



PPL companies

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Kentucky Public Service Commission  
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JUN 27 2014

PUBLIC SERVICE  
COMMISSION

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June 27, 2014

**Re: *Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities***  
**Case No. 2010-00204**

Dear Mr. DeRouen:

Pursuant to the Commission's Order dated September 30, 2010 in the aforementioned case, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), (collectively, the "Companies") submit an original and one (1) copy of the Companies' Annual Accounting Information Filing in compliance with the reporting requirements specified in Appendix C, Commitment No. 1.

Please confirm your receipt of this filing by placing the File Stamp of your Office with date received on the extra copy. Should you have any questions regarding the information filed herewith, please call me or Don Harris at (502) 627-2021.

Sincerely,

A handwritten signature in black ink that reads 'Rick E. Lovekamp'.

Rick E. Lovekamp

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JUN 27 2014

PUBLIC SERVICE  
COMMISSION

**Louisville Gas and Electric Company**

**Kentucky Utilities Company**

**Annual Accounting Information Filing**

**Pursuant to Case No. 2010-00204**

**Year Ended December 31, 2013**

**Filed June 2014**

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## **QUARTERLY AND ANNUAL FINANCIAL REPORTS FOR 2013**

During 2013, the Companies filed the 2012 PPL Corporation Annual Report and all Securities and Exchange Commission ("SEC") reports as they were completed. The details of the filings are as follows:

<b>Financial Report</b>	<b>Period Ending</b>	<b>Securities Exchange Commission Filing Date</b>	<b>Kentucky Public Service Commission Filing Date</b>
SEC Form 10-Q	March 31, 2013	May 3, 2013	May 6, 2013
SEC Form 10-Q	June 30, 2013	August 2, 2013	August 5, 2013
SEC Form 8-K	October 3, 2013	October 3, 2013	October 4, 2013
SEC Form 10-Q	September 30, 2013	November 1, 2013	November 5, 2013
SEC Form 8-K	November 6, 2013	November 14, 2013	November 15, 2013
SEC Form 10-K	December 31, 2013	February 24, 2014	February 26, 2014
PPL Corporation Annual Report	December 31, 2013	N/A	April 14, 2014



## **TRANSFER OF ASSETS**

In 2013, Kentucky Utilities (KU) transferred land to Louisville Gas and Electric Company (LG&E) valued at cost of \$4,092.18.





## **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 10<sup>th</sup> business day of the subsequent month with payment due by the 13<sup>th</sup> 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, a monthly summary of charges from PPL Corporation and its subsidiaries is 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. In addition, LG&E and KU have a service agreement in place to provide rental of data center facilities to subsidiaries of PPL Corporation. Data center rental is billed and settled by LKS on behalf of LG&E and KU to PPL Services Corporation via PPL Energy Funding Corporation. Mutual assistance services are billed by LG&E and KU to PPL Electric Utilities, Inc. and settled through LG&E, KU or LKS.



## **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.



## **MARGIN ACCOUNT ALLOCATION**

Until November 2011, LG&E and KU participated in the purchase of forward financial power transactions. As these transactions were either settled or re-valued throughout the month, the margin collateral requirements changed accordingly. At the end of each month, the increase or decrease to the Margin Cash Account (as well as the expense and income) was split between the two companies. LG&E and KU no longer purchase forward financial power transactions and at December 31, 2013, there were no margin account balances.



## **COSTS OF JOINTLY OWNED TRIMBLE COUNTY UNIT 2 (TC2)**

LG&E and KU constructed a 732 MW summer capacity coal-fired unit, TC2, which is jointly owned by LG&E (14.25%) and KU (60.75%), together with the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency (combined 25%). With limited exceptions, LG&E and KU took care, custody and control of TC2 in January 2011. The charges for the construction of Trimble County Unit 2 (TC2) are allocated among the joint owners according to their respective ownership percentages. IMEA and IMPA are billed 25% of the amounts allocated to both KU and LG&E in the current month. The actual capital costs for TC2 are booked in the current month through either the Accounts Payable system or manual accruals, depending on the timing of the invoices submitted. TC2 accruals are received from the Project Engineering department, posted and reversed in the subsequent month. True-ups of actual costs are performed on a quarterly basis to ensure that all allocation percentages are correct.

Capital costs, fuel, and operating and maintenance expenses incurred only for use at TC2 are allocated according to the 19% LG&E, 81% KU gross ownership split. Capital costs, fuel and operating and maintenance expenses incurred for both TC2 and Trimble County Unit 1 (TC1), the existing coal-fired generating unit at the Trimble County facility, are allocated based on the respective nameplate ratings (52% to LG&E and 48% to KU). Charges allocated to TC1 are recorded 100% to LG&E.

Note: See Costs of Jointly Owned Combustion Turbines Tab for Combined Cycle Gas Combustion Turbine





## **ALLOCATION OF JOINTLY-USED BUILDINGS AND EQUIPMENT**

### **LG&E Center**

Expenses incurred for renting a portion of the LG&E Center are billed to affiliates of LG&E and KU Energy LLC (LKE) for the occupation of office space by employees of LG&E and KU Services Company.

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 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 and as calculated annually for the LG&E Center. Charges are allocated to LG&E, KU and LG&E and KU Capital LLC. The operation and maintenance expenses are allocated and 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

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 (mainly IT assets, such as PC's, and office furniture) reside on the books of LKS. These assets are used by the LKS employees to aid them in the performance of their services for the other affiliates. The depreciation on these assets is allocated based on how the LKS employees charged their time using their respective CAM ratios.



## **COSTS OF JOINTLY OWNED COMBUSTION TURBINES**

### **Simple Cycle Combustion Turbines**

LG&E and KU jointly own ten 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).

<b>Facility</b>	<b>MW Capacity</b>	<b>LG&amp;E</b>	<b>KU</b>
Paddy's Run 13	147	53%	47%
Trimble County 6	157	29%	71%
Trimble County 7	157	37%	63%
Trimble County 8	157	37%	63%
Trimble County 9	157	37%	63%
Trimble County 10	157	37%	63%
E.W. Brown 5	112	53%	47%
E.W. Brown 6	146	38%	62%
E.W. Brown 7	146	38%	62%

Automated allocations 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 2013, LG&E and KU continued the construction of a 640 MW summer capacity Natural Gas Combined Cycle (NGCC) Plant at the Cane Run Site owned by LG&E. This unit (Cane Run 7) is jointly owned by LG&E (22%) and KU (78%). The Cane Run 7 project is the part of a least cost plan to meet the 877 MW of new generation requirements defined in the 2011 Integrated Resource Plan. Capital costs of Cane Run 7 are allocated according to the 22% LG&E and 78% KU ownership split.

Also, in 2013, LG&E and KU incurred developmental engineering costs associated with the proposed construction of a 700 MW NGCC plant at the Green River site owned by KU. An application for a Certificate of Public Convenience and Necessity (CPCN) for the construction of this unit to be known as Green River 5 was filed with the KPSC in January 2014. On April 30, 2014, LG&E and KU asked the KPSC to put the application on hold for 90 days to consider the impacts of the wholesale power contract termination notices effective in 2019 submitted by nine of KU's municipal customers. Capital costs of Green River 5 are allocated according to the 40% LG&E and 60% KU ownership split.



## **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 Revenue 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 so that cash received by LG&E (KU) reflects what was owed as both an Intercompany receivable and an Intercompany 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 13<sup>th</sup> 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 in compliance with service agreements. Interest is calculated on a daily-accumulated balance of monies received and paid by LG&E on behalf of KU, and vice versa. Interest is calculated from the day the money is received or paid through the day of the Intercompany cash settlement. The interest rate was the commercial paper rate from Bloomberg for A2/P2 issuers for

the last business day of the prior month from January to July 2013. Upon approval from the FERC, from August 2013, the interest rate was non-financial 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 created to book the interest receivable/payable from this calculation.





# **LG&E and KU Services Company**

## **Cost Allocation Manual**

# **LG&E and KU Services Company Cost Allocation Manual**

<b>CAM</b>	<b>Cost Allocation Manual</b>
<b>CCS</b>	<b>Customer Care System</b>
<b>EMS</b>	<b>Energy Management System</b>
<b>FERC</b>	<b>Federal Energy Regulatory Commission</b>
<b>HR</b>	<b>Human Resources</b>
<b>IT</b>	<b>Information Technology</b>
<b>KPSC</b>	<b>Kentucky Public Service Commission</b>
<b>KU</b>	<b>Kentucky Utilities Company</b>
<b>LEM</b>	<b>LG&amp;E Energy Marketing Inc.</b>
<b>LG&amp;E</b>	<b>Louisville Gas and Electric Company</b>
<b>LKC</b>	<b>LG&amp;E and KU Capital LLC (formerly E.ON U.S. Capital Corp.)</b>
<b>LKE</b>	<b>LG&amp;E and KU Energy LLC (formerly E.ON U.S. LLC and LG&amp;E Energy LLC)</b>
<b>LKE Foundation</b>	<b>LG&amp;E and KU Foundation (formerly E.ON U.S. Foundation Inc.)</b>
<b>PPL</b>	<b>PPL Corporation</b>
<b>PUHCA 2005</b>	<b>The Public Utility Holding Company Act of 2005</b>
<b>SEC</b>	<b>U.S. Securities and Exchange Commission</b>
<b>Servco</b>	<b>LG&amp;E and KU Services Company (formerly E.ON U.S. Services Inc.)</b>
<b>VSCC</b>	<b>Virginia State Corporation Commission</b>

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# **LG&E and KU Services Company Cost Allocation Manual**

## **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 Servco will follow in performing certain services for affiliate companies. 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 Servco costs are fully segregated, and fairly and equitably allocated among the affiliate companies. Servco 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. 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 Servco. 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.

### **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. LG&E's electric service

## **LG&E and KU Services Company Cost Allocation Manual**

area covers approximately 700 square miles in 9 counties in Kentucky and its natural gas service area covers the same area and an additional 8 counties 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. KU provides electricity to customers in 77 counties in central, southeastern and western Kentucky, to customers in 5 counties in southwestern Virginia and to fewer than 5 customers in Tennessee.

### **SERVICE COMPANY**

Servco, 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. Servco 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. Servco provides its services at cost, as permitted under PUHCA 2005.

Development of the Servco 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 Servco organization. In many respects, employees working in typical finance, administrative and general, management and other support departments are fully subject to Servco organizational placement.

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

On September 30, 2010, Servco changed its legal name to LG&E and KU Services Company from E.ON U.S. Services Inc.

### **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.

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

## **LG&E and KU Services Company Cost Allocation Manual**

### **III. TRANSACTIONS WITH AFFILIATES**

#### **OVERVIEW**

LKE formed Servco, as a service company to provide services for affiliated companies. Servco 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 Servco 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 between Servco and the 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 Corporation. 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. Servco 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 costs for these services when necessary. Detailed descriptions of cost assignment methods are provided in Section V.

# **LG&E and KU Services Company Cost Allocation Manual**

## **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 Servco 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 (LKC, LEM and LKE Foundation)

A – All

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Retail Business Services - Includes Customer Service; Sales and Marketing; Economic Development and Major Accounts; Meter Reading; Meter Operations; Meter Asset Management; Cash Remittance; Billing Integrity; Energy Efficiency; and, CCS Retail Business Readiness</b>		Number of Customers Ratios; Departmental Charge Ratio; Number of Meters Ratio; Revenue Ratio		
Customer Service	Providing call center and customer communication services for both electric and gas customers	Number of Customers Ratios	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.	Departmental Charge 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	Providing meter reading and meter data services.	Departmental Charge Ratio	Ongoing	R
Meter Operations	Conducting the testing of meters, completion of all customer-requested service/field credit orders and the installation of commercial/industrial meters.	Number of Meters Ratio	Ongoing	R
Meter Asset Management	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



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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Billing Integrity	Administering and providing customer billings and credit reviews.	Number of Customers Ratios	Ongoing	R
Energy Efficiency	Providing energy efficiency programs to residential and commercial customers to encourage implementation of energy saving measures.	Number of Customers Ratios	Ongoing	R
CCS Retail Business	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 Ratios	Ongoing	R
<b>Energy Services - Includes Project Engineering; System Laboratory; Generation; Fuel Procurement; Transmission Strategy and Planning; Transmission Protection and Substation; Transmission Line; Transmission Reliability and Compliance; Transmission System Operations; Transmission EMS; Transmission Policy &amp; Tariffs; Transmission Balancing Authority; and, Project Development Services</b>		Total Assets Ratio; Departmental Charge Ratio; Total Utility Plant Asset Ratio; Contract Ratio		
Project Engineering	Coordinating and managing all major generation construction.	Total Assets Ratio	Infrequent	R
System Laboratory	Providing system laboratory services to the generating stations.	Departmental Charge Ratio	Ongoing	R
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 Asset 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	Ongoing	R

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Transmission Strategy and Planning	Providing transmission system reliability planning and identifying current and future upgrades that are needed to maintain reliability.	Departmental Charge Ratio	Ongoing	R
Transmission Protection and Substation	Coordinating and managing all maintenance and capital upgrades to transmission substations.	Departmental Charge Ratio	Ongoing	R
Transmission Line	Coordinating and managing all maintenance and capital upgrades to the transmission lines.	Departmental Charge Ratio	Ongoing	R
Transmission Reliability and Compliance	Ensuring that the Transmission Department is complying with all applicable regulatory standards.	Departmental Charge Ratio	Ongoing	R
Transmission System Operations	Providing transmission system control center services.	Departmental Charge Ratio	Ongoing	R
Transmission EMS	Managing and maintaining the Energy Management System.	Departmental Charge Ratio	Ongoing	R
Transmission Policy & Tariffs	Coordinating and managing transmission tariffs and agreements with outside parties for use of the transmission system.	Departmental Charge Ratio	Ongoing	R
Transmission Balancing Authority	Coordinating and managing the balance between scheduled transmission usage and actual transmission usage by other companies.	Departmental Charge 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.	Departmental Charge Ratio	Ongoing	R

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Energy Marketing Services – Includes Energy Marketing; Market Forecasting; Load Forecasting; and, Generation Planning and Analysis Services</b>		Generation Ratio; Electric Peak Load Ratio; Departmental Charge Ratio		
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	Electric Peak Load Ratio	Ongoing	R
<b>Distribution Operations Services – Includes Network Trouble and Dispatch; Mapping and Records Management; Electric Engineering; Distribution Asset Management; and, Substation Construction and Maintenance Services.</b>		Departmental Charge Ratio; Total Assets Ratio		
Network Trouble and Dispatch	Providing dispatch services, reporting outage situations and coordinating restoration.	Departmental Charge Ratio	Ongoing	R
Mapping and Records Management	Providing and maintaining the mapping of the electric infrastructure.	Departmental Charge Ratio	Ongoing	R
Electric Engineering	Providing development engineering and construction standards, distribution system planning and analysis, substation construction project management and	Departmental Charge Ratio	Ongoing	R

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
	telecommunications systems design and analyses.			
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.	Total Assets Ratio	Ongoing	R
Substation Construction and Maintenance	Providing engineering and design services for substation construction, maintenance and operations areas.	Departmental Charge Ratio	Frequent	R
<b>Finance and Corporate Development Services – Includes Budgeting; Financial Planning; and, Financial Systems Services</b>		Revenue, Total Assets and Number of Employees Ratio; Number of Employees Ratio; Departmental Charge Ratio		
Budgeting	Providing services related to managing, coordinating and reporting for the budgeting process.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
Financial Planning	Providing services related to financial planning and forecasting services, investment analysis and investment planning reports.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
Financial Systems	Providing business support and electronic data processing services for all financial systems including Oracle Applications, PowerPlant and PowerTax.	Number of Employees Ratio	Ongoing	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Controller Organization Services</b>	<b>– Includes Internal Financial and Management Reporting; External Financial Reporting; Accounting and Reporting; Sundry Billing; Property Accounting; Energy Marketing Accounting; Revenue Accounting; and, Sarbanes-Oxley Compliance Services</b>	Revenue, Total Assets and Number of Employees Ratio; Total Utility Plant Assets Ratio; Energy Marketing Ratio; Retail Revenue Ratio; Departmental Charge Ratio		
Internal Financial and Management Reporting	Providing internal financial reports including standard and ad hoc management reporting.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
External Financial Reporting	Providing financial reports required or used by various external constituencies such as the FERC, the Kentucky Public Service Commission, the Virginia State Corporation Commission, U.S. Department of Energy (DOE), Internal Revenue Service, Municipal Securities Rulemaking Board and financial institutions.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
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), providing accounting research and interpretation and promulgation of accounting and internal control procedures, and performing U.S. GAAP general ledger account and project analyses, reconciliations, and consolidation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Sundry Billing	Processing miscellaneous and non-standard billings and maintaining and monitoring associated accounts receivable.	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
Energy Marketing Accounting	Performing month-end validation of all power transactions and resolving any discrepancies; preparing invoices and wires; validating bills from counterparties; preparing accounting, allocation and analysis of wholesale sales, wholesale purchases, and intercompany sales and purchases; and preparing various FERC, Fuel Adjustment Clause, Southwest Power Pool, and DOE reports.	Energy Marketing Ratio	Ongoing	A
Revenue Accounting	Managing and analyzing internal and external revenue reporting.	Retail Revenue Ratio	Ongoing	R
Sarbanes-Oxley Compliance	Providing coordination, implementation and maintenance of the Company's program for compliance with the Sarbanes-Oxley Act of 2002.	Departmental Charge Ratio	Ongoing	A
<b>Corporate Tax and Payroll Organization Services – Includes Payroll; Tax Accounting, Compliance and Reporting; Tax Planning; and, Tax Special Projects Services</b>		Revenue, Total Assets and Number of Employees Ratio; Number of Employees Ratio; Departmental Charge Ratio		

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Payroll	Providing payroll services including the managing of payroll systems.	Number of Employees Ratio	Ongoing	A
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; LKE Foundation returns and supporting roles for business development, and tax legislation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Tax Planning	Providing detailed forecasting of foreign, federal and state taxes, as well as capital based and property tax planning.	Revenue, Total Assets and Number of Employees Ratio	Infrequent	A
Tax Special Projects	Providing business or project development, asset dispositions, tax credit studies, review/analysis of proposed tax legislation, etc.	Revenue, Total Assets and Number of Employees Ratio	Infrequent	A
<b>Audit Services – Includes Audit Services</b>		Project Ratio; Departmental Charge Ratio		
Audit Services	Providing independent and objective assurance along with consulting services and internal controls system review.	Project Ratio	Ongoing	A
<b>Corporate Finance and Treasury Services – Includes Cash Management and Investment; Corporate Finance; Risk Management; Credit Administration; Energy Marketing Trading Controls; and, Energy Marketing Contract Administration Services</b>		Revenue, Total Assets and Number of Employees Ratio; Total Utility Plant Assets Ratio; Generation Ratio		

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
		Departmental Charge Ratio		
Cash Management and Investment	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.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Corporate Finance	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
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 daily, weekly, monthly and ad hoc reporting on the trading portfolios related to total exposure, trading limits, and mark-to-market calculations. Other activities include performing an independent valuation and validation of significant transactions, valuation algorithms, ensuring trading system security and testing trading system enhancements.	Generation Ratio	Ongoing	A



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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Energy Marketing Contract Administration	Negotiating contracts with counterparties, administrating contracts, and maintaining contracts within the trading systems. Additional activities include assisting various departments with contract disputes and preparing and validating confirmations	Generation Ratio	Ongoing	A
<b>Supply Chain and Logistics Services – Includes Procurement and Major Contracts; Strategic Sourcing; Materials Logistics; Sourcing Support; Accounts Payable; and, Supplier Diversity Services</b>		Non-Fuel Material and Services Expenditures Ratio; Number of Transactions Ratio; Departmental Charge Ratio		
Procurement and Major Contracts	Providing for and administering major contract negotiations, requests for quotes, supplier relations and order placement services.	Non-Fuel Material and Services Expenditures Ratio	Ongoing	A
Strategic Sourcing	Providing strategic sourcing services such as maintaining and analyzing the supplier base and performing supplier selection activities including contract negotiations and ongoing compliance.	Non-Fuel Material and Services Expenditures Ratio	Ongoing	A
Materials Logistics	Providing order management, materials handling and logistics, and inventory management services.	Non-Fuel Material and Services Expenditures Ratio	Ongoing	R

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Sourcing Support	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.	Non-Fuel Material and Services Expenditures Ratio	Ongoing	R
Accounts Payable	Processing payments for purchase orders, check requests, employees' expense reimbursements, etc., and providing ad-hoc research and analysis services.	Number of Transactions Ratio	Ongoing	A
Supplier Diversity	Identifying qualified minority and women owned businesses that are able to participate in competitive bidding opportunities, perform on-going work and ultimately become key suppliers to LKE and subsidiaries.	Non-Fuel Material and Services Expenditures Ratio	Ongoing	A
<b>IT Services – Includes IT Corporate Functions; IT Security and Administrative; IT Enhancements; IT Applications; IT Client; and, IT Platform Services</b>		Number of Employees Ratio; Departmental Charge Ratio		
IT Corporate Functions	Providing services associated with corporate functions, not specific companies or work groups, and include groups such as IT Project Management and Controls, IT Training, and IT Strategy and Planning. This function is where corporate standards and programs are developed and administered.	Number of Employees Ratio	Ongoing	A
IT Security and Administrative	Providing services associated with non-project management, security and administrative support. This function includes developing and administering security	Number of Employees Ratio	Ongoing	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
	policies and procedures.			
IT Enhancements	Providing discretionary, project-based work done in IT. These projects create new client value or add business value to existing products/services.	Number of Employees Ratio	Frequent	A
IT Applications	Providing services associated with each of the existing applications that IT provides to the business, for example Oracle Applications, PeopleSoft, etc. These services include costs incurred related to application license fees and application support costs.	Number of Employees Ratio	Ongoing	A
IT Client	Providing services associated with existing end user tools and related productivity software that the users can identify and interact with, such as a personal computer, telephone, email and file and print services.	Number of Employees Ratio	Ongoing	A
IT Platform	Providing services associated with shared computing platforms, databases, network and IT Service Desk.	Number of Employees Ratio	Ongoing	A
<b>Compliance, Legal, and Environmental Affairs Services – Includes Legal; Compliance; and, Environmental Affairs Services</b>		Departmental Charge Ratio; Number of Employees Ratio; Electric Peak Load Ratio		
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	Departmental Charge Ratio	Ongoing	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
	intellectual property law, evaluating legal claims and managing legal fees for outside counsel.			
Compliance	Providing various compliance services for all affiliated entities including compliance assessment and risk management, code of conduct, anti-fraud, ethics and helpline management, etc.	Number of Employees 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, and representing the Company in industry groups and before regulatory agencies dealing with environmental issues.	Electric Peak Load Ratio	Frequent	R
<b>Regulatory Affairs and Government Affairs Management Services – Includes Regulatory Affairs; and, Government Affairs Management Services</b>		Revenue Ratio; Departmental Charge Ratio		
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
Government Affairs Management	Maintaining relationships with government policy makers and conducting lobbying activities.	Departmental Charge Ratio	Frequent	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Corporate Communications and Public Affairs Management Services – Includes Internal Communications; External and Brand Communications; and, Public Affairs Management Services</b>		Number of Employees Ratio; Departmental Charge Ratio		
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.	Departmental Charge Ratio	Frequent	A
Public Affairs Management	Providing community relations functions, communicating public information to local organizations and providing oversight for communications to employees.	Departmental Charge Ratio	Frequent	A
<b>Operating Services – Includes Facilities and Buildings; Security; Production Mail; Document; and, Right-of-Way Services</b>		Departmental Charge Ratio; Number of Customers Ratio; Number of Employees Ratio		
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.	Departmental Charge Ratio	Ongoing	A
Security	Providing security personnel, security and monitoring devices for all affiliated entities.	Departmental Charge Ratio	Ongoing	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
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
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
<b>Transportation Services – Includes Transportation Services</b>		<b>Transportation Resource Management System Chargeback Ratio; Departmental Charge Ratio</b>		
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	Transportation Resource Management System Chargeback Ratio	Ongoing	A
<b>HR Services – Includes HR Compensation; HR Benefits; HR Employee Diversity HR Health and Safety; HR Organization Development and Training; HR; Technical and Safety Training; and, Industrial Relations Management Services</b>		<b>Number of Employees Ratio; Departmental Charge Ratio</b>		
HR Compensation	Providing services relating to the establishment and oversight of compensation policies for employees.	Number of Employees Ratio	Frequent	A

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<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
HR Employee Diversity	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.	Departmental Charge Ratio	Frequent	A
HR Health and Safety	Providing services relating to the establishment and oversight of health and safety policies for employees.	Number of Employees Ratio	Frequent	A
HR Organization Development and Training	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, employee engagement, and expatriate support.	Number of Employees Ratio	Frequent	A
HR	Providing services relating to operational and strategic human resources management.	Number of Employees Ratio	Frequent	A

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<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Technical and Safety Training	Providing training services on technical and safety matters primarily for the Energy Delivery and Energy Services businesses.	Number of Employees Ratio	Frequent	R
Industrial Relations Management	Providing communication and oversight for union matters, negotiation of union contracts, and union dispute resolution services.	Number of Employees Ratio	Frequent	R
<b>Executive Management Services – Includes Executive Management Services</b>		Departmental Charge Ratio		
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.	Departmental Charge Ratio	Ongoing	A



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### **V. COST ASSIGNMENT METHODS**

#### **OVERVIEW**

The costs of services provided by Servco 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-Servco employees that perform dedicated services to one affiliate, although Servco 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.

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### **ASSIGNMENT METHODS**

Servco 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 Servco are as follows:

**Contract Ratio** – Based on the sum of the physical amount (i.e. tons of coal, cubic feet of natural gas) of the contract for both coal and natural gas for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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 Servco 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 & 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. These ratios are calculated on an annual basis. Any changes in these ratios will be determined no later than May 1<sup>st</sup> 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 1<sup>st</sup> 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.

**Energy Marketing Ratio** – Based on the absolute value of megawatt hours purchased and sold for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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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**Generation Ratio** – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 Servco 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 Servco). For the second step, the ratio of Servco 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.) This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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 all levels of 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 1<sup>st</sup> 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 sum of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. For example, services pertaining to Materials Logistics would define the

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transaction as the number of items ordered, picked and disbursed out of the warehouse. Services pertaining to Accounts Payable would define the transaction as the number of invoices processed. The Controller's organization is responsible for maintaining and monitoring specific product/service methodology documentation for actual transactions related to Servco billings. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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.

**Project Ratio** – Based on the total costs for any departmental or affiliate project for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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.

**Retail Revenue Ratio** – Based on utility revenues, excluding energy marketing revenues, for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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 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 or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio is calculated on an annual basis. Any changes in the ratio will be determined no later than May 1<sup>st</sup> 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. This ratio is independently calculated for LG&E and KU. 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 1<sup>st</sup> 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 1<sup>st</sup> 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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**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 or affected affiliate company and the denominator of which is for all operating companies and affected affiliate 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 1<sup>st</sup> 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.

**Transportation Resource Management System Chargeback 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.

**Utility Ownership Percentages** – Based on the contractual ownership percentages of jointly-owned generating units. This ratio is updated as a result of a new jointly-owned generating unit, and is based on the total forecasted energy needs. The numerator is the specific company's forecasted incremental capacity and/or energy needs. The denominator is the total incremental capacity and/or energy needs of all companies.

## **VI. TIME DISTRIBUTION, BILLING AND ASSET TRANSFER POLICIES**

### **OVERVIEW**

Servco 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 Servco financial statements. This ensures that:

1. Separation of costs between regulated and non-regulated affiliates will be maintained
2. Intercompany transactions and related billings are structured so that non-regulated activities are not subsidized by regulated affiliates
3. Adequate audit trails exist on the books and records

### **BILLING POLICIES**

Billings for transactions between Servco and 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.

### **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**

Servco 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.

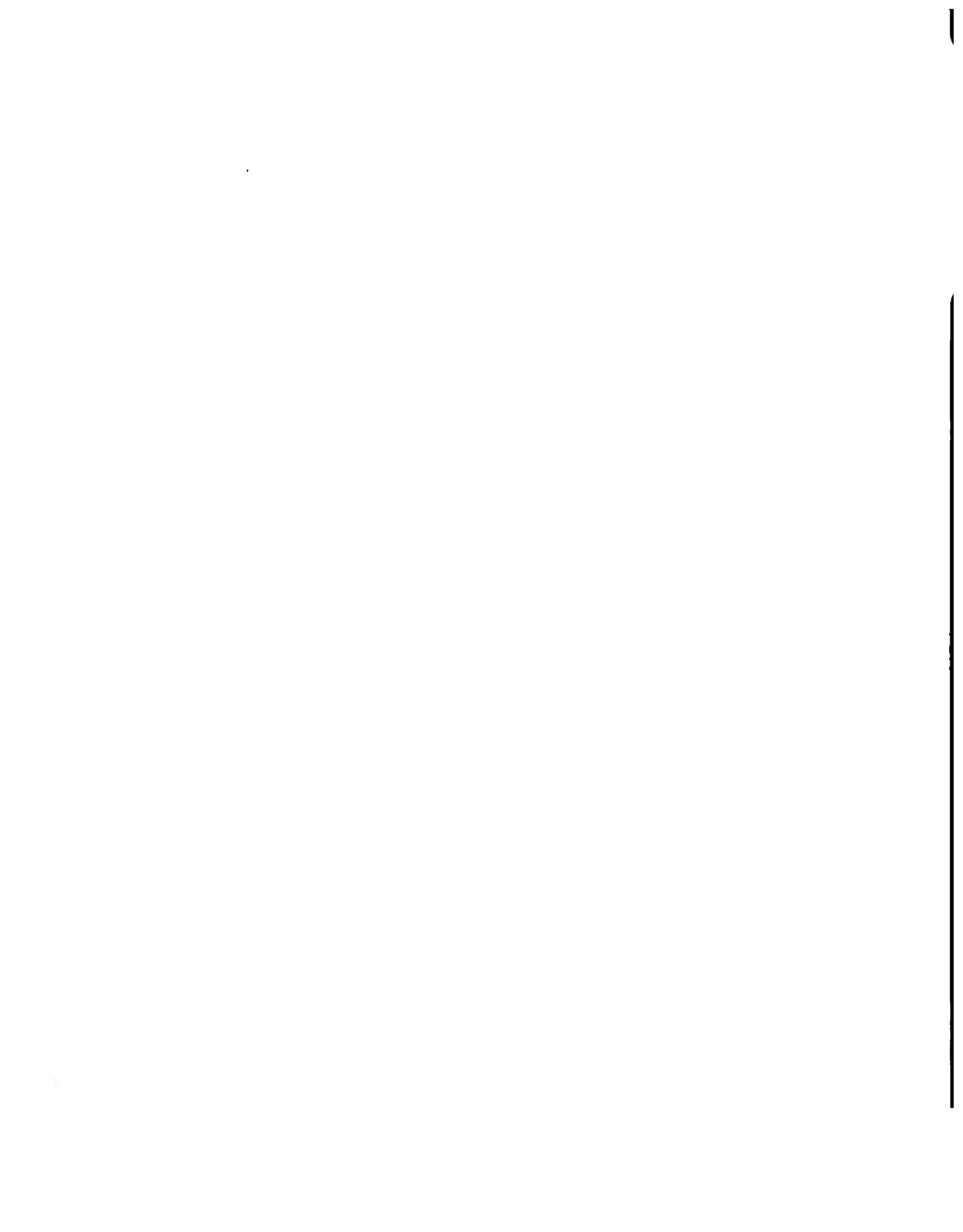
Departments that have positive time reporting have labor-based activities that are easily trackable given the project/task code combinations noted above. All employees are given appropriate project numbers that are associated with the service that is being provided. The proper coding for direct assignment of costs is on various source documents, including the Virtual Online Time System (VOLTS) 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 VOLTS, 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 can be entered into the VOLTS by using the "in and out" function.







a PPL company

Mr. Joel H. Peck, Clerk  
Virginia State Corporation Commission  
Document Control Center  
1300 East Main Street  
Tyler Building - First Floor  
Richmond, Virginia 23219

Old Dominion Power  
Company  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.iga-ku.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
F 502-627-3213  
rick.lovekamp@iga-ku.com

April 30, 2014

**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, Kentucky Utilities Company ("KU"), d/b/a Old Dominion Power Company, ("ODP"), (collectively "the Companies") hereby enclose an original and two (2) copies of KU's, *Annual Report of Affiliate Transactions* for the calendar year January 1, 2013 through December 31, 2013 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 2012 tax year. The

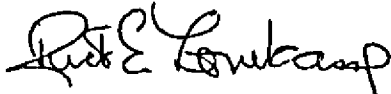
Mr. Joel H. Peck  
April 30, 2014

Companies consider confidential the information in the *Annual Detailed Reconciliations* and asks that this information be withheld from public disclosure and be afforded the same protections afforded 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 Public Utility Accounting.

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

cc: Susan D. Larsen, Director, VSCC Division of Public Utility

**KENTUCKY UTILITIES COMPANY  
EXHIBIT INDEX  
FOR THE PERIOD JANUARY 1, 2013 - DECEMBER 31, 2013**

Exhibit VASCC - 1	LG&E and KU Services Company Intercompany Cost Attribution Matrix (KU Provider of Services)
Exhibit VASCC - 1A	Annual Report of Affiliate Transactions with Louisville Gas and Electric Company (LG&E)
Exhibit VASCC - 1B	Annual Report of Affiliate Transactions with LG&E and KU Services Company (Western Kentucky Energy Corp)
Exhibit VASCC - 1C	Annual Report of Affiliate Transactions with LG&E and KU Services Company (LG&E and KU Capital LLC)
Exhibit VASCC - 1D	Annual Report of Affiliate Transactions with LG&E and KU Services Company (LG&E and KU Energy LLC)
Exhibit VASCC - 1E	Annual Report of Affiliate Transactions with PPL Energy Funding Corporation, on behalf of PPL Electric Utilities Corporation
Exhibit VASCC - 1F	Annual Report of Affiliate Transactions with LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Services Corporation)
Exhibit VASCC - 1G	Annual Report of Affiliate Transactions with LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Corporation)
Exhibit VASCC - 2	LG&E and KU Services Company Intercompany Cost Attribution Matrix (KU Recipient of Services)
Exhibit VASCC - 2A	Annual Report of Affiliate Transactions with Louisville Gas and Electric Company (LG&E)
Exhibit VASCC - 2B	Annual Report of Affiliate Transactions with LG&E and KU Services Company
Exhibit VASCC - 2C	Annual Report of Affiliate Transactions with LG&E and KU Services Company (LG&E and KU Capital LLC)
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Exhibit VASCC - 2H	Annual Report of Affiliate Transactions with LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Corporation)
Exhibit VASCC - 2I	Annual Report of Affiliate Transactions with LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Energy Supply)

Enbridge Limited Company  
 Affiliates Services  
 2023 Intercompany Cost Allocation Summary  
 (U) Provider of Services

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Grand Total
Corporate Organization													
Construction, Land, and Environmental Affairs Services													
Corporate Organization Services													
Corporate Communications and Public Affairs Management Services													
Corporate Finance and Treasury Services													
Corporate Tax and Payroll Operations Services													
Distribution Operations Services													
Energy Marketing Services													
Energy Services													
Executive Management Services													
Finance and Customer Development Services													
IT Services													
IT Services													
Operating Services													
Regulatory Affairs and Government Affairs Management Services													
Retail Business Services													
Supply Chain and Logistics Services													
Transmission Services													
Grand Total													

Refer to the LCSE and ICI Services Cost Allocation Method Book within the a description of services, the nature and frequency of services provided, and equipment, methodology, and methods.

## KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LOUISVILLE GAS AND ELECTRIC COMPANY  
January 1, 2013 - December 31, 2013

- 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) affiliate's name;
  - 2) description of each affiliate arrangement/agreement;
  - 3) dates of each affiliate arrangement/agreement;
  - 4) total dollar amount of each affiliate arrangement/agreement;
  - 5) component costs of each arrangement/agreement where services are provided to an affiliate (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 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;
  - 10) list and description of each utility asset transfer over \$250,000; and
  - 11) list by functional group of utility assets transfers valued less than \$250,000.

**RESPONSES:**

- 1) Louisville Gas and Electric Company
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012 00033
- 3) June 15, 2012
- 4) \$ 119,899,028.87
- 5) Component costs are:
 

Direct-Indirect Labor	\$ 826,638.49
Fringe Benefits/Overheads	630,362.71
Equipment/Facilities	308,816.93
Materials/Fuels	2,263,058.49
Outside Services	(54,321.42)
Capital Expenditures	84,933,309.18
Power and Transmission Sales/Purchases	1,401,085.52
Office and Administrative Services	702,885.73
Cash Receipts from LG&E on behalf of KU	26,983,113.24
	\$ 119,899,028.87
- 6) LG&E's and KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component
- 7) Transfers or sale of assets, goods or services between KU and LG&E are priced at cost, which approximates market value.
- 8) All costs charged to LG&E are charged to intercompany accounts. The breakdown of services provided by KU for LG&E consists of 70.96% Capital expense with a cost of \$84,933,309.18 and 29.04% total expense with a cost of \$ 34,785,718.69
- 9) Allocation percentages for overhead calculations on labor as applicable in 2013 are as follows:
 

Part-Time Labor	85.10%
Temporary Labor and Overtime	16.85%
Full-Time Labor	85.10%

Allocation percentages for overhead calculations on material issued from inventory in 2013 are as follows:

Stores, Freight & Handling - T & D	29.85%
Stores, Freight & Handling - Production	29.85%

Allocation percentages on labor and non-labor for capital projects in 2013 are as follows:

Construction Overheads - Distribution	14.17%
Construction Overheads - Production	-1.14%
Construction Overheads - Transmission	11.19%
Administrative and General	2.89%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2013 are as follows:

TRMS	13.85%
------	--------
- 10) There were no asset transfers over \$250,000.
- 11) There was a transfer of land from KU to LG&E for the amount of \$4,092.18.

## KENTUCKY UTILITIES COMPANY

**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LG&E AND KU SERVICES COMPANY (WESTERN KENTUCKY ENERGY CORP.)  
January 1, 2013 - December 31, 2013**

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined, and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES:**

- 1) LG&E and KU Services Company (Western Kentucky Energy Corp.)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033
 

Operating Services	3,039.28
--------------------	----------
- 3) Operating Services
 

	October 2013
--	--------------
- 4) Operating Services
 

	\$ 3,039.28
	<u>\$ 3,039.28</u>
- 5) Component costs are:
 

Capital Expenditures	\$ -
Direct-Indirect Labor	-
Equipment/Facilities	-
Fringe Benefits/Overheads	-
Materials/Fuels	-
Office and Administrative Services	-
Outside Services	3,039.28
Power Sales/Purchases	-
	<u>\$ 3,039.28</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 are priced at cost, which approximates market value.

## KENTUCKY UTILITIES COMPANY

**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LG&E AND KU SERVICES COMPANY (LG&E AND KU CAPITAL LLC)  
January 1, 2013 - December 31, 2013**

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES**

- 1) LG&E and KU Services Company (LG&E and KU Capital LLC)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033  
 Corporate Communications and Public Affairs Management Services  
 Corporate Finance and Treasury Services  
 Corporate Tax and Payroll Organization Services  
 Distribution Operations Services  
 Energy Marketing Services  
 Energy Services  
 Executive Management Services  
 Finance and Corporate Development Services  
 HR Services  
 IT Services  
 Operating Services  
 Regulatory Affairs and Government Affairs Management Services
- 3) Corporate Communications and Public Affairs Management Services October-December 2013  
 Corporate Finance and Treasury Services February, March, June, August-December 2013  
 Corporate Tax and Payroll Organization Services January-December 2013  
 Distribution Operations Services April, May, August, September and November 2013  
 Energy Marketing Services February 2013  
 Energy Services February, June-December 2013  
 Executive Management Services January-December 2013  
 Finance and Corporate Development Services December 2013  
 HR Services January-May and July 2013  
 IT Services January-December 2013  
 Operating Services February, June-August and December 2013  
 Regulatory Affairs and Government Affairs Management Services January-March, July, August and October-December 2013
- 4) Corporate Communications and Public Affairs Management Services \$ 75.60  
 Corporate Finance and Treasury Services 21,869.42  
 Corporate Tax and Payroll Organization Services 30,023.68  
 Distribution Operations Services 1,951.14  
 Energy Marketing Services 1,377.00  
 Energy Services 11,152.63  
 Executive Management Services 1,264.60  
 Finance and Corporate Development Services 677.67  
 HR Services 2,021.79  
 IT Services 13,219.75  
 Operating Services 62,667.16  
 Regulatory Affairs and Government Affairs Management Services 1,249.16
- 
- \$ 147,769.72
- 6) Component costs are:
- Capital Expenditures \$ 19,619.86  
 Direct-Indirect Labor 7,530.09  
 Equipment/Facilities 63,185.76  
 Fringe Benefits/Overheads 36,160.34  
 Materials/Fuels 29.19  
 Office and Administrative Services 22,192.60  
 Outside Services 62.08
- 
- \$ 147,769.72
- 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 are priced at cost, which approximates market value.

KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
 LG&E AND KU SERVICES COMPANY (LG&E AND KU ENERGY LLC)  
 January 1, 2013 - December 31, 2013

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost) for each type of service provided;
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**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  
 Corporate Tax and Payroll Organization Services  
  
 Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033  
 Operating Services
- 3) Corporate Tax and Payroll Organization Services April, June, August and September 2013  
 Operating Services July-December 2013
- 4) Corporate Tax and Payroll Organization Services \$ 31,209,431.00  
 Operating Services 15,892.14  

\$ 31,224,323.14
------------------
- 5) Component costs are:

Capital Expenditures	\$ -
Direct-Indirect Labor	-
Equipment/Facilities	-
Fringe Benefits/Overheads	-
Materials/Fuels	-
Office and Administrative Services	31,224,323.14
Outside Services	-
Power Sales/Purchases	-
\$ 31,224,323.14	
- 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 are priced at cost, which approximates market value.



**KENTUCKY UTILITIES COMPANY**  
**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH**  
**PPL ELECTRIC UTILITIES CORPORATION**  
 January 1, 2013 - December 31, 2013

- No. 10 Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with PPL Electric Utilities Corporation 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, 2011. Such report should include the following information:
- 1) affiliate's name;
  - 2) description of each affiliate arrangement/agreement;
  - 3) date of each affiliate arrangement/agreement;
  - 4) total dollar amount of each affiliate arrangement/agreement;
  - 5) component costs of each arrangement/agreement where services are provided to an affiliate (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 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;
  - 10) list and description of each utility asset transfer over \$250,000; and
  - 11) list by functional group of utility assets transfers valued less than \$250,000.

**RESPONSES:**

- 1) PPL Energy Funding Corporation, on behalf of PPL Electric Utilities Corporation
- 2) Mutual Assistance Service Agreement Case Number: PUE-2011-00095
- 3) November 14, 2011
- 4) \$ 120.88
- 5) Component costs are:
 

Direct-Indirect Labor	\$ -
Equipment/ Facilities	-
Travel	126.88
	\$ 126.88
- 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 PPL Electric Utilities Corporation are priced at cost, which approximates market value.
- 8) All costs charged to PPL Electric Utilities Corporation are charged to intercompany accounts. There are no costs charged to Capital or O&M expense.
- 9) Allocation percentages for overhead calculations on labor as applicable in 2013 are as follows:
 

Part-Time Labor	98.10%
Temporary Labor and Overtime	19.85%
Full-Time Labor	98.10%

Allocation percentages for overhead calculations on material issued from inventory in 2013 are as follows:

Stores, Freight & Handling - T & D	29.88%
Stores, Freight & Handling - Production	29.88%

Allocation percentages on labor and non-labor for mutual assistance in 2013 are as follows:

Construction Overheads - Distribution	14.17%
Construction Overheads - Transmission	11.19%
Administrative and General	2.69%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2013 are as follows:

TRMS	13.66%
------	--------
- 10) There were no utility asset transfers over \$250,000.
- 11) There were no utility asset transfers less than \$250,000.

<sup>1</sup>Amounts billed from Storm in 2012.

KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
 LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)  
 January 1, 2013 - December 31, 2013

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES:**

- 1) LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Services Corporation)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033  
 Corporate Tax and Payroll Organization Services  
  
 Hosting Services Agreement PPL Alternate Data Center, Case Number: PUE-2011-00095  
 IT Services

3)	Corporate Tax and Payroll Organization Services IT Services	April, July and October 2013 January-December 2013
4)	Corporate Tax and Payroll Organization Services IT Services	\$ 16.13 209,975.02
		\$ 209,990.15

5)	Component costs are:	
	Direct-Indirect Labor	\$ -
	Equipment/ Facilities	209,975.02
	Fringe Benefits/ Overheads	-
	Materials/ Fuels	-
	Office and Administrative Services	15.13
		\$ 209,990.15

- 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 are priced at cost, which approximates market value.

KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
 LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)  
 January 1, 2013 - December 31, 2013

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES:**

- 1) LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Corporation)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033  
 Corporate Tax and Payroll Organization Services
- 3) Corporate Tax and Payroll Organization Services January, April, July and October 2013
- 4) Corporate Tax and Payroll Organization Services
 

\$	1,691.99
\$	1,691.99
- 5) Component costs are:
 

Direct/Indirect Labor	\$	-
Equipment/ Facilities		-
Fringe Benefits/ Overheads		-
Materials/ Fuels		-
Office and Administrative Services		1,691.99
\$		1,691.99
- 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 are priced at cost, which approximates market value.

Stanley Utilities Company  
 Utility Services  
 2023 Interim Annual Attribution Breakdown  
 by Recipient of Services

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Grand Total
<b>Operations Organizations</b>													
Asset Services	87,200.00	85,170.00	84,000.00	81,100.00	83,800.00	81,000.00	81,000.00	77,000.00	86,000.00	86,000.00	84,000.00	80,000.00	871,000.00
Compliance, Legal, and Environmental Affairs Services	874,200.00	891,400.00	830,100.00	822,400.00	824,200.00	848,400.00	868,300.00	791,000.00	800,000.00	850,000.00	891,000.00	8,481,000.00	8,172,000.00
Contract Operations Services	258,100.00	238,250.00	225,200.00	240,500.00	238,000.00	221,000.00	243,000.00	275,000.00	258,000.00	257,000.00	222,000.00	260,000.00	2,047,000.00
Corporate Communications and Public Affairs Management Services	140,300.00	248,700.00	240,000.00	241,000.00	194,200.00	250,000.00	257,000.00	240,000.00	217,000.00	228,000.00	140,000.00	204,000.00	2,078,000.00
Corporate Finance and Treasury Services	206,000.00	221,000.00	218,000.00	217,000.00	215,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	2,078,000.00
Corporate Tax and Payroll Organization Services	217,000.00	220,000.00	218,000.00	217,000.00	215,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	2,078,000.00
Construction Operations Services	697,000.00	698,000.00	690,000.00	700,000.00	707,000.00	697,000.00	747,000.00	693,000.00	704,000.00	698,000.00	697,000.00	697,000.00	7,774,000.00
Energy Marketing Services	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	100,000.00
Energy Services	43,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	48,000.00	480,000.00
Executive Management Services	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	240,000.00
Finance and Corporate Development Services	212,000.00	208,000.00	204,000.00	202,000.00	200,000.00	198,000.00	196,000.00	194,000.00	192,000.00	190,000.00	188,000.00	186,000.00	1,860,000.00
IT Services	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	20,000.00
IT Services	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	20,000.00
Operating Services	891,000.00	884,000.00	878,000.00	872,000.00	866,000.00	860,000.00	854,000.00	848,000.00	842,000.00	836,000.00	830,000.00	824,000.00	8,236,000.00
Regulatory Affairs and Government Affairs Management Services	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	1,000,000.00
Retail Services	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	10,000.00
Supply Chain and Logistics Services	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	200,000.00
Transportation Services	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	200,000.00
Grand Total	30,487,200.00	31,000,000.00	30,500,000.00	30,000,000.00	29,500,000.00	29,000,000.00	28,500,000.00	28,000,000.00	27,500,000.00	27,000,000.00	26,500,000.00	26,000,000.00	267,000,000.00

Refer to the LC&E and IUI Services Cost Allocation Methodology for a description of services, the nature and frequency of services provided, and appropriate methodology and methods.

## KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LOUISVILLE GAS AND ELECTRIC COMPANY  
January 1, 2013 - December 31, 2013

- 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) affiliate's name;
  - 2) description of each affiliate arrangement/agreement;
  - 3) dates of each affiliate arrangement/agreement;
  - 4) total dollar amount of each affiliate arrangement/agreement;
  - 5) component costs of each arrangement/agreement where services are provided to an affiliate (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 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;
  - 10) list and description of each utility asset transfer over \$250,000, and
  - 11) list by functional group of utility assets transfers valued less than \$250,000.

**RESPONSES:**

- 1) Louisville Gas and Electric Company
- 2) 2011 Utility Money Pool Agreement, Case Number PUE-2011-00110<sup>1</sup>  
Amended and Restated Utility Services Agreement, Case Number: PUE-2012 00033
- 3) December 1, 2011 and June 15, 2012 respectively
- 4) \$4.28 and \$ 208,854,284.13 , respectively
- 5) Component costs are:
 

Direct-Indirect Labor	\$ 8,384,445.29
Fringe Benefits/Overheads	2,504,908.14
Capital Expenditures	25,498,538.19
Charitable/Community Contributions	7,709.91
Equipment/Facilities	851,117.37
Materials/Fuels	91,853,837.45
Office and Administrative Services	513,510.51
Cash Receipts on behalf of LG&E	1,758,978.76
Outside Services	8,242,052.09
Power and Transmission Sales/Purchases	74,403,432.71
	<b>\$ 208,854,284.42<sup>1</sup></b>
- 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) All costs received from LG&E are charged to the appropriate expense or capital account depending on the service performed for KU. Total Capital expense was 12.22% with a cost of \$25,498,538.18 and total expense was 8.76% with a cost of \$183,157,758.23
- 9) Allocation percentages for overhead calculations on labor as applicable in 2013 are as follows:
 

Part-Time Labor	87.88%
Temporary Labor and Overtime	19.00%
Full-Time Labor	97.88%

Allocation percentages for overhead calculations on material issued from inventory in 2013 are as follows:

Stores, Freight & Handling - T & D	18.07%
Stores, Freight & Handling - Production	10.97%

Allocation percentages on labor and non-labor for capital projects in 2013 are as follows:

Construction Overheads - Distribution	8.17%
Construction Overheads - Production	-1.34%
Construction Overheads - Transmission	4.80%
Administrative and General	1.71%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2013 are as follows:

TRMS	7.18%
------	-------
- 10) There were no asset transfers over \$250,000.
- 11) There were no asset transfers from LG&E to KU less than \$250,000.

<sup>1</sup> Money Pool transactions (other than interest) are not included in this filing but are included in Case No. PUE-2011-00110 effective on December 1, 2011.

## KENTUCKY UTILITIES COMPANY

**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LG&E AND KU SERVICES COMPANY  
January 1, 2013 - December 31, 2013**

- 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) affiliate's name;
  - 2) description of each affiliate arrangement/agreement;
  - 3) dates of each affiliate arrangement/agreement;
  - 4) total dollar amount of each affiliate arrangement/agreement;
  - 5) component costs of each arrangement/agreement where services are provided to an affiliate (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
  - 7) comparable market value 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;
  - 10) list and description of each utility asset transfer over \$250,000, and
  - 11) list by functional group of utility assets transfers valued less than \$250,000.

**RESPONSES:**

- 1) LG&E and KU Services Company
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033
- 3) June 16, 2012
- 4) \$211,434,365.90
- 5) Component costs are:
 

Direct-Indirect Labor	\$ 46,609,065.73
Fringe Benefits/Overheads	69,864,332.16
Capital Expenditures	38,370,297.88
Charitable/Community Contributions	901,246.54
Equipment/Facilities	20,631,653.83
Materials/Fuels	475,191,096.48
Office and Administrative Services	13,638,611.89
Fuel Advance Settlements	(472,881,979.89)
Outside Services	28,810,242.48
	\$ 211,434,365.90
- 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 are priced at cost, which approximates market value.
- 8) All costs received from LG&E and KU Services Company are charged to the appropriate expense or capital account depending on the service performed for KU. Total Capital expense was 18.15% with a cost of \$38,370,297.88 and total O&M expense was 81.85% with a cost of \$173,064,055.08
- 9) Allocation percentages for overhead calculations on labor as applicable in 2013 are as follows:
 

Part-Time Labor	82.98%
Temporary Labor and Overtime	23.49%
Full-Time Labor	92.98%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2013 are as follows:

TRMS	3.74%
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- 10) There were no utility asset transfers over \$250,000.
- 11) There were no utility asset transfers under \$250,000.

KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
 LG&E AND KU SERVICES COMPANY (LG&E AND KU CAPITAL LLC)  
 January 1, 2013 - December 31, 2013

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES:**

- 1) LG&E and KU Services Company (LG&E and KU Capital LLC)
- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033  
 Compliance, Legal, and Environmental Affairs Services  
 Controller Organization Services  
 Corporate Communications and Public Affairs Management Services  
 Corporate Finance and Treasury Services  
 Corporate Tax and Payroll Organization Services  
 HR Services  
 IT Services  
 Operating Services  
 Regulatory Affairs and Government Affairs Management Services  
 Supply Chain and Logistics Services
- 3)
 

Compliance, Legal, and Environmental Affairs Services	February-December 2013
Controller Organization Services	September 2013
Corporate Communications and Public Affairs Management Services	March-May 2013
Corporate Finance and Treasury Services	March, May and July 2013
Corporate Tax and Payroll Organization Services	March 2013
HR Services	June 2013
IT Services	May, September and December 2013
Operating Services	April 2013
Regulatory Affairs and Government Affairs Management Services	January, February and July 2013
Supply Chain and Logistics Services	September 2013
- 4)
 

Compliance, Legal, and Environmental Affairs Services	\$ 2,018.28
Controller Organization Services	0.13
Corporate Communications and Public Affairs Management Services	1,272.00
Corporate Finance and Treasury Services	212.28
Corporate Tax and Payroll Organization Services	6.07
HR Services	782.59
IT Services	144.98
Operating Services	187.64
Regulatory Affairs and Government Affairs Management Services	1,384.94
Supply Chain and Logistics Services	0.60
	\$ 6,492.05
- 5) Component costs are:
 

Direct-Indirect Labor	\$ -
Fringe Benefits/Overheads	-
Capital Expenditures	1,126.47
Charitable/Community Contributions	-
Equipment/Facilities	1,439.64
Materials/Fuels	-
Office and Administrative Services	3,711.98
Outside Services	211.85
	\$ 6,492.05
- 6) LG&E and KU Services Company'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 LG&E and KU Services Company are priced at cost, which approximates market value.

KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
 LG&E AND KU SERVICES COMPANY (LG&E AND KU ENERGY LLC)  
 January 1, 2013 - December 31, 2013

- 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 affiliate 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined, and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES:**

- 1) LG&E and KU Services Company (LG&E and KU Energy LLC)
- 2) 2011 Utility Money Pool Agreement, Case Number: PUE-2011-00110<sup>1</sup>  
 Corporate Finance and Treasury Services  
  
 Amended and Restated Utility Services Agreement, Case Number: PUE-2012-00033  
 HR Services  
 Operating Services  
  
 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  
 Corporate Tax and Payroll Organization Services
- 3) Corporate Finance and Treasury Services November 2013  
 Corporate Tax and Payroll Organization Services March, April, June, August, September and December 2013  
 HR Services June, July and September-December 2013  
 Operating Services January-December 2013
- 4) Corporate Finance and Treasury Services \$ 1,820.71  
 Corporate Tax and Payroll Organization Services 77,759,784.00  
 HR Services 137,770.41  
 Operating Services 1,388,139.47  


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 \$ 78,286,614.69<sup>1</sup>
- 5) Component costs are:  
 Direct-Indirect Labor \$ -  
 Fringe Benefits/Overheads 137,770.41  
 Capital Expenditures 8,740.80  
 Charitable/Community Contributions -  
 Equipment/Facilities 1,377,599.36  
 Materials/Fuels 1,146.31  
 Office and Administrative Services 77,781,256.71  
 Outside Services -  


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 \$ 78,286,614.69<sup>1</sup>
- 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 are priced at cost, which approximates market value.

<sup>1</sup> Money Pool transactions (other than interest) are not included in this filing but are included in Case No. PUE-2011-00110 effective on December 1, 2011.



## KENTUCKY UTILITIES COMPANY

**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)  
January 1, 2013 - December 31, 2013**

- 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, 1998. Such report should include the following information:
- 1) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market value and supporting documentation for each type of service provided.

**RESPONSES:**

1) LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Services Corporation)

- 2) Amended and Restated Utility Services Agreement, Case Number: PUE-20 12-00033  
Corporate Finance and Treasury Services  
HR Services  
IT Services

- 3) Corporate Finance and Treasury Services February, April-June, August-October and December 2013  
HR Services September, November and December 2013  
IT Services January-December 2013

4) Corporate Finance and Treasury Services	\$	7,143.76
HR Services		10,402.35
IT Services		38,474.01
		<u>\$ 68,020.12</u>

- 5) Component costs are:

Software Implementation Costs	\$	7,143.76
Software Depreciation Costs		38,474.01
Training Costs		10,402.35
		<u>\$ 68,020.12</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 are priced at cost, which approximates market value.

## KENTUCKY UTILITIES COMPANY

**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)  
January 1, 2013 - December 31, 2013**

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES.**

- 1) LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Services Corporation)
- 2) Utility Services Agreement for Third-Party Vendor Costs, Case Number: PUE-2011-00095  
Compliance, Legal, and Environmental Affairs Services  
Corporate Finance and Treasury Services  
IT Services  
Supply Chain and Logistics Services
- 3)

Compliance, Legal, and Environmental Affairs Services	March 2013
Corporate Finance and Treasury Services	January - December 2013
IT Services	February- December 2013
Supply Chain and Logistics Services	October and November 2013
- 4)

Compliance, Legal, and Environmental Affairs Services	\$ 10,516.93
Corporate Finance and Treasury Services	164,737.65
IT Services	63,065.43
Supply Chain and Logistics Services	(200,632.96)
	\$ 40,586.05
- 5) Component costs are:

Copyright License	\$ 10,516.93
Insurance Premiums	172,625.65
Software Maintenance/ License Fees	68,077.43
Corporate Credit Card Rebate	(200,632.96)
	\$ 48,586.05
- 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 are priced at cost, which approximates market value.

## KENTUCKY UTILITIES COMPANY

**ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
LG&E AND KU SERVICES COMPANY (PPL CORPORATION)  
January 1, 2013 - December 31, 2013**

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost) for each type of service provided;
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES:**

- 1) LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Corporation)
- 2) Kentucky Utilities Company Preliminary Report of Action, Case Number: PUE-2012-00078  
Corporate Finance and Treasury Services
- 3) Corporate Finance and Treasury Services January-November 2013
- 4) Corporate Finance and Treasury Services
 

\$	7,142,276.04
<u>\$</u>	<u>7,142,276.04</u>
- 5) Component costs are:
 

Financing	\$ (35,885,881.72)
Financing Settlement	43,027,887.76
<u>\$</u>	<u>7,142,276.04</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 are priced at cost, which approximates market value.

KENTUCKY UTILITIES COMPANY

ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH  
 LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)  
 January 1, 2013 - December 31, 2013

- 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) non-regulated affiliate's name;
  - 2) description of each type of service provided;
  - 3) dates that each type of service was provided;
  - 4) total dollar value (cost for each type of service provided);
  - 5) component costs of each type of service provided (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overheads);
  - 6) profit component of each type of service and how profit component is determined; and
  - 7) comparable market values and supporting documentation for each type of service provided.

**RESPONSES.**

- 1) LG&E and KU Services Company (PPL Energy Funding Corporation, on behalf of PPL Corporation)
  - 2) Utility Services Agreement for Third-Party Vendor Costs, Case Number: PUE-2011-00095  
 Compliance, Legal, and Environmental Affairs Services  
 Corporate Finance and Treasury Services
  - 3) Compliance, Legal, and Environmental Affairs Services  
 Corporate Finance and Treasury Services
- |  |  |
|--|--|
|  | January and December 2013                      |
|  | March- May, August, November and December 2013 |
- 4) Compliance, Legal, and Environmental Affairs Services  
 Corporate Finance and Treasury Services
- |  |                        |
|--|------------------------|
|  | \$ 743,710.12          |
|  | 302,491.13             |
|  | <u>\$ 1,046,201.25</u> |
- 5) Component costs are:
- |                        |                        |
|------------------------|------------------------|
| EEI Dues               | \$ 743,710.12          |
| Credit Monitoring Fees | 37,218.83              |
| Financing Costs        | 285,272.30             |
| Rating Agency Fee      | 6,899.80               |
|                        | <u>\$ 1,046,201.25</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 are priced at cost, which approximates market value.



**Annual Detailed Tax Reconciliation**

**For**

**Tax Year 2012**

**Case No. PUE-2010-00094**

**Information Filed Confidentially**



## **ENTITY EVENTS**

1. LG&E Power Argentina III LLC was merged into LG&E International Inc. on December 31, 2013.
2. LG&E Home Services Inc. was merged into LG&E and KU Capital LLC on December 31, 2013.
3. LG&E International Inc. was merged into LG&E and KU Capital LLC on December 31, 2013.





THIS FILING IS

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

Form 60 Approved  
OMB No. 1902-0215  
Expires 04/30/2016



# 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, 2013

## 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](mailto: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](mailto: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)).

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

**IDENTIFICATION**

01 Exact Legal Name of Respondent G&E and KU Services Company		02 Year of Report Dec 31, 2013
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 T. Eric Raible	
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) 627-3428	10 E-mail Address of Contact Person eric.raible@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) 04/24/2014
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, 2013
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**List of Schedules and Accounts**

1. 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	None
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	
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 Non-Associate 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
19	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, 2013
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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		<b>Service Company Property</b>			
2	101	Service Company Property	103	6,065,421	3,707,736
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	2,769,810	1,178,545
6		Total Property (Total Of Lines 2-5)		8,835,231	4,884,281
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	1,749,206	947,180
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		7,086,025	3,937,101
10		<b>Investments</b>			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105		
14		Total Investments (Total of Lines 11-13)			
15		<b>Current And Accrued Assets</b>			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable		100,234,423	100,142,198
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		688,362	86,131
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	148	Accounts Receivable From Associate Companies	106	60,799,807	79,882,357
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies			
27	163	Stores Expense Undistributed	108	36	
28	165	Prepayments		8,879,102	9,418,213
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)		171,601,730	169,506,699
36		<b>Deferred Debits</b>			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		348	
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		73,661,647	89,151,366
46		Total Deferred Debits (Total of Lines 37-45)		73,661,995	89,151,366
47		<b>TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)</b>		<b>252,369,750</b>	<b>282,595,366</b>



**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		<b>Proprietary Capital</b>			
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	218	Unappropriated Retained Earnings	201	1,252,464	853,578
54	219	Accumulated Other Comprehensive Income	201	11,488,434	( 15,642,887)
55		Total Proprietary Capital (Total of Lines 49-54)		28,198,128	687,921
58		<b>Long-Term Debt</b>			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	228	Less: Unamortized Discount on Long-Term Debt-Debt			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		<b>Other Non-current Liabilities</b>			
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		129,555,035	214,037,868
66	230	Asset Retirement Obligations			
68		Total Other Non-current Liabilities (Total of Lines 63-66)		129,555,035	214,037,868
68		<b>Current and Accrued Liabilities</b>			
69	231	Notes Payable			
70	232	Accounts Payable		43,264,642	35,224,421
71	233	Notes Payable to Associate Companies	203		
72	234	Accounts Payable to Associate Companies	203	14,081,573	212,247
73	238	Taxes Accrued		1,813,189	( 2,447,392)
74	237	Interest Accrued			
75	241	Tax Collections Payable		259,788	343,058
76	242	Miscellaneous Current and Accrued Liabilities	203	19,541,120	18,310,418
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)		78,960,312	51,842,748
81		<b>Deferred Credits</b>			
82	253	Other Deferred Credits		15,972,678	16,246,849
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		( 318,403)	
87	283	Accumulated deferred income taxes-Other			
88		Total Deferred Credits (Total of Lines 82-87)		15,658,275	16,248,849
89		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)</b>		252,369,750	282,595,388

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2013
LG&E and KU Services Company			
FOOTNOTE DATA			

**Schedule Page: 101 Line No.: 20 Column: d**

\$100,234,423 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 Notes Receivable (141). Interest income on this note is retained by LKS and not allocated to the companies it serves.

**Schedule Page: 101 Line No.: 20 Column: e**

\$100,142,198 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 Notes Receivable (141). Interest income on this note is retained by LKS and not allocated to the companies it serves.

**Schedule Page: 101 Line No.: 27 Column: d**

This balance was recorded in error at 12/31/2013 and was fully distributed to LG&E and KU in 2014. There is no stores expense attributable to the operations of LKS.

**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	\$ 61,037,221
Purchase Accounting Adjustment	12,644,426
Total for Accumulated Deferred Income Taxes (190)	\$ 73,681,647

**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	\$ 81,361,505
Purchase Accounting Adjustment	7,789,881
Total for Accumulated Deferred Income Taxes (190)	\$ 89,151,386

**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 Other Comprehensive Income and Retained Earnings. In addition, the 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

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LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2013
FOOTNOTE DATA			

**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 Other Comprehensive Income and Retained Earnings. In addition, the 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	\$	1,274,447
Purchase Accounting Adjustment		(21,983)
Total for Unappropriated Retained Earnings (216)	\$	1,252,464

**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	\$	875,561
Purchase Accounting Adjustment		(21,983)
Total for Unappropriated Retained Earnings (216)	\$	853,578

**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 in November 2010. The following reflects the purchase accounting adjustment:

Other Comprehensive Income (219) Without Purchase Accounting	\$	(53,216,795)
Purchase Accounting Adjustment		64,705,229
Total for Accumulated Other Comprehensive Income (219)	\$	11,488,434

**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:

Other Comprehensive income (219) Without Purchase Accounting	\$	(87,973,121)
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LG&E and KU Services Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2013
FOOTNOTE DATA			

Purchase Accounting Adjustment	<u>72,330,234</u>
Total for Accumulated Other Comprehensive Income (219)	\$ (15,642,887)

The Other Comprehensive Income activity related loss is the result of a drop in discount rates.

**Schedule Page: 101 Line No.: 86 Column: d**  
This balance represents deferred tax on book depreciation previously reported in Accumulated Deferred Income Taxes (190).

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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, 2013
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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	3,707,736	2,357,665			6,065,421
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		<b>Total Service Company Property (Total of Lines 1-15)</b>	<b>3,707,736</b>	<b>2,357,685</b>			<b>6,065,421</b>
17	107	<b>Construction Work in Progress:</b>					
18		Office Furniture and Equipment	1,176,545	3,950,950		( 2,357,685)	2,769,810
19							
20							
21							
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23							
24							
25							
28							
27							
28							
29							
30							
31		<b>Total Account 107 (Total of Lines 18-30)</b>	<b>1,176,545</b>	<b>3,950,950</b>		<b>( 2,357,685)</b>	<b>2,769,810</b>
32		<b>Total (Lines 16 and Line 31)</b>	<b>4,884,281</b>	<b>6,308,635</b>		<b>( 2,357,665)</b>	<b>8,835,231</b>

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 2013
FOOTNOTE DATA			

**Schedule Page: 103 Line No.: 18 Column: f**  
 \$2,357,685 was transferred from Construction Work in Progress to Service Company Property.

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, 2013
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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	947,180	813,377	11,351		1,749,206
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					
	399.1	Asset Retirement Costs					
16		<b>Total</b>	<b>947,180</b>	<b>813,377</b>	<b>11,351</b>		<b>1,749,206</b>





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**Schedule V – Accounts Receivable from Associate Companies**

1. List the accounts receivable from each associate company.
2. 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	148	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		PPL Services Corporation	57,460	
4		LG&E and KU Capital LLC	39,862,626	
5		FCD LLC	251	254
6		Kentucky Utilities Company	20,131,584	25,219,041
7		Louisville Gas and Electric Company	18,338,618	24,183,450
8		Western Kentucky Energy Corp.	239,559	4,222
9		LG&E and KU Energy LLC	1,234,259	11,392,840
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39		Analysis of Accommodation or Convenience Payments - see footnote		
40	<b>Total</b>		<b>79,862,357</b>	<b>60,799,807</b>

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) / /	2013
FOOTNOTE DATA			

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

**Analysis of convenience or accommodation payments:**

Associate Company	Amount
LG&E and KU Capital LLC	1,188,065
Louisville Gas & Electric Company	509,149,873
Kentucky Utilities Company	524,313,174
Western Kentucky Energy Corp.	40,091
FCD LLC	2,279
LG&E and KU Energy LLC	107,751
	\$ 1,034,801,233

**Convenience payments resulted primarily from the following:**

Description	Amount
Capital Expenditures	\$ 4,442,702
Charitable Contributions	3,406,371
Equipment and Facilities	15,287,805
Fringe Benefits	41,269,483
Materials and Fuels Purchases	929,639,254
Office and Administrative Services	16,549,746
Outside Services	24,205,872
	\$ 1,034,801,233

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**Schedule VI – Fuel Stock Expenses Undistributed**

1. 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	
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39					
40	Total				

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2013
JG&E and KU Services Company			
FOOTNOTE DATA			

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

Fuel functions provided are primarily accounted for as convenience payments or internal labor, showing up in the respective FERC accounts of the affiliates. These include the following which are largely provided by LKS as an administrative agent, paying agent or other representative capacity, for the respective affiliate(s):

- Procurement of coal, fuel oil, 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

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, 2013
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**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	183	Stores Expense Undistributed			
2		Associate Company			
3		LG&E and KU Services Company		36	36
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
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23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	<b>Total</b>			<b>36</b>	<b>36</b>

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FOOTNOTE DATA			

**Schedule Page: 108 Line No.: 3 Column: d**

See footnote data detail on Schedule Page: 101, Line No.: 27, Column: d.

**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		
4				
5				
6				
7				
8				
9				
10				
11				
12				
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37				
38				
39				
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, 2013
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**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	188	Miscellaneous Deferred Debits		
2		Items List:		
3		None		
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
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19				
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22				
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24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
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, 2013
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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			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
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36			
37			
38			
39			
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, 2013
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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.  
 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		11,488,434
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	853,578
13			Net Income or (Loss)	398,888
14			Dividend Paid	
15			Balance at Close of Year	1,252,464

Name of Respondent JG&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 2013
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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**Schedule XII – Long Term Debt**

1. 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 Column (c)
2. For the deductions in Column (h), please give an explanation in a footnote.
3. 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							

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**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		1,164,387
26		PPL Energy Supply, LLC	900	902
27		PPL Services Corporation	211,347	1,174,468
28		LG&E and KU Capital LLC		11,741,816
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities		
42		Accrued Short Term Incentive	2,983,770	3,378,911
43		Miscellaneous Liability - Vested Vacation	10,097,418	10,306,538
44		Pension Payable SERP Current	2,840,677	2,907,648
45		Retirement Income Liability	656,165	1,134,931
46		Incurred But Not Paid (IBNP) Medical and Dental Reserve	1,532,386	1,814,894
47				
48				
49				
50		(Total)	16,522,663	33,622,693

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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 end/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., 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**

Effective January 1, 2008, LKS transitioned to 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 are in millions, unless otherwise noted.

**Property.** Property, plant and equipment include 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.

**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 to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not



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(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 6, 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 6, 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 Services Corporation. 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 Services Corporation 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 Services Corporation and vouchers paid by LKS on behalf of the subsidiaries of LKE and PPL Services Corporation. 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.

### 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.

A majority of LKS employees are eligible for certain health care and life insurance benefits upon retirement through a 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.

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The estimated amounts to be amortized from accumulated other comprehensive income into net periodic defined benefit costs in 2014 are \$4 million (\$3 million of prior service cost and \$1 million of actuarial loss).

LKS allocates its pension and other postretirement costs to affiliates. LKS's allocated net periodic defined benefit costs charged to operating expense, excluding amounts charged to construction and other non-expense accounts, for pension benefits were \$19 million and \$16 million in 2013 and 2012. 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 2013 and 2012.

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 \$125 million and \$208 million at December 31, 2013 and 2012. LKS's allocated share of other postretirement benefits resulted in a liability of \$5 million and \$7 million at December 31, 2013 and 2012.

#### 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 2013 are presented on the next page.

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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	2013 Target Asset Allocation (a)
	2013 (a)	LKE Plans
<b>Growth Portfolio</b>	59%	55%
Equity securities	30%	
Debt securities (b)	17%	
Alternative Investments	12%	
<b>Immunizing Portfolio</b>	39%	43%
Debt securities (b)	40%	
Derivatives	(1)%	
<b>Liquidity Portfolio</b>	2%	2%
<b>Total</b>	100%	100%

	Percentage of Trust Assets
	2012
<b>Growth Portfolio</b>	58%
Equity securities	31%
Debt securities (b)	18%
Alternative Investments	9%
<b>Immunizing Portfolio</b>	41%
Debt securities (b)	34%
Derivatives	1%
<b>Liquidity Portfolio</b>	1%
<b>Total</b>	100%

(a) Allocations exclude consideration of a guaranteed 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 disclosed on the next page. The fair value of the LKE assets of \$1.2 billion and \$1.1 billion at December 31, 2013 and 2012 represents an interest of approximately 29% and 26% in the Master Trust.

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The fair value of net assets in the pension plan trusts by asset class and level within the fair value hierarchy was:

**DECEMBER 31, 2013**

	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 120	\$ 120	\$ -	\$ -
Equity securities				
U.S.:				
Large-cap	480	134	346	-
Small-cap	137	137	-	-
Commingled debt	749	13	736	-
International	630	163	467	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	617	563	54	-
Residential/commercial backed securities	12	-	11	1
Corporate	963	-	940	23
Other	24	-	24	-
International	7	-	7	-
Alternative Investments:				
Commodities	108	-	108	-
Real estate	134	-	134	-
Private equity	80	-	-	80
Hedge funds	210	-	210	-
Derivatives:				
Interest rate swaps and swaptions	(49)	-	(49)	-
Other	12	-	12	-
Insurance Contracts	37	-	-	37
PPL Services Corporation Master Trust Assets, at fair value	\$ 4,271	\$ 1,130	\$ 3,000	\$ 141
Receivables and payables, net (a)	-	-	-	-
401(h) account restricted for other postretirement benefit obligations	(115)			
<b>Total PPL Services Corporation Master Trust pension assets</b>	<b>\$ 4,156</b>			

(a) 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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	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 84	\$ 84	\$ -	\$ -
Equity securities				
U.S.:				
Large-cap	558	206	352	-
Small-cap	124	124	-	-
Commingled debt	676	56	620	-
International	557	184	373	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	704	634	70	-
Residential/commercial backed securities	12	-	11	1
Corporate	874	-	847	27
Other	24	-	23	1
International	7	-	7	-
Alternative investments:				
Commodities	59	-	59	-
Real estate	93	-	93	-
Private equity	75	-	-	75
Hedge funds	125	-	125	-
Derivatives:				
Interest rate swaps and swaptions	36	-	36	-
Other	2	-	2	-
Insurance Contracts	42	-	-	42
PPL Services Corporation Master Trust Assets, at fair value	\$ 4,052	\$ 1,288	\$ 2,618	\$ 146
Receivables and payables, net (a)	(11)	-	-	-
401(h) account restricted for other postretirement benefit obligations	(102)			
<b>Total PPL Services Corporation Master Trust pension assets</b>	<b>\$ 3,939</b>			

(a) 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 pension trust assets classified as Level 3 at December 31, 2013 is as follows:

	Residential/ commercial backed securities	Corporate Debt	Private Equity	Insurance Contracts	Other Debt	Total
Balance at beginning of period	\$ 1	\$ 27	\$ 75	\$ 42	\$ 1	\$ 146
Actual return on plan assets	-	-	-	-	-	-
Relating to assets still held at the reporting date	-	-	3	2	-	5
Relating to assets sold the period during	-	5	-	-	-	5
Purchases, sales and settlements	-	(9)	2	(7)	-	(14)
Transfers from level 2 to level 3	-	-	-	-	-	-
Transfers from level 3 to level 2	-	-	-	-	(1)	(1)
Balance at end of period	\$ 1	\$ 23	\$ 80	\$ 37	\$ -	\$ 141

A reconciliation of pension trust assets classified as Level 3 at December 31, 2012 is as follows:

	Residential/ commercial backed securities	Corporate Debt	Private Equity	Insurance Contracts	Other Debt	Total
Balance at beginning of period	\$ -	\$ 7	\$ 45	\$ 46	\$ -	\$ 98
Actual return on plan assets	-	-	-	-	-	-
Relating to assets still held at the reporting date	-	1	10	3	-	14
Relating to assets sold the period during	-	2	-	-	-	2
Purchases, sales and settlements	1	21	20	(7)	-	35
Transfers from level 2 to level 3	-	-	-	-	1	1
Transfers from level 3 to level 2	-	(4)	-	-	-	(4)
Balance at end of period	\$ 1	\$ 27	\$ 75	\$ 42	\$ 1	\$ 146

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.

Investments in commingled equity and debt funds are categorized as equity securities. These investments are classified as Level 2, except for exchange-traded funds, which are classified as Level 1 based on quoted prices in active markets.

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The fair value measurements for Level 2 Investments are based on firm quotes of net asset values per share, which are not considered obtained from a quoted price in an active market. 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 evaluated prices 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, reported trades, 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 monthly payment data, future predicted cash flows, collateral performance and new issue data. For the PPL Services Corporation Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; 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; and exchange traded funds.

Investments in commodities represent ownership of units of a commingled fund that is invested as a long-only, unleveraged portfolio of exchange-traded futures and forward contracts in tangible 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. The fund has daily liquidity with a specified notification period. The fund's fair value is based upon a unit value as calculated by the fund's trustee.

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 PPL Services Corporation Master Trust has unfunded commitments of \$76 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 three hedge fund of 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 all market conditions. Major investment strategies for the hedge fund of funds include long/short equity, market neutral, distressed debt, and relative value. Generally, shares may be redeemed with 65 to 95 days prior written notice. The funds are subject to short term lockups and have limitations on the amount that may be withdrawn based on a percentage of the total net asset value of the fund, among other restrictions. All

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withdrawals are subject to the general partner's approval. The fair value for two of the funds has been estimated using the net asset value per share and the third fund's fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

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.

#### Plan Assets – Other Postretirement Benefit Plans

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

#### Expected Cash Flows - Defined Benefit Plans

LKS made contributions to the defined benefit pension plan of \$48 million and \$18 million in 2013 and 2012. Contributions to Supplemental Executive Retirement Plan ("SERP") payments totaled \$2 million in both 2013 and 2012. LKE's defined benefit plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, LKS contributed \$25 million to LKE's pension plan on behalf of LKS's employees in January 2014.

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>	
2014	\$	10
2015		12
2016		13
2017		15
2018		19
2019-2023	\$	134



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LKS is not required to make contributions to the other postretirement benefit plan in which it participates but has historically funded this plan in amounts equal to the postretirement benefit costs. LKS funded this plan \$4 million and \$1 million in 2013 and 2012. Continuation of this past practice would cause LKS to contribute \$1 million to the other postretirement benefit plan in 2014.

#### Savings Plans

Substantially all of LKS's employees are eligible to participate in 401(k) deferred savings plans. Employer contributions to the plans were \$6 million and \$5 million for the years ended December 31, 2013 and 2012.

#### Note 5 - Income Taxes

LKS's federal income tax return is included in a United States consolidated income tax return filed by LKS's 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 year for the ten months ending October 31, 2010, remains open under the standard three year statute of limitations; however, the IRS has completed the audit of this period under the Compliance Assurance Process, effectively closing it to audit adjustments.

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

	<u>2013</u>	<u>2012</u>
Current – federal	\$ 1	\$ (7)
Current – state	1	(1)
Deferred – federal – net	(1)	7
Deferred – state – net	(1)	1
Total income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2013</u>	<u>2012</u>
<b>Deferred tax assets:</b>		
Pensions and similar obligations	\$ 45	\$ 70
Liabilities and other	16	11
Net deferred income tax asset (current and noncurrent)		
without purchase accounting	\$ 61	\$ 81
Purchase Accounting – Pensions	13	8
Total net deferred income tax assets	<u>\$ 74</u>	<u>\$ 89</u>
<b>Balance sheet classification:</b>		
Current	\$ 3	\$ 3
Noncurrent	71	86
Net deferred income tax assets	<u>\$ 74</u>	<u>\$ 89</u>

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**Note 6 - Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income consisted of the following:

**Funded Status of Pension  
and Postretirement Plans**

	<u>Pretax</u>	<u>Tax</u>	<u>Net</u>
Balance at December 31, 2011	\$ 7	\$ (3)	\$ 4
Other changes In Plan Assets and Benefit Obligations	(33)	13	(20)
Balance at December 31, 2012	<u>\$ (26)</u>	<u>\$ 10</u>	<u>\$ (16)</u>
Other changes In Plan Assets and Benefit Obligations	44	(17)	27
Balance at December 31, 2013	<u>\$ 18</u>	<u>\$ (7)</u>	<u>\$ 11</u>

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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		<b>SERVICE COMPANY OPERATING REVENUES</b>		
2	400	Service Company Operating Revenues	307,893,888	275,465,496
3		<b>SERVICE COMPANY OPERATING EXPENSES</b>		
4	401	Operation Expenses	200,134,059	162,883,117
5	402	Maintenance Expenses	12,139,749	28,823,723
6	403	Depreciation Expenses	813,377	623,168
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	10,093,723	9,682,190
13	409.1	Income Taxes, Operating Income	6,665,512	( 4,055,614)
14	410.1	Provision for Deferred Income Taxes, Operating Income	14,830,076	16,471,716
15	411.1	Provision for Deferred Income Taxes - Credit, Operating Income	( 16,950,202)	( 6,470,496)
16	411.4	Investment Tax Credit, Service Company Property		
	411.6	Gains from Disposition of Service Company Plant		
	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	72,976,762	63,368,599
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work		
22		<b>TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)</b>	<b>300,723,058</b>	<b>289,326,403</b>
23		<b>NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)</b>	<b>7,170,828</b>	<b>6,159,093</b>
24		<b>OTHER INCOME</b>		
25	416.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	652,842	727,965
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		<b>TOTAL OTHER INCOME (Total of Lines 25-29)</b>	<b>652,842</b>	<b>727,965</b>
31		<b>OTHER INCOME DEDUCTIONS</b>		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	19,322	13,592
35	426.2	Life Insurance		
36	426.3	Penalties	23,010	148
37	426.4	Expenditures for Certain Civic, Political and Related Activities	2,199,991	2,012,713
	428.5	Other Deductions	9,493,993	8,078,247
39		<b>TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)</b>	<b>11,736,216</b>	<b>10,104,700</b>
40		<b>TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS</b>		

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**Schedule XV- Comparative Income Statement (continued)**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions	( 4,311,432)	( 3,671,264)
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		<b>TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)</b>	<b>( 4,311,432)</b>	<b>( 3,671,264)</b>
47		<b>INTEREST CHARGES</b>		
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		<b>TOTAL INTEREST CHARGES (Total of Lines 48-53)</b>		
55		<b>NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)</b>	<b>398,886</b>	<b>453,822</b>
56		<b>EXTRAORDINARY ITEMS</b>		
434		Extraordinary Income		
435		(less) Extraordinary Deductions		
59		<b>Net Extraordinary Items (Line 57 less Line 58)</b>		
80	409.4	(less) Income Taxes, Extraordinary		
81		<b>Extraordinary Items After Taxes (Line 59 less Line 60)</b>		
82		<b>NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-81)</b>	<b>398,886</b>	<b>453,822</b>

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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		813,377	813,377			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debts/Credits - Net						
4	408.1-408.2	Taxes Other Than Income Taxes	8,999,258	1,094,465	10,093,723			
5	408.1-408.3	Income Taxes	2,120,124		2,120,124			
6	410.1-411.2	Provision for Deferred Taxes	( 2,120,124)		( 2,120,124)			
7	411.1-411.2	Provision for Deferred Taxes - Credit						
8	411.8	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	Accrual Expense						
12	412	Costs and Expenses of Construction or Other Services	73,334,958	( 358,196)	72,976,762			
13	418	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies						
14	418a	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income						
17	418.1	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	19,322		19,322			
23	426.2	Life Insurance						
24	426.3	Penalties	23,010		23,010			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	273,245	1,926,646	2,199,891			
26	426.5	Other Deductions	9,058,227	435,766	9,493,993			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	428	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	2,192,231	8,485,235	10,677,466			
34	510-515	Total Steam Power Generation Maintenance Expenses	876,813	653,636	1,530,449			

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

Line No.	Account Number (e)	Title of Account (b)	Total Charges for Services Direct Cost (f)	Total Charges for Services Indirect Cost (g)	Total Charges for Services Total Cost (h)
1	403-403.1	Depreciation Expense		813,377	813,377
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits - Net			
4	408.1-408.2	Taxes Other Than Income Taxes	8,999,258	1,094,465	10,093,723
5	408.1-408.3	Income Taxes	2,120,124		2,120,124
6	410.1-411.2	Provision for Deferred Taxes	( 2,120,124)		( 2,120,124)
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	73,334,058	( 358,196)	72,975,862
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies			
14	416	Non-operating Rental Income			
15	416.1	Equity in Earnings of Subsidiary Companies			
16	416	Interest and Dividend Income			
17	416.1	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	10,322		10,322
23	426.2	Life Insurance			
24	426.3	Penalties	23,010		23,010
25	426.4	Expenditures for Certain Civic, Political and Related Activities	273,245	1,926,646	2,199,891
26	426.5	Other Deductions	9,058,227	435,766	9,493,993
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	2,192,231	8,485,235	10,677,466
34	510-515	Total Steam Power Generation Maintenance Expenses	676,613	853,636	1,530,249

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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 Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	4,540		4,540			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	13,544		13,544			
39	548-550.1	Total Other Power Generation Operation Expenses	2,660		2,660			
40	551-554.1	Total Other Power Generation Maintenance Expenses	3,831		3,831			
41	555-557	Total Other Power Supply Operation Expenses	90,356	2,957,686	3,048,042			
42	560	Operation Supervision and Engineering	67,387	2,411,187	2,478,574			
43	561.1	Load Dispatch-Reliability		4,529,422	4,529,422			
44	561.2	Load Dispatch-Monitor and Operate Transmission System						
45	561.3	Load Dispatch-Transmission Service and Scheduling						
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development		1,477,397	1,477,397			
48	561.6	Transmission Service Studies	19,739		19,739			
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	33,386		33,386			
52	563	Overhead Line Expenses (Major Only)	116,995		116,995			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	2,719,984	929,955	3,649,939			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	2,957,491	9,347,961	12,305,452			
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)	575,074	49,244	624,318			
66	571	Maintenance of Overhead Lines (Major Only)	159,507		159,507			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	66,463	16,280	82,743			



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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	526-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540 1	Total Hydraulic Power Generation Operation Expenses	4,540		4,540
38	541-545 1	Total Hydraulic Power Generation Maintenance Expenses	13,544		13,544
39	548-550 1	Total Other Power Generation Operation Expenses	2,660		2,660
40	551-554 1	Total Other Power Generation Maintenance Expenses	3,631		3,631
41	555-557	Total Other Power Supply Operation Expenses	90,356	2,957,686	3,048,042
42	560	Operation Supervision and Engineering	67,387	2,411,187	2,478,574
43	561 1	Load Dispatch-Reliability		4,529,422	4,529,422
44	561 2	Load Dispatch-Monitor and Operate Transmission System			
45	561 3	Load Dispatch-Transmission Service and Scheduling			
46	561 4	Scheduling, System Control and Dispatch Services			
47	561 5	Reliability Planning and Standards Development		1,477,397	1,477,397
48	561 6	Transmission Service Studies	19,739		19,739
49	561 7	Generation Interconnection Studies			
50	561 8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	33,386		33,386
52	563	Overhead Line Expenses (Major Only)	116,995		116,995
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	2,718,984	929,955	3,648,939
56	567	Rents			
57	567 1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	2,957,481	9,347,961	12,305,452
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)	675,074	49,244	724,318
66	571	Maintenance of Overhead Lines (Major Only)	159,507		159,507
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	66,463	16,280	82,743

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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	801,044	85,524	886,568			
71	575 1-575 8	Total Regional Market Operation Expenses						
72	578 1-578 5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	5,093,712	3,440,689	8,534,401			
74	590-598	Total Distribution Maintenance Expenses	235,026	2,725	237,753			
75		Total Electric Operation and Maintenance Expenses	103,979,070	28,865,514	132,844,584			
76	700-708	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses	6,748		6,748			
78	814-826	Total Underground Storage Operation Expenses	93,698		93,698			
79	830-837	Total Underground Storage Maintenance Expenses	1,018		1,018			
80	840-842 3	Total Other Storage Operation Expenses						
81	843 1-843 8	Total Other Storage Maintenance Expenses						
82	844 1-846 2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
	847 1-847 8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
85	850	Operation Supervision and Engineering						
86	851	System Control and Load Dispatching						
87	852	Communication System Expenses						
88	853	Compressor Station Labor and Expenses						
89	854	Gas for Compressor Station Fuel						
90	855	Other Fuel and Power for Compressor Stations						
91	856	Mains Expenses	2,019		2,019			
92	857	Measuring and Regulating Station Expenses						
93	858	Transmission and Compression of Gas By Others						
94	859	Other Expenses						
95	860	Rents						
96	861	Total Gas Transmission Operation Expenses	2,019		2,019			
97	862	Maintenance Supervision and Engineering						
98	863	Maintenance of Structures and Improvements						
99	864	Maintenance of Mains	8,418		8,418			
100	865	Maintenance of Compressor Station Equipment						
101	866	Maintenance of Measuring And Regulating Station Equipment						
102	867	Maintenance of Communication Equipment						
103		Total Gas Transmission Maintenance Expenses	8,418		8,418			
104	870-881	Total Distribution Operation Expenses	778,506	43,706	822,212			

**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	801,044	65,524	866,568
71	575 1 575 8	Total Regional Market Operation Expenses			
72	578 1 578 5	Total Regional Market Maintenance Expenses			
73	580 589	Total Distribution Operation Expenses	5,093,712	3,440,689	8,534,401
74	590-598	Total Distribution Maintenance Expenses	235,028	2,725	237,753
75		Total Electric Operation and Maintenance Expenses	103,979,070	28,865,514	132,844,584
76	700-708	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses	6,748		6,748
78	814-826	Total Underground Storage Operation Expenses	93,698		93,698
79	830-837	Total Underground Storage Maintenance Expenses	1,018		1,018
80	840-842 3	Total Other Storage Operation Expenses			
81	843 1-843 8	Total Other Storage Maintenance Expenses			
82	844 1-848 2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
	847 1-847 8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
85	850	Operation Supervision and Engineering			
86	851	System Control and Load Dispatching			
87	852	Communication System Expenses			
88	853	Compressor Station Labor and Expenses			
89	854	Gas for Compressor Station Fuel			
90	855	Other Fuel and Power for Compressor Stations			
91	856	Mains Expenses	2,019		2,019
92	857	Measuring and Regulating Station Expenses			
93	858	Transmission and Compression of Gas By Others			
94	859	Other Expenses			
95	860	Rents			
96	861	Total Gas Transmission Operation Expenses	2,019		2,019
97	862	Maintenance Supervision and Engineering			
98	863	Maintenance of Structures and Improvements			
99	864	Maintenance of Mains	8,418		8,418
100	865	Maintenance of Compressor Station Equipment			
101	866	Maintenance of Measuring And Regulating Station Equipment			
102	867	Maintenance of Communication Equipment			
103	868	Maintenance of Other Equipment			
104	870-881	Total Gas Transmission Maintenance Expenses	8,418		8,418
		Total Distribution Operation Expenses	778,506	43,706	822,212

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	905-904	Total Distribution Maintenance Expenses	141,925		141,925			
106		Total Natural Gas Operation and Maintenance Expenses	1,032,332	43,706	1,076,038			
107	901	Supervision	3,723,773	748,477	4,472,250			
108	902	Meter reading expenses	248,119	128,047	376,166			
109	903	Customer records and collection expenses	4,570,976	9,757,502	14,328,478			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses	419,581		419,581			
112	906	Total Customer Accounts Operation Expenses	9,962,449	10,634,026	19,596,475			
113	907	Supervision	56,236	477,366	533,602			
114	908	Customer assistance expenses	2,618,774	752,765	3,371,539			
115	909	Informational And Instructional Advertising Expenses	609,064		609,064			
116	910	Miscellaneous Customer Service And Informational Expenses	35,000	11,850	46,850			
117		Total Service and informational Operation Accounts	3,319,074	1,242,081	4,561,155			
118	911	Supervision						
119	912	Demonstrating and Selling Expenses						
120	913	Advertising Expenses						
121	914	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses						
123	920	Administrative and General Salaries	4,354,489	60,503,006	64,857,497			
124	921	Office Supplies and Expenses	3,245,729	6,219,227	9,464,956			
125	923	Outside Services Employed	6,647,615	22,327,572	28,975,187			
126	924	Property Insurance						
127	925	Injuries and Damages	141,098	34,166	175,264			
128	926	Employee Pensions and Benefits	35,579,164	7,484,886	43,064,150			
129	928	Regulatory Commission Expenses	594,713		594,713			
130	930.1	General Advertising Expenses	63,094	148,801	211,895			
131	930.2	Miscellaneous General Expenses	123,838	1,001,050	1,124,888			
132	931	Rents	10,452	190	10,642			
133		Total Administrative and General Operation Expenses	50,760,192	89,719,000	140,479,192			
134	935	Maintenance of Structures and Equipment	1,098,018	9,238,424	10,336,442			
135		Total Administrative and General Maintenance Expenses	64,139,733	109,633,531	173,973,264			
136		Total Cost of Service	169,151,135	138,742,751	307,893,886			

**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	994	Total Distribution Maintenance Expenses	141,925		141,925
106		Total Natural Gas Operation and Maintenance Expenses	1,032,332	43,708	1,076,038
107	901	Supervision	3,723,773	748,477	4,472,250
108	902	Meter reading expenses	248,119	128,047	376,166
109	903	Customer records and collection expenses	4,570,978	9,757,502	14,328,478
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses	419,581		419,581
112	906	Total Customer Accounts Operation Expenses	8,982,449	10,834,026	19,596,475
113	907	Supervision	68,236	477,368	533,602
114	908	Customer assistance expenses	2,818,774	752,765	3,371,539
115	909	Informational And Instructional Advertising Expenses	609,064		609,064
116	910	Miscellaneous Customer Service And Informational Expenses	35,000	11,950	46,950
117		Total Service and Informational Operation Accounts	3,318,074	1,242,061	4,561,155
118	911	Supervision			
119	912	Demonstrating and Selling Expenses			
120	913	Advertising Expenses			
121	914	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses			
123	920	Administrative and General Salaries	4,354,489	60,503,008	64,857,497
124	921	Office Supplies and Expenses	3,245,729	8,219,227	11,464,856
125	923	Outside Services Employed	6,547,815	22,327,572	28,875,187
126	924	Property Insurance			
127	925	Injuries and Damages	141,098	34,168	175,264
128	926	Employee Pensions and Benefits	35,579,184	7,464,888	43,064,150
129	928	Regulatory Commission Expenses	594,713		594,713
130	930 1	General Advertising Expenses	83,094	148,801	211,895
131	930 2	Miscellaneous General Expenses	123,838	1,001,050	1,124,888
132	931	Rents	10,452	190	10,642
133		Total Administrative and General Operation Expenses	50,780,192	89,719,000	140,479,192
134	935	Maintenance of Structures and Equipment	1,098,018	8,238,424	9,336,442
135		Total Administrative and General Maintenance Expenses	64,139,733	109,833,531	173,973,264
136		Total Cost of Service	189,151,135	138,742,751	307,893,886

**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 (a)
1	PPL Services Corporation	78,650			78,650
2	LG&E and KU Capital LLC	10,954,978	815,114		11,770,092
3	Louisville Gas and Electric Company	73,538,420	62,487,727		136,026,147
4	Kentucky Utilities Company	83,981,553	75,439,910		159,401,463
5	Western Kentucky Energy Corp.	617,511			617,511
8	LG&E Energy Marketing Inc.	23			23
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40	<b>Total</b>	<b>189,181,138</b>	<b>136,742,761</b>		<b>307,693,686</b>

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, 2013
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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					
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40	<b>Total</b>					

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, 2013
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**Schedule XIX - Miscellaneous General Expenses - Account 930.2**

1. 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. 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	969,682
2	Business License Fees	85,393
3	Association Dues	21,455
4	Other Miscellaneous General Expenses - 9 items less than \$50,000 each	48,358
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40	<b>Total</b>	<b>1,124,888</b>



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LG&E and KU Services Company			
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, 2013:

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

S. Bradford Rives -- Chief Administrative Officer

Paula H. Pottinger -- Senior Vice President, Human Resources

Eric Slavinsky -- Chief Information Officer

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

Michael S. Beer -- Vice President, Federal Regulation and Policy

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

Edwin R. Staton -- Vice President, State Regulation and Rates

Mary C. Whelan -- Vice President, Communications

Kent W. Blake -- Chief Financial Officer

Daniel K. Arbough -- Treasurer

Valerie L. Scott -- Contoller

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

P. Greg Thomas -- Vice President, Electric Distribution

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

Thomas A. Jessee -- Vice President, Transmission

Paul W. Thompson, Senior Vice President - Energy Services, was named Chief Operating Officer, effective February 18, 2013.

Chris Hermann, Senior Vice President - Energy Delivery, retired effective May 1, 2013.

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) / /	2013

**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 Ratios
Sales and Marketing	Departmental Charge Ratio
Economic Development and Major Accounts	Number of Customers Ratio
Meter Reading	Departmental Charge Ratio
Meter Operations	Number of Meters Ratio
Meter Asset Management	Number of Meters Ratio
Cash Remittance	Revenue Ratio
Billing Integrity	Number of Customers Ratios
Energy Efficiency	Number of Customers Ratios
CCS Retail Business	Number of Customers Ratios
Project Engineering	Total Assets Ratio
System Laboratory	Departmental Charge Ratio
Generation	Total Utility Plant Asset Ratio
Fuel Procurement	Contract Ratio
Transmission Strategy and Planning	Departmental Charge Ratio
Transmission Protection and Substation	Departmental Charge Ratio
Transmission Line	Departmental Charge Ratio
Transmission Reliability and Compliance	Departmental Charge Ratio
Transmission System Operations	Departmental Charge Ratio
Transmission EMS	Departmental Charge Ratio
Transmission Policy & Tariffs	Departmental Charge Ratio
Transmission Balancing Authority	Departmental Charge Ratio
Project Development	Departmental Charge Ratio
Energy Marketing	Generation Ratio
Market Forecasting	Generation Ratio
Load Forecasting	Generation Ratio
Generation Planning and Analysis	Electric Peak Load Ratio
Network Trouble and Dispatch	Departmental Charge Ratio
Mapping and Records Management	Departmental Charge Ratio
Electric Engineering	Departmental Charge Ratio
Distribution Asset Management	Total Assets Ratio
Substation Construction and Maintenance	Departmental Charge Ratio
Budgeting	Revenue, Total Assets and Number of Employees Ratio
Financial Planning	Revenue, Total Assets and Number of Employees Ratio
Financial Systems	Number of Employees Ratio
Internal Financial and Management Reporting	Revenue, Total Assets and Number of Employees Ratio
External Financial Reporting	Revenue, Total Assets and Number of Employees Ratio
Accounting and Reporting	Revenue, Total Assets and Number of Employees Ratio
Sundry Billing	Revenue, Total Assets and Number of Employees Ratio
Property Accounting	Total Utility Plant Assets Ratio
Energy Marketing Accounting	Energy Marketing Ratio
Revenue Accounting	Departmental Charge Ratio

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LG&E and KU Services Company			

Schedule XXI - Methods of Allocation

Sarbanes-Oxley Compliance	Departmental Charge Ratio
Payroll	Number of Employees Ratio
Tax Accounting, Compliance and Reporting	Revenue, Total Assets and Number of Employees Ratio
Tax Planning	Revenue, Total Assets and Number of Employees Ratio
Tax Special Projects	Revenue, Total Assets and Number of Employees Ratio
Audit Services	Departmental Charge Ratio
Cash Management and Investment	Revenue, Total Assets and Number of Employees Ratio
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
Energy Marketing Contract Administration	Generation Ratio
Procurement and Major Contracts	Non-Fuel Material and Services Expenditures Ratio
Strategic Sourcing	Non-Fuel Material and Services Expenditures Ratio
Materials Logistics	Non-Fuel Material and Services Expenditures Ratio
Sourcing Support	Non-Fuel Material and Services Expenditures Ratio
Accounts Payable	Number of Transactions Ratio
Supplier Diversity	Non-Fuel Material and Services Expenditures Ratio
IT Corporate Functions	Number of Employees Ratio
IT Security and Administrative	Number of Employees Ratio
IT Enhancements	Number of Employees Ratio
IT Applications	Number of Employees Ratio
IT Client	Number of Employees Ratio
IT Platform	Number of Employees Ratio
Legal	Departmental Charge Ratio
Compliance	Number of Employees Ratio
Environmental Affairs	Electric Peak Load Ratio
Regulatory Affairs	Revenue Ratio
Government Affairs Management	Departmental Charge Ratio
Internal Communications	Number of Employees Ratio
External and Brand Communications	Departmental Charge Ratio
Public Affairs Management	Departmental Charge Ratio
Facilities and Buildings	Departmental Charge Ratio
Security	Departmental Charge Ratio
Production Mail	Number of Customers Ratio
Document	Number of Employees Ratio
Right-of-Way	Number of Customers Ratio
Transportation	Transportation Resource Management System Chargeback Ratio
HR Compensation	Number of Employees Ratio
HR Benefits	Number of Employees Ratio
HR Employee Diversity	Departmental Charge Ratio
HR Health and Safety	Number of Employees Ratio
HR Organization Development and Training	Number of Employees Ratio
HR	Number of Employees Ratio
Technical and Safety Training	Number of Employees Ratio
Industrial Relations Management	Number of Employees Ratio
Executive Management	Departmental Charge Ratio

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**Contract Ratio** – Based on the sum of the physical amount (i.e. tons of coal, cubic feet of natural gas) of the contract for both coal and natural gas for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate 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.

**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 & 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. 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.

**Energy Marketing Ratio** – Based on the absolute value of megawatt hours purchased and sold for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate 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.

**Generation Ratio** – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate 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.

**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

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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.) 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 all levels of 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 sum of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. For example, services pertaining to Materials Logistics would define the transaction as the number of items ordered, picked and disbursed out of the warehouse. Services pertaining to Accounts Payable would define the transaction as the number of invoices processed. 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.

**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 or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate 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. This ratio is independently calculated for LG&E and KU. 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.

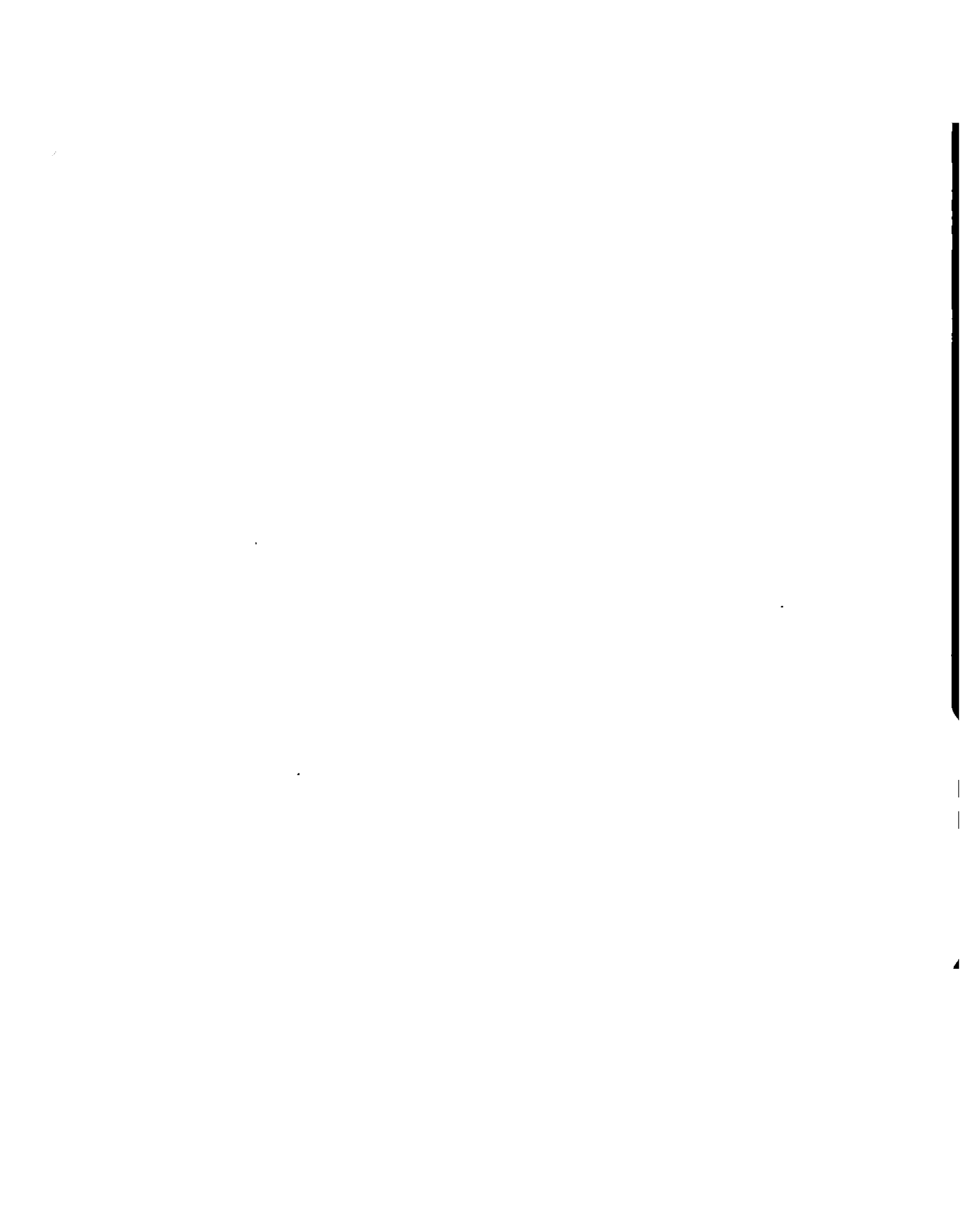
Name of Respondent	This Report is:	Resubmission Date	Year of Report
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Schedule XXI - Methods of Allocation			

**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 or affected affiliate company and the denominator of which is for all operating companies and affected affiliate 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.

**Transportation Resource Management System Chargeback 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.

**Ownership Percentages** – Based on the contractual ownership percentages of jointly-owned generating units. This ratio is updated as a result of new jointly-owned generating units, and is based on the total forecasted energy needs. The numerator is the specific company's forecasted incremental capacity and/or energy needs. The denominator is the total incremental capacity and/or energy needs of all companies.



Employees Terminated in 2013

Name	Did Company	New Company	New Job Title	Old Job Title	Eff Date
Archer,James M	Louisville Gas & Electric Co.	LG&E and KU Services Company	Mgr Elec Sys Restore & Distrib	Mgr Dperations Center	2013-02-18
Atwell Jr,Thomas E	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Babb II,Michael W	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Best,Scott	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Bright,Crystal Gail	Kentucky Utilities	LG&E and KU Services Company	Customer Care Rep I	Customer Representative I	2013-04-29
Brown,Christopher A	Louisville Gas & Electric Co.	LG&E and KU Services Company	Grp Ldr - Sub Asset Mgmt	Grp Ldr - SC&M	2013-06-10
Clark,Richard David	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Claypool,Brian C	Louisville Gas & Electric Co.	LG&E and KU Services Company	Fire & Security Investigator	Team Ldr - Gas Distribution	2013-02-18
Crutcher,Thomas L	Louisville Gas & Electric Co.	LG&E and KU Services Company	Dir Fleet Maint Perform&Reliab	General Manager - Trimble	2013-02-18
Deaton,Lisa Marie	Kentucky Utilities	LG&E and KU Services Company	Customer Representative I	Customer Representative I	2013-11-11
Doien,Ronnie E	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Dooley,Vanda Joyce	Louisville Gas & Electric Co.	LG&E and KU Services Company	Revenue Protection Associate	Revenue Protection Associate	2013-06-10
Drury,Deborah Sue	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Edwards, Terence M	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Ely III,Charles B	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Farris,Kathy	Louisville Gas & Electric Co.	LG&E and KU Services Company	Revenue Collection Rep II	Revenue Protection Associate	2013-06-10
Flynn,Juan Delcino	Louisville Gas & Electric Co.	LG&E and KU Services Company	Electric Sys Coord Trainee	Dperator - Plant MC	2013-03-04
Goodrich,Donna M	Kentucky Utilities	LG&E and KU Services Company	Grp Ldr-Distr Control Center	Grp Ldr-Distr Control Center	2013-09-08
Grimes,John R	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Harp,Garrett	Louisville Gas & Electric Co.	LG&E and KU Services Company	Assoc Generation Dispatcher	Auxiliary Dperator-Trimble Co	2013-04-15
Hershner,William	Kentucky Utilities	LG&E and KU Services Company	Safety/Tech Training Consit-DO	Line Technician A	2013-05-13
Hughley,Larry F	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Jeffers,William Kevin	Kentucky Utilities	LG&E and KU Services Company	Account Mgr III-Major Accounts	Sr Electrical Engineer	2013-08-12
Leathers,Gregory L	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Lee,Yvette Renal	Louisville Gas & Electric Co.	LG&E and KU Services Company	Customer Care Coach	Sr Customer Representative	2013-09-16
Lindsey,Gregory D	Louisville Gas & Electric Co.	LG&E and KU Services Company	Team Ldr Distrib Cntrl Center	Team Ldr Distrib Cntrl Center	2013-09-09
Lucas,Michael William	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Mallory,Andrew T	Louisville Gas & Electric Co.	LG&E and KU Services Company	Electric Sys Coord Trainee	Electrical Dperator A	2013-02-11
Martin,Cynthia L	Louisville Gas & Electric Co.	LG&E and KU Services Company	Mgr Client Support Services	Mgr Dperations Center	2013-05-27
Merriweather,Michael	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Miers,Wayne Marriner	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Miller,David L	Kentucky Utilities	LG&E and KU Services Company	Programmer/Analyst - Senior	Control Specialist	2013-06-24
Mills,Chase	Kentucky Utilities	LG&E and KU Services Company	Electrical Engineer II	Electrical Engineer II	2013-01-21
Moore,Steven B	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Newsome,Jason Scott	Louisville Gas & Electric Co.	LG&E and KU Services Company	Electric Sys Coord Trainee	Dperator - Trimble County	2013-03-04
Phillips,Jerry C	Louisville Gas & Electric Co.	LG&E and KU Services Company	Team Ldr Distrib Cntrl Center	Team Ldr Distrib Cntrl Center	2013-09-09
Rainey,Jeff E	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Rountree,Larry Stuart	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Schisler,Johnny	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Schneider,Timothy J	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09



Employees Transferred in 2013

Name	Old Company	New Company	New Job Title	Old Job Title	Eff Date
Sena,Michael A	Louisville Gas & Electric Co.	LG&E and KU Services Company	Grp Ldr-Distr Control Center	Grp Ldr-Distr Control Center	2013-09-09
Sheakley,David L	Kentucky Utilities	LG&E and KU Services Company	Team Ldr Distrib Cntrl Center	Team Ldr Distrib Cntrl Center	2013-09-08
Smith,Timothy P	Louisville Gas & Electric Co.	LG&E and KU Services Company	Mgr Fuels Technical Services	Mgr Maint - Pwr Gen	2013-05-13
Sturgill Jr,Ricky E	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Sword,Randy Franklin	Kentucky Utilities	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-08
Taylor,Terry	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09
Virse,Matthew	Kentucky Utilities	LG&E and KU Services Company	Protection Systems Technician	Maintenance Technician A (E)	2013-10-07
Watts,Kirt	Louisville Gas & Electric Co.	LG&E and KU Services Company	Special Projects Coordinator	Laboratory Technician	2013-02-18
Wiggins,Angela Deltrice	Louisville Gas & Electric Co.	LG&E and KU Services Company	Revenue Collection Rep II	Customer Representative I	2013-10-14
Wise,Nicholas W	Louisville Gas & Electric Co.	LG&E and KU Services Company	System Administrator Intermed	Facility Records Technician A	2013-05-27
Wright,Terry Lee	Kentucky Utilities	LG&E and KU Services Company	Utility Arborist	Utility Arborist	2013-02-04
Young,Richard L	Louisville Gas & Electric Co.	LG&E and KU Services Company	Restoration Coordinator	Restoration Coordinator	2013-09-09