.17
Fuel.....	46,647,686.54	62,663,137.35	Customer Deposits.....	19,792,751.88	18,841,017.05
Plant Materials and Operating Supplies.....	28,045,637.93	25,633,096.13	Taxes Accrued.....	12,576,638.88	245,947.81
Stores Expense.....	6,524,614.19	6,079,526.76	Interest Accrued.....	11,397,765.18	7,366,575.04
Allowance Inventory.....	223,085.27	1,134,949.48	Dividends Declared.....	-	-
Prepayments.....	3,405,611.11	3,563,125.42	Miscellaneous Current and Accrued Liabilities.....	13,363,943.14	11,213,750.34
Miscellaneous Current and Accrued Assets.....	-	1,992,267.65	Total.....	321,531,180.87	329,010,963.97
Total.....	233,971,306.59	256,424,808.89	Deferred Credits and Other		
Deferred Debits and Other			Accumulated Deferred Income Taxes.....	331,434,967.30	328,775,200.23
Unamortized Debt Expense.....	6,790,525.03	6,494,563.75	Investment Tax Credit.....	58,094,343.32	22,701,671.32
Unamortized Loss on Bonds.....	10,611,577.64	10,473,928.85	Regulatory Liabilities.....	38,152,787.49	36,654,293.96
Accumulated Deferred Income Taxes.....	50,537,997.37	45,723,507.74	Customer Advances for Construction.....	2,420,052.26	1,984,291.81
Deferred Regulatory Assets.....	82,545,197.75	115,638,664.82	Asset Retirement Obligations.....	30,975,691.02	29,101,856.78
Other Deferred Debits.....	58,995,218.47	78,979,983.83	Other Deferred Credits.....	21,296,038.92	8,355,655.58
Total.....	209,480,516.26	257,310,648.99	Miscellaneous Long-term Liabilities.....	3,256,903.03	46,913,039.58
Total Assets and Other Debits.....	3,654,091,025.26	3,047,698,685.31	Accum Provision for Postretirement Benefits.....	86,854,131.23	75,196,189.14
			Total.....	572,484,914.57	549,682,198.40
			Total Liabilities and Other Credits.....	3,654,091,025.26	3,047,698,685.31

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 35

Responding Witness: William Steven Seelye

Q-35. Please provide the pro forma annualized impact on test year revenues of all major customer losses or additions that occurred from the end of the test year through August 31, 2008.

A-35. After the end of the test year, the Company lost the major customers and annual revenues listed below:

	kWh	Total Revenue
Customer A	21,138,180	\$917,702
Customer B	4,549,500	\$228,328
Customer C	1,795,200	\$115,398
Customer D	4,658,880	\$264,203
Customer E	5,239,200	\$225,532

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 36

Responding Witness: Shannon L. Charnas

- Q-36. With regard to the unamortized deferred February 2003 ice storm cost balance of \$3,958,002 referenced on page 41 of the PSC's Order in Case No. 2003-00434, please provide the starting date of the annual \$791,600 amortization; the amortizations through the end of the test year; the 4/30/08 remaining unamortized balance; and the expiration date of the annual amortizations.
- A-36. The starting date of the annual \$791,600 amortization for the deferred February 2003 ice storm cost balance of \$3,958,002 referenced on page 41 of the Commission's Order in Case No. 2003-00434 was July 1, 2004. The amortization to date through the end of the test year was \$3,034,482; the 4/30/08 remaining unamortized balance was \$923,520; and the expiration date of the annual amortization is June 30, 2009.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 37

Responding Witness: Shannon L. Charnas

Q-37. With regard to the test year FERC expense booking of \$873,368 shown in Rives Exhibit 1, Schedule 1.22, please show in which account(s) these expenses are recorded in the Electric Trial Balance included in the response to PSC-1-13(a) and in Attachment to Response to PSC-1-23(b).

A-37. The FERC expense is recorded in account 928002.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 38

Responding Witness: Lonnie E. Bellar

- Q-38. Assuming that the KU rate case is fully litigated, what is the expected rate effective date of the filing?
- A-38. Ordering paragraph 2 of the Commission's August 15, 2008 Order in Case No. 2008-00251 suspended the proposed rates up to and including February 5, 2009. Therefore, rates will be effective February 6, 2009.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 39

Responding Witness: Valerie L. Scott

Q-39. At the bottom of page 123.8 and top of page 123.9 of the Company's 2007 FERC Form 1, the following statement is made with regard to the Company's MISO Exit Fees:

"In March 2008, the FERC approved the parties' recalculation of the exit fee, and the approved agreement provides LG&E with an immediate recovery of less than \$1 million and will provide an estimated \$3 million over the next eight years for credits realized from other payments the MISO will receive, plus interest."

With regard to the above statement, please provide the following information:

- a. What was the agreed-upon recalculated MISO Exit Fee and what was the "immediate recovery of less than \$1 million." In addition, reconcile the net of these two amounts to the 4/30/08 MISO Exit Fee amount of \$18,907,345 shown on Rives Exhibit 1, Schedule 1.23.
- b. To date, has the Company already received credits realized from other payments the MISO will receive, including interest? If not, why not? If so, identify the dollar amount of credits received.
- c. What are the estimated credits to be received by KU from other payments the MISO will receive, including interest, up until the rate effective date of KU's rate case?
- d. Why will the Company receive estimated credits realized from other payments the MISO will receive over the next 8 years rather than, say, the next 5 or 10 years? In addition, which 8-year period is involved?

- A-39. a. The estimate of the recalculated MISO exit fee depends on activity in the MISO market through 2014.

Estimated Recalculated MISO Exit Fee	
Original Payment	\$20,097,494
Credit owed for MISO calculation error	(518,779)
Estimated Credits:	
Credit for on-going Schedule 10 and 17	(2,160,081)
Credit for KU share of ComEd exit fee amortization	(1,245,217)
Estimated Recalculated MISO Exit Fee	\$16,173,417

Reconciliation of MISO Exit Fee as of 4/30/08	
Original Payment	\$20,097,494
Refund Received in 3/08	(1,055,848)
Refund Accrued for 1/08 to 4/08	(134,301)
April 2008 Balance	\$18,907,345

- b. KU received a refund of \$1,116,673 in March 2008, which included interest income of \$60,825.
- c. KU is scheduled to receive an estimated refund of \$309,473, which includes estimated interest income of \$16,186, on January 31, 2009.
- d. The eight-year period extends from first quarter 2008 through first quarter 2015. The eight-year period was approved by FERC's letter order dated March 4, 2008 in response to MISO's Supplemental FERC Filing, Docket No. ER06-1308-004. There are two types of refunds, as follows:
- Credits for certain Schedule 10 and Schedule 17 revenues received by the MISO that pertain to September 1, 2006 through August 31, 2014, will be received annually in January beginning in 2009 and ending in 2015. The 2008 payment was received in March.
 - Credits for KU's share of the Deferred Revenue balance on MISO's balance sheet associated with the Commonwealth Edison MISO exit fee, which the MISO is amortizing from February 28, 2007 through December 15, 2013, will be received annually in February beginning in 2009 and ending in 2014. The 2008 payment was received in March. The amortization period used by the MISO for this balance is as a result of the FERC Order issued in Docket No. ER07-384-000.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 40

Responding Witness: Valerie L. Scott

Q-40. With regard to the cumulative Schedule 10 Regulatory Liability charges of \$6,551,955 shown on Rives Exhibit 1, Schedule 1.23, please provide the following information:

- a. What annual level of MISO Schedule 10 expenses is assumed in the determination of the cumulative Regulatory Liability amount of \$6,551,955 as of 4/30/08 and what is the basis for this annual MISO Schedule 10 rate recovery level?
- b. Provide all calculations and calculation components for the derivation of the rate recovery amount of \$6,551,955 from September 1, 2006 through April 30, 2008.
- c. Please provide the Company's best estimate of the MISO Schedule 10 expenses recovered in the current base rates between April 30, 2008 and the expected rate effective date of the current rate case. Provide a workpaper showing all assumptions and calculations.

A-40. a. The annual level of MISO Schedule 10 expenses assumed in the determination of the cumulative Regulatory Liability as of 4/30/08 is \$3,931,176. The basis for this annual MISO Schedule 10 rate recovery level is from Case No. 2003-00434, the Company's response to the Commission's Question No. 16(j)(1) (as corrected by Case No. 2005-00471).

Monthly Expense Amount	\$ 327,598
12 Month Period	x 12
	<u>\$ 3,931,176</u>

- b. Please see the Company's response to the PSC-2 Question No. 109(b).
- c. Please see the Company's response to the PSC-2 Question No. 109(e).

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 41

Responding Witness: Valerie L. Scott

Q-41. What is the basis for the Company's proposed 5-year amortization period for the net MISO Exit Fees?

A-41. Please see the response to PSC-2 Question No. 109(c).

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 42

Responding Witness: Lonnie E. Bellar / Valerie L. Scott

- Q-42. With regard to the test year EKPC expense booking of \$1,933,838 shown in Rives Exhibit 1, Schedule 1.24, please provide the following information:
- a. Has the KY PSC authorized rate recovery of these expenses? If so, provide the case number and copy of the Order.
 - b. Identify in which account(s) these expenses are recorded in the Electric Trial Balance included in the response to PSC-1-13(a).
 - c. With the context of this issue, explain the 2007 entry of \$1,529,440 in account 253 – Other Deferred Credits, shown on page 269 of KU’s 2007 FERC Form 1.
- A-42. a. No. In the Application filed in this proceeding, KU is requesting that the Commission establish a regulatory asset for EKPC transmission depancaking settlement costs and amortize that regulatory asset over a five-year period.
- b. EKPC expenses are recorded in accounts 456109 and 566150.
 - c. The entry of \$1,529,440 in account 253 – Other Deferred Credits was to record the principle non-current payable amount owed to EKPC per the draft ‘Settlement of Proceedings in FERC Docket No. ER06-1458.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 43

Responding Witness: Lonnie E. Bellar

Q-43. LG&E has made an adjustment to remove out-of-period IMEA/IMPA reactive power credits, which adjustment increased test year income by \$330,012 as shown on Rives Exhibit 1, Schedule 1.26 of the LG&E case. Does KU have similar out-of-period test year reactive power credits? If not, why not? If so, identify the test year amounts for these reactive power credits and explain why no adjustment was made.

A-43. The adjustment to remove out-of-period IMEA/IMPA reactive power credits was the result of a FERC approved joint settlement between IMEA/IMPA and E.ON US related to the Trimble County Unit 1 generation plant. KU does not have an ownership interest in that unit, therefore no adjustment for KU is required.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 44

Responding Witness: Lonnie E. Bellar

- Q-44. With regard to the Reserve Margin Demand Purchases expense adjustment shown on Rives Exhibit 1, Schedule 1.26, please provide the following information:
- a. Copy of the agreement with Dynegy Power Marketing, Inc.
 - b. Will this agreement only be in effect for the summers of 2008 and 2009? If not, explain why not considering the scheduled 2010 completion of TC2. If so, explain why it would be appropriate to treat this as an annual recurring expense in this case.
- A-44. a. A copy of the agreement is attached and is provided pursuant to a Petition for Confidential Protection.
- b. Yes. KU has entered into the contract with Dynegy to provide adequate and reliable service to its native load customers. KU will incur the expense associated with this contract over at least the initial term of the agreement in providing service to its native load customers. KU anticipates incurring these costs or similar costs over the next several years depending upon load growth. Therefore, KU believes these charges will continue to occur at least through the time of its next rate case. All energy charges incurred to service retail customers will be recovered through the fuel adjustment clause as they are incurred.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 45

Responding Witness: Lonnie E. Bellar

- Q-45. Please explain the rationale for estimating total rate case expenses of \$1,170,000 for this KU electric rate case while the rate case expenses for the LG&E electric rate case are estimated to be \$675,000.
- A-45. The rate case expenses through May 31, 2004 from Case Nos. 2003-00433 and 2003-00434 were used as the initial estimates for the current rate cases. The actual rate case expenses are being updated monthly and filed in response to PSC-1 Question No. 57.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 46

Responding Witness: Shannon L. Charnas

- Q-46. With regard to the test year electric Account 928 expenses shown in Attachment to Response to PSC-1-23(b) for the test year and each of the years 2003 through 2007, please provide the following information:
- a. For each of the annual expenses from 2003 through the test year, provide a breakout by regulatory activity (with brief descriptions of regulatory activities, including case numbers).
 - b. Reconcile the electric amortization expense of \$65,096 shown on Rives Exhibit 1, Schedule 1.27 to the test year Account 928 expense breakout to be provided in response to part (a).
 - c. Explain why the test year Account 928 expense amount of \$1,182,607 is so much higher than the Account 928 expenses in the prior years from 2003 through 2007.
 - d. Indicate whether or not the test year expense amount should be considered representative of normal recurring expense levels in the near-term future and why.
- A-46. a. See attached.
- b. See attached. Account 928 for the test year contains \$195,285, which includes \$65,096 from Rives Exhibit 1, Schedule 1.27 and \$130,189 reclassified during the test year for expenses recorded in January through April 2007, which net to zero in the test year.
 - c. See attached. The Code of Federal Regulations states that account 928 "shall include all expenses properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party... including payments made to the United States for the administration of the Federal Power Act." The increase in Account 928 resulted from reclassifications of expenses related to the amortization of rate case expenses, the management audit and the earnings sharing mechanism (ESM). The table below summarizes the test year activity for Account 928:

Description	Impact to Account 928	
FERC Assessment fee Out of period adj. Actual fee for test period	\$ 573,421 299,947	See Ref. Sch. 1.22 See Ref. Sch. 1.22
Reclassifications during the test year for expenses recorded 1/07-4/07, net to zero in the test year Rate case expenses Management audit ESM	130,189 54,658 21,310	Reclassified from Acct 930252 Reclassified from Acct 930251 Reclassified from Acct 930253
Test year charges Rate case expenses Management audit ESM	65,096 27,337 10,649	See Ref. Sch. 1.27 See Ref. Sch. 1.21 See Ref. Sch. 1.21
Total Variance	\$ 1,182,607	

- d. See attached. All expenses included in the test year, after consideration of proforma adjustments, are normal and recurring.

Kentucky Utilities Company
Account 928 - Regulatory Expenses

1. Description	Order in Case No.	Test Year	2007	2006	2005	2004	2003
2. FERC Annual Charges *		\$ 873,368	\$ 621,499	\$ -	\$ -	\$ -	\$ -
3. Amortization of 2003 Rate Case Expenses *	2003-00434	195,285	195,285	-	-	-	-
4. Amortization of Management Audit *	2003-00434	81,995	81,995	-	-	-	-
5. Amortization of Earnings Sharing Mechanism *	2003-00434	31,959	31,959	-	-	-	-
6. FERC Annual Charges for Lock 7 generating facility - Project #00539		-	-	-	2,430	853	-
7. Total		\$ 1,182,607	\$ 930,738	\$ -	\$ 2,430	\$ 853	\$ -

*	Account No.	Test Year	2007	2006	2005	2004	2003
FERC Annual Charges (line 2)	566	\$ (359,976)	\$ -	\$ 989,869	\$ 1,195,855	\$ 1,041,114	\$ 1,054,050
Amortization of 2003 Rate Case Expenses (line 3)	930	(130,189)	-	390,576	390,576	195,288	-
Amortization of Management Audit (line 4)	930	(54,658)	-	163,980	163,980	81,990	-
Amortization of Earnings Sharing Mechanism (line 5)	930	(21,310)	-	63,936	63,936	31,968	-

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 47

Responding Witness: Shannon L. Charnas

- Q-47. With regard to the test year IT Prepaid Amortization expense adjustments shown in Rives Exhibit 1, Schedule 1.29, please show in which account(s) these expenses are recorded in the Electric Trial Balance included in the responses to PSC-1-13(a) and PSC-1-13(b) and in Attachment to Response to PSC-1-23(b).
- A-47. The IT Prepaid Amortization expense adjustment is recorded in account 935488 Maintenance Other General Equipment – Indirect in the Trial Balance included in the responses to PSC-1 Question No. 13(a) and PSC-1 Question No. 13(b). It is recorded in Account 935 - Maintenance of General Plant in Attachment to Response to PSC-1 Question No. 23(b).

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 48

Responding Witness: S. Bradford Rives

Q-48. With regard to the costs of New Bank Credit Facilities shown on Rives Exhibit 1, Schedule 1.32 and discussed on pages 16 – 17 of Mr. Rives' testimony, please provide the following information:

- a. Calculations showing how the pro forma expense amount of \$2,250,000 was calculated based on the assumed bonds totaling \$200,000,000.
- b. Basis for the need for the assumed bonds of \$200,000,000.
- c. Actual source documentation to support the statement that the "fees are based on a proposal from a bank willing to provide a portion of these facilities under current market conditions."
- d. Please provide any cost update based on actual information to date.

A-48. a. Please refer to the response to PSC-2 Question No. 115(b).

b. As described in the financing application in Case No. 2008-00132, the Company requested authorization to refinance certain tax-exempt bonds that have been adversely impacted by the credit rating downgrades of certain bond insurance companies. One of the potential alternatives available to the Company to avoid the adverse impact of the downgrades is to convert the bonds to another mode where the credit enhancement is provided by a bank in the form of a letter of credit. At the time of the filing, the Company had planned to convert three bonds totaling \$200 million (Carroll County 2002 Series C - \$96 million, Carroll County Series B - \$54 million, and Carroll County 2004 Series A - \$50 million) to the letter of credit mode. The Company has revised its plan slightly and now intends to use a letter of credit mode for the \$54 million bond, the \$50 million bond, the Mercer County 2000 Series A - \$12.9 million bond, and a new bond totaling approximately \$77.9 million which is the subject of Case No. 2008-00309. This would reduce the need for letters of credit from \$200 million to approximately \$194.8 million. The Company expects to restructure the bonds using a mix of fixed and variable rates and believes \$200 million is an appropriate amount of variable rate bonds.

c. Please refer to the response to PSC-2 Question No. 115(b).

- d. Please refer to the response to PSC-2 Question No. 115(a).

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 49

Responding Witness: Valerie L. Scott

Q-49. With regard to the Pension and Post Retirement Benefit (OPRB) expenses shown on Rives Exhibit 1, Schedule 1.16, please provide the following information:

- a. Provide the equivalent actual pension and OPRB expenses booked by LG&E for each of the 3 years prior to the test year and for the 12-month period ended July 31, 2008.
- b. Provide a copy of the Mercer study supporting the proposed annualized pension expenses of \$7,167,400. This supporting information should show how the \$7,167,400 for KU was calculated from the information contained in the Mercer study.
- c. Provide a copy of the Mercer study supporting the proposed annualized OPRB expenses of \$4,627,481. This supporting information should show how the \$4,627,481 for KU was calculated from the information contained in the Mercer study (Note: if this information is contained in the Mercer study attached to PSC-1-54, show how the \$4,627,481 for KU was determined from the study data in this data response).
- d. Number of KU employees based upon which the pro forma annualized expenses from the Mercer studies were determined.

A-49. a. See below.

<u>12 Mos Ended</u>	<u>Pension Expense</u>	<u>FAS 106 Expense</u>	<u>Total</u>
4/30/05	\$2,781,650	\$7,006,065	\$9,787,715
4/30/06	7,857,654	5,818,084	13,675,738
4/30/07	10,151,416	6,080,483	16,231,899
7/31/08	6,740,924	4,614,772	11,355,696

- b. The annualized pension expense amount is \$6,731,237. The amount referenced in the question above is the test year expense, not the annualized pension expense. For the Mercer study and supporting calculations see the attachments to the response to PSC-2 Question No. 105(b).

- c. The annualized post-retirement expense amount is \$4,892,371. The amount referenced in the question above is the test year expense, not the annualized post-retirement expense. See the Mercer study in the Attachment to the Response to PSC-1 Question No. 54. See the Attachment to the Response to PSC-2 Question No. 105(b) for the supporting calculation.
- d. The Mercer study was performed assuming the following employee counts:

KU Pension Expense:

Active Participants	880
Participants with deferred benefits	559
Participants receiving benefits	1,296

Servco Pension Expense:

Active Participants	920
Participants with deferred benefits	174
Participants receiving benefits	72

KU Post Retirement Expense:

Active Employees	897
Retirees	926

Servco Post Retirement Expense:

Active Employees	963
Retirees	96

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 50

Responding Witness: Valerie L. Scott

Q-50. With regard to the Post-Employment expenses shown on Rives Exhibit 1, Schedule 1.17, please provide the following information:

- a. Provide the equivalent actual Post-Employment expenses booked by KU for each of the 3 years prior to the test year and for the 12-month period ended July 31, 2008.
- b. Provide a copy of the Mercer study supporting the proposed annualized expenses of \$201,677. This supporting information should show how the \$201,677 for KU was calculated from the information contained in the Mercer study (Note: if this information is contained in the Mercer study attached to PSC-1-55, show how the \$201,677 for KU was determined from the study data in this data response).
- c. Number of KU employees based upon which the pro forma annualized expenses from the Mercer studies were determined.

A-50. a. Post-employment expenses (income) booked by the Company for the periods requested is as follows:

4/30/05	\$556,154
4/30/06	110,892
4/30/07	53,875
7/31/08	(1,041,779)

- b. See the Mercer study in the Attachment to the Response to PSC-1 Question No. 55. See the Attachment to the Response to PSC-2 Question No. 105(b) for the supporting calculation.
- c. The Mercer study was performed assuming 63 disabled KU employees and 7 disabled Servco employees.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 51

Responding Witness: Paula H. Pottinger, Ph.D.

Q-51. Is the Company planning a workforce reduction program in the near-term future?
If so, provide all relevant details regarding this program.

A-51. The Company has not announced nor does it have plans for programs that will
reduce staffing levels in the future.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 52

Responding Witness: Valerie L. Scott

Q-52. With regard to employee benefit expenses other than pensions, OPRB and Post-Employment Benefits addressed in Rives Exhibit 1, Schedules 1.16 and 1.17, please provide the following information:

- a. Actual employee benefit expenses (O&M expense portions only) other than pensions OPRB and Post-Employment Benefits, in total and broken out by specific employee benefit expense category, for the test year, the 3 12-month periods prior to the test year and the 12-month period ended July 31, 2008.
- b. Please provide a detailed breakout of the nature and purpose of all of the expense components making up the Company's total test year Employee Welfare expenses of \$70,089 in account 926110.

A-52. a. See attached.

- b. The \$70,089 is the amount for Louisville Gas & Electric Company and the amount for Kentucky Utilities is \$48,306. The \$48,306 is made up of \$48,200 of Well-fit education and program expenses and \$106 of Smoking Cessation Reimbursement expenses.

KENTUCKY UTILITIES

Actual Employee benefit expenses (O&M expense portions only) other than pensions, OPRB and Post-Employment Benefits

<u>Employee Benefit Expense Category</u>	<u>12 Months Ending 4/30/2005</u>	<u>12 Months Ending 4/30/2006</u>	<u>12 Months Ending 4/30/2007</u>	<u>12 Months Ending 4/30/2008</u>	<u>12 Months Ending 7/31/2008</u>
MEDICAL INSURANCE	5,444,347.83	6,687,511.64	7,444,641.11	6,983,518.86	7,130,034.01
401K	1,525,222.69	1,797,202.04	2,328,893.55	2,454,533.89	2,572,621.06
OTHER OFF DUTY	544,977.41	559,075.69	631,913.21	624,334.71	637,908.15
WORKERS COMP	(322,206.07)	1,164,187.79	635,176.73	131,470.75	28,880.97
401K STOCK DROP-IN	(101,012.78)	0.31	0.00	0.00	0.00
HOLIDAY	2,434,217.22	2,364,680.67	2,697,247.98	2,727,167.91	2,743,468.83
DENTAL INSURANCE	400,999.66	473,753.10	513,432.30	525,258.12	527,846.26
TEAM INCENTIVE AWARD	6,321,261.81	5,577,157.30	6,962,875.94	6,983,236.79	7,016,692.98
GROUP LIFE INSURANCE	474,692.40	380,628.78	491,228.46	407,216.00	409,413.94
LONG TERM DISABILITY INSURANCE	190,460.85	254,188.91	375,536.54	435,245.94	464,240.55
VACATION	4,063,299.76	4,642,742.84	5,102,582.88	5,241,098.09	5,346,144.00
SICK	1,509,486.58	1,579,631.72	1,974,932.35	2,064,930.52	2,064,717.92
RETIREMENT INCOME ACCT	0.00	1,040.92	65,391.77	126,287.21	137,492.41
OTHER BENEFITS AND ADM FEES	0.00	0.00	0.00	84,747.88	168,586.22
PENSION NOT ON BURDEN SCHEDULE	0.00	102,110.20	0.00	0.00	0.00
EDUCATION/TRAINING - TUITION REIMBURSE	51,213.41	136,107.65	188,875.95	233,627.61	245,689.99
MISC BENEFITS NOT ON BURDEN SCHEDULE	31,370.36	(18,890.10)	118,315.87	106,279.88	107,952.87
Totals	22,568,331.13	25,701,129.46	29,531,044.64	29,128,954.16	29,601,690.16

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 53

Responding Witness: Valerie L. Scott

Q-53. With regard to incentive compensation and Supplemental Executive Retirement Plan (SERP) expenses, please provide the following information:

- a. The amount of unadjusted incentive compensation expenses included in the test year O&M expenses, in total and broken out by specific incentive compensation program.
- b. The actual unadjusted incentive compensation expenses included in the Company's O&M expenses, in total and broken out by specific incentive compensation program, in each of the three years prior to the test year.
- c. Is the Company booking any incentive compensation award expenses in below-the-line expense accounts? If so, provide the actual incentive compensation expenses booked below-the-line in the test year, and explain what these expenses represent and why they were booked below-the-line. Also, provide the account numbers in which these expenses are recorded.
- d. The amount of SERP expenses included in the test year O&M expenses.

A-53. a. Refer to Exhibit 1 of Rives Testimony, Reference Schedule 1.15. The incentive compensation expense for the Team Incentive Award (TIA) program for O&M expense (\$7,040,236) and other (\$2,717,525) is shown separately on line 4. TIA was not included in the operating labor expense for the test period shown on line 21. The TIA program is the only incentive compensation program with costs charged directly to KU.

- b. TIA program expense included in the Company's O&M expenses for the 3 prior years are as follows:

2005	2006	2007
\$5,780,734	\$6,819,277	\$7,053,742

- c. The TIA program expense included in below-the-line expense accounts for the test year by account number are listed below:

Account	Description	Total
426491	EXP-CIVIC/POL/REL	\$ 46,430
426501	EXP-CIVIC/POL/REL - INDIRECT	372
426591	OTHER DEDUCTIONS - INDIRECT	<u>5,629</u>
	TOTAL	<u>\$ 52,505</u>

These expenses represent TIA burden expenses related to labor charged from the External Affairs department for activities related to representation before governmental agencies and legislative bodies at the local, state, and federal levels on matters directly related to the Company. The expenses recorded in these accounts are not included in rates and are not proposed to be included in rates.

- d. There are no SERP expenses included in Kentucky Utilities' test year O&M expenses.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 54

Responding Witness: Shannon L. Charnas

- Q-54. In the same format and detail as per the response to AG-1-49 in the prior LG&E rate case, Case No. 2003-00433, please provide a detailed listing of all of the expense items (with associated cost amounts) included in the following accounts for the test year:
- a. Accounts 908009 and 908909 – Misc Marketing expenses.
 - b. Account 909004 – Miscellaneous Customer Service expenses.
 - c. Account 909005 – Media Relations expenses.
 - d. Account 909013 – Safety Programs expenses.
- A-54. See attached.

KENTUCKY UTILITIES COMPANY
DETAIL FOR ACCOUNTS 908009, 908909, 909004, 909005 AND 909013
FOR THE PERIOD MAY 1, 2007 - APRIL 30, 2008

ACCOUNT	ELECTRIC	DESCRIPTION
908009	353.60	LABOR - EXEMPT
	9.91	OVERHEADS - SICK
	16.54	OVERHEADS - HOLIDAY
	27.53	OVERHEADS - VACATION
	3.67	OVERHEADS - OTHER OFF DUTY
	48.76	OVERHEADS - TEAM INCENTIVE AWARD
	460.01	
908909	32,749.35	TRAVEL
	31,372.95	MISCELLANEOUS
	280.19	LABOR - EXEMPT
	3,539.69	FREIGHT - OTHER
	0.30	OVERHEADS - SICK
	(29.92)	CORPORATE DEFAULT
	12.48	OVERHEADS - HOLIDAY
	30.29	OVERHEADS - VACATION
	53,317.12	MILEAGE REIMBURSEMENT
	1,359.15	DUES AND SUBSCRIPTIONS
	15,889.45	CELLULAR/PAGING SERVICES
	2,225.00	FEES, PERMITS & LICENSES
	144.70	MEALS - FULLY DEDUCTIBLE
	2.51	OVERHEADS - OTHER OFF DUTY
	521.16	O/S - OTHER-LABOR-3RD PARTY
	44.00	OVERHEADS - TEAM INCENTIVE AWARD
	6,589.48	EDUCATION & TRAINING - COURSE FEES
	23,557.21	MEALS /ENTER- PARTIALLY DEDUCTIBLE
	12,850.00	O/S - MGMT CONSULTING FEES & EXPENSES
	23.15	PM - OFFICE SUPPLIES/EQUIPMENT/FURNITURE
64.23	TELECOMMUNICATIONS - LONG DISTANCE CALLS	
184,542.49		
909004	7,199.50	O/S - MATERIAL & EQUIPMENT
	(5,737.25)	CORPORATE DEFAULT
	12,734.39	MISCELLANEOUS
	119,975.34	O/S - OTHER-LABOR-3RD PARTY
	312.55	TRAVEL
	304,443.18	ADVERTISING
438,927.71		
909005	(12,340.84)	O/S - OTHER-LABOR-3RD PARTY
	(12,340.84)	
909013	1,770.00	O/S - MATERIAL & EQUIPMENT
	46,780.19	O/S - OTHER-LABOR-3RD PARTY
	520.00	MISCELLANEOUS
	15.57	FREIGHT - OTHER
49,085.76		

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 55

Responding Witness: Chris Hermann

- Q-55. In the same format and detail as per AG-1-312 in the prior LG&E rate case, Case No. 2003-00433, please provide a list of all test year expenses associated with trade groups and economic development activities. For each item, list the organization, the amount allocated to gas and electric accounts, the account numbers and description of purpose of the expense.
- A-55. See attached. All amounts are electric.

Attachment to Response to AG-1 Question No. 55

<u>Organization</u>	<u>Amount</u>	<u>Account No.</u>	<u>Description/Purpose</u>
AEE	\$720	901900	Association of Energy Engineers – education & industry information
AIA	\$250	908909	American Institute of Architects – education & industry information
CPAL	\$200	908909	Commercial Property Association Lexington – education & relationship development
Lexington Forum	\$225	908909	Lexington Forum, Inc., - community development
SEDC	\$100	901900	Southern Economic Development Council – education & relationship development
IEDC	\$235	901900	International Economic Development Council – education & relationship development
HBA	\$200	901900	Homebuilders Association – education & relationship development
Kiwanis	\$130	901900	Community involvement
Lexington Lions Club	\$72	901900	Community involvement
KAED	\$450	901900	Kentucky Association for Economic Development – relationship development with state economic development executives
KWTC	\$1,000	901900	Kentucky World Trade Center – education and industry awareness
IEEE	\$855	908909	Institute of Electric & Electrical Engineering – education & industry information.
Trade Shows	\$5,500	908909	Tradeshow participation with Kentucky Economic Development community leaders – lead generation
Prospect Missions	\$2,440	908909	Consultant visits – lead generation
Economic Development Real Estate Receptions	\$16,309	908909	Networking events with KY economic development community leaders and commercial real estate brokers

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 56

Responding Witness: Shannon L. Charnas

Q-56. In Rives Exhibit 1, Schedule 1.20, certain advertising and promotional expenses are eliminated for ratemaking purposes. For each test year advertising or customer information expense that was left in for ratemaking purposes, please provide the exact same information as was provided in response to AG-1-229 in the prior LG&E rate case, Case No. 2003-00433.

A-56. See attached.

**KENTUCKY UTILITIES COMPANY
CONSERVATION (909) AND OTHER ADVERTISING EXPENSES
FOR THE 12 MONTHS ENDED 04/30/08**

VENDOR NAME	BENEFIT	MEDIA	ACCOUNT	TOTAL
American Express Corp	Energy Conservation	Other	909004	\$ 312.55
Creative Alliance	Energy Conservation	Television	909004	(119.59)
Creative Alliance	Energy Conservation	Television	909004	(1,989.00)
Creative Alliance	Energy Conservation	Television	909004	(671.50)
Creative Alliance	Energy Conservation	Television	909004	(1,451.25)
Creative Alliance	Energy Conservation	Television	909004	(561.00)
Creative Alliance	Energy Conservation	Magazine	909004	3,700.00
Creative Alliance	Energy Conservation	Magazine	909004	3,300.00
Creative Alliance	Energy Conservation	Magazine	909004	22,750.00
Creative Alliance	Energy Conservation	Magazine	909004	3,800.00
Creative Alliance	Energy Conservation	Magazine	909004	3,300.00
Creative Alliance	Energy Conservation	Magazine	909004	3,800.00
Creative Alliance	Energy Conservation	Television	909004	(1,933.75)
Creative Alliance	Energy Conservation	Other	909004	(579.48)
Creative Alliance	Conservation	Television	909004	32,521.50
Creative Alliance	Conservation	Direct Mail	909004	1,354.64
Creative Alliance	Conservation	Television	909004	525.00
Creative Alliance	Conservation	Billboards	909004	1,050.00
Creative Alliance	Conservation	Newspaper	909004	24,626.90
Creative Alliance	Conservation	Newspaper	909004	11,486.64
Creative Alliance	Conservation	Newspaper	909004	3,300.00
Creative Alliance	Conservation	Radio	909004	15,403.70
Creative Alliance	Conservation	Television	909004	19,677.50
Creative Alliance	Conservation	Newspaper	909004	3,193.45
Creative Alliance	Conservation	Radio	909004	28,027.75
Creative Alliance	Conservation	Radio	909004	48,453.40
Creative Alliance	Conservation	Direct Mail	909004	1,521.66
Creative Alliance	Conservation	Newspaper	909004	310.00
Creative Alliance	Conservation	Billboards	909004	1,050.00
Creative Alliance	Conservation	Radio	909004	6,750.00
Creative Alliance	Conservation	Multi-media	909004	24,694.92
Creative Alliance	Conservation	Radio	909004	937.50
Creative Alliance	Conservation	Billboards	909004	1,050.00
Creative Alliance	Conservation	Television	909004	9,838.75
Creative Alliance	Conservation	Radio	909004	7,701.85
Creative Alliance	Conservation	Newspaper	909004	6,309.55
Creative Alliance	Conservation	Newspaper	909004	3,300.00
Creative Alliance	Conservation	Newspaper	909004	5,969.70
Creative Alliance	Conservation	Radio	909004	8,637.50
Creative Alliance	Conservation	Multi-media	909004	1,575.00
Creative Alliance	Conservation	Television	909004	29,287.60
Creative Alliance	Conservation	Newspaper	909004	312.50
Creative Alliance	Conservation	Billboards	909004	1,050.00
Creative Alliance	Conservation	Brochure	909004	93.12

**KENTUCKY UTILITIES COMPANY
CONSERVATION (909) AND OTHER ADVERTISING EXPENSES
FOR THE 12 MONTHS ENDED 04/30/08**

VENDOR NAME	BENEFIT	MEDIA	ACCOUNT	TOTAL
Creative Alliance	Conservation	Multi-media	909004	18,817.45
Creative Alliance	Conservation	Television	909004	257.34
Double Dog Dare LLC	Conservation	Other	909004	1,337.43
Double Dog Dare LLC	Conservation	Other	909004	758.25
Herald-Ldr Circ Tranz	Energy Conservation	Other	909004	8,500.00
Power Creative	Customer Newsletter	Direct Mail	909004	(87.50)
Power Creative	Customer education	Direct Mail	909004	2,078.75
Power Creative	Customer education	Direct Mail	909004	3,162.50
Power Creative	Customer education	Direct Mail	909004	3,276.25
Power Creative	Customer education	Direct Mail	909004	1,152.50
Power Creative	Customer education	Direct Mail	909004	1,952.50
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	6,695.49
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	6,969.50
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	5,024.40
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	8,179.49
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	8,180.02
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	8,179.49
Preferred Marketing Solutions	Customer Newsletter	Direct Mail	909004	8,180.02
Preferred Marketing Solutions	Safety	Direct Mail	909004	715.50
Push Design LLC	Conservation	Other	909004	7,287.00
Push Design LLC	Customer education	Direct Mail	909004	375.00
The Cubero Group Inc	Conservation	Multi-media	909004	4,901.46
United Mail LLC	Customer Newsletter	Direct Mail	909004	(997.36)
United Mail LLC	Customer education	Direct Mail	909004	115.12
Carma International Inc	Energy Conservation	Other	909005	(1,335.60)
Carma International Inc	Energy Conservation	Other	909005	(1,335.60)
Carma International Inc	Energy Conservation	Other	909005	(705.60)
Factiva	Customer Newsletter	Other	909005	(250.00)
Factiva	Energy Conservation	Other	909005	(250.00)
Media Gofer Inc	Energy Conservation	Other	909005	(499.17)
Media Gofer Inc	Energy Conservation	Other	909005	(273.63)
Media Gofer Inc	Energy Conservation	Other	909005	(245.53)
Media Gofer Inc	Energy Conservation	Other	909005	(212.94)
Media Gofer Inc	Energy Conservation	Other	909005	(199.25)
Media Gofer Inc	Energy Conservation	Other	909005	586.32
Media Library Inc	Energy Conservation	Other	909005	(967.60)
Media Library Inc	Energy Conservation	Other	909005	(2,177.41)
Media Library Inc	Energy Conservation	Other	909005	(1,530.82)
Media Library Inc	Energy Conservation	Other	909005	(2,621.51)
Nick Bonura Photography	Safety	Other	909005	(72.50)
City Of Madisonville	Energy Conservation	Other	909011	278.40
Adhawks Advertising And Pr Inc	Safety	Direct Mail	909013	630.00
Adhawks Advertising And Pr Inc	Safety	Direct Mail	909013	63.00
Adhawks Advertising And Pr Inc	Safety	Direct Mail	909013	115.50

**KENTUCKY UTILITIES COMPANY
CONSERVATION (909) AND OTHER ADVERTISING EXPENSES
FOR THE 12 MONTHS ENDED 04/30/08**

VENDOR NAME	BENEFIT	MEDIA	ACCOUNT	TOTAL
Diversity Adventures Inc	Safety	Other	909013	1,440.28
Diversity Adventures Inc	Safety	Other	909013	192.70
Diversity Adventures Inc	Safety	Other	909013	3,061.64
Diversity Adventures Inc	Safety	Other	909013	3,462.75
Diversity Adventures Inc	Safety	Other	909013	6,293.25
Diversity Adventures Inc	Safety	Other	909013	1,039.50
Diversity Adventures Inc	Safety	Other	909013	5,251.50
Diversity Adventures Inc	Safety	Other	909013	518.22
Diversity Adventures Inc	Safety	Other	909013	3,726.00
Diversity Adventures Inc	Safety	Other	909013	4,373.05
Diversity Adventures Inc	Safety	Other	909013	2,047.50
Diversity Adventures Inc	Safety	Other	909013	1,912.50
Diversity Adventures Inc	Safety	Other	909013	1,199.21
Diversity Adventures Inc	Safety	Other	909013	712.50
Diversity Adventures Inc	Safety	Other	909013	1,118.59
Diversity Adventures Inc	Safety	Other	909013	510.00
Mass Production, Inc.	Safety	Other	909013	3,512.50
Miman Industries LLC	Safety	Other	909013	1,770.00
Moore Syndication Inc	Safety	Other	909013	3,600.00
Moore Syndication Inc	Safety	Other	909013	15.57
Moore Syndication Inc	Safety	Other	909013	520.00
Moore Syndication Inc	Safety	Other	909013	2,000.00
CONSERVATION (909) SUB-TOTAL				475,951.03
Lester Publications LLC	Customer education	Magazine	501990	122.23
TMP Worldwide Advertising	Recruitment	Other	502002	544.95
TMP Worldwide Advertising	Recruitment	Other	506100	639.03
TMP Worldwide Advertising	Recruitment	Other	506100	285.69
TMP Worldwide Advertising	Recruitment	Other	506100	522.39
TMP Worldwide Advertising	Recruitment	Other	506100	283.54
TMP Worldwide Advertising	Recruitment	Other	506100	252.48
TMP Worldwide Advertising	Recruitment	Other	506100	244.63
TMP Worldwide Advertising	Recruitment	Other	506100	304.05
TMP Worldwide Advertising	Recruitment	Other	506100	584.24
TMP Worldwide Advertising	Recruitment	Other	506100	259.58
TMP Worldwide Advertising	Recruitment	Other	506100	268.48
ANC Promotions Inc	Customer education	Other	903003	0.74
Central Kentucky's Parenting Magazine	Customer education	Magazine	903003	150.00
Central KY News Journal	Sponsorship	Newspaper	903003	25.00
Central KY News Journal	Sponsorship	Newspaper	903003	25.00
Central KY News Journal	Sponsorship	Newspaper	903003	25.00
City of Fairfield	Customer education	Newspaper	903003	176.24
Harlan Daily Enterprise	Customer education	Newspaper	903003	100.00
Journal Communications Inc	Customer education	Magazine	903003	710.00
KY Standard	Customer education	Newspaper	903003	210.00

**KENTUCKY UTILITIES COMPANY
CONSERVATION (909) AND OTHER ADVERTISING EXPENSES
FOR THE 12 MONTHS ENDED 04/30/08**

VENDOR NAME	BENEFIT	MEDIA	ACCOUNT	TOTAL
Larue County Herald	Customer education	Newspaper	903003	55.00
News Enterprise	Community involvement	Newspaper	903003	69.99
News Enterprise	Community involvement	Newspaper	903003	69.99
Shoreline Communications-WVLC-FM	Sponsorship	Radio	903003	150.00
Shoreline Communications-WVLC-FM	Sponsorship	Radio	903003	150.00
Shoreline Communications-WVLC-FM	Sponsorship	Radio	903003	150.00
The Bracken County News	Customer education	Newspaper	903003	40.00
The Bracken County News	Customer education	Newspaper	903003	80.00
The Bracken County News	Customer education	Newspaper	903003	50.00
The Bracken County News	Customer education	Newspaper	903003	80.00
The Bracken County News	Customer education	Newspaper	903003	40.00
Universal Advertising Associates, Inc	Customer education	Other	903003	154.50
Adcolor, Inc	Customer education	Other	903936	200.98
Adventure Promotions	Customer education	Other	903936	516.93
Chamber Of Commerce	Community involvement	Other	903936	125.00
Chamber Of Commerce	Community involvement	Other	903936	250.00
Clark & Riggs Printing	Brochure	Other	903936	518.34
Dehart, Doreen	Brochure	Other	903936	425.00
Dehart, Doreen	Brochure	Other	903936	187.50
Greater Lexington Apartments	Community involvement	Other	903936	187.50
Greater Lexington Apartments	Community involvement	Other	903936	50.00
Greater Lexington Apartments	Community involvement	Other	903936	62.50
Greater Lexington Apartments	Community involvement	Other	903936	120.00
Louisville Apartment	Community involvement	Other	903936	17.50
Louisville Apartment	Community involvement	Other	903936	415.00
Louisville Apartment	Community involvement	Other	903936	307.50
Chamber of Commerce Bell County	Customer education	Other	905001	80.00
WQXE-FM	Sponsorship	Radio	905001	810.00
Lanham Media Service LKC	Customer education	Other	905003	520.00
Beechmont Press Inc	Customer education	Other	910900	336.31
National Yellow Pages Direct	Telephone book listings	Other	910900	3,082.69
National Yellow Pages Direct	Telephone book listings	Other	910900	21,084.71
National Yellow Pages Direct	Telephone book listings	Other	910900	48,160.60
Tech Resources Inc	Customer newsletter	Other	910900	9,050.00
United Mail LLC	Customer education	Direct Mail	910900	204.15
United Mail LLC	Customer education	Direct Mail	910900	37.50
United Mail LLC	Customer education	Direct Mail	910900	180.69
United Mail LLC	Customer education	Direct Mail	910900	11.25
United Mail LLC	Customer education	Direct Mail	910900	478.15
United Mail LLC	Customer education	Direct Mail	910900	497.11
Ap Urban League	Recruitment	Other	921002	21.80
Ap Urban League	Recruitment	Other	921002	12.21
Ap Urban League	Recruitment	Other	921002	49.05
TMP Worldwide Advertising	Recruitment	Other	921002	238.86

**KENTUCKY UTILITIES COMPANY
CONSERVATION (909) AND OTHER ADVERTISING EXPENSES
FOR THE 12 MONTHS ENDED 04/30/08**

VENDOR NAME	BENEFIT	MEDIA	ACCOUNT	TOTAL
TMP Worldwide Advertising	Recruitment	Other	921002	133.77
TMP Worldwide Advertising	Recruitment	Other	921002	537.44
TMP Worldwide Advertising	Recruitment	Other	921002	267.24
TMP Worldwide Advertising	Recruitment	Other	921002	149.66
TMP Worldwide Advertising	Recruitment	Other	921002	601.29
U of L Support Service	Recruitment	Other	921002	16.00
U of L Support Service	Recruitment	Other	921002	8.96
U of L Support Service	Recruitment	Other	921002	36.00
AP Urban League	Recruitment	Other	921902	54.50
AP Urban League	Recruitment	Other	921902	73.14
Cybertech Inc	Recruitment	Other	921902	193.50
Mycareernetwork.Com LLC	Recruitment	Other	921902	(95.52)
The Power Marketing Association	Recruitment	Other	921902	89.50
TMP Worldwide Advertising	Recruitment	Other	921902	597.15
TMP Worldwide Advertising	Recruitment	Other	921902	801.39
TMP Worldwide Advertising	Recruitment	Other	921902	668.10
TMP Worldwide Advertising	Recruitment	Other	921902	896.59
U of L Support Service	Recruitment	Other	921902	40.00
U of L Support Service	Recruitment	Other	921902	53.68
Walmart Supercenter	Recruitment	Other	921902	5.00
Walmart Supercenter	Recruitment	Other	921902	6.71
OTHER SUB-TOTAL				100,195.68
TOTAL ADVERTISING/CUSTOMER INFORMATION (1)				\$ 576,146.71

(1) Amounts shown in Attachment to Response to PSC Question No. 1-30(a)

		Electric
Conservation advertising Line 7, column d	\$	475,951
Other advertising Line 7, column f		100,246
		Sub-Total 576,197
Below the line amounts not included above		50
Total	\$	576,147

KENTUCKY UTILITIES COMPANY**CASE NO. 2008-00251****CASE NO. 2007-00565****Response to Initial Requests for Information of the Attorney General****Dated August 27, 2008****Question No. 57****Responding Witness: Shannon L. Charnas**

Q-57. With regard to Legal expenses charged to KU's operation and maintenance expenses, please provide the following information:

- a. Total Legal expenses booked in the test year as compared to total Legal expenses booked in the years 2003, 2004, 2005, 2006 and 2007.
- b. Breakout of actual test year Legal expenses by major legal issue and an indication as to which test year Legal expenses can be considered recurring or non-recurring.
- c. Total legal expenses included in the Company's Board-approved budget for 2008.

A-57. a.

Year	\$
2003	1,103,367
2004	3,145,198
2005	4,192,082
2006	3,585,449
2007	4,901,509
Test Year	6,109,822

b.

Major Legal Issue	Test Period Amount	Recurring ?
Regulatory	\$ 3,395,552	Yes
Litigation	2,295,358	Yes
Contracts	205,639	Yes
Corporate	118,792	Yes
Employment	67,607	Yes
Real Estate	26,874	Yes
Total	<u>\$ 6,109,822</u>	

- c. Total legal expenses included in the Company's Board-approved budget for 2008 are \$4.3 million.

KENTUCKY UTILITIES COMPANY**CASE NO. 2008-00251****CASE NO. 2007-00565****Response to Initial Requests for Information of the Attorney General****Dated August 27, 2008****Question No. 58****Responding Witness: Paula H. Pottinger, Ph.D.**

Q-58. For each month from April 2007 through August 2008, provide the actual number of KU employees and KU-allocated service company employees and compare it to the equivalent number of employees used to determine the pro forma wages and salaries in this case. Provide the monthly employee data in total and as broken out by employee category.

A-58. The chart below shows the actual number of KU employees for each month from April 2007 through August 2008. The employees for April 2008, in the table below, are the same as those used to calculate to adjustments in Reference Schedule 1.15 to Rives Exhibit 1. See also response to PSC-2 Question No. 100.

Sal Plan	BU	EX	NE	Total
Apr-07	152	135	646	933
May-07	153	134	651	938
Jun-07	152	134	656	942
Jul-07	151	136	660	947
Aug-07	152	135	660	947
Sep-07	152	134	659	945
Oct-07	152	133	661	946
Nov-07	151	134	659	944
Dec-07	150	135	664	949
Jan-08	150	135	670	955
Feb-08	151	136	670	957
Mar-08	153	136	668	957
Apr-08	144	133	684	961
May-08	153	134	682	969
Jun-08	155	136	682	973
Jul-08	155	137	683	975
Aug-08	153	138	689	980

The chart below shows the actual total number of Service Company employees for each month from April 2007 through August 2008. Service Company employees are not maintained on an allocated basis. The employees for April 2008, in the table below, are the same as those used to calculate to adjustments in Reference Schedule 1.15 to Rives Exhibit 1. See also response to PSC-2 Question No. 100.

Sal Plan	EX	NE	Total
Apr-07	760	239	999
May-07	761	239	1,000
Jun-07	761	234	995
Jul-07	767	232	999
Aug-07	774	229	1,003
Sep-07	783	231	1,014
Oct-07	790	237	1,027
Nov-07	794	234	1,028
Dec-07	797	233	1,030
Jan-08	801	236	1,037
Feb-08	805	234	1,039
Mar-08	806	240	1,046
Apr-08	808	242	1,050
May-08	809	245	1,054
Jun-08	813	246	1,059
Jul-08	818	245	1,063
Aug-08	821	259	1,080

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 59

Responding Witness: Shannon L. Charnas

- Q-59. With regard to Outside Services expenses charged to Account 923, please provide the following information:
- a. In the same format and detail as per the response to AG-1-74 in the prior LG&E rate case, Case No. 2003-00433, provide a breakout, by major outside service expense category, of the actual 923 expenses in the test year and each of the years 2004 through 2007.
 - b. For any consulting fees included in the actual annual Account 923 expense components to be provided in response to part (a) above, provide another breakout showing the types of consulting activities.
 - c. Explanation as to why the test year Account 923 expenses of \$10.7 million are almost \$4 million (59%) higher than the \$6.7 million Account 923 expenses in the year prior to the test year.
 - d. Account 923 expenses included in the Company's Board-approved budget for 2008.
- A-59. a. See attached.
- b. See attached.
- c. Account 923, Outside Services Employed, increased from \$6.7 million to \$10.7 million due primarily to an increase for outside counsel services in the amount of \$3.4 million.
- d. The total Account 923 expense included in the Company's Board-approved budget for 2008 is \$9,602,317.

KENTUCKY UTILITIES COMPANY
ACCOUNT 923 - OUTSIDE SERVICES BY MAJOR CATEGORY
FOR THE TEST YEAR AND CALENDAR YEARS 2004-07

Year	Category	Total
TEST YEAR	ACCOUNTING SERVICES	\$ 47,053.81
	ACCTNG USE - MISC JE - NONALLOCATED	57,876.31
	AUDIT FEES	397,935.94
	ENVIRONMENTAL-LABOR-3RD PARTY	94,719.65
	LEGAL-3RD PARTY	6,109,262.37
	MATERIAL & EQUIPMENT	28,483.25
	MGMT CONSULTING FEES & EXPENSES	1,544,746.99
	OTHER-LABOR-3RD PARTY	2,149,239.88
	OUTSIDE COLLECTION FEES	23.97
	PHYSICAL AND MEDICAL EXAMS	45,128.28
	SECURITY	55,932.57
	SERVCO CONVENIENCE PAYMENTS	25,911.44
	TEMPORARY HELP	165,209.73
	TOTAL	\$ 10,721,524.19
2007	ACCOUNTING SERVICES	\$ 66,498.57
	ACCTNG USE - MISC JE - NONALLOCATED	(75,604.12)
	AUDIT FEES	354,397.00
	CONTRACTORS - COMPUTER SUPPORT	4,500.00
	ENVIRONMENTAL-LABOR-3RD PARTY	63,532.31
	LEGAL-3RD PARTY	4,886,531.44
	MATERIAL & EQUIPMENT	31,402.37
	MGMT CONSULTING FEES & EXPENSES	1,343,149.09
	OTHER-LABOR-3RD PARTY	2,022,701.69
	PHYSICAL AND MEDICAL EXAMS	62,571.37
	SECURITY	46,564.81
	SERVCO CONVENIENCE PAYMENTS	14,319.21
	TEMPORARY HELP	165,385.77
	TOTAL	\$ 8,985,949.51
2006	ACCOUNTING SERVICES	\$ 13,373.00
	ACCTNG USE - MISC JE - NONALLOCATED	135,379.90
	AUDIT FEES	391,327.49
	CONTRACTORS - COMPUTER SUPPORT	1,269.20
	ENVIRONMENTAL-LABOR-3RD PARTY	62,920.96
	LEGAL-3RD PARTY	3,585,187.13
	MATERIAL & EQUIPMENT	86,326.07
	MGMT CONSULTING FEES & EXPENSES	344,768.26
	OTHER-LABOR-3RD PARTY	2,083,727.62
	OUTSIDE COLLECTION FEES	270.00
	PHYSICAL AND MEDICAL EXAMS	30,315.31
	SECURITY	358.15
	SERVCO CONVENIENCE PAYMENTS	50,045.18
	TEMPORARY HELP	172,322.38
	OTHER EXPENSES	46.75
TOTAL	\$ 6,957,637.40	

KENTUCKY UTILITIES COMPANY
ACCOUNT 923 - OUTSIDE SERVICES BY MAJOR CATEGORY
FOR THE TEST YEAR AND CALENDAR YEARS 2004-07

Year	Category	Total
2005	ACCOUNTING SERVICES	\$ 1,417.28
	ACCTNG USE - MISC JE - NONALLOCATED	(76,590.96)
	AUDIT FEES	298,698.76
	CONTRACTORS - COMPUTER SUPPORT	70,850.97
	LEGAL-3RD PARTY	4,191,580.21
	MATERIAL & EQUIPMENT	15,334.37
	MGMT CONSULTING FEES & EXPENSES	354,059.59
	OTHER-LABOR-3RD PARTY	2,471,504.56
	OUTSIDE COLLECTION FEES	1,439.77
	PHYSICAL AND MEDICAL EXAMS	33,197.58
	SECURITY	28,818.39
	SERVCO CONVENIENCE PAYMENTS	24,922.00
	TEMPORARY HELP	176,989.03
	OTHER EXPENSES	5.12
	TOTAL	\$ 7,592,226.67
2004	COMPANY LABOR	\$ 92,165.09
	COMPANY OVERHEADS	25,803.20
	ACCOUNTING SERVICES	7,379.01
	ACCTNG USE - MISC JE - NONALLOCATED	989,485.51
	AUDIT FEES	6,600.00
	CONTRACTORS - COMPUTER SUPPORT	86,047.72
	LEGAL-3RD PARTY	3,084,003.67
	MATERIAL & EQUIPMENT	(770.54)
	MGMT CONSULTING FEES & EXPENSES	521,804.59
	OTHER-LABOR-3RD PARTY	1,674,012.71
	PHYSICAL AND MEDICAL EXAMS	23,990.57
	SECURITY	38,533.36
	TEMPORARY HELP	277,983.91
	OTHER EXPENSES	379,344.01
	TRANSPORTATION COSTS	5,750.79
VARIABLE GENERATION COSTS	16,069.73	
TOTAL	\$ 7,228,203.33	

**KENTUCKY UTILITIES COMPANY
ACCOUNT 923 - OUTSIDE SERVICES FOR CONSULTING
FOR THE TEST YEAR AND CALENDAR YEARS 2004-07**

Year	Category	Total
TEST YEAR	ACCOUNTING SERVICES	\$ 47,053.81
	AUDIT FEES	397,935.94
	LEGAL-3RD PARTY	6,109,262.37
	MGMT CONSULTING FEES & EXPENSES	1,544,746.99
	TOTAL	\$ 8,098,999.11
2007	ACCOUNTING SERVICES	\$ 66,498.57
	AUDIT FEES	354,397.00
	CONTRACTORS - COMPUTER SUPPORT	4,500.00
	LEGAL-3RD PARTY	4,886,531.44
	MGMT CONSULTING FEES & EXPENSES	1,343,149.09
TOTAL	\$ 6,655,076.10	
2006	ACCOUNTING SERVICES	\$ 13,373.00
	AUDIT FEES	391,327.49
	CONTRACTORS - COMPUTER SUPPORT	1,269.20
	LEGAL-3RD PARTY	3,585,187.13
	MGMT CONSULTING FEES & EXPENSES	344,768.26
TOTAL	\$ 4,335,925.08	
2005	ACCOUNTING SERVICES	\$ 1,417.28
	AUDIT FEES	298,698.76
	CONTRACTORS - COMPUTER SUPPORT	70,850.97
	LEGAL-3RD PARTY	4,191,580.21
	MGMT CONSULTING FEES & EXPENSES	354,059.59
TOTAL	\$ 4,916,606.81	
2004	ACCOUNTING SERVICES	\$ 7,379.01
	AUDIT FEES	6,600.00
	CONTRACTORS - COMPUTER SUPPORT	86,047.72
	LEGAL-3RD PARTY	3,084,003.67
	MGMT CONSULTING FEES & EXPENSES	521,804.59
TOTAL	\$ 3,705,834.99	

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 60

Responding Witness: Shannon L. Charnas

Q-60. Please provide the actual annual electric tree trimming expenses booked by KU in the test year as compared to the years 2003 through 2007. In addition, indicate the account number(s) in which these expenses are recorded.

A-60. Tree trimming expenses booked by KU for 2003 through 2007 and the test year are:

2003	\$8,589,772
2004	\$10,667,048
2005	\$10,448,430
2006	\$10,340,720
2007	\$10,988,632
12 months ended 4/30/08	\$11,400,771

All expenses listed above are charged to account 593004.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 61

Responding Witness: Shannon L. Charnas

- Q-61. In the response to PSC-1-31, the Company has provided detailed invoices for all test year professional services expenses. In this regard, please provide the following information:
- a. Provide a summary of the total test year expenses for each major professional service category included in the response.
 - b. Provide comparable professional services expense information, i.e., total expenses and a breakout of all major expense categories, for each of the years 2004 through 2007.
- A-61. a. See attached.
- b. See attached.

**KENTUCKY UTILITIES COMPANY
MAJOR PROFESSIONAL SERVICE EXPENSE
TEST YEAR**

Type	Total
Accounting	\$448,749.75
Engineering	1,984,439.22
Legal	6,109,822.47
Other	66,912,051.04
Total	<u>\$75,455,062.48</u>

KENTUCKY UTILITIES COMPANY
PROFESSIONAL SERVICE EXPENSE

KU - 2004

<u>CATEGORY</u>	<u>ACCOUNTING</u>	<u>ENGINEERING</u>	<u>LEGAL</u>	<u>OTHER</u>	<u>TOTAL</u>
0301 - O/S - OTHER-LABOR-3RD PARTY		\$1,281,018.37		\$31,728,044.52	\$33,009,062.89
0302 - O/S - OUTSIDE COLLECTION FEES				268,798.59	268,798.59
0303 - O/S - MATERIAL & EQUIPMENT		75,338.29		4,115,935.91	4,191,274.20
0305 - O/S - MGMT CONSULTING FEES & EXPENSES		94,162.00		1,041,815.04	1,135,977.04
0306 - O/S - TEMPORARY HELP		4,500.00		1,078,898.12	1,083,398.12
0307 - O/S - SECURITY				448,393.83	448,393.83
0309 - O/S - EQUIPMENT TESTING				4,448.61	4,448.61
0310 - O/S - CONTRACTORS - COMPUTER SUPPORT				95,452.80	95,452.80
0312 - O/S - AUDIT FEES	\$6,600.00				6,600.00
0314 - O/S - ACCOUNTING SERVICES	7437.01				7,437.01
0315 - O/S - COST ACCOUNTING				25.64	25.64
0316 - O/S - OTHER LABOR-NO COMPANY EXPERTISE		293,854.57		3,264,572.08	3,558,426.65
0317 - O/S - OTHER NON-LABOR-NO COMPANY EXPERTISE		2,245.00		534,500.72	536,745.72
0321 - O/S - LEGAL-3RD PARTY			\$3,132,932.09		3,132,932.09
0322 - O/S - LEGAL- AFFILIATE				12,265.50	12,265.50
0323 - O/S - ENVIRONMENTAL-LABOR-3RD PARTY				59,285.00	59,285.00
0325 - O/S - HIGH PRESSURE CLEANING (LABOR)				180.00	180.00
0327 - O/S - ASBESTOS MONITORING (LABOR)				45,606.61	45,606.61
0328 - O/S - ASBESTOS MONITORING (MATL/EQUIP)				14,659.06	14,659.06
0330 - O/S - COMPUTER SUPPORT				410.20	410.20
0335 - O/S - PHYSICAL AND MEDICAL EXAMS				108,037.07	108,037.07
0336 - O/S - MARKETING FEES & EXPENSES				287,485.61	287,485.61
0337 - O/S - OUTSIDE PRINTING SERVICE				11,928.22	11,928.22
0375 - O/S - ACCTNG USE - MISC JE - NONALLOCATED				837,146.32	837,146.32
TOTAL	\$14,037.01	\$394,761.57	\$3,132,932.09	\$7,845,110.43	\$11,386,841.10

KU - 2005

<u>CATEGORY</u>	<u>ACCOUNTING</u>	<u>ENGINEERING</u>	<u>LEGAL</u>	<u>OTHER</u>	<u>TOTAL</u>
0301 - O/S - OTHER-LABOR-3RD PARTY		\$2,270,272.59		\$43,605,649.78	\$45,875,922.37
0302 - O/S - OUTSIDE COLLECTION FEES				267,065.58	267,065.58
0303 - O/S - MATERIAL & EQUIPMENT		192,591.50		5,195,326.69	5,387,918.19
0305 - O/S - MGMT CONSULTING FEES & EXPENSES		78,652.49		731,650.64	810,303.13
0306 - O/S - TEMPORARY HELP				1,092,048.05	1,092,048.05
0307 - O/S - SECURITY				472,441.60	472,441.60
0310 - O/S - CONTRACTORS - COMPUTER SUPPORT		2,580.00		156,701.86	159,281.86
0312 - O/S - AUDIT FEES	\$299,298.76				299,298.76
0314 - O/S - ACCOUNTING SERVICES	1,417.28				1,417.28
0321 - O/S - LEGAL-3RD PARTY			\$4,192,081.87		4,192,081.87
0323 - O/S - ENVIRONMENTAL-LABOR-3RD PARTY				5,904.82	5,904.82
0335 - O/S - PHYSICAL AND MEDICAL EXAMS				106,613.13	106,613.13
0374 - O/S - SERVCO CONVENIENCE PAYMENTS				24,923.14	24,923.14
0375 - O/S - ACCTNG USE - MISC JE - NONALLOCATED				(885,087.02)	(885,087.02)
TOTAL	\$300,716.04	\$81,232.49	\$4,192,081.87	\$1,705,196.22	\$6,279,226.62

KU - 2006

<u>CATEGORY</u>	<u>ACCOUNTING</u>	<u>ENGINEERING</u>	<u>LEGAL</u>	<u>OTHER</u>	<u>TOTAL</u>
0301 - O/S - OTHER-LABOR-3RD PARTY		\$2,947,976.07		\$39,374,435.26	\$42,322,411.33
0302 - O/S - OUTSIDE COLLECTION FEES				296,720.72	296,720.72
0303 - O/S - MATERIAL & EQUIPMENT		185,633.30		5,039,920.32	5,225,553.62
0305 - O/S - MGMT CONSULTING FEES & EXPENSES		75,605.07		845,261.95	920,867.02
0306 - O/S - TEMPORARY HELP				1,032,293.62	1,032,293.62
0307 - O/S - SECURITY				633,561.59	633,561.59
0310 - O/S - CONTRACTORS - COMPUTER SUPPORT				9,513.68	9,513.68
0312 - O/S - AUDIT FEES	\$391,327.49				391,327.49
0314 - O/S - ACCOUNTING SERVICES	13,373.00				13,373.00
0321 - O/S - LEGAL-3RD PARTY			\$3,585,448.88		3,585,448.88
0323 - O/S - ENVIRONMENTAL-LABOR-3RD PARTY		70,358.46		9,316.26	79,674.72
0335 - O/S - PHYSICAL AND MEDICAL EXAMS				138,085.74	138,085.74
0374 - O/S - SERVCO CONVENIENCE PAYMENTS				50,045.18	50,045.18
0375 - O/S - ACCTNG USE - MISC JE - NONALLOCATED				1,035,020.70	1,035,020.70
TOTAL	\$404,700.49	\$145,963.53	\$3,585,448.88	\$3,753,098.72	\$7,889,211.62

KU - 2007

CATEGORY

	<u>ACCOUNTING</u>	<u>ENGINEERING</u>	<u>LEGAL</u>	<u>OTHER</u>	<u>TOTAL</u>
0312 - O/S - AUDIT FEES	\$354,397.00				\$354,397.00
0314 - O/S - ACCOUNTING SERVICES	67,309.76				67,309.76
0321 - O/S - LEGAL-3RD PARTY			\$4,901,509.25		4,901,509.25
0301 - O/S - OTHER-LABOR-3RD PARTY		\$6,252,426.18		\$46,818,059.89	53,070,486.07
0302 - O/S - OUTSIDE COLLECTION FEES				332,094.06	332,094.06
0303 - O/S - MATERIAL & EQUIPMENT		85,894.27		6,094,689.93	6,180,684.20
0305 - O/S - MGMT CONSULTING FEES & EXPENSES		276,281.27		1,709,201.51	1,985,482.78
0306 - O/S - TEMPORARY HELP				993,036.15	993,036.15
0307 - O/S - SECURITY				782,405.78	782,405.78
0310 - O/S - CONTRACTORS - COMPUTER SUPPORT				18,465.85	18,465.85
0323 - O/S - ENVIRONMENTAL-LABOR-3RD PARTY		37,440.70		65,136.87	102,577.57
0335 - O/S - PHYSICAL AND MEDICAL EXAMS				167,908.39	167,908.39
0316 - O/S - OTHER LABOR-NO COMPANY EXPERTISE				3,641.00	3,641.00
0374 - O/S - SERVCO CONVENIENCE PAYMENTS				14,398.48	14,398.48
0375 - O/S - ACCTNG USE - MISC JE - NONALLOCATED		77,948.17		(1,251,762.75)	(1,173,814.58)
TOTAL	\$421,706.76	\$6,730,090.59	\$4,901,509.25	\$55,747,275.16	\$67,800,581.76

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 62

Responding Witness: Shannon L. Charnas

- Q-62. Please provide all expenses and taxes included in the above-the-line operating results that are associated with non-utility properties and explain why they should be included for ratemaking purposes.
- A-62. Based upon a reasonable investigation and consistent with Company policy, there are no expenses or taxes in the above-the-line operating results for non-utility properties. Any expenses associated with these properties are charged below-the-line.

Billed revenues from ultimate consumers for the twelve months ended 04/30/08	\$ 1,169,688,236
Net charge-offs / Billed revenues from ultimate consumers	<u>0.2030%</u>
Net charge-offs for the test year ended 04/30/08	\$ 2,375,238
Increase in balance of the Reserve for Uncollectible Accounts	<u>165,160</u>
Current year provision	<u><u>\$ 2,540,398</u></u>

The current year provision amount consists of the net charge-offs plus the increase in the balance of the reserve for uncollectible accounts. Additionally, the ratio of uncollectible expense uses total revenue rather than the billed revenue in the bad debt ratio.

See also Question No. 3.

- b. See attached.
- c. Please see the Company's response to PSC-2 Question No. 132(n).
- d. The account 904 uncollectible expenses of \$3.3 million is an appropriate level for ratemaking because of the on-going disputes with Owensboro Municipal Utilities and the higher net charge-off ratio for the test year.

Kentucky Utilities Company Case No. 2008-00251 Reconciliation of Uncollectible Expenses For the Years 2005 through 2007 and the Test Year Ending April 2008				
	Test Year	2007	2006	2005
Bad Debt Expense (Account 904)	\$ 3,330,953	\$ 2,323,942	\$ 2,608,946	\$ 2,338,612
Net Charge-Offs	2,375,238	2,186,376	2,280,608	1,495,815
Difference	955,715	137,566	328,338	842,797
Increase/(Decrease) to Reserve	165,160	(37,980)	230,844	92,645
Bad Debt Expense to Wholesale Customers	768,929	157,693	94,286	751,150
Bankruptcy Charge-Offs	22,641	19,000	4,000	0
Other	(1,015)	(1,147)	(792)	(998)
Unreconciled Variance	-	-	-	-

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 64

Responding Witness: Paula H. Pottinger, Ph.D. / Lonnie E. Bellar

Q-64. With regard to the response to PSC-1-33 (Lobbying expenses), please provide the following information:

- a. Provide detailed job descriptions (including descriptions of the various required functions and responsibilities) for G.R. Siemens, D.J. Friebert and M.S. Beer.
- b. Provide a detailed percentage breakout of the various functions and responsibilities to be provided in response to part (a) for each employee. The percentages should add to 100%.
- c. Explain why the Company only considers 46.6% of their functions and responsibilities to be lobbying related. In addition, provide a percentage breakout of the remaining 53.4% of their time including an indication how much of the remaining ratio of 53.4% represents lobbying activities for LG&E.

A-64. a. Major job description accountabilities are provided below.

G.R. Siemens

- Identify and analyze high priority legislative, regulatory and executive agency issues at the state and local level. Analyze their impact on the Company and develop, recommend and coordinate the appropriate response for the Company.
- Manage the development and distribution of the corporate position policy statement to appropriate opinion leaders, constituency groups, and relevant parties.
- Ensure a favorable climate exists within the executive, legislative and regulatory community in order that they might be disposed to act affirmatively on issues of interest and importance to the Company.
- Direct the corporate political action committee (PAC) and, consistent with federal and state election laws, recommend the corporate political giving strategy of the PAC.

M.S. Beer

- Identify, analyze and influence critical federal issues and decisions to support the Company's regulatory policy and strategy.
- Build and retain relationships which ensure the appropriate level of influence exists to produce favorable results on issues of interest and importance to the Company.
- Lead the development and implementation of the Company's federal regulatory policy and strategy.
- Direct the preparation of filings for and the prosecution of regulatory proceedings before federal regulatory agencies.
- Ensure regulatory compliance with the rules, regulations, and orders of the Federal Energy Regulatory Commission (FERC).
- Manage the relationship between the Company and the FERC.
- Testify, when appropriate, at hearings before the FERC.
- Advise the Company of the impact of important federal regulatory agency opinions and decisions and general analysis relating to important developments in utility regulation at the federal level.
- Certify to the FERC that LG&E and KU are in compliance with the standards of conduct by verifying that the Companies are adhering to standard requirements, development and execution of employee training, answering employee questions and coordinating audits and investigations with Commission Staff to ensure on-going compliance.

D.J. Freibert

- Provides significant contributions to policy formulation.
- Partners with VP Federal Regulation and Policy to coordinate policy issues among various governmental organizations.
- Represents the Company at the state and local government levels to communicate the Company's position on various issues.
- Works closely with various state and local political and Lexington based special interest groups to influence their processes and outcomes and assure that the Company's interests are protected.
- Keeps informed of state and local legislative proposals which would specifically affect Company objectives.
- Keeps abreast of current state and local legislative issues, state and local regulatory matters and the announcements and actions of Lexington based public interest organizations with their possible attendant effects on the Company.
- Advises Company officers and department heads regarding proposed state and local legislation/regulations that could affect Company operations; obtains their reactions and recommendations, and presents them to the appropriate government entities.
- Guides and assists the Company's legal counsel in drafting statements of the Company's position on various state and local issues.

- Expedites action on Company matters which require state or local government approval.
 - Performs other duties as directed by the VP External Affairs.
- b. The Company does not maintain the information in the form or detail requested.
- c. The Company does not agree with the premise in the question (i.e., 46.6% of the function and responsibilities of these employees are related to lobbying). None of the salary or benefits associated with these employees is included in the rates of the Company or charged to the customer. Please see the response to PSC-1 Question No. 33 in this proceeding, where it is explained that 46.6% of the functions of the employees listed in (a) above include, but are not limited to, representation before governmental agencies and legislative bodies local, state and federal levels on matters directly related to the Company and the conduct of its business. Additionally, it is noted that these employees also provide functional representation of the Company at and participation in civic, charitable and community events, monitoring the legislative processes, responding to inquiries by federal, state and local governmental agencies and legislative bodies and participation in industry meetings and conferences. Thus, the Company does not consider 46.6% of the functions of the employees listed in part (a) above as only lobbying related. The other activities described above are also included in the 46.6%.

The remaining 53.4% is comprised of 30.4% allocated to LG&E as described in response to AG-1 Question No. 71 in Case No. 2008-00252 and the response to PSC-1 Question No. 33 in Case No. 2008-00252, and 23.0% allocated to Capital Corp. Please note all of these expenses and charges discussed in connection with this response are not included in rates.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to Initial Requests for Information of the Attorney General

Dated August 27, 2008

Question No. 65

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas

Q-65. With regard to expenses related to the Edison Electric Institute (EEI), please provide the following information:

- a. Total EEI expenses booked in the test year.
- b. Breakout (in approximate percentages) of the various EEI activities in the same format and detail as per the Company's response to AG-1-85(c) in LG&E's prior rate case, Case No. 2003-00433.

- A-65. a. Total EEI expenses booked in the test year are \$420,184.90. This amount includes all amounts paid directly to EEI or by means of a Company procurement card. The Company's employee expense reimbursement system does not provide individual vendor detail, so payments to EEI made directly by employees, for items such as course fees, are not included in this amount.
- b. Beginning in 2007, EEI is no longer preparing the breakout of activities by NARUC category as provided in the last rate case. For 2007, EEI determined that 16.15% of 2007 dues paid was spent on lobbying activities.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 66

Responding Witness: Shannon L. Charnas

- Q-66. Please provide the following expenses (if included in above-the-line operating expenses):
- a. Employee memberships to clubs and associations. In addition, identify the nature of these clubs and/or associations.
 - b. Employee memberships to professional organizations. In addition, identify the nature of these organizations.
- A-66. See attached for combined list of employee memberships to clubs and associations and professional organizations. The Company does not separately track memberships in clubs and associations and memberships in professional organizations.

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
ACADEMY OF CERTIFIED HAZARDOUS MATERIALS MANAGERS	A professional association for experts in environmental, health and safety management.	\$ 175.20
AIR & WASTE MANAGEMENT ASSOCIATION	A nonprofit, nonpartisan environmental professional organization promoting global environmental responsibility and increased effectiveness of organizations to make critical decisions that benefit society.	226.80
AMERICAN ADVERTISING FEDERATION	A federation that protects and promotes the well-being of advertising.	17.50
AMERICAN BAR ASSOCIATION	An association that is the national representative of the legal profession, serving the public and the profession by promoting justice, professional excellence and respect for the law.	1,122.72
AMERICAN BOARD OF INDUSTRIAL HYGIENE	The boards purpose is the improvement in the practice and educational standards of the profession of industrial hygiene.	40.50
AMERICAN CHEMICAL SOCIETY	The society is a congressionally chartered independent membership organization which represents professionals at all degree levels and in all fields of chemistry and sciences that involve chemistry.	237.69
AMERICAN COAL ASH ASSOCIATION	The association advances the management and use of coal combustion products in ways that are environmentally responsible, technically sound, commercially competitive and more supportive of a sustainable global community.	7,500.00
AMERICAN COAL ASSOCIATION	The association advances the management and use of coal combustion products in ways that are environmentally responsible, technically sound, commercially competitive and more supportive of a sustainable global community.	750.00
AMERICAN GAS ASSOCIATION	The association is an advocate for natural gas utility companies and their customers, and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international natural gas companies and industry associates.	78.00
AMERICAN INDUSTRIAL HYGIENE ASSOCIATION	The association is serving the needs of occupational and environmental health professionals practicing industrial hygiene in industry, government, labor, academic institutions, and independent organizations.	72.09
AMERICAN INSTITUTE OF ARCHITECTS	The institute is the leading professional membership association for licensed architects, emerging professionals, and allied partners.	250.00
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	The institute is a national, professional organization for all Certified Public Accountants.	(,937.23
AMERICAN MANAGEMENT ASSOCIATION	The association provides managers and their organizations worldwide with the knowledge, skills and tools they need to improve business performance, adapt to a changing workplace and prosper in a complex and competitive business world.	788.40
AMERICAN NATIONAL STANDARDS INSTITUTE	The institute empowers its members and constituents to strengthen the U.S. marketplace position in the global economy while helping to assure the safety and health of consumers and the protection of the environment.	135.45
AMERICAN PSYCHOLOGICAL ASSOCIATION	The association is a scientific and professional organization that represents psychology in the United States; the largest association of psychologists worldwide.	113.00
AMERICAN PUBLIC POWER ASSOCIATION	The association purpose is to advance the public policy interests of its members and their consumers, and provide member services to ensure adequate, reliable electricity at a reasonable price with the proper protection of the environment.	5.38
AMERICAN SOCIETY OF CIVIL ENGINEERS	The society's vision is to position engineers as global leaders building a better quality of life.	383.90

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
AMERICAN SOCIETY OF MECHANICAL ENGINEERS	The society promotes the art, science & practice of mechanical & multidisciplinary engineering and allied sciences around the globe.	382.04
AMERICAN SOCIETY OF SAFETY ENGINEERS	The society is a professional safety organization.	257.33
ASSOCIATION FOR FINANCIAL PROFESSIONALS	The association is a global resource and advocate for the finance profession, provides products, education and training for treasury and corporate finance.	667.55
ASSOCIATION OF AMERICAN RAILROADS	the Association is committed to keeping the railroads of North America safe, fast, efficient, clean, and technologically advanced.	238.19
ASSOCIATION OF CERTIFIED FRAUD EXAMINERS	The association is a provider of anti-fraud training and education.	204.00
ASSOCIATION OF CORPORATE COUNSEL	The association serves the professional needs of attorneys who practice in the legal departments of corporations and private sector.	90.00
ASSOCIATION OF ENERGY ENGINEERS	The association is a nonprofit professional society promoting the scientific and educational interests of those engaged in the energy industry.	1,320.00
ASSOCIATION OF RECORDS MANAGERS & ADMINISTRATORS	The association is a not-for-profit professional association for records and information managers and related industry practitioners and vendors.	134.25
ASSOCIATION OF THE UNITED STATES ARMY	The association is a private, non-profit educational organization that supports America's Army - Active, National Guard, Reserve, Civilians, Retirees and family members.	150.00
BARDSTOWN-NELSON COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	450.00
BLUEGRASS KIWANIS CLUB	The club is an organization of volunteers dedicated to changing the world, one child and one community at a time.	123.50
BLUEGRASS SOCIETY OF HUMAN RESOURCES	The society serves the needs of HR professionals by providing the most essential and comprehensive resources available.	20.88
BOARD OF ENVIRONMENTAL, HEALTH & SAFETY AUDITOR CERTIFICATIONS	The board is an independent, nonprofit corporation established in 1997 to issue professional certifications relating to environmental, health, and safety auditing and other scientific fields.	69.00
BUSINESS DIVERSITY NETWORK	The network share resources and develop initiatives that address a range of human resource issues.	187.88
CAMPBELLSVILLE TAYLOR COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	125.00
CENTRAL KENTUCKY ARTS SERIES	Is an organization that promotes, encourages and foster interests in fine art.	50.00
CHAMBER OF COMMERCE ANDERSON COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	100.00
CHAMBER OF COMMERCE BEATTYVILLE LEE COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	200.00
CHAMBER OF COMMERCE BELL COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	450.00
CHAMBER OF COMMERCE BOYLE COUNTY AND DANVILLE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	358.00
CHAMBER OF COMMERCE CARROLL COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	80.00

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
CHAMBER OF COMMERCE CLINTON HICKMAN	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	50.00
CHAMBER OF COMMERCE CRITTENDEN COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	250.00
CHAMBER OF COMMERCE ESTILL COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	250.00
CHAMBER OF COMMERCE FLEMING COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	250.00
CHAMBER OF COMMERCE GARRARD COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	150.00
CHAMBER OF COMMERCE GREATER MUHLENBERG COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	500.00
CHAMBER OF COMMERCE GREENSBURG/GREEN COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	100.00
CHAMBER OF COMMERCE HARRISON COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	350.00
CHAMBER OF COMMERCE HART COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	300.00
CHAMBER OF COMMERCE LARUE COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	500.00
CHAMBER OF COMMERCE LAUREL COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	595.00
CHAMBER OF COMMERCE LINCOLN COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	94.00
CHAMBER OF COMMERCE MARION COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	400.00
CHAMBER OF COMMERCE MAYSVILLE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	550.00
CHAMBER OF COMMERCE MCLEAN COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	150.00
CHAMBER OF COMMERCE MERCER COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	450.00
CHAMBER OF COMMERCE MORGANFIELD	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	100.00
CHAMBER OF COMMERCE MT STERLING	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	600.00
CHAMBER OF COMMERCE OWEN COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	75.00
CHAMBER OF COMMERCE RUSSELL COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	85.00

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
CHAMBER OF COMMERCE SHELBY COUNTY	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	550.00
CHAMBER OF COMMERCE STURGIS	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	72.00
CHARTERED FINANCIAL ANALYST INSTITUTE	The institute is a global, not-for-profit association of investment professionals that awards the CFA and CIPM designations.	155.32
CLERK OF THE SUPREME COURT OF COLORADO	Clerk of court fees are for every attorney admitted to practice in Colorado.	90.00
COAL UTILIZATION RESEARCH COUNCIL	The council is an industry advocacy group that promotes the efficient and environmentally-sound use of coal.	8,573.25
COLUMBIA ADAIR CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	100.00
COMMERCE LEXINGTON	The commerce works to unite Bluegrass business and professional people by working together toward common goals to make our community a better place to work and live.	7,601.00
COMMERCIAL PROPERTY ASSOCIATION OF LEXINGTON	The association does promotion and improvement of business conditions for commercial property development, financing, ownership, leasing, and management of properties located in the Commonwealth of Kentucky.	400.00
COMPUTER SECURITY INSTITUTE	The institute is an organization for information, computer and network security professionals.	96.59
CORPORATE EXECUTIVE BOARD	The board is a network for leaders of the world's largest public and private organizations.	31,374.30
DEFENSE RESEARCH INSTITUTE	The institute improves the knowledge and ability of defense attorneys.	90.00
DISTRICT OF COLUMBIA BAR	The organization provides service to the legal profession, the courts, and the community.	122.40
DOWNTOWN MORGANFIELD INC	Morganfield Kentucky charities find a charity to donate or volunteer for child, elderly, and homeless organizations.	100.00
EDISON ELECTRIC INSTITUTE	The institute is an association of shareholder-owned electric companies.	403,040.98
ELECTRICAL POWER RESEARCH INSTITUTE	The institute conducts research and development on technology, operations and the environment for the global electric power.	1,148,564.31
ELIZABETHTOWN HARDIN COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	588.00
EMPLOYEE BENEFITS INSTITUTE OF AMERICA	The institute is a leading provider of employee benefits research and guidance to benefits professionals in corporations and professional advisory firms.	157.98
ENERGY BAR ASSOCIATION	The association is a non-profit voluntary association of attorneys, non-attorney professionals, and students, whose mission is to promote the professional excellence and ethical integrity of its members.	158.50
FINANCIAL EXECUTIVE INTERNATIONAL	An association for CFOs and other senior finance executives. FEI provides networking, advocacy and timely updates and CPE on financial management and reporting; Sarbanes-Oxley Act compliance; regulatory updates from the SEC, FASB, PCAOB and IASB; as well as career management and executive-level and other finance & accounting jobs.	75.00
FORENSIC CERTIFIED PUBLIC ACCOUNTANT SOCIETY	A society that promotes the excellence in the forensic accounting profession.	69.00
FRANKFORT AREA CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	290.00

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
GEORGETOWN/SCOTT COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	500.00
GREATER LOUISVILLE INC	An organization of business and professional people who work together to energetically build and sustain a better community.	1,133.75
HENRY COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	200.00
HOME BUILDERS ASSOCIATION OF LOUISVILLE	An association developed for professional trade.	163.30
INFORMATION SYSTEM AUDIT & CONTROL ASSOCIATION/ IT GOVERNANCE INSTITUTE	An institute for IS professionals dedicated to the audit, control, and security of information systems.	547.40
INFORMATION SYSTEMS SECURITY ASSOCIATION	An association that is a not-for-profit, international organization of information security professionals and practitioners.	168.18
INSTITUTE FOR SUPPLY MANAGEMENT	The institute educates, develops, and advance the purchasing and supply management profession.	1,430.60
INSTITUTE OF CERTIFIED MANAGEMENT	The institute provides management training and certification.	653.33
INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS	The institute is an international non-profit, professional organization for the advancement of technology related to electricity.	4,323.95
INSTITUTE OF HAZARDOUS MATERIALS MANagements	The Institute of Hazardous Materials Management (IHMM) was founded as a non-profit organization in 1984, and launched the Certified Hazardous Materials Manager (CHMM®) program in June of that year. It now administers the Certified Hazardous Materials Practitioner (CHMP) and Hazardous Materials Manager-in-Training (HMMT) as well.	88.20
INTERNATIONAL ACCOUNTS PAYABLE PROFESSIONALS	A non-profit organization committed to the advancement of Accounts Payable Professionals and the organizations they support.	327.75
INTERNATIONAL ASSOCIATION OF ADMINISTRATIVE PROFESSIONALS	An association that helps administrative professionals enhance their skills.	281.48
INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS	the association provides a professional network for business communication professionals.	262.20
INTERNATIONAL ASSOCIATION OF BUSINESS ECONOMISTS	An association of professionals who have an interest in business economics.	173.24
INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL	The council is a non-profit membership organization dedicated to helping economic developers.	237.50
INTERNATIONAL ENERGY CREDIT ASSOCIATION	The association is an international industry credit association in the United States.	60.00
INTERNATIONAL RIGHT OF WAY ASSOCIATION	The association is for professional development, improved service to employers and the public, and advancements within the right of way profession.	364.45
INTERNATIONAL SECURITIES SYSTEM ASSOCIATION	The association is an unbiased third party made up solely of security practitioners.	175.66
KEMA INC	The organization is a commercial enterprise, specializing in high-grade technical consultancy, inspection, testing and certification.	30.00
KENTUCKIANA MINORITY BUSINESS COUNCIL	The council is a direct link between corporate America and minority-owned businesses.	1,050.00
KENTUCKY ASSOCIATION FOR ECONOMIC DEVELOPMENT	The association is for the economic and community development of Kentucky.	600.00
KENTUCKY BAR ASSOCIATION	The association is an independent agency of the Supreme Court of Kentucky.	1,807.60
KENTUCKY BROADCASTERS ASSOCIATION	The association unites public and commercial radio and television stations across the state of Kentucky.	62.50
KENTUCKY COAL ASSOCIATION	The association enhances the ability of the Kentucky coal industry to compete in domestic and world coal markets.	357.50

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
KENTUCKY DEFENSE COUNSEL INC	The council strives to increase the quality of legal services.	76.95
KENTUCKY DEPARTMENT FOR ENVIRONMENTAL WASTEWATER	The department manages, protects and enhance the quality and quantity of the commonwealth's water resources .	70.00
KENTUCKY INDUSTRY LIAISON GROUP	The group's goal is to strengthen the important, vital relationship between the contractor community and the Department of Labor's.	52.85
KENTUCKY JUSTICE ASSOCIATION	The association is protecting the health and safety of Kentucky families, to enhancing consumer protection.	34.00
KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS	The society is a professional organization for all Certified Public Accountants.	2,202.93
KENTUCKY WOMEN'S FORUM	The forum is dedicated to the advancement of women at work.	65.70
LEADERSHIP KENTUCKY FOUNDATION	The foundation is a non-profit educational organization.	12.50
LEADERSHIP LOUISVILLE FOUNDATION	The foundation is a non-profit educational organization.	156.32
LEXINGTON APARTMENT ASSOCIATION	The association is made up of owners, management companies, managers, and associates/suppliers who provide products and services to the multi-family housing industry.	325.00
LEXINGTON AREA SPORTS AUTHORITY	The organization promotes sports in the Central Kentucky area.	1,000.00
LEXINGTON COAL EXCHANGE	A national association for manufacturers' agents.	125.13
LEXINGTON FORUM INC	The forum's members include business leaders, attorneys, students, utility executives, bankers, ministers, political leaders, media executives and community volunteers.	450.00
LEXINGTON LIONS CLUB	The club strives to meet the needs of communities on a local and global scale.	115.18
LOUISVILLE BAR ASSOCIATION	The association is a representative of the legal profession, serving the public and the profession by promoting justice, professional excellence and respect for the law.	1,086.38
LOUISVILLE COMPENSATION ASSOCIATION	The association is a professional organization whose mission is to enhance the expertise of our members and advance the art and science of total compensation management.	75.08
LOUISVILLE EMPLOYEE BENEFITS COUNCIL	The council is a forum for the exchange of information and ideas among professionals in the field.	668.26
LOUISVILLE FORUM	The forum is providing an arena for the presentation and analysis of vital issues affecting the Louisville.	92.00
LOUISVILLE SOCIETY FOR HUMAN RESOURCE MANAGEMENT	The society is committed to excellence in the practice of human resource management.	183.09
LOUISVILLE URBAN LEAGUE	The league is a nonprofit, nonpartisan, interracial community service organization dedicated to the elimination of racism.	23.00
LYON COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	100.00
MANCHESTER/CLAY COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	150.00
MEETING PROFESSIONALS INTERNATIONAL	The organization is a professional membership for corporate, association, and independent meeting planners.	165.60
MIDWAY COLLEGE	Midway is Kentucky's only women's only college.	20.00
MIDWEST ENERGY ASSOCIATION	The association is a nonprofit network for sharing ideas, resources, and information with individuals, businesses, and communities.	1,635.49
MIDWEST INDEPENDENT SYSTEM OPERATOR INC	The organization is an independent, nonprofit organization that supports the constant availability of electricity.	530.00

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
MUNICIPAL ELECTRIC POWER	The organization is Kentucky's city-owned power companies.	84.00
NATIONAL ASSOCIATION OF CORPORATE TREASURERS	The association for professional of treasurers.	200.00
NATIONAL ASSOCIATION OF LEGAL PROFESSIONALS	The association for legal professionals.	36.00
NATIONAL ASSOCIATION OF PURCHASING CARD PROFESSIONALS	The association educates purchasing-card professionals, and establishes and communicates standards.	212.85
NATIONAL ASSOCIATION OF RADIO & TELECOMMUNICATIONS ENGINEERS	The association is a non-profit, professional organization which certifies qualified engineers and technicians in the fields of Telecommunications, Electromagnetic Compatibility/Interference (EMC) and Electrostatic Discharge (ESD) control. NARTE also administers FCC Commercial Operator License Examinations.	34.17
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS	An association comprised of the Commissioners from utility regulatory bodies in each state.	10.80
NATIONAL AUTOMATED CLEARING HOUSE ASSOCIATION	The association is a not-for-profit that oversees the Automated Clearing House (ACH) Network.	24.90
NATIONAL BLACK MBA ASSOCIATION	The association is a nonprofit professional organization which strives for educational and economic growth for the African-American community.	53.60
NATIONAL SAFETY COUNCIL	The council provides information on many safety, health and environmental topics; training resources.	1,801.86
NATIONAL SECURITY INSTITUTE	The institute provides industry and product news, computer alerts, travel advisories.	472.16
NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	The society is a professional engineering organization.	232.00
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION	The organization is ensuring the reliability of the bulk power system in North America.	1,236.00
NORTH CAROLINA BOARD OF EXAMINERS	The Board is responsible for the administration and regulation of the professions of engineering and land surveying in North Carolina.	50.00
NORTH CAROLINA COAL INSTITUTE INC	The institute is preserving and promoting the worldwide coal industry, enriching coal knowledge, and inspiring coal support for the future.	107.25
OHIO RIVER BASIN CONSORTIUM	An association of universities, colleges, governmental agencies, industries, and individuals; mission is to promote inter-institutional research, education and information exchange in water-related concerns.	50.00
OLDHAM COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	300.00
PARIS BOURBON COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	495.00
PROJECT MANAGEMENT INSTITUTE	The institute is an organization of choice for project management professionalism.	50.82
PUBLIC RELATIONS SOCIETY OF AMERICA	The society is a professional organization of public relations specialists.	13,808.14
RADCLIFF HARDEN COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	250.00
RICHMOND CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	550.00
SCIENSTECH INC	The organization provides strategic information management and consulting services focused on engineering and safety compliance.	2,000.00
SOCIETY FOR HUMAN RESOURCE MANAGEMENT	The society advances the human resource profession.	504.19

**KENTUCKY UTILITIES COMPANY
EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
SOCIETY FOR INDUSTRIAL ORGANIZATIONAL PSYCHOLOGY	The society is focused on strengthening the practice and science of I-O psychology to improve the effectiveness of organizations.	22.28
SOCIETY OF CORPORATE SECRETARIES & GOVERNANCE PROFESSIONALS	The society is a professional association of corporate secretaries.	416.00
SOCIETY OF PROFESSIONAL JOURNALISTS	The society is dedicated to encouraging the free practice of journalism and stimulating high standards of ethical behavior.	100.00
SOCIETY OF WOMEN ENGINEERS	The society is an organization that stimulates women to achieve full potential in careers as engineers.	47.50
SOMERSET PULASKI COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	325.00
SOUTH EAST ELECTRIC RELIABILITY CORPORATION	The organization is a nonprofit corporation responsible for promoting and improving the reliability, adequacy, and critical infrastructure of the bulk power supply systems.	870.00
SOUTHEAST ASSOCIATION OF COLLEGES & EMPLOYERS	An association of human resource, college relations, and career services professionals representing employers and universities throughout the southeast.	45.93
SOUTHERN ECONOMIC DEVELOPMENT COUNCIL	The council is for the development of regional economy.	290.00
STATE BAR OF TEXAS	The organization is an administrative agency of the judicial branch in Texas.	112.00
SUPREME COURT OF OHIO	The court provides court information with judiciary and legal resources.	140.00
TAX EXECUTIVES INSTITUTE	The institute is a non-profit international association of business executives responsible for the tax affairs.	200.00
THE AUDITING ROUNDTABLE	An organization for the professional dedicated to the development and professional practice of environmental, health, and safety (EHS) auditing.	69.00
THE CENTER FOR INTERNET SECURITY	The organization is a non-profit enterprise whose mission is to help organizations reduce the risk of business and e-commerce.	3,880.80
THE FLORIDA BAR	The organization is an administrative agency of the judicial branch in Florida.	116.00
THE INSTITUTE OF INTERNAL AUDITORS	The institute is an international professional association.	679.30
THE LAW CLUB	The club provides education of law and related topics.	60.00
TREASURER OF VIRGINIA	The treasury serves as the central state agency, providing statewide financial services for agencies and institutions of the Commonwealth.	50.00
TRI CITY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	100.00
UNION COUNTY ECONOMIC DEVELOPMENT	The organization is a non-profit economic development corporation.	200.00
UTILITIES TELECOM COUNCIL	The council is an advocate of utility telecommunications interests and a resource in technical, legal and regulatory matters associated with telecommunications.	4,690.86
UTILITY COMMUNICATORS INTERNATIONAL	The organization is helping the professional communicator increase their knowledge and understanding of the industry.	322.00
VIRGINIA CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	825.00
WATERWAYS COUNCIL INC	The council is the national public policy organization that advocates for a properly funded and well-maintained system of inland waterways and ports.	6,002.07
WESTERN KENTUCKY COAL ASSOCIATION	the association is an united effort of coal companies and coal industry suppliers.	1,161.88

**KENTUCKY UTILITIES COMPANY
 EMPLOYEE MEMBERSHIPS IN CLUBS, ASSOCIATIONS, AND PROFESSIONAL ORGANIZATIONS
 FOR THE 12 MONTHS ENDED 04/30/08**

ORGANIZATION / ASSOCIATION	NATURE OF ORGANIZATION / ASSOCIATION	Total
WINCHESTER CLARK COUNTY CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	470.00
WISE CO VIRGINIA CHAMBER OF COMMERCE	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	1,000.00
WOODFORD COUNTY CHAMBER	The Chamber of Commerce is an organization of business and professional people who work together to energetically build and sustain a better community.	1,100.00
WORLD AT WORK	The organization is support software for personal computers designed to help people with disabilities, advocates, benefit counselors, and others explore and understand how to best use the work incentives associated with the various Federal and State disability and poverty benefit programs.	192.38
		\$ 1,698,024.90

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 67

Responding Witness: Shannon L. Charnas

- Q-67. Please explain why the penalty expense of \$3,789 in Account 930 [see response to PSC-1-30(b), page 2] should be reflected for ratemaking purposes in this case.
- A-67. This penalty is for a late state payroll tax deposit. The Company attempted to make the deposit in a timely fashion, but there was an electronic communication failure between the initiation of the payment and the state's receipt of funds. The ACH for the deposit was returned by the bank but the bank did not notify KU timely of the return. Because the Company attempted to initiate the payment on a timely basis, it made a request for abatement (although denied by the taxing authority). The Company believes it did everything it could to avoid this cost and therefore this expense should be considered a normal cost of operations and included for ratemaking purposes in this case.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 68

Responding Witness: Shannon L. Charnas

- Q-68. Please provide a description and the associated dollar amounts of all expenses booked in the above-the-line test year results relating to:
- a. Employee gifts and award banquets.
 - b. Social events and parties
 - c. Other employee related social expenses (specify)
 - d. Charitable contributions
 - e. Fines and penalties
- A-68. a.-c. KU does not maintain the level of detail requested by employee gifts and award banquets, social events and parties, and other employee related social expenses. See attached schedule of these expenses on a combined basis.
- d. See response to PSC-1 Question No. 32 for charitable contributions booked to above-the-line accounts in the test year.
- e. Refer to the response to Question No. 70 for expenses related to fines and penalties.

KENTUCKY UTILITIES COMPANY
EMPLOYEE EVENTS
FOR THE 12 MONTHS ENDED 04/30/08

ACCOUNT	ELECTRIC	DESCRIPTION
500900	\$ 41.49	FTD*FTD.COM #651038
506100	50.00	TEXAS ROADHOUSE #136809
506100	1,375.00	WAL-MART #2968 #497800
506100	3,125.00	WM SUPERCENTER #497800
566100	5.00	CASH ADVANCE FEES #363923
566900	35.00	CRACKER BARREL #417 #166769
566900	554.42	LOUISVILLE GS/ELEC/ #166769
580100	53.98	57511/25-JUL-2007 07:38 SERV/550
580100	77.23	BRISTOL BAR & GRILL DO #175007
580100	38.39	DOOZIE S FLORAL CREA #175007
580100	1,036.51	DOUBLE DOG DARE #175007
580100	23.29	MACY*S SOUTH #0008 #175007
580100	73.51	PROMOTIONS UNLIMITED #175007
580100	899.70	SELCO CUSTOM TIMES COR #175007
580100	51.24	VON MAUR OXMOOR 26 #175007
588100	25.00	CHEDDARS CASUAL CAFE #902458
588100	20.00	CHICK-FIL-A #1855 Q05 #902458
588100	10.00	DQ GRILL&CHILL 317 Q07 #902458
588100	25.00	LONGHORN STEAK00051870 #767649
588100	41.44	LONG'S PIC PAC #920783
588100	175.00	LOWES #02345* #767649
588100	83.86	WAL-MART #0497 #902458
588100	111.77	WAL-MART #0497 #902458
588100	235.18	WAL-MART #0497 #902458
588100	756.45	WAL-MART #0497 #902458
588100	325.00	WM SUPERCENTER #767649
588100	100.00	WM SUPERCENTER #902458
593004	175.00	DICK'S CLOTHING&SPORTI #110343
903003	876.11	CHURCHILL DOWNS ADMISS #168838
903003	360.00	CRACKER BARREL # 10 #228273
903003	260.00	Cracker Barrel # 77 #540529
903003	40.00	CRACKER BARREL #290 #290869
903003	40.00	CRACKER BARREL #415 #921422
903003	11.96	KROGER #407 SL9 #540529
903003	25.00	MOVIE PALACE #168838
903003	43.40	PAPA JOHNS 48 #921422
903003	25.00	RAFFERTY'S #75 #168838
903003	20.00	WAL-MART #2968 #290869
903003	21.12	WESTERN SIZZLIN STEAK #091632
903022	15.38	WAL-MART #2628 #226178
903030	480.00	ANGEL HANDS THERAPEUTIC MASSAGE
903930	(37.24)	WAL-MART #0739 #868189
921002	3.32	MY GIFT ENTERPRISESLLC #302971
921002	17.42	WM SUPERCENTER #302971
921003	(3.36)	KENTUCKY STATE TREASURER - SALES TAX
921003	10.36	CHURCHILL DOWNS ADMISS #507114

ACCOUNT	ELECTRIC	DESCRIPTION
921003	321.16	CHURCHILL DOWNS ADMISS #507114
921003	11.69	LANDSEENDBUSINESS #507114
921003	(22.59)	LANDSEENDBUSINESS #507114
921003	29.98	LANDSEENDBUSINESS #507114
921003	(31.38)	LANDSEENDBUSINESS #507114
921003	712.49	LANDSEENDBUSINESS #507114
921003	(13.72)	LANDS END CLOTHING #507114
921902	4.56	ALEXIS LOBBY SHOP #796538
921902	17.49	BEARNO'S PIZZA BY THE #796538
921902	15.17	BEE LINE COURIER SERVI #991924
921902	(18.15)	D PER M HAYCOX
921902	37.25	DIVERSITY ADVENTURES I #209064
921902	63.15	DIVERSITY ADVENTURES I #461909
921902	786.01	DIVERSITY ADVENTURES I #991924
921902	190.01	DOUBLE DOG DARE #796538
921902	83.87	KT'S RESTAURANT INC #461909
921902	28.06	OCCUPATIONAL PHY SVCS #209064
921902	187.88	TARGET 00020685 #461909
921902	40.50	TARGET 00020685 #796538
921902	107.50	WAL MART #991924
921902	53.00	WM SUPERCENTER #796538
921902	(192.44)	JPMORGAN CHASE BANK
921902	1.66	KENTUCKY STATE TREASURER - SALES TAX
921902	2.07	DIVERSITY ADVENTURES I #721377
921902	15.74	DIVERSITY ADVENTURES I #721377
921902	(34.34)	DIVERSITY ADVENTURES I #721377
921902	27.78	EXCHANGE CATALOG/ONLIN #721377
921902	146.10	GLASSWORKS GALLERY #721377
921902	344.33	LADYFINGERS CATERING I #721377
921902	45.84	THE LOUISVILLE ZOO #721377
921902	75.00	THE LOUISVILLE ZOO #721377
921902	30.00	WAL-MART #3294 #721377
921902	40.22	WAL-MART #3294 #721377
921902	19.94	WAL-MART #5418 #721377
921903	(2.52)	KENTUCKY STATE TREASURER - SALES TAX
921903	(42.00)	BCD TRAVEL GERMANY GMBH
921903	(5.26)	CEDAR GROVE CNTRY SQ39 #674603
921903	1,771.00	CHURCHILL DOWNS ADMISS #160721
921903	(238.63)	CHURCHILL DOWNS ADMISS #674603
921903	(10.79)	DUSSELDORF MARKETING AND TOURISMUS GMBH
921903	(19.01)	ERMIN'S FRENCH BAKERY #806537
921903	(21.76)	HALLMARK.COM #806537
921903	(698.30)	HELP DESK INSTITUTE #674736
921903	(7.26)	JAY C FOODS #81 SL9 #643844
921903	(10.69)	KENTUCKIANA FOOD SVC #674603
921903	(0.76)	KROGER #728 SL9 #674603
921903	(10.16)	KROGER #728 SL9 #674603
921903	(26.91)	KROGER #743 SL9 #806537
921903	(11.55)	KROGER #753 SL9 #323044
921903	(59.79)	MEIJER INC #166 Q01 #674728

ACCOUNT	ELECTRIC	DESCRIPTION
921903	(39.35)	PAPA JOHNS 81 #007380
921903	(170.41)	SEMINARS NAT'L/PADGETT #674736
921903	(74.19)	STONEBROOK28800002Q74 #806537
921903	(63.85)	UNIVERSITY OF LOUI #674736
921903	(63.85)	UNIVERSITY OF LOUI #674736
921903	(2.72)	WHITE CASTLE 060015Q84 #674603
TOTAL	<u>\$ 15,049.00</u>	

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 69

Responding Witness: Shannon L. Charnas

Q-69. With regard to employee moving expenses, please provide the following information:

- a. Please provide all employee moving expenses included in the above-the-line test year expenses. Provide these moving expenses in total, as well as broken out by specific employee move with brief descriptions of the purpose of each employee move.
- b. Actual employee moving expenses booked in each of the years 2004 through 2007.

A-69. a. Moving expenses included above the line in the test year are \$34,639.22.

KU	<u>Reason</u>	<u>Amount</u>
Ryan Blackburn	New Hire	\$ 567.19
Jenny Skaggs	New Hire	2,259.12
Matthew Helms	New Hire	16,417.16
Fred Ninotti	New Hire	2,010.51
Patrice Allen	New Hire	9,346.22
Leisha Sexton	Location Change	3,808.39
All others	Various	230.63
Total		<u><u>\$34,639.22</u></u>

b. Actual employee moving expenses booked in each of the years 2004 through 2007 are as follows:

KU	<u>Total</u>
2004	\$130,773.71
2005	177,068.73
2006	89,109.89
2007	29,605.19
Total	<u><u>\$426,557.52</u></u>

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 70

Responding Witness: Shannon L. Charnas

- Q-70. With regard to the test year Account 930209 – Nondeductible Penalties expenses of \$4,998, please provide the following information:
- a. Explanation of the nature and purpose of each of the penalty items that make up the above-referenced total expense amounts.
 - b. Explanation why these expenses should be included for ratemaking purposes in this case.
- A-70. a. There was one penalty for a late state payroll tax deposit. The Company attempted to make the deposit in a timely fashion, but there was an electronic communication failure between the initiation of the payment and the state's receipt of funds. The ACH for the deposit was returned by the bank but the bank did not notify KU timely of the return.
- b. Because the Company attempted to initiate the payment on a timely basis, it made a request for abatement (although denied by the taxing authority). The Company believes it did everything it could to avoid this cost and therefore this expense should be considered a normal cost of operations and included for ratemaking purposes in this case.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 71

Responding Witness: Shannon L. Charnas

Q-71. Please provide a detailed dollar amount breakout and description of each of the expense items making up the total Account 930207 – Other Miscellaneous General expenses of \$104,013.

A-71. See attached.

KENTUCKY UTILITIES COMPANY
Account 930207 - Other Miscellaneous General

GL Date	Amount	Invoice/Journal Entry No	Vendor	Transaction Desc
May-07	\$73.92	08-MAY-2007 14:18 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02814Q09 #801634
May-07	57.75	15-MAY-2007 15:06 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0202999 #801634
May-07	89.42	15-MAY-2007 15:06 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 163303Q96 #582947
May-07	7.16	01-MAY-2007 14:13 KUTL	JPMORGAN CHASE BANK	* KEN'S NEW MARKET #881124
May-07	11.53	01-MAY-2007 14:13 KUTL	JPMORGAN CHASE BANK	* NAPA AUTO PARTS #427002
May-07	44.31	01-MAY-2007 14:13 KUTL	JPMORGAN CHASE BANK	* AIR HYDRO POWER #068300
May-07	29,667.80	530307	KENTUCKY STATE TREASURER	WATER USE FEES
May-07	106.82	00076861011938	JACKSON CECIL C	EMPLOYEE EXPENSE REPORT DATED 28-MAY-07
May-07	2.60	J417-0110-0507	NA	Correct proj chgs
May-07	-61.15	J001-0110-0507	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Jun-07	92.29	07-JUN-2007 13:16 KUTL	JPMORGAN CHASE BANK	* SHELL OIL 51672250019 #068326
Jun-07	45.00	07-JUN-2007 13:16 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 03627510 #657010
Jun-07	99.06	19-JUN-2007 14:17 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 0699981 #449410
Jun-07	12.67	30-MAY-2007 13:06 KUTL	JPMORGAN CHASE BANK	* E TOWN SMALL ENGINE IN #068300
Jun-07	5.61	J001-0110-0607	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Jul-07	77.58	10-JUL-2007 13:47 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0042630 #449410
Jul-07	81.60	03-JUL-2007 12:51 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0208796 #068268
Jul-07	72.00	03-JUL-2007 12:51 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0208796 #364872
Jul-07	84.40	17-JUL-2007 14:19 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0208796 #068268
Jul-07	192.67	J001-0110-0707	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Aug-07	60.00	25-JUL-2007 07:38 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02814Q09 #449360
Aug-07	3.08	25-JUL-2007 07:38 KUTL	JPMORGAN CHASE BANK	* SPEEDWAY 9639 Q64 #826930
Aug-07	68.87	31-JUL-2007 13:03 KUTL	JPMORGAN CHASE BANK	* BP OIL 44143048 #449410
Aug-07	97.94	31-JUL-2007 13:03 KUTL	JPMORGAN CHASE BANK	* TEXACO 0308607 #449360
Aug-07	71.89	15-AUG-2007 08:12 KUTL	JPMORGAN CHASE BANK	* SPEEDWAY 9355 Q64 #427002
Aug-07	32.34	15-AUG-2007 08:12 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 063552Q96 #068326
Aug-07	88.66	08-AUG-2007 07:21 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 035063Q96 #068268
Aug-07	91.03	15-AUG-2007 08:12 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08685349 #488001
Aug-07	87.00	08-AUG-2007 07:21 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02814Q09 #734371
Aug-07	95.17	08-AUG-2007 07:21 KUTL	JPMORGAN CHASE BANK	* CONVENIENT STOP #364872
Aug-07	100.68	15-AUG-2007 08:12 KUTL	JPMORGAN CHASE BANK	* CONVENIENT STOP #068326
Aug-07	31.12	15-AUG-2007 08:12 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0042662 #427002
Aug-07	74.50	08-AUG-2007 07:21 KUTL	JPMORGAN CHASE BANK	* CONVENIENT STOP #068326
Aug-07	31.83	31-JUL-2007 13:03 KUTL	JPMORGAN CHASE BANK	* RADCLIFF ELECTRICAL #427002
Aug-07	25,894.17	530607	KENTUCKY STATE TREASURER	WATER USE FEES
Aug-07	3,748.49	127481	NEI GLOBAL RELOCATION COMPANY	Moving expenses for Patrice Allen. Invoice 127481
Aug-07	0.09	J419-0110-0807	NA	Corr Proj
Aug-07	308.94	J001-0110-0807	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Sep-07	68.75	07-SEP-2007 14:45 KUTL	JPMORGAN CHASE BANK	* PILOT #449410
Sep-07	57.20	07-SEP-2007 14:45 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 090399Q96 #574958
Sep-07	90.40	07-SEP-2007 14:45 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 03409Q09 #582947
Sep-07	35.00	07-SEP-2007 14:45 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0049571 #657192
Sep-07	8.15	18-SEP-2007 13:10 KUTL	JPMORGAN CHASE BANK	* NAPA AUTO PARTS #068300
Sep-07	550.00	20060673	CHAMBER OF COMMERCE MAYSVILLE	INV 20060673 6/4/07
Sep-07	29.71	129271	NEI GLOBAL RELOCATION COMPANY	Contract 51743. Invoice 129271
Sep-07	0.06	NA	NA	Brown G&A CT ALLOC TO LGE
Sep-07	0.06	NA	NA	Brown G&A ALLOC TO LGE
Sep-07	-53.06	J134-0110-0907	NA	MISC ADJUST AT BANK
Sep-07	-50.80	J427-0110-0907	NA	To correct CWIP GL A/P Discounts
Sep-07	-13.16	J427-0110-0907	NA	To correct CWIP GL A/P Discounts
Sep-07	-1,304.62	J427-0110-0907	NA	To correct CWIP GL A/P Discounts
Sep-07	-17.31	J427-0110-0907	NA	To correct CWIP GL A/P Discounts
Sep-07	-28,339.85	J136-0110-0907	NA	OTHER MISC GEN EXP
Sep-07	-3.14	J001-0110-0907	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Oct-07	66.61	02-OCT-2007 14:23 KUTL	JPMORGAN CHASE BANK	* LOVES COUNTRY 00003608 #449410
Oct-07	105.49	10-OCT-2007 07:20 KUTL	JPMORGAN CHASE BANK	* LOVES COUNTRY 00003608 #488001
Oct-07	31.75	02-OCT-2007 14:23 KUTL	JPMORGAN CHASE BANK	* ANDERSON LAWN & GARDEN #068300
Oct-07	1,000.00	601	WISE CO VA CHAMBER OF COMMERCE	MEMBERSHIP DUES - HOWARD ELLIOTT
Oct-07	2,065.05	132189	NEI GLOBAL RELOCATION COMPANY	Invoice 132189. Contract 51743
Oct-07	250.00	124558	NEI GLOBAL RELOCATION COMPANY	Invoice 124558. Contract 51743
Oct-07	21.09	130820	NEI GLOBAL RELOCATION COMPANY	Invoice 130820. Contract 51743
Oct-07	-102.91	J137-0110-1007	NA	OTHER MISC GEN EXP
Oct-07	-54.19	J421-0110-1007	NA	Correct Project
Oct-07	-4.64	J001-0110-1007	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Nov-07	73.81	24-OCT-2007 08:08 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08685349 #488001
Nov-07	75.00	17-OCT-2007 10:01 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 094854Q96 #784705
Nov-07	83.89	30-OCT-2007 13:44 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08685349 #449410
Nov-07	85.12	30-OCT-2007 13:44 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02352755 #801634
Nov-07	87.00	30-OCT-2007 13:44 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0205142 #784671
Nov-07	100.00	30-OCT-2007 13:44 KUTL	JPMORGAN CHASE BANK	* TEXACO 0308607 #784705
Nov-07	95.00	30-OCT-2007 13:44 KUTL	JPMORGAN CHASE BANK	* PILOT #784705
Nov-07	83.26	28-NOV-2007 11:39 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08685349 #488001
Nov-07	88.00	28-NOV-2007 11:39 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0202999 #784705
Nov-07	50.59	28-NOV-2007 11:39 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0202999 #261787
Nov-07	825.00	28-NOV-2007 11:39 KUTL	JPMORGAN CHASE BANK	* VIRGINIA CHAMBER OF CO #502561
Nov-07	31,062.79	530907	KENTUCKY STATE TREASURER	WATER USE FEES QTR 3/07
Nov-07	7.75	00084591012128	MADDOX. CHARLES S	EMPLOYEE EXPENSE REPORT DATED 26-NOV-07
Nov-07	85.58	J001-0110-1107	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Dec-07	75.00	27-DEC-2007 11:20 KUTL	JPMORGAN CHASE BANK	* PILOT #801634
Dec-07	9.54	18-DEC-2007 08:34 KUTL	JPMORGAN CHASE BANK	* CED-E&H ELECTRIC 1969 #068300

KENTUCKY UTILITIES COMPANY
Account 930207 - Other Miscellaneous General

GL Date	Amount	Invoice/Journal Entry No	Vendor	Transaction Desc
Dec-07	1 94	135971	NEI GLOBAL RELOCATION COMPANY	Invoice 135971, Contract 51743
Dec-07	-90 23	J001-0110-1207	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Jan-08	95 06	14-JAN-2008 13:19 KUTL	JPMORGAN CHASE BANK	* MURPHY7111@WAL-MARTQ89 #801634
Jan-08	70 56	29-JAN-2008 14:45 KUTL	JPMORGAN CHASE BANK	* PILOT #099416
Jan-08	358 00	82	CHAMBER OF COMMERCE BOYLE CO AND DANVILLE	2008 DUES
Jan-08	2,561 35	J001-0110-0108	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Feb-08	50 05	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* BP OIL 47025Q09 #041111
Feb-08	49 80	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02352755 #574974
Feb-08	75 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 093138Q96 #784705
Feb-08	38 17	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02352755 #488001
Feb-08	75 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 091033Q96 #041046
Feb-08	81 80	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 084483Q96 #890197
Feb-08	98 02	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* BP OIL 47025Q09 #488001
Feb-08	75 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* SPEEDWAY 9622 Q64 #099416
Feb-08	68 92	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08685349 #801634
Feb-08	66 47	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08483786 #801634
Feb-08	98 95	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 07512015 #890197
Feb-08	98 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* WAYNE OS GARAGE #041111
Feb-08	67 65	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02814424 #099416
Feb-08	82 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 02352755 #784705
Feb-08	50 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 093542Q96 #657192
Feb-08	67 76	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 06438618 #190907
Feb-08	75 00	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 092759Q96 #582855
Feb-08	58 14	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* SPEEDWAY 9373 Q64 #190907
Feb-08	11 65	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* SHELL OIL 57440750909 #188083
Feb-08	89 47	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* HUCK'S FOOD & FUEL Q22 #190964
Feb-08	100 00	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* KROGER FUEL #8563 Q66 #618443
Feb-08	26 58	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* THORNTONS #0088 Q35 #190964
Feb-08	102 01	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* SHELL OIL 51320000162 #595746
Feb-08	67 00	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* CLAY ONE STOP #595746
Feb-08	96 52	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* SHELL OIL 51320000162 #190964
Feb-08	25 78	18-FEB-2008 14:25 KUTL	JPMORGAN CHASE BANK	* NAPA AUTO PARTS E TOWN #099424
Feb-08	3 90	26-FEB-2008 15:08 KUTL	JPMORGAN CHASE BANK	* AUTOZONE #0432 #099424
Feb-08	1,290 00	KENTUC013108	KENTUCKY STATE TREASURER	SARA TIER II - USER FEE 2007
Feb-08	28,061 22	531207	KENTUCKY STATE TREASURER	WATER USE FEES - QTR 12/07
Feb-08	50 28	J129-0110-0208	NA	MISCELLANEOUS
Feb-08	85 73	J001-0110-0208	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Mar-08	30 00	17-MAR-2008 13:56 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 094854Q96 #784671
Mar-08	132 34	17-MAR-2008 13:56 KUTL	JPMORGAN CHASE BANK	* KILLMANS SERVICE CENTE #574974
Mar-08	75 00	25-MAR-2008 13:13 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 092759Q96 #595746
Mar-08	159 68	17-MAR-2008 13:56 KUTL	JPMORGAN CHASE BANK	* NAPA AUTO PARTS E TOWN #099424
Mar-08	-0 55	J001-0110-0308	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Apr-08	75 00	17-APR-2008 08:59 KUTL	JPMORGAN CHASE BANK	* MARATHON OIL 010827Q96 #574974
Apr-08	98 00	17-APR-2008 08:59 KUTL	JPMORGAN CHASE BANK	* CHEVRON 0208796 #784705
Apr-08	91 57	28-APR-2008 12:39 KUTL	JPMORGAN CHASE BANK	* AMOCO OIL 08685349 #295772
Apr-08	70 01	28-APR-2008 12:39 KUTL	JPMORGAN CHASE BANK	* THORNTONS #0092 Q35 #657010
Apr-08	-1 22	J135-0110-0408	NA	MISCELLANEOUS
Apr-08	6,68	J001-0110-0408	NA	OTHER MISC GEN EXP (OR) SKS ADJS
Total	\$104,012.97			

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 72

Responding Witness: Paul W. Thompson / Shannon L. Charnas

Q-72. With regard to the R&D expenses shown at the bottom of the response to PSC-1-47, page 1, please provide the following information:

- a. Equivalent actual total R&D expenses booked in 2003 and 2004.
- b. Explanation as to why the Company believes the actual test year R&D expense amount of \$1,869,745 to be representative of what can be expected for the rate effective period of this rate case.
- c. Total R&D expenses included in the Company's Board-approved budget for 2008.

A-72. a. Equivalent actual total R&D expenses are as follows:

Year 2003	\$ 422,570
Year 2004	\$ 611,704

- b. The Company has, for many years, participated in R&D programs which support on-going operational and maintenance activities and projects that support future challenges facing the energy industry. This research is typically conducted through industry partnerships to maximize the return from our investment. The R&D spend of \$1,869,745 represents a base level of investment in research activities which occurs annually. The majority of this funding is to support collaborative research programs managed by EPRI, which provide significant leverage (on the order of 25 to 1) and great value for our research dollar.

Other research activities evaluated and supported by the Company which could increase the R&D spend in some years above the test year value. These additional funds include programs to investigate alternatives for managing carbon emissions, such as those currently being managed by the Center for Applied Energy Research at the University of Kentucky or the Kentucky Global Survey's Western Kentucky Carbon Sequestration Foundation.

- c. Total R&D expenses included in the 2008 budget are \$1,130,000.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 73

Responding Witness: Chris Hermann / Shannon L. Charnas

- Q-73. The test year Account 593 – Maintenance of Overhead Lines expenses of \$22,260,026 are substantially higher than the corresponding expenses of \$18,202,000 for the year prior to the test year and are also substantially higher than the actual expenses for 2007, 2006 and 2005 which range from about \$19.1 to \$19.4 million. In this regard, please provide the following information:
- a. Detailed explanation of the reasons why the test year expense is so much higher than the year prior to the test year and the years 2007, 2006 and 2005.
 - b. Should the actual test year expense of \$22.3 million be considered a reasonable ongoing expense and, if so, explain why. If not, what would be a reasonable ongoing expense level?
- A-73. a. The \$22,260,026 in the test year is a 15%-23% increase over the year prior to the test year, 2007, 2006 and 2005. The primary reason for the variability of expenses in Account 593 is storm expenses. The test year contains a high level of storm restoration expenses that were incurred in February through April of 2008.
- b. Reference Schedule 1.18 of Rives Exhibit 1 contains an adjustment to storm expenses, which are included in this account, thereby resulting in a reduction of these costs in the test year. It reflects a normalized level of storm damage expenses, based upon a 10-year average adjusted for inflation and is consistent with an adjustment found reasonable by the Commission in the Company's most recent base rate case, Case No. 2003-00434.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 74

Responding Witness: S. Bradford Rives

Q-74. Please provide copies of all presentations made to rating agencies and/or investment firms by KU between January 1, 2006 and the present.

A-74. Please see the response to Question No. 78.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 75

Responding Witness: S. Bradford Rives

Q-75. Please provide copies of all prospectuses for any security issuances by KU since January 1, 2006.

A-75. The requested information is being provided on CD.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 76

Responding Witness: S. Bradford Rives / William E. Avera

Q-76. Please provide copies of all studies performed by KU or by consultants or investment firms hired by KU to assess (1) KU financial performance, (2) the performance of KU relative to other utilities, or (3) the adequacy of KU's return on equity or overall rate of return.

A-76. Due to the volume of data requested, the information is being provided on CD.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to Initial Requests for Information of the Attorney General
Dated August 27, 2008**

Question No. 77

Responding Witness: S. Bradford Rives

Q-77. Please provide copies of credit reports for KU the major credit rating agencies published since January 1, 2006.

A-77. See attached.

**STANDARD
& POOR'S**

RATINGS DIRECT

RESEARCH

Summary:

Kentucky Utilities Co.

Publication date: 28-Sep-2006
Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-438-7676;
todd_shipman@standardandpoors.com
Secondary Credit Analyst: Brian Kahn, New York;
brian_kahn@standardandpoors.com

Credit Rating: BBB+/Stable/A-2

Rationale

The ratings on Kentucky Utilities Co are based on the credit profile of parent E.ON U.S. LLC. The E.ON U.S. ratings reflect the credit characteristics of the two operating utilities in Kentucky -- Kentucky Utilities and Louisville Gas & Electric Co. -- and the company's focus on operating the fully integrated utilities, with implicit support for credit quality from E.ON U.S.' ultimate parent, E.ON AG (AA-/Watch Neg/A-1+), factored into the analysis. E.ON has prominently expressed its support for E.ON U.S. and its intent to maintain its U.S. presence.

E.ON U.S.'s business risk profile is rated '6' (satisfactory), and its financial risk profile is considered intermediate (Utility business risk profiles are categorized from '1' (excellent) to '10' (vulnerable))

The company's satisfactory business risk profile is supported by low-risk, regulated, and financially sound gas distribution and electric operations; efficient generation facilities that allow for competitive rates; and a supportive regulatory environment. The company's electric operations benefit from a fuel adjustment mechanism and an environmental cost-recovery mechanism, while the company's smaller gas operations benefit from a weather-normalization adjustment clause and a cost-of-gas cost adjustment mechanism. Together, these mechanisms reduce exposure to environmental requirements, weather, and potential volatility in natural gas prices, all of which normally raise credit-related concerns. Some regulatory uncertainty was apparent in the Attorney General's challenge of the 2004 rate decisions for the E.ON U.S. utilities. Although the allegations were rejected, the attempt to disrupt the rate decisions highlights the risk that political matters can be interjected into the regulatory arena.

Unregulated operations, a large industrial customer base, and coal-fired generation facilities that require large environmental expenditures detract from the business risk profile. E.ON U.S. may significantly reduce its unregulated operations if a preliminary agreement to exit its involvement with Big Rivers Electric Corp. is finalized. Currently, E.ON U.S. leases and operates four of Big River's power plants.

Liquidity

[28-Sep-2006] Summary - Kentucky Utilities Co

Standard & Poor's Ratings Services expects consolidated capital expenditures to exceed cash flow from operations due to significant environmental expenditures and contributions for the company's underfunded pension and other postretirement benefit obligations. The steady internal cash flow generated by E.ON U.S.' regulated operations will not be enough to meet these obligations, thus creating a reliance on external financing. Such funding is expected to be concentrated at E.ON, which also can be expected to provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S., as long as it is a "material subsidiary".) Liquidity is augmented by E.ON. An E.ON-related entity provides a \$200 million credit facility to E.ON U.S., to ensure funding availability for its money pool.

Outlook

The stable outlook is based on continued operational and financial support from E.ON and a corporate strategy that maintains a primarily low-risk, utility-based business profile. The ratings and outlook assigned to E.ON U.S. and its subsidiaries are closely linked to E.ON. The importance of E.ON's U.S. operations to its group strategy remains a key factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its U.S. holdings or Standard & Poor's perception of the parent's support could lead to a ratings change. Completion of the Big Rivers transaction would lessen the company's exposure to unregulated activities and could lead to an improved business risk profile and higher ratings.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

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Kentucky Utilities Co.

Page 1 of 3



Moody's Investors Service

Global Credit Research
 Credit Opinion
 3 MAR 2005

Credit Opinion: Kentucky Utilities Co

Kentucky Utilities Co

Lexington, Kentucky, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	A1
Senior Secured Shelf	(P)A1
Ult Parent: E.ON AG	
Outlook	Rating(s) Under Review
Bkd Sr Unsec Bank Credit Facility -Dom Curr	*Aa3
Senior Unsecured MTN -Dom Curr	*Aa3
Commercial Paper -Dom Curr	Aa3
Parent: E. ON U.S. LLC	
Outlook	Stable
Issuer Rating	A3

* Placed under review for possible downgrade on February 22, 2006

Contacts

Analyst	Phone
Scott Solomon/New York	1 212.553.1653
Richard E. Donner/New York	
Daniel Gates/New York	

Key Indicators

Kentucky Utilities Co.

	LTM 9/2005	2004	2003
Funds from Operations / Adjusted Debt	26.6%	32.8%	31.6%
Retained Cash Flow / Adjusted Debt	18.1%	24.1%	31.6%
Common Dividends / Net Income Available for Common	56.5%	47.2%	0.0%
Adjusted Funds from Operations+Adj Interest / Adj Interest	7.51	9.35	9.19
Adjusted Debt / Adjusted Capitalization	44.7%	41.9%	43.5%
Net Income Available for Common / Common Equity	12.8%	13.8%	10.1%

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide

Opinion

Credit Strengths

Kentucky Utilities Company's credit strengths include:

Kentucky Utilities Co.

Page 2 of 3

Strong financial profile:

Solid track record of managing costs, maintaining low rates and focusing on customer satisfaction;

Stable, supportive regulatory environment

Credit Challenges

Kentucky Utilities Company's credit challenges include:

Possibility that senior unsecured rating of the ultimate parent company E.ON AG may decline to a level equal to or below the rating of KU's direct parent E.ON U.S. LLC.

Supporting the increasing native load requirements;

Managing environmental and regulatory capital requirement;

Rating Rationale

Kentucky Utilities Company's (KU) A2 Issuer Rating is based on the utility's strong financial profile, favorable cost positions and balanced regulatory environments

The ratings of KU were affirmed following the action that placed the ratings of the ultimate parent company E.ON AG under review for possible downgrade upon the announcement of its cash offer to acquire 100% of the equity interest in Endesa SA for approximately \$35 billion plus assumption of about \$31 billion existing debts. Moody's indicated that, while the magnitude of any downgrade can only be assessed when the transaction price is finalized, the most likely rating outcome for E.ON AG would be a senior unsecured debt rating that is weakly positioned at A2, if the acquisition offer were to be successful.

KU receives intercompany funding support provided by E.ON AG and its affiliated companies and benefits from advantageous borrowing terms. KU's financial focus is supported by a demonstrated record of cost control, productivity enhancements, network service performance, a focus on customer satisfaction and a balanced regulatory environment. KU and its affiliate, Louisville Gas & Electric (A2 Issuer Rating), enjoy an environmental cost recovery mechanism in their electric rates that allows for the recovery of environmental costs associated with meeting its obligations under federal and state statutes and a fuel adjustment clause that eliminates supply cost volatility. Over the next few years, the challenges ahead for both utilities include supporting the level of demand in the service territory and maintaining an adequate reserve margin.

Although LG&E and KU are separate legal entities, they are operated as a single, fully integrated system and provide the majority of the consolidated earnings and cash flow of E.ON U.S. LLC.

Rating Outlook

The stable rating outlook reflects Moody's expectation that KU will continue to show strong fundamentals

What Could Change the Rating - UP

With E.ON AG's offer for Endesa, Moody's does not see any likely upward rating pressure

What Could Change the Rating - DOWN

Moody's would consider a rating downgrade if E.ON AG's senior unsecured rating were to decline to a level equal to or below the ratings of US entities as a result of the acquisition of Endesa, or significant changes were made to the environmental cost recovery mechanism.

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[31-Mar-2006] Summary: E.ON U.S. LLC

Page 1 of 2

RESEARCH

Summary: E.ON U.S. LLC

Publication date: 31-Mar-2006
Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-435-7676;
todd_shipman@stancardandpoors.com

Credit Rating: BBB+/Stable/--

Rationale

The ratings on E.ON U.S. LLC (E.ON U.S.) and its affiliates are based primarily on the credit profile of its two operating utilities in Kentucky and the company's focus on operating the fully integrated utilities, with implicit support for credit quality from E.ON U.S.'s ultimate parent, E.ON AG (AA-/Watch Neg/A-1+), factored into the analysis. E.ON has prominently expressed its support for E.ON U.S. and its intent to maintain its U.S. presence.

The company's business profile is rated '6' (satisfactory), and its financial risk profile is considered moderate. (Utility business profiles are categorized from '1' (excellent) to '10' (vulnerable)).

The company's satisfactory business profile is supported by low-risk, regulated, and financially sound gas distribution and electric operations, efficient generation facilities that allow for competitive rates, and a supportive regulatory environment. The company's electric operations benefit from a fuel adjustment-mechanism and an environmental cost recovery-mechanism, while the company's smaller gas operations benefit from a weather normalization-adjustment clause and a cost of gas cost adjustment-mechanism. Together, these mechanisms reduce exposure to environmental requirements, weather, and potential volatility in natural gas prices, all of which normally raise credit-related concerns. Some regulatory uncertainty is apparent in the Attorney General's challenge of the 2004 rate decisions for the E.ON U.S. utilities. Standard & Poor's does not expect, and current ratings do not reflect any disruption in the current rates for the utilities.

Unregulated operations, a large industrial customer base, and coal-fired generation facilities that require large environmental expenditures detract from the business profile. E.ON U.S. may significantly reduce its unregulated operations if a preliminary agreement to exit its involvement with the Big Rivers Electric Corp in which it leases and operates four power plants.

Liquidity

Standard & Poor's expects consolidated capital expenditures to exceed cash flow from operations due to significant environmental expenditures and contributions for the company's underfunded pension and other postretirement benefit obligations. The steady internal cash flow generated by E.ON U.S.'s regulated operations will not be enough to meet these obligations, thus creating a reliance on external financing. Such funding is expected to be concentrated at E.ON, which also can be expected to provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S., as long as it is a "material subsidiary.") Liquidity is augmented by E.ON. An E.ON-related entity provides a \$200 million credit facility to E.ON U.S., to ensure funding availability for its money pool (about \$65 million was outstanding under this facility as of Sept. 30, 2005).

Outlook

The stable outlook is based on continued operational and financial support from E.ON and a corporate strategy that maintains a primarily low-risk, utility-based business profile. The ratings and outlook on E.ON U.S. and its subsidiaries are closely linked to E.ON. The importance of E.ON's U.S. operations to its group strategy remains a key factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its

[31-Mar-2006] Summary: E.ON U S LLC

Page 2 of 2

U.S. holdings or Standard & Poor's perception of the parent's support could lead to a ratings change. Completion of the Big Rivers transaction would lessen the company's exposure to unregulated activities and could lead to an improved business risk profile and higher ratings

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RESEARCH

Summary: Kentucky Utilities Co.

Publication date: 31-Mar-2006
Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-438-7676;
todd_a.shipman@standardandpoors.com

Credit Rating: BBB+/Stable/A-2

Rationale

Kentucky Utilities Co. is a regulated, vertically integrated public utility that sells electricity (mainly generated with coal) to customers in central, southeastern, and western Kentucky and small parts of Virginia and Tennessee. Ratings are tied to the consolidated credit profile of immediate parent E.ON U.S. LLC (E.ON U.S.; BBB+/Stable/→), which is based primarily on the business activities of its two operating utilities in Kentucky and the company's strategic focus on operating the fully integrated utilities. Implicit support for credit quality from the ultimate parent, E.ON AG (E.ON; AA-/Vatch Neg/A-1+), is factored into the analysis. E.ON has prominently expressed its support for E.ON U.S. and its intent to maintain its U.S. presence.

The company's business profile is rated '5' (satisfactory), and its financial risk profile is considered moderate. (Utility business profiles are categorized from '1' (excellent) to '10' (vulnerable)).

The company's satisfactory business profile is supported by low-risk, regulated, and financially sound gas distribution and electric operations, efficient generation facilities that allow for competitive rates, and a supportive regulatory environment. The company's electric operations benefit from a fuel adjustment mechanism and an environmental cost-recovery mechanism, while the company's smaller gas operations benefit from a weather normalization-adjustment clause and a gas cost adjustment mechanism. Together, these mechanisms reduce exposure to environmental requirements, weather and potential volatility in natural gas prices, all of which normally raise credit-related concerns. Some regulatory uncertainty is apparent in the Attorney General's challenge to the 2004 rate decisions for the E.ON U.S. utilities. Standard & Poor's does not expect, and current ratings do not reflect any disruption in the current rates for the utilities.

Unregulated operations, a large industrial customer base, and coal-fired generation facilities that require large environmental expenditures detract from the business profile. E.ON U.S. may significantly reduce its unregulated operations if a preliminary agreement to exit its involvement with the Big Rivers Electric Corp in which it leases and operates four power plants

Liquidity

Standard & Poor's expects consolidated capital expenditures to exceed cash flow from operations due to significant environmental expenditures and contributions for the company's underfunded pension and other postretirement benefit obligations. The steady internal cash flow generated by E.ON U.S.'s regulated operations will not be enough to meet these obligations, thus creating a reliance on external financing. Such funding is expected to be concentrated at E.ON, which also can be expected to provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S., as long as it is a "material subsidiary".)

E.ON U.S.' adequate liquidity is augmented by E.ON. An E.ON-related entity provides a \$200 million credit facility to E.ON U.S., to ensure funding availability for its money pool (about \$65 million was outstanding under this facility as of Sept. 30, 2005).

Outlook

The stable outlook is based on continued operational and financial support from E.ON and a corporate strategy that maintains a primarily low-risk, utility-based business profile. The ratings and outlook on E.ON U.S. and its subsidiaries are closely linked to E.ON. The importance of E.ON's U.S. operations to its group strategy remains a key factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its U.S. holdings or Standard & Poor's perception of the parent's support could lead to a ratings change. Completion of the Big Rivers transaction would lessen the company's exposure to unregulated activities and could lead to an improved business risk profile and higher ratings.

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[19-Jun-2006] Kentucky Utilities Co

Page 1 of 4

RESEARCH

Kentucky Utilities Co.

Publication date: 19-Jun-2006
 Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-438-7676;

Corporate Credit Rating

BBB+/Stable/A-2

Financial risk profile:

Intermediate

Debt maturities:

(for LG&E Energy LLC)

2006 \$186 mil.

2007 \$61 mil.

2008 \$150 mil.

2009 None

Outstanding Rating(s)

Kentucky Utilities Co.

Sr secd debt

Local currency

A

CP

Local currency

A-2

Pfd stk

Local currency

BBB-

E.ON AG

Corporate Credit Rating

AA-/Watch Neg/A-1+

Sr unsecd debt

AA-/Watch Neg

CP

Local currency

/Watch NegA-1+

CP

Foreign currency

NR

Powergen Ltd.

Corporate Credit Rating

A-/Stable/A-2

Sr unsecd debt

Foreign currency

BBB+

E.ON U.K. PLC

Corporate Credit Rating

A-/Stable/A-2

Sr unsecd debt

A-

E.ON U.S. LLC

Corporate Credit Rating

BBB+/Stable/--

Central Networks East PLC

Corporate Credit Rating

A-/Stable/A-2

E.ON U.S. Capital Corp

Corporate Credit Rating

BBB+/Stable/NR

Sr unsecd debt

Local currency

BBB

Louisville Gas & Electric Co.

Corporate Credit Rating

BBB+/Stable/NR

Sr secd debt

Local currency

A-

Pfd stk

Local currency

BBB-

Powergen (East Midlands) Investments

Corporate Credit Rating

A-/Stable/--

Sr unsecd debt

A-

Powergen Retail Ltd.

Corporate Credit Rating

A-/Stable/A-2

Corporate Credit Rating History

Sept 12, 2002

A-/A-2

Aug 4 2003

BBB+/A-2

Major Rating Factors

Strengths:

- Implicit credit support provided by ultimate parent E.ON AG, and
- Stable electric utility operations (and associated cash flow) that benefit from a supportive regulatory environment

Weaknesses:

- Dependence on overseas parent for capital infusions and liquidity;
- Environmental compliance, pension obligations, and capital expenditures require capital infusions; and
- The residue of ill-timed, non-utility investments that produce negative cash flow.

Rationale

The ratings on Kentucky Utilities Co. are based on the credit profile of parent E.ON U.S. LLC. The E.ON U.S. ratings reflect the credit characteristics of the two operating utilities in Kentucky--Kentucky Utilities and Louisville Gas & Electric Co.--and the company's focus on operating the fully integrated utilities, with implicit support for credit quality from E.ON U.S.'s ultimate parent, E.ON AG (AA-/Watch Neg/A-1+), factored into the analysis. E.ON has prominently expressed its support for E.ON U.S. and its intent to maintain its U.S. presence.

The company's business risk profile is rated '6' (satisfactory), and its financial risk profile is considered intermediate. (Utility business risk profiles are categorized from '1' (excellent) to '10' (vulnerable).)

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Unregulated operations, a large industrial customer base, and coal-fired generation facilities that require large environmental expenditures detract from the business risk profile. E.ON U.S. may significantly reduce its unregulated operations if a preliminary agreement to exit its involvement with Big Rivers Electric Corp. is finalized. Currently, E.ON U.S. leases and operates four of Big Rivers' power plants.

Table 1

E.ON U.S. LLC Major Utilities

--Fiscal year ended Dec 31, 2004--

Company name (\$/MWh)	Fuel	Variable prod	Prod NF	Purch pwr	Tot prod	Tot pwr supp	Residential rates	Commercial rates	Industrial rates
AEP Generating Co	13.21	13.62	18.13	N/A	31.34	31.35	N/A	N/A	N/A
Appalachian Power Co	13.93	16.20	17.29	20.94	31.22	27.63	53.77	48.60	34.71
Cincinnati Gas & Electric Co	15.20	17.86	28.94	530.02	44.22	227.02	75.31	67.61	44.56
Cleveland Electric Illuminating Co.	6.51	9.49	26.36	37.62	32.87	35.37	101.95	100.12	59.92
Columbus Southern Power Co	14.45	16.12	26.37	25.90	40.82	33.68	75.76	62.79	48.45
Consumers Energy Co	N/A	N/A	7.91	N/A	7.91	5.34	80.73	76.39	54.15
Dayton Power & Light Co	15.00	17.79	39.31	36.50	54.31	52.43	87.43	99.82	58.15
Detroit Edison Co	13.23	14.91	32.87	37.05	46.10	47.11	85.52	79.12	44.84
Duquesne Light Co	N/A	N/A	N/A	39.12	0.00	25.87	94.88	71.75	48.21
Indiana Michigan Power Co	8.94	10.90	22.97	22.30	31.91	29.24	66.44	59.16	42.25
Indiana-Kentucky Electric	13.51	14.52	13.49	N/A	27.00	27.00	N/A	N/A	N/A

Corp.									
Indianapolis Power & Light Co.	11.47	12.45	21.70	54.24	32.67	33.05	53.00	68.16	48.15
Kentucky Power Co	15.18	16.38	15.23	24.26	30.41	27.85	53.49	55.33	34.51
Kentucky Utilities Co	17.08	18.02	18.13	18.12	35.21	26.83	49.29	47.14	36.26
Kingsport Power Co	N.A.	N.A.	N.A.	29.80	N.A.	29.80	48.54	51.75	32.59
Louisville Gas & Electric Co	12.77	15.78	22.35	22.54	35.12	32.65	61.36	65.28	39.67
Monongahela Power Co	12.26	13.62	22.62	44.22	34.90	38.28	71.80	53.41	37.54
Northern Indiana Public Service Co	14.94	16.13	28.44	39.72	43.38	42.87	95.07	81.70	44.46
Ohio Edison Co.	3.97	6.33	29.95	33.84	33.92	33.86	98.43	97.40	54.63
Ohio Power Co	12.38	13.77	16.35	19.76	26.73	27.85	65.26	66.85	36.17
Ohio Valley Electric Corp	14.16	15.10	11.86	22.65	26.02	24.24	N.A.	N.A.	35.87
Pennsylvania Power Co.	3.89	6.70	19.34	33.78	23.23	28.25	89.64	77.98	52.53
Potomac Edison Co.	N.A.	N.A.	27.74	37.80	27.74	36.14	65.20	61.29	37.50
PSJ Energy Inc.	14.06	16.53	22.32	29.20	36.38	35.35	70.12	58.23	39.77
Southern Indiana Gas & Electric Co.	14.76	16.27	25.35	5.68	40.13	28.39	81.37	64.04	43.79
Toledo Edison Co.	6.40	8.52	37.82	33.88	44.22	38.85	101.62	101.19	41.74
Union Light, Heat & Power Co.	N.A.	N.A.	N.A.	38.52	N.A.	38.52	65.79	58.03	50.50
West Penn Power Co.	N.A.	N.A.	N.A.	33.56	N.A.	33.53	67.87	58.23	44.26
Wheeling Power Co	N.A.	N.A.	N.A.	27.94	N.A.	27.94	60.49	55.05	33.84
ECAR avg.	12.16	13.76	23.01	53.89	32.79	38.98	74.40	66.86	43.67
Standard & Poor's avg.	23.42	24.53	49.65	50.01	71.26	51.89	98.65	89.74	66.03

MWh--Megawatt-hour N.A.--Not applicable or available

Table 2

Key Performance Indicators (KPIs) - Financial Performance

Rating history	--Fiscal year ended Dec 31--				
	2005	2004	2003	2002	2001
(MIL \$)					
Total revenues	1,205.6	995.4	891.6	888.2	859.5
Net income continuing	112.1	133.5	91.4	93.4	96.3
Funds from operations (FFO)	242.0	212.1	242.0	174.9	213.2
Capital expenditures	140.0	156.4	341.9	237.9	142.4
Cash and investments	6.7	4.6	4.9	5.4	3.3
Total debt	1,044.3	976.1	958.0	841.6	726.5
Preferred stock	0.0	39.7	40.0	40.0	40.0
Common equity	974.9	925.2	865.7	771.8	731.7
Total capital	2,019.2	1,941.0	1,864.6	1,653.4	1,498.2
Adjusted ratios					
EBIT interest coverage (x)	5.9	7.8	5.0	5.3	4.6
FFO int. cov. (x)	7.4	7.9	7.3	6.4	6.0
FFO/total debt (%)	23.2	21.7	25.3	20.8	29.3
Discretionary cash flow/total debt (%)	2.8	(1.054)	(10.845)	(8.178)	1.3
Net cash flow/capital expenditure (%)	135.9	93.9	70.3	72.6	126.7
Total debt/total capital (%)	51.7	50.3	51.4	50.9	48.5
Return on average equity (%)	11.1	14.1	10.4	11.8	13.4

Common dividend payout ratio (unadj.) (%) 45.3 48.9 0.0 0.0 32.4

Note: Figures are fully adjusted, including postretirement obligations

Table 3

	2004	2003	2002	2001
Sales				
Total retail (GWh)	18,212	17,504	17,633	16,636
Residential (%)	33.8	34.1	35.1	34.1
Commercial (%)	23.7	23.9	23.6	24.0
Industrial (%)	33.7	33.1	32.6	33.0
Other (%)	8.8	8.8	8.7	6.9
Wholesale (GWh)	5,707	5,591	5,760	7,713
Total sales (GWh)	23,919	23,185	23,413	24,349
Revenue				
Total retail (mil. \$)	805	738	709	643
Residential (%)	37.7	37.7	36.8	37.9
Commercial (%)	25.7	25.6	25.2	25.7
Industrial (%)	27.6	27.6	27.1	27.2
Other (%)	8.0	8.0	7.9	5.1
Wholesale (mil. \$)	160	138	144	203
Total revenue (mil. \$)	965	877	852	846
Annual sales growth (%)				
Residential	2.7 (3.176)		9.2 (0.636)	
Commercial	2.7	1.2	4.3	0.9
Industrial	5.1	1.6	4.6 (5.549)	
Total retail	3.5 (0.224)		6.0 (1.987)	
Wholesale	2.1 (3.273)	(25.057)		1.8
Total sales growth	3.2 (0.977)	(3.843)	(0.805)	
Retail customer growth	1.4	1.0	1.4	1.3

GWh—Gigawatt-hour.

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03-Jan-2007 Summary E.ON U.S. LLC



RESEARCH

Summary:

E.ON U.S. LLC

Publication date: 03-Jan-2007
Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-438-7676;
todd_shipman@standardandpoors.com
Secondary Credit Analyst: Brian Kahn, New York;
brian_kahn@standardandpoors.com

Credit Rating: BBB+/Stable/--

Rationale

The ratings on E.ON U.S. LLC and its affiliates are based primarily on the credit profile of its two operating utilities in Kentucky, Louisville Gas & Electric Co. and Kentucky Utilities Co., and the company's focus on operating the fully integrated utilities, with implicit support for credit quality from E.ON U.S.'s ultimate parent, E.ON AG (AA-/Watch Neg/A-1+), factored into the analysis. E.ON has prominently expressed its support for E.ON U.S. and its intent to maintain its U.S. presence.

E.ON U.S.'s business risk profile is rated '6' (satisfactory), and its financial risk profile is considered intermediate. (Utility business risk profiles are categorized from '1' (excellent) to '10' (vulnerable).)

The company's satisfactory business risk profile is supported by low-risk, regulated, and financially sound gas distribution and electric operations, efficient generation facilities that allow for competitive rates, and a supportive regulatory environment. The company's electric operations benefit from a fuel adjustment mechanism and an environmental cost recovery mechanism, while the company's smaller gas operations benefit from a weather normalization adjustment clause and a cost-of-gas cost adjustment mechanism. Together, these mechanisms reduce exposure to environmental requirements, weather, and potential volatility in natural gas prices, all of which normally raise credit-related concerns.

Unregulated operations, a large industrial customer base, and coal-fired generation facilities that require large environmental expenditures detract from the business risk profile. E.ON U.S. may significantly reduce its unregulated operations if a preliminary agreement to exit its involvement with Big Rivers Electric Corp. is finalized. It is anticipated that Big Rivers will obtain control of its plants in September 2007. Currently, E.ON U.S. leases and operates four of Big River's power plants.

Liquidity

{03-Jan-2007} Summary E.ON U.S. LLC

Standard & Poor's expects consolidated capital expenditures to exceed cash flow from operations due to significant environmental expenditures and contributions to the company's underfunded pension and other postretirement benefit obligations. The steady internal cash flow generated by E.ON U.S.'s regulated operations will not be enough to meet these obligations, thus creating a reliance on external financing. Such funding is expected to be concentrated at E.ON, which should also provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S., as long as it is a material subsidiary.) Liquidity is augmented by E.ON. An E.ON-related entity provides a \$200 million credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook is based on continued operational and financial support from E.ON and a corporate strategy that maintains a primarily low-risk, utility-based business risk profile. The ratings on and outlook for E.ON U.S. and its subsidiaries are closely linked to those on E.ON. The importance of E.ON's U.S. operations to its group strategy remains a key factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its U.S. holdings or in Standard & Poor's perception of the parent's support could lead to a rating change. Completion of the Big Rivers transaction would lessen the company's exposure to unregulated activities and could lead to an improved business risk profile and higher ratings.

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[03-Jan-2007] Summary Kentucky Utilities Co



RESEARCH

Summary:

Kentucky Utilities Co.

Publication date: 03-Jan-2007
Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-438-7676;
todd_shipman@standardandpoors.com
Secondary Credit Analyst: Brian Kahn, New York;
brian_kahn@standardandpoors.com

Credit Rating: BBB+/Stable/A-2

Rationale

The ratings on Kentucky Utilities Co. are based on the credit profile of parent E.ON U.S. LLC. The E.ON U.S. ratings reflect the credit characteristics of the two operating utilities in Kentucky, Kentucky Utilities and Louisville Gas & Electric Co., and the company's focus on operating the fully integrated utilities, with implicit support for credit quality from E.ON U.S.' ultimate parent, E.ON AG (AA-/Watch Neg/A-1+), factored into the analysis. E.ON has prominently expressed its support for E.ON U.S. and its intent to maintain its U.S. presence.

E.ON U.S.'s business risk profile is rated '6' (satisfactory), and its financial risk profile is considered intermediate. (Utility business risk profiles are categorized from '1' (excellent) to '10' (vulnerable).)

The company's satisfactory business risk profile is supported by low-risk, regulated, and financially sound gas distribution and electric operations, efficient generation facilities that allow for competitive rates, and a supportive regulatory environment. The company's electric operations benefit from a fuel adjustment mechanism and an environmental cost recovery mechanism, while the company's smaller gas operations benefit from a weather normalization adjustment clause and a cost-of-gas cost adjustment mechanism. Together, these mechanisms reduce exposure to environmental requirements, weather, and potential volatility in natural gas prices, all of which normally raise credit-related concerns.

Unregulated operations, a large industrial customer base, and coal-fired generation facilities that require large environmental expenditures detract from the business risk profile. E.ON U.S. may significantly reduce its unregulated operations if a preliminary agreement to exit its involvement with Big Rivers Electric Corp. is finalized. It is anticipated that Big Rivers will obtain control of its plants in September 2007. Currently, E.ON U.S. leases and operates four of Big River's power plants.

Liquidity

[03-Jan-2007] Summary - Kentucky Utilities Co

Standard & Poor's expects consolidated capital expenditures to exceed cash flow from operations due to significant environmental expenditures and contributions to the company's underfunded pension and other postretirement benefit obligations. The steady internal cash flow generated by E.ON U.S.'s regulated operations will not be enough to meet these obligations, thus creating a reliance on external financing. Such funding is expected to be concentrated at E.ON, which should also provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S., as long as it is a material subsidiary.) Liquidity is augmented by E.ON. An E.ON-related entity provides a \$200 million credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook is based on continued operational and financial support from E.ON and a corporate strategy that maintains a primarily low-risk, utility-based business risk profile. The ratings on and outlook for E.ON U.S. and its subsidiaries are closely linked to those on E.ON. The importance of E.ON's U.S. operations to its group strategy remains a key factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its U.S. holdings or in Standard & Poor's perception of the parent's support could lead to a rating change. Completion of the Big Rivers transaction would lessen the company's exposure to unregulated activities and could lead to an improved business risk profile and higher ratings.

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[27-Feb-2007] Research Update: Rating On Kentucky Utilities' Restructured Debt Is Lowered To 'BBB+' CCR Affirmed

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RESEARCH

Research Update:

Rating On Kentucky Utilities' Restructured Debt Is Lowered To 'BBB+'; CCR Affirmed

Publication date: 27-Feb-2007
Primary Credit Analyst: Todd A Shipman, CFA, New York (1) 212-438-7676;
todd_shipman@standardandpoors.com

Rationale

On Feb. 27, 2007, Standard & Poor's Ratings Services affirmed its 'BBB+' corporate credit ratings on E.ON U.S. LLC and subsidiary Kentucky Utilities Co. (KU) and, at the same time, lowered its ratings on several KU debt issues to 'BBB+' from 'A'.

The lower ratings on KU's debt reflects the transformation of those formerly secured securities to unsecured obligations of the company. The fundamental credit profile is unaffected by the financial restructuring.

In a series of transactions, KU has restructured its secured debt and eliminated the lien on the remaining outstanding bonds. The issues are now senior unsecured debt, and the ratings are now equivalent to KU's corporate credit rating.

Ratings List

Rating Lowered

	To	From
Kentucky Utilities Co.		
\$20.93 mil Carroll County (Kentucky Utilities project) pollution control rev bonds due 2032	BBB+/A-2	A/A-2
\$2.4 mil Carroll County (Kentucky Utilities project) pollution control rev bonds due 2032	BBB+/A-2	A/A-2
\$2.4 mil Mercer County (Kentucky Utilities project) pollution control rev bonds due 2032	BBB+/A-2	A/A-2
\$7.4 mil Muhlenberg County (Kentucky Utilities project) pollution control rev bonds due 2032	BBB+/A-2	A/A-2

Ratings Affirmed

E.ON U.S. LLC		
Corporate credit rating	BBB+/Stable/--	

Kentucky Utilities

[27-Feb-2007] Research Update Rating On Kentucky Utilities Restructured Debt Is Lowered To BBB- / CCP Affirmed

Corporate credit rating BBB-/Stable/A-2

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August 30, 2007

E.ON U.S. LLC

Primary Credit Analyst:

Todd A Shipman, CFA, New York, (1 212-438-7676), todd_shipman@standardandpoors.com

Secondary Credit Analyst:

Brian Kahn, New York, brian_kahn@standardandpoors.com

Table Of Contents

Major Rating Factors

Rationale

Outlook

Accounting

E.ON U.S. LLC

Major Rating Factors

Strengths:

- Stable electric utility operations (and associated cash flows) that benefit from a supportive regulatory environment;
- The implicit credit support provided by ultimate parent E.ON AG; and
- The consistently high customer satisfaction ratings in region.



Weaknesses:

- The reliance on the overseas parent for capital infusions and liquidity needs; and
- The ongoing need for capital infusions to meet environmental and other requirements

Rationale

The ratings on E.ON U.S. are based primarily on the credit profile of its two operating utilities in Kentucky -- Louisville Gas & Electric Co. (BBB+/Stable/-) and Kentucky Utilities Co. (BBB+/Stable/A-2) -- and the company's focus on operating the fully integrated utilities. Implicit support from ultimate parent E.ON AG (A/Stable/A-1) is still factored into the analysis, but it has become less important to the ratings as the stand-alone credit quality of the U.S. subsidiaries has improved. E.ON has prominently expressed its support for E.ON U.S. and its intention to maintain its U.S. presence. The company's satisfactory business risk profile is supported by low-risk, regulated, and financially sound gas distribution and electric operations; efficient generation facilities that allow for competitive rates; and a supportive regulatory environment. The company's electric operations benefit from a fuel adjustment mechanism and an environmental cost-recovery mechanism, while the company's smaller gas operations benefit from a weather normalization-adjustment clause and a cost-of-gas cost-adjustment mechanism. These mechanisms reduce exposure to changing environmental requirements, weather, and volatility in natural gas prices, all of which normally raise credit-related concerns.

A large industrial customer base and coal-fired generation facilities that require large environmental expenditures detract from the business risk profile. E.ON U.S. has reached an agreement to exit its involvement with Big Rivers Electric Corp. and would significantly reduce its unregulated operations if the agreement is finalized as planned in the fall of this year. Currently, E.ON U.S. leases and operates four of Big River's power plants.

Liquidity

Standard & Poor's Ratings Services expects consolidated capital spending to exceed cash flow from operations primarily because of significant environmental expenditures. The steady internal cash flow generated by E.ON U.S.'s regulated operations will not be enough to meet these obligations, thus creating a reliance on external financing.

Such funding is expected to be concentrated at parent E.ON AG, which should also provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S., as long as it is a material subsidiary.) E.ON augments liquidity. An E.ON-related entity provides a \$150 million credit facility to E.ON U.S., to ensure funding availability for its money pool.

E.ON U.S. LLC

Outlook

The stable outlook on E.ON U.S. is based on continued support from E.ON and a corporate strategy that maintains a primarily low-risk, utility-based business risk profile. The ratings and outlook on E.ON U.S. and its subsidiaries are linked to those on E.ON. The importance of E.ON's U.S. operations to its group strategy remains a factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its U.S. holdings or in Standard & Poor's perception of the parent's support could lead to a rating change. Completion of the Big Rivers transaction would lessen the company's exposure to unregulated activities and could lead to an improved business risk profile and higher ratings.

Accounting

The financial statements of E.ON U.S. are provided to Standard & Poor's, conform to U.S. GAAP, and are audited by PricewaterhouseCoopers LLC. The separate financial statements of the company's interests in three Argentine gas utilities are not part of that audit, but do not represent a material part of either the company's overall financial picture or its credit profile. With U.S. business activity consisting mainly of electric utility operations, most of the financials are subject to regulatory accounting under SFAS No. 71. The incentive to undertake any sustained effort to accelerate revenues or defer expenses to boost earnings is reduced with cost-of-service regulated businesses, as doing so would mainly serve to justify lower rates.

Table 1

Louisville Gas & Electric Co. -- Financial Summary*					
	--Fiscal year ended Dec. 31--				
	2006	2005	2004	2003	2002
Rating history	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB-/Stable/A-2	A-/Stable/A-2
(Mil. \$)					
Revenues	1,338.0	1,424.3	1,172.8	1,053.5	1,026.2
Net income from continuing operations	117.0	128.9	95.6	50.8	68.9
Funds from operations (FFO)	242.4	271.8	215.0	230.2	253.1
Capital expenditures	146.0	136.9	148.9	213.8	247.6
Cash and investments	7.0	7.1	6.9	1.7	17.0
Debt	1,067.6	1,172.0	1,112.9	1,069.0	1,044.9
Preferred stock	70.0	70.4	70.4	71.5	95.1
Common equity	1,094.0	972.6	896.0	870.3	789.7
Total capital	2,231.6	2,215.0	2,079.3	2,011.4	1,929.9
Adjusted ratios					
EBIT interest coverage (x)	5.0	5.6	5.2	4.6	4.7
FFO int. cov. (x)	5.9	7.3	6.5	6.4	6.9
FFO/debt (%)	22.7	23.2	19.3	21.5	24.2
Discretionary cash flow/debt (%)	8.5	(2.3)	(0.8)	0.4	(10.8)
Net cash flow/capex (%)	98.2	165.5	104.9	106.1	72.6
Debt/total capital (%)	47.8	52.9	53.5	53.2	54.2
Return on common equity (%)	10.7	12.7	10.2	10.3	10.1

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E.ON U.S. LLC

Table 1

Louisville Gas & Electric Co. – Financial Summary* (cont.)					
Common dividend payout ratio (un-adj.) (%)	84.1	31.0	51.6	3.7	81.5

*Fully adjusted (including postretirement obligations)

Table 2

Reconciliation Of Louisville Gas & Electric Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)*

--Fiscal year ended Dec. 31, 2006--

Louisville Gas & Electric Co. reported amounts							
	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations
Reported	888.0	347.0	347.0	223.0	41.0	320.0	320.0
Standard & Poor's adjustments							
Operating leases	14.5	2.6	1.0	1.0	1.0	1.7	1.7
Postretirement benefit obligations	98.0	12.0	12.0	12.0	2.0	14.3	14.3
Purchase-power agreements	48.7	2.2	2.2	2.2	2.2	--	--
Asset retirement obligations	16.2	1.0	1.0	1.0	1.0	(0.7)	(0.7)
Reclassification of nonoperating income (expenses)	--	--	--	(3.0)	--	--	--
Reclassification of working capital cash flow changes	--	--	--	--	--	--	(93.0)
Total adjustments	179.5	17.9	16.2	13.2	6.2	15.4	(77.6)
Standard & Poor's adjusted amounts							
	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations
Adjusted	1,067.5	364.9	363.2	236.2	47.2	335.4	242.4

*Louisville Gas & Electric Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Table 3

Louisville Gas & Electric Co. – Market Segments					
	2005	2004	2003	2002	2001
Sales					
Total retail (GWh)	12,291.9	11,723.7	11,503.4	11,910.1	11,377.3
Residential (%)	34.7	33.5	33.3	34.2	33.2
Commercial (%)	40.3	40.6	41.1	29.6	29.8
Industrial (%)	25.0	25.7	25.5	25.6	26.2
Other (%)	0.0	0.0	0.0	10.6	10.8
Wholesale (GWh)	8,703.7	7,819.2	7,678.3	7,261.9	6,957.0
Total sales (GWh)	20,995.7	19,542.9	19,181.7	19,072.1	18,334.3

E.ON U.S. LLC

Table 3

Louisville Gas & Electric Co. -- Market Segments (cont.)					
Revenue					
Total retail (mil. \$)	691.3	674.8	580.9	587.6	533.3
Residential (%)	39.9	38.5	38.5	39.6	38.4
Commercial (%)	41.6	42.3	42.3	31.5	32.0
Industrial (%)	18.5	19.2	19.2	19.1	19.5
Other (%)	0.0	0.0	0.0	9.9	10.0
Annual sales growth (%)					
Residential	8.7	2.3	(5.0)	6.7	1.6
Commercial	3.5	1.0	35.5	2.9	1.3
Industrial	1.9	2.8	(3.1)	1.6	(2.2)
Total retail	4.8	1.9	(2.6)	3.8	0.4
Wholesale	11.3	1.8	5.7	4.4	1.8
Total sales growth	7.4	1.9	0.6	4.0	61.8
Retail customer growth	1.0	1.1	0.9	1.4	1.9
	2005	2004	2003	2002	2001
Standard & Poor's averages					
Total retail GWh	10,053.9	9,621.6	9,355.9	9,238.7	9,239.3
Total utility retail sales revenue (mil. \$)	781.0	692.5	569.9	645.9	572.8
Residential GWh	3,800.4	3,371.6	3,305.6	3,220.0	3,095.8
Commercial GWh	3,330.8	3,197.8	3,177.6	2,977.4	3,053.1
Industrial GWh	2,508.1	2,468.1	2,447.9	2,494.5	2,594.0

GWh -- Gigawatt-hours

Table 4

Kentucky Utilities Co. -- Financial Summary*					
	--Fiscal year ended Dec. 31--				
	2006	2005	2004	2003	2002
Rating history	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB-/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2
(Mil. \$)					
Revenues	1,210.0	1,206.6	935.4	891.8	888.2
Net income from continuing operations	152.0	112.1	133.5	91.4	93.4
Funds from operations (FFO)	236.6	241.4	212.1	242.6	174.9
Capital expenditures	349.5	140.0	156.4	341.9	237.9
Cash and investments	6.0	6.7	4.6	4.9	5.4
Debt	1,146.9	1,061.8	976.1	958.0	841.6
Preferred stock	0.0	0.0	39.7	40.0	40.0
Common equity	1,193.0	974.9	925.2	866.7	771.8
Total capital	2,339.9	2,036.7	1,941.0	1,864.6	1,653.4
Adjusted ratios					
EBIT interest coverage (x)	6.1	5.8	7.8	5.0	5.3
FFO int. cov. (x)	6.0	7.2	7.6	7.3	6.4

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E.ON US LLC

Table 4

Kentucky Utilities Co. – Financial Summary* (cont.)					
FFO/debt (%)	20.6	22.7	21.7	25.3	20.0
Discretionary cash flow/debt (%)	(11.0)	2.7	(11.1)	(10.8)	(8.2)
Net cash flow/capex (%)	67.7	136.4	93.9	70.3	72.6
Debt/total capital (%)	49.0	52.1	50.3	51.4	50.9
Return on common equity (%)	13.7	11.1	14.1	10.4	11.8
Common dividend payout ratio (un-adj.) (%)	0.0	45.3	48.9	0.0	0.0

*Fully adjusted (including postretirement obligations)

Table 5

Reconciliation Of Kentucky Utilities Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)*
-- Fiscal year ended Dec. 31, 2006 --

Kentucky Utilities Co. reported amounts								
	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	940.0	350.0	350.0	235.0	39.0	223.0	223.0	347.0
Standard & Poor's adjustments								
Operating leases	20.7	3.0	0.5	0.5	0.5	2.5	2.5	2.5
Postretirement benefit obligations	61.9	8.0	8.0	8.0	1.0	(1.3)	(1.3)	-
Purchase-power agreements	86.1	3.8	3.8	3.8	3.8	-	-	-
Asset retirement obligations	18.2	1.0	1.0	1.0	1.0	(0.7)	(0.7)	-
Reclassification of nonoperating income (expenses)	-	-	-	30.0	-	-	-	-
Reclassification of working capital cash flow changes	-	-	-	-	-	-	13.0	-
Total adjustments	206.9	15.8	13.3	43.3	6.3	0.6	13.6	2.5
Standard & Poor's adjusted amounts								
	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	1,146.9	365.8	363.3	278.3	45.3	223.6	236.6	349.5

*Kentucky Utilities Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Table 6

Kentucky Utilities Co. – Market Segments					
	2005	2004	2003	2002	2001
Sales					
Total retail (GWh)	18,976.3	18,212.3	17,593.6	17,633.1	16,536.3
Residential (%)	34.7	33.8	34.1	35.1	34.1

E.ON U.S. LLC

Table 6

Kentucky Utilities Co. -- Market Segments (cont.)					
Commercial (%)	32.2	32.5	32.7	23.6	24.0
Industrial (%)	33.0	33.7	33.1	32.6	33.0
Other (%)	0.0	0.0	0.0	8.7	8.9
Wholesale (GWh)	5,781.2	5,705.6	5,591.0	5,780.2	7,712.8
Total sales (GWh)	24,757.5	23,918.9	23,184.6	23,413.4	24,349.1
Revenue					
Total retail (mil. \$)	946.7	804.9	739.2	737.9	642.6
Residential (%)	38.4	37.7	37.7	38.8	37.9
Commercial (%)	34.3	34.7	34.6	25.2	25.7
Industrial (%)	27.2	27.6	27.9	27.1	27.2
Other (%)	0.0	0.0	0.0	8.8	9.1
Annual sales growth (%)					
Residential	7.1	2.7	(3.2)	9.2	(0.6)
Commercial	3.3	2.8	36.4	4.3	0.9
Industrial	2.1	5.1	1.6	4.6	(5.5)
Total retail	4.2	3.5	(0.2)	6.0	(2.0)
Wholesale	1.3	2.1	(3.3)	(25.1)	1.6
Total sales growth	3.5	3.2	(1.0)	(3.8)	43.9
Retail customer growth	1.1	1.4	1.0	1.3	1.2
	2005	2004	2003	2002	2001
Standard & Poor's averages					
Total retail GWh	10,953.9	9,521.6	9,365.9	9,238.7	9,239.3
Total utility retail sales revenue (mil. \$)	781.0	692.5	689.9	645.9	672.8
Residential GWh	3,600.4	3,371.6	3,365.6	3,220.0	3,085.8
Commercial GWh	3,330.8	3,197.6	3,177.6	2,977.4	3,053.1
Industrial GWh	2,598.1	2,468.1	2,447.9	2,494.5	2,594.0
GWh -- Gigawatt-hours					

Table 7

E.ON U.S. LLC Major Utility Subsidiaries Cost and Rates -- 2005 Peer Analysis											
Company name	Fuel	Var O&M costs	Tot var costs	Fixed costs	Tot gen costs	Var purchase-power costs	Fixed purchase-power costs	Tot embedded costs	Residential rates	Commercial rates	Industrial rates
\$/MWh											
Alabama Power Co.	18.5	1.6	20.1	10.3	38.4	39.4	33.4	41.6	61.7	75.7	45.6
Aicco Power Generating Inc.	13	0.8	13.7	11.7	25.5	9.4	9.4	24.1	68.9	73.6	59.7
Carolina Power & Light Co.	20.0	1.8	22.6	24.4	46.9	37.8	37.8	47.0	65.5	69.9	54.0

EONUS LLC

Table 7

EONUS LLC Major Utility Subsidiaries Cost and Rates -- 2005 Peer Analysis (cont.)											
Central Illinois Light Co.	33.6	6.9	40.4	132.3	172.8	17.8	17.8	37.2	69.0	64.9	49.4
Central Illinois Public Services Co.	N/A	N/A	N/A	N/A	N/A	16.9	16.9	35.9	73.9	65.3	49.7
Duke Power Co.	12.9	1.5	14.4	25.9	40.4	16.5	16.5	42.0	76.2	62.2	43.1
Electric Energy Inc.	11.2	0.7	11.9	7.5	19.3	20.9	20.9	19.4	N/A	N/A	53.0
Entergy Arkansas Inc.	10.3	1.7	12.0	24.3	36.4	35.3	35.3	41.9	81.1	69.7	49.3
Entergy Gulf States Inc.	46.7	1.6	47.8	31.2	78.9	31.7	31.7	66.3	95.7	86.9	67.8
Entergy Louisiana Inc.	55.7	1.7	56.9	30.6	87.5	30.3	30.3	74.7	96.7	96.9	67.6
Entergy Mississippi Inc.	51.1	1.5	52.5	24.2	76.7	34	34.0	62.2	94.3	91.5	70.5
Entergy New Orleans Inc.	87.2	1.7	88.4	25.7	114.1	25.9	25.7	61.5	93.1	78.8	63.4
Entergy Power Inc.	15.3	0.8	15.2	34.5	50.7	57.9	57.9	54.4	N/A	N/A	N/A
Georgia Power Co.	22.5	1.3	23.9	20.7	44.6	34.7	34.7	49.7	85.5	74.8	54.0
Illinois Power Co.	N/A	N/A	N/A	N/A	N/A	20.2	20.2	40.5	76.1	75.6	47.2
Kentucky Utilities Co.	22.0	0.8	22.9	19.1	42.0	12.6	12.6	38.1	55.1	53.1	41.2
Lockhart Power Co.	N/A	1.5	1.53	35.4	36.9	21.7	21.7	41.9	82.5	89.6	46.2
Louisville Gas & Electric Co.	16.3	0.9	17.2	21.2	38.5	15.9	15.9	37.9	64.7	59.1	41.6
Mississippi Power Co.	28.2	1.9	29.9	21.5	51.4	28.9	28.9	52.7	96.1	78.1	50.2
Mount Carmel Public Utility Co.	N/A	N/A	N/A	N/A	N/A	16.2	18.2	35.5	97.3	101.3	57.3
Savannah Electric & Power Co.	40.9	2.8	43.7	32.6	76.3	29.4	29.4	67.7	105.5	96.4	67.8
South Carolina Electric & Gas Co.	23.1	1.6	24.7	35.0	62.7	17.3	17.3	59.7	97.7	77.9	49.3
South Carolina Generating Co. Inc.	23.3	0.3	23.6	10.9	34.5	N/A	N/A	34.5	N/A	N/A	N/A

E.ON U.S. LLC

Table 7

E.ON U.S. LLC Major Utility Subsidiaries Cost and Rates -- 2005 Peer Analysis (cont.)												
Southern Electric Generating Co.	16.1	1.7	17.9	13.9	31.9	N/A	N/A	31.9	N/A	N/A	N/A	N/A
System Energy Resources Inc.	4.2	2.0	6.2	5.3	56.5	N/A	N/A	59.5	N/A	N/A	N/A	N/A
Union Electric Co.	9.9	1.2	11.1	22.7	33.8	26.4	26.4	36.4	67.6	55.9	41.9	
Virginia Electric & Power Co.	20.5	1.4	21.9	23.5	45.3	38.9	38.9	55.5	84.4	60.2	46.4	
SERC average	26.2	1.6	26.7	29.3	55.9	26.3	26.3	46.2	83.1	74.9	52.5	
Standard & Poor's average	26.7	3.7	28.5	71.9	99.6	30.3	30.3	56.5	99.2	89.1	57.0	

N/A -- Not applicable or available. MWh -- Megawatt-hour

Table 8

Electric Residential Customer Satisfaction				
Name	2006		2005	
	Index	Index	Difference	Rank
AEP-Midwest	680	700	(20)	7
Alliant Energy Corp.	685	724	(39)	5
Ameren Corp.	655	709	(53)	10
Consumers Energy Co.	693	711	(18)	4
Dayton Power & Light Co.	639	681	(42)	13
Detroit Edison Co.	633	692	(59)	14
Duke Energy-Midwest	667	727	(60)	9
E.ON U.S.	725	765	(40)	1
Exelon-ComEd	624	677	(53)	15
FirstEnergy-Midwest	651	667	(16)	11
Indianapolis Power & Light Co.	702	720	(18)	3
Kansas City Power & Light Co.	679	706	(27)	8
MidAmerican Energy Co.	713	741	(28)	2
We Energies	648	648	0	12
Xcel Energy-Midwest	684	722	(38)	6
Midwest region average	663	700	(37)	-
Industry average	666	704	(38)	-

Ratings Detail (As Of August 30, 2007)

E.ON U.S. LLC

Corporate Credit Rating BBB+/Stable/-

Corporate Credit Ratings History

04-Aug-2003 BBB+/Stable/-

www.standardandpoors.com/ratingsdirect

E.ON U.S. LLC

Ratings Detail (As of August 30, 2007) (cont.)	
12-Sep-2002	A-/Stable/-
09-Apr-2001	BBB+/Watch Pos/-
Business Risk Profile	1 2 3 4 5 6 7 8 9
Financial Risk Profile	Intermediate
Related Entities	
Central Networks East PLC	
Issuer Credit Rating	A-/Stable/A-2
E.ON AG	
Issuer Credit Rating	A-/Stable/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Senior Unsecured	A
E.ON U.K. PLC	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-
Kentucky Utilities Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Louisville Gas & Electric Co	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	
<i>Local Currency</i>	BBB+
Powergen (East Midlands) Investments	
Issuer Credit Rating	A-/Stable/-
Senior Unsecured	A-
Powergen Ltd.	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	
<i>Foreign Currency</i>	BBB+
Powergen Retail Ltd.	
Issuer Credit Rating	A-/Stable/A-2

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Moody's Investors Service

Global Credit Research
Issuer Comment
5 APR 2007

Issuer Comment: E ON U S LLC

Moody's comments on E ON U.S. LLC and its subsidiaries

Moody's Investors Service said that the downgrade yesterday of the senior unsecured rating of E ON AG to A2 from Aa3 does not trigger a change in the rating or outlook of E ON U S LLC (A3 Issuer rating) and its subsidiaries Louisville Gas & Electric Company (LG&E: A2 Issuer Rating) Kentucky Utilities (KU: A2 Issuer Rating) and E ON U S Capital Corp. (A3 senior unsecured debt)

The ratings for E.ON U S LLC and its subsidiaries reflect the substantial degree to which they maintain an independent credit profile that is supported by the primarily regulated nature of their underlying cash flows. Specifically, core financial metrics (incorporating Moody's standard analytical adjustments) remain positioned within the ranges outlined in our Rating Methodology for A-rated utilities with medium business risk profiles. LG&E's ratio of FFO to debt and FFO interest coverage were approximately 24% and 6 times for the twelve months ended December 31, 2006. KU's credit metrics for the same period were slightly stronger at approximately 26% and greater than 7 times, respectively.

The credit analysis of E ON U S LLC and its subsidiaries also considers inter-company funding support in the form of loans from other subsidiaries of E ON AG. Due to the magnitude of on-going inter-company funding the ratings and outlook of the U.S. entities could be affected if E ON AG's senior unsecured rating were to be downgraded further from its current A2 level.

The rating outlook for E.ON AG, E.ON U S LLC, LG&E, KU and E.ON U S Capital Corp. is stable.

E ON U S LLC is headquartered in Louisville, Kentucky.

Contacts

	Phone
Scott Solomon/New York	201-915-8764
Richard E. Donner/New York	212-553-7226
Michael Rowan/New York	212-553-4465
William L. Hess/New York	212-553-3837

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Moody's Investors Service

Global Credit Research
Issuer Comment
5 APR 2007

Issuer Comment: E ON U.S. LLC

Moody's comments on E.ON U.S. LLC and its subsidiaries

Moody's Investors Service said that the downgrade yesterday of the senior unsecured rating of E.ON AG to A2 from Aa3 does not trigger a change in the rating or outlook of E.ON U.S. LLC (A3 issuer rating) and its subsidiaries Louisville Gas & Electric Company (LG&E: A2 Issuer Rating), Kentucky Utilities (KU: A2 issuer Rating) and E.ON U.S. Capital Corp. (A3 senior unsecured debt)

The ratings for E.ON U.S. LLC and its subsidiaries reflect the substantial degree to which they maintain an independent credit profile that is supported by the primarily regulated nature of their underlying cash flows. Specifically, core financial metrics (incorporating Moody's standard analytical adjustments) remain positioned within the ranges outlined in our Rating Methodology for A-rated utilities with medium business risk profiles. LG&E's ratio of FFO to debt and FFO interest coverage were approximately 24% and 6 times for the twelve months ended December 31, 2006. KU's credit metrics for the same period were slightly stronger at approximately 26% and greater than 7 times, respectively.

The credit analysis of E.ON U.S. LLC and its subsidiaries also considers inter-company funding support in the form of loans from other subsidiaries of E.ON AG. Due to the magnitude of on-going inter-company funding the ratings and outlook of the U.S. entities could be affected if E.ON AG's senior unsecured rating were to be downgraded further from its current A2 level.

The rating outlook for E.ON AG, E.ON U.S. LLC, LG&E, KU and E.ON U.S. Capital Corp. is stable.

E.ON U.S. LLC is headquartered in Louisville, Kentucky.

Contacts

	Phone
Scott Solomon/New York	201-915-8764
Richard E. Donner/New York	212-553-7226
Michael Rowan/New York	212-553-4465
William L. Hess/New York	212-553-3837

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Moody's Investors Service

Global Credit Research
Credit Opinion
10 JUL 2007

Credit Opinion: Kentucky Utilities Co

Kentucky Utilities Co.

Lexington Kentucky, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
Senior Secured Shelf	(P)A1
Ult Parent: E.ON AG	
Outlook	Stable
Bkd Sr Unsec Bank Credit Facility -Dom Curr	A2
Senior Unsecured MTN -Dom Curr	A2
Commercial Paper -Dom Curr	P-1
Parent: E.ON U.S. LLC	
Outlook	Stable
Issuer Rating	A3

Contacts

Analyst	Phone
Scott Solomon/New York	1 212 553 1653
Richard E. Donner/New York	
William L. Hess/New York	

Opinion

Company Profile

Kentucky Utilities (KU) is a regulated public utility engaged in the generation, transmission and distribution of electricity. It provides electricity to approximately 501,000 customers in 77 counties in central, southeastern and western Kentucky and to approximately 30,000 customers in 5 counties in southwestern Virginia. KU's coal-fired electric generating plants produce most of KU's electricity. In Virginia, KU operates under the name Old Dominion Power Company.

KU is a wholly-owned subsidiary of E.ON U.S. LLC (A3 Issuer Rating). E.ON U.S. is an indirect wholly-owned subsidiary of E.ON AG (A2 senior unsecured). KU's affiliate Louisville Gas and Electric Company (LG&E; A2 Issuer Rating), is a regulated public utility also operating in Kentucky. Although LG&E and KU are separate legal entities, they are operated as a single, fully integrated system and provide the majority of the consolidated earnings and cash flow of E.ON U.S. LLC.

Rating Rationale

Kentucky Utilities Company's (KU) A2 Issuer Rating is based on the utility's strong financial profile, favorable cost positions and balanced regulatory environments. Core financial metrics (incorporating Moody's standard analytical adjustments) remain positioned within the ranges outlined in our Rating Methodology for A-rated utilities with medium business risk profiles. Specifically, KU's ratio of FFO to debt and FFO interest coverage for the twelve months ended December 31, 2006 were approximately 26% and greater than 7 times respectively.

KU has an environmental cost recovery mechanism in its electric rates that allow for the recovery of environmental costs required to meet federal and state statutes. This is important given that KU and LG&E expect their combined near-term environmental capital spending to exceed \$1 billion through 2009. The utility also benefits from a fuel adjustment clause that eliminates supply cost volatility.

The credit analysis of KU considers intercompany funding support in the form of loans from other subsidiaries of E.ON AG. Due to the magnitude of on-going intercompany funding the ratings and outlook of KU could be affected if E.ON AG's senior unsecured rating were to be downgraded from its current level.

The challenges ahead for KU include supporting the level of demand in its service territory and maintaining an adequate reserve margin. To that end, it has begun construction of a 750-megawatt coal-fired generating station of which KU and LG&E own undivided 60.75% and 14.25% interests respectively. The remaining 25% interest is owned by regional municipal power entities. The generating station is expected to begin commercial operation in 2010 at a total cost to KU and LG&E of approximately \$900 million.

Rating Outlook

The stable rating outlook reflects Moody's expectation that KU will continue to show strong fundamentals.

What Could Change the Rating - Up

In light of KU's sizeable expenditure program, limited prospects exist for the rating to be upgraded over the next several years. Longer-term, core financial metrics would need to improve considerably, such as FFO to debt greater than 35% for Moody's to consider an upgrade.

What Could Change the Rating - Down

Moody's would consider a rating downgrade if E.ON AG's senior unsecured rating was downgraded from its current level or significant changes were made to the environmental cost recovery mechanism.

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Moody's Investors Service

Global Credit Research

Issuer Comment

5 APR 2007

Issuer Comment: E.ON U.S. LLC

Moody's comments on E.ON U.S. LLC and its subsidiaries

Moody's Investors Service said that the downgrade yesterday of the senior unsecured rating of E.ON AG to A2 from Aa3 does not trigger a change in the rating or outlook of E.ON U.S. LLC (A3 Issuer rating) and its subsidiaries Louisville Gas & Electric Company (LG&E: A2 Issuer Rating), Kentucky Utilities (KU: A2 Issuer Rating) and E.ON U.S. Capital Corp. (A3 senior unsecured debt)

The ratings for E.ON U.S. LLC and its subsidiaries reflect the substantial degree to which they maintain an independent credit profile that is supported by the primarily regulated nature of their underlying cash flows. Specifically, core financial metrics (incorporating Moody's standard analytical adjustments) remain positioned within the ranges outlined in our Rating Methodology for A-rated utilities with medium business risk profiles. LG&E's ratio of FFO to debt and FFO interest coverage were approximately 24% and 6 times for the twelve months ended December 31, 2006. KU's credit metrics for the same period were slightly stronger at approximately 26% and greater than 7 times, respectively.

The credit analysis of E.ON U.S. LLC and its subsidiaries also considers inter-company funding support in the form of loans from other subsidiaries of E.ON AG. Due to the magnitude of on-going inter-company funding the ratings and outlook of the U.S. entities could be affected if E.ON AG's senior unsecured rating were to be downgraded further from its current A2 level.

The rating outlook for E.ON AG, E.ON U.S. LLC, LG&E, KU and E.ON U.S. Capital Corp. is stable.

E.ON U.S. LLC is headquartered in Louisville, Kentucky.

Contacts

Scott Solomon/New York

Richard E. Donner/New York

Michael Rowan/New York

William L. Hess/New York

Phone

201-915-8764

212-553-7226

212-553-4465

212-553-3837

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Moody's Downgrades four Kentucky Utilities Issues due to release of security

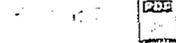


Moody's Investors Service

Global Credit Research

Rating Action

8 MAY 2007



Rating Action: Kentucky Utilities Co

Moody's downgrades four Kentucky Utilities issues due to release of security

Approximately \$33 million of debt securities affected

New York, May 08, 2007 -- Moody's Investors Service downgraded four tax-exempt debt issues of Kentucky Utilities Company (KU: A2 Issuer Rating) to A2 from A1. The four issues are: Carroll County Pollution Control Revenue Bonds, \$20,930,000 2002 Series A due 2032 and \$2,400,000 2002 Series B due 2032; Muhlenberg County Pollution Control Revenue Bonds, \$2,400,000 2002 Series A due 2032 and Mercer County Pollution Control Revenue Bonds, \$7,400,000 2002 Series A due 2032. KU is the obligor under each of these issues. KU's A2 Issuer Rating remains unchanged. The rating outlook is stable.

The downgrade of these securities was triggered by the termination of KU's mortgage indenture dated 1947 and its associated supplemental indentures. Specifically, all four issues have "fall-away" collateral provisions that are triggered upon termination of the mortgage indenture. In light of the termination of the mortgage indenture these four issues are now senior unsecured obligations of KU and their ratings have been adjusted accordingly.

Separately, Moody's downgraded the underlying rating for several KU Pollution Control Revenues Bonds to A2 from A1. The repayment obligations for these Pollution Control Revenue Bonds remain guaranteed by third-party financial guarantors and the bonds continue to be rated Aaa.

Kentucky Utilities is a wholly-owned subsidiary of E.ON U.S. LLC. It is headquartered in Louisville, Kentucky.

New York
William L. Hess
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Scott Solomon
Asst Vice President - Analyst
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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Moodys' downgrades four Kentucky Utilities issues due to release of security

Moodys' downgrades four Kentucky Utilities issues due to release of security. The agency has lowered its ratings on four issues of Kentucky Utilities, Inc. (NYSE: KYE) and its subsidiaries, including Kentucky Power Corp. (NYSE: KPC), due to the release of security information. The downgrades are as follows: Kentucky Utilities, Inc. (KYE) from Aaa to Aaa-; Kentucky Power Corp. (KPC) from Aaa to Aaa-; Kentucky Power Corp. (KPC) from Aaa to Aaa-; and Kentucky Power Corp. (KPC) from Aaa to Aaa-.

The downgrades are a result of the release of security information by the company. The agency has lowered its ratings on four issues of Kentucky Utilities, Inc. (NYSE: KYE) and its subsidiaries, including Kentucky Power Corp. (NYSE: KPC), due to the release of security information. The downgrades are as follows: Kentucky Utilities, Inc. (KYE) from Aaa to Aaa-; Kentucky Power Corp. (KPC) from Aaa to Aaa-; Kentucky Power Corp. (KPC) from Aaa to Aaa-; and Kentucky Power Corp. (KPC) from Aaa to Aaa-.



Moody's Investors Service

Global Credit Research
 Credit Opinion
 10 JUL 2007

Credit Opinion: Kentucky Utilities Co.

Kentucky Utilities Co.

Lexington, Kentucky United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
Senior Secured Sheif	(P)A1
Ult Parent: E.ON AG	
Outlook	Stable
Bkd Sr Unsec Bank Credit Facility -Dom Curr	A2
Senior Unsecured MTN -Dom Curr	A2
Commercial Paper -Dom Curr	P-1
Parent: E.ON U.S. LLC	
Outlook	Stable
Issuer Rating	A3

Contacts

Analyst	Phone
Scott Solomon/New York	1 212 553.1653
Richard E. Donner/New York	
William L. Hess/New York	

Opinion

Company Profile

Kentucky Utilities (KU) is a regulated public utility engaged in the generation, transmission and distribution of electricity. It provides electricity to approximately 501,000 customers in 77 counties in central, southeastern and western Kentucky and to approximately 30,000 customers in 5 counties in southwestern Virginia. KU's coal-fired electric generating plants produce most of KU's electricity. In Virginia, KU operates under the name Old Dominion Power Company.

KU is a wholly-owned subsidiary of E.ON U.S. LLC (A3 Issuer Rating). E.ON U.S. is an indirect wholly-owned subsidiary of E.ON AG (A2 senior unsecured). KU's affiliate Louisville Gas and Electric Company (LG&E: A2 Issuer Rating), is a regulated public utility also operating in Kentucky. Although LG&E and KU are separate legal entities, they are operated as a single, fully integrated system and provide the majority of the consolidated earnings and cash flow of E.ON U.S. LLC.

Rating Rationale

Kentucky Utilities Company's (KU) A2 Issuer Rating is based on the utility's strong financial profile, favorable cost positions and balanced regulatory environments. Core financial metrics (incorporating Moody's standard analytical adjustments) remain positioned within the ranges outlined in our Rating Methodology for A-rated utilities with medium business risk profiles. Specifically, KU's ratio of FFO to debt and FFO interest coverage for the twelve months ended December 31, 2006 were approximately 26% and greater than 7 times respectively.

KU has an environmental cost recovery mechanism in its electric rates that allow for the recovery of environmental costs required to meet federal and state statutes. This is important given that KU and LG&E expect their combined near-term environmental capital spending to exceed \$1 billion through 2009. The utility also benefits from a fuel adjustment clause that eliminates supply cost volatility.

The credit analysis of KU considers intercompany funding support in the form of loans from other subsidiaries of E.ON AG. Due to the magnitude of on-going intercompany funding the ratings and outlook of KU could be affected if E.ON AG's senior unsecured rating were to be downgraded from its current level.

The challenges ahead for KU include supporting the level of demand in its service territory and maintaining an adequate reserve margin. To that end, it has begun construction of a 750-megawatt coal-fired generating station of which KU and LG&E own undivided 60.75% and 14.25% interests respectively. The remaining 25% interest is owned by regional municipal power entities. The generating station is expected to begin commercial operation in 2010 at a total cost to KU and LG&E of approximately \$900 million.

Rating Outlook

The stable rating outlook reflects Moody's expectation that KU will continue to show strong fundamentals.

What Could Change the Rating - Up

In light of KU's sizeable expenditure program limited prospects exist for the rating to be upgraded over the next several years. Longer-term core financial metrics would need to improve considerably, such as FFO to debt greater than 35%, for Moody's to consider an upgrade.

What Could Change the Rating - Down

Moody's would consider a rating downgrade if E.ON AG's senior unsecured rating was downgraded from its current level or significant changes were made to the environmental cost recovery mechanism.

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