

Transfer of Assets

In February 2016, a transmission 69 KV breaker was transferred from KU to LG&E for \$43,080.00.

In March 2016, the following distribution equipment assets were transferred from LG&E to KU:

- Padmount transformers, 150 KVA in the amounts of:
 - \$5,158.51
 - \$4,971.25
 - \$7,518.90
 - \$5,179.56
- Pole type transformers, 100 KVA in the amounts of:
 - \$2,206.06
 - \$5,332.84
- Pole type transformers 1 Phase, 25 KVA in the amounts of:
 - \$2,738.55 (2)
 - \$2,648.94 (3)
- Pole transformer, 1 Phase, 167 KVA for \$2,210.46
- Padmount Transformer, 1 Phase, 167 KVA for \$2,223.19
- Padmount Transformers 1 Phase, 25 KVA (1) and 1 Phase 50 KVA (1) for \$2,531.29
- Pole type transformer, 15 KVA for \$723.43
- Regulators (7), 100 KVA for \$737.23
- Transformers (3 Pole Type 25 KVA, 1 Padmount Type 15 KVA) for \$4,235.76
- Transformers (3), 1 Phase, 37.5 KVA for \$5,034.11
- Pole type transformers (2), 2.4x7.2 KV for \$5,227.76
- Pole Type transformer, 75 KVA for \$1,429.20
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In December 2016, the following distribution assets were transferred from LG&E to KU:

- Padmount Transformers (3), 1 Phase, 25 KVA for \$5,164.56
- Padmount Transformer, 3 Phase, 2000 KVA for \$21,868.91
- Line Transformers, 1 Phase, 50 KVA (1) and 25 KVA (1) for \$964.22
- Regulators (2), 167 KVA, 7260 V for \$19,018.12
- Padmount transformer, 3 Phase, 75 KVA for \$4,307.95
- Padmount transformer, 3 Phase, 500 KVA for \$9,329.45
- Transformers (12) for \$10,885.50

In December 2016, the following distribution assets were transferred from KU to LG&E:

- Padmount transformer, 1 Phase, 37.5 KVA for \$814.93
- Regulators (2), 167 KVA for \$9,919.19
- Padmount transformer, 1 Phase, 10 KVA for \$609.94.

Also, in December 2016, a transmission transformer (180 MVA 138/69 KV) was transferred from KU to LG&E in the amount of: \$1,118,133.00

INTERCOMPANY MONTHLY INVOICES

Monthly invoices are prepared for reimbursement of non-fuel related expenses incurred by LG&E or KU for LG&E, KU, LG&E and KU Services Company (LKS), LG&E and KU Energy LLC (LKE) and subsidiaries. The invoices are provided to LKS, LKE, and subsidiaries by the 10th business day of the subsequent month with payment due by the 13th business day of the month.

The invoices and cash disbursement requests related to fuel and fuel-related products are paid throughout the month whenever cumulative unreimbursed amounts of invoices exceed \$1 million. All billings between the regulated utilities (LG&E/KU) and non-regulated entities (LKS/LKE) are billed and settled on a net basis.

Monthly reconciliation and balancing procedures are performed for all entities receiving and providing intercompany charges to ensure the accuracy of such transactions.

In addition, monthly charges from PPL Corporation and its subsidiaries are received by LKS. Certain of these transactions which are directly attributable to LG&E and KU are charged to LG&E and KU, but are billed and settled through LKS.

LG&E and KU have a service agreement in place to provide rental of data center facilities to a subsidiary of PPL Corporation. Data center rental is billed and settled by LKS on behalf of LG&E and KU to PPL Services Corporation. Mutual assistance services and sale of goods not readily available from the market are billed by LG&E and KU to PPL Electric Utilities, Inc. (and vice versa) as incurred and settled through LG&E, KU or LKS. No mutual assistance services or sale of goods not readily available from the market were incurred in 2016. Telecommunications services provided on joint IT initiatives are billed and settled by LKS on behalf of LG&E and KU to PPL Corporation and PPL Services Corporation.

INTERCOMPANY POWER SALES AND PURCHASES

Monthly journal entries are prepared for off-system sales, off-system and native load purchases, and intercompany power sales and purchases between LG&E and KU. The After-the-Fact Billing system (AFB) is used to stack hourly energy, which allocates energy sources (generation and purchased power) to energy sinks (KU native load, LG&E native load and off-system sales (OSS)). The stacking is performed based on the energy cost where lowest cost energy is allocated to native load and highest cost energy is allocated to OSS, consistent with the companies' Power Supply System Agreement.

Outputs from the AFB program (queries) are used as inputs into an Excel spreadsheet. The spreadsheet calculates the allocation of third party and intercompany purchases between LG&E and KU. It also calculates the split between native load and off-system purchases, and uses the generation expenses for both companies to calculate the allocation of OSS between the companies.

COSTS OF JOINTLY OWNED TRIMBLE COUNTY UNITS

LG&E and KU, together with Illinois Municipal Electric Agency and Indiana Municipal Power Agency (IMEA & IMPA), jointly own Trimble County Unit 2 (TC2), a 732 net MW summer capacity coal-fired unit. LG&E also owns 75% of Trimble County Unit 1 (TC1), a 493 net MW summer capacity coal-fired unit, with IMEA & IMPA owning the remaining 25%. The ownership of these two coal-fired units is depicted in the table below.

	TC1	TC2	TC 2 LG&E - KU only
LG&E	75.00%	14.25%	19.00%
KU		<u>60.75%</u>	<u>81.00%</u>
Total LG&E and KU		<u>75.00%</u>	<u>100.00%</u>
 IMEA/IMPA	<u>25.00%</u>	<u>25.00%</u>	
 Total ownership	<u>100.00%</u>	<u>100.00%</u>	

All capital costs and operation and maintenance expense charges for TC2 are allocated among the joint owners according to their respective ownership percentages, with LG&E's and KU's allocated 75% charged 81% to KU and 19% to LG&E. All capital costs and operation and maintenance expense charges for TC1 are allocated among the joint owners according to their respective ownership percentages, with LG&E charged 75% of the charges. Fuel expenses are allocated based on the percentage of total generation sent to the joint owners.

All capital costs and operation and maintenance expense charges incurred for both TC2 and TC1 are allocated 25% to IMEA & IMPA. LG&E's and KU's combined 75% of these costs is allocated based on the nameplate ratings and percentage ownership, with 52% charged to LG&E and 48% charged to KU.

ALLOCATION OF JOINTLY-USED BUILDINGS AND EQUIPMENT

LG&E Center

The LG&E Center is owned by a third party and leased by LG&E and KU Energy LLC. Expenses incurred for renting a portion of the LG&E Center are billed to affiliates of LKE by its billing agent, LG&E and KU Services Company (LKS), for the occupation of office space by employees of LKS, LG&E and KU.

The monthly allocation of rent expense for the LG&E Center (comprised of a portion of the basement, a portion of the first floor (lobby), the second through sixteenth floors, a portion of the eighteenth floor, the twentieth floor, the twenty-third floor, and common areas for which LKE is billed) is based on the Number of Employees ratio as described in the Cost Allocation Manual as of the beginning of the lease term. Charges are allocated to LG&E, KU and LG&E and KU Capital LLC (LKC). The operation and maintenance expenses are allocated for the LG&E Center, which is based on the Number of Employees ratio as described in the Cost Allocation Manual. Expenses are charged to LKE in equal portions over each annual period and adjusted annually. These expenses are not considered part of LKE's minimum lease payments.

Jointly-Used Assets

Jointly-Used Assets are buildings and related assets such as parking lots and driveways which were originally constructed and owned by a single company (generally either LG&E or KU) but are subsequently being used by more than one company. Rent is charged to the companies benefitting from the use of the building assets by the company owning the building.

Jointly used assets include the following locations:

- Broadway Office Complex
- One Quality Street
- Dix Transmission Control
- LG&E Building Leasehold Improvements
- Pineville Call Center
- Morganfield
- Riverport

In addition, the Simpsonville Data Center is a *jointly-owned* asset (by LG&E, KU and LKC) which is jointly-used by PPL Services Corporation. Rent is charged to PPL based on the

terms of a specific agreement between LG&E and KU Services Company (LKS) and PPL Services Corporation, known as the Hosting Services Agreement.

LKS Assets

Certain assets (PC's and LG&E Building leasehold improvements) reside on the books of LKS and are solely owned by LKS. These assets are used by the LKS employees to aid them in the performance of their services for its affiliates, including LG&E and KU. The depreciation on these assets is initially recorded on LKS and then allocated to LG&E, KU and LKC based on the ratios as defined in the CAM.

Certain other assets (IT assets, office furniture, etc.) reside on the books of LKS. These assets are jointly owned by LKS and other affiliates. The depreciation on these assets is initially recorded on LKS and then allocated to LKC.

COSTS OF JOINTLY OWNED COMBUSTION TURBINES

Simple Cycle Combustion Turbines

LG&E and KU jointly own ten simple cycle combustion turbines (CT) located at the Paddy's Run facility, Trimble County Generating Station, and E.W. Brown facility. All operations and maintenance expenses attributable to the Paddy's Run, Trimble County, and E.W. Brown CTs are accumulated and billed according to the percentage of ownership. The percentage of ownership and megawatt capacity is listed in the table below (capacity based on net summer capability).

Facility	MW Capacity	LG&E	KU
Paddy's Run 13	147	53%	47%
Trimble County 5	159	29%	71%
Trimble County 6	159	29%	71%
Trimble County 7	159	37%	63%
Trimble County 8	159	37%	63%
Trimble County 9	159	37%	63%
Trimble County 10	159	37%	63%
E.W. Brown 5	130	53%	47%
E.W. Brown 6	146	38%	62%
E.W. Brown 7	146	38%	62%

Automated allocations of costs using ownership percentages are processed in the Oracle General Ledger system and generate intercompany transactions between LG&E and KU. All transactions flow through the intercompany receivable account. The costs for the Paddy's Run and Trimble County CTs are accumulated in LG&E and transferred to KU per the ownership percentage. The costs for the E.W. Brown CTs are accumulated in KU and transferred to LG&E per the ownership percentage.

When costs are accumulated in LG&E and transferred to KU, an intercompany receivable is debited and the appropriate expense is credited. KU debits the appropriate expense account and credits an intercompany receivable. When costs are accumulated in KU and transferred to LG&E, an intercompany receivable is debited and the appropriate expense is credited. LG&E debits the appropriate expense account and credits an intercompany receivable. The amounts are then netted to establish an intercompany receivable for KU or LG&E and an intercompany payable for LG&E or KU.

Capital charges are paid by one of the utilities and allocated to the other based on percentage of ownership. Additionally, manual journal entries are prepared each month for the applicable portion of the gas used by the CTs. The journal entries split the gas cost between LG&E and KU based on the percentage of ownership.

Combined Cycle Gas Combustion Turbine

In 2015, LG&E and KU completed the construction of a natural gas combined cycle (NGCC) unit at the Cane Run site owned by LG&E. This unit has a 662 MW summer capacity and is jointly owned by LG&E (22%) and KU (78%). Capital costs of Cane Run 7 are allocated according to the 22% LG&E and 78% KU ownership split.

Automated allocations of costs using the Cane Run 7 ownership percentages are processed in the Oracle General Ledger system and generate intercompany transactions between LG&E and KU. Operation and maintenance costs are accumulated at LG&E and transferred to KU, and an intercompany receivable is debited and the appropriate expense is credited. KU debits the appropriate expense account and credits an intercompany receivable. The amounts are then netted with other intercompany transactions between LG&E and KU to establish an intercompany receivable for KU or LG&E and an intercompany payable for LG&E or KU.

CASH COLLECTED AND PAID BY LG&E ON BEHALF OF KU

For the convenience of our suppliers and customers for purchased power and off system sales, and due to generating units being jointly dispatched, KU and LG&E have combined their billing and payments. This gives the appearance of one company to customers and suppliers.

Internally, sales and purchases are split between KU and LG&E and each company records its payable and receivable to the appropriate account. This split is documented on a monthly spreadsheet from the Financial Accounting and Analysis department.

As LG&E makes payments to various vendors for purchased power, the disbursement request is split into the appropriate portions applicable to each company. LG&E issues the payment through its Accounts Payable Department and bills KU for the expenditures made on behalf of KU. The Oracle General Ledger system automatically creates the Intercompany payable and receivable as transactions are posted. The amount KU owes LG&E is included on the Intercompany billing from LG&E.

As LG&E receives payments for power sales, the money received is split into the appropriate amounts for each company and a monthly journal entry for the cash received on behalf of KU is recorded to create a payable to KU.

As payments are received by LG&E (KU) for off system sales, some of the same customers may have sold power to LG&E (KU). For the customers' convenience, when the contract allows, the payments are netted. Netted payments are booked by each utility as the gross amount of the receivable and payable.

In addition, certain other receivables and payables which benefit both LG&E and KU are processed through only one of the companies for convenience or efficiency. The cash received and disbursement requests are split into the appropriate portions applicable to each company.

Intercompany receivables and payables are billed on the normal billing to the respective company and settled on the 13th business day of the month following the transaction. See Tab 3 for a description of the intercompany monthly invoices.

Intercompany interest is calculated for these transactions that are paid/held and settled through Intercompany. Interest is calculated on a daily-accumulated balance of monies received and paid by LG&E on behalf of KU, and vice versa. Consistent with the 2011 Utility Money Pool Agreement, interest is calculated from the day the money is received or paid through the day of the Intercompany cash settlement. In July 2013, FERC approved an interest rate of the A2/P2

nonfinancial 30-day commercial paper rate published by the Federal Reserve Board on the last business day of the prior month plus 5 basis points. A monthly journal entry is manually created to book the interest receivable/payable from this calculation.

LG&E and KU Services Company

Cost Allocation Manual

Effective February 2016

CAM	Cost Allocation Manual
CCS	Customer Care System
FERC	Federal Energy Regulatory Commission
HR	Human Resources
IT	Information Technology
KPSC	Kentucky Public Service Commission
KU	Kentucky Utilities Company
LEM	LG&E Energy Marketing Inc.
LG&E	Louisville Gas and Electric Company
LKC	LG&E and KU Capital LLC
LKE	LG&E and KU Energy LLC
LKE Foundation	LG&E and KU Foundation
LKS	LG&E and KU Services Company
PPL	PPL Corporation
PPL Capital	PPL Capital Funding, Inc.
PPLEU	PPL Electric Utilities Corporation
PPLEU Services	PPL EU Services Corporation
PPL Services	PPL Services Corporation
PUHCA 2005	The Public Utility Holding Company Act of 2005
SEC	U.S. Securities and Exchange Commission
VSCC	Virginia State Corporation Commission

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I. INTRODUCTION

PUHCA 2005 states that centralized service companies must maintain and make available to the FERC their books, accounts and other records in the specific manner and preserve them for the required periods as the FERC prescribes in Title 18 Code of Federal Regulations Part 368 of the FERC Uniform System of Accounts. These records must be in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates. The purpose of this CAM is to document the methods, policies and procedures that LKS will follow in performing certain services for affiliate companies and in receiving certain services or charges for affiliated companies from PPL Services, PPLEU Services and other PPL entities. In developing this CAM the overriding goal was to protect investors and consumers by ensuring the methods, policies and procedures contained in this CAM were PUHCA 2005 compliant so that LKS, PPL Services, and PPLEU Services costs are fully segregated, and fairly and equitably allocated among the affiliate companies. LKS was authorized to conduct business as a service company for LKE and its various subsidiaries and affiliates by order of the SEC on December 6, 2000, and commenced operations January 1, 2001. LKE is a Kentucky limited liability company and the parent of KU and LG&E. KU and LG&E are subject to the jurisdiction of and oversight by the KPSC. In addition, KU is subject to the jurisdiction of and oversight by the VSCC and the Tennessee Regulatory Authority. PPL Services and PPLEU Services are Delaware corporations authorized to conduct business as service companies for PPL and its various subsidiaries and affiliates, including LKE. Under Kentucky regulatory law, KU and LG&E are required to have a cost allocation manual on file with the KPSC. KU is required to have a services agreement for any affiliate transaction approved by the VSCC prior to the transaction.

Periodic changes to the CAM may be necessary due to future management decisions, changes in the law, interpretations by state or federal regulatory bodies, changes in structure or activities of affiliates, or other internal procedures.

II. CORPORATE ORGANIZATION

OVERVIEW

LKE is an indirect wholly-owned subsidiary of PPL, headquartered in Allentown, Pennsylvania. LKE has five direct subsidiaries: LG&E, KU, LKC, LEM and LKS. LKE has an affiliate relationship with LKE Foundation due to overseeing all operations of the foundation.

LKE and its utility subsidiaries are engaged principally in the generation, transmission, distribution and sale of electricity. LG&E is also engaged in the storage, distribution, and sale of natural gas. LKE and its subsidiaries are subject to the regulatory provisions of PUHCA 2005. LG&E and KU are subject to regulation by the FERC and the KPSC. KU is also subject to regulation by state utility commissions in Virginia and Tennessee.

PPL is a holding company with nine direct subsidiaries, including LKE, PPLEU, PPL Services, PPLEU Services, PPL Capital Funding, Inc., and PPL Energy Funding Corporation, the direct

parent of CEP Reserves Inc. PPL, PPLEU, PPL Services and PPLEU Services are subject to the provisions of PUHCA 2005.

LKE's UTILITY OPERATIONS

LG&E, incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E is a wholly-owned subsidiary of LKE. LG&E supplies electricity and natural gas to customers in Louisville and adjacent areas in Kentucky.

KU, incorporated in Kentucky in 1912 and in Virginia in 1991, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. KU is a wholly-owned subsidiary of LKE.

LG&E and KU have mutual assistance agreements with PPLEU for system restoration in emergencies.

SERVICE COMPANIES

LKS, a Kentucky corporation, is a centralized service company registered under PUHCA 2005 and is authorized to conduct business as a service company for LKE and its various subsidiaries and affiliates by order of the SEC dated December 6, 2000, and commencing operation January 1, 2001. LKS is the service company for affiliated entities, including LKE, LG&E, KU, LKC and LEM and provides a variety of administrative, management, engineering, construction, environmental and support services. LKS provides its services at cost, as permitted under PUHCA 2005.

Development of the LKS organization was predicated on the fact that if the employee performed activities benefiting more than one affiliate, that employee would become a part of the LKS organization. In many respects, employees working in typical finance, administrative and general, management and other support departments are fully subject to LKS organizational placement.

Many operational employees dedicated to providing a service to just one affiliate, by definition, are not subject to LKS placement. However management and support staff overseeing the business activities of more than one of these operational groups are subject to LKS placement.

As a result of PPL's acquisition of LKE, PPL became a multi-state utility holding company subject to PUHCA 2005. PPL Services and PPLEU Services, Delaware corporations, are centralized services companies registered under PUHCA 2005 and authorized to conduct business as service companies for PPL and its various subsidiaries and affiliates. PPL Services and PPLEU Services are the service companies for affiliated PPL entities, including PPL Electric Utilities Corporation, and provide a variety of administrative, management, environmental, and support services. PPL Services and PPLEU Services provide their services at cost, as permitted under PUHCA 2005.

OTHER BUSINESS OPERATIONS

LKE Foundation, a charitable foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, makes charitable contributions to qualified entities.

LKC is a holding company for other LKE non-utility businesses which are generally inactive from an operational standpoint, but have certain remaining support or contingent business obligations.

LEM is an inactive non-utility company.

LKS transacts business for LKE Foundation, LKC, LEM and PPL and its affiliates on behalf of LKE.

LKE also receives services from CEP Reserves Inc. that benefit its non-utility activities.

III. TRANSACTIONS WITH AFFILIATES

OVERVIEW

LKE formed LKS, as a service company to provide services for affiliated companies. PPL formed PPL Services and PPLEU Services as service companies to provide services for affiliated companies. LKS, PPL Services, PPLEU Services, and affiliated companies (or their parent entities) may enter into service agreements, which may establish the general terms and conditions for providing those services, including those mentioned in Section IV of the CAM.

At formation, certain LG&E, KU and LKE employees became employees of LKS and such employees continued to provide services to the regulated and non-regulated entities. Similarly, at formation, certain PPL employees became employees of PPL Services and PPLEU Services and such employees continued to provide services to the regulated and non-regulated entities.

Regulated affiliates receive services at cost, pursuant to the service agreements. Non-regulated affiliates generally receive services at cost; however, certain services may permit pricing at fair-market value. The provisions included in contracts or service agreements govern transactions among LKS, PPL Services, PPLEU Services, and their regulated and non-regulated affiliates.

KU and LG&E are required by the KPSC and the VSCC to use the “stand alone” method for allocating their respective tax liabilities (or tax benefits) so that such tax liabilities (or tax benefits) will not exceed the tax liabilities (or tax benefits) each would incur if it filed its tax returns separately from the consolidated returns filed by PPL. KU and LG&E have filed a separate PPL Corporation and Subsidiaries tax allocation agreement with the KPSC and the VSCC. The allocation of the respective tax liabilities (or tax benefits) of KU and LG&E therefore are not within the scope of this CAM.

Definitions of Cost

Tariff Rate – The price charged to customers under applicable tariffs on file with federal or state regulatory commissions.

Fair Market Value – The price held out by a providing entity to the general public in the normal course of business (i.e. the price at which a reasonable buyer and a reasonable seller are willing to transact in the normal course of business).

Cost – The charge used for transactions with affiliates for which no tariff rate or fair market value is applicable. LKS follows the definition of cost defined in PUHCA 2005.

IV. DESCRIPTION OF SERVICES

The following table provides service descriptions along with the frequency of services provided and the primary affiliate receiving the services. See below for definitions of frequency and primary affiliates. The table also contains the cost assignment methods used to allocate indirectly attributable costs for these services, when necessary. Note that a departmental charge ratio may also be used for any service with indirectly attributable costs, but only if the use of the cost assignment method for the service would not result in the fair assignment of costs.

Detailed descriptions of cost assignment methods are provided in Section V. Also see section V for definitions of directly assignable, directly attributable and indirectly attributable. The cost assignment methods in the table below should be used only when costs of a good or service cannot be directly assignable or directly attributable.

Definitions of Frequency

Ongoing – Provided on a prearranged, continuous basis (i.e., daily)

Frequent – Provided as requested on a regular basis (i.e., several times per month)

Infrequent – Provided as requested on an irregular basis (i.e., several times per year)

Definitions of Primary Affiliates

All charges by LKS, PPL Services, and PPLEU Services to affiliated entities follow the principle of fully distributed cost. Primary affiliates receiving the service are designated below as:

R – Regulated (LG&E and KU)

NR – Non-regulated (LKE, LKC, LEM and LKE Foundation)

A – All

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Customer and Customer-Related Services				
Customer Service	Providing call center and customer communication services for both electric and gas customers.	Number of Customers Ratio	Ongoing	R
Sales and Marketing	Providing programs for establishing strategies, oversight for marketing, sales and branding of utility and related services, and conducting marketing and sales programs for economic development and demand side management.	Number of Customers Ratio	Frequent	R
Economic Development and Major Accounts	Maintaining community development, partnerships with state, regional, and local economic development allies, and customized products and services.	Number of Customers Ratio	Frequent	R
Meter Reading Services	Providing meter reading and meter data services, including maintaining inventory, quality and environmental issues, policy and standards, technical support, and logistics.	Number of Meters Ratio	Ongoing	R
Cash Remittance	Providing remittance processing, customer payments, and collection services.	Revenue Ratio	Ongoing	R
Billing Integrity	Administering and providing customer billings and credit reviews.	Number of Customers Ratio; Number of Meters Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Energy Efficiency	Providing energy efficiency programs to residential and commercial customers to encourage implementation of energy saving measures.	Number of Customers Ratio	Ongoing	R
Smart Grid Strategy	Providing leadership and direction for smart meter and smart grid strategy development, investment and decision analysis to support value-added infrastructure deployments.	Number of Customers Ratio	Ongoing	R
Field Services	Completing customer requested service orders generated through Residential Service Center, Business Service Center, KU Business Offices, Billing Integrity and Meter Assets. Supporting Meter Shop activities and Public Safety Response Team needs.	Number of Meters Ratio	Ongoing	R
CCS Retail Business Readiness	Providing end user support services, development and capture of business metrics and development, and delivery of training for the Company's CCS.	Number of Customers Ratio	Ongoing	R
Power Production and Generation Services				
Project Engineering	Coordinating and managing all major generation construction.	Generation Ratio	Infrequent	R
System Laboratory	Providing system laboratory services to the generating stations.	Total Utility Plant Assets Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Generation	Providing centralized, fleet-wide technical expertise for generation asset management, technical guidance for various functional initiatives and coordination of operational research and development.	Total Utility Plant Assets Ratio	Ongoing	R
Generation Services and Safety	Providing management services and oversight to Energy Services, including Power Generation, Safety, and Technical Training.	Total Utility Plant Assets Ratio; Total Utility Electric Plant Assets Ratio	Ongoing	R
Fuel Procurement	Procuring coal, natural gas, oil and other bulk materials for generation facilities and ensuring compliance with price and quality provisions of fuel contracts.	Contract Ratio; Generation Ratio	Ongoing	R
Project Development	Providing project development services to identify and develop potential future sources of energy and capacity to meet the Company's power supply needs.	Total Utility Plant Assets Ratio	Ongoing	R
Transmission Operations & Services				
Strategy, Reliability and Tariffs	Providing transmission system reliability planning and identifying current and future upgrades that are needed to maintain reliability. Providing facility ratings, drawings and reliability metrics. Coordinating and managing transmission tariffs and agreements with outside parties for use of the transmission system.	Transmission Ratio	Ongoing	R
Operations and Construction	Coordinating and managing all maintenance and capital upgrades to transmission substations. Coordinating and managing all maintenance and capital upgrades to the transmission lines. Providing transmission system control center services. Managing	Transmission Ratio; Total Assets Ratio; Total Utility Plant Assets Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
	and maintaining the Energy Management System. Coordinating and managing the balance between scheduled transmission usage and actual transmission usage by other companies.			
Reliability and Compliance	Ensuring that the Transmission Department is complying with all applicable regulatory standards.	Transmission Ratio	Ongoing	R
Energy Supply and Analysis Services				
Energy Marketing	Providing market services to take advantage of the highest excess generation prices in the open market.	Generation Ratio	Ongoing	R
Market Forecasting	Providing management services for financial forecasts of the utility market.	Generation Ratio	Frequent	R
Load Forecasting	Providing short- and long-term load forecasting services.	Generation Ratio	Frequent	R
Generation Planning and Analysis	Providing short- and long-term generation planning services	Generation Ratio	Ongoing	R
Distribution Operations Services				

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Network Trouble and Dispatch	Providing dispatch services, reporting outage situations and coordinating restoration.	Number of Customers Ratio	Ongoing	R
Electric Engineering	Providing development engineering and construction standards, distribution system planning and analysis, substation construction project management and telecommunications systems design and analyses.	Total Assets Ratio	Ongoing	R
Distribution Asset Management	Leading management and investment decisions regarding distribution assets, including resource allocation, developing uniform standards and procedures, determining performance targets and managing assets information and data.	Number of Customers Ratio; Total Assets Ratio	Ongoing	R
Forestry	Providing vegetation and tree management.	Total Assets Ratio	Frequent	R
Substation Construction and Maintenance	Providing engineering and design services for substation construction, maintenance and operations areas.	Total Utility Plant Assets Ratio	Frequent	R
Financial Planning and Budgeting Services				
Budgeting	Providing services related to managing, coordinating and reporting for the budgeting and forecasting process.	Revenue, Total Assets and Number of Employees Ratio; Transmission Ratio; Generation Ratio; Number of Customers Ratio	Frequent	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Financial Planning	Providing financial planning and forecasting, investment analysis and investment planning reporting.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
Controller Organization Services				
Accounting and Reporting	Providing accounting and reporting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and the FERC Uniform System of Accounts (USofA), accounting research and interpretation and promulgation of accounting and internal control procedures, performing U.S. GAAP general ledger account and project analyses, reconciliations and consolidation, internal and external financial reports, and business and financial system support and consultation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Property Accounting	Maintaining, analyzing and reporting related to property records.	Total Utility Plant Assets Ratio	Ongoing	A
Revenue Accounting	Managing and analyzing internal and external revenue reporting.	Revenue Ratio	Ongoing	R
Corporate Tax and Payroll Organization Services				
Payroll	Providing payroll services including the managing of payroll systems.	Number of Employees Ratio	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Tax Accounting, Compliance and Reporting	Preparing consolidated and subsidiary federal, state and local income tax returns; current and deferred tax accounting; utility gross receipts tax; sales/use tax; property tax; LKE Foundation returns; and supporting roles for project development and tax legislation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Audit Services				
Audit Services	Providing independent and objective assurance along with consulting services and internal controls system review.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Sarbanes-Oxley Compliance Services				
Sarbanes-Oxley Compliance	Providing coordination, implementation and maintenance of the Company's program for compliance with the Sarbanes-Oxley Act of 2002.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Treasury Services				
Treasury and Corporate Finance	Providing management and monitoring of cash flows including review and acquisition of business entity cash requirements and procurement of short-term financing and credit lines. Providing overall finance options including evaluating new financing vehicles and instruments, analyzing existing financing positions and raising long-term funds for all entities.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Risk Management	Managing outside providers of risk services comprised of providing insurance and assisting affiliated entities in managing property and liability risks including claims, security, environmental, safety and consulting services.	Total Utility Plant Assets Ratio	Ongoing	A
Credit Administration	Providing management of credit risk for wholesale energy sales and major vendors.	Generation Ratio	Ongoing	A
Energy Marketing Trading Controls	Performing reporting on the trading portfolios. Performing validation of significant transactions, valuation algorithms, ensuring trading system security and testing trading system enhancements.	Generation Ratio	Ongoing	A

Supply Chain and Logistics Services

Supply Chain	Maintaining and analyzing the supplier base and performing supplier selection activities including contract negotiations and ongoing compliance. Providing order management, materials handling and logistics and inventory management services. Providing order management and general field support services for system maintenance, developing and monitoring of key performance metrics, supplying day to day variance and reconciliation reporting services and performing supplier certification services. Identifying qualified minority and women owned businesses that are able to participate in competitive bidding opportunities, perform on-going work and ultimately become key	Non-Fuel Material and Services Expenditures Ratio; Network Users Ratio; Ultimate Users Ratio	Ongoing	A
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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
	suppliers to LKE and subsidiaries.			
Accounts Payable	Processing payments for purchase orders, check requests, employees' expense reimbursements, etc., and providing ad-hoc research and analysis.	Number of Transactions Ratio; Non-Fuel Material and Services Expenditures Ratio	Ongoing	A
IT Services				
IT Security	Providing services associated with non-project management, security and administrative support. This function includes developing and administering security policies and procedures. Providing services associated with compliance activities and security related administration support. This function includes development, implementation and on-going compliance activities for the NERC Critical Infrastructure Protection (CIP) Program.	Corporate Information Security Ratio; Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio	Ongoing	A
IT Applications Development and Support	Providing services associated with each of the existing applications that IT provides to the business. These services include costs incurred related to application license fees and application support costs. Providing services associated with existing end user tools and related productivity software; Providing end user support services, and development.	Network Users Ratio; Number of Employees Ratio; Number of Customers Ratio; Ultimate Users Ratio	Ongoing	A
IT Infrastructure and Operations	Providing services related to the corporate-wide shared computing infrastructure, including servers, storage and data center operations. Providing services related to all corporate-wide network capabilities including	Network Users Ratio; Number of Employees Ratio;	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
	wide area transport networks, local area networks, wireless networks, telephone systems, telecommunications for SCADA and two-way radio systems. Providing services related to a number of enterprise applications including e-mail, SharePoint, instant messaging and others. This function includes the operations of the NERC Critical Infrastructure Protection (CIP) Program.	Ultimate Users Ratio		
IT Governance	Providing services including business relationship management, project management, requirements, and planning.	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio	Ongoing	A
IT Business Services	Providing services including business analysis, testing, service management and process management	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio	Ongoing	A
IT Major Projects	Providing services including software system implementations projects and software system upgrade projects.	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio	Ongoing	A

Compliance, Legal, and Environmental Affairs Services

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Legal	Providing various legal services for all affiliated entities including in-house counsel and staff assistance in the areas of, among others, corporate and securities law, employment law, energy, public utility and regulatory law, contract law, litigation, environmental law and intellectual property law, evaluating legal claims and managing legal fees for outside counsel.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Compliance	Providing various compliance services for all affiliated entities including compliance assessment and risk management, code of conduct, anti-fraud, ethics, helpline management and Critical Infrastructure Protection (CIP) Compliance.	Number of Employees Ratio; Total Utility Plant Assets Ratio	Ongoing	A
Environmental Affairs	Providing management services related to performing analyses, monitoring and advocacy of regulatory and legislative environmental matters including securing of permits and approvals, providing environmental technical expertise, environmental compliance and representing the Company in industry groups and before regulatory agencies dealing with environmental issues.	Electric Peak Load Ratio	Frequent	R
Regulatory Affairs and Government Affairs Management Services				
Regulatory Affairs	Providing management services for compliance with all laws, regulations and other policy requirements, including regulatory filings, expert testimony, tariff administration and compliance, pricing support, and development and monitoring of positions regarding ongoing regulatory matters.	Revenue Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Government Affairs Management	Maintaining relationships with government policy makers and conducting lobbying activities.	Revenue Ratio	Frequent	A
Corporate Communications and Public Affairs Management Services				
Internal Communications	Providing employee and customer-directed communications including company intranet/internet, employee newsletters, announcements, speeches, graphic design, presentations and customer newsletters and bill inserts.	Number of Employees Ratio	Frequent	A
External and Brand Communications	Providing all administrative and management support for external communication services, brand image management and corporate events.	Number of Customers Ratio; Revenue, Total Assets and Number of Employees Ratio	Frequent	A
Public Affairs Management	Providing community relations functions, communicating public information to local organizations and providing oversight for communications to employees.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
Operating Services				
Facilities and Buildings	Providing building and grounds maintenance including coordination of office furniture and equipment purchases/leases, space utilization and layout, and building code and fire protection services.	Number of Customers Ratio; Number of Employees Ratio; Facilities Ratio	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Security	Providing security personnel, security and monitoring devices for all affiliated entities.	Number of Employees Ratio	Ongoing	A
Production Mail	Providing production mail services for customer bills and other large customer mailings.	Number of Customers Ratio	Ongoing	R
Document	Providing document printing, reproduction services including mail delivery, scanning, off-site storage and document service desk support.	Number of Employees Ratio	Ongoing	A
Process Management and Performance	Provide business process improvements, operational performance measures, benchmarking studies, and rate case analysis for all of Customer Service.	Number of Customers Ratio	Ongoing	R
Right-of-Way	Obtaining and retaining easements or fee simple property for placement and operation of company and affiliate equipment as well as managing real estate assets and maintaining real estate records.	Number of Customers Ratio	Ongoing	R
Transportation Services				
Transportation	Providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles	Number of Employees Ratio; Vehicle Cost Allocation Ratio	Ongoing	A
HR Services				
HR Compensation	Providing services relating to the establishment and oversight of compensation policies for employees.	Number of Employees Ratio	Frequent	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
HR Benefits	Providing services relating to the establishment and oversight of benefits plans for employees, retirees and survivors. This also includes vendor management, compliance with various laws and regulations, administrative vendor billings and maintenance of all personnel records.	Number of Employees Ratio	Frequent	A
Other HR Services	Providing initiatives and programs designed to support the company's diversity strategy, with an emphasis on creating, designing and implementing the strategies and programs to achieve the company's diversity vision. This includes fostering and managing the internal and external relationships necessary to driving initiatives within the company and wider community customer base. Providing initiatives and programs designed to support personal and professional growth, with an emphasis on employee and leadership training, individual and career development, performance management, coaching, mentoring, succession planning and employee engagement. Providing communication and oversight for union matters, negotiation of union contracts and union dispute resolution services.	Number of Employees Ratio	Frequent	A
Health and Safety	Providing services relating to the establishment and oversight of health and safety policies for employees. Providing training services on technical and safety matters primarily for the Energy Delivery and Energy	Number of Employees Ratio	Frequent	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Executive Management Services	Services businesses.			
Executive Management	Providing executive leadership to the corporation, the cost of which is comprised of the compensation and benefits of the corporate officers and executive assistants.	Generation Ratio; Number of Customers Ratio; Network Users Ratio; Number of Employees Ratio; Revenue Ratio; Revenue, Total Assets and Number of Employees Ratio; Total Assets Ratio; Total Utility Plant Assets Ratio; Transmission Ratio	Ongoing	A

V. COST ASSIGNMENT METHODS

OVERVIEW

The costs of services provided by LKS, PPL Services, and PPLEU Services will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method (see section VI for time reporting procedures). The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully distributed cost of providing the service.

Directly Assignable – Expenses incurred for activities and services exclusively for the benefit of one affiliate. In many respects, these types of expenses relate to non-LKS employees that perform dedicated services to one affiliate, although LKS, PPL Services and PPLEU Services employees also directly report where feasible.

Directly Attributable – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using direct measures of costs causation.

Indirectly Attributable – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using general measures of cost causation.

Unattributable – Expenses or portions thereof incurred for activities and services that have been determined as not appropriate for apportionment. The unattributable portions of these costs relate primarily to activities such as corporate diversification, political or philanthropic endeavors and, as such, may be charged, in whole or in part, to LKC.

ASSIGNMENT METHODS

LKS, PPL Services, and PPLEU Services will allocate the costs of service among the affiliated companies using one of several methods that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business, but are generally determined annually. The assignment methods used by LKS, PPL Services, and PPLEU Services are as follows:

Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, mmbtu of natural gas) of the contract for coal and natural gas fuel burned for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Corporate Information Security Ratio – This ratio allocates the cost of cyber security activities using an allocation consistent with the methodology used by third party insurers providing cyber security insurance to the organization. The methodology assigns a percentage of

the premium based on the various risks (e.g., number of employees, the number of customers, etc.). The total of the percentages equals 100%. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Departmental Charge Ratio – A specific department ratio based upon various factors. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of service being performed and are documented and monitored by the Budget Coordinators for each department. The numerator and denominator vary by department. The ratio is based upon various factors such as labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations and maintenance costs, retail energy sales, charitable contributions, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electric capital expenditures, substation assets and transformer assets. The Departmental Charge Ratio will only be used with prior approval by the Controller when other applicable ratios would not result in the fair assignment of costs. These ratios are calculated on an annual basis. Any changes in these ratios will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in any of these ratios from that used in the prior year.

Electric Peak Load Ratio – Based on the sum of the monthly electric maximum system demands for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Facilities Ratio – Based on a two-tiered approach with one tier based on the number of employees by department or line of business and the other tier based on the applicable department or line of business ratio. The numerator for the number of employees is the number of employees by department or line of business at the facility and the denominator is the total employees at the facility. The numerator and denominator for the applicable department or line of business for the service provided as described in this document. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Generation Ratio – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Network Users Ratio – Based on the number of IT network users at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the

proper legal entity. The numerator for the first step of this ratio is the total number of network users for each specific company, and the denominator is the total number of network users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS network users, to total network users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Non-Fuel Material and Services Expenditures – Based on non-fuel material and services expenditures, net of reimbursements, for the immediately preceding twelve consecutive calendar months. The numerator is equal to such expenditures for a specific entity and/or line-of-business as appropriate and the denominator is equal to such expenditures for all applicable entities. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Customers Ratio – Based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial). The numerator is the total number of each Company's retail customers. The denominator is the total number of retail customers for both LG&E and KU. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Employees Ratio – Based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate LKS employee costs to the proper legal entity. The numerator for the first step of this ratio is the total number of employees for each specific company, and the denominator is the total number of employees for all companies in which an allocator is assigned (i.e. LG&E, KU and LKS). For the second step, the ratio of LKS to total employees will then be allocated to the other companies (LG&E, KU and LKC) based on each company's ratio of labor hours to total labor hours. LKC has no employees, but non-utility related labor is charged to it. In some cases, the ratio may be calculated based on the number of employees at a specific location for the first step with the ratio of LKS to total employees being allocated based on labor hours of the employees at the specific location. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Meters Ratio – Based on the number or types of meters being utilized by customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E. This ratio is calculated on an annual basis. Any changes in

the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Transactions Ratio – Based on the number of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. The Controller's organization is responsible for maintaining and monitoring specific product/service methodology documentation for actual transactions related to LKS billings. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Ownership Percentages – Based on the contractual ownership percentages of jointly-owned generating units, information technology, facilities and other capital projects. This ratio is updated as a result of a new jointly-owned capital projects and is based on the benefit to the respective company. The numerator is the specific company's forecasted usage. The denominator is the total forecasted usage of all respective companies.

Revenue Ratio – Based on the sum of the revenue for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Revenue, Total Assets and Number of Employees Ratio – Based on an average of the revenue, total assets and number of employees ratios. The numerator is the sum of Revenue Ratio, Total Assets Ratio and Number of Employees Ratio for the specific company. The denominator is three – the number of ratios being averaged. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Total Assets Ratio – Based on the total assets at year end for the preceding year. In the event of joint ownership of a specific asset, asset ownership percentages are utilized to assign costs. The numerator is the total assets for each specific company at the end of the preceding year. The denominator is the sum of total assets for each company in which an allocator is assigned (LG&E, KU and LKC). This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Total Utility Plant Assets Ratio – Based on the total utility plant assets at year end for the preceding year, the numerator of which is for an operating company and the denominator of which is for all operating companies. In the event of joint ownership of a specific asset, ownership percentages are utilized to assign costs. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year,

and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Transmission Ratio –The Transmission Coordination Agreement (TCA) provides “the contractual basis for the coordinated planning, operation, and maintenance of the combined” LG&E and KU transmission system. Pursuant to the terms of the TCA, LG&E/KU “operate their transmission systems as a single control area.” The TCA establishes cost and revenue allocations between LG&E and KU. The Transmission Ratio is based upon Schedule A (Allocation of Operating Expenses of the Transmission System Operator) of the TCA. Transmission System Operator Company allocation percentages are calculated during June of each year to be effective July 1st of each year using the previous year's summation of the Transmission Peak Demands as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E) page 400 line 17(b).

Ultimate Users Ratio – Based on the number of ultimate users of an IT product or service (i.e., software, hardware, mobile devices, etc.) at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of ultimate users for each specific company, and the denominator is the total number of ultimate users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS ultimate users, to total ultimate users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Vehicle Cost Allocation Ratio – Based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities. This ratio is calculated monthly based on the actual transportation charges from the previous month. The numerator is the department labor charged to a specific company. The denominator is the total labor costs for the specific department. The ratio is then multiplied by the total transportation costs to determine the amount charged to each company.

VI. TIME DISTRIBUTION, BILLING AND ASSET TRANSFER POLICIES

OVERVIEW

LKS utilizes Oracle or other financial systems in which project/task combinations are set up to equate to services. In some cases, departments have set up many projects/tasks that map to services. In many cases, there is a one to one relationship between the project/task and the service. The Oracle system also automatically captures the home company (providing the service) and the charge company (receiving the service). Regardless of the method of reporting, charges related to specific services reside on the company receiving the service and therefore can be identified for billing purposes as well as for preparation of LKS financial statements. This ensures that:

1. Separation of costs among LG&E, KU, LKE's non-regulated subsidiaries and other PPL affiliates will be maintained
2. Intercompany transactions and related billings are structured so that non-regulated activities are not subsidized by regulated affiliates and regulated affiliates do not subsidize other regulated affiliates
3. Adequate audit trails exist on the books and records

BILLING POLICIES

Billings for transactions among LKS, PPL Services, PPLEU Services, and other affiliates are issued on a timely basis with documentation sufficient to provide the receiving party with enough detail to understand the nature of the billing, the relevant components, and other information as required by affiliates. Financial settlements for transactions are made within 30 days. Interest charges, which are based on market rates for similar maturities of similarly rated entities as of the date of the loan, may apply. LKS is authorized to act as payment and billing agent on behalf of LKE, LG&E, KU and LKC.

ASSET TRANSFERS

Unless otherwise permitted by regulatory authority or exception, (i) transfers or sales of assets from regulated affiliates to non-regulated affiliates will be priced at the greater of cost or fair market value; (ii) transfers or sales of assets from non-regulated affiliates to regulated affiliates will be priced at the lower of cost or fair market value and (iii) transfers of assets between regulated affiliates shall be priced at no more than cost less depreciation. Settlement of liabilities will be treated in the same manner.

TIME DISTRIBUTION

LKS has three methods of distribution to record employee salaries and wages while providing services for the affiliated entities: Positive time reporting, allocation time reporting and exception time reporting. Each department's job activities will dictate the time reporting method used.

Positive Time Reporting

Positive time reporting or direct time reporting requires all employees in a department to track all chargeable hours every day. Time may be charged to the nearest quarter hour.

Departments that have positive time reporting have labor-based activities that are easily trackable given the project/task code combinations noted above. All employees are given appropriate project numbers that are associated with the service that is being provided. The proper coding for direct assignment of costs is on various source documents, including the timekeeping system and disbursement requests. Each department or project manager is responsible for ensuring employees charge the appropriate charge codes for the services performed. This form of time reporting is documented in the timekeeping system, which upon completion, is approved by the employees' immediate supervisor.

Allocation Time Reporting

Allocation time reporting allows for certain departments to set up a predefined allocation percentage to affiliated company project/tasks. This is typically the case when the department is transaction-based, therefore, performing routine, similar tasks benefiting multiple affiliates. Each department will use its ratio (see ratio assignment listing in section V) that was assigned by its Budget Coordinator to allocate the appropriate time to individual charge numbers that are associated to that department's services. Unless otherwise permitted by regulatory authority or exception, the selection of ratios and the calculation of allocation percentages should be derived from or bear relationship to an empirical analysis of a prior representative period. These allocation percentages are reviewed on an annual basis to update to actual allocation percentages when needed.

Exception Time Reporting

If an employee was working on a completely new project that had not been defined within the monthly or annual allocation process, then the employee would be given the new allocation with project/task code, update his/her time allocation accordingly and get his/her manager's approval. If an allocation from a previous pay period needs to be adjusted then that correction must be entered into the timekeeping system.



a PPL company

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May 31, 2017

RE: Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company d/b/a Old Dominion Power Company for Approval of an Acquisition of Control of Utilities (Case No. PUE-2010-00060)

and

Kentucky Utilities Company, d/b/a Old Dominion Power, For Approval of Affiliate Transactions in Connection with Transfer of Ownership and Control and Restructuring and Refinancing of Debt Pursuant to Chapter 4 of Title 56 of the Code of Virginia (Case No. PUE-2010-00094)

Dear Mr. Peck:

Pursuant to Commission's Orders in the aforementioned cases and the Motion for Extension of Time filed with the Commission on April 28, 2017 by Kentucky Utilities Company ("KU"), d/b/a Old Dominion Power Company, ("ODP"), (collectively "the Companies"), enclosed are an original and two (2) copies of KU's, *Annual Report of Affiliate Transactions* for the calendar year January 1, 2016 through December 31, 2016 as specifically mentioned in Ordering Paragraph No. 15 of the Commission's Order dated October 19, 2010 in Case No. PUE-2010-00060. Also, enclosed are *Annual Detailed Reconciliations* as specifically mentioned in Paragraph No. 10 of the Commission's Order dated October 19, 2010 in Case No. PUE-2010-00094 for the 2015 tax year. The

Mr. Joel H. Peck
May 31, 2017

Companies consider confidential the information in the *Annual Detailed Reconciliations* and request this information be withheld from public disclosure and be afforded the same protections as confidential information in formal proceedings. The information for which KU is seeking confidential treatment is not known outside of the Company, and it is not disseminated within KU except to those employees with a legitimate business need to know the information.

The Companies are simultaneously submitting a copy of this *Annual Report of Affiliate Transactions* to the Commission's Director of Utility Accounting and Finance.

Please confirm your receipt of this filing by placing the File Stamp of your office on the enclosed extra copy and returning it to KU in the enclosed, self-addressed envelope. If you have any questions, please contact me or contact Don Harris at (502) 627-2021.

Sincerely,

Rick E. Lovekamp / DJH

Rick E. Lovekamp

cc: Kimberly B. Pate, Director, Division of Utility Accounting and Finance
Robert F. Sartelle, Manager, Division of Utility Accounting and Finance

2016 VA ARAT
 KU Provider of Service (Receivables)
 VASCC-1 By Month and CAM Category

	JAN-2016	FEB-2016	MAR-2016	APR-2016	MAY-2016	JUN-2016	JUL-2016	AUG-2016	SEP-2016	OCT-2016	NOV-2016	DEC-2016	Grand Total
Audit Services	\$ -	\$ (2,138.34)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,138.34)
Compliance, Legal, and Environmental Affairs Services	320.60	(21,719.45)	288.86	258.30	347.93	134,461.84	360.63	422.50	757.08	219.40	536.48	259.86	116,514.03
Controller Organization Services	-	-	-	-	-	-	1,610.17	-	-	-	-	-	1,610.17
Corporate Communications and Public Affairs Management Services	-	(1,897.44)	-	-	-	-	-	1,000.00	-	-	-	-	1,000.00
Corporate Tax and Payroll Organization Services	(131,699.38)	(194.12)	3,480.85	725,107.48	3,535.12	10,364,273.46	6,639.31	210,904.60	1,922,554.17	70,905.87	15,000.00	1,038.33	15,140.89
Customer and Customer-Related Services	2,521.19	(1,226.34)	8,825.04	6,393.50	2,273.07	3,866.77	4,316.34	3,164.27	6,476.54	64,639.17	2,323.50	3,797.74	13,181,628.60
Distribution Operations Services	(3,536.20)	25,991.86	2,576.08	1,597.59	14,452.89	(56,205.26)	(611,761.56)	(589,883.32)	52,296.62	(384,217.67)	29,563.55	(56,489.70)	107,103.00
Energy Supply and Analysis Services	1,666.18	50.04	69,656.32	-	-	203,561.84	39,972.82	419,350.79	51,315.06	484,436.71	484,436.71	332,564.23	1,602,573.99
Executive Management Services	10,340.25	(12,631.86)	664.64	(537.12)	212.50	171,582.17	18,498.80	209.22	483.90	201.98	258.41	571.17	189,854.06
Financial Planning and Budgeting Services	8,751.00	-	-	-	-	1,043.55	18,870.87	-	-	-	-	-	28,665.42
HR Services	20,400.99	22,728.38	23,214.80	21,381.77	23,267.49	26,960.10	32,729.47	15,489.93	14,873.75	14,060.84	12,404.36	55,475.84	282,987.72
IT Services	117,327.98	232,799.44	165,522.88	(82,854.23)	262,634.21	117,021.81	112,668.13	108,794.78	166,698.80	97,517.15	93,554.44	204,840.17	1,596,525.56
Operating Services	11,104.60	24,520.24	107,488.50	23,307.85	18,025.20	17,248.49	13,764.82	26,972.88	12,525.19	36,872.69	18,143.15	44,636.99	354,610.60
Power Production and Generation Services	1,783,667.78	499,927.63	4,939,725.96	2,638,205.93	14,884,394.77	3,003,277.58	2,600,361.98	793,730.85	3,075,552.81	3,799,681.22	2,863,364.29	18,299,564.59	59,181,455.39
Regulatory Affairs and Government Affairs Management Services	(2,560.72)	(35.02)	-	(137.55)	-	(68.77)	(358.42)	(2,415.64)	-	(1,025.91)	(637.56)	2,294.05	(4,945.54)
Sarbanes-Oxley Compliance Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Supply Chain and Logistics Services	898.02	1,302.33	1,324.62	1,747.27	428.11	5,142.09	205.66	447.42	501.47	487.55	2,156.68	454.20	15,095.42
Transmission Operations & Services	103,486.04	94,701.80	37,330.64	38,605.31	90,946.67	92,972.97	47,319.28	94,328.52	13,255.04	134,480.62	129,348.95	1,615,994.20	2,492,770.04
Transportation Services	-	-	(20.71)	-	1,839.12	-	-	-	-	-	-	-	2,373.47
Treasury Services	4,998,717.53	2,968,900.96	1,716,377.50	1,779,025.49	2,346,764.92	2,207,731.13	1,589,033.58	2,821,892.99	2,542,572.80	2,410,775.06	2,605,785.63	3,298,181.55	31,285,759.14
	\$ 6,921,405.80	\$ 3,831,080.11	\$ 7,076,455.88	\$ 5,162,101.58	\$ 17,649,122.00	\$ 16,202,869.77	\$ 3,874,231.88	\$ 3,485,059.00	\$ 8,227,898.88	\$ 8,205,913.03	\$ 8,109,748.89	\$ 23,951,099.29	\$ 108,956,888.36

Refer to the LG&E and KU Services Cost Allocation Manual filed within for a description of services, the nature and frequency of services provided, cost apportionment methodology, and methods

Exhibit No. VSCC-1A	\$ 94,205,131.78
Exhibit No. VSCC-1B	1,227,400.39
Exhibit No. VSCC-1C	56,265.58
Exhibit No. VSCC-1D	13,278,095.70
Exhibit No. VSCC-1E	24.24
Exhibit No. VSCC-1F	691.13
Exhibit No. VSCC-1G	189,316.69
Exhibit No. VSCC-1H	28.15
Exhibit No. VSCC-1I	32.70
	\$ 108,956,986.36

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LOUISVILLE GAS AND ELECTRIC COMPANY
January 1, 2016 - December 31, 2016

Exhibit No. VSSC-1A

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and documentation related to each arrangement/agreement;
- 8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
- 9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
- 10) list and description of each utility asset transfer over \$250,000;
- 11) list by functional group of utility assets transfers valued less than \$250,000;
- 12) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) Louisville Gas and Electric Company
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Charitable/Community Contributions	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Materials/Fuels	Office and Administrative Services	Power Sales/Outside Services	Purchases/Transmission	Total
JAN-2016	\$ 678,699.56		\$ 43,331.15	\$ 44,867.49	\$ 33,935.35	\$ 317,683.52	\$ 5,534,423.73	\$ 20,189.00	\$ 205,502.46	\$ 6,955,097.10
FEB-2016	(380,992.74)		167,695.41	44,453.46	46,704.11	515,853.89	3,293,658.52	50,471.95	51,641.93	4,745,780.12
MAR-2016	3,244,594.10		62,241.50	38,043.22	83,355.59	104,447.11	1,724,490.35	112,505.85	1,405,801.94	3,803,741.41
APR-2016	833,772.05		40,147.61	39,048.20	42,241.58	463,729.17	2,303,541.26	(48,773.99)	836,561.66	4,536,700.07
MAY-2016	9,904,641.79		15,407.97	754,882.29	37,622.71	334,260.50	4,894,761.08	45,429.64	1,488,180.28	17,475,186.26
JUN-2016	842,398.76		52,964.53	37,506.80	50,319.96	372,338.35	2,933,579.25	59,408.96	1,330,531.88	5,693,576.36
JUL-2016	(1,599,665.63)		32,632.26	35,945.35	31,565.76	443,122.16	3,399,382.69	43,568.26	1,157,750.06	3,581,171.62
AUG-2016	(3,540,724.86)	1,000.00	35,730.62	35,665.03	37,668.17	670,874.68	4,342,648.01	48,883.21	1,538,559.82	3,170,304.68
SEP-2016	269,019.78		46,908.47	39,548.64	44,501.09	82,471.22	3,824,007.27	22,724.10	1,862,010.28	6,191,190.85
OCT-2016	(811,491.13)		29,840.16	32,511.49	32,992.27	432,790.98	3,245,001.44	86,113.94	3,059,907.35	6,107,666.50
NOV-2016	402,782.91	15,000.00	36,777.08	39,124.48	34,470.62	383,194.23	3,636,938.53	194,292.40	1,346,591.89	6,124,250.49
DEC-2016	2,355,263.57	1,038.33	36,431.85	33,996.45	68,536.25	14,892,470.45	4,743,719.24	499,254.88	904,931.97	23,788,194.35
Total	\$ 12,198,292.16	\$ 17,038.33	\$ 600,108.61	\$ 1,175,592.90	\$ 543,913.46	\$ 19,013,236.26	\$ 43,876,151.37	\$ 1,134,068.20	\$ 15,187,971.52	\$ 94,205,131.78

5) Services provided are:

Finance, Legal, and Environmental Affairs Services	\$ 4,568.89
Corporate Communications and Public Affairs Management Services	15,140.89
Corporate Tax and Payroll Organization Services	37,826.70
Customer and Customer-Related Services	111,601.96
Distribution Operations Services	(1,581,895.90)
Energy Supply and Analysis Services	1,401,297.12
Executive Management Services	12,732.05
Financial Planning and Budgeting Services	2,629.64
HR Services	271,535.77
IT Services	703,806.79
Operating Services	233,859.68
Power Production and Generation Services	59,463,805.35
Regulatory Affairs and Government Affairs Management Services	(4,945.54)
Supply Chain and Logistics Services	10,516.89
Transmission Operations & Services	2,455,241.80
Transportation Services	2,373.47
Treasury Services	31,065,036.22
Total	\$ 94,205,131.78

- 6) LG&E and KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	\$ 12,198,292.16	12.95%
Expense	\$ 82,006,839.62	87.05%
Total	\$ 94,205,131.78	100.00%

9) Allocation percentages for overhead calculations on labor as applicable in 2016 are as follows:

Part-Time Labor	81.63%
Temporary Labor and Overtime	19.82%
Full-Time Labor	81.63%

Allocation percentages for overhead calculations on material issued from inventory in 2016 are as follows:

Stores, Freight & Handling - T & D	18.00%
Stores, Freight & Handling - Production	29.26%

Allocation percentages on labor and non-labor for capital projects in 2016 are as follows:

Construction Overheads - Distribution	12.90%
Construction Overheads - Production	1.20%
Construction Overheads - Transmission	10.12%
Administrative and General	1.62%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2016 are as follows:

Vehicle Cost Allocation	13.47%
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10) There was one asset transfer from KU to LG&E over \$250,000:
 180MVA 138/69kV Transformer \$ 1,118,133.00

11) Transfer of assets from KU to LG&E less than \$250,000 are as follows:
 Transfer of distribution equipment \$ 54,424.06

12) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2A) and net settlements occur in the following month

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LOUISVILLE GAS AND ELECTRIC COMPANY
January 1, 2016 - December 31, 2016

Exhibit No. VSCC-18

No. 10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and documentation related to each arrangement/agreement;
- 8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
- 9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
- 10) list and description of each utility asset transfer over \$250,000;
- 11) list by functional group of utility assets transfers valued less than \$250,000;
- 12) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Materials/Fuels	Office and Administrative Services	Outside Services	Total
JAN-2016	\$ 2,415.15	\$ (54,090.95)	\$ -	\$ -	\$ -	\$ 2,864.88	\$ -	\$ (48,810.92)
FEB-2016	3,679.48	(11,631.99)	14,956.82	(4,011.78)	(118.08)	674.30	(1,028.57)	1,720.16
MAR-2016	2,313.27	81,509.65		(0.00)	7,416.34	3,773.17		95,012.43
APR-2016	(146,439.27)	52,692.42	(3,142.76)	162,369.00	(310.81)	(178.11)	(360.19)	64,630.28
MAY-2016	68,388.01	74,813.64	(933.16)	(0.00)	(34.69)	19,132.95		161,366.75
JUN-2016	12,247.75	73,808.96	3,859.90	134,538.60		1,107.23		225,562.44
JUL-2016	11,692.58	324,600.69		(79,962.68)		2,923.08		259,253.67
AUG-2016	11,673.96	72,874.85	3,225.69	(0.00)	3,328.66	(1,500.55)	5,752.73	95,355.34
SEP-2016	25,674.12	69,247.95		4,441.75		3,496.45		102,860.27
OCT-2016	22,526.65	57,406.19	28,316.43	(1,585.00)		(306.42)	410.33	106,768.18
NOV-2016	13,969.18	58,123.90		0.00	4,750.00	(19,273.73)	2,155.00	59,724.35
DEC-2016	20,506.96	51,117.58	27,833.51		571.42	(317.93)	4,245.88	103,957.42
Total	\$ 48,647.84	\$ 850,472.89	\$ 74,116.43	\$ 215,789.89	\$ 15,602.84	\$ 12,395.32	\$ 10,375.18	\$ 1,227,400.39

5) Services provided are:

Audit Services	\$ (2,138.34)
Compliance, Legal, and Environmental Affairs Services	111,841.86
Controller Organization Services	1,610.17
Corporate Tax and Payroll Organization Services	(134,353.73)
Customer and Customer-Related Services	(3,159.53)
Distribution Operations Services	90,204.47
Energy Supply and Analysis Services	201,276.87
Executive Management Services	176,945.59
Financial Planning and Budgeting Services	26,035.78
HR Services	11,254.90
IT Services	703,486.66
Operating Services	110,178.20
Power Production and Generation Services	(314,788.61)
Supply Chain and Logistics Services	4,572.79
Transmission Operations & Services	23,798.40
Treasury Services	220,644.91
	<u>\$ 1,227,400.39</u>

- 6) LG&E and KU's cost allocation policies are to use et-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LKS are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	\$ 48,647.84	3.96%
Expense	\$ 1,178,752.55	96.04%
	<u>\$ 1,227,400.39</u>	<u>100.00%</u>

9) Allocation percentages for overhead calculations on labor as applicable in 2016 are as follows:

Part-Time Labor	81.63%
Temporary Labor and Overtime	19.82%
Full-Time Labor	81.63%

Allocation percentages for overhead calculations on material issued from inventory in 2016 are as follows:

Stores, Freight & Handling - T & D	18.00%
Stores, Freight & Handling - Production	29.26%

Allocation percentages on labor and non-labor for capital projects in 2016 are as follows:

Construction Overheads - Distribution	12.90%
Construction Overheads - Production	1.20%
Construction Overheads - Transmission	10.12%
Administrative and General	1.62%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2016 are as follows:

Vehicle Cost Allocation	13.47%
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- 10) There were no utility asset transfers over \$250,000.
- 11) There were no utility asset transfers under \$250,000.
- 12) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2B) for most transactions, and net settlements occur in the following month. All PPL charges except for mutual assistance and goods not readily available from the market are settled through LKS. The details for the PPL charges settled through LKS can be found in Exhibit Nos. 1E, 1F, 1G, 2E, 2F and 2G.

**KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (LG&E AND KU CAPITAL LLC)
January 1, 2016 - December 31, 2016**

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (LG&E and KU Capital LLC)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Charitable/Community Contributions	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Materials/Fuels	Office and Administrative Services	Outside Services	Total
JAN-2016	\$ -	\$ -	\$ -	\$ 75.70	\$ 28.35	\$ 207.76	\$ 128.60	\$ -	\$ 440.41
FEB-2016				143.30	28.41	729.00	24,504.10	159.00	25,563.81
MAR-2016			18.99	76.79	34.57		15,799.37		15,929.72
APR-2016				73.61	28.58		(649.80)		(547.61)
MAY-2016				1,031.81	28.66		262.36		1,322.83
JUN-2016				1,038.75	34.86		784.72		1,858.33
JUL-2016	2,130.50	(108.00)		1,039.48	31.55		(275.00)		2,818.53
AUG-2016				1,028.12	31.65	0.30	795.20		1,855.27
SEP-2016				1,032.89	30.71		1,549.50		2,613.10
OCT-2016				1,026.90	31.84		(1,122.82)		(64.08)
NOV-2016				1,037.17	30.90		2,032.03		3,100.10
DEC-2016	12.44		(250.97)	1,026.46	(303.21)	(364.38)	984.74	270.09	1,375.17
Total	\$ 2,142.94	\$ (108.00)	\$ (231.98)	\$ 8,630.98	\$ 36.87	\$ 572.68	\$ 44,793.00	\$ 429.09	\$ 56,265.58

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services	\$ 70.58 ¹
Corporate Tax and Payroll Organization Services	59.93 ¹
Customer and Customer-Related Services	(1,339.43) ¹
Distribution Operations Services	1,094.17 ¹
Executive Management Services	176.42 ¹
HR Services	197.05 ¹
IT Services	(799.85) ¹
Operating Services	10,572.72 ¹
Power Production and Generation Services	32,420.50 ¹
Supply Chain and Logistics Services	5.74 ¹
Transmission Operations & Services	13,729.84 ¹
Treasury Services	78.01 ¹
	<u>\$ 56,265.58 ¹</u>

- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (LG&E and KU Capital LLC) are priced at cost, which approximates market
- 8) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2C) and net settlements occur in the following month.

¹ Note: Services listed were not performed by KU, except for operating services. Transactions are corrections of charges or convenience payments paid by KU on behalf LG&E and KU Capital LLC.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (LG&E AND KU ENERGY LLC)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (LG&E and KU Energy LLC)
- 2) PPL and Consenting Members of its Consolidated Group Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits, Case Number PUE-2010-00094.

3) February 24, 2016

4) Component costs are:

<u>Period</u>	<u>Income Taxes</u>
APR-2016	\$ 722,238.00
JUN-2016	10,360,661.00
AUG-2016	206,323.70
SEP-2016	1,920,000.00
OCT-2016	68,873.00
Total	\$ 13,278,095.70

5) Services provided are:

Corporate Tax and Payroll Organization Services	\$ 13,278,095.70
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- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (LG&E and KU Energy LLC) are priced at cost, which approximates market value.
- 8) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2D), for transactions other than most income taxes, and net settlements occur in the following month. Due to the size of the payments, most income taxes are settled within the current month.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (PPL Corporation)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Equipment/ Facilities
Oct-16	\$ 22.04
Dec-16	2.20
Total	\$ 24.24

- 5) Services provided are:

IT Services	\$ 24.24
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- 6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (PPL Corporation) are priced at cost, which approximates market value.
- 8) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2E) and net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 1B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (PPL Services Corporation)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Equipment/ Facilities
JAN-2016	\$ 81.20
FEB-2016	40.44
MAR-2016	27.49
APR-2016	39.02
MAY-2016	34.83
JUN-2016	28.82
JUL-2016	41.88
AUG-2016	34.19
SEP-2016	47.01
OCT-2016	82.78
NOV-2016	104.76
DEC-2016	128.71
Total	\$ 691.13

- 5) Services provided are:

IT Services	\$ 691.13
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- 6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (PPL Services Corporation) are priced at cost, which approximates market value.
- 8) Receivables are netted against payables to the same affiliate (see the response to question 4 in Exhibit No. 2F) and net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 1B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month;

RESPONSES:

- 1) LG&E and KU Services Company (on behalf of PPL Services Corporation)
- 2) Data Hosting Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Equipment/ Facilities
JAN-2016	\$ 14,593.82
FEB-2016	-
MAR-2016	25,077.34
APR-2016	11,178.83
MAY-2016	11,178.63
JUN-2016	11,177.21
JUL-2016	11,178.16
AUG-2016	11,178.18
SEP-2016	11,185.82
OCT-2016	12,565.07
NOV-2016	12,564.61
DEC-2016	57,439.02
Total	\$ 189,316.69

- 5) Services provided are:

IT Services	\$ 189,316.69
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- 6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (on behalf of PPL Services Corporation) are priced at cost, which approximates market value.
- 8) Receivables are netted against payables to the same affiliate (see the response to question 4 in Exhibit No. 2F) and net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 1B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (FCD LLC)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (FCD LLC)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Equipment/ Facilities
JAN-2016	\$ 4.25
FEB-2016	2.18
JUN-2016	4.66
SEP-2016	9.04
NOV-2016	2.75
DEC-2016	5.27
Total	\$ 28.15

- 5) Services provided are:

Power Production and Generation Services	\$ 28.15
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- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (FCD LLC) are priced at cost, which approximates market value.
- 8) Receivables are netted against payables to the same affiliate, if any, and net settlements occur in the following month.

**KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (FCD LLC)
January 1, 2016 - December 31, 2016**

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (Western Kentucky Energy Corp.)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016

4) Component costs are:

Period	Office and Administrative Services
MAY-2016	\$ 32.70

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services \$ 32.70

- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (Western Kentucky Energy Corp.) are priced at cost, which approximates market value.
- 8) Receivables are netted against payables to the same affiliate, if any, and net settlements occur in the following month.

2016 VA ARAT
 KU Recipient of Service (Payables)
 VSCC-2 By Month and CAM Category

	JAN-2016	FEB-2016	MAR-2016	APR-2016	MAY-2016	JUN-2016	JUL-2016	AUG-2016	SEP-2016	OCT-2016	NOV-2016	DEC-2016	Grand Total
Audit Services	\$ 55,858.38	\$ 57,350.16	\$ 67,945.17	\$ 61,080.45	\$ 63,923.23	\$ 69,429.18	\$ 55,317.83	\$ 72,508.54	\$ 64,718.40	\$ 56,881.34	\$ 52,556.86	\$ 56,948.17	\$ 734,517.71
Compliance, Legal and Environmental Affairs Services	814,270.05	1,009,934.62	986,406.21	646,731.44	650,585.10	1,132,133.11	628,117.01	753,938.65	1,019,902.24	671,934.54	600,826.19	1,052,019.10	9,966,798.26
Contractor Organization Services	238,476.85	208,796.08	260,478.87	217,982.92	230,176.10	233,370.91	211,715.59	274,109.35	225,645.11	246,611.89	228,281.87	239,302.04	2,811,947.69
Corporate Communications and Public Affairs Management Services	150,800.81	533,505.89	296,303.29	208,218.76	230,251.52	268,031.17	177,175.96	239,088.52	153,592.19	260,865.16	193,050.33	432,499.34	3,243,182.94
Corporate Tax and Payroll Organization Services	55,237.50	402,678.82	3,887,083.67	10,891,652.18	425,090.63	1,998,466.13	617,761.58	188,918.71	5,590,573.55	882,211.35	(41,861.13)	3,467,537.72	28,365,350.71
Customer and Customer-Related Services	2,188,300.89	2,634,251.80	2,397,854.59	2,636,521.68	2,645,114.64	2,725,051.28	2,694,338.41	3,598,688.31	2,901,298.94	3,561,449.86	3,004,509.95	2,956,277.05	34,003,657.40
Distribution Operations Services	734,007.11	747,326.46	1,169,802.16	935,247.16	1,280,436.73	2,052,429.53	1,047,882.49	1,110,616.50	1,123,711.56	1,305,019.90	1,060,432.18	1,121,531.43	13,689,443.21
Energy Supply and Analysis Services	1,512,144.30	1,721,203.08	1,619,344.65	1,787,854.06	1,664,034.75	1,808,826.97	1,731,790.48	1,617,641.85	1,419,409.36	1,395,695.35	1,372,749.72	1,803,422.93	19,454,117.50
Executive Management Services	670,965.53	886,398.25	1,143,042.89	5,869,722.61	661,806.34	795,878.69	799,286.39	775,566.15	862,918.80	676,830.97	665,945.82	2,514,908.72	16,324,271.36
Financial Planning and Budgeting Services	245,999.34	190,803.14	231,205.94	187,882.12	195,517.26	185,363.35	208,982.04	217,744.79	188,326.59	198,955.81	182,952.77	174,891.77	2,408,624.92
HR Services	2,944,645.60	2,544,820.23	5,759,077.31	2,601,534.31	2,609,930.84	4,077,132.03	2,168,180.48	2,617,474.80	1,603,409.43	1,651,370.45	1,532,137.98	3,356,242.22	33,725,955.68
IT Services	3,247,037.69	4,312,772.70	5,503,576.31	4,000,294.58	4,383,528.03	14,280,349.39	4,343,425.93	5,185,652.23	4,082,862.68	4,065,665.71	4,305,424.01	8,220,963.24	65,931,552.50
Operating Services	930,929.95	1,331,932.17	1,321,613.63	1,291,801.06	1,475,373.17	1,385,441.39	1,495,185.44	1,553,507.74	1,386,929.09	1,435,334.77	1,807,132.33	2,270,645.90	17,685,826.64
Power Production and Generation Services	28,110,849.45	23,327,736.05	24,424,478.35	25,022,808.09	38,739,791.42	23,655,330.29	25,584,139.33	22,141,624.26	27,865,890.45	26,703,792.83	22,474,674.34	50,524,662.44	338,575,777.30
Regulatory Affairs and Government Affairs Management Services	166,865.08	25,395.67	28,138.87	26,838.03	34,120.63	20,302.93	8,758.93	13,355.63	15,752.75	20,219.71	17,278.93	22,528.83	399,555.99
Sarbanes-Oxley Compliance Services	8,802.64	9,148.44	9,321.92	9,170.53	7,120.28	9,092.78	7,708.96	9,731.02	9,022.52	10,623.55	10,319.87	8,760.87	108,823.40
Supply Chain and Logistics Services	273,356.85	215,401.54	233,306.75	200,446.75	227,033.74	247,333.02	203,358.75	254,814.20	235,449.31	72,287.61	322,450.29	521,760.32	3,006,999.13
Transmission Operations & Services	1,937,806.68	1,599,127.85	2,002,785.35	1,450,478.15	1,775,319.28	2,026,225.55	1,633,286.25	3,536,014.59	2,103,334.05	2,347,379.67	1,910,318.00	2,422,953.78	24,745,029.20
Transportation Services	25,433.76	87,763.01	43,542.36	31,826.23	33,358.78	37,897.62	36,297.89	29,726.81	21,245.95	31,209.62	36,687.40	25,475.83	440,465.26
Treasury Services	3,019,549.92	1,168,212.35	1,583,332.58	1,174,838.10	1,239,854.40	1,678,212.20	829,642.88	2,360,037.31	2,272,234.07	1,956,140.64	1,937,441.27	2,162,770.17	21,402,265.89
	<u>\$ 47,331,336.39</u>	<u>\$ 43,014,658.31</u>	<u>\$ 52,068,940.87</u>	<u>\$ 50,312,928.41</u>	<u>\$ 58,672,366.87</u>	<u>\$ 58,656,207.52</u>	<u>\$ 44,482,352.84</u>	<u>\$ 48,548,759.88</u>	<u>\$ 53,446,227.14</u>	<u>\$ 47,551,280.73</u>	<u>\$ 41,763,308.98</u>	<u>\$ 83,358,101.67</u>	<u>\$ 637,024,162.69</u>

Exhibit No. VSCC-2A	\$ 342,261,542.81
Exhibit No. VSCC-2B	266,410,035.40
Exhibit No. VSCC-2C	49,480.51
Exhibit No. VSCC-2D	25,622,566.00
Exhibit No. VSCC-2E	(28,503.99)
Exhibit No. VSCC-2F	2,707,819.74
Exhibit No. VSCC-2G	1,222.22
	<u>\$ 637,024,162.69</u>

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LOUISVILLE GAS AND ELECTRIC COMPANY
 January 1, 2016 - December 31, 2016

Exhibit No. VSCC-2A

10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) Identification of the affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided, consistent with the Company's Cost Allocation Manual;
- 6) profit component of each arrangement/agreement where services are provided by an affiliate and how such component is determined;
- 7) comparable market values and documentation related to each arrangement/agreement;
- 8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
- 9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
- 10) list and description of each utility asset transfer over \$250,000;
- 11) list by functional group of utility assets transfers valued less than \$250,000;
- 12) dollar amount either paid to, or received by, KU/ODP per month.

RESPONSES:

- 1) Louisville Gas and Electric Company
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Charitable/Community Contributions	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Materials/Fuels	Office and Administrative Services	Outside Services	Power Sales/Purchases	Transmission	Total
JAN-2016	\$ 598,073.04		\$ 894,737.77	\$ 86,437.04	\$ 522,351.65	\$ 18,204,022.05	\$ 208,870.08	\$ 713,910.66	\$ 6,040,731.88	\$ 11,653.75	\$ 27,278,788.21
FEB-2016	131,287.13		929,093.88	115,534.46	557,438.42	14,350,391.23	182,314.53	544,709.60	5,507,768.09	12,476.36	22,330,993.80
MAR-2016	2,294,730.75		1,030,229.39	100,731.81	934,946.59	12,947,539.83	359,266.96	879,187.01	4,821,203.66	13,128.58	23,180,994.38
APR-2016	4,175,880.65		1,069,448.63	81,151.34	715,229.44	10,188,524.09	119,545.74	3,854,118.29	4,976,002.13	20,320.34	25,180,318.65
MAY-2016	20,572,141.30		938,434.24	757,335.58	688,762.72	12,661,560.55	595,513.61	881,178.41	2,288,387.25	22,379.13	39,301,872.79
JUN-2016	8,065,232.45		1,117,639.28	178,668.69	1,012,209.08	11,627,430.70	434,274.85	90,288.52	3,216,858.36	51,348.20	24,603,948.03
JUL-2016	4,587,746.53		999,916.71	253,050.82	644,023.78	17,657,056.68	170,018.82	999,447.07	3,105,534.00	29,351.45	28,455,746.48
AUG-2016	898,655.83		993,330.41	118,883.33	709,673.13	16,525,491.04	191,339.45	436,764.33	2,043,884.23	32,458.06	21,750,557.81
SEP-2016	4,742,568.60	15,000.00	936,624.20	112,680.62	843,494.19	17,885,984.07	892,731.42	723,909.63	2,526,087.71	40,231.18	28,698,320.71
OCT-2016	5,641,132.58		939,185.63	114,374.22	628,295.15	17,729,514.01	148,230.18	896,878.79	2,189,408.64	63,612.47	28,348,640.67
NOV-2016	5,418,740.73		908,358.37	103,424.50	602,390.82	10,602,356.76	42,155.35	959,491.42	2,458,946.84	14,123.81	21,109,986.50
DEC-2016	11,013,537.53	192.38	780,008.90	92,052.82	879,557.09	31,733,104.81	178,672.14	827,617.89	5,456,384.92	0,885.51	51,871,613.90
Total	\$ 67,735,727.21	\$ 15,192.38	\$ 11,635,976.51	\$ 2,095,711.93	\$ 8,716,372.76	\$ 182,093,076.82	\$ 3,529,842.13	\$ 11,807,500.42	\$ 44,411,277.81	\$ 320,766.84	\$ 342,261,542.81

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services	\$ 7,246.46
Corporate Communications and Public Affairs Management Services	20,400.95
Corporate Tax and Payroll Organization Service	25,720.21
Corporate Tax and Payroll Organization Services	15.00
Customer and Customer-Related Services	99,083.53
Distribution Operations Services	5,257,046.71
Energy Supply and Analysis Services	17,975,953.51
Executive Management Services	47,241.08
Financial Planning and Budgeting Services	(230.22)
HR Services	741,619.68
IT Services	659,169.49
Operating Services	(12,047.10)
Power Production and Generation Services	314,181,180.96
Regulatory Affairs and Government Affairs Management Services	54,298.84
Supply Chain and Logistics Services	55,985.89
Transmission Operations & Services	2,296,486.96
Transportation Services	2,813.10
Treasury Services	849,750.98
Total	\$ 342,261,542.81

- 6) LG&E and KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E are priced at cost, which approximates market value.
- 8) The percentage of costs charged to capital or expense are as follows:

Capital	\$ 67,735,727.21	19.70%
Expense	\$ 274,525,815.60	80.21%
Total	\$ 342,261,542.81	100.00%

- 9) Allocation percentages for overhead calculations on labor as applicable in 2016 are as follows:

Part-Time Labor	78.68%
Temporary Labor and Overtime	19.44%
Full-Time Labor	78.88%

Allocation percentages for overhead calculations on material issued from inventory in 2016 are as follows:

Stores, Freight & Handling - T & D	14.40%
Stores, Freight & Handling - Production	18.00%

Allocation percentages on labor and non-labor for capital projects in 2016 are as follows:

Construction Overheads - Electric Distribution	11.40%
Construction Overheads - Production	2.80%
Construction Overheads - Transmission	19.13%
Construction Overheads - Gas Distribution	8.70%
Administrative and General	1.71%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2016 are as follows:

Vehicle Cost Allocation	7.13%
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- 10) There were no asset transfers over \$250,000.
- 11) Transfer of assets from LG&E to KU under \$250,000 are as follows:
 Transfer of distribution equipment in the amount of \$131,645.75
- 12) Payables are netted against receivables from the same affiliates (see response to question 4 in Exhibit No. 1A) and net settlements occur in the following month.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY
January 1, 2016 - December 31, 2016

Exhibit No. VSCC-2B

10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) Identification of the affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and documentation related to each arrangement/agreement;
- 8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
- 9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
- 10) list and description of each utility asset transfer over \$250,000;
- 11) list by functional group of utility assets transfers valued less than \$250,000;
- 12) dollar amount either paid to, or received by, KUIODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Charitable/Community Contributions	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Fuel Advance Settlements	Materials/Fuels	Office and Administrative Services	Outside Services	Total
JAN-2016	\$ 1,563,220.87	\$ 19,270.00	\$ 4,851,582.85	\$ 3,307,350.00	\$ 6,078,480.90	\$ (31,781,562.97)	\$ 32,135,317.32	\$ 1,568,159.83	\$ 2,058,663.65	\$ 19,888,762.05
FEB-2016	3,087,204.70	182,035.33	5,049,831.03	1,035,949.57	5,623,500.69	(34,948,251.96)	35,913,767.98	1,533,040.22	2,737,868.27	20,214,944.70
MAR-2016	4,543,385.04	93,483.38	5,255,022.42	1,255,231.61	7,937,731.04	(31,938,791.34)	31,124,917.59	1,858,558.12	5,535,583.54	25,713,121.40
APR-2016	2,787,805.41	48,303.64	4,867,483.52	6,070,181.82	5,875,188.28	(26,883,857.37)	26,887,805.95	1,294,349.84	2,416,000.51	23,563,271.60
MAY-2016	3,352,622.55	2,684.04	4,832,141.89	2,953,024.05	5,624,738.88	(25,553,081.34)	26,239,505.20	1,888,303.02	(326,561.05)	18,894,376.14
JUN-2016	3,663,552.54	3,310.00	4,283,751.47	10,607,152.77	6,665,876.37	(31,585,557.75)	33,935,162.65	807,085.39	2,715,228.04	31,095,682.48
JUL-2016	3,015,585.54	5,892.04	4,721,242.69	551,877.47	4,970,117.07	(28,521,531.80)	28,527,677.72	2,241,357.35	2,359,004.70	15,871,122.68
AUG-2016	4,130,453.45	40,014.20	5,194,494.67	931,167.49	8,849,143.73	(34,028,076.04)	36,104,451.70	1,634,512.09	3,838,381.01	24,693,542.30
SEP-2016	3,312,329.34	14,713.52	4,828,491.67	660,833.99	5,199,620.34	(38,138,383.88)	38,359,414.86	1,836,238.81	2,821,088.43	18,894,327.00
OCT-2016	3,560,071.65	8,908.83	4,666,790.04	468,644.85	5,736,076.59	(16,379,344.93)	16,314,949.44	1,796,319.19	2,510,912.89	18,685,328.55
NOV-2016	4,913,110.22	4,690.59	4,405,061.80	1,080,284.29	5,509,851.75	(32,484,717.12)	29,487,088.65	1,464,791.17	2,571,025.75	20,492,671.51
DEC-2016	3,992,559.12	42,384.01	3,692,502.83	2,748,142.05	7,925,459.89	(32,484,717.12)	34,567,527.98	3,624,061.06	4,004,984.17	28,302,904.99
Total	\$ 41,921,900.43	\$ 465,489.58	\$ 58,948,377.38	\$ 31,889,919.98	\$ 74,044,865.83	\$ (381,008,378.42)	\$ 387,587,587.04	\$ 21,527,778.70	\$ 33,240,458.01	\$ 268,410,035.40

5) Services provided are:

Audit Services	\$ 734,517.71
Compliance, Legal, and Environmental Affairs Services	9,393,018.41
Controller Organization Services	2,789,925.90
Corporate Communications and Public Affairs Management Services	3,222,781.89
Corporate Tax and Payroll Organization Services	2,717,040.50
Customer and Customer-Related Services	33,804,573.87
Distribution Operations Services	8,427,504.05
Energy Supply and Analysis Services	1,478,163.99
Executive Management Services	16,128,039.34
Financial Planning and Budgeting Services	2,405,848.05
HR Services	32,980,249.83
IT Services	64,214,222.22
Operating Services	17,698,773.74
Power Production and Generation Services	24,393,608.71
Regulatory Affairs and Government Affairs Management Services	332,784.35
Sarbanes-Oxley Compliance Services	108,823.40
Supply Chain and Logistics Services	3,157,013.17
Transmission Operations & Services	22,448,542.24
Transportation Services	437,852.16
Treasury Services	19,448,753.77
	<u>\$ 266,410,035.40</u>

6) LG&E and KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	\$ 41,921,900.43	8.68%
Expense	\$ 585,494,514.38	93.32%
	<u>\$ 627,416,414.82</u>	<u>100.00%</u>

9) Allocation percentages for overhead calculations on labor as applicable in 2016 are as follows:

Part-Time Labor	77.55%
Temporary Labor and Overtime	23.52%
Full-Time Labor	77.55%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2016 are as follows:
 Vehicle Cost Allocation 2.21%

10) There were no utility asset transfers over \$250,000.

11) There were no utility asset transfers under \$250,000.

12) Payables are netted against receivables from the same affiliate (see response to question 4 in Exhibit No. 1A), for most transactions, and net settlements occur in the following month. Due to the size of the payments, most generation-related charges (coal, fuel oil and reagent purchases and related freight costs) are settled within the current month. All PPL charges except for mutual assistance and goods not readily available from the market are settled through LKS. The details for the PPL charges settled through LKS can be found in Exhibit Nos. 1E, 1F, 1G, 2E, 2F and 2G.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (LG&E AND KU CAPITAL LLC)

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (LG&E and KU Capital LLC)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Office and Administrative Services	Grand Total
JAN-2016	\$ -	\$ -	\$ -	\$ -	(7.01)	\$ (7.01)
APR-2016			(38.83)			(38.83)
MAY-2016					12,475.00	12,475.00
AUG-2016					(461.77)	(461.77)
SEP-2016		(27.29)				(27.29)
OCT-2016					(39.88)	(39.88)
DEC-2016	38,865.49		0.03	(82.37)	(1,202.86)	37,580.29
Total	\$ 38,865.49	\$ (27.29)	\$ (38.80)	\$ (82.37)	\$ 10,763.48	\$ 49,480.51

- 5) Services provided are:

IT Services	\$ 37,005.51
Regulatory Affairs and Government Affairs Management Services	12,475.00
	<u>\$ 49,480.51</u>

- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (LG&E and KU Capital LLC) are priced at cost, which approximates market value.
- 8) Payables are netted against receivables from the same affiliate (see response to question 4 in Exhibit No. 1C) and net settlements occur in the following month.

**KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (LG&E AND KU ENERGY LLC)
January 1, 2016 - December 31, 2016**

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company (LG&E and KU Energy LLC)

2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126

PPL and Consenting Members of its Consolidated Group Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits, Case Number PUE-2010-00094 of Consolidated Income Tax Liabilities and Benefits, Case Number PUE-2010-00094.

3) February 24, 2016

4) Component costs are:

Period	Fringe Benefits/ Overheads	Income Taxes	Total
MAR-2016	\$ 2,388.00	\$ 3,566,221.00	\$ 3,568,609.00
APR-2016	(2,388.00)	10,360,661.00	10,358,273.00
JUN-2016		2,688,395.00	2,688,395.00
SEP-2016		5,483,277.00	5,483,277.00
OCT-2016		405,740.00	405,740.00
DEC-2016		3,118,272.00	3,118,272.00
Total	\$ -	\$ 25,622,566.00	\$ 25,622,566.00

5) Services provided are:

Corporate Tax and Payroll Organization Services \$ 25,622,566.00

6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (LG&E and KU Energy LLC) are priced at cost, which approximates market value.

8) Payable are netted against receivables from the same affiliate (see response to question 4 in Exhibit No. 1D), for transactions other than most income taxes, and net settlements occur in the following month. Due to the size of the payments, most income taxes are settled within the current month.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL CORPORATION)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company (PPL Corporation)

2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126

3) February 24, 2016

4) Component costs are:

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services	\$ 379.46
HR Services	3,125.00
IT Services	36,997.08
Treasury Services	(69,005.53)
	<u>\$ (28,503.99)</u>

6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (PPL Corporation) are priced at cost, which approximates market value.

8) Payables are netted against receivables from the same affiliate (see the response to question 4 in Exhibit No. 1E) and net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 2B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (PPL Services Corporation)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

Period	Capital Expenditures	Direct-Indirect Labor	Equipment/Facilities	Fringe Benefits/Overheads	Office and Administrative Services	Outside Services	Grand Total
JAN-2016	\$ -	\$ -	\$ 92,934.00	\$ -	\$ 70,481.68	\$ -	\$ 163,415.68
FEB-2016		84,322.15	115,437.35	75,083.18	173,206.79		448,049.47
MAR-2016		73,753.18	478,760.45	36,101.84	(82,669.38)		505,946.09
APR-2016		31,679.30	15,090.92	59,936.32	104,192.89		210,899.43
MAY-2016		49,764.53	8,011.28	34,817.92	111,249.21		203,842.94
JUN-2016	32,782.34	49,027.75	10,449.71	34,060.36	60,911.81	21,059.14	208,291.11
JUL-2016	5,043.68	156,152.07	4,006.20		59,287.08		224,489.03
AUG-2016	33,276.56	(75,179.77)	10,323.31	60,866.56	(43,106.35)	118,435.76	104,616.07
SEP-2016	112,663.34	43,420.89	163,770.76	34,151.91	3,809.23	12,513.59	370,329.72
OCT-2016	(64,166.65)	51,011.24	7,823.25	35,497.19	22,122.86	59,323.50	111,611.39
NOV-2016	49,305.44	44,747.34	7,549.54	32,605.53	8,323.50	7,608.51	150,139.86
DEC-2016	20,388.93	48,259.52	7,512.42	37,185.09	(149,325.33)	42,168.32	6,188.95
Total	\$ 189,293.64	\$ 556,958.20	\$ 921,669.19	\$ 440,305.90	\$ 338,483.99	\$ 261,108.82	\$ 2,707,819.74

- 5) Services provided are:

Compliance, Legal and Environmental Affairs Services	\$ 604,307.13
Controller Organization Services	34,342.94
Executive Management Services	104,059.73
Financial Planning and Budgeting Services	129,135.56
HR Services	14,712.75
IT Services	642,954.27
Supply Chain and Logistics Services	(205,999.93)
Treasury Services	1,384,307.29
	<u>\$ 2,707,819.74</u>

- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (PPL Services Corporation) are priced at cost, which approximates market value.
- 8) Payables are netted against receivables from the same affiliate (see the responses to question 4 in Exhibit Nos. 1F & 1G) and net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 2B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL Capital Funding, Inc.)
January 1, 2016 - December 31, 2016

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of Public Utility Accounting of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

- 1) identification of the non-regulated affiliates involved in each transaction;
- 2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
- 3) dates of each affiliate arrangement/agreement;
- 4) description of transactions by component cost by month and in total;
- 5) description of services provided;
- 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
- 7) comparable market values and supporting documentation for each type of service provided;
- 8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

- 1) LG&E and KU Services Company (PPL Capital Funding, Inc.)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
- 3) February 24, 2016
- 4) Component costs are:

<u>Period</u>	<u>Letter of Credit Fees</u>
APR-2016	\$ 205.56
AUG-2016	505.55
NOV-2016	511.11
Total	\$ 1,222.22

- 5) Services provided are:

Treasury Services	\$ 1,222.22
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- 6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.
- 7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (PPL Capital Funding, Inc.) are priced at cost, which approximates market value.
- 8) Payables are netted against receivables from the same affiliate, if any, and net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 2B.

ENTITY EVENTS

There are no entity changes for 2016.

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 60 Approved
OMB No. 1902-0215
Expires 05/31/2019



FERC FINANCIAL REPORT

FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)

LG&E and KU Services Company

Year of Report

Dec 31, 2016

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

BLANK

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission, (Attention: Information Clearance Officer, CIO),
888 First Street NE,
Washington, DC 20426
or by email to DataClearance@ferc.gov

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Office for the Federal
Energy Regulatory Commission).
Comments to OMB should be submitted by email to: oir_submission@omb.eop.gov

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS

I. Respondent – The person, corporation, or other legal entity in whose behalf the report is made.
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**FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION

01 Exact Legal Name of Respondent LG&E and KU Services Company		02 Year of Report Dec 31, <u>2016</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change //
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 220 West Main Street, Louisville, KY 40202		06 Name of Contact Person Rita Toubla
07 Title of Contact Person Manager Regulatory Accounting and Reporting		08 Address of Contact Person 220 West Main Street, Louisville, KY 40202
09 Telephone Number of Contact Person (502) 627-4823		10 E-mail Address of Contact Person Rita.Toubia@lge-ku.com
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) //
13 Date of Incorporation 06/02/2000	14 If Not Incorporated, Date of Organization //	
15 State or Sovereign Power Under Which Incorporated or Organized KENTUCKY		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: PPL Corporation		

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Kent W. Blake	19 Signature of Signing Officer Kent W. Blake	20 Date Signed (Month, Day, Year) 04/28/2017
18 Title of Signing Officer Chief Financial Officer		

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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List of Schedules and Accounts

Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	None
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	None
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301-302	
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306	
17	Schedule XVII - Analysis of Billing - Associate Companies (Account 457)	307	
18	Schedule XVIII - Analysis of Billing - Non-Associate Companies (Account 458)	308	None
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
23	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	11,483,968	8,324,528
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	2,871,046	3,306,634
6		Total Property (Total Of Lines 2-5)		14,355,014	11,631,162
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	3,682,145	2,346,187
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		10,672,869	9,284,975
10		Investments			
11	123	Investment In Associate Companies	105	79,600,000	100,000,000
12	124	Other Investments	105		
13	128	Other Special Funds	105		
14		Total Investments (Total of Lines 11-13)		79,600,000	100,000,000
15		Current And Accrued Assets			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		88,380	95,399
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	87,101,555	51,756,145
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies			
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		62,360	17,050,406
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets - Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		87,252,295	68,901,950
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts			
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits			
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		141,500,953	120,390,439
46		Total Deferred Debits (Total of Lines 37-45)		141,500,953	120,390,439
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		319,026,117	298,577,364

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201	100	100
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	15,457,130	15,457,130
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	6,906,133	2,540,803
54	219	Accumulated Other Comprehensive Income	201	(67,988,376)	(44,621,784)
55		Total Proprietary Capital (Total of Lines 49-54)		(45,625,013)	(26,623,751)
56		Long-Term Debt			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages			
65	228.3	Accumulated Provision For Pensions and Benefits		244,347,179	206,422,267
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		244,347,179	206,422,267
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		50,467,740	50,102,824
71	233	Notes Payable to Associate Companies	203		
72	234	Accounts Payable to Associate Companies	203	24,790,741	21,835,198
73	236	Taxes Accrued		2,723,633	5,847,191
74	237	Interest Accrued			
75	241	Tax Collections Payable		282,658	272,697
76	242	Miscellaneous Current and Accrued Liabilities	203	22,088,659	21,656,049
77	243	Obligations Under Capital Leases - Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities - Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		100,353,431	99,713,959
81		Deferred Credits			
82	253	Other Deferred Credits		19,633,485	18,689,036
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		317,035	375,853
87	283	Accumulated deferred income taxes-Other			
88		Total Deferred Credits (Total of Lines 82-87)		19,950,520	19,064,889
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		319,026,117	298,577,364

Name of Respondent	This Report is:	Resubmission Date	Year of Report
LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2016
FOOTNOTE DATA			

Schedule Page: 101 Line No.: 11 Column: d

\$79,600,000 is notes receivable from LKS' parent, LKE. This is recorded in Notes Receivable from Associated Companies (145). This specific account is not included in the balance sheet, therefore the amount was reported in the line for Investment in Associate Companies (123).

Schedule Page: 101 Line No.: 11 Column: e

\$100,000,000 is notes receivable from LKS' parent, LKE. This is recorded in Notes Receivable from Associated Companies (145). This specific account is not included in the balance sheet, therefore the amount was reported in the line for Investment in Associate Companies (123).

Schedule Page: 101 Line No.: 24 Column: d

\$297,592 of interest income on notes receivable from LKS' parent, LKE, is recorded in Notes Receivable from Associated Companies (145). This specific account is not included in the balance sheet, therefore the amount was reported in the line for Accounts Receivable From Associate Companies (146). Interest income on this note is retained by LKS and not allocated to the companies it serves.

Schedule Page: 101 Line No.: 24 Column: e

\$252,167 of interest income on notes receivable from LKS' parent, LKE, is recorded in Notes Receivable from Associated Companies (145). This specific account is not included in the balance sheet, therefore the amount was reported in the line for Accounts Receivable From Associate Companies (146). Interest income on this note is retained by LKS and not allocated to the companies it serves.

Schedule Page: 101 Line No.: 45 Column: d

The balance in Accumulated Deferred Income Taxes (190) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The purchase accounting adjustment was to reflect the deferred income tax impact of purchase accounting adjustments related to pensions as of the acquisition date. The following reflects the purchase accounting adjustment:

Accumulated Deferred Income Taxes (190) Without Purchase Accounting	\$ 115,023,386
Purchase Accounting Adjustment	26,477,567
Total for Accumulated Deferred Income Taxes (190)	\$ 141,500,953

Schedule Page: 101 Line No.: 45 Column: e

The balance in Accumulated Deferred Income Taxes (190) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The purchase accounting adjustment was to reflect the deferred income tax impact of purchase accounting adjustments related to pensions as of the acquisition date. The following reflects the purchase accounting adjustment:

Accumulated Deferred Income Taxes (190) Without Purchase Accounting	\$ 95,694,063
Purchase Accounting Adjustment	24,696,376
Total for Accumulated Deferred Income Taxes (190)	\$ 120,390,439

Schedule Page: 101 Line No.: 51 Column: d

The balance in Miscellaneous Paid-In-Capital (211) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The balance also includes elimination of Accumulated Other Comprehensive Income and Retained Earnings. In addition, the Accumulated Other Comprehensive Income balance transferred was adjusted to reflect the fair value for pensions net of deferred taxes. The following reflects the purchase accounting adjustment:

Miscellaneous Paid-In-Capital (211) Without Purchase Accounting	\$ 100,000,900
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Name of Respondent	This Report is:	Resubmission Date	Year of Report
LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2016
FOOTNOTE DATA			

Purchase Accounting Adjustment	(84,543,770)
Total for Miscellaneous Paid-In-Capital (211)	\$ 15,457,130

Schedule Page: 101 Line No.: 51 Column: e

The balance in Miscellaneous Paid-In-Capital (211) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The balance also includes elimination of Accumulated Other Comprehensive Income and Retained Earnings. In addition, the Accumulated Other Comprehensive Income balance transferred was adjusted to reflect the fair value for pensions net of deferred taxes. The following reflects the purchase accounting adjustment:

Miscellaneous Paid-In-Capital (211) Without Purchase Accounting	\$ 100,000,900
Purchase Accounting Adjustment	(84,543,770)
Total for Miscellaneous Paid-In-Capital (211)	\$ 15,457,130

Schedule Page: 101 Line No.: 53 Column: d

The balance in Unappropriated Retained Earnings (216) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The following reflects the purchase accounting adjustment:

Unappropriated Retained Earnings (216) Without Purchase Accounting	\$ 6,928,117
Purchase Accounting Adjustment	(21,984)
Total for Unappropriated Retained Earnings (216)	\$ 6,906,133

Schedule Page: 101 Line No.: 53 Column: e

The balance in Unappropriated Retained Earnings (216) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The following reflects the purchase accounting adjustment:

Unappropriated Retained Earnings (216) Without Purchase Accounting	\$ 2,562,786
Purchase Accounting Adjustment	(21,983)
Total for Unappropriated Retained Earnings (216)	\$ 2,540,803

Schedule Page: 101 Line No.: 54 Column: d

The balance in Accumulated Other Comprehensive Income (219) was adjusted due to the purchase of LKS' parent by PPL Corporation in November 2010. The following reflects the purchase accounting adjustment:

Accumulated Other Comprehensive Income (219) Without Purchase Accounting	\$ (110,965,972)
Purchase Accounting Adjustment	42,977,596
Total for Accumulated Other Comprehensive Income (219)	\$ (67,988,376)

Schedule Page: 101 Line No.: 54 Column: e

The balance in Accumulated Other Comprehensive Income (219) was adjusted due to the purchase of LKS' parent by PPL in November 2010. The following reflects the purchase accounting adjustment:

Accumulated Other Comprehensive Income (219) Without Purchase Accounting	\$ (90,397,085)
Purchase Accounting Adjustment	45,775,301
Total for Accumulated Other Comprehensive Income (219)	\$ (44,621,784)

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements					
6	391	Office Furniture and Equipment	8,324,528	3,194,298	34,858		11,483,968
7	392	Transportation Equipment					
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	8,324,528	3,194,298	34,858		11,483,968
17	107	Construction Work in Progress:					
18		Office Furniture and Equipment	3,306,634	2,758,710		(3,194,298)	2,871,046
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	3,306,634	2,758,710		(3,194,298)	2,871,046
32		Total (Lines 16 and Line 31)	11,631,162	5,953,008		(3,194,298)	14,355,014

Name of Respondent	This Report is:	Resubmission Date	Year of Report
LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2016
FOOTNOTE DATA			

Schedule Page: 103 Line No.: 18 Column: f

\$3,194,298 was transferred from Construction Work in Progress to Service Company Property.

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Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements					
6	391	Office Furniture and Equipment	2,346,187	1,370,797	34,839		3,682,145
7	392	Transportation Equipment					
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total	2,346,187	1,370,797	34,839		3,682,145

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account 128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	100,000,000	79,600,000
2	124	Other Investments		
3	128	Other Special Funds		
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	100,000,000	79,600,000

Name of Respondent LG&E and KU Services Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2016
FOOTNOTE DATA			

Schedule Page: 105 Line No.: 1 Column: c

See footnote data detail on Schedule Page: 101, Line No.:11, Column: e.

Schedule Page: 105 Line No.: 1 Column: d

See footnote data detail on Schedule Page: 101, Line No.:11, Column: d.

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule V – Accounts Receivable from Associate Companies

- List the accounts receivable from each associate company.
- If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		FCD LLC		
4		Kentucky Utilities Company	1,525	1,360
5		Louisville Gas and Electric Company	27,094,995	28,112,004
6		Western Kentucky Energy Corp.	24,363,142	25,790,680
7		LG&E and KU Capital LLC	44,316	24,978
8		LG&E and KU Energy LLC		32,042,201
9		PPL Corporation	252,167	297,592
10				832,740
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37				
38				
39		Analysis of convenience or accommodation payments - see footnote		
40	Total		51,756,145	87,101,555

Name of Respondent	This Report is:	Resubmission Date	Year of Report
LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2016
FOOTNOTE DATA			

Schedule Page: 106 Line No.: 8 Column: c

See footnote data detail on Schedule Page: 101, Line No.:24, Column: e.

Schedule Page: 106 Line No.: 8 Column: d

See footnote data detail on Schedule Page: 101, Line No.:24, Column: d.

Schedule Page: 106 Line No.: 39 Column: b

Analysis of convenience or accommodation payments:

Associate Company	Amount
LG&E and KU Capital LLC	\$ 407,829
Louisville Gas and Electric Company	421,228,470
Kentucky Utilities Company	436,425,444
Western Kentucky Energy Corp.	10,281
FCD LLC	2,066
LG&E and KU Energy LLC	2,323,092
	\$ 860,397,182

Convenience payments resulted primarily from the following:

Description	Amount
Capital Expenditures	\$ 2,863,363
Charitable Contributions	1,999,913
Direct-Indirect Labor	39,873
Equipment and Facilities	24,174,489
Fringe Benefits	66,023,359
Materials and Fuels Purchases	702,223,546
Office and Administrative Services	35,619,862
Outside Services	27,452,777
	\$ 860,397,182

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule VI – Fuel Stock Expenses Undistributed

- List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
- In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3		None		0	
4					
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40	Total				

Name of Respondent LG&E and KU Services Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2016
FOOTNOTE DATA			

Schedule Page: 107 Line No.: 3 Column: d

Fuel functions provided are primarily accounted for as convenience payments for fuel contract settlements or services provided by LKS as an administrative agent, paying agent or other representative capacity, for the respective affiliate(s). The following fuel related services are provided by LKS and charged to the respective FERC accounts of the affiliates:

- Procurement of fuel, scrubber reagent, ammonia, and SO3 mitigation chemicals
- Transportation service to move these commodities from the loading point to the power plant
- Monitoring of quality, inventory level, and forecasted requirements
- Making purchases as needed on a timely basis
- Preparing bid solicitation for coal, and other commodities, as necessary, and evaluating those bids
- Negotiating and writing the contracts and purchase orders
- Contract administration

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		None			
4					
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40	Total				

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3		None		
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38				
39				
40	Total			

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		None		
4				
5				
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40	Total			

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3		None	
4			
5			
6			
7			
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40	Total		

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
 2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	1,000
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	100
4			Close of Period Amount	100
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		15,457,130
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(67,988,376)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	2,540,803
13			Net Income or (Loss)	4,365,330
14			Dividend Paid	
15			Balance at Close of Year	6,906,133

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FOOTNOTE DATA			

Schedule Page: 201 Line No.: 9 Column: d

See footnote data detail on Schedule Page: 101, Line No.:51, Column: d.

Schedule Page: 201 Line No.: 11 Column: d

See footnote data detail on Schedule Page: 101, Line No.:54, Column: d.

Schedule Page: 201 Line No.: 15 Column: d

See footnote data detail on Schedule Page: 101, Line No.:53, Column: d.

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Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XII - Long Term Debt

- For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
- For the deductions in Column (h), please give an explanation in a footnote.
- For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company							
3		None							
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							

14	224	Other Long-Term Debt							
15		List Creditor:							
16		None							
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2		None		
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		PPL Corporation	1,243,372	20,781
26		PPL Services Corporation	1,754,807	2,042,779
27		LG&E and KU Capital LLC	15,872,250	
28		LG&E and KU Energy LLC	2,964,769	22,727,181
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities		
42		Accrued Short Term Incentive	3,618,705	2,952,525
43		Miscellaneous Liability - Vested Vacation	11,278,031	11,359,012
44		Pension Payable SERP Current	3,370,709	3,951,070
45		Retirement Income Liability	1,677,487	2,080,593
46		Incurred But Not Paid (IBNP) Medical and Dental Reserve	1,711,117	1,745,459
47				
48				
49				

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Schedule XIII – Current and Accrued Liabilities (continued)

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
50		(Total)	43,491,247	46,879,400

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Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

Note 1 – Organization of LG&E and KU Services Company

LG&E and KU Services Company ("LKS" or the "Company"), a Kentucky corporation, is a wholly-owned subsidiary of LG&E and KU Energy LLC ("LKE") and a centralized service company under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"). LKE, in turn, is a wholly-owned subsidiary of PPL Corporation ("PPL") and LKS became an indirect, wholly-owned subsidiary of PPL when PPL acquired all the limited liability company interests of LKE from E.ON US Investments Corp. on November 1, 2010. On December 1, 2010, PPL and certain subsidiaries, including LKE, filed a notification of holding company status with the Federal Energy Regulatory Commission ("FERC") under PUHCA 2005. LKE had previously been party to such a notification filed on June 15, 2006 by E.ON AG, its former parent. LKS originally was authorized to conduct business as a service company for E.ON U.S. LLC (formerly LG&E Energy LLC) and its various subsidiaries and affiliates by order of the Securities and Exchange Commission dated December 6, 2000, and commenced operations January 1, 2001.

LKS provides certain services to affiliated entities, including LKE, LG&E and KU Capital LLC ("LKC"), LG&E Energy Marketing Inc. ("LEM"), Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU"), Western Kentucky Energy Corp., FCD LLC, PPL Corporation, and PPL Services Corporation, at cost. LKS is organized along functional lines to accomplish its purpose of providing management, administrative, and technical services.

Note 2 - Summary of Significant Accounting Policies

LKS follows the FERC Uniform System of Accounts for Centralized Service Companies Subject to the Provisions of PUHCA 2005. The accompanying financial statements were prepared in accordance with the accounting requirements set forth in the Uniform System of Accounts and published accounting releases of the FERC, which is a comprehensive basis of accounting other than GAAP.

General. Dollars within these footnotes are in millions, unless otherwise noted.

Property. Property, plant and equipment includes property that is in use and under construction, and is reported at cost. PP&E was not recorded at fair value as of the PPL acquisition for FERC-reporting purposes.

Depreciation and Amortization. Depreciation is computed on a straight-line basis. Office furniture is depreciated over 30 years and personal computers are depreciated over 3 years. Leasehold improvements are depreciated over the life of the lease.

Income Taxes. Significant management judgment is required in developing the Company's provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and valuation allowances on deferred tax assets.

Significant management judgment is also required to determine the amount of benefit to be recognized in relation to an uncertain tax position. The Company uses a two-step process to evaluate tax positions. The first step requires an entity

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to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Company in future periods. See Note 5, Income Taxes.

Accumulated Deferred Income Taxes. Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards. See Note 5, Income Taxes.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Related Party Transactions

Provisions of Services

LKS engages in transactions in the normal course of business with other LKE subsidiaries and PPL subsidiaries. These transactions are primarily composed of services received and/or rendered including contracting with third party vendors for goods and services. These services are priced at cost which represents market.

LKS provides the subsidiaries of LKE and PPL with a variety of centralized administrative, management and support services. Charges for these services include labor, overheads and other expenses of LKS employees performing services for the subsidiaries of LKE and PPL and vouchers paid by LKS on behalf of the subsidiaries of LKE and PPL. The cost of these services is directly charged or, for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the ratios discussed in Methods of Allocations on pages 402.1 – 402.5.

Intercompany billings from LKS are listed on page 307, Analysis of Billing – Associate Companies (Account 457). These billings do not include convenience payments which are shown as a footnote to page 106, line 39, column b.

There is no interest or other compensation charged for the use of capital.

Note 4 - Pension and Other Postretirement Benefit Plans

Although LKS does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. The defined benefit pension plans of LKE and its subsidiaries were closed to new employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans.

Certain LKS employees are eligible for certain health care and life insurance benefits upon retirement through a

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contributory plan. Postretirement health benefits may be paid from 401(h) accounts established as part of the LKE plan within the PPL Services Corporation Master Trust, funded VEBA trusts, and company funds.

For the pension plans, the estimated amount to be amortized from accumulated other comprehensive income into net periodic defined benefit costs in 2017 is \$14 million (\$4 million of prior service cost and \$10 million of actuarial loss).

LKS allocates its pension and other postretirement costs to affiliates. LKS's allocated pension benefit costs charged to operating expense or regulatory assets, excluding amounts charged to construction and other non-expense accounts, for pension benefits were \$18 million and \$23 million in 2016 and 2015, and amounts charged to construction work in progress and other non-operating expense accounts were \$3 million and \$4 million in 2016 and 2015. Net periodic defined benefits costs charged to operating expense, excluding amounts charged to construction and other non-expense accounts, for other postretirement benefits were \$2 million in 2016 and 2015.

The actuarially determined obligations of current active employees and retired employees of LKS are used as a basis to allocate total plan activity, including active and retiree costs and obligations. LKS's allocated share of the funded status of the pension plans resulted in a liability of \$238 million and \$197 million at December 31, 2016 and 2015. LKS's allocated share of other postretirement benefits resulted in a liability of \$8 million and \$11 million at December 31, 2016 and 2015.

Plan Assets - Pension Plans

The pension plans sponsored by LKE are invested in the PPL Services Corporation Master Trust (the Master Trust) that also includes 401(h) accounts that are restricted for certain other postretirement benefit obligations. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with the Company's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the Employee Benefit Plan Board (EBPB) – administrator of PPL's US qualified retirement plans, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio on a plan basis based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio on a plan basis, and seeks to obtain a target portfolio that emphasizes reduction of risk of loss from market volatility. In pursuing that goal, the EBPB establishes revised guidelines from time to time. EBPB investment guidelines on a plan basis, as well as the weighted average of such guidelines, as of the end of 2016 are presented below.

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The asset allocation for the trust and the target allocation by portfolio, at December 31, are as follows:

	Percentage of Trust Assets	2016 Target Asset Allocation (a)
	2016 (a)	LKE Plans
Growth Portfolio	52%	50%
Equity securities	30%	
Debt securities (b)	12%	
Alternative investments	10%	
Immunizing Portfolio	46%	48%
Debt securities (b)	43%	
Derivatives	3%	
Liquidity Portfolio	2%	2%
Total	100%	100%

	Percentage of Trust Assets
	2015
Growth Portfolio	51%
Equity securities	25%
Debt securities (b)	13%
Alternative investments	13%
Immunizing Portfolio	47%
Debt securities (b)	42%
Derivatives	5%
Liquidity Portfolio	2%
Total	100%

(a) Allocations exclude consideration of a group annuity contract held by the LG&E and KU Retirement Plan.

(b) Includes commingled debt funds, which the Company treats as debt securities for asset allocation purposes.

LKE's pension plan's assets are invested solely in the PPL Services Corporation Master Trust, which is fully disclosed below. The fair value of the LKE assets of \$1.3 billion at December 31, 2016 and 2015 represents an interest of approximately 41% and 40% in the Master Trust.

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The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

DECEMBER 31, 2016

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 181	\$ 181	\$ -	\$ -
Equity securities				
U.S.:				
U.S. Equity	152	152	-	-
U.S. Equity fund measured at NAV (a)	272	-	-	-
International equity fund at NAV (a)	551	-	-	-
Commingled debt measured at NAV (a)	546	-	-	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	381	381	-	-
Corporate	850	-	837	13
Other	8	-	8	-
Alternative investments:				
Real estate measured at NAV (a)	102	-	-	-
Private equity measured at NAV (a)	80	-	-	-
Hedge funds measured at NAV (a)	167	-	-	-
Derivatives:				
Interest rate swaps and swaptions	61	-	61	-
Other	3	-	3	-
Insurance Contracts	27	-	-	27
PPL Services Corporation Master Trust assets, at fair value	<u>\$ 3,381</u>	<u>\$ 714</u>	<u>\$ 909</u>	<u>\$ 40</u>
Receivables and payables, net (b)	(15)	-	-	-
401(h) account restricted for other postretirement benefit obligations	(123)	-	-	-
Total PPL Services Corporation Master Trust pension assets (c)	<u>\$ 3,243</u>			

(a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(b) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

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DECEMBER 31, 2015

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 225	\$ 225	\$ -	\$ -
Equity securities				
U.S.:				
U.S. Equity	172	172	-	-
U.S. Equity fund measured at NAV (a)	197	-	-	-
International equity fund at NAV (a)	454	-	-	-
Commingled debt measured at NAV (a)	514	-	-	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	501	492	9	-
Corporate	747	-	737	10
Other	14	-	14	-
Alternative investments:				
Commodities measured at NAV (a)	70	-	-	-
Real estate measured at NAV (a)	118	-	-	-
Private equity measured at NAV (a)	81	-	-	-
Hedge funds measured at NAV (a)	171	-	-	-
Derivatives:				
Interest rate swaps and swaptions	80	-	80	-
Other	11	-	11	-
Insurance Contracts	32	-	-	32
PPL Services Corporation Master Trust assets, at fair value	\$ 3,387	\$ 889	\$ 851	\$ 42
Receivables and payables, net (b)	(49)	-	-	-
401(h) account restricted for other postretirement benefit obligations	(111)	-	-	-
Total PPL Services Corporation Master Trust pension assets	\$ 3,227			

(a) In accordance with accounting guidance certain investments that are measured at fair value using the net asset value per share (NAV), or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(b) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

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A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2016 is as follows:

	Corporate Debt	Insurance Contracts	Total
Balance at beginning of period	\$ 10	\$ 32	\$ 42
Actual return on plan assets	-	-	-
Relating to assets still held at the reporting date	-	1	1
Purchases, sales and settlements	3	(6)	(3)
Balance at end of period	\$ 13	\$ 27	\$ 40

A reconciliation of Master Trust assets classified as Level 3 at December 31, 2015 is as follows:

	Corporate Debt	Insurance Contracts	Total
Balance at beginning of period	\$ 21	\$ 33	\$ 54
Actual return on plan assets	-	-	-
Relating to assets still held at the reporting date	-	2	2
Relating to assets sold during the period	(1)	-	(1)
Purchases, sales and settlements	(10)	(3)	(13)
Balance at end of period	\$ 10	\$ 32	\$ 42

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively managed investments that are managed against various equity indices and exchange traded funds (ETFs).

Investments in commingled equity and debt funds are categorized as equity securities. Investments in commingled equity funds include funds that invest in U.S. and international equity securities. Investments in commingled debt funds include funds that invest in a diversified portfolio of emerging market debt obligations, as well as funds that invest in investment grade long-duration fixed-income securities.

The fair value measurements of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data. For the Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies;

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investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations.

Investments in commodities represent ownership interest of a commingled fund that is invested in a portfolio of exchange-traded futures and forward contracts in commodities to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious and industrial) using proprietary commodity trading strategies. Redemptions can be made the 15th calendar day and the last calendar day of the month with a specified notification period. The fund's fair value is based upon a value as calculated by the fund's administrator.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The manager is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared with more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. Four of the partnerships have limited lives of ten years, while the fifth has a life of 15 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment cannot be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. The Master Trust has unfunded commitments of \$22 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in hedge funds represent investments in a fund of hedge funds. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under most market conditions. Major investment strategies for the fund of hedge funds include long/short equity, tactical trading, event driven, and relative value. Shares may be redeemed within 45 days prior written notice. The fund is subject to short term lockups and other restrictions. The fair value for the fund has been estimated using the net asset value per share.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities primarily represent investments in interest rate swaps and swaptions (the option to enter into an interest rate swap) which are valued based on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

Insurance contracts, classified as Level 3, represent an investment in an immediate participation guaranteed group annuity contract. The fair value is based on contract value, which represents cost plus interest income less distributions for benefit payments and administrative expenses.

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Plan Assets – Other Postretirement Benefit Plans

LKE's other postretirement benefit plan is invested primarily in a 401(h) account, as disclosed in the PPL Services Corporation Master Trust, with insignificant amounts invested in money market funds within VEBA trusts for liquidity.

Expected Cash Flows - Defined Benefit Plans

LKS made contributions to the defined benefit pension plan of \$10 million and \$13 million in 2016 and 2015. Contributions to Supplemental Executive Retirement Plan ("SERP") payments totaled \$3 million in both 2016 and 2015. LKE's defined benefit plans have the option to utilize available prior year credit balances to meet current and future contribution requirements.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the LKE plan for LKS retirees.

	<u>Pensions</u>	
2017	\$	34
2018		35
2019		37
2020		38
2021		39
2022-2026		213

LKS is not required to make contributions to the other postretirement benefit plan in which it participates in but has historically funded this plan in amounts equal to the postretirement benefit costs. LKS funded this plan \$7 million and \$5 million in 2016 and 2015. Continuation of this past practice would cause LKS to contribute \$2 million to the other postretirement benefit plan in 2017.

Savings Plans

Substantially all of LKS's employees are eligible to participate in 401(k) deferred savings plans. Employer contributions to the plans were \$8 million and \$7 million for the years ended December 31, 2016 and 2015.

Note 5 - Income Taxes

LKS's federal income tax return is included in a United States consolidated income tax return filed by LKS's ultimate parent, PPL. Each subsidiary of the consolidated tax group calculates its separate income tax for each period. The resulting separate-return tax cost or benefit is paid to or received from the parent company or its designee. The Company also files income tax returns in various state jurisdictions. The tax years for 2012 and prior for Federal and 2011 and prior for State are no longer subject to examination.

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Components of income tax expense are shown in the table below for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Current – federal	\$ 3	\$ 4
Current – state	-	4
Deferred – federal – net	(5)	(4)
Deferred – state – net	(1)	(4)
Total income tax expense (benefit)	<u>\$ (3)</u>	<u>\$ -</u>

Deferred tax assets and liabilities which are mainly of a long-term nature are summarized below as of December 31:

	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Pensions and similar obligations	\$ 93	\$ 73
Liabilities and other	22	22
Net deferred income tax asset without purchase accounting	<u>\$ 115</u>	<u>\$ 95</u>
Purchase Accounting - Pension	26	25
Total net deferred income tax assets	<u>\$ 141</u>	<u>\$ 120</u>

Note 6 - Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income consisted of the following:

(in millions)	Funded Status of Pension and Postretirement Plans		
	<u>Pretax</u>	<u>Tax</u>	<u>Net</u>
Balance at December 31, 2014	\$ (73)	\$ 29	\$ (44)
Change in funded status of pension and postretirement plans	(1)		(1)
Balance at December 31, 2015	<u>\$ (74)</u>	<u>\$ 29</u>	<u>\$ (45)</u>
Change in funded status of pension and postretirement plans	(37)	14	(23)
Balance at December 31, 2016	<u>\$ (111)</u>	<u>\$ 43</u>	<u>\$ (68)</u>

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	374,582,118	354,145,055
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	240,312,105	246,906,136
5	402	Maintenance Expenses	8,150,092	7,736,285
6	403	Depreciation Expenses	1,370,797	1,204,056
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	12,035,889	11,048,413
13	409.1	Income Taxes, Operating Income	4,392,693	11,510,093
14	410.1	Provision for Deferred Income Taxes, Operating Income	7,543,236	12,119,980
15	411.1	Provision for Deferred Income Taxes – Credit, Operating Income	(13,835,966)	(20,400,699)
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	108,275,879	78,948,433
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	63	
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	368,244,788	349,072,697
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	6,337,330	5,072,358
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	1,209,758	1,044,637
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss		
29	421.1	Gain on Disposition of Property		
30		TOTAL OTHER INCOME (Total of Lines 25-29)	1,209,758	1,044,637
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	1,973	17,599
35	426.2	Life Insurance		
36	426.3	Penalties		
37	426.4	Expenditures for Certain Civic, Political and Related Activities	1,573,065	1,517,453
38	426.5	Other Deductions	2,861,978	6,756,053
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	4,437,016	8,301,105

Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions	277	627
42	409.2	Income Taxes, Other Income and Deductions	(1,255,535)	(2,823,010)
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)	(1,255,258)	(2,822,383)
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies		
52	431	Other Interest Expense		
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)		
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)	4,365,330	638,273
56		EXTRAORDINARY ITEMS		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)	4,365,330	638,273

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		1,370,797	1,370,797			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	2,821,769	9,214,397	12,036,166			
5	409.1-409.3	Income Taxes	6,292,730		6,292,730			
6	410.1-411.2	Provision for Deferred Taxes	(6,292,730)		(6,292,730)			
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services	78,045,892	30,229,987	108,275,879			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	63		63			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income						
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss						
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	1,973		1,973			
23	426.2	Life Insurance						
24	426.3	Penalties						
25	426.4	Expenditures for Certain Civic, Political and Related Activities	93,947	1,479,118	1,573,065			
26	426.5	Other Deductions	1,919,119	942,859	2,861,978			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies						
31	431	Other Interest Expense						
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	3,847,035	14,341,991	18,189,027			
34	510-515	Total Steam Power Generation Maintenance Expenses	809,085	1,345,778	2,154,863			

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		1,370,797	1,370,797
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	2,821,769	9,214,397	12,036,166
5	409.1-409.3	Income Taxes	6,292,730		6,292,730
6	410.1-411.2	Provision for Deferred Taxes	(6,292,730)		(6,292,730)
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services	78,045,892	30,229,987	108,275,879
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	63		63
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income			
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss			
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	1,973		1,973
23	426.2	Life Insurance			
24	426.3	Penalties			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	93,947	1,479,118	1,573,065
26	426.5	Other Deductions	1,919,119	942,859	2,861,978
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense			
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies			
31	431	Other Interest Expense			
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	3,847,036	14,341,991	18,189,027
34	510-515	Total Steam Power Generation Maintenance Expenses	809,085	1,345,778	2,154,863

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operatton Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	1,024		1,024			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	14,618		14,618			
39	546-550.1	Total Other Power Generation Operation Expenses	48,379		48,379			
40	551-554.1	Total Other Power Generation Maintenance Expenses	41,622		41,622			
41	555-557	Total Other Power Supply Operation Expenses	79,652	3,056,537	3,136,189			
42	560	Operation Supervision and Engineering	74,419	2,433,654	2,508,073			
43	561.1	Load Dispatch-Reliability		698,274	698,274			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	1,422,673	1,653,889	3,076,562			
45	561.3	Load Dispatch-Transmission Service and Scheduling		1,183,135	1,183,135			
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development		1,237,648	1,237,648			
48	561.6	Transmission Service Studies	71,938		71,938			
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	179,147		179,147			
52	563	Overhead Line Expenses (Major Only)	96,397		96,397			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	2,899,243	1,395,107	4,295,350			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	4,743,817	8,602,707	13,346,524			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	392,635	450,055	842,691			
66	571	Maintenance of Overhead Lines (Major Only)	286,420		286,420			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	145,083	338,766	483,851			

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	1,024		1,024
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	14,618		14,618
39	546-550.1	Total Other Power Generation Operation Expenses	48,379		48,379
40	551-554.1	Total Other Power Generation Maintenance Expenses	41,622		41,622
41	555-557	Total Other Power Supply Operation Expenses	79,652	3,056,537	3,136,189
42	560	Operation Supervision and Engineering	74,419	2,433,654	2,508,073
43	561.1	Load Dispatch-Reliability		698,274	698,274
44	561.2	Load Dispatch-Monitor and Operate Transmission System	1,422,673	1,653,889	3,076,562
45	561.3	Load Dispatch-Transmission Service and Scheduling		1,183,135	1,183,135
46	561.4	Scheduling, System Control and Dispatch Services			
47	561.5	Reliability Planning and Standards Development		1,237,648	1,237,648
48	561.6	Transmission Service Studies	71,938		71,938
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	179,147		179,147
52	563	Overhead Line Expenses (Major Only)	96,397		96,397
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	2,899,243	1,396,107	4,295,350
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	4,743,817	8,602,707	13,346,524
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	392,636	450,055	842,691
66	571	Maintenance of Overhead Lines (Major Only)	286,420		286,420
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	145,085	338,766	483,851

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	824,141	788,821	1,612,962			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	590-599	Total Distribution Operation Expenses	3,903,418	6,801,672	10,705,090			
74	590-598	Total Distribution Maintenance Expenses	382,823	739,077	1,121,906			
75		Total Electric Operation and Maintenance Expenses	97,578,384	78,913,741	176,492,125			
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses	3,926		3,926			
78	814-826	Total Underground Storage Operation Expenses	144,824		144,824			
79	830-837	Total Underground Storage Maintenance Expenses	51,785		51,785			
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering	647,120		647,120			
85	851	System Control and Load Dispatching	28		28			
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses	647,148		647,148			
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains	1,641		1,641			
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses	1,641		1,641			
104	870-881	Total Distribution Operation Expenses	396,870	660,456	1,057,326			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	824,141	788,821	1,612,962
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	3,903,418	6,801,672	10,705,090
74	590-598	Total Distribution Maintenance Expenses	382,829	739,077	1,121,906
75		Total Electric Operation and Maintenance Expenses	97,578,384	78,913,741	176,492,125
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses	3,926		3,926
78	814-826	Total Underground Storage Operation Expenses	144,824		144,824
79	830-837	Total Underground Storage Maintenance Expenses	51,785		51,785
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering	647,120		647,120
85	851	System Control and Load Dispatching.	28		28
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses	647,148		647,148
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains	1,641		1,641
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses	1,641		1,641
104	870-881	Total Distribution Operation Expenses	396,870	660,456	1,057,326

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	27,769	519,698	547,467			
106		Total Natural Gas Operation and Maintenance Expenses	1,273,953	1,180,154	2,454,117			
107	901	Supervision	455,837	4,399,032	4,855,869			
108	902	Meter reading expenses	2,204	386,309	388,513			
109	903	Customer records and collection expenses	1,982,564	15,900,570	17,883,134			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses	13,500	1,889	15,389			
112	906	Total Customer Accounts Operation Expenses	2,455,105	20,687,800	23,142,905			
113	907	Supervision	3,014	691,695	694,709			
114	908	Customer assistance expenses	2,573,408	615,018	3,188,426			
115	909	Informational And Instructional Advertising Expenses	2,610		2,610			
116	910	Miscellaneous Customer Service And Informational Expenses	67,684	21,294	88,978			
117		Total Service and Informational Operation Accounts	2,646,716	1,328,007	3,974,723			
118	911	Supervision						
119	912	Demonstrating and Selling Expenses						
120	913	Advertising Expenses						
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses						
123	920	Administrative and General Salaries	7,168,548	64,106,285	71,274,833			
124	921	Office Supplies and Expenses	634,841	9,661,901	10,296,742			
125	923	Outside Services Employed	7,862,238	21,620,435	29,482,673			
126	924	Property Insurance						
127	925	Injuries and Damages	6,873	10,643	17,516			
128	926	Employee Pensions and Benefits	11,558,685	39,990,991	51,549,676			
129	928	Regulatory Commission Expenses	24,167		24,167			
130	930.1	General Advertising Expenses						
131	930.2	Miscellaneous General Expenses	187,002	678,984	865,986			
132	931	Rents	26,492	2,376,933	2,403,425			
133		Total Administrative and General Operation Expenses	27,468,846	138,446,172	165,915,018			
134	935	Maintenance of Structures and Equipment	1,286,217	1,317,013	2,603,230			
135		Total Administrative and General Maintenance Expenses	33,656,883	161,778,992	195,635,876			
136		Total Cost of Service	132,709,231	241,872,897	374,582,118			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	27,769	519,698	547,467
106		Total Natural Gas Operation and Maintenance Expenses	1,273,963	1,180,154	2,454,117
107	901	Supervision	456,837	4,399,032	4,855,869
108	902	Meter reading expenses	2,204	386,309	388,513
109	903	Customer records and collection expenses	1,982,564	15,900,570	17,883,134
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses	13,500	1,889	15,389
112	906	Total Customer Accounts Operation Expenses	2,455,105	20,687,800	23,142,905
113	907	Supervision	3,014	691,695	694,709
114	908	Customer assistance expenses	2,573,408	615,018	3,188,426
115	909	Informational And Instructional Advertising Expenses	2,610		2,610
116	910	Miscellaneous Customer Service And Informational Expenses	67,684	21,294	88,978
117		Total Service and Informational Operation Accounts	2,646,716	1,328,007	3,974,723
118	911	Supervision			
119	912	Demonstrating and Selling Expenses			
120	913	Advertising Expenses			
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses			
123	920	Administrative and General Salaries	7,168,548	64,106,285	71,274,833
124	921	Office Supplies and Expenses	634,841	9,661,901	10,296,742
125	923	Outside Services Employed	7,862,238	21,620,435	29,482,673
126	924	Property Insurance			
127	925	Injuries and Damages	6,873	10,643	17,516
128	926	Employee Pensions and Benefits	11,558,685	39,990,991	51,549,676
129	928	Regulatory Commission Expenses	24,167		24,167
130	930.1	General Advertising Expenses			
131	930.2	Miscellaneous General Expenses	187,002	678,984	865,986
132	931	Rents	26,492	2,376,933	2,403,425
133		Total Administrative and General Operation Expenses	27,468,846	138,446,172	165,915,018
134	935	Maintenance of Structures and Equipment	1,286,217	1,317,013	2,603,230
135		Total Administrative and General Maintenance Expenses	33,856,864	161,778,992	195,635,876
136		Total Cost of Service	132,709,231	241,872,887	374,582,118

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	PPL Corporation	219,875	70,423		290,298
2	PPL Services Corporation	1,352,577	391,952		1,744,529
3	LG&E and KU Capital LLC	9,827,875	314,356		10,142,231
4	Louisville Gas and Electric Company	59,568,530	113,061,484		172,630,014
5	Kentucky Utilities Company	61,420,323	127,734,686		189,155,009
6	Western Kentucky Energy Corp.	314,894			314,894
7	FCD LLC	9,613			9,613
8	LG&E and KU Energy LLC	(4,456)	299,986		295,530
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25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	Total	132,709,231	241,872,887		374,582,118

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XVIII - Analysis of Billing - Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	None					
2						
3						
4						
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40	Total					

BLANK

Name of Respondent LG&E and KU Services Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2016
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Schedule XIX - Miscellaneous General Expenses - Account 930.2

Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than \$50,000 may be grouped showing the number of items and the total for the group.
 2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Research and Development	897,358
2	Business License Fees	(54,310)
3	Other Miscellaneous General Expenses - 18 items less than \$50,000 each	22,938
4		
5		
6		
7		
8		
9		
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40	Total	865,986

Name of Respondent	This Report is:	Resubmission Date	Year of Report
LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2016
Schedule XX - Organization Chart			

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

The following were officers of LKS as of December 31, 2016:

Victor A. Staffieri – Chairman of the Board, Chief Executive Officer and President

Gregory J. Meiman – Vice President, Human Resources

Gerald A. Reynolds -- General Counsel, Chief Compliance Officer and Corporate Secretary

Laura M. Douglas -- Vice President, Corporate Responsibility and Community Affairs

Dorothy E. O'Brien -- Vice President and Deputy General Counsel, Legal and Environmental Affairs

George R. Siemens -- Vice President, External Affairs

Mary C. Whelan -- Vice President, Communications

Kent W. Blake -- Chief Financial Officer

Daniel K. Arbough -- Treasurer

Valerie L. Scott -- Contoller

Robert M. Conroy -- Vice President, State Regulation and Rates

Paul W. Thompson -- Chief Operating Officer

Lonnie E. Bellar -- Vice President, Gas Distribution

D. Ralph Bowling -- Vice President, Power Production

John P. Malloy -- Vice President, Customer Services

David S. Sinclair -- Vice President, Energy Supply and Analysis

John K. Wolfe -- Vice President, Electric Distribution

John N. Voyles, Jr. -- Vice President, Transmission and Generation Services

Thomas A. Jessee -- Vice President, Transmission

Eric Slavinsky -- Chief Information Officer

Laura M. Douglas, Vice President, Corporate Responsibility and Community Affairs, retired, effective January 20, 2017.

George R. Siemens, Vice President, External Affairs, retired, effective January 20, 2017. David J. Freibert assumed the role of Vice President of External Affairs, effective January 21, 2017.

Paul W. Thompson, Chief Operating Officer, was named President and Chief Operating Officer, effective January 3, 2017.

Lonne E. Bellar, Vice President, Gas Distribution, promoted to senior vice president, Operations, effective January 15, 2017. John P. Malloy, Vice President, Customer Services, promoted to Vice President, Gas Distribution, effective, January 15, 2017. Elizabeth J. McFarland promoted to Vice President, Customer Services, effective January 15, 2017.

John N. Voyles Jr., Vice President, Transmission and Generation Services, retired, effective March 31, 2017. Scott Straight appointed Vice President of Project Engineering, effective April 1, 2017.

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LG&E and KU Services Company			2016
Schedule XX - Organization Chart			

Eric Slavinsky, Chief Information Officer, reported directly to Vince Sorgi, PPL Senior Vice President and Chief Financial Officer, effective September 26, 2016.

Name of Respondent	This Report is:	Resubmission Date	Year of Report
LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2016
Schedule XXI - Methods of Allocation			

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

Service Department or Function	Basis of Allocation
Customer Service	Number of Customers Ratio
Sales and Marketing	Number of Customers Ratio
Economic Development and Major Accounts	Number of Customers Ratio
Meter Reading Services	Number of Meters Ratio
Cash Remittance	Revenue Ratio
Billing Integrity	Number of Customers Ratio; Number of Meters Ratio
Energy Efficiency	Number of Customers Ratio
Smart Grid Strategy	Number of Customers Ratio
Field Services	Number of Meters Ratio
CCS Retail Business Readiness	Number of Customers Ratio
Project Engineering	Generation Ratio
System Laboratory	Total Utility Plant Assets Ratio
Generation	Total Utility Plant Assets Ratio
Generation Services and Safety	Total Utility Plant Assets Ratio; Total Utility Electric Plant Assets Ratio
Fuel Procurement	Contract Ratio; Generation Ratio
Project Development	Total Utility Plant Assets Ratio
Strategy, Reliability and Tariffs	Transmission Ratio
Operations and Construction	Transmission Ratio; Total Assets Ratio; Total Utility Plant Assets Ratio
Reliability and Compliance	Transmission Ratio
Energy Marketing	Generation Ratio
Market Forecasting	Generation Ratio
Load Forecasting	Generation Ratio
Generation Planning and Analysis	Generation Ratio
Network Trouble and Dispatch	Number of Customers Ratio
Electric Engineering	Total Assets Ratio
Distribution Asset Management	Number of Customers Ratio; Total Assets Ratio
Forestry	Total Assets Ratio
Substation Construction and Maintenance	Total Utility Plant Assets Ratio
Budgeting	Revenue, Total Assets and Number of Employees Ratio; Transmission Ratio; Generation Ratio; Number of Customers Ratio
Financial Planning	Revenue, Total Assets and Number of Employees Ratio
Accounting and Reporting	Revenue, Total Assets and Number of Employees Ratio
Property Accounting	Total Utility Plant Assets Ratio
Revenue Accounting	Revenue Ratio
Payroll	Number of Employees Ratio
Tax Accounting, Compliance and Reporting	Revenue, Total Assets and Number of Employees Ratio
Audit Services	Revenue, Total Assets and Number of Employees Ratio
Sarbanes-Oxley Compliance	Revenue, Total Assets and Number of Employees Ratio

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Schedule XXI - Methods of Allocation			

Treasury and Corporate Finance	Revenue, Total Assets and Number of Employees Ratio
Risk Management	Total Utility Plant Assets Ratio
Credit Administration	Generation Ratio
Energy Marketing Trading Controls	Generation Ratio
Supply Chain	Non-Fuel Material and Services Expenditures Ratio; Network Users Ratio; Ultimate Users Ratio
Accounts Payable	Number of Transactions Ratio; Non-Fuel Material and Services Expenditures Ratio
IT Security	Corporate Information Security Ratio; Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio
IT Applications Development and Support	Network Users Ratio; Number of Employees Ratio; Number of Customers Ratio; Ultimate Users Ratio
IT Infrastructure and Operations	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio
IT Governance	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio
IT Business Services	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio
IT Major Projects	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio
Legal	Revenue, Total Assets and Number of Employees Ratio
Compliance	Number of Employees Ratio; Total Utility Plant Assets Ratio
Environmental Affairs	Electric Peak Load Ratio
Regulatory Affairs	Revenue Ratio
Government Affairs Management	Revenue Ratio
Internal Communications	Number of Employees Ratio
External and Brand Communications	Number of Customers Ratio; Revenue, Total Assets and Number of Employees Ratio
Public Affairs Management	Revenue, Total Assets and Number of Employees Ratio
Facilities and Buildings	Number of Customers Ratio; Number of Employees Ratio; Facilities Ratio
Security	Number of Employees Ratio
Production Mail	Number of Customers Ratio
Document	Number of Employees Ratio
Process Management and Performance	Number of Customers Ratio
Right-of-Way	Number of Customers Ratio
Transportation	Number of Employees Ratio; Vehicle Cost Allocation Ratio
HR Compensation	Number of Employees Ratio
HR Benefits	Number of Employees Ratio
Other HR Services	Number of Employees Ratio
Health and Safety	Number of Employees Ratio
Executive Management	Generation Ratio; Number of Customers Ratio; Network Users Ratio; Number of Employees Ratio; Revenue Ratio; Revenue, Total Assets and Number of Employees Ratio; Total Assets Ratio; Total Utility Plant Assets Ratio; Transmission Ratio

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Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, mmbtu of natural gas) of the contract for coal and natural gas fuel burned for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Corporate Information Security Ratio – This ratio allocates the cost of cyber security activities using an allocation consistent with the methodology used by third party insurers providing cyber security insurance to the organization. The methodology assigns a percentage of the premium based on the various risks (e.g., number of employees, the number of customers, etc.). The total of the percentages equals 100%. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Departmental Charge Ratio – A specific LKS department ratio based upon various factors. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of service being performed and are documented and monitored by the Budget Coordinators for each department. The numerator and denominator vary by department. The ratio is based upon various factors such as labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations and maintenance costs, retail energy sales, charitable contributions, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electric capital expenditures, substation assets and transformer assets. The Departmental Charge Ratio will only be used with prior approval by the Controller when other applicable ratios would not result in the fair assignment of costs. These ratios are calculated on an annual basis. Any changes in these ratios will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in any of these ratios from that used in the prior year.

Electric Peak Load Ratio – Based on the sum of the monthly electric maximum system demands for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Facilities Ratio – Based on a two-tiered approach with one tier based on the number of employees by department or line of business and the other tier based on the applicable department or line of business ratio. The numerator for the number of employees is the number of employees by department or line of business at the facility and the denominator is the total employees at the facility. The numerator and denominator for the applicable department or line of business for the service provided as described in this document. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Generation Ratio – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

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Network Users Ratio – Based on the number of IT network users at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of network users for each specific company, and the denominator is the total number of network users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS network users, to total network users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Non-Fuel Material and Services Expenditures – Based on non-fuel material and services expenditures, net of reimbursements, for the immediately preceding twelve consecutive calendar months. The numerator is equal to such expenditures for a specific entity and/or line-of-business as appropriate and the denominator is equal to such expenditures for all applicable entities. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Customers Ratio – Based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial). The numerator is the total number of each Company's retail customers. The denominator is the total number of retail customers for both LG&E and KU. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Employees Ratio – Based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate LKS employee costs to the proper legal entity. The numerator for the first step of this ratio is the total number of employees for each specific company, and the denominator is the total number of employees for all companies in which an allocator is assigned (i.e. LG&E, KU and LKS). For the second step, the ratio of LKS to total employees will then be allocated to the other companies (LG&E, KU and LKC) based on each company's ratio of labor dollars to total labor dollars. LKC has no employees, but non-utility related labor is charged to it. In some cases, the ratio may be calculated based on the number of employees at a specific location for the first step with the ratio of LKS to total employees being allocated based on labor hours of the employees at the specific location. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Meters Ratio – Based on the number or types of meters being utilized by customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Number of Transactions Ratio – Based on the number of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. The Controller's organization is responsible for maintaining and monitoring specific

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product/service methodology documentation for actual transactions related to LKS billings. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Ownership Percentages – Based on the contractual ownership percentages of jointly-owned generating units, information technology, facilities and other capital projects. This ratio is updated as a result of a new jointly-owned capital projects and is based on the benefit to the respective company. The numerator is the specific company's forecasted usage. The denominator is the total forecasted usage of all respective companies.

Revenue Ratio – Based on the sum of the revenue for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Revenue, Total Assets and Number of Employees Ratio – Based on an average of the revenue, total assets and number of employees ratios. The numerator is the sum of Revenue Ratio, Total Assets Ratio and Number of Employees Ratio for the specific company. The denominator is three – the number of ratios being averaged. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Total Assets Ratio – Based on the total assets at year end for the preceding year. In the event of joint ownership of a specific asset, asset ownership percentages are utilized to assign costs. The numerator is the total assets for each specific company at the end of the preceding year. The denominator is the sum of total assets for each company in which an allocator is assigned (LG&E, KU and LKC). This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Total Utility Plant Assets Ratio – Based on the total utility plant assets at year end for the preceding year, the numerator of which is for an operating company and the denominator of which is for all operating companies. In the event of joint ownership of a specific asset, ownership percentages are utilized to assign costs. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Transmission Ratio – The Transmission Coordination Agreement (TCA) provides “the contractual basis for the coordinated planning, operation, and maintenance of the combined” LG&E and KU transmission system. Pursuant to the terms of the TCA, LG&E/KU “operate their transmission systems as a single control area.” The TCA establishes cost and revenue allocations between LG&E and KU. The Transmission Ratio is based upon Schedule A (Allocation of Operating Expenses of the Transmission System Operator) of the TCA. Transmission System Operator Company allocation percentages are calculated during June of each year to be effective July 1st of each year using the previous year's summation of the Transmission Peak Demands as found in FERC Form 1 for LG&E and KU, page 400 line 17(b).

Ultimate Users Ratio – Based on the number of ultimate users of an IT product or service (i.e., software, hardware, mobile devices, etc.) at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of ultimate users for each specific company, and the denominator is the total number of ultimate users for all companies

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in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS ultimate users, to total ultimate users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year.

Vehicle Cost Allocation Ratio – Based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities. This ratio is calculated monthly based on the actual transportation charges from the previous month. The numerator is the department labor charged to a specific company. The denominator is the total labor costs for the specific department. The ratio is then multiplied by the total transportation costs to determine the amount charged to each company.

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Employees Transferred in 2016

Name	Old Company	New Company	New Job Title	Old Job Title	Eff/Date
Alvey, Joshua	Louisville Gas & Electric Co.	LG&E and KU Services Company	Safety/Tech Training Conslt	Gas Trouble Technician A	6/20/2016
Bowles, Darrell Layton	Kentucky Utilities	LG&E and KU Services Company	Right Of Way Agent II	Eng Design Tech Sr - Dist Ops	4/25/2016
Bradshaw, Benjamin J	Kentucky Utilities	LG&E and KU Services Company	Electric Sys Coord Trainee	Substation Technician A	12/11/2016
Branham, Tamatha Kaye	Louisville Gas & Electric Co.	LG&E and KU Services Company	Team Ldr - Asset Info Gas	Lead Facility Records Tech	4/11/2016
Buckman, Matthew T	Louisville Gas & Electric Co.	LG&E and KU Services Company	Training Consultant-Intern	Sub Equip Technician A	5/23/2016
Collins, Christopher Michael	Louisville Gas & Electric Co.	LG&E and KU Services Company	Electric Sys Coord Trainee	Operator - Plant MC	7/4/2016
Crick, Victoria	Louisville Gas & Electric Co.	LG&E and KU Services Company	Business Intern IV	Business Intern IV	5/9/2016
Dawson, Zachary A	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Line Technician A	8/1/2016
Dowdle, Steve A	Louisville Gas & Electric Co.	LG&E and KU Services Company	Safety/Tech Training Conslt	Pipeline Specialist	5/23/2016
Flora, Pamela K	Kentucky Utilities	LG&E and KU Services Company	Sr Service Dispatcher	Sr Service Dispatcher	5/9/2016
Galens, Mark K	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sourcing Assistant - Sr.	Records Coordinator - A	8/1/2016
Glynn, Diane Maria	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sr Service Dispatcher	Sr Service Dispatcher	4/25/2016
Gossom, Amanda N	Kentucky Utilities	LG&E and KU Services Company	CCS Business Sys Spec Entry	Sr Customer Representative	2/8/2016
Gregory IV, Arthur H	Kentucky Utilities	LG&E and KU Services Company	Inspector - Transmission	Line Technician A	4/11/2016
Hall, Paul Kevin	Kentucky Utilities	LG&E and KU Services Company	Electrical Engineer III	Student Engineer	7/1/2016
James, Gregory Rajan	Kentucky Utilities	LG&E and KU Services Company	IT Compliance Analyst Assoc	Control Specialist	2/29/2016
Jensen, Sherrie Gayle	Kentucky Utilities	LG&E and KU Services Company	Sr Service Dispatcher	Sr Service Dispatcher	5/9/2016
Johnson, Joshua	Kentucky Utilities	LG&E and KU Services Company	Engineer Co-op/Intern III	Engineer Co-op/Intern III	9/12/2016
Kelley, Jared M	Kentucky Utilities	LG&E and KU Services Company	Contract Administrator I	Buyer II	4/11/2016
Mahmoud, Nasim Yousef	Louisville Gas & Electric Co.	LG&E and KU Services Company	Billing Analysis Associate	Customer Representative I	8/1/2016
McKinley, James T	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Substation Technician A	8/29/2016
Meredith, Kevin Dale	Kentucky Utilities	LG&E and KU Services Company	Electric Sys Coord Trainee	Service Technician A	7/4/2016
Mitchell, Chadwick	Kentucky Utilities	LG&E and KU Services Company	Protection Systems Technician	Substation Technician B	6/13/2016
Montgomery, Shannon Leigh	Louisville Gas & Electric Co.	LG&E and KU Services Company	Dir SAP Upgrade Project	Mgr Design	1/4/2016
Niehoff, Leo Anthony	Louisville Gas & Electric Co.	LG&E and KU Services Company	Supervisor - Maintenance	Supervisor - Maintenance	6/6/2016
O'Bryan, Felicia L	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sr Service Dispatcher	Sr Service Dispatcher	4/25/2016
Payne, Nicholas J	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sr Electrical Engineer	Supervisor - Maintenance	5/23/2016
Rose, Rhonda Elaine	Kentucky Utilities	LG&E and KU Services Company	Lead Customer Representative	Lead Customer Representative	10/24/2016
Scott, Michael L	Kentucky Utilities	LG&E and KU Services Company	Grp Ldr-Distr Control Center	Team Ldr -Line Const & Maint	2/1/2016
See, Brian Christopher	Louisville Gas & Electric Co.	LG&E and KU Services Company	Warehouse Supervisor	Assistant Operator - Plant MC	8/1/2016
Sparks, Patrick Vincent	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Operations Crew Supervisor	8/1/2016
Stevens, Caitlin Alane	Louisville Gas & Electric Co.	LG&E and KU Services Company	Engineer Co-op/Intern III	Engineer Co-op/Intern III	5/9/2016

COSTS OF JOINTLY OWNED SOLAR FACILITY

In 2016, LG&E and KU completed the construction of a solar facility at the EW Brown site owned by KU. This unit has an 8 MW net summer capacity and is jointly owned by LG&E (39%) and KU (61%). Capital costs of Brown Solar are allocated according to the 39% LG&E and 61% KU ownership split.

Automated allocations of costs using the Brown Solar ownership percentages are processed in the Oracle General Ledger system and generate intercompany transactions between LG&E and KU. Operation and maintenance costs are accumulated at KU and transferred to LG&E. At KU an intercompany receivable is debited and the appropriate expense is credited. LG&E debits the appropriate expense account and credits an intercompany receivable. The amounts are then netted with other intercompany transactions between LG&E and KU to establish an intercompany receivable for KU or LG&E and an intercompany payable for LG&E or KU.