Crescente, Angela

From:	Crescente, Angela
Sent:	Thursday, June 30, 2011 8:45 AM
To:	Love, K J
Cc:	Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject:	RE: MC Landfill Capital CWIP/ARO Allocation

K J,

Approximately how many acres are you planning on closing out during 2011? We currently have 36 "active" acres left based on our meeting discussion.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 7:20 AM
To: Pence, Mark
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

Earlier in the year I was asked how much cover soil we would need to purchase this year. Based on Keith Bolen's estimate we thought we would need 12K y3 of soil. At that time, we did not know where the supply would come from or associated costs, so I based the estimate for budget dollars based on $10/y3 with some contingency. (The last soil purchase we made other than the MSD project was $8.50/y3.) That's where the $150K came from in the ARO funding.

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The North end of the landfill (Horizontal Expansion), should have no construction activity this year. The construction for that phase has been completed and we are using the area as an operating land fill. (Just using it for placement of our byproducts not being marketed.) So the money for work on the land fill this year should not be allocated for Horizontal Expansion.

Nothing has changed as far as planned work, only a misunderstanding of what part of the land fill project the money is needed for. And the total dollars should be the 662K estimate.

Thanks

From: Pence, Mark
Sent: Wednesday, June 29, 2011 3:10 PM
To: Love, K J

Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: FW: MC Landfill Capital CWIP/ARO Allocation

Kevin,

You will need to explain what changed, and why, from the meeting we had with the folks from Property Accounting a few weeks ago. Evidently, they left here with the same impression that I had that we would only spend $150k in ARO funding this year, and that the $662k was going to be spent on expansion construction. Please copy me on your reply. I think that once this is straightened out we'll all be on the same page for our go-forward spending. Thanks.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Cosby, David
Sent: Wednesday, June 29, 2011 2:56 PM
To: Pence, Mark
Cc: Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

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What is included in the $662K scope of closure items and how was the amount determined? Thanks.

David L. Cosby Jr.
Manager - Fin. & Budgeting - Power Generation
LG&E and KU Energy Services
502-627-2499
david.cosby@lge-ku.com

From: Pence, Mark
Sent: Wednesday, June 29, 2011 10:32 AM
To: Cosby, David; Dowd, Deborah
Subject: MC Landfill Capital CWIP/ARO Allocation

FYI, I just adjusted the capital prioritization file for project 112767 (MC Landfill) to move $662k from CWIP to ARO. I discovered that our project proponent had not been forecasting the CWIP/ARO properly based on the work that remains to be done on the landfill closure. The total amount forecast for this year remains unchanged at $812k. I hope this doesn't cause major issues for anyone.

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Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From:	Charnas, Shannon
Sent:	Thursday, June 30, 2011 8:05 AM
To:	Wiseman, Sara
Cc:	Crescente, Angela
Subject:	RE: Mill Creek Landfill ARO.doc
Attachments:	SAB 99 memo Mill Creek Landfill ARO 6-30-11.doc; Guidance for reporting Sarbanes-Oxley (SOX) Issues in Materiality Memos.docx; Materiality Policy Appendix A SAB 99 Template updated for AS recommendations (2).doc

I have attached some comments/questions on the memo for your consideration. We are currently in the process of working with Audit Services to provide some additional guidance to people for documenting errors and resolutions in the SAB 99 memos. I have attached a draft of the guidance document that may help you understand some of my comments as well as a draft of a revised template. This document refers to the memo as a "materiality memo" - this is the SAB 99 memo. We intend to change the name, but it will not be called a materiality memo, the name is currently to be determined. If you have any questions or would like to discuss further, please let me know.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting LG&E and KU
(502) 627-4978

-----Original Message-----
From: Wiseman, Sara
Sent: Friday, June 24, 2011 10:15 AM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: Mill Creek Landfill ARO.doc

Shannon: Attached is the SAB99 draft for the Mill Creek Landfill. Rusty and his group have looked it already.

LG&E KU
PPL companies

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During unitization of the LG&E Mill Creek landfill project (no. 112767), it was discovered that $857,559 had been charged in error to Account 108799 RWIP-ARO Legal (RWIP) instead of Account 107001 Construction Work in Progress (CWIP). The error amount accumulated over time from August 2007 through November 2010. The error occurred as the invoices covering the charges were incorrectly coded for payment.

This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

How Error Was Identified

During the unitization process, the ~~a~~Accounting ~~a~~Analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The ~~a~~Analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges, it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

[can we determine/document the root cause of the error? Was it due to lack of training or understanding by the person coding the invoices? If so, that seems to relate to the action plan.

Controls Impacted

Cycle 40.01-Acqusitions, Disposals and Retirement, Control Activity #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to ensure they are proper for capitalization or retirement. It was during this review that the error was discovered.

[Is there possibly another control that relates to Budget Coordinator review of the charges that could be referenced?]

This error is determined to be an observation, rather than a deficiency. The error was detected during the unitization process, which was performed according to the control. Since this project was of a long duration, the charges were not reviewed by an Accounting Analyst until the project was complete, which is normal process. Charges may be reviewed earlier, but this is not required. Therefore, CA#6 in Cycle 40.01 functioned properly.

To prevent future mistakes from occurring, several meetings were conducted in June 2011 between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. During these meetings, the construction and retirement processes for the landfill wereas thoroughly reviewed and the applicable parties agreed to a methodology for the coding of invoices to begin immediately. [Is there specific evidence that can be used to support that the action plan to prevent future mistakes is being used?]

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

Fin Stmt Line Item	Company	3ME 03/31/11 Debit	3ME 03/31/11 Credit	3ME 03/31/11 Debit	3ME 03/31/11 Credit

Construction in Progress	LG&E	858		858	
Asset Retirement Obligations	LG&E		858		858
	~~LG&E~~				
	~~LG&E~~				

In this situation, a waived adjustment was not entered into the waived adjustment file, since there was no waived adjustment in the current period (Q2 2011) since the balance sheet was corrected~~.~~ ~~T~~ when the above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May, which was too late to be included in the March 2011 waived adjustment file.

LG&E KU
PPL companies

MEMORANDUM

Date: Insert Date here & in 2nd page header

To: Valerie L. Scott, Controller

From: Insert name of memo preparer &/or relevant manager

Re: Insert topic here & in 2nd page header

cc: Insert name of relevant Director or Officer
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
Erik Rander, Director, Shared Accounting Services (include if adjustment is equal to or greater than $1M) (distribution to be done by Controller or designee)

Overview of Error

Narrative containing a general description and cause of the error/change, including high-level background of the process where the error/change occurred and when the error was detected or the change made (i.e., month and year). This section should include **Description, Root Cause** and **Issue Implication** from *Appendix B - Guidance for reporting Sarbanes-Oxley (SOX) Issues in Materiality Memos*)

How Error Was Identified

Narrative containing a general description of how and when the error was identified (i.e., "In analysis of the June activity an error was identified in the way ..." or "While reconciling the XXX account for the month of April it was determined that ....")

Controls Impacted

Narrative indicating the controls impacted (i.e., "The error was attributable to failure of controls surrounding key spreadsheets ..."), the plan to mitigate future risk of the error occurring, and affirmation that Sarbanes-Oxley documentation has been updated for the change in processes. This section should include **Issue Classification, Reason for Classification, Compensating Control Number(s), Action Plan, Evidence Requirements,** and **Date to Implement** from *Appendix B - Guidance for reporting Sarbanes-Oxley (SOX) Issues in Materiality Memos*

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Insert Date
Page 2
Insert Topic

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011				
2010				
2009				

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)
(LKE consolidated entries do not need to be provided if only LG&E and KU are impacted)

Adjust dates in this table		6ME 06/30/11		3ME 06/30/11	
Fin Stmt Line Item	Company	Debit	Credit	Debit	Credit
	LG&E				
Copy entry(ies) into this space	LG&E				
	LG&E				
	LG&E				
	KU				
Copy entry(ies) into this space	KU				
	KU				
	KU				
	LKE				
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LG&E KU
PPL companies

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To: Valerie L. Scott, Controller

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Page 2
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2011				
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	KU				
	LKE				
Copy entry(ies) into this space	LKE				
	LKE				
	LKE				

Attachment B - Guidance for reporting Sarbanes-Oxley (SOX) Issues in Materiality Memos

When a financial statement error is documented in a materiality memo, the memo ~~should~~ must include an evaluation of whether or not a SOX control failure has occurred.

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An evaluation of the SOX control documentation should be performed to determine if an existing control has failed. The Sarbanes-Oxley Compliance Analyst or the Audit Services SOX testing team are available to assist in this evaluation.

If it is determined that an existing SOX control has failed and a SOX issue has occurred, use the guidance below to assist in preparation of the materiality memo. This information is required for the Audit Services issues database. The Sarbanes-Oxley Compliance Department and Audit Services are also available to review the initial drafts of the memos from an internal controls perspective.

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If the error does not relate to an existing SOX control, evaluate the error to determine if a control should be developed to prevent future errors. The Sarbanes-Oxley Compliance Analyst can also be a resource in this situation. If it is determined that a new control should be developed, coordinate with the Sarbanes-Oxley Compliance Department to document and implement the new control.

Definitions for required information in materiality memos

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Description: Provide a detailed description of the issue. Use language that individuals from outside of the immediate business area can understand.

Root Cause: Describe the root cause of the issue. For example, human error, lack of training, lack of monitoring, staff attrition.

Understanding the root cause of an issue involves identifying the contributing factors (key conditions, actions or inaction) that contributed to the occurrence of the issue. It is important to understand the root cause in order to develop the appropriate corrective action(s) so that the issue does not re-occur. To identify the root cause, it helps to ask probing questions such as those listed in the example below.

Example:
An issue occurred when an accountant was instructed to change the way a certain journal entry was handled. However, the entry was not changed. Asking the following probing questions can help get to the root cause.

- What is the reason for the presence of the problem? The accountant did not change the entry.
- What is the source or origin of the problem? The accountant was busy and forgot to make the change. The person who reviewed the entry was not aware or forgot that it was supposed to be changed.
- What is the basic reason that, if eliminated, would prevent recurrence? The accountant should have alerted the manager that this change was forthcoming and/or a checklist item should have been created to ensure that this change was incorporated into the monthly/quarterly process.
- Was a control in place or is one needed to mitigate the risk of recurrence? The journal entry review control was in place, but it should be enhanced to include a checklist for the reviewer that would track expected changes in standard journal entries.
- We can see from this example, that change management and communication were primary causes for the issue and the remediation plan should focus on those areas.

Attachment B - Guidance for reporting Sarbanes-Oxley (SOX) Issues in Materiality Memos

Issue Implication: Is there a potential for additional misstatements resulting from the control failure? If so, explain. In addition, Audit Services will review the Adjustment to Amounts Reported on Financial Statements section of the materiality memo to identify the company, financial statement line item and dollar impact of the error.

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Issue Classification: Select from the following list (definitions follow):

Deficiency	Material Weakness
Significant Deficiency	Observation

In addition, please provide a brief description of the reasoning for the classification selected. Determining the issue classification is based on both quantitative and qualitative considerations including:

- the magnitude of any actual or potential financial reporting errors that could be attributed to the control failure associated with the issue; and
- the existence of compensating or redundant controls (tested and evaluated that achieve the same control objective)

In the event that a significant/key SOX control is found to have failed, determine the level of deficiency.

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Observation – An observation occurs when a control fails, but it is identified by another key control before the financial statements are issued. Observations are not reported to PPL. [I was thinking we were considering other reasons for why something would be an observation, not just that it would be identified by another control before the financial statements are issued. Are there more circumstances under which an error could merely be an observation? Also, would it have to be a key control, or could it be any control?]

Comment [EU1]: I agree that some clarification would be helpful here, even though the deficiency definition specifies design or operation. If we know things are excluded, it might be helpful to list them (e.g., documentation). Also, only key/significant ICFR are relevant for any of this assessment.

Deficiency - A deficiency in internal control exists when the design[1] or operation[2] of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis[3].

Significant Deficiency - A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness - A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Compensating Control Number: Identify existing (documented and successfully tested) controls (by control activity number(s)), which would either detect or prevent the error to financial reporting that is related to the issue.

---

[1] Control design relates to the set up of the control. Control design is documented in SOX narratives by describing the control that is performed. For example, "bank reconciliations are performed monthly".

[2] Control operation relates to how the control is executed. The control design should describe how the control should be operated. For example, "bank reconciliations are prepared in Excel by an ~~a~~Accounting ~~a~~Analyst".

[3] Timely basis will vary based on the design of the control. For example, the timely basis of a control designed to function on a monthly basis would not be the same for a control designed to function on a daily basis. [Is this clear enough to provide guidance to the reader? It seems very vague. Is there a way to be more descriptive or are we considering it extremely subjective?]

Attachment B - Guidance for reporting Sarbanes-Oxley (SOX) Issues in Materiality Memos

Action Plan: Describe management's plan to address the issue. Actions plans should be specific, actionable, and be able to provide evidence of implementation.

Evidence Requirements: Provide a description of the evidence that will support implementation of the **Action Plan.**

Date to Implement: Provide the date management has committed to implement the action plan. This date can only be changed with approval from the CEO at least two weeks before the original **Date to Implement.**

Crescente, Angela

From:	Love, K J
Sent:	Thursday, June 30, 2011 7:20 AM
To:	Pence, Mark
Cc:	Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
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To: Cosby, David
Cc: Wiseman, Sara
Subject: ARO estimates for liabilities.xlsx

David,

Per your request:

ARO estimates for liabilities....

Thanks,
Angela

Description	Today's Cost	Expected Settlement Date	Time Until Decommissioning (Years)	Years (Rounded)	Time Until Decommissioning (Months)	Total Cash Flow with Inflation	Discount Rate (in %) [3]	Asset/Liability Amount
Purc-Big Stone Gap Sub-Dist-ASB	$ 34,000.00	12/31/77	67.2	67.00	806.0	$ 177,819	5.50	$ 4,459.51
Purc-BR Ash Pond	15,183,000.00	12/31/26	16.2	16.00	194.0	22,539,249	4.90	10,223,658.21
Purc-BR Auxiliary Pond	3,615,000.00	12/31/26	16.2	16.00	194.0	5,366,488	4.90	2,434,204.34
Purc-BR Coal Storage	92,500.00	12/31/26	16.2	16.00	194.0	137,317	4.90	62,286.00
Purc-BR Lab	18,000.00	12/31/19	9.2	9.00	110.0	22,480	3.90	15,731.81
Purc-BR Nuclear Sources	22,840.00	12/31/26	16.2	16.00	194.0	33,906	4.90	15,379.59
Purc-BR Oil Storage	10,092.44	12/31/26	16.2	16.00	194.0	14,982	4.90	6,795.87
Purc-BR Oil Storage CT - OP	38,340.43	12/31/36	26.2	26.00	314.0	72,858	5.40	17,790.82
Purc-BR Unit 1-ASB	1,781,000.00	12/31/59	49.2	49.00	590.0	5,972,186	5.50	402,171.98
Purc-BR Unit 2-ASB	3,586,000.00	12/31/59	49.2	49.00	590.0	12,024,851	5.50	809,763.46
Purc-BR Unit 3-ASB	8,158,000.00	12/31/59	49.2	49.00	590.0	27,356,032	5.50	1,842,178.00
Purc-Dix Dam-Hydro-ASB	345,000.00	12/31/69	59.2	59.00	710.0	1,480,905	5.50	57,608.88
Purc-Ghent 1 Scrubber Gypsum Stack	6,025,000.00	12/31/26	16.2	16.00	194.0	8,944,146	4.90	4,057,007.23
Purc-Ghent Ash Pond	30,968,500.00	12/31/36	26.2	26.00	314.0	58,849,215	5.40	14,370,079.47
Purc-Ghent Chemical Storage	24,547.05	12/31/36	26.2	26.00	314.0	46,647	5.40	11,390.38
Purc-Ghent Coal Storage	869,500.00	12/31/36	26.2	26.00	314.0	1,652,305	5.40	403,467.53
Purc-Ghent Environmental Ponds	843,500.00	12/31/36	26.2	26.00	314.0	1,602,897	5.40	391,402.94
Purc-Ghent GSU Spare	2,400.00	12/31/31	21.2	21.00	254.0	4,031	5.40	1,288.63
Purc-Ghent GSU Unit 1	2,400.00	12/31/20	10.2	10.00	122.0	3,072	4.10	2,026.42
Purc-Ghent GSU Unit 2	2,400.00	12/31/24	14.2	14.00	170.0	3,391	4.70	1,744.79
Purc-Ghent GSU Unit 3	2,400.00	12/31/28	18.2	18.00	218.0	3,743	5.10	1,484.98
Purc-Ghent GSU Unit 4	2,400.00	12/31/31	21.2	21.00	254.0	4,031	5.40	1,288.63
Purc-Ghent Nuclear Sources	264,100.00	12/31/36	26.2	26.00	314.0	501,867	5.40	122,548.33
Purc-Ghent Oil Storage	12,624.05	12/31/26	16.2	16.00	194.0	18,740	4.90	8,500.56
Purc-Ghent Sewage Treatment Plant	26,155.00	12/31/26	16.2	16.00	194.0	38,827	4.90	17,611.79
Purc-Ghent Unit 1-ASB	8,318,000.00	12/31/59	49.2	49.00	590.0	27,892,556	5.50	1,878,308.00
Purc-Ghent Unit 2-ASB	11,023,000.00	12/31/60	50.2	50.00	602.0	37,887,249	5.50	2,415,126.82
Purc-Ghent Unit 3-ASB	1,955,000.00	12/31/69	59.2	59.00	710.0	8,391,794	5.50	326,450.30
Purc-Ghent Unit 4-ASB	1,955,000.00	12/31/69	59.2	59.00	710.0	8,391,794	5.50	326,450.30
Purc-GR Ash Pond	6,627,500.00	12/31/18	8.2	8.00	98.0	8,074,965	3.70	5,971,909.81
Purc-GR Chemical Storage	703.83	12/31/18	8.2	8.00	98.0	858	3.70	634.21
Purc-GR Coal Storage	222,000.00	12/31/18	8.2	8.00	98.0	270,485	3.70	200,039.83
Purc-GR GSU Spare	6,250.00	12/31/17	7.2	7.00	86.0	7,429	3.30	5,866.48
Purc-GR GSU Unit 3	6,250.00	12/31/16	6.2	6.00	74.0	7,248	2.90	6,062.48
Purc-GR GSU Unit 4	6,250.00	12/31/17	7.2	7.00	86.0	7,429	3.30	5,866.48
Purc-GR GSU Units 1 & 2	6,250.00	12/31/16	6.2	6.00	74.0	7,248	2.90	6,062.48
Purc-GR Limestone Silo	1,631.25	12/31/18	8.2	8.00	98.0	1,988	3.70	1,469.89
Purc-GR Oil Storage	1,000.00	12/31/18	8.2	8.00	98.0	1,218	3.70	901.08
Purc-GR Sewage Treatment Plant	9,200.00	12/31/18	8.2	8.00	98.0	11,209	3.70	8,289.94
Purc-GR Unit 1-ASB	1,850,000.00	12/31/51	41.2	41.00	494.0	5,091,552	5.50	531,840.85
Purc-GR Unit 2-ASB	1,700,000.00	12/31/51	41.2	41.00	494.0	4,678,724	5.50	488,718.62
Purc-GR Unit 3-ASB	1,855,000.00	12/31/51	41.2	41.00	494.0	5,105,313	5.50	533,278.25
Purc-GR Unit 4-ASB	2,175,000.00	12/31/51	41.2	41.00	494.0	5,986,014	5.50	625,272.35
Purc-KU Dist Subs (478)-ASB	882,000.00	12/31/77	67.2	67.00	806.0	4,612,831	5.50	115,684.94
Purc-KU General Facilities-ASB	1,130,000.00	12/31/73	63.2	63.00	758.0	5,354,044	5.50	167,231.36
Purc-KU Trans Subs (69)-ASB	704,181.00	12/31/79	69.2	69.00	830.0	3,869,288	5.50	86,951.49
Purc-Pineville Ash Pond	1,205,000.00	12/31/18	8.2	8.00	98.0	1,468,175	3.70	1,085,801.78
Purc-Pineville-ASB	1,686,700.00	12/31/43	33.2	33.00	398.0	3,810,004	5.50	617,319.33
Purc-TY Ash Pond	1,084,500.00	12/31/18	8.2	8.00	98.0	1,321,358	3.70	977,221.61
Purc-TY Chemical Storage	456.75	12/31/18	8.2	8.00	98.0	557	3.70	411.57
Purc-TY Coal Storage	74,000.00	12/31/18	8.2	8.00	98.0	90,162	3.70	66,679.94
Purc-TY Oil Storage	10,805.40	12/31/18	8.2	8.00	98.0	13,165	3.70	9,736.53
Purc-TY Service Water Pump Struct	221,524.88	12/31/18	8.2	8.00	98.0	269,907	3.70	199,611.71

Description	Today's Cost	Expected Settlement Date	Time Until Decommissioning (Years)	Years (Rounded)	Time Until Decommissioning (Months)	Total Cash Flow with Inflation	Discount Rate (in %) [3]	Asset/Liability Amount
Purc-TY Sewage Treatment Plant	60,000.00	12/31/18	8.2	8.00	98.0	73,104	3.70	54,064.82
Purc-TY Unit 1 (Retired)-ASB	1,604,000.00	12/31/51	41.2	41.00	494.0	4,414,513	5.50	461,120.39
Purc-TY Unit 2 (Retired)-ASB	1,579,000.00	12/31/51	41.2	41.00	494.0	4,345,709	5.50	453,933.35
Purc-TY Unit 3-ASB	2,173,000.00	12/31/51	41.2	41.00	494.0	5,980,510	5.50	624,697.38

Description	Today's Cost	Expected Settlement Date	Time Until Decommissioning (Years)	Years (Rounded)	Time Until Decommissioning (Months)	Total Cash Flow with Inflation	Discount Rate (in %) [3]	Asset/Liability Amount
Purc-Canal (Retired)-ASB	$ 1,575,000.00	12/31/15	5.2	5.0	62.0	$ 1,781,968	2.60	$ 1,558,198.46
Purc-Center GSF UGS (Wells)	4,052,250.00	12/31/33	23.2	23.0	278.0	7,150,644	5.40	2,052,397.67
Purc-CityGateDR237900-Dist-ASB	13,974.00	12/31/66	56.2	56.0	674.0	55,700	5.50	2,554.55
Purc-CityGatePR237900-Dist-ASB	16,000.00	12/31/58	48.2	48.0	578.0	52,344	5.50	3,723.71
Purc-CR Ash Pond	6,627,500.00	12/31/23	13.2	13.0	158.0	9,136,082	4.50	5,057,335.64
Purc-CR Coal Storage	333,000.00	12/31/23	13.2	13.0	158.0	459,044	4.50	254,106.79
Purc-CR Environmental Ponds	843,500.00	12/31/23	13.2	13.0	158.0	1,162,774	4.50	643,660.90
Purc-CR GSU Spare	3,000.00	12/31/17	7.2	7.0	86.0	3,566	3.30	2,815.91
Purc-CR GSU Unit 4	3,000.00	12/31/17	7.2	7.0	86.0	3,566	3.30	2,815.91
Purc-CR GSU Unit 5	3,000.00	12/31/17	7.2	7.0	86.0	3,566	3.30	2,815.91
Purc-CR GSU Unit 6	3,000.00	12/31/17	7.2	7.0	86.0	3,566	3.30	2,815.91
Purc-CR Landfill	1,809,686.40	12/31/23	13.2	13.0	158.0	2,494,673	4.50	1,380,941.76
Purc-CR Nuclear Sources	53,970.00	12/31/23	13.2	13.0	158.0	74,398	4.50	41,183.61
Purc-CR Sewage Treatment Plant	15,300.00	12/31/23	13.2	13.0	158.0	21,091	4.50	11,675.18
Purc-CR Unit 1 (Retired)-ASB	2,760,000.00	12/31/51	41.2	41.0	494.0	7,596,046	5.50	793,449.05
Purc-CR Unit 2 (Retired)-ASB	2,600,000.00	12/31/51	41.2	41.0	494.0	7,155,695	5.50	747,452.00
Purc-CR Unit 3 (Retired)-ASB	2,930,000.00	12/31/51	41.2	41.0	494.0	8,063,918	5.50	842,320.91
Purc-CR Unit 4-ASB	3,115,000.00	12/31/51	41.2	41.0	494.0	8,573,073	5.50	895,504.99
Purc-CR Unit 5-ASB	2,540,000.00	12/31/55	45.2	45.0	542.0	7,716,274	5.50	647,161.45
Purc-CR Unit 6-ASB	2,920,000.00	12/31/56	46.2	46.0	554.0	9,092,445	5.50	721,861.73
Purc-Doe Run 235300-UGS-ASB	192,000.00	12/31/66	56.2	56.0	674.0	765,311	5.50	35,099.01
Purc-Doe Run GSF UGS (Wells)	2,749,410.00	12/31/33	23.2	23.0	278.0	4,851,638	5.40	1,392,530.74
Purc-GasMain&ServAbandon-Dist	40,500,665.00	12/31/50	40.2	40.0	482.0	108,746,871	5.50	11,999,962.06
Purc-LGE Dist Subs (66)-ASB	901,000.00	12/31/78	68.2	68.0	818.0	4,830,006	5.50	114,663.52
Purc-LGE Trans Subs (11)-ASB	111,442.00	12/31/79	69.2	69.0	830.0	612,344	5.50	13,760.73
Purc-Magnolia 235120-UGS-ASB	67,000.00	12/31/75	65.2	65.0	782.0	333,523	5.50	9,334.66
Purc-Magnolia 235300-UGS-ASB	201,000.00	12/31/66	56.2	56.0	674.0	801,184	5.50	36,744.27
Purc-Magnolia 235600-UGS-ASB	26,000.00	12/31/69	59.2	59.0	710.0	111,604	5.50	4,341.54
Purc-Magnolia GSF UGS (Wells)	2,832,367.00	12/31/33	23.2	23.0	278.0	4,998,025	5.40	1,434,547.09
Purc-Manholes-ASB	4,668,187.00	12/31/94	84.2	84.0	1010.0	37,149,497	5.50	366,542.71
Purc-MC Ash Pond	10,122,000.00	12/31/36	26.2	26.0	314.0	19,234,763	5.40	4,696,835.31
Purc-MC Chemical Storage	17,595.75	12/31/36	26.2	26.0	314.0	33,437	5.40	8,164.82
Purc-MC Coal Storage	370,000.00	12/31/36	26.2	26.0	314.0	703,108	5.40	171,688.31
Purc-MC Environmental Ponds	964,000.00	12/31/36	26.2	26.0	314.0	1,831,882	5.40	447,317.65
Purc-MC GSU Spare	3,000.00	12/31/28	18.2	18.0	218.0	4,679	5.10	1,856.22
Purc-MC GSU Unit 1	3,000.00	12/31/18	8.2	8.0	98.0	3,655	3.70	2,703.24
Purc-MC GSU Unit 2	3,000.00	12/31/19	9.2	9.0	110.0	3,747	3.90	2,621.97
Purc-MC GSU Unit 3	3,000.00	12/31/23	13.2	13.0	158.0	4,136	4.50	2,289.25
Purc-MC GSU Unit 4	3,000.00	12/31/28	18.2	18.0	218.0	4,679	5.10	1,856.22
Purc-MC Landfill	461,009.52	12/31/36	26.2	26.0	314.0	876,053	5.40	213,918.77
Purc-MC Nuclear Sources	26,890.00	12/31/36	26.2	26.0	314.0	51,099	5.40	12,477.56
Purc-MC Oil Storage	1,286.45	12/31/36	26.2	26.0	314.0	2,445	5.40	596.94
Purc-MC Unit 1-ASB	3,555,000.00	12/31/59	49.2	49.0	590.0	11,920,899	5.50	802,763.28
Purc-MC Unit 2-ASB	3,100,000.00	12/31/59	49.2	49.0	590.0	10,395,158	5.50	700,018.61
Purc-MC Unit 3-ASB	1,750,000.00	12/31/69	59.2	59.0	710.0	7,511,836	5.50	292,218.94
Purc-MC Unit 4-ASB	2,600,000.00	12/31/69	59.2	59.0	710.0	11,160,442	5.50	434,153.85
Purc-Muldraugh 235120-UGS-ASB	95,000.00	12/31/75	65.2	65.0	782.0	472,906	5.50	13,235.71
Purc-Muldraugh 235300-UGS-ASB	151,000.00	12/31/66	56.2	56.0	674.0	601,885	5.50	27,603.91
Purc-Muldraugh 235600-UGS-ASB	115,000.00	12/31/69	59.2	59.0	710.0	493,635	5.50	19,202.96

Description	Today's Cost	Expected Settlement Date	Time Until Decommissioning (Years)	Years (Rounded)	Time Until Decommissioning (Months)	Total Cash Flow with Inflation	Discount Rate (in %) [3]	Asset/Liability Amount
Purc-Muldraugh 237520-Dist-ASB	10,000.00	12/31/50	40.2	40.0	482.0	26,851	5.50	2,962.90
Purc-Muldraugh GSF UGS (Wells)	1,109,029.00	12/31/33	23.2	23.0	278.0	1,957,004	5.40	561,704.86
Purc-Ohio Falls-ASB	620,000.00	12/31/69	59.2	59.0	710.0	2,661,336	5.50	103,528.99
Purc-Paddy's Run-ASB	4,600,000.00	12/31/15	5.2	5.0	62.0	5,204,478	2.60	4,550,928.83
Purc-Riggs Junc 235120-UGS-ASB	70,603.05	12/31/75	65.2	65.0	782.0	351,459	5.50	9,836.65
Purc-Seventh&O-ComGenPln-ASB	449,000.00	12/31/59	49.2	49.0	590.0	1,505,621	5.50	101,389.79
Purc-TC Ash Pond	14,339,500.00	12/31/36	26.2	26.0	314.0	27,249,247	5.40	6,653,850.03
Purc-TC Chemical Storage	23,797.98	12/31/36	26.2	26.0	314.0	45,223	5.40	11,042.80
Purc-TC Coal Storage	573,500.00	12/31/36	26.2	26.0	314.0	1,089,818	5.40	266,116.88
Purc-TC Environmental Ponds	723,000.00	12/31/36	26.2	26.0	314.0	1,373,912	5.40	335,488.24
Purc-TC Nuclear Sources	32,620.00	12/31/36	26.2	26.0	314.0	61,988	5.40	15,136.41
Purc-TC Sewage Treatment Plant	26,155.00	12/31/36	26.2	26.0	314.0	49,702	5.40	12,136.51
Purc-Zorn-ASB	105,000.00	12/31/43	33.2	33.0	398.0	237,179	5.50	38,429.20

Crescente, Angela

From:	Pence, Mark
Sent:	Wednesday, June 29, 2011 3:10 PM
To:	Love, K J
Cc:	Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject:	FW: MC Landfill Capital CWIP/ARO Allocation

Kevin,

You will need to explain what changed, and why, from the meeting we had with the folks from Property Accounting a few weeks ago. Evidently, they left here with the same impression that I had that we would only spend $150k in ARO funding this year, and that the $662k was going to be spent on expansion construction. Please copy me on your reply. I think that once this is straightened out we'll all be on the same page for our go-forward spending. Thanks.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Cosby, David
Sent: Wednesday, June 29, 2011 2:56 PM
To: Pence, Mark
Cc: Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

I was talking to Angela today about ARO information. For the MC Landfill, we only have around $150K left on the ARO balance based on the original estimate of $13,000 per acre for the remaining acres to close. That recent estimate of 36 acres left came from the plant meetings with Property Accounting at Mill Creek in early June. Part of the problem is the closure in the system in still dated to be 2036.

What is included in the $662K scope of closure items and how was the amount determined? Thanks.

David L. Cosby Jr.
Manager - Fin. & Budgeting - Power Generation
LG&E and KU Energy Services
502-627-2499
david.cosby@lge-ku.com

From: Pence, Mark
Sent: Wednesday, June 29, 2011 10:32 AM
To: Cosby, David; Dowd, Deborah
Subject: MC Landfill Capital CWIP/ARO Allocation

FYI, I just adjusted the capital prioritization file for project 112767 (MC Landfill) to move $662k from CWIP to ARO. I discovered that our project proponent had not been forecasting the CWIP/ARO properly based on the work that remains to be done on the landfill closure. The total amount forecast for this year remains unchanged at $812k. I hope this doesn't cause major issues for anyone.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From:	Cosby, David
Sent:	Wednesday, June 29, 2011 2:56 PM
To:	Pence, Mark
Cc:	Crescente, Angela
Subject:	RE: MC Landfill Capital CWIP/ARO Allocation

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Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From:	Crescente, Angela
Sent:	Monday, June 27, 2011 2:39 PM
To:	Porter, Janice
Cc:	Skaggs, John
Subject:	RE: ARO Quarterly Questionnaire.docx

Janice,

Only if the bare pipe that was removed had asbestos on it/wrapped around it. However, per our conversation, it is my understanding that bare pipe has no insulation at all. Please let me know if you have any additional questions.

Thanks,
Angela

From: Porter, Janice
Sent: Monday, June 27, 2011 12:27 PM
To: Crescente, Angela
Cc: Skaggs, John
Subject: FW: ARO Quarterly Questionnaire.docx

Angela,

There are charges to a regular removal task. Should we set up and ARO task and move the charges?
Thanks,
Janice

From: Allen, Lisa
Sent: Monday, June 27, 2011 11:48 AM
To: Porter, Janice; Skaggs, John
Subject: FW: ARO Quarterly Questionnaire.docx

John, thanks for the response.

Janice, see answer to question 3 – was that treated as an ARO and/or should it be?

Lisa

From: Skaggs, John
Sent: Monday, June 27, 2011 11:34 AM
To: Allen, Lisa
Subject: ARO Quarterly Questionnaire.docx

<< File: ARO Quarterly Questionnaire.docx >>

Lisa,

Attached questionnaire for Magnolia.

Thanks,
John

Crescente, Angela

From:	Wiseman, Sara
Sent:	Friday, June 24, 2011 10:15 AM
To:	Charnas, Shannon
Cc:	Crescente, Angela
Subject:	Mill Creek Landfill ARO.doc
Attachments:	Mill Creek Landfill ARO.doc

Shannon: Attached is the SAB99 draft for the Mill Creek Landfill. Rusty and his group have looked it already.

LG&E KU
PPL companies

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During unitization of the LG&E Mill Creek landfill project (no. 112767), it was discovered that $857,559 had been charged in error to Account 108799 RWIP-ARO Legal (RWIP) instead of Account 107001 Construction Work in Progress (CWIP). The error amount accumulated over time from August 2007 through November 2010. The error occurred as the invoices covering the charges were incorrectly coded for payment.

This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

How Error Was Identified

During the unitization process, the accounting analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges, it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

Controls Impacted

Cycle 40.01-Acqusitions, Disposals and Retirement, Control #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to ensure they are proper for capitalization or retirement. It was during this review that the error was discovered.

To prevent future mistakes from occurring, several meetings were conducted between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. During these meetings, the construction and retirement processes for the landfill was thoroughly reviewed and the applicable parties agreed to a methodology for the coding of invoices.

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

Fin Stmt Line Item	Company	3ME 03/31/11 Debit	3ME 03/31/11 Credit	3ME 03/31/11 Debit	3ME 03/31/11 Credit
Construction in Progress	LG&E	858		858	
Asset Retirement Obligations	LG&E		858		858
	LG&E				
	LG&E				

In this situation, a waived adjustment was not entered into the waived adjustment file. The above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May, which was too late to be included in the March 2011 waived adjustment file.

Crescente, Angela

From:	Leenerts, Patricia
Sent:	Thursday, June 23, 2011 6:40 PM
To:	Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject:	Unitization over multiple years - Plugged Well Listing.xls

Please review the attached and comment by June 27th. There are 2 tabs to review.

Lisa and Janice requested a template to complete when notifying Property Accounting of the wells which were plugged.

Plugged Well Listing.xls

In reality a listing on an email would be sufficient.

We stated in the procedures:
"Well worked on under each plugging project should be listed with a status to show if the plugging work is complete or not complete. This information will inform property accounting as to the make-up of the dollars under each task. Unitization will not take place for the well until the plugging status is complete."

Angela tweaked my first draft and here's what we came up with the Plug List Tab. The list should only contain wells plugged in 20XX and the project/task plugged under. We decided to leave the field name as it should match the field name in the CP task. Hopefully it would prompt a correction on their part if they realized the charges hit the wrong task.

After reviewing what we indicated in the draft we might need something more like the Detail Status tab.

We had discussed and agreed that all charges to a CP WELL PLUG-Field task would be swooped up into the wells indentified as plugged in the project year, even though charges may be on the task for a well (A) which was not completed (due to weather, equipment, etc). The completion of plugging that well (A) would be handled on a future well plugging project.

Here's the document that Lisa and Janice sent back to us for easy referencing.

Unitization - multiple year pl...

Please complete for all wells plugged in calendar year, 20XX.

Project Number	Task name	Well Name & Number - include initials	Storage Field
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia
126xxx	CP PLUG WELL-CTR	J LILE #1	Center
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center

Please complete for all charges hit in calendar year, 20XX. Send to Property Accounting by Feb 28, 20XX+1

Project Number	Task name	Well Name & Number - include initials	Storage Field	Status	Comments
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia	Plugged	
126xxx	CP PLUG WELL-CTR	J LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #3	Center	in-process	to be plugged on 130xxx project in 2012
126xxx	CP PLUG WELL-CTR	J LILE #3	Center	Plugged	
126xxx	CP PLUG WELL-DRI	C KEITH #5	Doe Run-Indiana	not started	Ran out of funds; to be plugged on 130xxx project in 2012

PROCEDURE FOR PERMANENT PLUGGING AND RETIREMENT (ARO RETIREMENT) OF GAS WELLS

Background

Each year a new Gas Underground Storage (GUS) project is approved for the permanent plugging and retirement of gas wells (ARO retirements). The ARO retirement tasks are setup by major field location on each project. For example:

Project	Task	Field	Well name
126421	126421-CP PLUG WELL-CTR	Center	P. Janes #1
"	" " " " "	"	BF Pennington #4
"	" " " " "	"	C. Nunn #1
"	126421-CP PLUG WELL-DRI	Doe Run IN	Keith #3
"	" " " " "	"	Ashton #3

When the project is approved it is unknown which wells will be worked due to weather constraints, vendor/equipment availability, etc. Budget approval of each year's project is with the expectation of the ARO retirement of 10 wells.

Ideally, the charges for wells permanently plugged (ARO retirement) would be accumulated on the same project on which the work was started. However, delays due to weather constraints and vendor/equipment availability, etc do arise and in some cases the charges to plug a specific well may span two or more years. This means the charges associated with the ARO retirement of a specific well may be accumulated over multiple projects since a new project is opened every year.

Issue

It is possible that a task (which is set up by field name) will accumulate charges for wells that were truly retired on the project and charges for other wells that are continued onto the next year(s) well plugging project(s). For wells where the work begins and is completed in the same year, there is no issue for Property Accounting—the correct locations are chosen and the retirement dollars are applied. Property Accounting encounters issues for wells where the plugging spans more than one year. They are:

1. If the well is retired in the first year that retirement charges are incurred, what should be done with the retirement charges in subsequent years? This is a problem as there is no asset left to retire in subsequent years, thus nothing to associate the subsequent retirement charges with.
2. If the well is retired in the year in which the work was complete (Year 2 or Year 3) what should be done with the retirement charges on the Year 1 project? A journal entry to move the Year 1 charges on the Year 1 project to the Year 2 project would be a possible solution. But this solution was discovered to be a time-consuming, manual process which ~~was~~ would not ~~embraced~~ be very efficient~~by~~ for Energy Delivery Budgeting~~ due to budget issues~~.

Procedure

Property Accounting has decided upon the best course of action for maintaining the integrity of the property records while considering the needs of Energy Delivery Budgeting and minimizing manual work.

1. Charges for ARO retirement should continue to be applied to the project for the specific year, as is the practice currently.
2. Wells will be retired in the year in which the physical work to accomplish the well plugging is concluded. Retirement charges accumulated on each year's project will be allocated to the wells physically retired in that year.

A list of wells permanently plugged (ARO retirements) is to be submitted to Property Accounting by XXXXXXXXXX upon completion of the last well plugged on that project. This information should be automatically sent to Property Accounting by no later than the end of each February for the preceding year. Well worked on under each plugging project should be listed with a status to show if the plugging work is complete or not complete. This information will inform property accounting as to the make-up of the dollars under each task. Unitization will not take place for the well until the plugging status is complete.

Conclusion

The process described above will provide Property Accounting with the information needed without requiring correction processing via Change of Distribution (COD), Journal Entries (JEs), etc. from the Budget Coordinator. There will be slight timing differences in matching the physical retirement with the actual retirement cost that are to be acceptable under group depreciation accounting. The overall integrity of the Property records will be intact.

Other

Consideration was given as to whether or not these projects should be set up as blankets and included on the blanket list. However, the blanket process would not prevent the same situation of specific well retirements being spread out over multiple years since a new blanket or new retirement task would still be required every year.

Crescente, Angela

From: Wiseman, Sara
Sent: Thursday, June 23, 2011 1:10 PM
To: Crescente, Angela
Subject: FW: Mill Creek Landfill ARO.doc

From: Hudson, Rusty
Sent: Thursday, June 23, 2011 1:05 PM
To: Wiseman, Sara
Subject: RE: Mill Creek Landfill ARO.doc

I think it looks fine. It is our bad and we will work to make sure we don't repeat that mistake at other sites. Rusty

---

From: Wiseman, Sara
Sent: Thursday, June 23, 2011 12:12 PM
To: Hudson, Rusty; Pence, Mark; Cosby, David
Cc: Crescente, Angela; Rose, Bruce
Subject: Mill Creek Landfill ARO.doc

<< File: Mill Creek Landfill ARO.doc >>

Hi all;

A SAB 99 memo was required for the journal entry that we processed to transfer charges from RWIP to CWIP for the Mill Creek landfill. Bruce and Angela worked with Mark, KJ Love and Paul Puckett on this. I drafted the memo, but have not sent it to Shannon for her review. I wanted you to see it first—I do not think it will cause you any heartburn, though. It is only 2 pages long—so hopefully it will be a quick read. If you do have changes, I would appreciate it if you would track the changes to this document and send it back to me with a cc to Angela and Bruce.

It would be great if you could review this by COB tomorrow (Friday, June 24) but I certainly understand if you cannot. Please contact Angela or me with questions.

Thanks!

Sara

Crescente, Angela

From:	Wiseman, Sara
Sent:	Thursday, June 23, 2011 12:12 PM
To:	Hudson, Rusty; Pence, Mark; Cosby, David
Cc:	Crescente, Angela; Rose, Bruce
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Mill Creek Landfill ARO.doc

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Thanks!

Sara

LG&E KU
PPL companies

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During unitization of the LG&E Mill Creek landfill project (no. 112767), it was discovered that $857,559 had been charged in error to Account 108799 RWIP-ARO Legal (RWIP) instead of Account 107001 Construction Work in Progress (CWIP). The error amount accumulated over time from August 2007 through November 2010. The error occurred as the invoices covering the charges were incorrectly coded for payment.

This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

How Error Was Identified

During the unitization process, the accounting analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges, it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

Controls Impacted

Cycle 40.01-Acqusitions, Disposals and Retirement, Control #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to ensure they are proper for capitalization or retirement. It was during this review that the error was discovered.

To prevent future mistakes from occurring, several meetings were conducted between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. During these meetings, the construction and retirement processes for the landfill was thoroughly reviewed and the applicable parties agreed to a methodology for the coding of invoices.

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

		3ME 03/31/11		3ME 03/31/11	
Fin Stmt Line Item	Company	Debit	Credit	Debit	Credit
Construction in Progress	LG&E	858		858	
Asset Retirement Obligations	LG&E		858		858
	LG&E				
	LG&E				

In this situation, a waived adjustment was not entered into the waived adjustment file. The above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May, which was too late to be included in the March 2011 waived adjustment file.

Crescente, Angela

From: Wiseman, Sara
Sent: Thursday, June 23, 2011 10:55 AM
To: Crescente, Angela
Subject: Mill Creek Landfill ARO.doc

Mill Creek Landfill ARO.doc

Please review.

LG&E KU
PPL companies

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
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This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

Narrative containing a general description and cause of the error/change, including high-level background of the process where the error/change occurred and **when the error was detected or the change made (i.e., month and year).**

How Error Was Identified

During the unitization process, the accounting analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

Narrative containing a general description of how and when the error was identified (i.e., "In analysis of the June activity an error was identified in the way ..." or "While reconciling the XXX account for the month of April it was determined that ....")

Controls Impacted

Cycle 40.01-Acquitions, Disposals and Retirement, Control #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to insure they are proper for capitalization or retirement. It was during this review that the error was discovered.

To prevent future mistakes from occurring, extensive meetings have been conducted between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. The construction and retirement processes for the landfill have been thoroughly reviewed and the applicable parties have agreed to a methodology for the coding of invoices.

Narrative indicating the controls impacted (i.e., "The error was attributable to a lack of controls surrounding key spreadsheets ..."), the plan to mitigate future risk of the error occurring, and affirmation that Sarbanes-Oxley documentation has been updated for the change in processes.

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

		3ME 03/31/11		3ME 03/31/11	
Fin Stmt Line Item	Company	Debit	Credit	Debit	Credit

Construction in Progress	LG&E	858		858	
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	LG&E				
	LG&E				

In this situation, a waived adjustment was not entered into the waived adjustment file. The above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May which was too late to be included in the March 2011 waived adjustment file.

Crescente, Angela

From: Raque, Gary
Sent: Monday, June 20, 2011 3:51 PM
To: Crescente, Angela
Subject: RE: Brown Main Pond Close Out

Yes its being converted to a Landfill

From: Crescente, Angela
Sent: Monday, June 20, 2011 3:49 PM
To: Raque, Gary
Subject: RE: Brown Main Pond Close Out

I have set up a task called CP ARO for this purpose. Is the whole ash pond being closed?

From: Raque, Gary
Sent: Monday, June 20, 2011 3:38 PM
To: Crescente, Angela
Subject: Brown Main Pond Close Out

Angela,
Just wanted to bring to your attention that we will probably have charges this year related to "closing out" of the Brown CCR Main Pond (Project #132371). This will need to have an the ARO task set up. I know that you set them up before.

Gary Raque
LG&E and KU Energy LLC
Project Engineering
BOC 3
Phone: (502) 627-3241
Fax: (502) 217-2801
gary.raque@lge-ku.com

Crescente, Angela

From: Raque, Gary
Sent: Monday, June 20, 2011 3:38 PM
To: Crescente, Angela
Subject: Brown Main Pond Close Out

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Gary Raque
LG&E and KU Energy LLC
Project Engineering
BOC 3
Phone: (502) 627-3241
Fax: (502) 217-2801
gary.raque@lge-ku.com

Crescente, Angela

From:	Crescente, Angela
Sent:	Monday, June 06, 2011 4:41 PM
To:	Daly, Karen
Subject:	RE: 108799 for May 2011

Karen,

The settlement numbers for 108799 for May 2011 are as follows:

LGE Electric - $720,055.88
LGE Gas - $770,592.05

Thanks,
Angela

From: Daly, Karen
Sent: Monday, June 06, 2011 4:25 PM
To: Crescente, Angela
Subject: RE: 108799 for May 2011

Remember, I need your settlement numbers as well for e/g/c split information. Thanks! Karen

---

From: Crescente, Angela
Sent: Monday, June 06, 2011 1:20 PM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for May 2011

All:

The activity for 108799 for May 2011 is as follows:

LGE – Generation Steam – ($857,559.13)
LGE – Generation Hydro – $3,741.00
LGE – Gas Underground Storage – $1,786.54
LGE – Gas Distribution - $1,230.42
KU – Generation Steam – $85,818.85

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Monday, June 06, 2011 1:20 PM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for May 2011

All:

The activity for 108799 for May 2011 is as follows:

LGE – Generation Steam – ($857,559.13)
LGE – Generation Hydro – $3,741.00
LGE – Gas Underground Storage – $1,786.54
LGE – Gas Distribution - $1,230.42
KU – Generation Steam – $85,818.85

Thanks,
Angela

Crescente, Angela

From: Puckett, Paul
Sent: Thursday, June 02, 2011 10:43 AM
To: Crescente, Angela
Subject: RE: MC Landfill Expansion - 112767

Angela,
Those numbers still work for me.

W. Paul Puckett
Engineer - Environmental Affairs Department
LG&E and KU Energy (Louisville Gas & Electric, Kentucky Utilities, and Old Dominion Power)
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
(502) 627-4659
(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

---

From: Crescente, Angela
Sent: Wednesday, June 01, 2011 10:13 AM
To: Love, K J; Pence, Mark; Buckner, Mike; Van Winkle, Don; Puckett, Paul
Subject: RE: MC Landfill Expansion - 112767

Would you all mind sending me an email back if you are OK with this as well so that I can put this in the folder for documentation purposes so we will know what happened in case we have to look back at it 10 years from now?

Thanks,
Angela

From: Heath, Rosie **On Behalf Of** Kirkland, Mike
Sent: Wednesday, June 01, 2011 10:02 AM
To: Love, K J; Crescente, Angela; Pence, Mark; Buckner, Mike; Van Winkle, Don
Subject: RE: MC Landfill Expansion - 112767

Mike is fine with this.

Rosie Heath, Senior Secretary
LG&E - Mill Creek Station
☎ 502-933-6976
Cell 502-338-6998
God Bless America!
My e-mail address has changed from rosie.heath@eon-us.com to rosie.heath@lge-ku.com.

From: Love, K J
Sent: Wednesday, May 25, 2011 3:14 PM

To: Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Pence, Mark
Subject: FW: MC Landfill Expansion - 112767

Angela explained this to me today, I told her I would have to consult with higher Plant management for any approval. Please advise.

Thanks

From: Crescente, Angela
Sent: Wednesday, May 25, 2011 1:11 PM
To: Love, K J; Puckett, Paul
Subject: MC Landfill Expansion - 112767

Hi KJ and Paul,

We were about to put some of the expansion dollars on the books for 112767 and in analyzing the AIP, I noticed that there was no expected Cost of Removal listed as expected charges on the AIP. Only some language that stated that there was going to be some final closeout of the vertical expansion including cover soil. Based on the AIP information, the majority of the charges seemed like they should go against 107001 (construction) instead of 108799 (retirement). Since we have had our meeting, I think we all have a better understanding of which account charges should occur in the future, so it is just a matter of straightening the current charges this time.

All of the charges are capital (whether it be 108799 or 107001) and I propose moving some of the 108799 charges to 107001 in order to correct the spending by account for the project to date. I have calculated approximately what the 108799 amounts should have been using the most current closure calculation that was used in the revaluation. The escalated cost for 142 acres is expected to be $1,818,426.67, which turns out to approximately $13K an acre. According to our discussion in our meeting, and the confirmation email sent below, the following acres were closed from 2008-2010:

Areas closed/retired:

In 2008:	6.1 acres
In 2009:	2.9 acres
In 2010:	5.2 acres
	14.2 acres

14.2 acres x $13,000 = $184,600.

I believe the rest of the acres (prior to 2007) were closed under project number AROMC0241 which were correctly charged to 108799 since that project was intended to only retire acreage and not expand.

This $184,600 amount for 108799 sounds more reasonable to me as the main intent for project number 112767 was to do the horizontal expansion which would be related to account 107001 instead.

Please confirm if you are in agreement so that I can proceed with a journal entry to correct this issue.

Thanks,
Angela

From: Puckett, Paul
Sent: Thursday, March 31, 2011 4:34 PM
To: Crescente, Angela; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Wacker, Diana
Cc: Winkler, Michael
Subject: Mill Creek Landfill ARO Discussion

To all,
Earlier today, we met at the Mill Creek site to discuss Accounting Retirement Obligations related to the landfill at the Mill Creek Station. After overview discussions and some back and forth to establish perspective, the discussions of substance were centered on determining the total landfill acreage, the active portions of the total acreage, and the retired portions of the landfill and the time periods (2003 and after) in which the retirements occurred. At the close of our discussions, the following information was understood by me to be the most important.

		Acres	
Currently ARO Area		142	
Active Area in excess of current ARO		15	(add)
Adjusted ARO Area		157	This will require an accounting adjustment by Angela (et al.)
Areas closed/retired:			
In 2008:	6.1 acres		
In 2009:	2.9 acres		
In 2010:	5.2 acres	157	
	14.2 acres	14	(subtract)
		143	
Areas currently active:			
At/Near top	10 acres		
At/Near top	8 acres		
NE slope at levee	3 acres		
Cell at former Drive In	15 acres	143	
	36 acres	36	(subtract)
		107	**End of meeting conclusion: 107 Acres of landfill were**

closed/retired prior to 2007.

After getting back to the office and researching this a bit more, it appears that there was a slight error in the course of our discussions. We inadvertently referenced Landfill Site B (within the railroad loop) as being approximately 75-85 acres and Landfill Site A as being approximately 50 acres. The acreages should have been reversed; that is to say Landfill Site A is the larger site and Landfill Site B (within the railroad loop) is the smaller site.

Feel free to contact me if you want to discuss this further or if you have any questions.

W. Paul Puckett
Engineer - Environmental Affairs Department
LG&E and KU Energy (Louisville Gas & Electric, Kentucky Utilities, and Old Dominion Power)
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
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(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: ***paul.puckett@lge-ku.com***

Crescente, Angela

From: Buckner, Mike
Sent: Wednesday, June 01, 2011 10:31 AM
To: Crescente, Angela; Love, K J; Pence, Mark; Van Winkle, Don; Puckett, Paul
Subject: RE: MC Landfill Expansion - 112767

Angela,

I am in agreement with the changes for the Mill Creek Landfill Expansion charges.

Mike Buckner
Production Manager - Mill Creek Station
LG&E and KU Energy LLC
14660 Dixie Highway
Louisville, KY 40272
502-933-6515

From: Crescente, Angela
Sent: Wednesday, June 01, 2011 10:13 AM
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Currently ARO Area		142	
Active Area in excess of current ARO		15	(add)
Adjusted ARO Area		157	This will require an accounting adjustment by Angela (et al.)
Areas closed/retired:			
In 2008:	6.1 acres		
In 2009:	2.9 acres		
In 2010:	5.2 acres	157	
	14.2 acres	14	(subtract)
		143	
Areas currently active:			
At/Near top	10 acres		
At/Near top	8 acres		
NE slope at levee	3 acres		
Cell at former Drive In	15 acres	143	
	36 acres	36	(subtract)
		107	**End of meeting conclusion: 107 Acres of landfill were closed/retired prior to 2007.**

After getting back to the office and researching this a bit more, it appears that there was a slight error in the course of our discussions. We inadvertently referenced Landfill Site B (within the railroad loop) as being approximately 75-85 acres and Landfill Site A as being approximately 50 acres. The acreages should have been reversed; that is to say Landfill Site A is the larger site and Landfill Site B (within the railroad loop) is the smaller site.

Feel free to contact me if you want to discuss this further or if you have any questions.

W. Paul Puckett
Engineer - Environmental Affairs Department
LG&E and KU Energy (Louisville Gas & Electric, Kentucky Utilities, and Old Dominion Power)
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
(502) 627-4659

(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: *paul.puckett@lge-ku.com*

Crescente, Angela

From:	Wiseman, Sara
Sent:	Saturday, July 09, 2011 10:57 AM
To:	Charnas, Shannon
Cc:	Crescente, Angela
Subject:	SAB 99 memo Mill Creek Landfill ARO 6-30-11.doc

SAB 99 memo Mill Creek Landfil...

Shannon: I've made some changes based on your suggestions to this. I also put a comment in there regarding the budget coordinator review. I may still have to follow up on this based on what you think after you read the memo. But, I decided to go ahead and send this back to you today on the chance that you could look at the rest of memo.

LG&E KU
PPL companies

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During unitization of the LG&E Mill Creek landfill project (no. 112767), it was discovered that $857,559 had been charged in error to Account 108799 RWIP-ARO Legal (RWIP) instead of Account 107001 Construction Work in Progress (CWIP). The error amount accumulated over time from August 2007 through November 2010. The error occurred as the invoices covering the charges were incorrectly coded for payment.

This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

How Error Was Identified

During the unitization process, the ~~a~~Accounting ~~a~~Analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The ~~a~~Analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges, it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

[can we determine/document the root cause of the error? Was it due to lack of training or understanding by the person coding the invoices? If so, that seems to relate to the action plan.

The root cause of the error was due to a lack of understanding by the employees coding the invoices.

Controls Impacted

Cycle 40.01-Acqusitions, Disposals and Retirement, Control Activity #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to ensure they are proper for capitalization or retirement. It was during this review that the error was discovered.

[Is there possibly another control that relates to Budget Coordinator review of the charges that could be referenced? We did have a control in the maintenance cycle but was eliminated in optimization. I had an email from Mimi on a different topic, but this was her response to essentially the same question: Entity Level Objective 12.2 - Process for comparing actual operating results to budget and communicating the results to the appropriate individuals and the control for this objective - The current financial profitability reports (including essential key figures) are verified for plausibility. I've looked and can't find the entity level controls. Maybe you know? I can contact Mimi/James on Monday about it as well.]

This error is determined to be an observation, rather than a deficiency. The error was detected during the unitization process, which was performed according to the control. Since this project was of a long duration, the charges were not reviewed by an Accounting Analyst until the project was complete, which is normal process. Charges may be reviewed earlier, but this is not required. Therefore, CA#6 in Cycle 40.01 functioned properly.

To prevent future mistakes from occurring, several meetings were conducted in ~~June~~the second quarter of 2011 between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. During these meetings, the construction and retirement processes for the landfill were~~as~~ thoroughly reviewed and the applicable parties agreed to a methodology for the coding of invoices to begin immediately. Additionally, each month an Accounting Analyst reviews all projects on the RWIP subledger (account 108799) for reasonableness and contacts plant personnel for follow-up on questions as needed. [Is there specific evidence that can be used to support that the action plan to prevent future mistakes is being used? We do have an email from this past month]

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

Fin Stmt Line Item	Company	3ME 03/31/11 Debit	3ME 03/31/11 Credit	3ME 03/31/11 Debit	3ME 03/31/11 Credit
Construction in Progress	LG&E	858		858	
Asset Retirement Obligations	LG&E		858		858
	~~LG&E~~				
	~~LG&E~~				

In this situation, a waived adjustment was not entered into the waived adjustment file, since there was no waived adjustment in the current period (Q2 2011) since the balance sheet was corrected~~.~~ ~~T~~ when the above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May, which was too late to be included in the March 2011 waived adjustment file.

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, July 07, 2011 11:40 AM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for June 2011

All:

The activity for 108799 for June 2011 is as follows:

LGE – Generation Steam – $186,627.93
LGE – Gas Distribution – $12,616.92
KU – Generation Steam – $53,614.71

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Friday, July 01, 2011 10:31 AM
To: Pence, Mark; Rose, Bruce
Cc: Van Winkle, Don
Subject: Project # 124083 - MC Coal Pile Retention Project

After discussion with Don, it was decided that this particular project was not part of an ARO retirement. Although this pit is related to the 1 acre coal pile/limestone runoff pond that we have listed as an ARO, there is no plan to close/retire any portion of the pond itself. Therefore, no ARO retirement will be performed as part of this project. I just wanted to send this as documentation support for the AIP so that we remember this discussion in the future for auditing purposes.

Don, please correct me if I have misstated anything.

Thanks,
Angela

Crescente, Angela

From:	Crescente, Angela	
Sent:	Thursday, June 30, 2011 2:59 PM	
To:	Wiseman, Sara	
Subject:	FW: ARO Footnote - 6/30/11	
Tracking:	**Recipient**	**Read**
	Wiseman, Sara	Read: 7/1/2011 9:59 AM

You weren't on here............

From: Erskine, Greg
Sent: Thursday, June 30, 2011 1:20 PM
To: Crescente, Angela
Subject: ARO Footnote - 6/30/11

Angela:

I need to get information from you to complete the LKE, LG&E and KU sections of the ARO footnote that will appear in the 6/30/11 PPL Form 10-Q. I've attached a file that shows the information I need. Can you replace the question marks in the file with amounts and return the file to me by Monday, July 11, please?

The file calls for a rollforward of the ARO liabilities for LKE, LG&E and KU for the six months ended 6/30/11 (in millions). It also calls for a split of the 6/30/11 ARO liability balances between current and noncurrent for LKE, LG&E and KU (also in millions).

The 6/30/11 noncurrent ARO liability balances (in millions) that you put into the attached file need to agree with the 6/30/11 noncurrent ARO liability balances that will appear in the 6/30/11 balance sheets for LKE, LG&E and KU (in millions). I don't yet know the noncurrent ARO liability balances that will appear in the 6/30/11 balance sheets, but I should know them on or near Friday, July 8. I will e-mail the balances to you when I know them. Please make sure that the 6/30/11 noncurrent balances that you put into the attached file equal the balances that I e-mail to you.

Please do not change the beginning balances in the attached file. Also, please do not change any of the formulas I've put into the file. If you feel that you need to change the beginning balances or a formula, please contact me before you do anything.

Please do not change the descriptions that appear in column A in the file and please do not add any new rows. PPL came up with the descriptions, and we can't change them.

Some of the formulas in the attached file return #VALUE!. After you replace the question marks with the correct 6/30/11 amounts, the #VALUE!s should go away.

I included the split between current and noncurrent we reported at 12/31/10 in the attached file for your reference.

Thanks,

Greg

Book7.xlsx

LKE CONSOLIDATED
Asset Retirement Obligations
6ME 06/30/11
06/30/11 Reporting

06/22/11
3:30 PM

	LKE	LG&E	KU
12/31/10 balance	103	49	54
Accretion expense	???	???	???
Obligations assumed in acquisition of LKE	???	???	???
Obligations assumed in acquisition of CN	???	???	???
ARO derecognized	???	???	???
New obligations incurred	???	???	???
Changes in estimated cash flow or settlement date	???	???	???
Effect of foreign currency exchange rates	???	???	???
Obligations settled	???	???	???
06/30/11 balance	103	49	54
Balance-sheet classification at 06/30/11:			
Current	???	???	???
Noncurrent	???	???	???
Totals	#VALUE!	#VALUE!	#VALUE!
Balance-sheet classification at 12/31/10:			
Current			
Noncurrent	103	49	54
Totals	103	49	54

Crescente, Angela

From:	Crescente, Angela
Sent:	Thursday, June 30, 2011 2:39 PM
To:	Puckett, Paul
Cc:	Buckner, Mike; Cecil, Ray; Cosby, David; Kirkland, Mike; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Winkler, Michael; Wiseman, Sara
Subject:	RE: MC Landfill Capital CWIP/ARO Allocation

Paul:

Thanks for your help. Not to worry, we used the best estimate we had at the time. It appears we are just looking at a change in estimate for expected cost of removal dollars to be spent while closing acres in a landfill. When Sara returns from vacation, I will discuss all of this with her so that we can discuss how to proceed.

All:

However, in regards to the drainage ditches, if that truly is work related to the draining of the active acres, not the closing of the 6.5 acres, then that should be considered investment (107001) work instead of ARO cost of removal. I would think the budget would need to be adjusted to reflect this. If all of the soil purchased is for soil cover and seeding in order to close the 6.5 acres, then it appears that it should be charged to the ARO cost of removal (108799) account in addition to the placement and seeding of soil for $300K total. Please let me know if we are all in agreement.

Please note, if we do revalue the landfill closure estimates, we will need support for the numbers so we will ask for a new estimated per acre number for our documentation. We will let you know if and when we need that.

Thanks to everyone for their help,
Angela

From: Puckett, Paul
Sent: Thursday, June 30, 2011 11:46 AM
To: Crescente, Angela
Cc: Buckner, Mike; Cecil, Ray; Cosby, David; Kirkland, Mike; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Winkler, Michael
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,
Looking back at the work we did earlier this year, I believe we determined the landfill area that was previously closed (107 acres) and took the ARO value associated with it and determined that the average value per acre for closure (which was primarily spreading soil and seeding) to be about $13,000.

Based on what Kevin sent most recently, the estimate of $13,000/acre for placement and seeding that we had decided on appears very low, but not as low as the initial look might have indicated. I would suggest that his $150,000 value for Charah's Time & Materials estimate for "Placement and seeding of soil" works out to about $23,100 per acre and is comparable to the tasks we had assumed were associated with most of the landfill closure. That's about twice as much as the $13,000/acre we had decided on previously. It's not as close as I'd like but maybe considering the time-value of money makes the difference look less pronounced. (I'm probably whistling in the dark here.)

I don't know the details of Charah's contract, but if it details a value for placement & seeding per acre, that is probably a better value on which to hang our hats going forward.

Additionally, I'd note that the previous retirement portions of the landfill area probably didn't include as much of things like flumes because the portion within the railroad loop (Site B, 50 acres of the 107 total acres retired) was finished to grade and didn't need a lot of investments in drainage (like ditches and flumes). Also, in the earliest phases of the landfill, we had lots of soils from excavations that we could use for cover materials and our cover requirements were not as selective. As a result, we could use what we had indiscriminately.

Unfortunately, as construction proceeds, much of the soils with "preferred" characteristics (like clays) in the stockpiles of what had been excavated has been preferentially used. This process tends to leave us without enough of the "preferred" soil types as the process gets closer to the end so we have to buy the soils with engineering properties that we need. We wouldn't have needed to do that at first because the cover soil properties were not very well defined in our early permits, but going forward, it will be probably necessary to be selective of the types of cover soils that we use. I would suggest that need is reflected in Kevin's $150,000 figure for the "Cost of Soil".

One other factor that will drive the per acre closure costs up is that we are under pressure to have smaller areas of the landfill open at any one time and our available working space is smaller. Since landfill work allows significant advantages for larger scale operations, reducing the amount of area that can be open at any one time forces all per acre costs to be higher.

Bottom line is that we should probably adjust our per acre closure cost upward from $13,000. I don't know exactly what that figure should be, but it sure needs to be a lot higher. I apologize for not recognizing that in March when we first visited this issue.

Let me know if we should discuss the issue further.

W. Paul Puckett
Engineer - Environmental Affairs Department
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P.O. Box 32010
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(502) 627-4659
(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

---

From: Love, K J
Sent: Thursday, June 30, 2011 10:35 AM
To: Crescente, Angela
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,

The 2011 landfill cost estimates is:

Construction of six type two ditches and plumes. (Based on MC/Charah contract agreement)	$289,900
Placement and seeding of soil, approx 12K y3.	$150,000

Based on Charah estimate T & M.

Cost of soil. $150,000
Based on estimate 12K y3 at $10.00/y3 w/contingency.

The total of $662K considered contingency and the possibility that the cost associated with purchasing soil could be considerably more than the estimate.

Thanks

From: Crescente, Angela
Sent: Thursday, June 30, 2011 9:52 AM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

KJ,

Bruce and I discussed it and based on our understanding of the purpose of drainage ditches, we would expect all of the costs associated with the drainage ditches to be capital investment dollars. The drainage ditches would only be used for the active landfill, not associated with any retired portion. How much of the money would be associated with the drainage ditches and how much would strictly be cover soil and seed?

Thanks,
Angela

From: Crescente, Angela
Sent: Thursday, June 30, 2011 9:35 AM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

KJ,

Based on our original estimate, it costs about $13K an acre to cover soil and seed. That would make the expected cost be around $85,000.

Paul,

Please advise us on what you think since you helped us with the $13K per acre estimate. It would have to cost about $102,000 per acre to come up to the $662K that KJ is expecting. Does that seem reasonable? If so, then we will need to discuss changing the estimate for our MC Landfill liability.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 9:31 AM
To: Crescente, Angela

Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,

Approximately 6.5 acres.

Thanks

From: Crescente, Angela
Sent: Thursday, June 30, 2011 8:45 AM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

K J,

Approximately how many acres are you planning on closing out during 2011? We currently have 36 "active" acres left based on our meeting discussion.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 7:20 AM
To: Pence, Mark
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

Earlier in the year I was asked how much cover soil we would need to purchase this year. Based on Keith Bolen's estimate we thought we would need 12K y3 of soil. At that time, we did not know where the supply would come from or associated costs, so I based the estimate for budget dollars based on $10/y3 with some contingency. (The last soil purchase we made other than the MSD project was $8.50/y3.) That's where the $150K came from in the ARO funding.

When I got estimates from Keith Bolen on how much money we would need for all of the work expected to be done on the landfill, I included the estimated cost of the soil in the $662K. The work included the building of six type two ditches for drainage, the placement/compaction of approximately 12K y3 of cover, and sowing and seeding of the area covered. (As far as I understand, all of this work would fall under the ARO task.)

The North end of the landfill (Horizontal Expansion), should have no construction activity this year. The construction for that phase has been completed and we are using the area as an operating land fill. (Just using it for placement of our byproducts not being marketed.) So the money for work on the land fill this year should not be allocated for Horizontal Expansion.

Nothing has changed as far as planned work, only a misunderstanding of what part of the land fill project the money is needed for. And the total dollars should be the 662K estimate.

Thanks

From: Pence, Mark
Sent: Wednesday, June 29, 2011 3:10 PM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: FW: MC Landfill Capital CWIP/ARO Allocation

Kevin,

You will need to explain what changed, and why, from the meeting we had with the folks from Property Accounting a few weeks ago. Evidently, they left here with the same impression that I had that we would only spend $150k in ARO funding this year, and that the $662k was going to be spent on expansion construction. Please copy me on your reply. I think that once this is straightened out we'll all be on the same page for our go-forward spending. Thanks.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Cosby, David
Sent: Wednesday, June 29, 2011 2:56 PM
To: Pence, Mark
Cc: Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

I was talking to Angela today about ARO information. For the MC Landfill, we only have around $150K left on the ARO balance based on the original estimate of $13,000 per acre for the remaining acres to close. That recent estimate of 36 acres left came from the plant meetings with Property Accounting at Mill Creek in early June. Part of the problem is the closure in the system in still dated to be 2036.

What is included in the $662K scope of closure items and how was the amount determined? Thanks.

David L. Cosby Jr.
Manager - Fin. & Budgeting - Power Generation
LG&E and KU Energy Services
502-627-2499
david.cosby@lge-ku.com

From: Pence, Mark
Sent: Wednesday, June 29, 2011 10:32 AM
To: Cosby, David; Dowd, Deborah
Subject: MC Landfill Capital CWIP/ARO Allocation

FYI, I just adjusted the capital prioritization file for project 112767 (MC Landfill) to move $662k from CWIP to ARO. I discovered that our project proponent had not been forecasting the CWIP/ARO properly based on the work that remains to be done on the landfill closure. The total amount forecast for this year remains unchanged at $812k. I hope this doesn't cause major issues for anyone.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From: Puckett, Paul
Sent: Thursday, June 30, 2011 11:46 AM
To: Crescente, Angela
Cc: Buckner, Mike; Cecil, Ray; Cosby, David; Kirkland, Mike; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Winkler, Michael
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,
Looking back at the work we did earlier this year, I believe we determined the landfill area that was previously closed (107 acres) and took the ARO value associated with it and determined that the average value per acre for closure (which was primarily spreading soil and seeding) to be about $13,000.

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Unfortunately, as construction proceeds, much of the soils with "preferred" characteristics (like clays) in the stockpiles of what had been excavated has been preferentially used. This process tends to leave us without enough of the "preferred" soil types as the process gets closer to the end so we have to buy the soils with engineering properties that we need. We wouldn't have needed to do that at first because the cover soil properties were not very well defined in our early permits, but going forward, it will be probably necessary to be selective of the types of cover soils that we use. I would suggest that need is reflected in Kevin's $150,000 figure for the "Cost of Soil".

One other factor that will drive the per acre closure costs up is that we are under pressure to have smaller areas of the landfill open at any one time and our available working space is smaller. Since landfill work allows significant advantages for larger scale operations, reducing the amount of area that can be open at any one time forces all per acre costs to be higher.

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Let me know if we should discuss the issue further.

W. Paul Puckett
Engineer - Environmental Affairs Department
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Please note the recent change in e-mail address: paul.puckett@lge-ku.com

---

From: Love, K J
Sent: Thursday, June 30, 2011 10:35 AM
To: Crescente, Angela
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,

The 2011 landfill cost estimates is:

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(Based on MC/Charah contract agreement)

Placement and seeding of soil, approx 12K y3. $150,000
Based on Charah estimate T & M.

Cost of soil. $150,000
Based on estimate 12K y3 at $10.00/y3 w/contingency.

The total of $662K considered contingency and the possibility that the cost associated with purchasing soil could be considerably more than the estimate.

Thanks

From: Crescente, Angela
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To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

KJ,

Bruce and I discussed it and based on our understanding of the purpose of drainage ditches, we would expect all of the costs associated with the drainage ditches to be capital investment dollars. The drainage ditches would only be used for the active landfill, not associated with any retired portion. How much of the money would be associated with the drainage ditches and how much would strictly be cover soil and seed?

Thanks,
Angela

From: Crescente, Angela
Sent: Thursday, June 30, 2011 9:35 AM

To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

KJ,

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Paul,

Please advise us on what you think since you helped us with the $13K per acre estimate. It would have to cost about $102,000 per acre to come up to the $662K that KJ is expecting. Does that seem reasonable? If so, then we will need to discuss changing the estimate for our MC Landfill liability.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 9:31 AM
To: Crescente, Angela
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,

Approximately 6.5 acres.

Thanks

From: Crescente, Angela
Sent: Thursday, June 30, 2011 8:45 AM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

K J,

Approximately how many acres are you planning on closing out during 2011? We currently have 36 "active" acres left based on our meeting discussion.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 7:20 AM
To: Pence, Mark

Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

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Thanks

From: Pence, Mark
Sent: Wednesday, June 29, 2011 3:10 PM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: FW: MC Landfill Capital CWIP/ARO Allocation

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Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Cosby, David
Sent: Wednesday, June 29, 2011 2:56 PM
To: Pence, Mark
Cc: Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

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What is included in the $662K scope of closure items and how was the amount determined? Thanks.

David L. Cosby Jr.
Manager - Fin. & Budgeting - Power Generation
LG&E and KU Energy Services
502-627-2499
david.cosby@lge-ku.com

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Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

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To: Crescente, Angela
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,

The 2011 landfill cost estimates is:

Construction of six type two ditches and plumes. $289,900
(Based on MC/Charah contract agreement)

Placement and seeding of soil, approx 12K y3. $150,000
Based on Charah estimate T & M.

Cost of soil. $150,000
Based on estimate 12K y3 at $10.00/y3 w/contingency.

The total of $662K considered contingency and the possibility that the cost associated with purchasing soil could be considerably more than the estimate.

Thanks

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Sent: Thursday, June 30, 2011 9:52 AM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
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KJ,

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KJ,

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Paul,

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Thanks,
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Angela,

Approximately 6.5 acres.

Thanks

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Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, June 30, 2011 10:26 AM
To: Yeary, William
Subject: RE: ARO List
Attachments: List of AROs.xlsx

Hi Bill,

I have attached a list for you.

Thanks,
Angela

From: Yeary, William
Sent: Thursday, June 30, 2011 10:11 AM
To: Crescente, Angela
Subject: ARO List

Angela,

Do you have an actual list of what was identified by the plant as ARO? If so can you send me a copy of it.

Bill Yeary III <><
Sr. Budget Analyst
E.W. Brown Plant
Phone: 859-748-4407
Cell: 859-265-7657
Fax: 502-217-2688

ARO Description
Canal (Retired)-ASB
CR Ash Pond
CR Coal Storage
CR Environmental Ponds
CR GSU Spare
CR GSU Unit 4
CR GSU Unit 5
CR GSU Unit 6
CR Landfill
CR Nuclear Sources
CR Sewage Treatment Plant
CR Unit 1 (Retired)-ASB
CR Unit 2 (Retired)-ASB
CR Unit 3 (Retired)-ASB
CR Unit 4-ASB
CR Unit 5-ASB
CR Unit 6-ASB
MC Ash Pond
MC Chemical Storage
MC Coal Storage
MC Environmental Ponds
MC GSU Spare
MC GSU Unit 1
MC GSU Unit 2
MC GSU Unit 3
MC GSU Unit 4
MC Landfill
MC Nuclear Sources
MC Oil Storage
MC Unit 1-ASB
MC Unit 2-ASB
MC Unit 3-ASB
MC Unit 4-ASB
Ohio Falls-ASB
Paddy's Run-ASB
TC Ash Pond
TC Chemical Storage
TC Coal Storage
TC Environmental Ponds
TC Nuclear Sources
TC Sewage Treatment Plant
Zorn-ASB
LGE Trans Subs (11)-ASB

ARO Description
LGE Dist Subs (66)-ASB
Manholes-ASB
Center GSF UGS (Wells)
CityGateDR237900-Dist-ASB
CityGatePR237900-Dist-ASB
Doe Run 235300-UGS-ASB
Doe Run GSF UGS (Wells)
GasMain&ServAbandon-Dist
Magnolia 235120-UGS-ASB
Magnolia 235300-UGS-ASB
Magnolia 235600-UGS-ASB
Magnolia GSF UGS (Wells)
Muldraugh 235120-UGS-ASB
Muldraugh 235300-UGS-ASB
Muldraugh 235600-UGS-ASB
Muldraugh 237520-Dist-ASB
Muldraugh GSF UGS (Wells)
Riggs Junc 235120-UGS-ASB
Seventh&O-ComGenPln-ASB

ARO Description
BR Ash Pond
BR Auxiliary Pond
BR Coal Storage
BR Lab
BR Nuclear Sources
BR Oil Storage
BR Oil Storage CT - OP
BR Unit 1-ASB
BR Unit 2-ASB
BR Unit 3-ASB
Dix Dam-Hydro-ASB
Ghent 1 Scrubber Gypsum Stack
Ghent Ash Pond
Ghent Chemical Storage
Ghent Coal Storage
Ghent Environmental Ponds
Ghent GSU Spare
Ghent GSU Unit 1
Ghent GSU Unit 2
Ghent GSU Unit 3
Ghent GSU Unit 4
Ghent Nuclear Sources
Ghent Oil Storage
Ghent Sewage Treatment Plant
Ghent Unit 1-ASB
Ghent Unit 2-ASB
Ghent Unit 3-ASB
Ghent Unit 4-ASB
GR Ash Pond
GR Chemical Storage
GR Coal Storage
GR GSU Spare
GR GSU Unit 3
GR GSU Unit 4
GR GSU Units 1 & 2
GR Limestone Silo
GR Oil Storage
GR Sewage Treatment Plant
GR Unit 1-ASB
GR Unit 2-ASB
GR Unit 3-ASB
GR Unit 4-ASB
Pineville Ash Pond

ARO Description
Pineville-ASB
TY Ash Pond
TY Chemical Storage
TY Coal Storage
TY Oil Storage
TY Service Water Pump Struct
TY Sewage Treatment Plant
TY Unit 1 (Retired)-ASB
TY Unit 2 (Retired)-ASB
TY Unit 3-ASB
KU Trans Subs (69)-ASB
Big Stone Gap Sub-Dist-ASB
KU Dist Subs (478)-ASB
KU General Facilities-ASB

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Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From: Raque, Gary
Sent: Tuesday, May 03, 2011 2:56 PM
To: Crescente, Angela
Subject: RE: Ohio Falls project #'s

Will do thanks Angela

From: Crescente, Angela
Sent: Tuesday, May 03, 2011 2:54 PM
To: Raque, Gary
Subject: RE: Ohio Falls project #'s

Gary,

I have created a task on each project called "CP ASBESTOS" for all removal costs associated with asbestos removal to be charged to. Asbestos removal is defined as any removal activity that is part of the legal requirement to remove and dispose of asbestos in a certain manner. Any removal costs that are not related to asbestos removal should be charged the regular removal task (account 108901). Please feel free to call if you have any questions.

Thanks,
Angela

From: Raque, Gary
Sent: Thursday, April 28, 2011 3:19 PM
To: Crescente, Angela
Subject: Ohio Falls project #'s

Angela,
Each of the projects are related to one of the 6 (remaining) units being refurbished.

Project # 127090 (Unit 3)
Project # 127091 (Unit 4)
Project # 127092 (Unit 5)
Project # 127095 (Unit 8)
Project # 127201 (Unit 1)
Project # 127202 (Unit 2)

Gary Raque
LG&E and KU Energy LLC
Project Engineering
BOC 3
Phone: (502) 627-3241

Crescente, Angela

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Gary Raque
LG&E and KU Energy LLC
Project Engineering
BOC 3
Phone: (502) 627-3241
Fax: (502) 217-2801
gary.raque@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Tuesday, May 03, 2011 8:50 AM
To: Koellner, Corey
Subject: RE: KU ARO Regulatory Assets

Corey,

Yes, these items should be netted against the debits.

Thanks,
Angela

From: Koellner, Corey
Sent: Tuesday, May 03, 2011 8:45 AM
To: Crescente, Angela
Subject: KU ARO Regulatory Assets

Angela –

I'm preparing the KU regulatory asset information that will be included in the Form 3 filing. I identified these ARO assets with credit activity in 1Q11:

Account	Account	Je Name	Line Description	Debits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	J408-0110-0111 Adjustment USD 01-JAN-11	Journal Import Created	0.00
182317	OTHER REGULATORY ASSETS ARO - GENERATION	J412-0110-0211 Adjustment USD 01-FEB-11	Journal Import Created	0.00
182317	OTHER REGULATORY ASSETS ARO - GENERATION	J419-0110-0311 Adjustment USD 01-MAR-11	Journal Import Created	0.00
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAR-11	Journal Import Created	1,085,757.83

Could you let me know if these items should be documented as credits, or if the nature of the activity is such it should be netted against the debits.

Thanks,

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Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, April 06, 2011 10:53 AM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for March 2011

All:

The activity for 108799 for March 2011 is as follows:

LGE – Generation Steam - $11,805.98
LGE – Generation Hydro – ($10,932.18)
LGE – Gas Distribution - $55,116.97
KU – Electric Distribution – ($2,101.93)

Thanks,
Angela

Crescente, Angela

From: Williams, Scott
Sent: Monday, February 28, 2011 3:39 PM
To: Crescente, Angela
Subject: RE: Federal Return Requests-LGE & KU

The schedule she prepared was earlier in the year before she got your numbers, she has what you do so that part is ok.

From: Crescente, Angela
Sent: Monday, February 28, 2011 3:37 PM
To: Williams, Scott
Subject: RE: Federal Return Requests-LGE & KU

Do you know what schedule she was looking at before? I don't remember sending a revised schedule to her. Should I be concerned? Do you need anything else from me?

From: Williams, Scott
Sent: Monday, February 28, 2011 3:35 PM
To: Crescente, Angela
Subject: RE: Federal Return Requests-LGE & KU

Thanks, I got with Sharon, she does have a revised schedule that ties to your numbers.

From: Crescente, Angela
Sent: Monday, February 28, 2011 2:43 PM
To: Williams, Scott
Subject: FW: Federal Return Requests-LGE & KU

Scott:

I am sorry, I can't seem to find the number that you said Sharon had, but this is what I sent to her. My number matches yours. Please let me know if there is anything else I can help with.

Thanks,
Angela

From: Crescente, Angela
Sent: Thursday, February 17, 2011 4:25 PM
To: Bloat, Sharon
Cc: Wiseman, Sara; Harrington, Anne
Subject: FW: Federal Return Requests-LGE & KU

Sharon:

Please see the attached:

<< File: ARO Support - LGE KU - Sharon Bloat 2010.xlsx >>

Please note, for convenience, I added the ARO Rollforward to the one excel file instead of splitting it into two like last year. Also, there was no need for a closed cost of removal tab for 2010.

Thanks,
Angela

From: Bloat, Sharon
Sent: Tuesday, January 25, 2011 2:59 PM
To: Crescente, Angela
Cc: Wiseman, Sara; Harrington, Anne
Subject: Federal Return Requests-LGE & KU

Angela,

Attached are two files that you prepared last year for FAS 143 ARO. If you would, please send us the file for 2010 for both LGE & KU.

Also, will this information be in two parts? Closing 10/31/10 and Closing 12/31/10?

If possible, can we get this information by February 25th? If you have any questions, please let me know.

Thanks in advance for your time and cooperation.

Sharon
Corp Tax
Ext 2686

<< File: ARO Rollforward LGE KU Balance Ended Dec 09-AngelaCrescente.xls >> << File: ARO Support - LGE & KU-AngelaCrescente.xls >>

Crescente, Angela

From: Crescente, Angela
Sent: Friday, March 04, 2011 9:42 AM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for February 2011

All:

The activity for 108799 for February 2011 is as follows:

LGE – Gas Distribution - $185,760.13
KU – Electric Distribution - $2,101.93

Thanks,
Angela

Crescente, Angela

From: Williams, Scott
Sent: Monday, February 28, 2011 1:36 PM
To: Crescente, Angela
Subject: LG&E AROs

	12/31/2009			10/31/2010		
Account Number	Asset	Reserve	Net	Asset	Reserve	Net
131707	5,688,169	(2,543,437)	3,144,732	14,923,488	(2,960,573)	11,962,915
133707	31,163	(17,810)	13,353	(52,391)	(18,001)	(70,392)
134705	2,046	(837)	1,209	29,084	(960)	28,124
134707	216,263	(88,481)	127,782	0	0	0
135915	1,687	(667)	1,020	15,401	(708)	14,693
137405	37,674	(13,163)	24,511	898,558	(14,755)	883,803
235805	4,595	(1,969)	2,626	19,653	(2,110)	17,543
235807	516,398	(400,304)	116,094	(929,768)	(398,687)	(1,328,455)
238805	364	(177)	187	946	(187)	759
238807	30,405	(20,203)	10,202	19,382,745	(80,591)	19,302,154
339915	3,735	(1,234)	2,501	117,351	(1,554)	115,797
	6,532,499	(3,088,282)	3,444,217	34,405,067	(3,478,126)	30,926,941

Angela,
I prepared this schedule for LG&E AROs. You supplied Sharon a number for the 101 accounts at 10/31 in the amount of $34,586,565. (I have $34,405,067). Can you tell me what makes up your number or look at my schedule and tell me what I am missing.
Thanks
Scott

Crescente, Angela

From: Crescente, Angela
Sent: Monday, February 28, 2011 1:36 PM
To: Bloat, Sharon
Subject: RE: LGE Plant Report

Tracking:

Recipient	Read
Bloat, Sharon	Read: 2/28/2011 1:38 PM

Sharon:

You should not treat that account any different than you have in the past. For tax purposes, the only accounts you should be ignoring on the plant report for AROs are the ones that are labeled "ARO Cost" which are usually at the bottom of each section.

I have listed them below for your convenience:

KU:
E317.07
E337.07
E347.07
E359.15
E359.17
E374.05

LGE:
E317.07
E337.07
E347.05
E347.07
E359.15
E359.17
E374.05
G358.05
G358.07
G388.05
G388.07
C399.15

Thanks,
Angela

From: Bloat, Sharon
Sent: Monday, February 28, 2011 11:35 AM

To: Crescente, Angela
Subject: RE: LGE Plant Report

Angela:

How does that happen from one year to the next? We currently have the acct setup in PowerTax so now we will have to considered it an ARO, same thing for Property Taxes...we do not depr or pay property taxes on ARO...

Thanks,
Sharon

From: Crescente, Angela
Sent: 02/28/2011 10:33 AM
To: Bloat, Sharon
Cc: Kinder, Debra; Wacker, Diana
Subject: RE: LGE Plant Report

Sharon:

We changed the name of the account to say ARO since everything that is in that account now is ARO related. Anything that was not ARO related was transferred to acct 2352.55. These are the only accounts that I can think of that were treated in this fashion for ARO reasons.

Thanks,
Angela

From: Wacker, Diana
Sent: Monday, February 28, 2011 10:20 AM
To: Crescente, Angela
Subject: FW: LGE Plant Report

From: Bloat, Sharon
Sent: Monday, February 28, 2011 10:19 AM
To: Wacker, Diana
Subject: LGE Plant Report

Diana:

Last year's plant report 2009 for LGE – Gas – Ferc acct 2352.50 Well Equipment – this year 2010 that same ferc acct states Well Equipment ARO...so the balance in this acct for 2009 was all moved to an ARO account? Are they any other ferc accts that this same thing took place?

Please let me know.

Thanks,

Sharon

Crescente, Angela

From: Andes, Isaac
Sent: Thursday, February 24, 2011 11:15 AM
To: Wiseman, Sara
Cc: Crescente, Angela
Subject: RE: Remap of Accounts - GLAFF Form

Thank you for this information.

From: Wiseman, Sara
Sent: Thursday, February 24, 2011 11:11 AM
To: Andes, Isaac
Cc: Crescente, Angela
Subject: RE: Remap of Accounts - GLAFF Form

<< Message: Fw: Change to Accounts 254014, 254015, 254016 >>
I think that GLAFF has already been completed.

From: Andes, Isaac
Sent: Thursday, February 24, 2011 10:59 AM
To: Wiseman, Sara
Cc: Crescente, Angela
Subject: FW: Remap of Accounts - GLAFF Form

Sara,

I have attached a GLAFF form to change the mapping of several accounts ARO accounts. See Andrea's question below.

Thank you,

Isaac
<< File: Andrea - GLAFF Change Request Form - Account.xls >>

From: Fackler, Andrea
Sent: Thursday, February 24, 2011 10:38 AM
To: Andes, Isaac
Subject: RE: Remap of Accounts - GLAFF Form

Should the ARO accounts be moved to PPL account 25411? Confirm with Sara Wiseman.

Change "move" to "remap" in the Reason for requested change box for all three accounts.

Everything else looks good so send it on to Lesley with an explanation in your email of the reasons for the changes since she doesn't know yet. Plus, this will fill all the GLAFF approvers in on why these changes are needed.

Thanks!
Andrea

From: Andes, Isaac
Sent: Thursday, February 24, 2011 10:28 AM
To: Fackler, Andrea
Subject: Remap of Accounts - GLAFF Form

Andrea,

Attached is the GLAFF form to remap OVEC and the ARO liability relating to COR. I didn't fill out the risk questions since they should stay the same since we are just remapping.

Isaac

<< File: Andrea - GLAFF Change Request Form - Account.xls >>

Crescente, Angela

From:	Wiseman, Sara
Sent:	Thursday, February 24, 2011 11:11 AM
To:	Andes, Isaac
Cc:	Crescente, Angela
Subject:	RE: Remap of Accounts - GLAFF Form

Fw: Change to Accounts 254014...

I think that GLAFF has already been completed.

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Isaac

<< File: Andrea - GLAFF Change Request Form - Account.xls >>

Crescente, Angela

From:	Pienaar, Lesley
Sent:	Tuesday, February 22, 2011 9:24 AM
To:	Wiseman, Sara
Subject:	Fw: Change to Accounts 254014, 254015, 254016

For your approval

From: Metts, Heather
Sent: Monday, February 21, 2011 03:50 PM
To: Bush, Tom
Cc: Pienaar, Lesley
Subject: RE: Change to Accounts 254014, 254015, 254016

Tom and/or Lesley,

Shouldn't this be approved by Sara?

Heather Metts

Manager - Financial Planning
LG&E and KU Energy Services
502-627-3419
heather.metts@lge-ku.com

From: Bush, Tom
Sent: Monday, February 21, 2011 3:29 PM
To: Erskine, Greg; Metts, Heather; Pienaar, Lesley; Raible, Eric; Shultz, Cathy; Strange, Vicki
Subject: Change to Accounts 254014, 254015, 254016

Please see the attached request for change of mapping on accounts 254014, 254015, and 254016.

From: Pienaar, Lesley
Sent: Monday, February 21, 2011 3:28 PM
To: Bush, Tom
Cc: Erskine, Greg
Subject: FW: GLAFF Change Request Form - Remap Accounts 254014, 254015, and 254016

approve

From: Erskine, Greg
Sent: Monday, February 21, 2011 3:03 PM
To: Pienaar, Lesley
Subject: GLAFF Change Request Form - Remap Accounts 254014, 254015, and 254016

Lesley:

I've attached a GLAFF Change Request Form to remap the following accounts in the Oracle consolidation worksheets from "Regulatory liability - noncurrent - other" to "Regulatory liability - noncurrent - accumulated COR":

254014 REGULATORY LIABILITY ARO - GENERATION
254015 REGULATORY LIABILITY ARO - TRANSMISSION
254016 REGULATORY LIABILITY ARO - GAS

Can you take a look at the request, and if it looks OK to you, forward it to Tom and ask him to send it out for approval, please?

Moving these accounts to "Regulatory liability - noncurrent - accumulated COR" will make the way we handle them in the Oracle consolidation worksheets the same as the way we handled them in the rates-and-regulatory footnote in the 2010 audited financial statements.

If you have any questions, please let me know.

Thanks,

Greg

<< File: GLAFF Change Request Form - Reclass Reg Liab ARO Accounts.xls >>

Crescente, Angela

From:	Andes, Isaac
Sent:	Thursday, February 24, 2011 10:59 AM
To:	Wiseman, Sara
Cc:	Crescente, Angela
Subject:	FW: Remap of Accounts - GLAFF Form
Follow Up Flag:	Follow up
Flag Status:	Flagged

Sara,

I have attached a GLAFF form to change the mapping of several accounts ARO accounts. See Andrea's question below.

Thank you,

Isaac

Andrea - GLAFF
Change Request ...

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Change "move" to "remap" in the Reason for requested change box for all three accounts.

Everything else looks good so send it on to Lesley with an explanation in your email of the reasons for the changes since she doesn't know yet. Plus, this will fill all the GLAFF approvers in on why these changes are needed.

Thanks!
Andrea

From: Andes, Isaac
Sent: Thursday, February 24, 2011 10:28 AM
To: Fackler, Andrea
Subject: Remap of Accounts - GLAFF Form

Andrea,

Attached is the GLAFF form to remap OVEC and the ARO liability relating to COR. I didn't fill out the risk questions since they should stay the same since we are just remapping.

Isaac

<< File: Andrea - GLAFF Change Request Form - Account.xls >>

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	To remap ARO liability associated with COR to Accum. COR
Account number	254014
Account description	REGULATORY LIABILITY ARO - GENERATION
Account type	Liability
Unit of measure	Dollars
PPL income-statement report group	NOT REQUIRED

Account flexfield attributes:

Burden schedule assignment	None
Project required	NO
Project type	Indirect
Make available in VOLTS	NO
Kentucky sales taxable	NO
Virginia sales taxable	NO

PPL mappings:

PPL account	25400 - reg liab-other
PPL affiliate assignment	NOT REQUIRED

Financial statement assignments:

Oracle consolidation worksheets - balance sheet	Regulatory liability - noncurrent - accumulated COR
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Regulatory Liabilities
FERC-basis utility income statement	NOT REQUIRED

Qualitative risks (for balance sheet reconciliation ranking):

1. Susceptibility of the accounts or transactions to loss due to errors or fraud, including past errors in the account.	REQUIRED
2. Volume of activity, complexity, and homogeneity of the individual transactions process through the account.	REQUIRED
3. Nature of the account (e.g., suspense accounts generally warrant greater attention)	REQUIRED
4. Level of management judgment used in the account.	REQUIRED
5. Existence of related party transactions in the account.	REQUIRED
6. Changes from the prior period in account characteristics (e.g., new complexities or subjectivity or new types of transactions).	REQUIRED
7. Sensitivity of the account in effecting the reporting enity's compliance with legal or regulatory requirements, loan covenants, or other contractual requirements.	REQUIRED
8. Override - Do you believe this account should have a Qualitative Risk Ranking of 3 (high) regardless of your responses to the seven questions preceding this one?	REQUIRED

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	To remap ARO liability associated with COR to Accum. COR
Account number	254016
Account description	REGULATORY LIABILITY ARO - GAS
Account type	Liability
Unit of measure	Dollars
PPL income-statement report group	NOT REQUIRED

Account flexfield attributes:

Burden schedule assignment	None
Project required	NO
Project type	Indirect
Make available in VOLTS	NO
Kentucky sales taxable	YES
Virginia sales taxable	NO

PPL mappings:

PPL account	25400 - reg liab-other
PPL affiliate assignment	NOT REQUIRED

Financial statement assignments:

Oracle consolidation worksheets - balance sheet	Regulatory liability - noncurrent - accumulated COR
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Regulatory Liabilities
FERC-basis utility income statement	NOT REQUIRED

Qualitative risks (for balance sheet reconciliation ranking):

1. Susceptibility of the accounts or transactions to loss due to errors or fraud, including past errors in the account.	REQUIRED
2. Volume of activity, complexity, and homogeneity of the individual transactions process through the account.	REQUIRED
3. Nature of the account (e.g., suspense accounts generally warrant greater attention)	REQUIRED
4. Level of management judgment used in the account.	REQUIRED
5. Existence of related party transactions in the account.	REQUIRED
6. Changes from the prior period in account characteristics (e.g., new complexities or subjectivity or new types of transactions).	REQUIRED
7. Sensitivity of the account in effecting the reporting enity's compliance with legal or regulatory requirements, loan covenants, or other contractual requirements.	REQUIRED
8. Override - Do you believe this account should have a Qualitative Risk Ranking of 3 (high) regardless of your responses to the seven questions preceding this one?	REQUIRED

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	To remap OVEC from "Other" to its own OVEC line already created
Account number	254058
Account description	PAA REGULATORY LIABILITY - OVEC VALUATION
Account type	Liability
Unit of measure	Dollars
PPL income-statement report group	NOT REQUIRED

Account flexfield attributes:

Burden schedule assignment	None
Project required	NO
Project type	Indirect
Make available in VOLTS	NO
Kentucky sales taxable	NO
Virginia sales taxable	NO

PPL mappings:

PPL account	25400 - reg liab-other
PPL affiliate assignment	NOT REQUIRED

Financial statement assignments:

Oracle consolidation worksheets - balance sheet	Regulatory liability - noncurrent - OVEC valuation
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Regulatory Liabilities
FERC-basis utility income statement	NOT REQUIRED

Qualitative risks (for balance sheet reconciliation ranking):

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Crescente, Angela

From: Wiseman, Sara
Sent: Tuesday, February 22, 2011 12:38 PM
To: Pienaar, Lesley
Cc: Crescente, Angela; Wacker, Diana; Kinder, Debra
Subject: RE: Change to Accounts 254014, 254015, 254016

I approve.

From: Pienaar, Lesley
Sent: Tuesday, February 22, 2011 9:24 AM
To: Wiseman, Sara
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For your approval

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To: Bush, Tom
Cc: Pienaar, Lesley
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Tom and/or Lesley,

Shouldn't this be approved by Sara?

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Manager - Financial Planning
LG&E and KU Energy Services
502-627-3419
heather.metts@lge-ku.com

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If you have any questions, please let me know.

Thanks,

Greg

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Crescente, Angela

From: Crescente, Angela
Sent: Friday, February 04, 2011 12:29 PM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for January 2011

All:

The activity for 108799 for January 2011 is as follows:

LGE – Gas Underground Storage - $8,818.71
KU – Generation Steam - $334.20

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, June 30, 2011 9:35 AM
To: 'Love, K J'
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

KJ,

Based on our original estimate, it costs about $13K an acre to cover soil and seed. That would make the expected cost be around $85,000.

Paul,

Please advise us on what you think since you helped us with the $13K per acre estimate. It would have to cost about $102,000 per acre to come up to the $662K that KJ is expecting. Does that seem reasonable? If so, then we will need to discuss changing the estimate for our MC Landfill liability.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 9:31 AM
To: Crescente, Angela
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Angela,

Approximately 6.5 acres.

Thanks

From: Crescente, Angela
Sent: Thursday, June 30, 2011 8:45 AM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

K J,

Approximately how many acres are you planning on closing out during 2011? We currently have 36 "active" acres left based on our meeting discussion.

Thanks,
Angela

From: Love, K J
Sent: Thursday, June 30, 2011 7:20 AM
To: Pence, Mark
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

Earlier in the year I was asked how much cover soil we would need to purchase this year. Based on Keith Bolen's estimate we thought we would need 12K y3 of soil. At that time, we did not know where the supply would come from or associated costs, so I based the estimate for budget dollars based on $10/y3 with some contingency. (The last soil purchase we made other than the MSD project was $8.50/y3.) That's where the $150K came from in the ARO funding.

When I got estimates from Keith Bolen on how much money we would need for all of the work expected to be done on the landfill, I included the estimated cost of the soil in the $662K. The work included the building of six type two ditches for drainage, the placement/compaction of approximately 12K y3 of cover, and sowing and seeding of the area covered. (As far as I understand, all of this work would fall under the ARO task.)

The North end of the landfill (Horizontal Expansion), should have no construction activity this year. The construction for that phase has been completed and we are using the area as an operating land fill. (Just using it for placement of our byproducts not being marketed.) So the money for work on the land fill this year should not be allocated for Horizontal Expansion.

Nothing has changed as far as planned work, only a misunderstanding of what part of the land fill project the money is needed for. And the total dollars should be the 662K estimate.

Thanks

From: Pence, Mark
Sent: Wednesday, June 29, 2011 3:10 PM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: FW: MC Landfill Capital CWIP/ARO Allocation

Kevin,

You will need to explain what changed, and why, from the meeting we had with the folks from Property Accounting a few weeks ago. Evidently, they left here with the same impression that I had that we would only spend $150k in ARO funding this year, and that the $662k was going to be spent on expansion construction. Please copy me on your reply. I think that once this is straightened out we'll all be on the same page for our go-forward spending. Thanks.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Cosby, David
Sent: Wednesday, June 29, 2011 2:56 PM

To: Pence, Mark
Cc: Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

I was talking to Angela today about ARO information. For the MC Landfill, we only have around $150K left on the ARO balance based on the original estimate of $13,000 per acre for the remaining acres to close. That recent estimate of 36 acres left came from the plant meetings with Property Accounting at Mill Creek in early June. Part of the problem is the closure in the system in still dated to be 2036.

What is included in the $662K scope of closure items and how was the amount determined? Thanks.

David L. Cosby Jr.
Manager - Fin. & Budgeting - Power Generation
LG&E and KU Energy Services
502-627-2499
david.cosby@lge-ku.com

From: Pence, Mark
Sent: Wednesday, June 29, 2011 10:32 AM
To: Cosby, David; Dowd, Deborah
Subject: MC Landfill Capital CWIP/ARO Allocation

FYI, I just adjusted the capital prioritization file for project 112767 (MC Landfill) to move $662k from CWIP to ARO. I discovered that our project proponent had not been forecasting the CWIP/ARO properly based on the work that remains to be done on the landfill closure. The total amount forecast for this year remains unchanged at $812k. I hope this doesn't cause major issues for anyone.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From: Love, K J
Sent: Thursday, June 30, 2011 9:31 AM
To: Crescente, Angela
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Pence, Mark; Puckett, Paul; Rose, Bruce
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Angela,

Approximately 6.5 acres.

Thanks

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To: Love, K J
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Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
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Thanks

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Sent: Wednesday, June 29, 2011 3:10 PM
To: Love, K J
Cc: Cecil, Ray; Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Cosby, David; Crescente, Angela
Subject: FW: MC Landfill Capital CWIP/ARO Allocation

Kevin,

You will need to explain what changed, and why, from the meeting we had with the folks from Property Accounting a few weeks ago. Evidently, they left here with the same impression that I had that we would only spend $150k in ARO funding this year, and that the $662k was going to be spent on expansion construction. Please copy me on your reply. I think that once this is straightened out we'll all be on the same page for our go-forward spending. Thanks.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Cosby, David
Sent: Wednesday, June 29, 2011 2:56 PM
To: Pence, Mark
Cc: Crescente, Angela
Subject: RE: MC Landfill Capital CWIP/ARO Allocation

Mark,

I was talking to Angela today about ARO information. For the MC Landfill, we only have around $150K left on the ARO balance based on the original estimate of $13,000 per acre for the remaining acres to close. That recent estimate of 36 acres left came from the plant meetings with Property Accounting at Mill Creek in early June. Part of the problem is the closure in the system in still dated to be 2036.

What is included in the $662K scope of closure items and how was the amount determined? Thanks.

David L. Cosby Jr.
Manager - Fin. & Budgeting - Power Generation
LG&E and KU Energy Services
502-627-2499
david.cosby@lge-ku.com

From: Pence, Mark
Sent: Wednesday, June 29, 2011 10:32 AM
To: Cosby, David; Dowd, Deborah
Subject: MC Landfill Capital CWIP/ARO Allocation

FYI, I just adjusted the capital prioritization file for project 112767 (MC Landfill) to move $662k from CWIP to ARO. I discovered that our project proponent had not been forecasting the CWIP/ARO properly based on the work that remains to be done on the landfill closure. The total amount forecast for this year remains unchanged at $812k. I hope this doesn't cause major issues for anyone.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

Crescente, Angela

From:	Wiseman, Sara
Sent:	Saturday, December 10, 2011 5:11 PM
To:	Crescente, Angela
Subject:	FW: ARO Quarterly Questionnaire.docx
Follow Up Flag:	Follow up
Flag Status:	Completed

From: Garrett, Chris
Sent: Friday, December 09, 2011 9:56 PM
To: Wiseman, Sara
Subject: ARO Quarterly Questionnaire.docx

ARO Quarterly
Questionnaire.do...

ARO Quarterly Questionnaire

Please answer the following questions for the period since the date of your last completed questionnaire.

1. To the best of your knowledge, are you aware of any changes that would impact the valuation of the asset retirement obligations ("AROs") that have been identified? Such changes may include changes in laws, statutes, regulations, precedents set by the Company, contracts, permits, certificates of need, right of way agreements, market costs or available resources for remediation, or planned retirements. (Please list)

Answer: No

2. To the best of your knowledge, are you aware of any acquired assets, land, or leases that will create an ARO? (Please list, include location)

Answer: No

3. To the best of your knowledge, are you aware of any new construction that will create an ARO? (Please list, include location)

Answer: No

4. In certain very limited circumstances the Company could be determined to be obligated to retire an asset or a group of assets based upon a commitment made to a third party. Are you aware of any communications either written or verbal between representatives of LKE and third parties with respect to retirement of an asset or a group of assets owned by LKE at the end of operations or a specific point in time? If so, please list the identities of the LKE representatives and assets involved, as well as the third party or parties who were involved and the context in which the discussions took place.

Answer: No, other than communications concerning the retirement of the Cane Run, Green River and Tyrone generation units.

Completed by: ____________________Chris Garrett____________________

For the quarter ended: _Q4 2011____________________

Crescente, Angela

From: Crescente, Angela
Sent: Tuesday, December 06, 2011 12:57 PM
To: Daly, Karen; Amlung, Kim
Subject: RE: 108799 For November 2011

Follow Up Flag: Follow up
Flag Status: Completed

There were no 108799 settlements for November 2011.

From: Crescente, Angela
Sent: Tuesday, December 06, 2011 12:51 PM
To: Amlung, Kim; Clark, Lynda; Daly, Karen; Leenerts, Patricia; Riggs, Eric; Smith, Richard; Wacker, Diana
Subject: 108799 For November 2011

All:

The activity for 108799 for November 2011 is as follows:

LGE – Generation Steam – $62,012.01
LGE – Generation Hydro – ($2,269.85)
LGE – Gas Underground Storage – $12,530.73
LGE – Gas Distribution – $2,096.72
KU – Generation Steam – $9,717.11

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Tuesday, December 06, 2011 12:51 PM
To: Amlung, Kim; Clark, Lynda; Daly, Karen; Leenerts, Patricia; Riggs, Eric; Smith, Richard; Wacker, Diana
Subject: 108799 For November 2011

Follow Up Flag: Follow up
Flag Status: Completed

All:

The activity for 108799 for November 2011 is as follows:

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LGE – Generation Hydro – ($2,269.85)
LGE – Gas Underground Storage – $12,530.73
LGE – Gas Distribution – $2,096.72
KU – Generation Steam – $9,717.11

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, November 30, 2011 4:56 PM
To: 'Nitsche, John P'
Subject: RE: ARO threshold

Follow Up Flag: Follow up
Flag Status: Completed

I kind of figured that, but just wanted to double check and not assume. Thanks!

From: Nitsche, John P [mailto:jpnitsche@pplweb.com]
Sent: Wednesday, November 30, 2011 4:48 PM
To: Crescente, Angela
Subject: RE: ARO threshold

Future decommissioning cost or ultimate cost to extinguish the ARO. We'd have a tough time saying an ARO with a $1 million cost today which might accrete to a much bigger number over a long period of time, say 20+ years, shouldn't be recorded.

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, November 30, 2011 4:38 PM
To: Nitsche, John P
Cc: Wiseman, Sara L
Subject: ARO threshold

Hey John,

I have a quick question for you. I understand that the threshold for setting up AROs is currently $1 million. Is this today's expected decommissioning cost, the future liability, or the present value of the liability you would be setting up on the books if you were to set one up today? Please advise.

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Friday, November 11, 2011 3:46 PM
To: Wiseman, Sara
Subject: FW: ARO Gas Training.pptx

Follow Up Flag: Follow up
Flag Status: Completed

I sent these to Rich per his update testing requests for the EAM along with this morning's meeting notice.

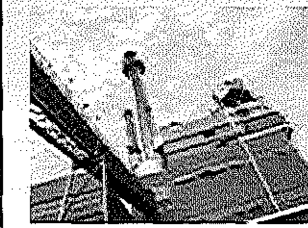
From: Crescente, Angela
Sent: Friday, November 11, 2011 3:45 PM
To: Dowdell, Richard
Subject: ARO Gas Training.pptx

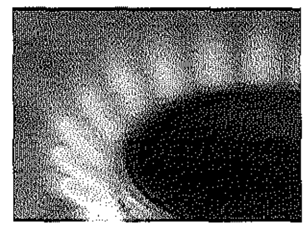
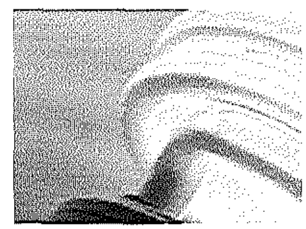
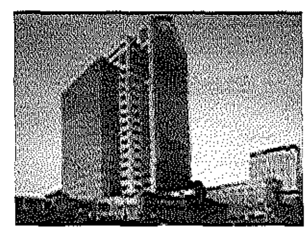
ARO Gas Training.pptx

PPL companies

ARO Gas Training and Discussion

November 11, 2011



Asset Retirement Obligations (AROs)

- Asset Retirement Obligations are accruals of asset obligation liabilities for **legally** required removal costs.
- Assume that eventually every asset will deteriorate and be torn down or physically removed.

LG&E KU
PPL companies

Asset Retirement Obligations (AROs)

- Important to financial reporting.
- ARO Quarterly Questionnaire.
- Identifying and quantifying potential AROs.
- AROs must be reviewed to determine the need for revaluation.

Current LGE Gas AROs

- Asbestos
- Gas Wells (Permanent Plugging)
- Gas Mains (Permanent Cut, Cap and Purge)

Questions?

PPL companies

Crescente, Angela

From: Crescente, Angela
Sent: Friday, November 04, 2011 11:02 AM
To: Daly, Karen; Amlung, Kim
Subject: RE: 108799 For October 2011

Follow Up Flag: Follow up
Flag Status: Completed

The following LGE Settlement Activity for 108799 for October 2011 is as follows:

LGE – Generation Steam - $232,768.16

Thanks,
Angela

From: Crescente, Angela
Sent: Friday, November 04, 2011 11:00 AM
To: Amlung, Kim; Clark, Lynda; Daly, Karen; Leenerts, Patricia; Riggs, Eric; Smith, Richard; Wacker, Diana
Subject: 108799 For October 2011

All:

The activity for 108799 for October 2011 is as follows:

LGE – Generation Steam – $199,203.97
LGE – Generation Hydro – $7,357.40
LGE – Gas Underground Storage – $32,547.30
LGE – Gas Distribution – $20,906.68
KU – Generation Steam – $100,662.32

Thanks,
Angela

Crescente, Angela

From:	Crescente, Angela
Sent:	Friday, November 04, 2011 11:00 AM
To:	Amlung, Kim; Clark, Lynda; Daly, Karen; Leenerts, Patricia; Riggs, Eric; Smith, Richard; Wacker, Diana
Subject:	108799 For October 2011
Follow Up Flag:	Follow up
Flag Status:	Completed

All:

The activity for 108799 for October 2011 is as follows:

LGE – Generation Steam – $199,203.97
LGE – Generation Hydro – $7,357.40
LGE – Gas Underground Storage – $32,547.30
LGE – Gas Distribution – $20,906.68
KU – Generation Steam – $100,662.32

Thanks,
Angela

Crescente, Angela

From:	Wright, Sharon
Sent:	Wednesday, October 19, 2011 9:58 AM
To:	Crescente, Angela
Subject:	FW: Gas Personnel
Follow Up Flag:	Follow up
Flag Status:	Completed

Sorry for the delay on this. Please add these two.

Sharon K. Wright
Senior Budget Analyst - Energy Delivery
(502) 627-2270
sharon.wright@lge-ku.com

From: Singleton, Janna
Sent: Wednesday, October 19, 2011 9:52 AM
To: Wright, Sharon
Subject: RE: Gas Personnel

I'd add Kevin Murphy and Josh Nash...lower on the food chain, but somewhat involved.

Janna

Think Green! Before printing this e-mail, ask the question, is it necessary?

From: Wright, Sharon
Sent: Wednesday, October 19, 2011 7:50 AM
To: Singleton, Janna
Subject: FW: Gas Personnel

Is this just Cindy and Paul? Or am I missing someone?

Sharon K. Wright
Senior Budget Analyst - Energy Delivery
(502) 627-2270
sharon.wright@lge-ku.com

From: Crescente, Angela
Sent: Tuesday, October 18, 2011 3:53 PM
To: Wright, Sharon
Subject: RE: Gas Personnel

Sharon,

Would you mind sending me the list of people you cover too? I think Steve Beatty may be one in that group.

Thanks!
Angela

From: Porter, Janice
Sent: Tuesday, October 18, 2011 9:27 AM
To: Crescente, Angela
Cc: Harper, Bill; Harshfield, Eddie
Subject: FW: Gas Personnel

Angela,
Please add Bill Harper.
Thanks,
Janice

From: Porter, Janice
Sent: Tuesday, October 18, 2011 8:31 AM
To: Crescente, Angela
Cc: Harshfield, Eddie
Subject: RE: Gas Personnel

Pete Clyde
Tom Reith
Mark Satkamp
John Skaggs
Glenn Sundheimer
Eddie Harshfield

From: Crescente, Angela
Sent: Friday, October 14, 2011 4:19 PM
To: Porter, Janice; Wright, Sharon
Cc: Allen, Lisa; Wiseman, Sara
Subject: Gas Personnel

Janice/Sharon:

We are planning on doing a training session with gas folks in regards to AROs in November. Could you please provide me with a distribution list of those who should be invited to ensure that we try to capture everyone? If you could please send it to me as soon as you can that would be great so I can be looking at availability.

Thanks for your help,
Angela

Crescente, Angela

From: Wright, Sharon
Sent: Wednesday, October 19, 2011 7:49 AM
To: Crescente, Angela
Subject: RE: Gas Personnel

Follow Up Flag: Follow up
Flag Status: Completed

Sorry, I was going to check with Janna. I think it is just Cindy Martin and Paul Stratman. I will confirm with her when she gets in. Thanks!

Sharon K. Wright
Senior Budget Analyst - Energy Delivery
(502) 627-2270
sharon.wright@lge-ku.com

From: Crescente, Angela
Sent: Tuesday, October 18, 2011 3:53 PM
To: Wright, Sharon
Subject: RE: Gas Personnel

Sharon,

Would you mind sending me the list of people you cover too? I think Steve Beatty may be one in that group.

Thanks!
Angela

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Sent: Tuesday, October 18, 2011 9:27 AM
To: Crescente, Angela
Cc: Harper, Bill; Harshfield, Eddie
Subject: FW: Gas Personnel

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Thanks,
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Sent: Tuesday, October 18, 2011 8:31 AM
To: Crescente, Angela
Cc: Harshfield, Eddie
Subject: RE: Gas Personnel

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John Skaggs
Glenn Sundheimer
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From: Crescente, Angela
Sent: Friday, October 14, 2011 4:19 PM
To: Porter, Janice; Wright, Sharon
Cc: Allen, Lisa; Wiseman, Sara
Subject: Gas Personnel

Janice/Sharon:

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Thanks for your help,
Angela

Crescente, Angela

From:	Crescente, Angela
Sent:	Thursday, October 06, 2011 12:54 PM
To:	Daly, Karen
Subject:	RE: 108799 for September 2011
Follow Up Flag:	Follow up
Flag Status:	Completed

Karen,

There were no settlements for 108799 this month.

Thanks,
Angela

From: Crescente, Angela
Sent: Thursday, October 06, 2011 12:44 PM
To: Clark, Lynda; Daly, Karen; Leenerts, Patricia; Riggs, Eric; Smith, Richard; Wacker, Diana
Subject: 108799 for September 2011

All:

The activity for 108799 for September 2011 is as follows:

LGE – Generation Steam – $129,614.51
LGE – Gas Underground Storage – $8,749.98
LGE – Gas Distribution – $45,199.26
KU – Generation Steam – $318.80

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, October 06, 2011 12:44 PM
To: Clark, Lynda; Daly, Karen; Leenerts, Patricia; Riggs, Eric; Smith, Richard; Wacker, Diana
Subject: 108799 for September 2011

Follow Up Flag: Follow up
Flag Status: Completed

All:

The activity for 108799 for September 2011 is as follows:

LGE – Generation Steam – $129,614.51
LGE – Gas Underground Storage – $8,749.98
LGE – Gas Distribution – $45,199.26
KU – Generation Steam – $318.80

Thanks,
Angela

Crescente, Angela

From:	Crescente, Angela
Sent:	Wednesday, August 24, 2011 2:24 PM
To:	Dowdell, Richard
Cc:	Wiseman, Sara
Subject:	ARO Audit Testing - Rich.docx
Follow Up Flag:	Follow up
Flag Status:	Completed

Rich,

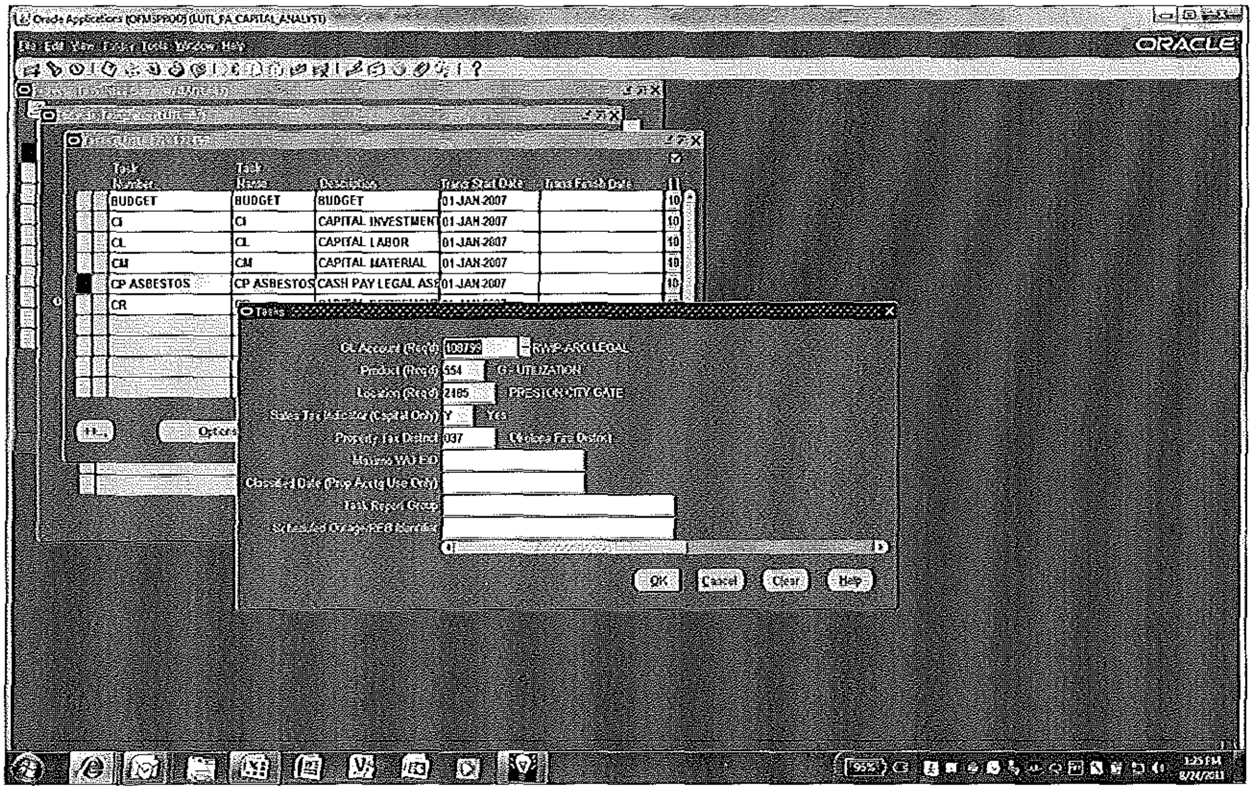
Per your request:

ARO Audit Testing - Rich.docx

108799 clearing.xlsx

PP Query 108799.xls

Thanks,
Angela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CP ASBESTOS CP ASBESTOS CASH PAY LEGAL ASI 01-JAN-2007
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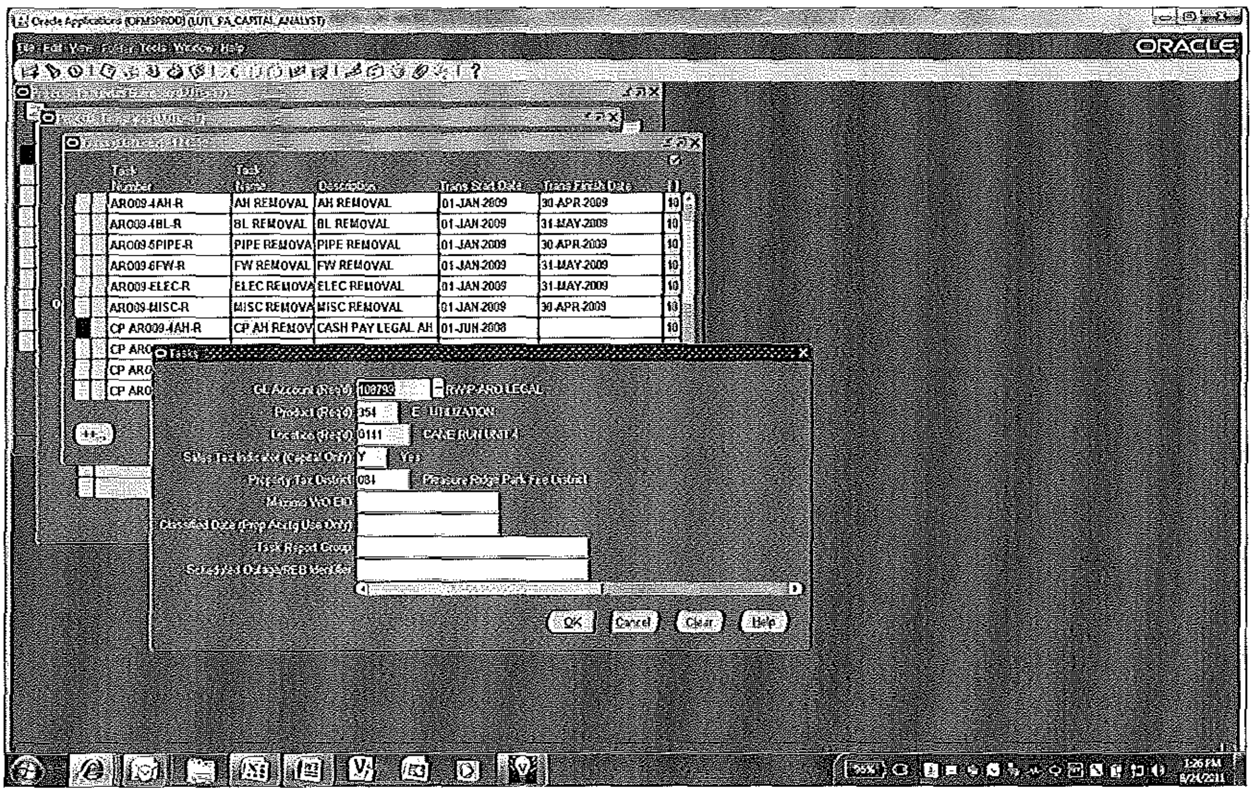
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AR009-ELEC-R ELEC REMOVA ELEC REMOVAL 01-JAN-2009 31-MAY-2009
AR009-MISC-R MISC REMOVA MISC REMOVAL 01-JAN-2009 30-APR-2009
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Product (Req'd) 354 E - UTILIZATION
Location (Req'd) 0141 CANE RUN UNIT 4
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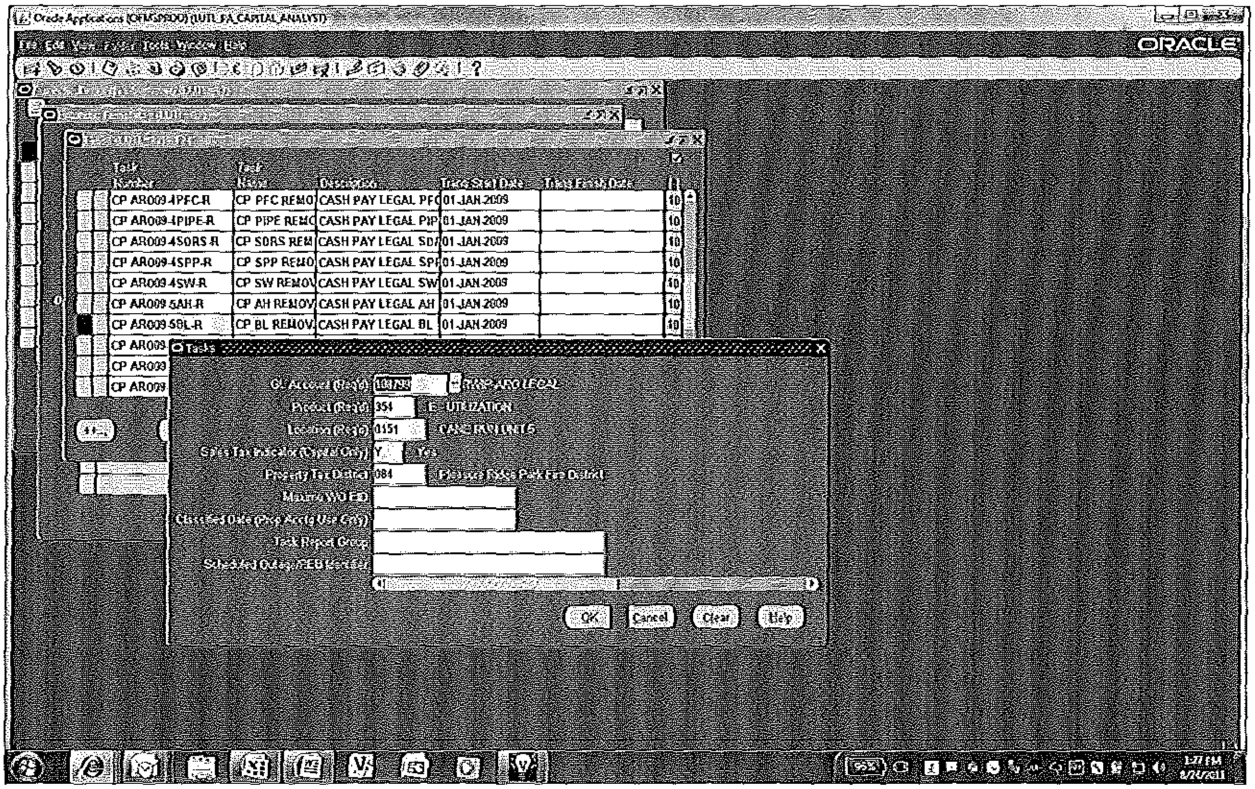
8/24/2011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01-JAN-2009
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RWIP-ARO LEGAL
Product (Req'd)
354
E - UTILIZATION
Location (Req'd)
0151
CANE RUN UNIT 5
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Property Tax District
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Pleasure Ridge Park Fire District
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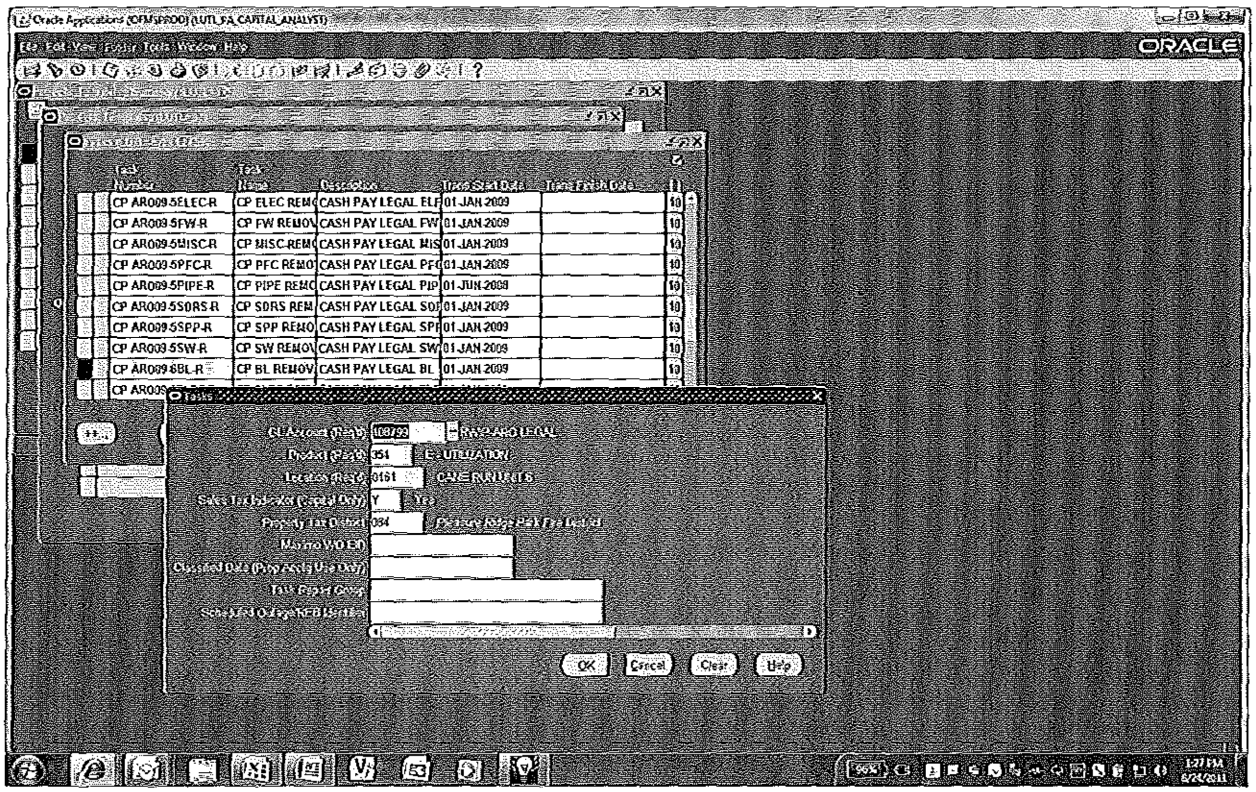
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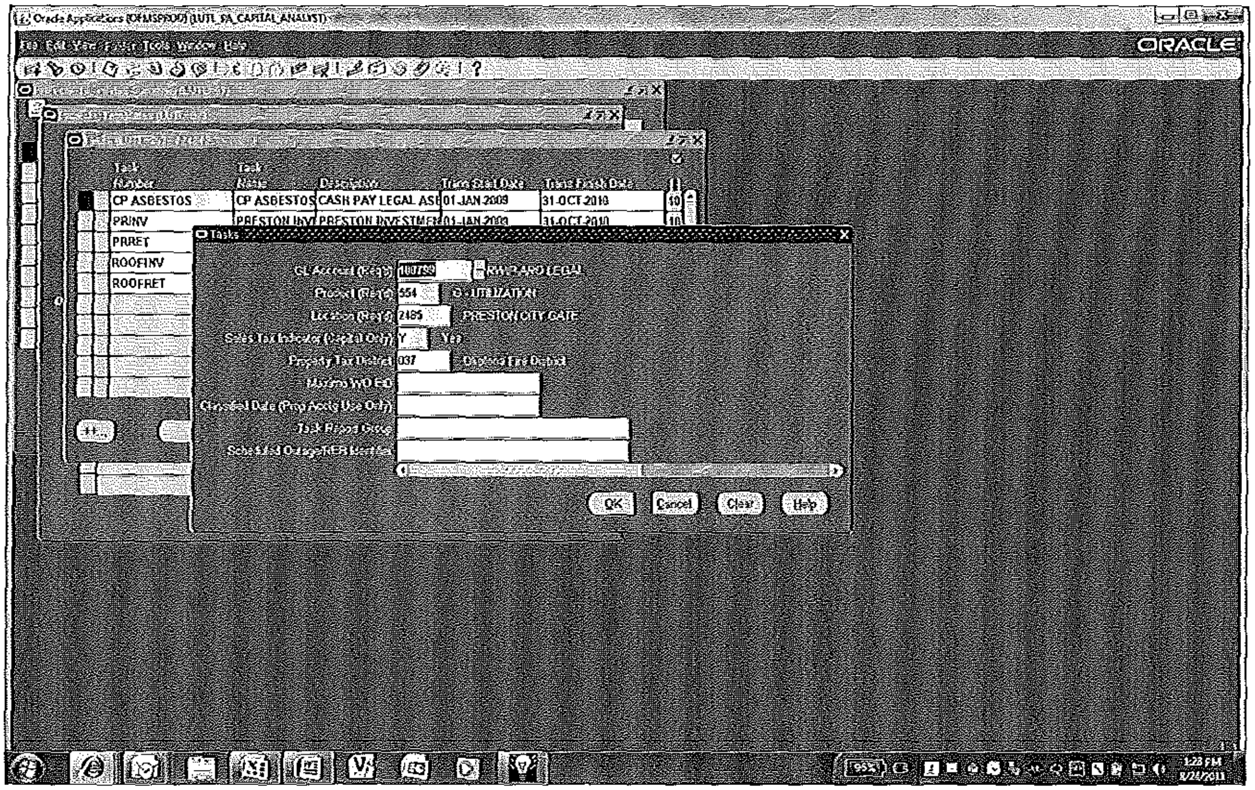
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31-OCT-2010
PRINV
PRRET
ROOFINV
ROOFRET
Tasks
GL Account (Req'd)
Product (Req'd)
554
Location (Req'd)
2485
PRESTON CITY GATE
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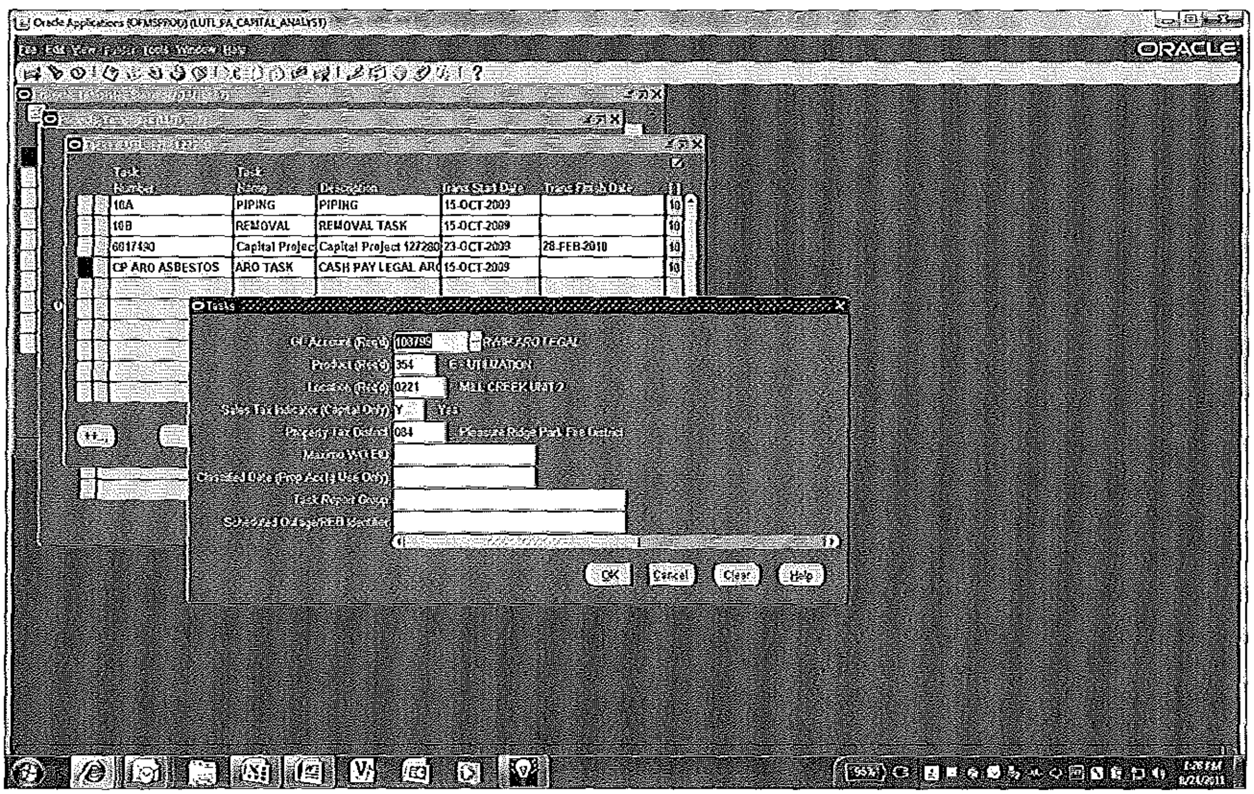
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PIPING
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10B
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REMOVAL TASK
15-OCT-2009
6017490
Capital Projec
Capital Project 127280
23-OCT-2009
28-FEB-2010
CP ARO ASBESTOS
ARO TASK
CASH PAY LEGAL ARO
15-OCT-2009
Tasks
GL Account (Req'd)
103799
RWIP ARO LEGAL
Product (Req'd)
354
E - UTILIZATION
Location (Req'd)
0221
MILL CREEK UNIT 2
Sales Tax Indicator (Capital Only)
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Property Tax District
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Pleasure Ridge Park Fire District
Maximo WO EID
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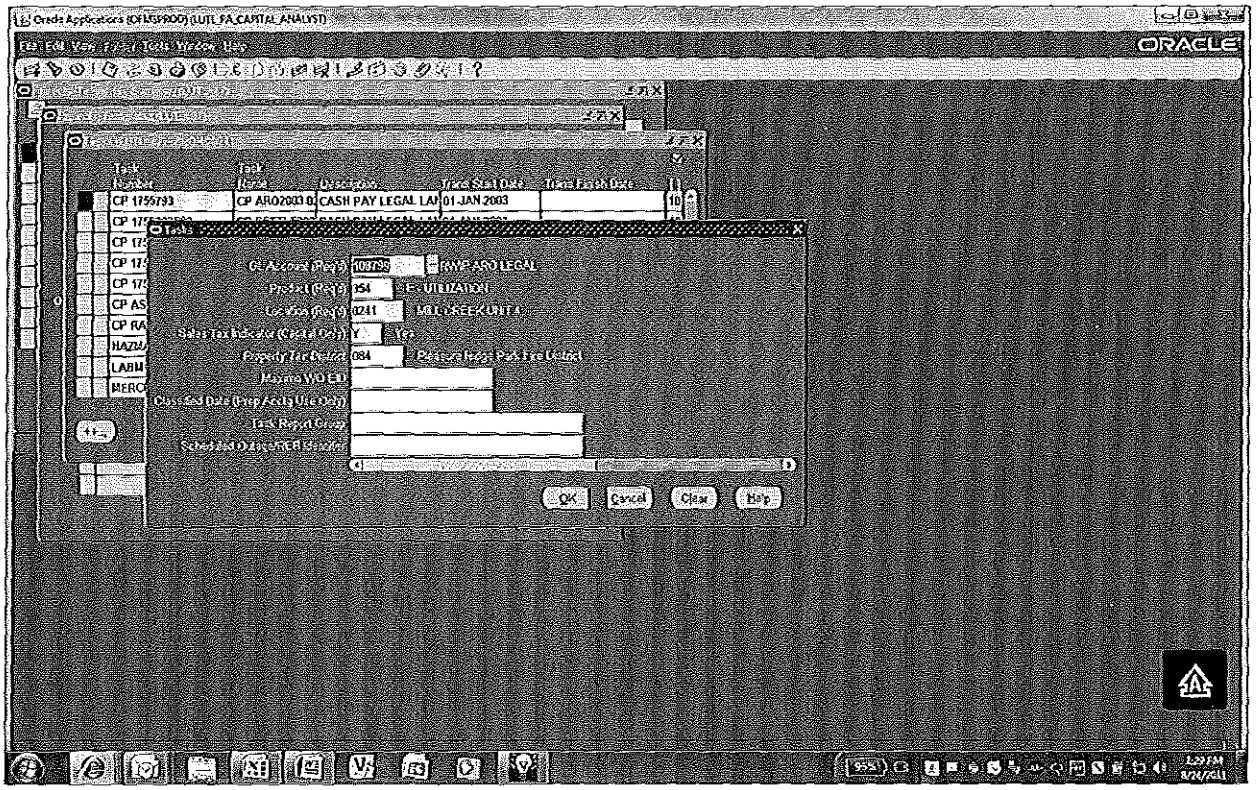

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CASH PAY LEGAL LAI
01-JAN-2003
Tasks
RWIP ARO LEGAL
354
E - UTILIZATION
0241
MILL CREEK UNIT 4
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084
Task Report Group
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Cancel
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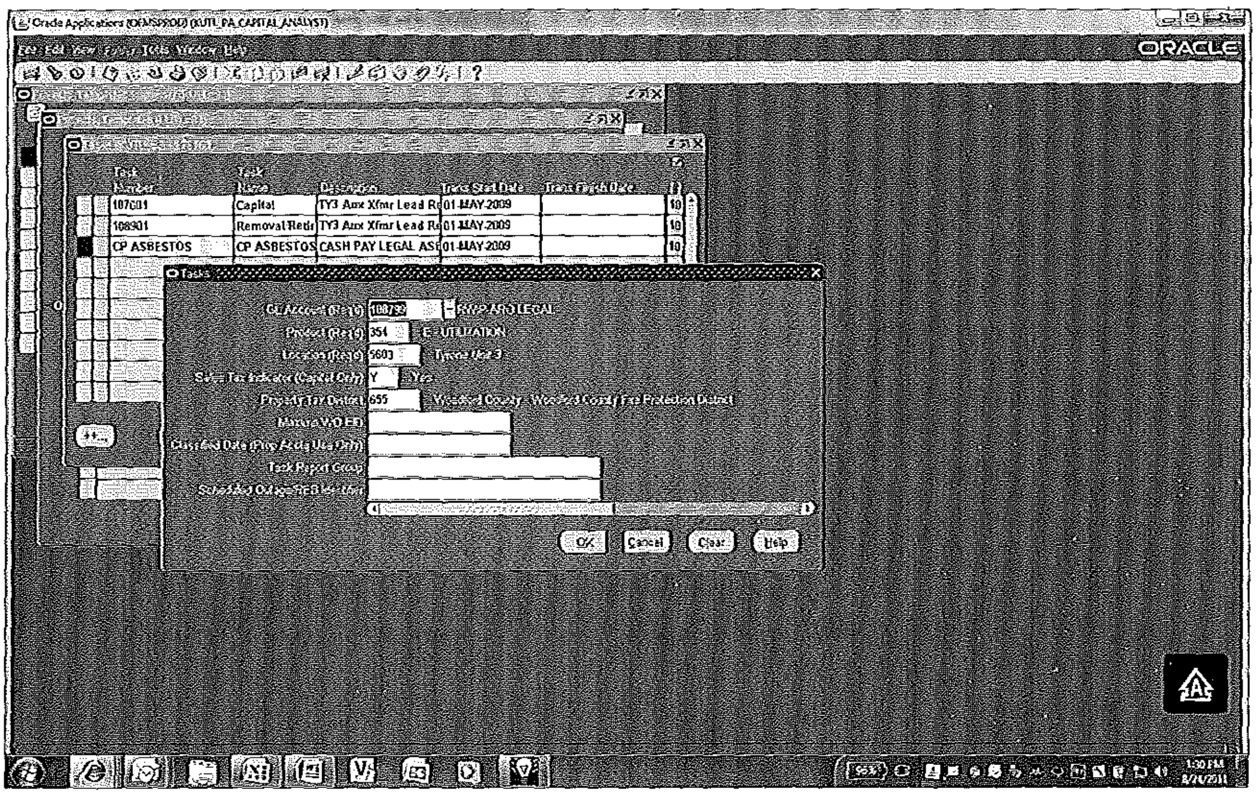

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01-MAY-2009
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TY3 Aux Xfmr Lead R
01-MAY-2009
CP ASBESTOS
01-MAY-2009
Tasks
RWIP ARO LEGAL
354
E - UTILIZATION
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Task Report Group
OK
Cancel
Clear
Help

month	company_number	debit_credit_indicator	amount	gl_je_code	gl_account	gl_status_id	description	description
4/1/2011 0:00	0100	0	2,464.00	UNITIZATION	0100-550-006250-006250-108799-0000-0699-0000-124842 -PP CLOSING -124842-CP ASBESTOS	2	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
4/1/2011 0:00	0100	0	5,779.64	UNITIZATION	0100-550-006250-006250-108799-0000-0699-0000-122452 -PP CLOSING -122452-CP ASBESTOS	2	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
4/1/2011 0:00	0100	0	3,064.56	UNITIZATION	0100-550-006250-006250-108799-0000-0699-0000-122452 -PP CLOSING -122452-CP ASBESTOS	2	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
4/1/2011 0:00	0100	0	55.80	UNITIZATION	0100-550-006250-006250-108799-0000-0699-0000-122452 -PP CLOSING -122452-CP ASBESTOS	2	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
4/1/2011 0:00	0100	0	33,853.94	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-127280 -PP CLOSING -127280-CP ARO ASBESTOS	2	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
5/1/2011 0:00	0100	0	535,455.88	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-AROMC0241 -PP CLOSING -AROMC0241-CP 1755793	2	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	4,481.84	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-4AH-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	6,547.81	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-4AH-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	8,487.23	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-5BL-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	12,023.63	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-5BL-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	8,487.24	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-5BL-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	26,898.42	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-6BL-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	20,569.38	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-6BL-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0100	0	18,987.10	UNITIZATION	0100-350-006250-006250-108799-0000-0699-0000-124380 -PP CLOSING -124380-CP ARO09-6BL-R	3	LOUISVILLE GAS & ELECTRIC COMPANY	Unitization of Assets to 1010
7/1/2011 0:00	0110	0	8,123.86	UNITIZATION	0110-350-015590-015590-108799-0000-0699-0000-126160 -PP CLOSING -126160-CP ASBESTOS	3	KENTUCKY UTILITIES COMPANY	Unitization of Assets to 1010

project	task	gl_journal_category	quantity	amount
122452	CP ASBESTOS	PP CR MANUAL	0	0
122452	CP ASBESTOS	SPREADSHEET	0	8900
122452	PP CLOSING	PP UNITIZATION	0	-8900
124380	ARO09-4AH-R	PAYABLES	0	5948.14
124380	ARO09-4AH-R	PROJECTS	0	165.95
124380	ARO09-4AH-R	SPREADSHEET	0	-6114.1
124380	ARO09-4BL-R	PAYABLES	0	3724.22
124380	ARO09-4BL-R	PROJECTS	0	103.9
124380	ARO09-4BL-R	SPREADSHEET	0	-3828.1
124380	ARO09-5PIPE-R	PAYABLES	0	3369.04
124380	ARO09-5PIPE-R	PROJECTS	0	94
124380	ARO09-5PIPE-R	SPREADSHEET	0	-3463
124380	ARO09-6FW-R	PAYABLES	0	2745.14
124380	ARO09-6FW-R	PROJECTS	0	76.6
124380	ARO09-6FW-R	SPREADSHEET	0	-2821.7
124380	ARO09-ELEC-R	PAYABLES	0	2677
124380	ARO09-ELEC-R	PROJECTS	0	74.68
124380	ARO09-ELEC-R	SPREADSHEET	0	-2751.7
124380	ARO09-MISC-R	PAYABLES	0	1923.12
124380	ARO09-MISC-R	PROJECTS	0	53.65
124380	ARO09-MISC-R	SPREADSHEET	0	-1976.8
124380	CP ARO09-4AH-R	SPREADSHEET	0	6114.09
124380	CP ARO09-4BL-R	PAYABLES	0	346.5
124380	CP ARO09-4BL-R	PP CR MANUAL	0	0
124380	CP ARO09-4BL-R	PROJECTS	0	10.4
124380	CP ARO09-4BL-R	SPREADSHEET	0	3828.12
124380	CP ARO09-4FW-R	PAYABLES	0	115
124380	CP ARO09-4FW-R	PP CR MANUAL	0	0
124380	CP ARO09-4FW-R	PROJECTS	0	3.45
124380	CP ARO09-4MISC-R	PAYABLES	0	465.84
124380	CP ARO09-4MISC-R	PP CR MANUAL	0	0
124380	CP ARO09-4MISC-R	PROJECTS	0	13.98
124380	CP ARO09-4SDRS-R	PAYABLES	0	128.42
124380	CP ARO09-4SDRS-R	PP CR MANUAL	0	0
124380	CP ARO09-4SDRS-R	PROJECTS	0	3.85
124380	CP ARO09-5BL-R	PAYABLES	0	6439.79
124380	CP ARO09-5BL-R	PP CR MANUAL	0	0
124380	CP ARO09-5BL-R	PROJECTS	0	193.2
124380	CP ARO09-5FW-R	PAYABLES	0	2263.52
124380	CP ARO09-5FW-R	PP CR MANUAL	0	0
124380	CP ARO09-5FW-R	PROJECTS	0	67.91
124380	CP ARO09-5MISC-R	PAYABLES	0	943.84
124380	CP ARO09-5MISC-R	PP CR MANUAL	0	0
124380	CP ARO09-5MISC-R	PROJECTS	0	28.32
124380	CP ARO09-5PIPE-R	PAYABLES	0	13562.4
124380	CP ARO09-5PIPE-R	PP CR MANUAL	0	0
124380	CP ARO09-5PIPE-R	PROJECTS	0	406.87
124380	CP ARO09-5PIPE-R	SPREADSHEET	0	3463.04
124380	CP ARO09-5SPP-R	PAYABLES	0	353.94

project	task	gl_journal_category	quantity	amount
124380	CP ARO09-5SPP-R	PP CR MANUAL	0	0
124380	CP ARO09-5SPP-R	PROJECTS	0	10.62
124380	CP ARO09-5SW-R	PAYABLES	0	1227.84
124380	CP ARO09-5SW-R	PP CR MANUAL	0	0
124380	CP ARO09-5SW-R	PROJECTS	0	36.84
124380	CP ARO09-6BL-R	PAYABLES	0	17832.8
124380	CP ARO09-6BL-R	PP CR MANUAL	0	0
124380	CP ARO09-6BL-R	PROJECTS	0	515.45
124380	CP ARO09-6FW-R	PAYABLES	0	6034.11
124380	CP ARO09-6FW-R	PP CR MANUAL	0	0
124380	CP ARO09-6FW-R	PROJECTS	0	174.57
124380	CP ARO09-6FW-R	SPREADSHEET	0	2821.74
124380	CP ARO09-6PIPE-R	PAYABLES	0	13839.6
124380	CP ARO09-6PIPE-R	PP CR MANUAL	0	0
124380	CP ARO09-6PIPE-R	PROJECTS	0	415.19
124380	CP ARO09-6SH-R	PAYABLES	0	659.51
124380	CP ARO09-6SH-R	PP CR MANUAL	0	0
124380	CP ARO09-6SH-R	PROJECTS	0	19.78
124380	CP ARO09-6SW-R	PAYABLES	0	1840.7
124380	CP ARO09-6SW-R	PP CR MANUAL	0	0
124380	CP ARO09-6SW-R	PROJECTS	0	55.22
124380	CP ARO09-ELEC-R	PP CR MANUAL	0	0
124380	CP ARO09-ELEC-R	SPREADSHEET	0	2751.68
124380	CP ARO09-MISC-R	PAYABLES	0	13747.9
124380	CP ARO09-MISC-R	PP CR MANUAL	0	0
124380	CP ARO09-MISC-R	PROJECTS	0	412.45
124380	CP ARO09-MISC-R	SPREADSHEET	0	1976.77
124380	CP ARO09-PIPE-R	PAYABLES	0	3259.64
124380	CP ARO09-PIPE-R	PP CR MANUAL	0	0
124380	CP ARO09-PIPE-R	PROJECTS	0	97.79
124380	PP CLOSING	PP UNITIZATION	0	-106483
124842	CP ASBESTOS	PAYABLES	0	2200
124842	CP ASBESTOS	PP CR MANUAL	0	0
124842	CP ASBESTOS	PROJECTS	0	264
124842	PP CLOSING	PP UNITIZATION	0	-2464
126160	CP ASBESTOS	PAYABLES	0	7834
126160	CP ASBESTOS	PP CR MANUAL	0	0
126160	CP ASBESTOS	PROJECTS KUTL	0	289.86
126160	CP ASBESTOS	SPREADSHEET	0	0
126160	PP CLOSING	PP UNITIZATION	0	-8123.9
127280	CP ARO ASBESTOS	PAYABLES	0	31024.8
127280	CP ARO ASBESTOS	PP CR MANUAL	0	0
127280	CP ARO ASBESTOS	PROJECTS	0	930.74
127280	CP ARO ASBESTOS	SPREADSHEET	0	1898.36
127280	PP CLOSING	PP UNITIZATION	0	-33854
AROMC0241	CP 1755793	PP CR MANUAL	0	0
AROMC0241	CP 1755793	SPREADSHEET	0	105610
AROMC0241	CP 1755793S03	PP CR MANUAL	0	0
AROMC0241	CP 1755793S03	SPREADSHEET	0	149000

project	task	gl_journal_category	quantity	amount
AROMC0241	CP 1755793S05	PP CR MANUAL	0	0
AROMC0241	CP 1755793S05	SPREADSHEET	0	91368.1
AROMC0241	CP 1755793S06	PP CR MANUAL	0	0
AROMC0241	CP 1755793S06	SPREADSHEET	0	113100
AROMC0241	CP 1755793S06A	PP CR MANUAL	0	0
AROMC0241	CP 1755793S06A	SPREADSHEET	0	39780
AROMC0241	CP ASBMC4	PP CR MANUAL	0	0
AROMC0241	CP ASBMC4	SPREADSHEET	0	16200
AROMC0241	CP RADMC0601	PP CR MANUAL	0	0
AROMC0241	CP RADMC0601	SPREADSHEET	0	20397.8
AROMC0241	PP CLOSING	PP UNITIZATION	0	-535456

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, August 17, 2011 9:50 AM
To: Dowdell, Richard
Cc: Wiseman, Sara
Subject: List of Settled ARO Projects/Tasks

Rich,

As you requested, I have attached a list of projects and tasks that have dealt with ARO settlements.

List of ARO
settlements for R...

Thanks,
Angela

Project	Task	ARO
112767	CP ARO2010	MC Landfill
120578	CP RETIRE MAIN	GAS MAINS AND SERVICE ABANDONMENTS
122452	CP ASBESTOS	PRESTON CITY GATE
123187	CP AROTY3ASB2008	TY3 ASBESTOS
124001	CP ASBESTOS	GR3 ASBESTOS
124260	CP ASBESTOS	BR1 ASBESTOS
124380	CP ARO09-4AH-R	CR4 ASBESTOS
124380	CP ARO09-5BL-R	CR5 ASBESTOS
124380	CP ARO09-6BL-R	CR6 ASBESTOS
124798	CP ASBESTOS	MAGNOLIA 235120
124798	CP ASBESTOS	MAGNOLIA 235300
124798	CP ASBESTOS	MAGNOLIA 235600
124802	CP ASBESTOS	MULDRAUGH 235120
124802	CP ASBESTOS	MULDRAUGH 235300
124802	CP ASBESTOS	MULDRAUGH 235600
124831	CP PLUG WELL-CTR	Center GSF UGS (Wells)
124831	CP PLUG WELL-DRK	Doe Run GSF UGS (Wells)
124831	CP PLUG WELL-MAG	Magnolia GSF UGS (Wells)
124842	CP ASBESTOS	PRESTON CITY GATE
126057	CP ASBESTOS	BR2 ASBESTOS
126160	CP ASBESTOS	TY3 ASBESTOS
126421	CP PLUG WELL-CTR	Center GSF UGS (Wells)
126421	CP PLUG WELL-DRI	Doe Run GSF UGS (Wells)
126421	CP PLUG WELL-DRK	Doe Run GSF UGS (Wells)
126421	CP PLUG WELL-MAG	Magnolia GSF UGS (Wells)
126421	CP PLUG WELL-MUL	Muldraugh GSF UGS (Wells)
127259	CP ASBESTOS	BR1 ASBESTOS
127280	CP ARO ASBESTOS	MILL CREEK 2 ASB
127297	CP ASBESTOS	BR2 ASBESTOS
130720	CP ASBESTOS	MILL CREEK 1 ASB
AROMC0241	CP 1755793	MC Landfill
LSMR414	CP ARO	GAS MAINS AND SERVICE ABANDONMENTS
PMR414	CP ARO	GAS MAINS AND SERVICE ABANDONMENTS

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, August 04, 2011 2:28 PM
To: 'Raque, Gary'
Subject: RE: LGE Project Number 127092 - Ohio Falls

OK, thanks for your help.

From: Raque, Gary
Sent: Thursday, August 04, 2011 2:28 PM
To: Crescente, Angela
Subject: RE: LGE Project Number 127092 - Ohio Falls

Angela,
Yes it is correct. It pertain to Unit 5 only.

From: Crescente, Angela
Sent: Thursday, August 04, 2011 2:22 PM
To: Raque, Gary
Subject: LGE Project Number 127092 - Ohio Falls

Gary,

I noticed this month that an extra $6,335.00 was charged to project number 127092 task CP ASBESTOS and none of the other 5 Ohio Falls projects had any additional charges. I just wanted to make sure that this is correct and what was intended to happen.

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, August 04, 2011 10:48 AM
To: Daly, Karen
Subject: RE: 108799 for July 2011

Karen,

The settlement numbers for 108799 for July 2011 are as follows:

LGE Electric - $106,482.65
KU Electric - $119,378.78

Thanks,
Angela

From: Crescente, Angela
Sent: Thursday, August 04, 2011 10:43 AM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for July 2011

All:

The activity for 108799 for July 2011 is as follows:

LGE – Generation Steam – $190,787.19
LGE – Generation Hydro – $6,335.00
LGE – Gas Distribution – $22,186.91
KU – Generation Steam – $45,227.21

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, August 04, 2011 10:43 AM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for July 2011

All:

The activity for 108799 for July 2011 is as follows:

LGE – Generation Steam – $190,787.19
LGE – Generation Hydro – $6,335.00
LGE – Gas Distribution – $22,186.91
KU – Generation Steam – $45,227.21

Thanks,
Angela

Crescente, Angela

From:	Wacker, Diana
Sent:	Wednesday, August 03, 2011 3:29 PM
To:	Wiseman, Sara; Leenerts, Patricia; Crescente, Angela; Riggs, Eric
Subject:	RE: Unitization over multiple years - Plugged Well Listing.xls

Looks good to me too!

From: Wiseman, Sara
Sent: Wednesday, August 03, 2011 3:29 PM
To: Leenerts, Patricia; Wacker, Diana; Crescente, Angela; Riggs, Eric
Subject: RE: Unitization over multiple years - Plugged Well Listing.xls

Looks good to me.

From: Leenerts, Patricia
Sent: Wednesday, August 03, 2011 3:22 PM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls
Importance: High

Two things:

I would appreciate you guidance/comments on the excel file which Janice has requested. Please reply by EOD, Aug 8. I need to get the info to Janice and Lisa and they have been waiting for some time.

Additional comments on the change Lisa and Janice recommend would be welcome, but if no comments are received by EOD, Aug 8, I will accept the comments as they propose in the Word document. Still provide comments on the Excel file.

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Monday, July 11, 2011 8:57 AM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls

Please take a few minutes to review the attached template. I have offered two versions. I believe the Detail Status tab may be more in line with what we requested in the documentation. Please review and respond by 7/15.

In addition, please review the word document for the one change which Janice and Lisa requested to be changed. I will accept their request unless I receive comments on that document.

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Thursday, June 23, 2011 6:40 PM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: Unitization over multiple years - Plugged Well Listing.xls

Please review the attached and comment by June 27th. There are 2 tabs to review.

Lisa and Janice requested a template to complete when notifying Property Accounting of the wells which were plugged. In reality a listing on an email would be sufficient. << File: Plugged Well Listing.xls >>

We stated in the procedures:
"Well worked on under each plugging project should be listed with a status to show if the plugging work is complete or not complete. This information will inform property accounting as to the make-up of the dollars under each task. Unitization will not take place for the well until the plugging status is complete."

Angela tweaked my first draft and here's what we came up with the Plug List Tab. The list should only contain wells plugged in 20XX and the project/task plugged under. We decided to leave the field name as it should match the field name in the CP task. Hopefully it would prompt a correction on their part if they realized the charges hit the wrong task.

After reviewing what we indicated in the draft we might need something more like the Detail Status tab.

We had discussed and agreed that all charges to a CP WELL PLUG-Field task would be swooped up into the wells indentified as plugged in the project year, even though charges may be on the task for a well (A) which was not completed (due to weather, equipment, etc). The completion of plugging that well (A) would be handled on a future well plugging project.

Here's the document that Lisa and Janice sent back to us for easy referencing.

<< File: Unitization - multiple year plugging project draft.docx >>

Crescente, Angela

From: Wiseman, Sara
Sent: Wednesday, August 03, 2011 3:29 PM
To: Leenerts, Patricia; Wacker, Diana; Crescente, Angela; Riggs, Eric
Subject: RE: Unitization over multiple years - Plugged Well Listing.xls

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Crescente, Angela

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To: Leenerts, Patricia; Wacker, Diana; Crescente, Angela; Wiseman, Sara
Subject: RE: Unitization over multiple years - Plugged Well Listing.xls

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Sent: Wednesday, August 03, 2011 3:22 PM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls
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After reviewing what we indicated in the draft we might need something more like the Detail Status tab.

We had discussed and agreed that all charges to a CP WELL PLUG-Field task would be swooped up into the wells indentified as plugged in the project year, even though charges may be on the task for a well (A) which was not completed (due to weather, equipment, etc). The completion of plugging that well (A) would be handled on a future well plugging project.

Here's the document that Lisa and Janice sent back to us for easy referencing.

<< File: Unitization - multiple year plugging project draft.docx >>

Crescente, Angela

From:	Crescente, Angela
Sent:	Wednesday, August 03, 2011 3:27 PM
To:	Leenerts, Patricia
Cc:	Wacker, Diana; Riggs, Eric; Wiseman, Sara
Subject:	FW: Unitization over multiple years - Plugged Well Listing.xls

Please see the response I sent below.

From: Crescente, Angela
Sent: Monday, July 11, 2011 9:20 AM
To: Leenerts, Patricia
Cc: Wacker, Diana; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls

Pat,

Per our conversation, I do agree that the detail version is more in line with what we talked about in the word document. So, if we want to keep the word document as is, then it would seem appropriate to send them the detail version. I am also OK with the changes that Janice and Lisa requested.

Thanks,
Angela

From: Leenerts, Patricia
Sent: Monday, July 11, 2011 8:57 AM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls

Please take a few minutes to review the attached template. I have offered two versions. I believe the Detail Status tab may be more in line with what we requested in the documentation. Please review and respond by 7/15.

In addition, please review the word document for the one change which Janice and Lisa requested to be changed. I will accept their request unless I receive comments on that document.

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Thursday, June 23, 2011 6:40 PM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: Unitization over multiple years - Plugged Well Listing.xls

Please review the attached and comment by June 27th. There are 2 tabs to review.

Lisa and Janice requested a template to complete when notifying Property Accounting of the wells which were plugged.

Plugged Well Listing.xls

In reality a listing on an email would be sufficient.

We stated in the procedures:
"Well worked on under each plugging project should be listed with a status to show if the plugging work is complete or not complete. This information will inform property accounting as to the make-up of the dollars under each task. Unitization will not take place for the well until the plugging status is complete."

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Here's the document that Lisa and Janice sent back to us for easy referencing.

Unitization - multiple year pl...

Please complete for all wells plugged in calendar year, 20XX.

Project Number	Task name	Well Name & Number - include initials	Storage Field
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia
126xxx	CP PLUG WELL-CTR	J LILE #1	Center
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center

Please complete for all charges hit in calendar year, 20XX. Send to Property Accounting by Feb 28, 20XX+1

Project Number	Task name	Well Name & Number - include initials	Storage Field	Status	Comments
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia	Plugged	
126xxx	CP PLUG WELL-CTR	J LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #3	Center	in-process	to be plugged on 130xxx project in 2012
126xxx	CP PLUG WELL-CTR	J LILE #3	Center	Plugged	
126xxx	CP PLUG WELL-DRI	C KEITH #5	Doe Run-Indiana	not started	Ran out of funds; to be plugged on 130xxx project in 2012

Please complete for all charges hit in calendar year, 20XX. Send to Property Accounting by Feb 28, 20XX+1

Project Number	Task name	Well Name & Number - include initials	Storage Field	Status	Comments
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia	Plugged	
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126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #3	Center	in-process	to be plugged on 130xxx project in 2012
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126xxx	CP PLUG WELL-DRI	C KEITH #5	Doe Run-Indiana	not started	Ran out of funds; to be plugged on 130xxx project in 2012

Crescente, Angela

From:	Leenerts, Patricia
Sent:	Wednesday, August 03, 2011 3:22 PM
To:	Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject:	FW: Unitization over multiple years - Plugged Well Listing.xls
Importance:	High

Two things:

I would appreciate you guidance/comments on the excel file which Janice has requested. Please reply by EOD, Aug 8. I need to get the info to Janice and Lisa and they have been waiting for some time.

Additional comments on the change Lisa and Janice recommend would be welcome, but if no comments are received by EOD, Aug 8, I will accept the comments as they propose in the Word document. Still provide comments on the Excel file.

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Monday, July 11, 2011 8:57 AM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls

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Unitization - multiple year pl...

Crescente, Angela

From:	Crescente, Angela	
Sent:	Friday, July 22, 2011 3:38 PM	
To:	Ritchey, Stacy	
Cc:	Hudson, Rusty; Wiseman, Sara; Neal, Susan	
Subject:	RE: IMEA/IMPA Partner Reimbursement Task for ARO	
Tracking:	**Recipient**	**Read**
	Ritchey, Stacy	Read: 7/22/2011 3:39 PM
	Hudson, Rusty	
	Wiseman, Sara	
	Neal, Susan	Read: 7/22/2011 3:40 PM

Stacy,

Per our conversation, go ahead and set them up as net and since the budget is not concerned with expenditure types, we will figure out how to handle the actual reimbursements and accruals later.

Thanks,
Angela

From: Ritchey, Stacy
Sent: Thursday, July 21, 2011 7:25 PM
To: Crescente, Angela
Cc: Hudson, Rusty; Wiseman, Sara; Neal, Susan
Subject: IMEA/IMPA Partner Reimbursement Task for ARO

Angela,

As I was entering the budget for the TC CCR Landfill Phase I & II (Projects 127134,127135,134055, & 134056) I realized we would need IMEA/IMPA partner reimbursement tasks to go against the ARO task we are going to use for the capping of the landfills. However, when I set them up (CP_ARO IMEA and CP_ARO IMPA) I got a cross validation rule stating the 676 (Customer Payment) exp. type is not valid account with 108799. This is not an issue until 2015. Would loading the numbers at Net instead of Gross be ok, or do I need to submit a GLAFF combination change request to allow the 676 expenditure type to work with account 108799?

Thanks,

Stacy Ritchey
Sr Budget Analyst
Project Engineering
BOC Phone: (502) 627-4388
Fax: (502) 217-4980

Crescente, Angela

From: Wiseman, Sara
Sent: Sunday, July 17, 2011 4:12 PM
To: Crescente, Angela
Subject: FW: EAM MC landfill ARO

Kind of hard to find the right place to put it, right. I'm thinking maybe down a little further. Stop by on Monday and we will make a quick decision.

From: Crescente, Angela
Sent: Friday, July 15, 2011 9:45 AM
To: Wiseman, Sara
Subject: FW: EAM MC landfill ARO

Sara:

Please review the attached narrative (with tracked changes). I attempted to fulfill Shannon's request below. Please let me know if you need me to change anything or if you are OK with it so I can get it out on Sharepoint.

40.01 - Acquisitions Disposals...

Thanks,
Angela

From: Wiseman, Sara
Sent: Wednesday, July 13, 2011 1:01 PM
To: Crescente, Angela
Subject: FW: EAM MC landfill ARO

From: Charnas, Shannon
Sent: Wednesday, July 13, 2011 12:50 PM
To: Wiseman, Sara
Subject: EAM MC landfill ARO

Sara –

I am finalizing this memo and will copy you as I send it to E&Y. I will also save to the shared drive and put it on the index. Would you please change your internal control narrative to include the new control to have an analyst review all projects on the RWIP schedule for reasonableness and follow up as needed that is mentioned in the memo. This isn't a key control, so it doesn't need to be a new control activity, just added to the narrative. I don't need to review this change, go ahead and push it through.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

LG&E KU
PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.						

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.						

#3	Key	Risk: 2,5	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis						

identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.

#4	Key	Risk: 2,5	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.						

#5	Key	Risk: 3	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.						

#6	Key	Risk: 3	Event -driven	Manual	Preventive	C, A, V
Work Order Analysis Checklist : The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.						

#7	Key	Risk: 4,5,7	Monthly	Manual	Preventive	C, A
Closing Checklist: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.						

#8	Key	Risk: 4,5	Monthly	Semi-Automated	Detective	C, A
Period closing activities: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).						

#9	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Acquisitions: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts,						

permits, certificates of need, right of way agreements and environmental regulations.

#10	**Key**	**Risk: 6**	**Event-driven**	**Manual**	**Preventive**	**C, A, V**
ARO Review for Disposals - If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	**Key**	**Risk: 8**	**Ongoing**	**Manual**	**Preventive**	**C, A, V, R**
Spreadsheet Control: S-OX Compliance will write a standard control						

#12	**Key**	**Risk: 9**	**Quarterly**	**Manual**	**Preventive**	**R**
Shared Drives are Reviewed Quarterly: S-OX Compliance will write a standard control						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an

unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 3]** If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. **[CA 4]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. **[CA 6]** The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA XX in the 80.05 – Closing and Account Reconciliation Narrative.

Comment [JBH1]: JBH to update when 80.05 Narrative is complete.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. **[CA 12]**

Comment [2]: To be updated by SOC

Internal Control System (ICS) relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, Low). The necessary level of controls for the spreadsheets was determined, based on use and complexity. Appropriate controls over spreadsheets were implemented (e.g. change/version controls, access controls, input controls, cell protection, testing/logic inspection, documentation, back-up/archiving, etc.) A detailed spreadsheet inventory has been prepared identifying the spreadsheets affected by this control. **[CA 11]**

Comment [3]: To be updated by SOC

Information Processing Objectives (CAVR)

Completeness: All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

Accuracy: Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

Validity: Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

Crescente, Angela

From: Raque, Gary
Sent: Friday, July 15, 2011 10:39 AM
To: Crescente, Angela
Subject: RE: Brown Main Pond Close Out

Angela,
Due to our conversation today we will not be charging ARO or removal charges to the Brown CCR ash pond. At this time we will not be utilizing an ARO task.

From: Crescente, Angela
Sent: Friday, July 15, 2011 9:34 AM
To: Raque, Gary
Subject: RE: Brown Main Pond Close Out

Gary,

I haven't seen any charges on this task yet, but it is my understanding (based on what I heard in the meeting we were just in) that the pond has been drained and construction is being started on the landfill conversion. I was just wondering where the closeout of the ash pond charges have been going.

Thanks,
Angela

From: Raque, Gary
Sent: Monday, June 20, 2011 3:51 PM
To: Crescente, Angela
Subject: RE: Brown Main Pond Close Out

Yes its being converted to a Landfill

From: Crescente, Angela
Sent: Monday, June 20, 2011 3:49 PM
To: Raque, Gary
Subject: RE: Brown Main Pond Close Out

I have set up a task called CP ARO for this purpose. Is the whole ash pond being closed?

From: Raque, Gary
Sent: Monday, June 20, 2011 3:38 PM
To: Crescente, Angela
Subject: Brown Main Pond Close Out

Angela,
Just wanted to bring to your attention that we will probably have charges this year related to "closing out" of the Brown CCR Main Pond (Project #132371). This will need to have an the ARO task set up. I know that you set them up before.

Gary Raque
LG&E and KU Energy LLC
Project Engineering
BOC 3
Phone: (502) 627-3241
Fax: (502) 217-2801
gary.raque@lge-ku.com

Crescente, Angela

From:	Crescente, Angela	
Sent:	Thursday, July 14, 2011 8:34 AM	
To:	Neal, Susan	
Cc:	Shultz, Cathy	
Subject:	RE: Power Plant Issue	
Tracking:	**Recipient**	**Read**
	Neal, Susan	Read: 7/14/2011 8:37 AM
	Shultz, Cathy	Read: 7/14/2011 8:35 AM

Both of these are going to be reversed. They should not have been charged to 108799. Yes, I have spoken to Stacy, and she told me she was going to do CODs.

From: Neal, Susan
Sent: Thursday, July 14, 2011 8:17 AM
To: Crescente, Angela
Cc: Shultz, Cathy
Subject: FW: Power Plant Issue

Was this one of the projects you were telling me about the other day? If it is, is Stacy aware that the charges need to be reversed?

Thank you,
Susan Neal
Manager, Financial Analysis
LG&E and KU Services Company
220 W. Main St.
Louisville, KY 40202
(502) 627-3447
susan.neal@lge-ku.com

From: Shultz, Cathy
Sent: Thursday, July 14, 2011 8:10 AM
To: Neal, Susan
Cc: Mooney, Mike (BOC 3); Ritchey, Stacy
Subject: FW: Power Plant Issue

Susan, can you take a look at this?

From: Mooney, Mike (BOC 3)
Sent: Wednesday, July 13, 2011 4:53 PM
To: Shultz, Cathy

Cc: Ritchey, Stacy
Subject: Power Plant Issue

Cathy,

For TC BAP/GSP projects 121682 and 121683, Power Plant is not picking up the CP ASBESTOS task (account 108799) in the June actuals. I have tried updating it with actual and still no luck. Any ideas on your side?

Mike Mooney
Budget Analyst III, Project Engineering
BOC 3
BOC Phone: (502) 627-3671
Fax: (502) 217- 2943
E-mail: Mike.Mooney@lge-ku.com

Crescente, Angela

From: Wiseman, Sara
Sent: Wednesday, July 13, 2011 1:01 PM
To: Crescente, Angela
Subject: FW: EAM MC landfill ARO

From: Charnas, Shannon
Sent: Wednesday, July 13, 2011 12:50 PM
To: Wiseman, Sara
Subject: EAM MC landfill ARO

Sara –

I am finalizing this memo and will copy you as I send it to E&Y. I will also save to the shared drive and put it on the index. Would you please change your internal control narrative to include the new control to have an analyst review all projects on the RWIP schedule for reasonableness and follow up as needed that is mentioned in the memo. This isn't a key control, so it doesn't need to be a new control activity, just added to the narrative. I don't need to review this change, go ahead and push it through.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

Crescente, Angela

From: Buckner, Mike
Sent: Tuesday, July 12, 2011 5:06 PM
To: Crescente, Angela
Subject: RE: MC Landfill - 112767 - CP ARO2011

Angela,

In regards to our phone conversation last Thursday pertaining to Mill Creek Landfill charges, the money for the ditches should be charged to the ARO account because they are part of the closing of the landfill. These "Type 2" ditches as they are referred to in the contract are constructed as part of the closeout of the vertical expansion portion of the landfill.

During the development of a landfill there are ditches that are built, extended and maintained while the active part of the landfill is worked and built up. Once the landfill is full and ready to be closed out, additional ditches are built per state regulations to handle the runoff from the capped off landfill.

If you have any other questions, please let me know.

Mike Buckner
Production Manager - Mill Creek Station
LG&E and KU Energy LLC
14660 Dixie Highway
Louisville, KY 40272
502-933-6515

From: Crescente, Angela
Sent: Thursday, July 07, 2011 11:42 AM
To: Buckner, Mike
Subject: RE: MC Landfill - 112767 - CP ARO2011

Mike,

Would you mind sending me an email about our phone discussion regarding how the ditches are actually part of closing the landfill so that I can keep that for my records so I can have something to reference back to so that I won't have to bother you again later?

Thanks,
Angela

From: Pence, Mark
Sent: Thursday, July 07, 2011 11:10 AM

To: Crescente, Angela; Love, K J; Buckner, Mike
Cc: Rose, Bruce; Van Winkle, Don
Subject: RE: MC Landfill - 112767 - CP ARO2011

Angela, Kevin is on vacation this week, but Don Van Winkle or Mike Buckner might be able to answer this. I know it was for an accrual for Charah, but I think there still is some confusion/disagreement on what is getting charged where.

Mike, please check into this and let Angela know your findings. Thanks.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Crescente, Angela
Sent: Thursday, July 07, 2011 11:04 AM
To: Love, K J; Pence, Mark
Cc: Rose, Bruce
Subject: MC Landfill - 112767 - CP ARO2011

K J and Mark,

I saw that $122,088.00 was charged to task CP ARO2011 (108799) in June 2011. Based on our recent conversations, I just wanted to make sure that this should have gone to 108799 and wasn't related to the ditches that should go to 107001 construction. Please advise.

Thanks,
Angela

Crescente, Angela

From:	Wiseman, Sara
Sent:	Monday, July 11, 2011 10:41 AM
To:	Charnas, Shannon
Cc:	Crescente, Angela
Subject:	SAB 99 memo Mill Creek Landfill ARO 6-30-11.doc

SAB 99 memo Mill Creek Landfil...

Shannon: I've added the controls as requested in your email below. Angela and I've tried to write what we thought was appropriate, but not sure what we've done is what you had in mind. So, we're open to any comments.

FW: SAB 99 memo Mill Creek Lan...

LG&E KU
PPL companies

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During unitization of the LG&E Mill Creek landfill project (no. 112767), it was discovered that $857,559 had been charged in error to Account 108799 RWIP-ARO Legal (RWIP) instead of Account 107001 Construction Work in Progress (CWIP). The error amount accumulated over time from August 2007 through November 2010. The error occurred as the invoices covering the charges were incorrectly coded for payment.

This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

How Error Was Identified

During the unitization process, the ~~a~~Accounting ~~a~~Analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The ~~a~~Analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges, it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

The root cause of the error was due to a lack of understanding by the employees coding the invoices.

Controls Impacted

Cycle 40.01-Acqusitions, Disposals and Retirement, Control Activity #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to ensure they are proper for capitalization or retirement. It was during this review that the error was discovered.

Additionally, Cycle C04.04.01-Fixed Assets/Maintenance Control Activity #2 was in place during the time period in which the error occurred. The Control Activity states "*Review of Financial Reports* –Budget Analysts and/or Commercial Operations Managers perform a review of their financial reports to ensure all expenditures are appropriately accounted for." This control encompasses various comparisons of financial reports including budget to actual. This control was in place and functioning, however, due to a lack of knowledge regarding the correct coding of the invoices, the error was not detected.

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Control Activity #2 in Cycle C04.04.01-Fixed Assets/Maintenance was removed during the Sarbanes Oxley optimization process in the first half of 2011. Entity Level Control 112.02.01 accomplished the same objective on a broader scale. Entity Level Control 112.02.01 states "*Monitoring Results:* The current financial profitability reports (including essential key figures) are verified for plausibility. The controlling process ensures that issues and inadequacies are identified, analyzed and reported to the appropriate management level."

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[Is there possibly another control that relates to Budget Coordinator review of the charges that could be referenced? We did have a control in the maintenance cycle but was eliminated in optimization. I had an email from Mimi on a different topic, but this was her response to essentially the same question: Entity Level Objective 12.2 - Process for comparing actual operating results to budget and communicating the results to the appropriate individuals and the control for this objective - The current financial profitability reports (including essential key figures) are verified for plausibility. I've looked and can't find the entity level controls. Maybe you know? I can contact Mimi/James on Monday about it as well.]

June 20, 2011
Page 3
Mill Creek Landfill Asset Retirement Obligation –May 2011

This error is determined to be an observation, rather than a deficiency. The error was detected during the unitization process, which was performed according to the control. Since this project was of a long duration, the charges were not reviewed by an Accounting Analyst until the project was complete, which is normal process. Charges may be reviewed earlier, but this is not required. Therefore, CA#6 in Cycle 40.01 functioned properly.

To prevent future mistakes from occurring, several meetings were conducted in ~~June~~the second quarter of 2011 between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. During these meetings, the construction and retirement processes for the landfill were~~as~~ thoroughly reviewed and the applicable parties agreed to a methodology for the coding of invoices to begin immediately. Additionally, each month an Accounting Analyst reviews all projects on the RWIP subledger (account 108799) for reasonableness and contacts plant personnel for follow-up on questions as needed. ~~-We do have an email from this past month~~

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

		3ME 03/31/11		3ME 03/31/11	
Fin Stmt Line Item	Company	Debit	Credit	Debit	Credit
Construction in Progress	LG&E	858		858	
Asset Retirement Obligations	LG&E		858		858
	~~LG&E~~				
	~~LG&E~~				

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q2 2011) since the balance sheet was corrected~~. T~~ when the above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May, which was too late to be included in the March 2011 waived adjustment file.

Crescente, Angela

From:	Crescente, Angela
Sent:	Monday, July 11, 2011 9:20 AM
To:	Leenerts, Patricia
Cc:	Wacker, Diana; Riggs, Eric; Wiseman, Sara
Subject:	FW: Unitization over multiple years - Plugged Well Listing.xls

Pat,

Per our conversation, I do agree that the detail version is more in line with what we talked about in the word document. So, if we want to keep the word document as is, then it would seem appropriate to send them the detail version. I am also OK with the changes that Janice and Lisa requested.

Thanks,
Angela

From: Leenerts, Patricia
Sent: Monday, July 11, 2011 8:57 AM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: FW: Unitization over multiple years - Plugged Well Listing.xls

Please take a few minutes to review the attached template. I have offered two versions. I believe the Detail Status tab may be more in line with what we requested in the documentation. Please review and respond by 7/15.

In addition, please review the word document for the one change which Janice and Lisa requested to be changed. I will accept their request unless I receive comments on that document.

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Thursday, June 23, 2011 6:40 PM
To: Wacker, Diana; Crescente, Angela; Riggs, Eric; Wiseman, Sara
Subject: Unitization over multiple years - Plugged Well Listing.xls

Please review the attached and comment by June 27th. There are 2 tabs to review.

Lisa and Janice requested a template to complete when notifying Property Accounting of the wells which were plugged.

Plugged Well Listing.xls

In reality a listing on an email would be sufficient.

We stated in the procedures:

"Well worked on under each plugging project should be listed with a status to show if the plugging work is complete or not complete. This information will inform property accounting as to the make-up of the dollars under each task. Unitization will not take place for the well until the plugging status is complete."

Angela tweaked my first draft and here's what we came up with the Plug List Tab. The list should only contain wells plugged in 20XX and the project/task plugged under. We decided to leave the field name as it should match the field name in the CP task. Hopefully it would prompt a correction on their part if they realized the charges hit the wrong task.

After reviewing what we indicated in the draft we might need something more like the Detail Status tab.

We had discussed and agreed that all charges to a CP WELL PLUG-Field task would be swooped up into the wells indentified as plugged in the project year, even though charges may be on the task for a well (A) which was not completed (due to weather, equipment, etc). The completion of plugging that well (A) would be handled on a future well plugging project.

Here's the document that Lisa and Janice sent back to us for easy referencing.

Unitization - multiple year pl...

Please complete for all wells plugged in calendar year, 20XX.

Project Number	Task name	Well Name & Number - include initials	Storage Field
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia
126xxx	CP PLUG WELL-CTR	J LILE #1	Center
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center

Please complete for all charges hit in calendar year, 20XX. Send to Property Accounting by Feb 28, 20XX+1

Project Number	Task name	Well Name & Number - include initials	Storage Field	Status	Comments
126xxx	CP PLUG WELL-MAG	C E THOMPSON #1	Magnolia	Plugged	
126xxx	CP PLUG WELL-CTR	J LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #3	Center	in-process	to be plugged on 130xxx project in 2012
126xxx	CP PLUG WELL-CTR	J LILE #3	Center	Plugged	
126xxx	CP PLUG WELL-DRI	C KEITH #5	Doe Run-Indiana	not started	Ran out of funds; to be plugged on 130xxx project in 2012

Crescente, Angela

From: Leenerts, Patricia
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Angela tweaked my first draft and here's what we came up with the Plug List Tab. The list should only contain wells plugged in 20XX and the project/task plugged under. We decided to leave the field name as it should match the field name in the CP task. Hopefully it would prompt a correction on their part if they realized the charges hit the wrong task.

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126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center

Please complete for all charges hit in calendar year, 20XX. Send to Property Accounting by Feb 28, 20XX+1

Project Number	Task name	Well Name & Number - include initials	Storage Field	Status	Comments
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126xxx	CP PLUG WELL-CTR	J LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #1	Center	Plugged	
126xxx	CP PLUG WELL-CTR	JIM LILE #3	Center	in-process	to be plugged on 130xxx project in 2012
126xxx	CP PLUG WELL-CTR	J LILE #3	Center	Plugged	
126xxx	CP PLUG WELL-DRI	C KEITH #5	Doe Run-Indiana	not started	Ran out of funds; to be plugged on 130xxx project in 2012

Crescente, Angela

From: Mooney, Mike (BOC 3)
Sent: Monday, July 11, 2011 7:46 AM
To: Crescente, Angela
Subject: RE: KU-130905

It was an accrual for an estimated invoice we should be paying sometime in July

---

From: Crescente, Angela
Sent: Saturday, July 09, 2011 12:32 PM
To: Mooney, Mike (BOC 3)
Subject: KU-130905

Mike,

I saw that the $87,360.00 was reversed in July. Was that just an accrual reversal? Are you expecting to rebook it later?

Thanks,
Angela

Crescente, Angela

From: Pence, Mark
Sent: Monday, July 11, 2011 6:52 AM
To: Dowd, Deborah; Crescente, Angela
Cc: Buckner, Mike; Van Winkle, Don
Subject: RE: 112767-CP ARO2011

Angela,

You are correct. That is the credit side of the accrual that was made for June, and yes, we will be charging/accruing the ARO account for the remainder of the year. The amount that remains in that forecast is approx. $685k.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Dowd, Deborah
Sent: Saturday, July 09, 2011 10:51 AM
To: Crescente, Angela; Pence, Mark
Subject: FW: 112767-CP ARO2011

Mark, can you please address Angela's question.

From: Crescente, Angela
Sent: Saturday, July 09, 2011 10:50 AM
To: Dowd, Deborah
Subject: 112767-CP ARO2011

Deborah,

I saw that $120K was reversed in July on this project/task. After speaking with Mike Buckner, he assured me that all of these charges should indeed go to 108799 because these ditches in particular are in order to close a section of the landfill. Is this just an accrual reversal? Are you planning on charging/accruing it again?

Thanks,
Angela

Crescente, Angela

From: Charnas, Shannon
Sent: Saturday, July 09, 2011 11:32 AM
To: Wiseman, Sara
Cc: Crescente, Angela
Subject: FW: SAB 99 memo Mill Creek Landfill ARO 6-30-11.doc

Sara –

Thanks. I have removed several of my comments that were addressed. I am OK with the changes, with the exception of the second controls paragraph, which I know is still in progress. I think we should reference the control that was removed during optimization since this error goes back far enough that it would have been in place at the time. Regarding the entity level controls, I think we should reference that control as well, since it is the current version of the control that was replaced during optimization. To find the entity level controls, go to the S-OX page (http://home/og/OA/ICS/_layouts/viewlsts.aspx?BaseType=0). Then click on Lists on the left side (not very intuitive). Then click on the orange box next to entity level controls. I hope this helps.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Wiseman, Sara
Sent: Saturday, July 09, 2011 10:57 AM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: SAB 99 memo Mill Creek Landfill ARO 6-30-11.doc

SAB 99 memo Mill Creek Landfil...

Shannon: I've made some changes based on your suggestions to this. I also put a comment in there regarding the budget coordinator review. I may still have to follow up on this based on what you think after you read the memo. But, I decided to go ahead and send this back to you today on the chance that you could look at the rest of memo.

MEMORANDUM

Date: June 20, 2011

To: Valerie L. Scott, Controller

From: Angela Crescente, Accounting Analyst III, Property Accounting
Sara Wiseman, Manager, Property Accounting

Re: Mill Creek Landfill Asset Retirement Obligation

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Rusty Hudson, Director, Energy Services Accounting & Budget
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During unitization of the LG&E Mill Creek landfill project (no. 112767), it was discovered that $857,559 had been charged in error to Account 108799 RWIP-ARO Legal (RWIP) instead of Account 107001 Construction Work in Progress (CWIP). The error amount accumulated over time from August 2007 through November 2010. The error occurred as the invoices covering the charges were incorrectly coded for payment.

This error caused both the Construction in Progress and the Asset Retirement Obligations financial statement lines on the balance sheet to be understated. The error was detected in May 2011 and was corrected in that month via a journal entry.

How Error Was Identified

During the unitization process, the ~~a~~Accounting ~~a~~Analyst prepared the project for processing by reviewing the charges on the project and comparing those to the AIP description for reasonableness. The project description on the AIP listed the main construction activities as a horizontal landfill expansion with little mention of any retirement activities. However, a review of the actual charges on the project revealed that RWIP (account 108799) charges were a significant amount of the total project charges. The ~~a~~Analyst contacted plant and environmental personnel to discuss the situation. After discussion and detailed review of the charges, it was determined that a journal entry should be made to transfer $857,559 from RWIP to CWIP.

The root cause of the error was due to a lack of understanding by the employees coding the invoices.

Controls Impacted

Cycle 40.01-Acqusitions, Disposals and Retirement, Control Activity #6 states "*Work Order Analysis Checklist*: The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements." One of the tasks on this checklist is to review the charges on the project to ensure they are proper for capitalization or retirement. It was during this review that the error was discovered.

[Is there possibly another control that relates to Budget Coordinator review of the charges that could be referenced? We did have a control in the maintenance cycle but was eliminated in optimization. I had an email from Mimi on a different topic, but this was her response to essentially the same question: Entity Level Objective 12.2 - Process for comparing actual operating results to budget and communicating the results to the appropriate individuals and the control for this objective - The current financial profitability reports (including essential key figures) are verified for plausibility. I've looked and can't find the entity level controls. Maybe you know? I can contact Mimi/James on Monday about it as well.]

This error is determined to be an observation, rather than a deficiency. The error was detected during the unitization process, which was performed according to the control. Since this project was of a long duration, the charges were not reviewed by an Accounting Analyst until the project was complete, which is normal process. Charges may be reviewed earlier, but this is not required. Therefore, CA#6 in Cycle 40.01 functioned properly.

To prevent future mistakes from occurring, several meetings were conducted in ~~June~~the second quarter of 2011 between Property Accounting, Environmental Affairs, Mill Creek plant personnel and Power Production Finance & Budgeting. During these meetings, the construction and retirement processes for the landfill were~~as~~ thoroughly reviewed and the applicable parties agreed to a methodology for the coding of invoices to begin immediately. Additionally, each month an Accounting Analyst reviews all projects on the RWIP subledger (account 108799) for reasonableness and contacts plant personnel for follow-up on questions as needed. ~~We do have an email from this past month~~

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4

2011	X			
2010	X	X	X	X
2009	X	X	X	X

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)
(from Error Correcting Entries file)

		3ME 03/31/11		3ME 03/31/11	
Fin Stmt Line Item	Company	Debit	Credit	Debit	Credit
Construction in Progress	LG&E	858		858	
Asset Retirement Obligations	LG&E		858		858
	~~LG&E~~				
	~~LG&E~~				

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q2 2011) since the balance sheet was corrected~~. T~~ when the above entry was recorded in May 2011 on the general ledger. The adjustment was discovered in May, which was too late to be included in the March 2011 waived adjustment file.

Crescente, Angela

From: Wiseman, Sara
Sent: Monday, October 03, 2011 10:56 AM
To: Crescente, Angela
Subject: 40.01 - Acquisitions Disposals and Retirement 10 3 11.docx

40.01 -
Acquisitions Dis...

Please see tracked changes.

LG&E KU
PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.						

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.						

<table>
<tr><td>#3</td><td>Key</td><td>Risk: 2,5</td><td>Quarterly</td><td>Semi-Automated</td><td>Preventive</td><td>C, A, V</td></tr>
<tr><td colspan="7"><u>Activated costs for construction/cost of removal:</u> To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.</td></tr>
</table>

<table>
<tr><td>#4</td><td>Key</td><td>Risk: 2,5</td><td>Monthly</td><td>Semi-Automated</td><td>Detective</td><td>C, A, V</td></tr>
<tr><td colspan="7"><u>Capitalization/Retirement eligible projects</u>: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.</td></tr>
</table>

<table>
<tr><td>#5</td><td>Key</td><td>Risk: 3</td><td>Daily</td><td>Semi-Automated</td><td>Detective</td><td>C, A, V</td></tr>
<tr><td colspan="7"><u>Capitalization/Disposals of fixed assets</u>: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.</td></tr>
</table>

<table>
<tr><td>#6</td><td>Key</td><td>Risk: 3</td><td>Event -driven</td><td>Manual</td><td>Preventive</td><td>C, A, V</td></tr>
<tr><td colspan="7"><u>Work Order Analysis Checklist :</u> The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.</td></tr>
</table>

<table>
<tr><td>#7</td><td>Key</td><td>Risk: 4,5,7</td><td>Monthly</td><td>Manual</td><td>Preventive</td><td>C, A</td></tr>
<tr><td colspan="7"><u>Closing Checklist</u>: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.</td></tr>
</table>

<table>
<tr><td>#8</td><td>Key</td><td>Risk: 4,5</td><td>Monthly</td><td>Semi-Automated</td><td>Detective</td><td>C, A</td></tr>
<tr><td colspan="7"><u>Period closing activities</u>: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).</td></tr>
</table>

<table>
<tr><td>#9</td><td>Key</td><td>Risk: 6</td><td>Event-driven</td><td>Manual</td><td>Preventive</td><td>C, A, V</td></tr>
<tr><td colspan="7"><u>ARO Review for Acquisitions</u>: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for</td></tr>
</table>

further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations.

#10	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Disposals : If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	Key	Risk: 8	Ongoing	Manual	Preventive	C, A, V, R
Spreadsheet Controls: Reference control activity number 1 on 80.10 – General ICFR						

#12	Key	Risk: 9	Quarterly	Manual	Preventive	R
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 – General ICFR						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. – Additionally, the Accounting Analyst will review reports for account 254-Regulatory

Liability-ARO for any new ARO asset activity. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. Any new or unexpected activity in this account will be investigated by the Analyst to ascertain whether the associated ARO liability has been established. Any issues or problems will be addressed.

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to

every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 3]** If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. **[CA 4]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. **[CA 6]** The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. In order to ensure that potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application

Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 11]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 12]**

Information Processing Objectives (CAVR)

Completeness: All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

Accuracy: Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

Validity: Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

Crescente, Angela

From: Wiseman, Sara
Sent: Monday, October 03, 2011 10:26 AM
To: Crescente, Angela
Subject: Trimble County 2 Joint Use ARO 10 3 11.docx

Trimble County 2
Joint Use ARO...

OK, take a look at my changes.

LG&E KU
PPL companies

MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
Erik Rander, Director, Shared Accounting Services

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated
Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO's were re-valued at November 1, 2011 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
Net September 2011 Activity	(2)	(3,620)	3,664	44
Ending Balance ARO Liability	(1) + (2)	3,969	3,664	7,633

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

Controls Impacted

This error is determined to be an observation as the errors only resulted in Balance Sheet reclassifications.

[do we not have a control that states the AROs are reviewed at least quarterly? I think there needs to be some control listed here.] Cycle 40.01-Acqusitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting

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Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the error.

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~~No existing controls were impacted.~~ In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E		
Accumulated Depreciation	LG&E		
Regulatory Assets	LG&E		
Asset Retirement Obligations	LG&E		3,620
Regulated Utility Plant	KU		
Accumulated Depreciation	KU		
Regulatory Assets	KU		
Asset Retirement Obligations	KU		3,664

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustment was discovered in September, which was too late to be included in the June 2011 waived adjustment file.

Crescente, Angela

From: Wiseman, Sara
Sent: Sunday, October 02, 2011 8:51 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: FW: Trimble County 2 Joint Use ARO KU.docx

I think we need to discuss, I've sent a meeting notice.

From: Charnas, Shannon
Sent: Saturday, October 01, 2011 3:53 PM
To: Wiseman, Sara
Cc: Crescente, Angela
Subject: RE: Trimble County 2 Joint Use ARO KU.docx

Thanks. I have included a few edits. We need to list some control in the controls impacted section, there should be some current control that relates to this type of review. Let me know if you would like to discuss.

Trimble County 2 Joint Use ARO...

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Wiseman, Sara
Sent: Friday, September 30, 2011 2:58 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: Trimble County 2 Joint Use ARO KU.docx

<< File: Trimble County 2 Joint Use ARO KU.docx >>

Shannon:

Here is a draft of the ARO error assessment memo. I don't have the final entries for you yet. Angela was trying to close the month in Dev today to get the information, but encountered an error. She is working with PP Support to get it fixed. The error must be fixed before closing, so pressure will be applied to PowerPlant. We hope to get numbers on Monday. The ARO numbers I have in the memo are very close, but may change slightly.

Sara

LG&E KU
PPL companies

MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
Erik Rander, Director, Shared Accounting Services

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

October 3, 2011
Page 2
Trimble County 2 Joint Use Asset Retirement Obligations

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated
Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO's were re-valued at November 1, 2011 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
Net September 2011 Activity	(2)	(3,620)	3,664	44
Ending Balance ARO Liability	(1) + (2)	3,969	3,664	7,633

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

Controls Impacted

This error is determined to be an observation as the errors only resulted in Balance Sheet reclassifications.

[do we not have a control that states the AROs are reviewed at least quarterly? I think there needs to be some control listed here.] No existing controls were impacted. In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis.

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Periods Impacted *(including quarter correction booked)*

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Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)

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Crescente, Angela

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Cc: Crescente, Angela
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Trimble County 2 Joint Use ARO...

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Shannon Charnas
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(502) 627-4978

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Sara

LG&E KU
PPL companies

MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
Erik Rander, Director, Shared Accounting Services

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~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated
Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO's were re-valued at November 1, 2011 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

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Crescente, Angela

From: Wiseman, Sara
Sent: Friday, September 30, 2011 2:58 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: Trimble County 2 Joint Use ARO KU.docx

Trimble County 2
Joint Use ARO...

Shannon:

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LG&E KU
PPL companies

MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
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Asset Retirement Obligations	Understated

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Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, February 09, 2011 12:24 PM
To: Kiefer, Nick
Subject: RE: Financial Statement Support

I did indeed round down to match the balance sheet.

From: Kiefer, Nick
Sent: Wednesday, February 09, 2011 11:57 AM
To: Crescente, Angela
Subject: Financial Statement Support

Angela – I am tying the financial statements to the support binders, and have a question about the ARO's note under the MD&A – Critical Accounting Policies section. The note (and the balance sheet) both reflect $49 million, but the supporting worksheet shows $49,745,240. Can you confirm that you intended to round down to match the balance sheet (as opposed to rounding to $50 million)?

Thanks!

Nick Kiefer

Crescente, Angela

From:	Wacker, Diana
Sent:	Monday, January 24, 2011 3:59 PM
To:	Crescente, Angela
Subject:	FW: Approved: Change to Accounts 230022, 230023, 230025, 230026, 230027
Attachments:	GLAFF Change Request Form Remap 230 accounts for FERC.xls
Follow Up Flag:	Follow up
Flag Status:	Completed

From: Bush, Tom
Sent: Monday, January 24, 2011 3:56 PM
To: Amlung, Kim; Bell, Derek; Bland, John; Bloat, Sharon; Boyd, Joseph; Burnett, Elender; Chapman, Laura; Clements, Chad; Dan Heintzelman; Dave Smith; Elmore, Barry; Erskine, Greg; Fackler, Andrea; Faske, Lisa; Harrington, Anne; Heitzmann, Ashley; Jackson, Carolyn; Jodi Crossett (jlcrossett@pplweb.com); Kinder, Debra; Marshall, Steve; Mazza, Frank; McCammon, Virginia; McDaniels, Jason; Metts, Heather; Pienaar, Lesley; Raible, Eric; Raque, Bruce; Root, Stephanie; Scott Cole; Sheets, Toni; Shultz, Cathy; Skaggs, Jennifer; Smith, Helen; Stickler, Samantha; Strange, Vicki; Tipton, Karen; Veroff, Jamie; Wacker, Diana; Watkins, Amanda; Williams, Scott; Wright, Sharon
Subject: Approved: Change to Accounts 230022, 230023, 230025, 230026, 230027

All approvals necessary to make this change have been received.

From: Bush, Tom
Sent: Friday, January 21, 2011 4:11 PM
To: Elmore, Barry; Erskine, Greg; Metts, Heather; Pienaar, Lesley; Raible, Eric; Shultz, Cathy; Strange, Vicki
Cc: Tipton, Karen
Subject: Change to Accounts 230022, 230023, 230025, 230026, 230027

Please see the attached request to change the FERC balance sheet assignment on accounts 230022, 230023, 230025, 230026, and 230027 from Misc Current & Accrued Liabilities to Asset Retirement Obligations.

From: Raible, Eric
Sent: Friday, January 21, 2011 4:07 PM
To: Bush, Tom
Subject: FW: GLAFF Change Form Account 230

Tom – we are attempting to change just where these accounts roll up on the FERC balance sheet. All other information will stay the same – do these requests have all the needed information?

Thanks,
T. Eric Raible, CPA
Manager, Regulatory Accounting & Reporting
Controller Group
LG&E and KU
P: 627-3426
F: 627-3820

From: Tipton, Karen
Sent: Friday, January 21, 2011 4:05 PM
To: Raible, Eric
Subject: GLAFF Change Form Account 230

Eric,
Please review the attached GLAFF change form remapping 230 accounts to ARO and forward to Tom Bush. Thank you.

Karen Tipton
Regulatory Accounting & Reporting
(502)627-2534
karen.tipton@lge-ku.com

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	For FERC purposes, account 230 should be mapped to AROs in the Long-term Liabilities section of the Balance Sheet
Account number	230022
Account description	
Account type	Liability
Unit of measure	
PPL income-statement report group	NOT REQUIRED
Project report group (SAP financials)	

Intercompany details:

Will the account contain intercompany amounts?	
If yes, will all interco amounts in the account have the same partner?	

Account flexfield attributes:

Burden schedule assignment	
Project required	
Project type	
Make available in VOLTS	
Kentucky sales taxable	
Virginia sales taxable	

PPL mappings:

PPL account	
PPL affiliate	
PPL affiliate flag	

SAP assignments:

SAP item	
SAP maturity	
SAP nonoperating	
SAP partner-investee co	
SAP partner-investee mgmt unit	
SAP partner flag	

Financial statement assignments:

Oracle consolidation worksheets - balance sheet	REQUIRED
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Asset Retirement Obligations
FERC-basis utility income statement	NOT REQUIRED

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	For FERC purposes, account 230 should be mapped to AROs in the Long-term Liabilities section of the Balance Sheet
Account number	230023
Account description	
Account type	Liability
Unit of measure	
PPL income-statement report group	NOT REQUIRED
Project report group (SAP financials)	

Intercompany details:

Will the account contain intercompany amounts?	
If yes, will all interco amounts in the account have the same partner?	

Account flexfield attributes:

Burden schedule assignment	
Project required	
Project type	
Make available in VOLTS	
Kentucky sales taxable	
Virginia sales taxable	

PPL mappings:

PPL account	
PPL affiliate	
PPL affiliate flag	

SAP assignments:

SAP item	
SAP maturity	
SAP nonoperating	
SAP partner-investee co	
SAP partner-investee mgmt unit	
SAP partner flag	

Financial statement assignments:

Oracle consolidation worksheets - balance sheet	REQUIRED
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Asset Retirement Obligations
FERC-basis utility income statement	NOT REQUIRED

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	For FERC purposes, account 230 should be mapped to AROs in the Long-term Liabilities section of the Balance Sheet
Account number	230025
Account description	
Account type	Liability
Unit of measure	
PPL income-statement report group	NOT REQUIRED
Project report group (SAP financials)	
Intercompany details:	
Will the account contain intercompany amounts?	
If yes, will all interco amounts in the account have the same partner?	
Account flexfield attributes:	
Burden schedule assignment	
Project required	
Project type	
Make available in VOLTS	
Kentucky sales taxable	
Virginia sales taxable	
PPL mappings:	
PPL account	
PPL affiliate	
PPL affiliate flag	
SAP assignments:	
SAP item	
SAP maturity	
SAP nonoperating	
SAP partner-investee co	
SAP partner-investee mgmt unit	
SAP partner flag	
Financial statement assignments:	
Oracle consolidation worksheets - balance sheet	REQUIRED
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Asset Retirement Obligations
FERC-basis utility income statement	NOT REQUIRED

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	For FERC purposes, account 230 should be mapped to AROs in the Long-term Liabilities section of the Balance Sheet
Account number	230026
Account description	
Account type	Liability
Unit of measure	
PPL income-statement report group	NOT REQUIRED
Project report group (SAP financials)	
Intercompany details:	
Will the account contain intercompany amounts?	
If yes, will all interco amounts in the account have the same partner?	
Account flexfield attributes:	
Burden schedule assignment	
Project required	
Project type	
Make available in VOLTS	
Kentucky sales taxable	
Virginia sales taxable	
PPL mappings:	
PPL account	
PPL affiliate	
PPL affiliate flag	
SAP assignments:	
SAP item	
SAP maturity	
SAP nonoperating	
SAP partner-investee co	
SAP partner-investee mgmt unit	
SAP partner flag	
Financial statement assignments:	
Oracle consolidation worksheets - balance sheet	REQUIRED
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Asset Retirement Obligations
FERC-basis utility income statement	NOT REQUIRED

Segment Change Request Form: ACCOUNT

Type of change requested	Change existing account
Reason for requested change	For FERC purposes, account 230 should be mapped to AROs in the Long-term Liabilities section of the Balance Sheet
Account number	230027
Account description	
Account type	Liability
Unit of measure	
PPL income-statement report group	NOT REQUIRED
Project report group (SAP financials)	

Intercompany details:

Will the account contain intercompany amounts?	
If yes, will all interco amounts in the account have the same partner?	

Account flexfield attributes:

Burden schedule assignment	
Project required	
Project type	
Make available in VOLTS	
Kentucky sales taxable	
Virginia sales taxable	

PPL mappings:

PPL account	
PPL affiliate	
PPL affiliate flag	

SAP assignments:

SAP item	
SAP maturity	
SAP nonoperating	
SAP partner-investee co	
SAP partner-investee mgmt unit	
SAP partner flag	

Financial statement assignments:

Oracle consolidation worksheets - balance sheet	REQUIRED
Oracle consolidation worksheets - income statement	NOT REQUIRED
FERC-basis utility balance sheet	Asset Retirement Obligations
FERC-basis utility income statement	NOT REQUIRED

Crescente, Angela

From: Daly, Karen
Sent: Friday, January 21, 2011 4:54 PM
To: Moeller, Diane; Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: MD&A ARO's

I was able to get in and make other changes so I made these while I was in the file.

From: Moeller, Diane
Sent: Friday, January 21, 2011 4:10 PM
To: Crescente, Angela
Cc: Daly, Karen; Wiseman, Sara
Subject: RE: MD&A ARO's

Excellent. Thanks.

From: Crescente, Angela
Sent: Friday, January 21, 2011 4:06 PM
To: Moeller, Diane
Cc: Daly, Karen; Wiseman, Sara
Subject: RE: MD&A ARO's

Diane,

In the first one, the underlined sentence should be added to LG&E.

In the second one, the underlined sentence should be removed from LG&E and read the same way as KU.

Thanks,
Angela

From: Moeller, Diane
Sent: Friday, January 21, 2011 3:59 PM
To: Wiseman, Sara
Subject: MD&A ARO's

Sara,

I know you were working with Lydia on the MD&A, but she is gone for the weekend. I'm comparing the KU & LGE reports and find some discrepancies between the two under ARO's. I want to make sure they are different for a reason.

First paragraph in KU:

KU is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated.

The underlined sentence is missing from LGE. Should it be added?

2nd paragraph in LGE:
In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed annually to ensure that any material changes are incorporated into the estimate of the obligations. LG&E has not settled in significant ARO's.

The underlined sentence is missing from KU. Should it be added?

Thanks!

Diane L. Moeller, CPA
KForce Consultant

Crescente, Angela

From: Moeller, Diane
Sent: Friday, January 21, 2011 4:10 PM
To: Crescente, Angela
Cc: Daly, Karen; Wiseman, Sara
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Diane L. Moeller, CPA
KForce Consultant

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Subject: RE: MD&A ARO's

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The underlined sentence is missing from KU. Should it be added?

Thanks!

Diane L. Moeller, CPA
KForce Consultant

Crescente, Angela

From: Wiseman, Sara
Sent: Friday, January 21, 2011 4:00 PM
To: Crescente, Angela
Subject: FW: MD&A ARO's

From: Moeller, Diane
Sent: Friday, January 21, 2011 3:59 PM
To: Wiseman, Sara
Subject: MD&A ARO's

Sara,

I know you were working with Lydia on the MD&A, but she is gone for the weekend. I'm comparing the KU & LGE reports and find some discrepancies between the two under ARO's. I want to make sure they are different for a reason.

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The underlined sentence is missing from KU. Should it be added?

Thanks!

Diane L. Moeller, CPA
KForce Consultant

Crescente, Angela

From: Nitsche, John P <jpnitsche@pplweb.com>
Sent: Wednesday, January 19, 2011 10:06 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: Sensitivity Analysis

Angela,
The % for nuclear dropped to 60% this year (2010), primarily due to remeasurement (reduction due to lower inflation rate) of the liability and LKE ARO balances now being in our consolidated balance sheet. My opinion is that your 65% and 59% are sufficiently large enough percentages for you to do the sensitivity with just those AROs....and are consistent with PPL using the 60% balance of our nuclear ARO for our consolidated sensitivity analysis.

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, January 19, 2011 10:00 AM
To: Nitsche, John P
Cc: Wiseman, Sara L
Subject: Sensitivity Analysis

John,

I know we talked about this yesterday, but I can't remember all the details and just wanted to confirm a few things with you. Last year, PPL's nuclear ARO was 82% of the liabilities, right? What did you say it was this year because of us? Something like 56%? I was thinking you said you were still only going to perform the sensitivity analysis on the nuclear ARO even though the percentage went down quite a bit.

Our Ash Ponds, Landfills, and Gas mains take up about 65% on one company and 59% on the other. Senior Management wanted to be sure that was enough of a percentage to not have to include asbestos, so they were asking what your new percentage was and if there was any guidance out there on these sensitivities. So, we are trying to be as consistent with you as possible. Please let me know your thoughts.

Thanks,

Angela

---

information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Crescente, Angela

From: Wiseman, Sara
Sent: Tuesday, January 18, 2011 10:21 AM
To: Erskine, Greg
Cc: Crescente, Angela
Subject: RE:

No, Valerie agreed the mapping, as you have it, is correct.

From: Erskine, Greg
Sent: Tuesday, January 18, 2011 8:47 AM
To: Wiseman, Sara
Subject: FW:

Sara:

Do I need to do anything with this?

Greg

From: Scott, Valerie
Sent: Sunday, January 16, 2011 1:54 PM
To: Erskine, Greg
Cc: Wiseman, Sara; Pienaar, Lesley; Charnas, Shannon
Subject:

Greg,

The following two accounts are mapped to other current liabilities in your consolidation and should be mapped to AROs. Would you work with Sara to make the correction?

230022	ASSET RETIREMENT OBLIGATIONS - STEAM - ST
230026	ASSET RETIREMENT OBLIGATIONS - GAS - ST

Valerie

Crescente, Angela

From: Crescente, Angela
Sent: Sunday, January 09, 2011 3:06 PM
To: Fackler, Andrea
Cc: Daly, Karen
Subject: RE: RWIP question

Yes.

From: Fackler, Andrea
Sent: Sunday, January 09, 2011 3:05 PM
To: Daly, Karen; Crescente, Angela
Subject: RWIP question

Is it appropriate to call the RWIP expenditures flowing through cost of removal and AROs "expenditures to remove assets from service"? Since we are netting these in the cash flow statement as one line item, I need to make sure my description is appropriate for both types of expenditures.

Thanks,
Andrea

Andrea Fackler, CPA
Accounting Analyst II
LG&E and KU Energy, LLC
220 W. Main Street, 9th Floor
Louisville, KY 40202
P: (502) 627-3442

Crescente, Angela

From:	Wiseman, Sara
Sent:	Friday, December 30, 2011 1:50 PM
To:	'Jacki Hall'
Cc:	Crescente, Angela
Subject:	FW: Trimble County ARO
Attachments:	RE: Trimble County ARO
Follow Up Flag:	Follow up
Flag Status:	Completed

Hi Jacki:

No changes.

Thanks,

Angela

From: Jacki Hall [mailto:jhall@impa.com]
Sent: Wednesday, December 21, 2011 5:18 PM
To: Wiseman, Sara
Subject: Trimble County ARO

Hi Sara,

In preparation of our year-end closing, is there any new or updated ARO information relating to the units at Trimble County as of December 31, 2011? I have attached what you sent earlier this year as of December 31, 2010.

Thanks for your help!

Jacki

Jacqueline R. Hall
Senior Accountant
Indiana Municipal Power Agency
11610 North College Avenue
Carmel, IN 46032
P: 317-575-3875
F: 317-575-3372
E: jhall@impa.com

Asset Retirement Obligation
Summary of Details

Location	Description	Legal Requirement	Estimated Settlement Date	Estimated Cost
TC1	TC-Ash Pond	Resource Conservation and Recovery Act, Clean Water Act	12/1/2036	14,339,500
TC1	TC-Chemical Storage	Clean Water Act, Resource Conservation and Recovery Act	12/1/2036	23,798
TC CTs	TC-Coal Storage	Clean Water Act	12/1/2036	573,500
TC1	TC-Environmental Ponds	Resource Conservation and Recovery Act, Clean Water Act	12/1/2036	723,000
TC1	TC-Nuclear Sources	The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100	12/1/2036	32,620
TC1	TC-Sewage Treatment Plant	Clean Water Act	12/1/2036	26,155
Total				**$ 15,718,573**

Crescente, Angela

From:	Keatseangsilp, Janna - GCM <janna.keatseangsilp@baml.com>
Sent:	Wednesday, December 14, 2011 11:03 AM
To:	Crescente, Angela
Cc:	Horne, Elliott
Subject:	RE: Yield Curve request
Follow Up Flag:	Follow up
Flag Status:	Completed

As of Dec 1:

3mth	1.5396
6mth	1.5919
1yr	1.8292
2yr	2.2080
3yr	2.5602
4yr	2.9684
5yr	3.3269
7yr	4.0283
8yr	4.2862
9yr	4.4654
10yr	4.6760
15yr	5.2881
20yr	5.3818
25yr	5.3746
30yr	5.4468

Let me know if you need anything else.

Janna

Janna Keatseangsilp
Bank of America Merrill Lynch | Debt Capital Markets
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 8th Floor | New York, NY 10036
T: (646) 855-9563 | janna.keatseangsilp@baml.com

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, December 14, 2011 10:40 AM
To: Keatseangsilp, Janna - GCM
Cc: Horne, Elliott
Subject: FW: Yield Curve request

Janna,

Please forgive me if I have misplaced your email. Would you mind resending me the rates as requested below?

Thanks,
Angela

From: Crescente, Angela
Sent: Friday, December 02, 2011 11:09 AM

To: 'Keatseangsilp, Janna - GCM'
Cc: Horne, Elliott
Subject: RE: Yield Curve request

Janna,

Would you please provide me the yield curve for a BBB+ rated entity as of December 1, 2011?

Thanks,
Angela

From: Keatseangsilp, Janna - GCM [mailto:janna.keatseangsilp@baml.com]
Sent: Monday, November 07, 2011 11:20 AM
To: Horne, Elliott
Cc: Crescente, Angela
Subject: RE: Yield Curve request

As of Nov 1:

3mth	1.3677
6mth	1.4157
1yr	1.6590
2yr	2.0150
3yr	2.3937
4yr	2.7604
5yr	3.0911
7yr	3.7862
8yr	4.0351
9yr	4.1927
10yr	4.4398
15yr	5.0435
20yr	5.1601
25yr	5.1474
30yr	5.2111

Let me know if you need anything else!

Janna

Janna Keatseangsilp
Bank of America Merrill Lynch | Debt Capital Markets
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 8th Floor | New York, NY 10036
T: (646) 855-9563 | janna.keatseangsilp@baml.com

From: Horne, Elliott [mailto:Elliott.Horne@lge-ku.com]
Sent: Monday, November 07, 2011 9:27 AM
To: Keatseangsilp, Janna - GCM
Cc: Crescente, Angela
Subject: FW: Yield Curve request

Hello Janna,
Can you forward me the yield curve for a BBB+ rated entity as of November 1, 2011? (Provided below is similar information that you sent me earlier this year.) Please copy Angela Crescente on your response. Thanks!

From: Keatseangsilp, Janna - GCM [mailto:janna.keatseangsilp@baml.com]
Sent: Tuesday, September 27, 2011 8:51 AM
To: Horne, Elliott; Crescente, Angela
Subject: RE: Yield Curve request

Elliott and Angela,

Please see below. Let me know if you need anything else!

Thanks,
Janna

Jan 3:

3mth	.7328
6mth	.8291
1yr	1.2084
2yr	1.7600
3yr	2.1971
4yr	2.6696
5yr	3.1507
7yr	3.8689
8yr	4.1816
9yr	4.3678
10yr	4.6041
15yr	5.3941
20yr	5.8834
25yr	5.7692
30yr	5.8071

Sep 1:

3mth	.8099
6mth	.8697
1yr	1.1926
2yr	1.5599
3yr	1.7176
4yr	1.9274
5yr	2.2404
7yr	2.8034
8yr	3.1254
9yr	3.3178
10yr	3.6592
15yr	4.5424
20yr	4.9412
25yr	4.9120
30yr	4.9964

Sep 23:

3mth	.8815
6mth	.9090
1yr	1.2480
2yr	1.6578
3yr	1.8533
4yr	2.0436
5yr	2.2925
7yr	2.7826
8yr	3.0642
9yr	3.1825

10yr	3.4890
15yr	4.2507
20yr	4.5705
25yr	4.4882
30yr	4.5228

Janna Keatseangsilp
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T: (646) 855-9563 | janna.keatseangsilp@baml.com

From: Horne, Elliott [mailto:Elliott.Horne@lge-ku.com]
Sent: Monday, September 26, 2011 4:37 PM
To: Keatseangsilp, Janna - GCM
Subject: FW: Yield Curve request

Hello Janna,
Thanks so much for the information. Please see request below from our accounting department and advise if you are able to accommodate.

From: Crescente, Angela
Sent: Monday, September 26, 2011 3:56 PM
To: Horne, Elliott
Subject: RE: Yield Curve request

Thanks Elliott! Would she also be able to add 3 month, 6 month, 4 year, 8 year, 9 year, 15 year, and 25 year for both January and September? Would she also be able to provide the rates as of September 1, 2011? Thanks so much for your help. I'm sorry, I should have asked for these specifically before, but I didn't know that the Deloitte spreadsheet was going to be so specific.

Thanks so much!
Angela

P.S. Please thank her too!

From: Horne, Elliott
Sent: Monday, September 26, 2011 3:33 PM
To: Crescente, Angela
Cc: Arbough, Dan
Subject: FW: Yield Curve request

Angela,
Attached are the BBB+ yield curve rates as of January and September of 2011.

From: Keatseangsilp, Janna - GCM [mailto:janna.keatseangsilp@baml.com]
Sent: Monday, September 26, 2011 3:19 PM
To: Horne, Elliott
Cc: Timmeny, Sean H - GCM
Subject: RE: Yield Curve request

Hi Eliot,

Here are the yield curves per your request. Please let me know if I can help with anything else.

Jan 3:

1yr	1.2084
2yr	1.7600
3yr	2.1971
5yr	3.1507
7yr	3.8689
10yr	4.6041
20yr	5.8834
30yr	5.8071

Sep 23:

1yr	1.2480
2yr	1.6578
3yr	1.8533
5yr	2.2925
7yr	2.7826
10yr	3.4890
20yr	4.5705
30yr	4.5228

Best,
Janna

Janna Keatseangsilp
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Merrill Lynch, Pierce, Fenner & Smith Incorporated
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T: (646) 855-9563 | janna.keatseangsilp@baml.com

From: Horne, Elliott [mailto:Elliott.Horne@lge-ku.com]
Sent: Monday, September 26, 2011 2:28 PM
To: Keatseangsilp, Janna - GCM
Cc: Timmeny, Sean H - GCM
Subject: Yield Curve request

Thanks Janna,

Can you forward me the yield curve for a BBB+ rated entity (as of January 2011 and most recent available)? The periods that I need in particular are below. Please call me if you have any questions. Thanks!

1yr
2yr
3yr
5yr
7yr
10yr
20yr
30yr

From: Keatseangsilp, Janna - GCM [mailto:janna.keatseangsilp@baml.com]
Sent: Monday, September 26, 2011 2:26 PM
To: Horne, Elliott
Subject: Sean Timmeny and Janna's email

Hi Elliot,

This is my email address. Sean Timmeny's is sean.timmeny@baml.com. Let me know what you need again and we'll start working on it.

Thanks!

Janna

Janna Keatseangsilp
Bank of America Merrill Lynch | Debt Capital Markets
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park, 8th Floor | New York, NY 10036
T: (646) 855-9563 | janna.keatseangsilp@baml.com

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Crescente, Angela

From:	Miller, Jon
Sent:	Wednesday, December 14, 2011 9:20 AM
To:	Wiseman, Sara; Crescente, Angela
Subject:	FW: ARO Quarterly Questionnaire.docx
Follow Up Flag:	Follow up
Flag Status:	Completed

Attached is the ARO questionnaire for Transmission.

Jon

From: Trimble, Robert
Sent: Wednesday, December 14, 2011 9:15 AM
To: Miller, Jon
Subject: ARO Quarterly Questionnaire.docx

ARO Quarterly
Questionnaire.do...

ARO Quarterly Questionnaire

Please answer the following questions for the period since the date of your last completed questionnaire.

1. To the best of your knowledge, are you aware of any changes that would impact the valuation of the asset retirement obligations ("AROs") that have been identified? Such changes may include changes in laws, statutes, regulations, precedents set by the Company, contracts, permits, certificates of need, right of way agreements, market costs or available resources for remediation, or planned retirements. (Please list)

Answer: None

2. To the best of your knowledge, are you aware of any acquired assets, land, or leases that will create an ARO? (Please list, include location)

Answer: None

3. To the best of your knowledge, are you aware of any new construction that will create an ARO? (Please list, include location)

Answer: None

4. In certain very limited circumstances the Company could be determined to be obligated to retire an asset or a group of assets based upon a commitment made to a third party. Are you aware of any communications either written or verbal between representatives of LKE and third parties with respect to retirement of an asset or a group of assets owned by LKE at the end of operations or a specific point in time? If so, please list the identities of the LKE representatives and assets involved, as well as the third party or parties who were involved and the context in which the discussions took place.

Answer: None

Completed by: _______Robby Trimble

For the quarter ended: _December 2012

Crescente, Angela

From: Allen, Lisa
Sent: Tuesday, December 13, 2011 9:10 AM
To: Wiseman, Sara; Crescente, Angela
Subject: RE: ARO Quarterly Questionnaire.docx

Follow Up Flag: Follow up
Flag Status: Completed

Again, please disregard until I can combine all of ED together.

Lisa

From: Sundheimer, Glenn
Sent: Tuesday, December 13, 2011 9:08 AM
To: Wiseman, Sara; Crescente, Angela
Cc: Allen, Lisa
Subject: ARO Quarterly Questionnaire.docx

<< File: ARO Quarterly Questionnaire.docx >>

Crescente, Angela

From:	Sundheimer, Glenn
Sent:	Tuesday, December 13, 2011 9:08 AM
To:	Wiseman, Sara; Crescente, Angela
Cc:	Allen, Lisa
Subject:	ARO Quarterly Questionnaire.docx
Follow Up Flag:	Follow up
Flag Status:	Completed

ARO Quarterly
Questionnaire.do...

ARO Quarterly Questionnaire

Please answer the following questions for the period since the date of your last completed questionnaire.

1. To the best of your knowledge, are you aware of any changes that would impact the valuation of the asset retirement obligations ("AROs") that have been identified? Such changes may include changes in laws, statutes, regulations, precedents set by the Company, contracts, permits, certificates of need, right of way agreements, market costs or available resources for remediation, or planned retirements. (Please list)

Answer: No.

2. To the best of your knowledge, are you aware of any acquired assets, land, or leases that will create an ARO? (Please list, include location)

Answer: No.

3. To the best of your knowledge, are you aware of any new construction that will create an ARO? (Please list, include location)

Answer: Yes, we have drilled two wells in the Doe Run (KY) storage field and 5 wells in the Center storage field.

4. In certain very limited circumstances the Company could be determined to be obligated to retire an asset or a group of assets based upon a commitment made to a third party. Are you aware of any communications either written or verbal between representatives of LKE and third parties with respect to retirement of an asset or a group of assets owned by LKE at the end of operations or a specific point in time? If so, please list the identities of the LKE representatives and assets involved, as well as the third party or parties who were involved and the context in which the discussions took place.

Answer: No.

Completed by: __Glenn Sundheimer____

For the quarter ended: __December 2011____

Crescente, Angela

From:	Hudson, Rusty
Sent:	Monday, December 12, 2011 7:16 AM
To:	Wiseman, Sara
Cc:	Crescente, Angela
Subject:	FW: 4Q ARO questionnaire
Follow Up Flag:	Follow up
Flag Status:	Completed

ARO Quarterly Questionnaire.do...

ARO Quarterly Questionnaire

Please answer the following questions for the period since the date of your last completed questionnaire.

1. To the best of your knowledge, are you aware of any changes that would impact the valuation of the asset retirement obligations ("AROs") that have been identified? Such changes may include changes in laws, statutes, regulations, precedents set by the Company, contracts, permits, certificates of need, right of way agreements, market costs or available resources for remediation, or planned retirements. (Please list)

Answer: No

2. To the best of your knowledge, are you aware of any acquired assets, land, or leases that will create an ARO? (Please list, include location)

Answer: No

3. To the best of your knowledge, are you aware of any new construction that will create an ARO? (Please list, include location)

Answer: Not beyond discussion that took place week of 12/5 with Project Engineering.

4. In certain very limited circumstances the Company could be determined to be obligated to retire an asset or a group of assets based upon a commitment made to a third party. Are you aware of any communications either written or verbal between representatives of LKE and third parties with respect to retirement of an asset or a group of assets owned by LKE at the end of operations or a specific point in time? If so, please list the identities of the LKE representatives and assets involved, as well as the third party or parties who were involved and the context in which the discussions took place.

Answer: No

Completed by: Rusty Hudson

For the quarter ended: 12/31/11

Crescente, Angela

From:	Wiseman, Sara
Sent:	Tuesday, October 04, 2011 12:42 PM
To:	Charnas, Shannon
Cc:	Crescente, Angela
Subject:	Trimble County 2 Joint Use ARO 10-3-11 tracked #2.docx

Trimble County 2
Joint Use ARO...

Attached is the latest draft. I've inserted the table (thanks to Debbie H.) and added the proposed language that we discussed. Also, talked to Dan about the debt covenant and changed the response on that. Should the part that is still highlighted in green be removed?

LG&E KU
PPL companies

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MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
~~Erik Rander, Director, Shared Accounting Services~~

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

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KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated

October 3, 2011
Page 2
Trimble County 2 Joint Use Asset Retirement Obligations

Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO'<u></u>s were re-valued at November 1, 2010~~1~~ as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

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		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,~~620~~467)	3,~~664~~806	~~44~~339
Ending Balance ARO Liability	(1) + (2)	~~3~~4,~~969~~122	3,~~664~~806	7,~~633~~928

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How Error Was Identified

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An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

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Controls Impacted

This error is determined to be an observation as the errors only resulted in Balance Sheet reclassifications.

[do we not have a control that states the AROs are reviewed at least quarterly? I think there needs to be some control listed here.] Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states, "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting

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Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the error. ~~No existing controls were impacted. In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.~~

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Action Plan

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In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process effective with the~~. The~~ September 2011 financial close~~ will be the implementation date of this new process~~. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

Materiality Assessment

Periods Impacted (including quarter correction booked)

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Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)
~~**Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)**~~

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		6ME 06/30/11	
Fin Stmt Line Item	Company	Debit	Credit

October 3, 2011
Page 4
Trimble County 2 Joint Use Asset Retirement Obligations

Regulated Utility Plant	LG&E		3,~~592~~286
Accumulated Depreciation	LG&E	11756	
Regulatory Assets	LG&E		2~~7~~096
Asset Retirement Obligations	LG&E	~~4,122~~3,4676	~~3,620~~

Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		10~~6~~5
Regulatory Assets	KU	2487	
Asset Retirement Obligations	KU		~~3,664~~3,806

In this situation, a waived adjustment was not-entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustment was discovered in September, which was too late to be included in the June 2011 waived adjustment file.

The following table shows the financial statement line affected:

	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
Trimble County Joint ARO Adjustment	(3.3)	3.7	(3.3)	3.7
Regulated Assets	2,832	4,361	2,868	4,410
Percentage	-0.12%	0.08%	-0.12%	0.08%
Trimble County Joint ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%
Trimble County Joint ARO Adjustment	(0.3)	0.2	(0.3)	0.2
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%
Trimble County Joint ARO Adjustment	(3.5)	3.8	(3.5)	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	-7.14%	7.04%	-7.00%	6.91%
Trimble county Joint Use ARO Adjustment	(3.5)	3.8	(3.5)	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	-0.29%	0.30%	-0.28%	0.30%

On a consolidated LKE basis, the amounts on all financial statement lines almost offset and the impact is minimal on any financial statement line.

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Qualitative Assessment

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In Topic 1 - M. "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first quarter difference not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response -
  The asset retirement obligations are based on~~An~~ estimates.

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- Whether it masks a change in earnings or other trends.

  Response - No, there is no income statement impact.

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- Whether it hides a failure to meet analysts' or others' consensus expectations.

  Response - No, there is no income statement impact.

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- Whether it changes a loss into income or vice versa.

  Response - No, there is no income statement impact.

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- Whether it affects compliance with regulatory requirements.

  Response - No.

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- Whether it affects compliance with loan covenants or other contractual requirements.

  Response — No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

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- Whether it has the effect of increasing management's bonuses or other compensation.

  Response - No.

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- Whether it involves concealment of an unlawful or fraudulent transaction.

  Response - No.

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Conclusion on Materiality Assessment

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Management has concluded, based on both the quantitative and qualitative assessments, this error ~~is~~ is not material to the financial statements.

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~~[If the error is determined to be material add discussion of how the financial statements will be corrected.]~~

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NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

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NOTE: If the adjustment creates a financial statement error of more than 5% of any financial statement line item, other than income taxes, in the current reporting period complete the sections below. If the error is less than 5% of any financial statement line item, please delete the sections below prior to finalizing your document.

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This error impacted the balance sheet only, there was no income statement impact. For LG&E and KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Deferred Credits and Other Noncurrent Liabilities balance sheet line. Management believes an investor would be more likely to consider the Deferred Credits and Other Noncurrent Liabilities line when making investment decisions as opposed to considering the Asset Retirement Obligations line.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

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The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of ~~design~~operation. Management believes that the deficiency in the ~~design~~operation of the controls ~~should~~should not be classified as a significant deficiency or material weakness.

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~~*[NOTE: If the deficiency is a design deficiency, it must be classified as either a significant deficiency or material weakness.]*~~

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

~~Add discussion of disclosure, if any required, or state none is required~~No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error ~~is~~is not a significant deficiency~~/~~ or material weakness and ~~will~~will not be disclosed in the financial statements.

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Crescente, Angela

From: Wiseman, Sara
Sent: Thursday, October 06, 2011 11:21 AM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: EAM - ARO (TC2 Joint Use and Gas Trans) 10-5-11.docx

EAM - ARO (TC2
Joint Use and G...

Shannon: Here is the draft after we added the info from today.

LG&E KU
PPL companies

MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly ~~FASB 143~~FIN 47) was originally adopted in 2005~~3~~, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains. [Please verify this addition is correct.Correct, as changed]

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These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability for TC2 (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,467)	3,806	339
Ending Balance ARO Liability	(1) + (2)	4,122	3,806	7,928

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling ~~$X.X~~3.9 million.

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How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel [& field personnel?] realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted

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questions from field personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be. [Shouldn't this error have been identified as we reviewed AROs each year? Was there a change in the legal requirements this year that triggered the more detailed review?]

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Controls Impacted

This error is determined to be an observation as the error only resulted in Balance Sheet adjustments.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large-~~-~~scale transmission main replacement projects in the past nor are any planned ~~for~~ in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing. [I am not sure the last statement is true. I thought we had an ongoing gas main replacement program.Per Tom Rieth, there have been only minor transmission main replacements, the large project going on right now is for distribution mains only.] [Isn't there another control about quarterly or annual reviews of AROs? No, it is mentioned as a process in the narratiave, but it is not a control. Wouldn't that control be the control that failed here due to misunderstandings of what was included in the numbers (an operation error)? If the control shown here did not detect the problem (a design error), do we have a significant deficiency?]

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Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

Periods Impacted (including quarter correction booked)

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

October 5, 2011
Page 5
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the financial statement lines affected ($ millions):

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	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
ARO Adjustment	.7	3.7	.7	3.7
Regulated Assets	2,832	4,361	2.868	4,410
Percentage	0.02%	0.08%	0.02%	0.08%
ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%
ARO Adjustment	(0.3)	0.2	(0.3)	0.2
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%
ARO Adjustment	0.5	3.8	0.5	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	1.02%	7.04%	1.00%	6.91%
ARO Adjustment	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	0.04%	0.30%	0.04%	0.30%

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - No, there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - No, there is no income statement impact.

- Whether it changes a loss into income or vice versa.
  Response - No, there is no income statement impact.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line. ~~Management believes an investor would be more likely to consider the Deferred Credits and Other Noncurrent Liabilities line when making investment decisions as opposed to considering the Asset Retirement Obligations line.~~ [I am not sure we want to make this statement given the EPA and gas pipeline news lately. Can we delete this sentence? YES]

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NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation. The deficiency is one of operation based on the discussion with field personnel that took place to identify the need for quantification of the ARO. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness. [See my comment above regarding design vs. operating.]

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Disclosure

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[1] AUDITING STANDARD No. 5 -AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From: Charnas, Shannon
Sent: Wednesday, October 05, 2011 8:45 PM
To: Wiseman, Sara; Crescente, Angela
Subject: FW: Revised EAM for AROs

Sara & Angela –

Can you work on addressing Valerie's comments. Let me know if there is anything we should discuss.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Scott, Valerie
Sent: Wednesday, October 05, 2011 7:38 PM
To: Charnas, Shannon
Subject: RE: Revised EAM for AROs

Shannon,

I have added some comments in the attached. Let me know if we should discuss.

EAM - ARO (TC2
Joint Use and G...

Valerie

From: Charnas, Shannon
Sent: Wednesday, October 05, 2011 4:03 PM
To: Scott, Valerie
Subject: Revised EAM for AROs

Valerie –

Let me know if you have any comments or would like to discuss.

Thanks, << File: EAM - ARO (TC2 Joint Use and Gas Trans) 10-5-11.docx >>

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

LG&E KU
PPL companies

MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
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Mimi Kelly, Manager, Sarbanes-Oxley Compliance
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	LG&E	KU
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Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

October 5, 2011
Page 2
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

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Periods Impacted *(including quarter correction booked)*

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Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	6ME 06/30/11 Credit
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Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the financial statement lines affected ($ millions):

	3/31/2011 LG&E	3/31/2011 KU	6/30/2011 LG&E	6/30/2011 KU
ARO Adjustment	.7	3.7	.7	3.7
Regulated Assets	2,832	4,361	2.868	4,410
Percentage	0.02%	0.08%	0.02%	0.08%
ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%
ARO Adjustment	(0.3)	0.2	(0.3)	0.2

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	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%
ARO Adjustment	0.5	3.8	0.5	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	1.02%	7.04%	1.00%	6.91%
ARO Adjustment	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	0.04%	0.30%	0.04%	0.30%

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - No, there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - No, there is no income statement impact.

- Whether it changes a loss into income or vice versa.
  Response - No, there is no income statement impact.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line. Management believes an investor would be more likely to consider the Deferred Credits and Other Noncurrent Liabilities line when making investment decisions as opposed to considering the Asset Retirement Obligations line. [I am not sure we want to make this statement given the EPA and gas pipeline news lately. Can we delete this sentence?]

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NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

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[1] AUDITING STANDARD No. 5 -AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness. [See my comment above regarding design vs. operating.]

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Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

---

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

Crescente, Angela

From: Wiseman, Sara
Sent: Wednesday, October 05, 2011 3:40 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: ARO TC 2 Joint Use & Gas Transmission 10-5-11.docx

ARO TC 2 Joint Use_Gas Trans...

Shannon: Here is the latest draft.

LG&E KU
PPL companies

MEMORANDUM

Date: October 54, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: ~~Trimble County 2 Joint Use~~ Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E.

These~~is~~ errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	~~Understated~~Overstated	Understated
Regulatory Assets	~~Understated~~Overstated	Understated
Asset Retirement Obligations	Understated	Understated

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October 4~~5~~, 2011
Page 2
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission~~Trimble County 2 Joint Use Asset Retirement Obligations~~

~~This error caused the following misstatements on LG&E's financial statements:~~

~~Regulated Utility Plant — Overstated~~
~~Accumulated Depreciation — Overstated~~
~~Regulatory Assets — Overstated~~
~~Asset Retirement Obligations — Overstated~~

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,467)	3,806	339
Ending Balance ARO Liability	(1) + (2)	4,122	3,806	7,928

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011.

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How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage.

Controls Impacted

This error is determined to be an observation as the error only resulted in Balance Sheet adjustments.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ~~2-~~ARO error. This control also did not prevent the error for the g~~G~~as t~~T~~ransmission m~~M~~ains since there have not been any large scale main replacement projects in the past nor are any planned for in the future.

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Action Plan

In an effort to prevent ~~this~~ the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

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In an effort to ensure that any future ~~G~~gas t~~T~~ransmission ~~M~~main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

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Materiality Assessment

***Periods Impacted** (including quarter correction booked)*

October 4~~~~5, 2011
Page 4
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission~~Trimble County 2 Joint Use Asset Retirement Obligations~~

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	~~3,286~~
Accumulated Depreciation	LG&E	~~115~~107	
Regulatory Assets	LG&E		~~296~~288
Asset Retirement Obligations	LG&E	~~3,467~~	475

Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were~~as~~ discovered ~~in September, which was~~ too late to be included in the June 2011 waived adjustment file.

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The following table shows the financial statement lines affected ($ millions):

	3/31/2011 LG&E	3/31/2011 KU	6/30/2011 LG&E	6/30/2011 KU
~~Trimble County Joint~~ ARO Adjustment	~~(3.3)~~.7	3.7	~~(3.3)~~.7	3.7
Regulated Assets	2,832	4,361	2.868	4,410
Percentage	-0.0~~1~~2%	0.08%	-0.0~~1~~2%	0.08%
~~Trimble County Joint~~ ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%
~~Trimble County Joint~~ ARO Adjustment	(0.3)	0.2	(0.3)	0.2
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%

Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission~~Trimble County 2 Joint Use Asset Retirement Obligations~~

~~Trimble County Joint~~ ARO Adjustment	0~~(3.5)~~	3.8	0~~(3.5)~~	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	1-7.0214%	7.04%	1-7.00%	6.91%
~~Trimble county Joint Use~~ ARO Adjustment	0~~(3.5)~~	3.8	0~~(3.5)~~	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	-0.2049%	0.30%	-0.0428%	0.30%

~~On a consolidated LKE basis, the amounts on all financial statement lines almost offset and the impact is minimal on any financial statement line.~~

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Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first quarter difference not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - No, there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - No, there is no income statement impact.

- Whether it changes a loss into income or vice versa.
  Response - No, there is no income statement impact.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For~~LG&E and~~ KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Deferred Credits and Other Noncurrent Liabilities balance sheet line. Management believes an investor would be more likely to consider the Deferred Credits and Other Noncurrent Liabilities line when making investment decisions as opposed to considering the Asset Retirement Obligations line.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2]

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

(Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From: Wiseman, Sara
Sent: Monday, October 03, 2011 6:05 PM
To: Crescente, Angela
Subject: FW: Trimble County 2 Joint Use ARO 10 3 11.docx

Forgot to copy you.

From: Wiseman, Sara
Sent: Monday, October 03, 2011 6:05 PM
To: Charnas, Shannon
Subject: Trimble County 2 Joint Use ARO 10 3 11.docx

Trimble County 2
Joint Use ARO...

Shannon: I've added in the new parts from the new template. I guess we need to talk about page 5 and 6. The adjustments on the individual companies (LGE and KU) are more than 5% each, but they offset. Should I be noting that somehow? Maybe I should put the LKE set of entries back in? I hate to say this, but I'm going to send you a meeting notice for 30 minutes on Tuesday to try to get this finished.

☹

Sara

LG&E KU
PPL companies

MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
Erik Rander, Director, Shared Accounting Services

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

October 3, 2011
Page 2
Trimble County 2 Joint Use Asset Retirement Obligations

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated
Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO~~'~~s were re-valued at November 1, 2010~~1~~ as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,~~620~~467)	3,~~664~~806	~~44~~339
Ending Balance ARO Liability	(1) + (2)	~~3~~4,~~969~~122	3,~~664~~806	7,~~633~~928

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

Controls Impacted

This error is determined to be an observation as the errors only resulted in Balance Sheet reclassifications.

[do we not have a control that states the AROs are reviewed at least quarterly? I think there needs to be some control listed here.] Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the

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project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the error. ~~No existing controls were impacted. In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.~~

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Action Plan

In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

Materiality Assessment

Periods Impacted *(including quarter correction booked)*

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Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's) ~~**Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)**~~

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	6ME 06/30/11 Credit
Regulated Utility Plant	LG&E		3,592286
Accumulated Depreciation	LG&E	11756	
Regulatory Assets	LG&E		27096
Asset Retirement Obligations	LG&E	4,1223,4676	~~3,620~~
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		1065
Regulatory Assets	KU	2487	
Asset Retirement Obligations	KU		~~3,664~~3,806

In this situation, a waived adjustment was not-entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustment was discovered in September, which was too late to be included in the June 2011 waived adjustment file.

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first quarter difference not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.

  An estimate.

- Whether it masks a change in earnings or other trends.

  No.

- Whether it hides a failure to meet analysts' or others' consensus expectations.

  No.

- Whether it changes a loss into income or vice versa.

  No.

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- Whether it affects compliance with regulatory requirements.

  No.

- Whether it affects compliance with loan covenants or other contractual requirements.

  No.

- Whether it has the effect of increasing management's bonuses or other compensation.

  No.

- Whether it involves concealment of an unlawful or fraudulent transaction.

  No.

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Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is/is not material to the financial statements.

[If the error is determined to be material add discussion of how the financial statements will be corrected.]

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

NOTE: If the adjustment creates a financial statement error of more than 5% of any financial statement line item, other than income taxes, in the current reporting period complete the sections below. If the error is less than 5% of any financial statement line item, please delete the sections below prior to finalizing your document.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

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The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of design/operation. Management believes that the deficiency in the design/operation of the controls should/should not be classified as a significant deficiency or material weakness.

(NOTE: If the deficiency is a design deficiency, it must be classified as either a significant deficiency or material weakness.)

Disclosure

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

Add discussion of disclosure, if any required, or state none is required.

Conclusion

Management has concluded the error is/is not a significant deficiency/material weakness and will/will not be disclosed in the financial statements.

Crescente, Angela

From: Wiseman, Sara
Sent: Monday, October 03, 2011 4:54 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: Trimble County 2 Joint Use ARO 10 3 11.docx

Trimble County 2 Joint Use ARO...

Shannon: Here is the memo with the journal entry numbers.

LG&E KU
PPL companies

MEMORANDUM

Date:	October 3, 2011
To:	Valerie L. Scott, Controller
From:	Sara Wiseman, Manager, Property Accounting Angela Crescente, Accounting Analyst III, Property Accounting
Re:	Trimble County 2 Joint Use Asset Retirement Obligations
cc:	Shannon Charnas, Director, Accounting & Regulatory Reporting Debbie Shelton, Director, Audit Services Mimi Kelly, Manager, Sarbanes-Oxley Compliance Lesley Pienaar, Manager, Financial Reporting Ernst & Young Erik Rander, Director, Shared Accounting Services

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated
Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO's were re-valued at November 1, 2011 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,~~620~~467)	3,~~664~~806	44339
Ending Balance ARO Liability	(1) + (2)	~~3~~4,~~969~~122	3,~~664~~806	7,~~633~~928

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How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

Controls Impacted

This error is determined to be an observation as the errors only resulted in Balance Sheet reclassifications.

[do we not have a control that states the AROs are reviewed at least quarterly? I think there needs to be some control listed here.] Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the

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project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the error.

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~~No existing controls were impacted.~~ In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	6ME 06/30/11 Credit
Regulated Utility Plant	LG&E		3,592286
Accumulated Depreciation	LG&E	11756	
Regulatory Assets	LG&E		27096
Asset Retirement Obligations	LG&E	4,1223,4676	~~3,620~~
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		1065
Regulatory Assets	KU	2487	
Asset Retirement Obligations	KU		~~3,664~~3,806

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In this situation, a waived adjustment was not-entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustment was discovered in September, which was too late to be included in the June 2011 waived adjustment file.

Crescente, Angela

From:	Wiseman, Sara
Sent:	Monday, October 03, 2011 11:02 AM
To:	Charnas, Shannon
Cc:	Crescente, Angela

40.01 - Acquisitions Dis... Trimble County 2 Joint Use ARO...

Shannon: I've updated the memo based on our conversation this morning. I left all of you changes tracked and added my own. Also, I'm attaching the Sox narrative with the changes tracked.

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V

Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V

Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.

#3	Key	Risk: 2,5	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.						

#4	Key	Risk: 2,5	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.						

#5	Key	Risk: 3	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.						

#6	Key	Risk: 3	Event -driven	Manual	Preventive	C, A, V
Work Order Analysis Checklist : The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.						

#7	Key	Risk: 4,5,7	Monthly	Manual	Preventive	C, A
Closing Checklist: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.						

#8	Key	Risk: 4,5	Monthly	Semi-Automated	Detective	C, A
Period closing activities: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).						

#9	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Acquisitions: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for						

further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations.

#10	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Disposals : If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	Key	Risk: 8	Ongoing	Manual	Preventive	C, A, V, R
Spreadsheet Controls: Reference control activity number 1 on 80.10 – General ICFR						

#12	Key	Risk: 9	Quarterly	Manual	Preventive	R
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 – General ICFR						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. – Additionally, the Accounting Analyst will review reports for account 254-Regulatory

Liability-ARO for any new ARO asset activity. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. Any new or unexpected activity in this account will be investigated by the Analyst to ascertain whether the associated ARO liability has been established. Any issues or problems will be addressed.

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to

every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 3]** If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. **[CA 4]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. **[CA 6]** The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. In order to ensure that potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application

Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 11]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 12]**

Information Processing Objectives (CAVR)

Completeness: All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

Accuracy: Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

Validity: Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

LG&E KU
PPL companies

MEMORANDUM

Date: October 3, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Trimble County 2 Joint Use Asset Retirement Obligations

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young
Erik Rander, Director, Shared Accounting Services

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established.

KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

~~The root cause of the error was due to human error.~~

This error caused the following misstatements on KU's financial statements:

Regulated Utility Plant	Understated
Accumulated Depreciation	Understated
Regulatory Assets	Understated
Asset Retirement Obligations	Understated

This error caused the following misstatements on LG&E's financial statements:

Regulated Utility Plant	Overstated
Accumulated Depreciation	Overstated
Regulatory Assets	Overstated
Asset Retirement Obligations	Overstated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the ARO's were re-valued at November 1, 2011 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability (in millions $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
Net September 2011 Activity	(2)	(3,620)	3,664	44
Ending Balance ARO Liability	(1) + (2)	3,969	3,664	7,633

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

Controls Impacted

This error is determined to be an observation as the errors only resulted in Balance Sheet reclassifications.

[do we not have a control that states the AROs are reviewed at least quarterly? I think there needs to be some control listed here.] Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states, "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting

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Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the error.

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~~No existing controls were impacted.~~ In an effort to prevent this error from occurring in the future, Property Accounting will implement a new process. The September 2011 financial close will be the implementation date of this new process. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010				
2009				

Adjustment to Amounts Reported on Financial Statements – US GAAP (000's)

		6ME 06/30/11	
Fin Stmt Line Item	Company	Debit	Credit
Regulated Utility Plant	LG&E		
Accumulated Depreciation	LG&E		
Regulatory Assets	LG&E		
Asset Retirement Obligations	LG&E		3,620
Regulated Utility Plant	KU		
Accumulated Depreciation	KU		
Regulatory Assets	KU		
Asset Retirement Obligations	KU		3,664

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustment was discovered in September, which was too late to be included in the June 2011 waived adjustment file.

Crescente, Angela

From: Wiseman, Sara
Sent: Monday, October 24, 2011 3:22 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: ARO (TC2 Joint Use and Gas Trans) 10-7-11 clean - EY comments.docx

ARO (TC2 Joint Use and Gas Tra...

Shannon: Please review. I think we have made all of the changes we discussed. Angela will forward the support on Tuesday.

LG&E KU
PPL companies

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MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is ~~mainly~~ primarily due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability for TC2 (in thousands $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability[(A)]	(1)	7,589	-	7,589
Reversal of LG&E's ARO[(A)]		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,467)	3,806	339
Ending Balance ARO Liability	(1) + (2)	4,122	3,806	7,928

[(A)]This amount includes accretion since the liability was originally recorded.

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there

Comment [MG1]: Was there any accretion during 2011 that will be reversed or is $7,589 net?

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Comment [MG2]: Why not identified earlier?

was no triggering event. The implementation of the questionnaire prompted questions from field personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The errors are determined to be deficiencies as the errors were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states *"ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large-scale transmission main replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This

training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

***Periods Impacted** (including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

October 5, 2011
Page 5
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

The following table shows the detailed financial statement lines affected ($ millions):

	12/31/09	12/31/10	3/31/2011		6/30/2011	
	LG&E	**LG&E**	**LG&E**	**KU**	**LG&E**	**KU**
~~ARO Adjustment~~Impact of ARO Adjustment on Regulated Utility Plant	3.9	3.9	.7	3.7	.7	3.7
Regulated Utility Plant ~~Assets~~ (A/C 101)	4,200	2,600	2,832	4,361	2,868	4,410
Total Percentage Impact on F/S Line	0.09%	~~-1~~40.15%	0.02%	0.08%	0.02%	0.08%
Impact of ARO Adjustment on Accumulated Depreciation~~ARO Adjustment~~	.009	.009	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation (A/C 108)	1,708	17	44	54	68	90
Total Percentage Impact on F/S Line~~Percentage~~	0.00%	0.05%	-0.23%	0.19%	-0.15%	0.11%
Impact of ARO Adjustment on Regulatory Assets ~~ARO Adjustment~~	.009	.009	(0.3)	0.2	(0.3)	0.2
Regulatory Assets (A/C 182)	14	13	149	113	363	227
Total Percentage Impact on F/S Line~~Percentage~~	0.06%	0.07%	-0.20%	0.18%	-0.08%	0.09%
Impact of ARO Adjustment on Asset Retirement Obligations~~ARO Adjustment~~	3.9	3.9	0.5	3.8	0.5	3.8
Asset Retirement Obligations (A/C 230)	31	49	49	54	50	55
Total Percentage Impact on F/S Line~~Percentage~~	12.658%	~~8.0~~7.96%	1.02%	7.04%	1.00%	6.91%
Impact of ARO Adjustment on Total Deferred Credits and Other Noncurrent Liabilities~~ARO Adjustment~~	3.9	3.9	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities [B]	1,006	1,269	1,220	1,256	1,244	1,286
Total Percentage Impact on F/S Line~~Percentage~~	~~3.9~~0.39%	~~3.1~~0.31%	0.04%	0.30%	0.04%	0.30%

[B] This subtotal line is included to show an additional level of comparison.

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Qualitative Assessment

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In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - ~~No~~There is no income statement impact as the financial statement impact of AROs is income statement neutral.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - ~~No, t~~There is no income statement impact as the financial statement impact of AROs is income statement neutral.

- Whether it changes a loss into income or vice versa.
  Response - ~~No, t~~There is no income statement impact as the financial statement impact of AROs is income statement neutral.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Comment [MG11]: Consider expanding response to explain why there is no income statement impact.

Comment [MG12]: See previous comment

Comment [MG13]: See previous comment.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO.

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

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Page 5: [3] Comment [MG3]	Maggie Garrison	10/24/2011 10:43:00 AM

Consider adding information about impact to prior years/periods. Impact on 3/31/11 of gas transmission is reduced by the overstatement of Trimble Country. If prior period are presented (i.e. 12/31/2010), would impact of gas transmission ARO error be material?

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Should adjustments in the line items be combined with those on the following page to show combined total impact on the Regulatory Assets line item?

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Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 5: [18] Comment [MG7]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 5: [23] Comment [MG8]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 5: [27] Comment [MG9]	**Maggie Garrison**	**10/24/2011 10:44:00 AM**

Has this been included b/c ARO is not a separate line items in the F/S? Consider adding a footnote to explain why both account/line items are included.

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Page 5: [30] Comment [MG10]	**Maggie Garrison**	**10/24/2011 1:33:00 PM**

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

Page 5: [31] Formatted Table	**Debbie Hilbert**	**10/24/2011 2:06:00 PM**

Formatted Table

Page 5: [32] Formatted	**Sara Wiseman**	**10/24/2011 1:46:00 PM**

Superscript

Crescente, Angela

From:	Wiseman, Sara
Sent:	Monday, October 24, 2011 11:10 AM
To:	Crescente, Angela
Subject:	FW: Error assessment memo
Attachments:	ARO (TC2 Joint Use and Gas Trans) 10-7-11 clean - EY comments.docx
Importance:	High

From: Charnas, Shannon
Sent: Monday, October 24, 2011 10:59 AM
To: Wiseman, Sara
Subject: FW: Error assessment memo
Importance: High

Sara –

Could you have someone take a first pass at addressing these. Some are straight forward, we may want to discuss a few of them. As usual with these, the sooner the better.

Maggie also sent the following note:
Hi Shannon -

In my previous email, I forgot to ask if you could please provide support for the ARO adjustments discussed in the error assessment memo.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Maggie.Garrison@ey.com [mailto:Maggie.Garrison@ey.com]
Sent: Monday, October 24, 2011 10:49 AM
To: Charnas, Shannon
Cc: Jennifer.Beneke@ey.com
Subject: RE: Error assessment memo

Shannon -

Please see the attached Word file below with our embedded comments on the ARO error assessment memo. If you have any questions, please each out to me and we can discuss.

Thank you,
Maggie

ERNST & YOUNG
Maggie Garrison | Manager | Assurance Services
Ernst & Young
400 West Market Street, Suite 2400, Louisville, KY 40202, USA

Office: +1-502-585-6617 | Fax: +1-866-385-4284
Cell: +1-502-494-2210
Website: www.ey.com
Thank you for considering the environmental impact of printing emails.

From: "Charnas, Shannon" <Shannon.Charnas@lge-ku.com>
To: "'Jennifer.Beneke@ey.com'" <Jennifer.Beneke@ey.com>, "'Maggie.Garrison@ey.com'" <Maggie.Garrison@ey.com>
Cc: "Scott, Valerie" <Valerie.Scott@lge-ku.com>, "Shelton, Debbie" <Debbie.Shelton@lge-ku.com>, "Wiseman, Sara" <Sara.Wiseman@lge-ku.com>, "Crescente, Angela" <Angela.Crescente@lge-ku.com>, "Kelly, Mimi" <Mimi.Kelly@lge-ku.com>, "Pienaar, Lesley" <Lesley.Pienaar@lge-ku.com>, "Hickman, James" <James.Hickman@lge-ku.com>
Date: 10/07/2011 05:23 PM
Subject: RE: Error assessment memo

Attached are some revisions to the memo. I have included a clean and tracked changes version from the original I sent.

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Charnas, Shannon
Sent: Thursday, October 06, 2011 3:18 PM
To: 'Jennifer.Beneke@ey.com'; 'Maggie.Garrison@ey.com'
Cc: Scott, Valerie; Shelton, Debbie; Wiseman, Sara; Crescente, Angela; Kelly, Mimi; Pienaar, Lesley
Subject: Error assessment memo

Attached is an error assessment memo related to AROs for TC2 joint use assets and Transmission gas mains. The impact is on the balance sheet only. Please let me know if you have any questions.

Thanks, << File: ARO (TC2 Joint Use and Gas Trans).docx >>

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

[attachment "ARO (TC2 Joint Use and Gas Trans) 10-7-11 clean.docx" deleted by Maggie M. Garrison/Assurance/AABS/EYLLP/US] [attachment "ARO (TC2 Joint Use and Gas Trans) 10-7-11 tracked.docx" deleted by Maggie M. Garrison/Assurance/AABS/EYLLP/US]

LG&E KU
PPL companies

MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

October 5, 2011
Page 2
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is ~~mainly~~ primarily due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability for TC2 (in thousands $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,467)	3,806	339
Ending Balance ARO Liability	(1) + (2)	4,122	3,806	7,928

Comment [MG1]: Was there any accretion during 2011 that will be reversed or is $7,589 net?

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

Comment [MG2]: Why not identified earlier?

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field

personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The errors are determined to be deficiencies as the errors were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

October 5, 2011
Page 4
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

Materiality Assessment

***Periods Impacted** (including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the financial statement lines affected ($ millions):

	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
ARO Adjustment	.7	3.7	.7	3.7
Regulated Assets	2,832	4,361	2,868	4,410
Percentage	0.02%	0.08%	0.02%	0.08%
ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%
ARO Adjustment	(0.3)	0.2	(0.3)	0.2
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%

Comment [MG3]: Consider adding information about impact to prior years/periods. Impact on 3/31/11 of gas transmission is reduced by the overstatement of Trimble Country. If prior period are presented (i.e. 12/31/2010), would impact of gas transmission ARO error be material?

Comment [MG4]: Should adjustments in the line items be combined with those on the following page to show combined total impact on the Regulatory Assets line item?

Comment [MG5]: Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets
Regulated Assets, Total
Percentage Impact on F/S Line

	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
ARO Adjustment	0.5	3.8	0.5	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	1.02%	7.04%	1.00%	6.91%
ARO Adjustment	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	0.04%	0.30%	0.04%	0.30%

Comment [MG3]: Consider adding information about impact to prior years/periods. Impact on 3/31/11 of gas transmission is reduced by the overstatement of Trimble Country. If prior period are presented (i.e. 12/31/2010), would impact of gas transmission ARO error be material?

Comment [MG6]: Has this been included b/c ARO is not a separate line items in the F/S? Consider adding a footnote to explain why both account/line items are included.

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - ~~No, t~~There is no income statement impact.

  Comment [MG7]: Consider expanding response to explain why there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - ~~No, t~~There is no income statement impact.

  Comment [MG8]: See previous comment

- Whether it changes a loss into income or vice versa.
  Response - ~~No, t~~There is no income statement impact.

  Comment [MG9]: See previous comment.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

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[1] AUDITING STANDARD No. 5 -AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From: Wiseman, Sara
Sent: Sunday, October 09, 2011 5:35 PM
To: Crescente, Angela
Subject: 40.01 - Acquisitions Disposals and Retirement 10 3 11.docx

40.01 -
Acquisitions Dis...

We had to add this to the capital additions policy, so I guess we will need to add here, too. I'm sending to Shannon for her review (again).

PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.						

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.						

#3	Key	Risk: 2,5	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.						

#4	Key	Risk: 2,5	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.						

#5	Key	Risk: 3	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.						

#6	Key	Risk: 3	Event -driven	Manual	Preventive	C, A, V
Work Order Analysis Checklist : The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.						

#7	Key	Risk: 4,5,7	Monthly	Manual	Preventive	C, A
Closing Checklist: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.						

#8	Key	Risk: 4,5	Monthly	Semi-Automated	Detective	C, A
Period closing activities: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).						

#9	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Acquisitions: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for						

further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations.

#10	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Disposals : If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	Key	Risk: 8	Ongoing	Manual	Preventive	C, A, V, R
Spreadsheet Controls: Reference control activity number 1 on 80.10 – General ICFR						

#12	Key	Risk: 9	Quarterly	Manual	Preventive	R
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 – General ICFR						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. – <u>Additionally, the Accounting Analyst will review reports for account 254-Regulatory</u>

Liability-ARO for any new ARO asset activity. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. Any new or unexpected activity in this account will be investigated by the Analyst to ascertain whether the associated ARO liability has been established. Any issues or problems will be addressed.

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to

every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 3]** If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. **[CA 4]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. **[CA 6]** The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – not but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. In order to ensure that

potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 11]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 12]**

Information Processing Objectives (CAVR)

<u>Completeness:</u> All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

<u>Accuracy:</u> Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

<u>Validity:</u> Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

Crescente, Angela

From: Charnas, Shannon
Sent: Tuesday, October 11, 2011 8:04 AM
To: Wiseman, Sara
Cc: Crescente, Angela
Subject: FW: Prelmin

Sara –

I made a minor edit to each. I will need to review the change to the policy with Valerie. Normally we want people to schedule a review meeting with us, but because this is very minor and we have already discussed, I can probably discuss it with her in my 1-on-1 tomorrow. I'll let you know if there are any changes and you can then wrap up the internal controls as well.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Wiseman, Sara
Sent: Sunday, October 09, 2011 5:40 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: Prelmin

650 - Capital - Additions and ...
40.01 - Acquisitions Dis...

Shannon: Attached are the changes that need to be made to our policy for preliminary retirements (we said we would do this in the memo). These will additionally need to be made to the SOX document.

I also corrected a few other minor formatting issues.

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

LG&E and KU Energy LLC Accounting Policy and Procedures

650 - Capital - Additions and Retirements Policy and Procedures

Policy: Capital assets will be recorded based on the acquisition or construction of property, plant and equipment ("PP&E") with useful lives greater than one year, and assets will be removed based on retirements and disposals of PP&E to ensure the accounting records are accurate.

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Procedure: The procedures for adding and removing capital assets are described in the detailed instructions below.

Scope: All asset additions and retirements of LG&E and KU Energy LLC ("LKE" or the "Company") and its subsidiaries.

Objective of Procedure: Ensure that all capital assets and retirements are properly added or removed from the accounting records.

General Requirements:

Detailed Procedures Performed:

Various costs are considered appropriate to be accounted for as capital. The following are some generic definitions of these costs:

Capitalizable Costs - costs that are directly identifiable with specific PP&E. This includes incremental costs related to the acquisition, construction or improvement of capital assets. These costs singly or in combination with other assets will provide a future economic benefit that will contribute directly or indirectly to future net cash inflows.

Direct Costs - costs which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. These costs can be readily identified and are itemized by name and amount. Examples are direct labor, direct material, and direct equipment costs.

Direct Labor Cost - labor cost which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. The cost components are basic wage/salary rate, shift premiums, fringe benefits and overtime premiums.

Direct Material Cost - material cost which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. These costs include inventory loading cost, freight, transportation, and applicable taxes associated with the material.

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Probable – the future event or events are likely to occur. A capital project for the acquisition or construction of PP&E is probable when: 1) proper management approval as specified by the

650 - Capital - Additions and Retirements Policy and Procedures

authority limits matrix is obtained in writing, 2) financial resources are available to fund the project, and 3) any regulatory requirements can likely be met.

Indirect/Overhead Costs - costs which generally are not directly attributable to a specific capital project for the acquisition or construction of PP&E.

Capital projects generally follow a timeline and progress through the following stages of acquiring or constructing an asset:

- Preliminary Stage - the period during which the acquisition or construction of specific PP&E is being evaluated. Feasibility studies often occur during this stage. At this stage the project is not yet approved by Management and all costs are expensed as incurred. The only capitalizable costs are payments to obtain an option to purchase PP&E.

- Preacquisition Stage - the acquisition or construction of specific PP&E is deemed probable at this time, so appropriate costs can be capitalized. Only those costs that are directly identifiable to the asset are capitalized. Activities often include zoning, surveying, and engineering studies.

  Directly identifiable costs include:

  - incremental direct costs incurred in transactions with a third party often include an element of the third party's administrative overhead. That element is considered to be an incremental direct cost and should be capitalized.
  - labor and burden costs related to time spent on specified activities performed by the entity during this stage.
  - depreciation of machinery and equipment used directly in the construction or installation of PP&E and incremental costs directly associated with the utilization of that machinery and equipment during this stage.
  - inventory (including spare parts) used directly in the construction or installation of PP&E.
  - payment to obtain an option to acquire PP&E.

  NOTE: Costs that are capitalized during the preliminary and preacquisition stages will be added to the basis of the asset acquired or constructed. If the likelihood no longer exists that the asset will be acquired or constructed, capitalized costs should be reduced to the lower of cost or fair value less cost to sell.

- Acquisition or Construction Stage - the acquisition or construction activities occur that are necessary to get the PP&E ready for its intended use. This is the stage when the business entity acquires ownership of the assets or rights to the assets. It continues until the asset is acquired or until completion of all major construction and installation activities. If the asset is constructed in phases, it can be divided into multiple projects as long as the phases can be operated independently from the projects that are incomplete. Capitalized interest, if applicable, begins during this stage (see AFUDC Policy and Procedures). Costs directly identifiable related to the asset during this stage can be capitalized. Examples are listed below:

    - labor and burden costs related to time spent on specified activities performed by the entity during this stage.
    - depreciation of machinery and equipment used directly in the construction or installation of PP&E and incremental costs directly associated with the utilization of that machinery and equipment during this stage.
    - inventory (including spare parts) used directly in the construction or installation of PP&E.
    - payment to obtain an option to acquire PP&E.
    - incremental direct costs incurred in transactions with a third party often include an element of the third party's administrative overhead. That element is considered to be an incremental direct cost and should be capitalized.
    - for real estate, costs incurred for property taxes, insurance and ground rentals are capitalizable during the time that activities are necessary to get the asset ready for its intended use are in progress. The cost of demolition that occurs with the acquisition of real estate is capitalized during a reasonable period of time thereafter.

- In-Service Stage - PP&E is substantially complete and ready for its intended use. Capitalized interest, if any, ceases (see AFUDC Policy and Procedures) and depreciation commences at this stage. Costs that are incurred during this stage can be as follows:

    - repair and maintenance - expensed as incurred.
    - replacement of existing components of PP&E - capitalized under the guidelines of the FERC Uniform System of accounts.
    - additional components to PP&E- follow the capitalization criteria set forth in the first three stages within this policy.

    NOTE: Major maintenance activities may include costs related to replacements of PP&E and should be capitalized (when incurred and not accrued) according to the FERC Uniform System of Accounts. Additions to PP&E should follow the capitalization criteria

set forth in first three stages within this policy. All other maintenance costs should be expensed as incurred.

Refer to Appendix A – Summary of Accounting, for more details on accounting for specific types of costs.

LKE and its subsidiaries have historically applied the standards of the Federal Energy Regulatory Commission ("FERC") and other regulators in their accounting practices when making capital versus expense determinations. It has been LKE's practice is to capitalize the following:

- Direct costs related to asset construction – costs directly charged such as labor, purchased material, contractors and inventory.
- Burden Cost Component – cost that can NOT be directly charged. Examples of burdens include pensions, insurance, payroll taxes and other labor related costs.
- A portion of indirect overheads directly attributable to capital activities –including Administrative and General Expense-Transferred ("A&G") and Engineering, Warehouse and Transportation Overheads. A&G is an allocation from Operation and Maintenance to Capital which allocates labor and expenses of employees that support the capital process but do not work directly on a particular capital project. These costs can be capitalized per the Code of Federal Regulations and have been deemed recoverable in rates by the various regulating entities.

According to the Corporate Capital Policy guidelines, projects with a total cost of $2,000 or less will be expensed, and any Authorization for Investment Proposal ("AIP") that is received for $2,000 or less is returned to the Project Manager with an explanation. All other capital expenditures are subject to mandatory capitalization. All fixed assets are recorded at cost as mandated by the FERC. When the requestor completes preparation of the AIP for capital expenditures in PowerPlant, appropriate authority must be achieved based on the Authority Limits Matrix. The preparer sends the electronic AIP for approval via PowerPlant. At the point the AIP is received by Property Accounting for approval, the Accounting Analyst reviews the AIP for appropriate budget funding, approvals, and whether the described expenditure is indeed a capital expenditure. If the AIP passes review, the Accounting Analyst approves the project in PowerPlant. Should the AIP not pass review, the Accounting Analyst has the option to request additional information or reject the AIP. If the AIP is rejected the approval process starts all over.

To ensure timely capitalization and retirement of projects, a report, referred to as the 90-Day Report, is generated on a quarterly basis identifying capital and cost of removal projects which

are in "open" status but having no activity for 90 days or more. This report is sent to every line of business Budget Coordinator with a request to update the project with either in-service or completion dates or verify that the project is still active. If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely matter.

Monthly, a report called the "Job Log" is generated identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\ POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year Company Job Log).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. The capitalization process includes the following:

- Review Authorization for Investment Proposal ("AIP").
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized. If the variance compared to the original AIP is 10% or $100,000 over; (whichever is less, subject to a minimum of $25,000), a revised AIP must be completed as soon as possible.
- Review all project charges to ensure that all charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., is unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property established by the analyst in the case of manual as-builts, and those established from inventory transactions in the case of automated as-builts. The Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information to determine if a retirement is listed or should be listed based on a description of the project (i.e., if a project addition is to replace an asset a retirement should be listed). The Accounting Analyst will question the responsible Budget Analyst if retirements are not listed where it appears they should be.
- Review all project removal charges in the Cost Repository Report – Actual Cost ("RWIP").

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management system.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – not but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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In order to minimize record keeping requirements, equipment in certain General Plant accounts are amortized (office furniture and equipment, stores equipment, tools, shop equipment, garage equipment and laboratory equipment). These assets are retired when the assets become fully depreciated based on their in-service date and depreciable lives. For equipment in these accounts, AIP reporting for retirements is not necessary.

For both additions and retirements, PowerPlant validation rules prevent the Analyst from choosing invalid units of property, plant accounts and business segment combinations in order to prevent incorrect data from being entered. An error message is generated in the event of an

invalid combination and the Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, Company guidelines, etc.) by the Accounting Analyst or other designee. After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Accounting Analysts during the month. The as-built folder is then passed to the analyst responsible for the monthly system closing process for posting.

The Accounting Analyst responsible for the closing process begins the process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The Accounting Analyst then runs the PowerPlant processes to post all acquisitions for assets and retirements. To verify the accuracy and completeness of the data, monthly the Accounting Analyst reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (I:\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the Accounting Analyst runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the Accounting Analyst. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the Accounting Analyst to ensure accurate monthly financial closing. The Accounting Analyst maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the Accounting Analyst uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.

Reports Generated and Recipients:

- 90-Day Report sent to the Budget Coordinators
- Job Log report accessible to Property Accounting on the fs2:\\propacct shared drive

650 - Capital - Additions and Retirements Policy and Procedures

- Plant Additions and Retirement Report – PowerPlant Classification Spreadsheet accessible to Property Accounting on the fs2:\\propacct shared drive
- Cost Repository Report – Actual Cost (RWIP) accessible to Property Accounting in PowerPlant

Additional Controls or Responsibility Provided by Other Procedures:

- General ledger debits and credits for Account 101 Plant in Service should tie to the additions and retirements.
- Budget Coordinators, Financial Planning personnel and Accounting Analysts review AIPs to confirm assets are to be capitalized.

Regulatory Requirements:
- FERC Accounting Guidelines

Reference:
- Code of Federal Regulations 18 Part 101 Electric Plant Instructions
- Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 360 – Property, Plant and Equipment
- FASB ASC Topic 720 – Other Expenses
- FASB ASC Topic 970 – Real Estate
- FASB ASC Topic 980 – Regulated Operations

Corresponding PPL Policy No. and Name:

602 – Accounting Guidelines for Capitalizing Costs for the Acquisition or Construction of Property, Plant and Equipment
612 – Accounting for Capital Office Furniture, Tool, and Equipment
616 – Accounting for Leaseholds and Improvements

Key Contact: Manager, Property Accounting

Administrative Responsibility: Director, Accounting and Regulatory Reporting

Date Created: 11/24/04
Dates Revised: 10/1/2008, 6/15/10; 12/01/10; 3/31/11 10/07/11

650 - Capital - Additions and Retirements Policy and Procedures

Appendix A- Summary of Accounting

Type of Work	Capital	Expense	Deferred Charges	Comments
Preliminary Stage (pre-probable)				
Internal/external costs of developers working to facilitate project negotiation and start up		X		
Internal/external legal fees to draft letters of intent and purchase agreements		X		
Travel expenses of internal/external developers and other company personnel to conduct negotiations with other parties and review project		X		
Salaries/consultant fees to review or develop models of projected cash flows/operations		X		
Payment to obtain an option to acquire PP&E	X			
Preacquisition Stage (Project is deemed probable) & Construction Stage				
Payment to acquire a site permit and license when directly identifiable to the property	X			**A**
Internal/external legal fees for Operational/Commercial contracts	X			**B**
Internal/external legal fees for litigation proceedings related to PP&E	X			**B**
Internal/external legal fees for condemnations proceedings, including court and counsel costs for land and land rights	X			
Internal/external legal fees for environmental activities directly related to PP&E	X			**C**
Internal/external fees for incorporation related to a regulated entity	X			
Salaries of developers, legal counsel and other Company personnel working to facilitate obtaining a site permit and license when directly identifiable to the activity	X			**D**

650 - Capital - Additions and Retirements Policy and Procedures

Internal salaries to negotiate and secure specific project financing		X		
Payment to obtain an option to acquire PP&E	X			
External fees to negotiate and secure project financing			X	
Incremental direct costs with independent third parties for specific PP&E	X			
External consulting fees such as architectural and engineering studies	X			
Real estate legal and title fees	X			
Real estate surveying fees, appraisal, negotiation fees, site preparation, and damage payments (e.g. crops)	X			E
Directly related employee salary and benefit costs	X			
Environmental compliance and due diligence in areas directly related to PP&E	X			F
Building demolition costs	X			G
Internal direct costs of constructing the asset, including labor	X			
Depreciation and incremental costs of directly related equipment	X			
Internal costs to develop software at site (subject to Policy 615 – Hardware and Software Capitalization Policy and Procedure)	X			
Costs of materials to build the plant, including acquisition of inventory and contract labor	X			
Costs reduced for liquidating damages	X			H
Inventory (including spare parts) used directly in acquisition or construction of PP&E	X			
Incremental costs associated with field office maintained during construction	X			
Costs to identify and hire operating and administrative personnel on-site		X		
Internal/external costs to conduct training, including training on internally developed or acquired software		X		
Interest expense incurred on debt incurred to finance acquisition (subject to limitations)	X			
Property taxes and insurance	X			I

650 - Capital - Additions and Retirements Policy and Procedures

Post Construction/Pre-operation				
Costs to test plant	X			J
Synchronization of plant to grid	X			K
O&M contractor costs		X		
Administrative costs such as rent, utilities, etc.		X		

Comments:

A. Capitalize only if all conditions are met: costs are directly identifiable to the specific property, costs would be capitalized if the property were acquired, and acquisition of the property is probable.
B. Capitalize only if directly identifiable to a capital project.
C. Examples of activities include licensing, air and water permitting, site acquisitions, and all other studies required by regulatory and environmental agencies as a pre-condition to permit issuance.
D. Limited to time spent on a specific permit/license. Not time exploring several possible sites; costs should not be significant.
E. Costs include professional fees of engineers, attorneys, appraisers, and financial advisors, etc.
F. Areas include hazardous material and waste management, pollution prevention, environmental permitting & impact analysis, and regulated licensing/renewals
G. Capitalize if the demolition is probable upon purchase and occurs within approximately one year after and classify as land.
H. Liquidating damages an entity receives because a third party did not deliver or complete construction by a contractual specified date.
I. Costs incurred for property taxes associated with real estate and insurance shall be capitalized as property cost only during periods in which activities necessary to get the property ready for its intended use are in progress.
J. Credit test power revenues against capital cost. Need to distinguish true testing from start up activities. Start up losses should be expensed.
K. Extensive connection delays or rework expenses must be expensed. Need to distinguish from start up activities. Start up losses should be expensed.

NOTE: Examples above are not an exhaustive list of all expenditures that may be capitalized. Contact Property Accounting with any questions.

PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.						

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.						

#3	Key	Risk: 2,5	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.						

#4	Key	Risk: 2,5	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.						

#5	Key	Risk: 3	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.						

#6	Key	Risk: 3	Event -driven	Manual	Preventive	C, A, V
Work Order Analysis Checklist : The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.						

#7	Key	Risk: 4,5,7	Monthly	Manual	Preventive	C, A
Closing Checklist: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.						

#8	Key	Risk: 4,5	Monthly	Semi-Automated	Detective	C, A
Period closing activities: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).						

#9	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Acquisitions: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for						

further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations.

#10	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Disposals : If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	Key	Risk: 8	Ongoing	Manual	Preventive	C, A, V, R
Spreadsheet Controls: Reference control activity number 1 on 80.10 -- General ICFR						

#12	Key	Risk: 9	Quarterly	Manual	Preventive	R
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 -- General ICFR						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. – <u>Additionally, the Accounting Analyst will review reports for account 254-Regulatory</u>

Liability-ARO for any new ARO asset activity. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. Any new or unexpected activity in this account will be investigated by the Accounting Analyst to ascertain whether the associated ARO liability has been established. Any issues or problems will be addressed.

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to

every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 3]** If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. **[CA 4]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. **[CA 6]** The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – ~~not~~ but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. In order to ensure that

potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 11]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 12]**

Information Processing Objectives (CAVR)

<u>Completeness:</u> All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

<u>Accuracy:</u> Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

<u>Validity:</u> Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

Crescente, Angela

From: Wiseman, Sara
Sent: Sunday, October 09, 2011 5:40 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: Prelmin

650 - Capital - Additions and ... 40.01 - Acquisitions Dis...

Shannon: Attached are the changes that need to be made to our policy for preliminary retirements (we said we would do this in the memo). These will additionally need to be made to the SOX document.

I also corrected a few other minor formatting issues.

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

LG&E and KU Energy LLC Accounting Policy and Procedures

650 - Capital - Additions and Retirements Policy and Procedures

Policy: Capital assets will be recorded based on the acquisition or construction of property, plant and equipment ("PP&E") with useful lives greater than one year, and assets will be removed based on retirements and disposals of PP&E to ensure the accounting records are accurate.

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Procedure: The procedures for adding and removing capital assets are described in the detailed instructions below.

Scope: All asset additions and retirements of LG&E and KU Energy LLC ("LKE" or the "Company") and its subsidiaries.

Objective of Procedure: Ensure that all capital assets and retirements are properly added or removed from the accounting records.

General Requirements:

Detailed Procedures Performed:

Various costs are considered appropriate to be accounted for as capital. The following are some generic definitions of these costs:

Capitalizable Costs - costs that are directly identifiable with specific PP&E. This includes incremental costs related to the acquisition, construction or improvement of capital assets. These costs singly or in combination with other assets will provide a future economic benefit that will contribute directly or indirectly to future net cash inflows.

Direct Costs - costs which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. These costs can be readily identified and are itemized by name and amount. Examples are direct labor, direct material, and direct equipment costs.

Direct Labor Cost - labor cost which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. The cost components are basic wage/salary rate, shift premiums, fringe benefits and overtime premiums.

Direct Material Cost - material cost which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. These costs include inventory loading cost, freight, transportation, and applicable taxes associated with the material.

Probable – the future event or events are likely to occur. A capital project for the acquisition or construction of PP&E is probable when: 1) proper management approval as specified by the

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authority limits matrix is obtained in writing, 2) financial resources are available to fund the project, and 3) any regulatory requirements can likely be met.

Indirect/Overhead Costs - costs which generally are not directly attributable to a specific capital project for the acquisition or construction of PP&E.

Capital projects generally follow a timeline and progress through the following stages of acquiring or constructing an asset:

- Preliminary Stage - the period during which the acquisition or construction of specific PP&E is being evaluated. Feasibility studies often occur during this stage. At this stage the project is not yet approved by Management and all costs are expensed as incurred. The only capitalizable costs are payments to obtain an option to purchase PP&E.

- Preacquisition Stage - the acquisition or construction of specific PP&E is deemed probable at this time, so appropriate costs can be capitalized. Only those costs that are directly identifiable to the asset are capitalized. Activities often include zoning, surveying, and engineering studies.

  Directly identifiable costs include:

  - incremental direct costs incurred in transactions with a third party often include an element of the third party's administrative overhead. That element is considered to be an incremental direct cost and should be capitalized.
  - labor and burden costs related to time spent on specified activities performed by the entity during this stage.
  - depreciation of machinery and equipment used directly in the construction or installation of PP&E and incremental costs directly associated with the utilization of that machinery and equipment during this stage.
  - inventory (including spare parts) used directly in the construction or installation of PP&E.
  - payment to obtain an option to acquire PP&E.

  NOTE: Costs that are capitalized during the preliminary and preacquisition stages will be added to the basis of the asset acquired or constructed. If the likelihood no longer exists that the asset will be acquired or constructed, capitalized costs should be reduced to the lower of cost or fair value less cost to sell.

- Acquisition or Construction Stage - the acquisition or construction activities occur that are necessary to get the PP&E ready for its intended use. This is the stage when the business entity acquires ownership of the assets or rights to the assets. It continues until the asset is acquired or until completion of all major construction and installation activities. If the asset is constructed in phases, it can be divided into multiple projects as long as the phases can be operated independently from the projects that are incomplete. Capitalized interest, if applicable, begins during this stage (see AFUDC Policy and Procedures). Costs directly identifiable related to the asset during this stage can be capitalized. Examples are listed below:

  - labor and burden costs related to time spent on specified activities performed by the entity during this stage.
  - depreciation of machinery and equipment used directly in the construction or installation of PP&E and incremental costs directly associated with the utilization of that machinery and equipment during this stage.
  - inventory (including spare parts) used directly in the construction or installation of PP&E.
  - payment to obtain an option to acquire PP&E.
  - incremental direct costs incurred in transactions with a third party often include an element of the third party's administrative overhead. That element is considered to be an incremental direct cost and should be capitalized.
  - for real estate, costs incurred for property taxes, insurance and ground rentals are capitalizable during the time that activities are necessary to get the asset ready for its intended use are in progress. The cost of demolition that occurs with the acquisition of real estate is capitalized during a reasonable period of time thereafter.

- In-Service Stage - PP&E is substantially complete and ready for its intended use. Capitalized interest, if any, ceases (see AFUDC Policy and Procedures) and depreciation commences at this stage. Costs that are incurred during this stage can be as follows:

  - repair and maintenance - expensed as incurred.
  - replacement of existing components of PP&E - capitalized under the guidelines of the FERC Uniform System of accounts.
  - additional components to PP&E- follow the capitalization criteria set forth in the first three stages within this policy.

  NOTE: Major maintenance activities may include costs related to replacements of PP&E and should be capitalized (when incurred and not accrued) according to the FERC Uniform System of Accounts. Additions to PP&E should follow the capitalization criteria

650 - Capital - Additions and Retirements Policy and Procedures

set forth in first three stages within this policy. All other maintenance costs should be expensed as incurred.

Refer to Appendix A – Summary of Accounting, for more details on accounting for specific types of costs.

LKE and its subsidiaries have historically applied the standards of the Federal Energy Regulatory Commission ("FERC") and other regulators in their accounting practices when making capital versus expense determinations. It has been LKE's practice is to capitalize the following:

- Direct costs related to asset construction – costs directly charged such as labor, purchased material, contractors and inventory.
- Burden Cost Component – cost that can NOT be directly charged. Examples of burdens include pensions, insurance, payroll taxes and other labor related costs.
- A portion of indirect overheads directly attributable to capital activities –including Administrative and General Expense-Transferred ("A&G") and Engineering, Warehouse and Transportation Overheads. A&G is an allocation from Operation and Maintenance to Capital which allocates labor and expenses of employees that support the capital process but do not work directly on a particular capital project. These costs can be capitalized per the Code of Federal Regulations and have been deemed recoverable in rates by the various regulating entities.

According to the Corporate Capital Policy guidelines, projects with a total cost of $2,000 or less will be expensed, and any Authorization for Investment Proposal ("AIP") that is received for $2,000 or less is returned to the Project Manager with an explanation. All other capital expenditures are subject to mandatory capitalization. All fixed assets are recorded at cost as mandated by the FERC. When the requestor completes preparation of the AIP for capital expenditures in PowerPlant, appropriate authority must be achieved based on the Authority Limits Matrix. The preparer sends the electronic AIP for approval via PowerPlant. At the point the AIP is received by Property Accounting for approval, the Accounting Analyst reviews the AIP for appropriate budget funding, approvals, and whether the described expenditure is indeed a capital expenditure. If the AIP passes review, the Accounting Analyst approves the project in PowerPlant. Should the AIP not pass review, the Accounting Analyst has the option to request additional information or reject the AIP. If the AIP is rejected the approval process starts all over.

To ensure timely capitalization and retirement of projects, a report, referred to as the 90-Day Report, is generated on a quarterly basis identifying capital and cost of removal projects which

are in "open" status but having no activity for 90 days or more. This report is sent to every line of business Budget Coordinator with a request to update the project with either in-service or completion dates or verify that the project is still active. If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely matter.

Monthly, a report called the "Job Log" is generated identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\ POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year Company Job Log).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. The capitalization process includes the following:

- Review Authorization for Investment Proposal ("AIP").
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized. If the variance compared to the original AIP is 10% or $100,000 over; (whichever is less, subject to a minimum of $25,000), a revised AIP must be completed as soon as possible.
- Review all project charges to ensure that all charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., is unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property established by the analyst in the case of manual as-builts, and those established from inventory transactions in the case of automated as-builts. The Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

The retirement process includes the following:

650 - Capital - Additions and Retirements Policy and Procedures

- Review AIP and the associated retirement/salvage information to determine if a retirement is listed or should be listed based on a description of the project (i.e., if a project addition is to replace an asset a retirement should be listed). The Accounting Analyst will question the responsible Budget Analyst if retirements are not listed where it appears they should be.
- Review all project removal charges in the Cost Repository Report – Actual Cost ("RWIP").

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management system.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – not but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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In order to minimize record keeping requirements, equipment in certain General Plant accounts are amortized (office furniture and equipment, stores equipment, tools, shop equipment, garage equipment and laboratory equipment). These assets are retired when the assets become fully depreciated based on their in-service date and depreciable lives. For equipment in these accounts, AIP reporting for retirements is not necessary.

For both additions and retirements, PowerPlant validation rules prevent the Analyst from choosing invalid units of property, plant accounts and business segment combinations in order to prevent incorrect data from being entered. An error message is generated in the event of an

invalid combination and the Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, Company guidelines, etc.) by the Accounting Analyst or other designee. After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Accounting Analysts during the month. The as-built folder is then passed to the analyst responsible for the monthly system closing process for posting.

The Accounting Analyst responsible for the closing process begins the process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The Accounting Analyst then runs the PowerPlant processes to post all acquisitions for assets and retirements. To verify the accuracy and completeness of the data, monthly the Accounting Analyst reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (I:\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the Accounting Analyst runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the Accounting Analyst. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the Accounting Analyst to ensure accurate monthly financial closing. The Accounting Analyst maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the Accounting Analyst uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.

Reports Generated and Recipients:

- 90-Day Report sent to the Budget Coordinators
- Job Log report accessible to Property Accounting on the fs2:\\propacct shared drive

650 - Capital - Additions and Retirements Policy and Procedures

- Plant Additions and Retirement Report – PowerPlant Classification Spreadsheet accessible to Property Accounting on the fs2:\\propacct shared drive
- Cost Repository Report – Actual Cost (RWIP) accessible to Property Accounting in PowerPlant

Additional Controls or Responsibility Provided by Other Procedures:

- General ledger debits and credits for Account 101 Plant in Service should tie to the additions and retirements.
- Budget Coordinators, Financial Planning personnel and Accounting Analysts review AIPs to confirm assets are to be capitalized.

Regulatory Requirements:
- FERC Accounting Guidelines

Reference:
- Code of Federal Regulations 18 Part 101 Electric Plant Instructions
- Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 360 – Property, Plant and Equipment
- FASB ASC Topic 720 – Other Expenses
- FASB ASC Topic 970 – Real Estate
- FASB ASC Topic 980 – Regulated Operations

Corresponding PPL Policy No. and Name:

602 – Accounting Guidelines for Capitalizing Costs for the Acquisition or Construction of Property, Plant and Equipment
612 – Accounting for Capital Office Furniture, Tool, and Equipment
616 – Accounting for Leaseholds and Improvements

Key Contact: Manager, Property Accounting

Administrative Responsibility: Director, Accounting and Regulatory Reporting

Date Created: 11/24/04
Dates Revised: 10/1/2008, 6/15/10; 12/01/10; 3/31/11, 10/07/11

650 - Capital - Additions and Retirements Policy and Procedures

Appendix A- Summary of Accounting

Type of Work	Capital	Expense	Deferred Charges	Comments
Preliminary Stage (pre-probable)				
Internal/external costs of developers working to facilitate project negotiation and start up		X		
Internal/external legal fees to draft letters of intent and purchase agreements		X		
Travel expenses of internal/external developers and other company personnel to conduct negotiations with other parties and review project		X		
Salaries/consultant fees to review or develop models of projected cash flows/operations		X		
Payment to obtain an option to acquire PP&E	X			
Preacquisition Stage (Project is deemed probable) & Construction Stage				
Payment to acquire a site permit and license when directly identifiable to the property	X			**A**
Internal/external legal fees for Operational/Commercial contracts	X			**B**
Internal/external legal fees for litigation proceedings related to PP&E	X			**B**
Internal/external legal fees for condemnations proceedings, including court and counsel costs for land and land rights	X			
Internal/external legal fees for environmental activities directly related to PP&E	X			**C**
Internal/external fees for incorporation related to a regulated entity	X			
Salaries of developers, legal counsel and other Company personnel working to facilitate obtaining a site permit and license when directly identifiable to the activity	X			**D**

650 - Capital - Additions and Retirements Policy and Procedures

Internal salaries to negotiate and secure specific project financing		X		
Payment to obtain an option to acquire PP&E	X			
External fees to negotiate and secure project financing			X	
Incremental direct costs with independent third parties for specific PP&E	X			
External consulting fees such as architectural and engineering studies	X			
Real estate legal and title fees	X			
Real estate surveying fees, appraisal, negotiation fees, site preparation, and damage payments (e.g. crops)	X			E
Directly related employee salary and benefit costs	X			
Environmental compliance and due diligence in areas directly related to PP&E	X			F
Building demolition costs	X			G
Internal direct costs of constructing the asset, including labor	X			
Depreciation and incremental costs of directly related equipment	X			
Internal costs to develop software at site (subject to Policy 615 – Hardware and Software Capitalization Policy and Procedure)	X			
Costs of materials to build the plant, including acquisition of inventory and contract labor	X			
Costs reduced for liquidating damages	X			H
Inventory (including spare parts) used directly in acquisition or construction of PP&E	X			
Incremental costs associated with field office maintained during construction	X			
Costs to identify and hire operating and administrative personnel on-site		X		
Internal/external costs to conduct training, including training on internally developed or acquired software		X		
Interest expense incurred on debt incurred to finance acquisition (subject to limitations)	X			
Property taxes and insurance	X			I

650 - Capital - Additions and Retirements Policy and Procedures

Post Construction/Pre-operation				
Costs to test plant	X			J
Synchronization of plant to grid	X			K
O&M contractor costs		X		
Administrative costs such as rent, utilities, etc.		X		

Comments:

A. Capitalize only if all conditions are met: costs are directly identifiable to the specific property, costs would be capitalized if the property were acquired, and acquisition of the property is probable.
B. Capitalize only if directly identifiable to a capital project.
C. Examples of activities include licensing, air and water permitting, site acquisitions, and all other studies required by regulatory and environmental agencies as a pre-condition to permit issuance.
D. Limited to time spent on a specific permit/license. Not time exploring several possible sites; costs should not be significant.
E. Costs include professional fees of engineers, attorneys, appraisers, and financial advisors, etc.
F. Areas include hazardous material and waste management, pollution prevention, environmental permitting & impact analysis, and regulated licensing/renewals
G. Capitalize if the demolition is probable upon purchase and occurs within approximately one year after and classify as land.
H. Liquidating damages an entity receives because a third party did not deliver or complete construction by a contractual specified date.
I. Costs incurred for property taxes associated with real estate and insurance shall be capitalized as property cost only during periods in which activities necessary to get the property ready for its intended use are in progress.
J. Credit test power revenues against capital cost. Need to distinguish true testing from start up activities. Start up losses should be expensed.
K. Extensive connection delays or rework expenses must be expensed. Need to distinguish from start up activities. Start up losses should be expensed.

NOTE: Examples above are not an exhaustive list of all expenditures that may be capitalized. Contact Property Accounting with any questions.

PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.						

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.						

#3	Key	Risk: 2,5	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.						

#4	Key	Risk: 2,5	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.						

#5	Key	Risk: 3	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.						

#6	Key	Risk: 3	Event -driven	Manual	Preventive	C, A, V
Work Order Analysis Checklist : The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.						

#7	Key	Risk: 4,5,7	Monthly	Manual	Preventive	C, A
Closing Checklist: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.						

#8	Key	Risk: 4,5	Monthly	Semi-Automated	Detective	C, A
Period closing activities: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).						

#9	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Acquisitions: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for						

further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations.

#10	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Disposals : If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	Key	Risk: 8	Ongoing	Manual	Preventive	C, A, V, R
Spreadsheet Controls: Reference control activity number 1 on 80.10 – General ICFR						

#12	Key	Risk: 9	Quarterly	Manual	Preventive	R
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 – General ICFR						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. – <u>Additionally, the Accounting Analyst will review reports for account 254-Regulatory</u>

Liability-ARO for any new ARO asset activity. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. Any new or unexpected activity in this account will be investigated by the Analyst to ascertain whether the associated ARO liability has been established. Any issues or problems will be addressed.

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to

every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 3]** If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. **[CA 4]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. **[CA 6]** The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – not but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. In order to ensure that

potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 11]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 12]**

Information Processing Objectives (CAVR)

Completeness: All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

Accuracy: Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

Validity: Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

Crescente, Angela

From:	Charnas, Shannon
Sent:	Friday, October 07, 2011 5:24 PM
To:	'Jennifer.Beneke@ey.com'; 'Maggie.Garrison@ey.com'
Cc:	Scott, Valerie; Shelton, Debbie; Wiseman, Sara; Crescente, Angela; Kelly, Mimi; Pienaar, Lesley; Hickman, James
Subject:	RE: Error assessment memo

Attached are some revisions to the memo. I have included a clean and tracked changes version from the original I sent.

ARO (TC2 Joint Use and Gas Tra... ARO (TC2 Joint Use and Gas Tra...

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Charnas, Shannon
Sent: Thursday, October 06, 2011 3:18 PM
To: 'Jennifer.Beneke@ey.com'; 'Maggie.Garrison@ey.com'
Cc: Scott, Valerie; Shelton, Debbie; Wiseman, Sara; Crescente, Angela; Kelly, Mimi; Pienaar, Lesley
Subject: Error assessment memo

Attached is an error assessment memo related to AROs for TC2 joint use assets and Transmission gas mains. The impact is on the balance sheet only. Please let me know if you have any questions.

Thanks, << File: ARO (TC2 Joint Use and Gas Trans).docx >>

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The~~is~~ errors ~~is~~are determined to be ~~an observation~~deficiencies as the errors ~~only resulted in Balance Sheet adjustments~~ were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states *"ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This

training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the financial statement lines affected ($ millions):

	3/31/2011 LG&E	3/31/2011 KU	6/30/2011 LG&E	6/30/2011 KU
ARO Adjustment	.7	3.7	.7	3.7
Regulated Assets	2,832	4,361	2,868	4,410
Percentage	0.02%	0.08%	0.02%	0.08%
ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%

	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
ARO Adjustment	(0.3)	0.2	(0.3)	0.2
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%
ARO Adjustment	0.5	3.8	0.5	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	1.02%	7.04%	1.00%	6.91%
ARO Adjustment	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	0.04%	0.30%	0.04%	0.30%

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - No, there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - No, there is no income statement impact.

- Whether it changes a loss into income or vice versa.
  Response - No, there is no income statement impact.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

(Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

LG&E KU
PPL companies

MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability for TC2 (in ~~million~~thousands $):

		LG&E	KU	Consolidated
Beginning Balance ARO Liability	(1)	7,589	-	7,589
Reversal of LG&E's ARO		(7,589)		(7,589)
Establishment of new AROs		3,969	3,664	7,633
January-August Accretion Activity		153	142	295
Net September 2011 Activity	(2)	(3,467)	3,806	339
Ending Balance ARO Liability	(1) + (2)	4,122	3,806	7,928

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field

personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The~~is~~ errors ~~is~~are determined to be ~~an observation~~deficiencies as the errors ~~only resulted in Balance Sheet adjustments~~ were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This

training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
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Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

		6ME 06/30/11	
Fin Stmt Line Item	Company	Debit	Credit
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The following table shows the financial statement lines affected ($ millions):

	3/31/2011		6/30/2011	
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	3/31/2011		6/30/2011	
	LG&E	**KU**	**LG&E**	**KU**
ARO Adjustment	(0.3)	0.2	(0.3)	0.2
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  Response - The asset retirement obligations are based on estimates.

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- Whether it hides a failure to meet analysts' or others' consensus expectations.
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  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2]

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[1] AUDITING STANDARD No. 5 -AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

(Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From: Charnas, Shannon
Sent: Thursday, October 06, 2011 3:18 PM
To: 'Jennifer.Beneke@ey.com'; 'Maggie.Garrison@ey.com'
Cc: Scott, Valerie; Shelton, Debbie; Wiseman, Sara; Crescente, Angela; Kelly, Mimi; Pienaar, Lesley
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ARO (TC2 Joint Use and Gas Tra...

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

LG&E KU
PPL companies

MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is mainly due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. The table below illustrates the entries being made to the ARO liability for TC2 (in millions $):

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Ending Balance ARO Liability	(1) + (2)	4,122	3,806	7,928

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011.

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field

personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

This error is determined to be an observation as the error only resulted in Balance Sheet adjustments.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

Periods Impacted *(including quarter correction booked)*

Year/Quarter	**Q1**	**Q2**	**Q3**	**Q4**
2011	X	X		
2010				
2009				

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475
Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the financial statement lines affected ($ millions):

	3/31/2011		6/30/2011	
	LG&E	**KU**	**LG&E**	**KU**
ARO Adjustment	.7	3.7	.7	3.7
Regulated Assets	2,832	4,361	2.868	4,410
Percentage	0.02%	0.08%	0.02%	0.08%
ARO Adjustment	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation	44	54	68	90
Percentage	-0.23%	0.19%	-0.15%	0.11%
ARO Adjustment	(0.3)	0.2	(0.3)	0.2
Regulatory Assets	149	113	363	227
Percentage	-0.20%	0.18%	-0.08%	0.09%

	3/31/2011		6/30/2011	
	LG&E	KU	LG&E	KU
ARO Adjustment	0.5	3.8	0.5	3.8
Asset Retirement Obligations	49	54	50	55
Percentage	1.02%	7.04%	1.00%	6.91%
ARO Adjustment	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities	1,220	1,256	1,244	1,286
Percentage	0.04%	0.30%	0.04%	0.30%

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - No, there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - No, there is no income statement impact.

- Whether it changes a loss into income or vice versa.
  Response - No, there is no income statement impact.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From:	Charnas, Shannon
Sent:	Thursday, November 03, 2011 5:13 PM
To:	Scott, Valerie; 'Maggie.Garrison@ey.com'; 'Jennifer.Beneke@ey.com'
Cc:	Wiseman, Sara; Crescente, Angela; Shelton, Debbie; Kelly, Mimi; Pienaar, Lesley
Subject:	Revised version of ARO error assessment memo

Attached is a clean revised and final version of the ARO error assessment memo, which had some revisions following discussion with E&Y. If you have any questions, please let me know.

ARO (TC2 Joint
Use and Gas Tra...

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

LG&E KU
PPL companies

MEMORANDUM

Date: October 31, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is primarily due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition.

October 31, 2011
Page 3
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

The table below illustrates the entries being made to the ARO related accounts for TC2 (in thousands $):

		Regulated Utility Plant			Accumulated Depreciation			Regulatory Assets			ARO Liability [A]		
		LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated
Beginning Balance [A]	(1)	7,255	-	7,255	(230)	-	(230)	564	-	564	(7,589)	-	(7,589)
Reversal of TC ARO		(7,255)	-	(7,255)	-	-	-	-	-	-	7,255	-	7,255
Reversal of TC Depreciation		-	-	-	230	-	230	(230)	-	(230)	-	-	-
Reversal of TC Accretion		-	-	-	-	-	-	(334)	-	(334)	334	-	334
Establishment of new AROs		3,969	3,664	7,633	(114)	(105)	(219)	114	105	219	(3,969)	(3,664)	(7,633)
January-August Accretion		-	-	-	-	-	-	153	142	295	(153)	(142)	(295)
Net September 2011 Activity	(2)	(3,286)	3,664	378	116	(105)	11	(297)	247	(50)	3,467	(3,806)	(339)
Ending Balance	(1)+(2)	3,969	3,664	7,633	(114)	(105)	(219)	267	247	514	(4,122)	(3,806)	(7,928)

[A] The beginning balance includes accretion since November 2010 when the liabilities were revalued for purchase accounting.

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011. The error was not identified earlier due to the unique circumstances of this particular non-routine transaction – that TC2 was a new unit going in service that had jointly owned assets, some of which were previously owned and used only by LG&E,

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The errors are determined to be deficiencies as the errors were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main

replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

***Periods Impacted** (including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475

Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the detailed financial statement lines affected ($ millions):

	12/31/09	12/31/10	3/31/2011		6/30/2011	
	LG&E	**LG&E**	**LG&E**	**KU**	**LG&E**	**KU**
Impact of ARO Adjustment on Regulated Utility Plant	3.9	3.9	.7	3.7	.7	3.7
Regulated Utility Plant (A/C 101)	4,200	2,600	2,832	4,361	2,868	4,410
Total Percentage Impact on F/S Line	0.09%	0.15%	0.02%	0.08%	0.02%	0.08%
Impact of ARO Adjustment on Accumulated Depreciation	.009	.009	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation (A/C 108)	1,708	17	44	54	68	90
Total Percentage Impact on F/S Line	0.00%	0.05%	-0.23%	0.19%	-0.15%	0.11%
Impact of ARO Adjustment on Regulatory Assets	.009	.009	(0.3)	0.2	(0.3)	0.2
Regulatory Assets (A/C 182)	14	13	149	113	363	227
Total Percentage Impact on F/S Line	0.06%	0.07%	-0.20%	0.18%	-0.08%	0.09%
Impact of ARO Adjustment on Asset Retirement Obligations	3.9	3.9	0.5	3.8	0.5	3.8
Asset Retirement Obligations (A/C 230)	31	49	49	54	50	55
Total Percentage Impact on F/S Line	12.58%	7.96%	1.02%	7.04%	1.00%	6.91%
Impact of ARO Adjustment on Total Deferred Credits and Other Noncurrent Liabilities	3.9	3.9	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities [B]	1,006	1,269	1,220	1,256	1,244	1,286
Total Percentage Impact on F/S Line	0.39%	0.31%	0.04%	0.30%	0.04%	0.30%

[B] This subtotal line is included to show an additional level of comparison.

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

- Whether it changes a loss into income or vice versa.
  Response - There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line in 2011 Q1 and Q2 financial statements. For LG&E, the error was greater than 5% on the Asset Retirement Obligation balance sheet line at December 31, 2010 and 2009. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line for all periods for both LG&E and KU. Management believes that an investor would not be influenced by the Asset Retirement Obligation line alone, but more focused on the Total Deferred Credits and Other Noncurrent Liabilities subtotal, or total liabilities, in making investing decisions. Therefore, although the percentage of error exceeds 5% on the Asset Retirement Obligation line item, the percent impact on the Total Deferred Credits and Other Noncurrent Liabilities, and accordingly total liabilities, is immaterial and in management's opinion an adjustment or restatement is not deemed necessary.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2]

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

(Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From: Wiseman, Sara
Sent: Thursday, October 27, 2011 10:53 AM
To: Charnas, Shannon
Cc: Crescente, Angela

ARO (TC2 Joint Use and Gas Tra... TC and gas transmission AR...

Shannon: Attached is the memo with the new table we discussed yesterday as well as the support for the entry.

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

LG&E KU
PPL companies

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MEMORANDUM

Date: October 5, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is ~~mainly~~ primarily due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. ~~The table below illustrates the entries being made to the ARO liability for TC2 (in thousands $):~~

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October 5, 2011
Page 3
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

		~~LG&E~~	~~KU~~	~~Consolidated~~
~~Beginning Balance ARO Liability~~ ~~(A)~~	~~(1)~~	~~7,589~~	-	~~7,589~~
~~Reversal of LG&E's ARO~~ ~~(A)~~		~~(7,589)~~		~~(7,589)~~
~~Establishment of new AROs~~		~~3,969~~	~~3,664~~	~~7,633~~
~~January-August Accretion Activity~~		~~153~~	~~142~~	~~295~~
~~Net September 2011 Activity~~	~~(2)~~	~~(3,467)~~	~~3,806~~	~~339~~
~~Ending Balance ARO Liability~~	~~(1) + (2)~~	~~4,122~~	~~3,806~~	~~7,928~~

~~(A) This amount includes accretion since the liability was originally recorded.~~

The table below illustrates the entries being made to the ARO ~~liability~~related accounts for TC2 (in thousands $):

~~[We should indicate which ARO has the accretion. Theoretically, both should have and they would have gone in opposite directions. If the amount shown is net, we should identify the pieces. Also, we should show the impact on depreciation & the reg credit.]~~

		Regulated Utility Plant			Accumulated Depreciation			Regulatory Assets			ARO Liability (A)		
		LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated
Beginning Balance	(1)	7,255	-	7,255	(230)	-	(230)	564	-	564	(7,589)	-	[illegible]
Reversal of TC ARO		(7,255)	-	(7,255)	-	-	-	-	-	-	7,255	-	[illegible]
Reversal of TC Depreciation		-	-	-	230	-	230	(230)	-	(230)	-	-	[illegible]
Reversal of TC Accretion		-	-	-	-	-	-	(334)	-	(334)	334	-	[illegible]
Establishment of new AROs		3,969	3,664	7,633	(114)	(105)	(219)	114	105	219	(3,969)	(3,664)	[illegible]
January-August Accretion		-	-	-	-	-	-	153	142	295	(153)	(142)	[illegible]
Net September 2011 Activity	(2)	(3,286)	3,664	378	116	(105)	11	(297)	247	(50)	3,467	(3,806)	[illegible]
Ending Balance	(1)+(2)	3,969	3,664	7,633	(114)	(105)	(219)	267	247	514	(4,122)	(3,806)	[illegible]

(A) The beginning balance includes accretion since November 2010 when the liabilities were revalued for purchase accounting.

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A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

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How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011. The error was not identified earlier due to the unique circumstances of this particular non-routine transaction – that TC2 was a new unit going in service that had jointly owned assets, some of which were previously owned and used only by LG&E. [It would be better to include the explanation in the memo vs. just in the e-mail to Maggie, since others reading it later would have the same question.]

Comment [MG2]: Why not identified earlier?

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An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The errors are determined to be deficiencies as the errors were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

***Periods Impacted** (including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	6ME 06/30/11 Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475

Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

October 5, 2011
Page 7
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

The following table shows the detailed financial statement lines affected ($ millions):

	12/31/09 LG&E	12/31/10 LG&E	3/31/2011 LG&E	3/31/2011 KU	6/30/2011 LG&E	6/30/2011 KU
~~ARO Adjustment~~Impact of ARO Adjustment on Regulated Utility Plant	3.9	3.9	.7	3.7	.7	3.7
Regulated Utility Plant ~~Assets~~ (A/C 101)	4,200	2,600	2,832	4,361	2,868	4,410
Total Percentage Impact on F/S Line	0.09%	~~-14~~0.15%	0.02%	0.08%	0.02%	0.08%
Impact of ARO Adjustment on Accumulated Depreciation~~ARO Adjustment~~	.009	.009	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation (A/C 108)	1,708	17	44	54	68	90
Total Percentage Impact on F/S Line~~Percentage~~	0.00%	0.05%	-0.23%	0.19%	-0.15%	0.11%
Impact of ARO Adjustment on Regulatory Assets ~~ARO Adjustment~~	.009	.009	(0.3)	0.2	(0.3)	0.2
Regulatory Assets (A/C 182)	14	13	149	113	363	227
Total Percentage Impact on F/S Line~~Percentage~~	0.06%	0.07%	-0.20%	0.18%	-0.08%	0.09%
Impact of ARO Adjustment on Asset Retirement Obligations~~ARO Adjustment~~	3.9	3.9	0.5	3.8	0.5	3.8
Asset Retirement Obligations (A/C 230)	31	49	49	54	50	55
Total Percentage Impact on F/S Line~~Percentage~~	12.658%	~~8.0~~7.96%	1.02%	7.04%	1.00%	6.91%
Impact of ARO Adjustment on Total Deferred Credits and Other Noncurrent Liabilities~~ARO Adjustment~~	3.9	3.9	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities [(B)]	1,006	1,269	1,220	1,256	1,244	1,286
Total Percentage Impact on F/S Line~~Percentage~~	~~3.9~~0.39%	~~3.1~~0.31%	0.04%	0.30%	0.04%	0.30%

[(B)] This subtotal line is included to show an additional level of comparison.

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Qualitative Assessment

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In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - ~~No~~There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

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- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - ~~No, t~~There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

Comment [MG12]: See previous comment

- Whether it changes a loss into income or vice versa.
  Response - ~~No, t~~There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

Comment [MG13]: See previous comment.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line in 2011 Q1 and Q2 financial statements. For LG&E, the error was greater than 5% on the Asset Retirement Obligation balance sheet line at December 31, 2010 and 2009. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line for all periods for both LG&E and KU.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less

[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

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Was there any accretion during 2011 that will be reversed or is $7,589 net?

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Page 7: [207] Comment [MG3]	Maggie Garrison	10/24/2011 10:43:00 AM

Consider adding information about impact to prior years/periods. Impact on 3/31/11 of gas transmission is reduced by the overstatement of Trimble Country. If prior period are presented (i.e. 12/31/2010), would impact of gas transmission ARO error be material?

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Page 7: [209] Comment [MG4]	Maggie Garrison	10/24/2011 10:40:00 AM

Should adjustments in the line items be combined with those on the following page to show combined total impact on the Regulatory Assets line item?

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Page 7: [212] Comment [MG5]	Maggie Garrison	10/24/2011 10:41:00 AM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [217] Comment [MG6]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [222] Comment [MG7]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [227] Comment [MG8]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [231] Comment [MG9]	Maggie Garrison	10/24/2011 10:44:00 AM

Has this been included b/c ARO is not a separate line items in the F/S? Consider adding a footnote to explain why both account/line items are included.

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Page 7: [234] Comment [MG10]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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	LG&E				KU			
	Regulated Utility Plant (101)	Accumulated Depreciation (108)	Regulatory Assets (182)	Asset Retirement Obligation (230)	Regulated Utility Plant (101)	Accumulated Depreciation (108)	Regulatory Assets (182)	Asset Retirement Obligation (230)
Reversal of TC ARO	3 A (7,255,455.22)	3 B 230,644.49	3 D (563,831.48)	3 C 7,588,642.21	-	-	-	-
Establishment of new TC and gas transmission mains	4 b 7,910,755.26			4 a (7,910,755.26)	15 b 3,663,910.97			15 a (3,663,910.97)
Accretion			8 e 153,362.54	8 e (153,362.54)			18 c 141,565.39	(141,565.39)
Depreciation		11 g (122,949.13)	11 g 122,949.13			19 f (105,352.11)	19 f 105,352.11	
Ending Balance	655,300.04	107,695.36	(287,519.81)	(475,475.59)	3,663,910.97	(105,352.11)	246,917.50	(3,805,476.36)

ARO Account Summary and Balance　　End Date: 8/1/2011

Company: LOUISVILLE GAS & ELECTRIC COMPAN'

ARO Asset Id	Account Type	GL Account	Account Balance
Purc-TC Ash Pond			
30304622	ARC ASSET	101 - Plant In Service - PowerPlant	$6,653,849.98 A
30304622	ARC RESERVE	108107-ACCUM. DEPR. - ELECTRIC ARO	$-211,520.03 B
30304622	ARO LIABILITY	230012-ASSET RETIREMENT OBLIGATIONS	$-6,959,409.88 C
30304622	REG - Accretion Neutrality -LGE- Eq-Gen	182317-OTHER REGULATORY ASSETS ARO	$275,617.58
30304622	REG - Depreciation Neutrality -LGE- Gen	182317-OTHER REGULATORY ASSETS ARO	$190,396.70 D
30304622	REG - Transition ARC Depr - LGE GEN	182317-OTHER REGULATORY ASSETS ARO	$21,123.33
30304622	REG - Transition ARO Accretion - LGE GEN	182317-OTHER REGULATORY ASSETS ARO	$29,942.32
		Balance:	$0.00
Purc-TC Coal Storage			
30304628	ARC ASSET	101 - Plant In Service - PowerPlant	$266,116.91 A
30304628	ARC RESERVE	108107-ACCUM. DEPR. - ELECTRIC ARO	$-8,459.61 B
30304628	ARO LIABILITY	230012-ASSET RETIREMENT OBLIGATIONS	$-278,337.61 C
30304628	REG - Accretion Neutrality -LGE- Eq-Gen	182317-OTHER REGULATORY ASSETS ARO	$11,023.17
30304628	REG - Depreciation Neutrality -LGE- Gen	182317-OTHER REGULATORY ASSETS ARO	$7,614.79 D
30304628	REG - Transition ARC Depr - LGE GEN	182317-OTHER REGULATORY ASSETS ARO	$844.82
30304628	REG - Transition ARO Accretion - LGE GEN	182317-OTHER REGULATORY ASSETS ARO	$1,197.53
		Balance:	$0.00
Purc-TC Environmental Ponds			
30304631	ARC ASSET	101 - Plant In Service - PowerPlant	$335,488.33 A
30304631	ARC RESERVE	108107-ACCUM. DEPR. - ELECTRIC ARO	$-10,664.85 B
30304631	ARO LIABILITY	230012-ASSET RETIREMENT OBLIGATIONS	$-350,894.72 C
30304631	REG - Accretion Neutrality -LGE- Eq-Gen	182317-OTHER REGULATORY ASSETS ARO	$13,896.69
30304631	REG - Depreciation Neutrality -LGE- Gen	182317-OTHER REGULATORY ASSETS ARO	$9,599.81
30304631	REG - Transition ARC Depr - LGE GEN	182317-OTHER REGULATORY ASSETS ARO	$1,066.04

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ARO Account Summary and Balance

End Date: 8/1/2011

Company: LOUISVILLE GAS & ELECTRIC COMPAN'

ARO Asset Id	Account Type	GL Account	Account Balance
Pure-TC Environmental Ponds			
30304631	REG - Transition ARO Accretion - LGE GEN	182317-OTHER REGULATORY ASSETS ARO	$1,509.70 D
		Balance:	$0.00

Reversal of TC LGE 100%

A = ($7,255,455.22) 101 account

B = $230,644.49 108 account

C = $7,588,642.21 230 account

D = ($563,831.48) 182 account

3|21

ARO Estimate Screen - Purc-TC/Ash Pond-LGE

ARO Description: Purc-TC Ash Pond-LGE

Layer #:	1	Initial Expected Bal:	a $3,640,117.01	Discount Rate:	5.70%
Comments:	Layer #1 - 9/2011 Revaluation	Layer Asset Value:	b $3,640,117.01	Annual Eff. Rate:	5.86%
		Layer Status:	Active	Risk Free Rate:	0.00%
Revision Layer:	New Incurred	GL Posting Mo Yr:	09/2011	Approval Date:	10/3/2011 19
End of Depr. Life:	00/0000				
Current Liability:	$0.00	New Liability:	$3,640,117.01	Rate Type:	Standard

Copy Cash Flows from Last Layer

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2036	0.00	0.00	15,966,730.00	0.00	0.00	15,966,730.00	15,966,730.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	15,966,730.00	0.00	0.00	15,966,730.00	15,966,730.00

Update Layer | Calc Layer Bal | Approve Layer | Book to Pend. | Cancel

Pages 4-7

Total a = ($7,910,755.26) 230 account

Total b = $7,910,755.26 101 account

with gas mains

Pages 4-6

Total a = ($3,969,236.61) 230 account

Total b = (3,969,236.61) 101 account

only TC

4/21

ARO Estimate Screen - Purc-TC Coal Storage-LGE

ARO Description: Purc-TC Coal Storage-LGE

Layer #:	1	Initial Expected Bal:	a $145,584.34	Discount Rate:	5.70%
Comments:	Layer #1 - 9/2011 Revaluation	Layer Asset Value:	b $145,584.34	Annual Eff. Rate:	5.85%
		Layer Status:	Active	Risk Free Rate:	0.00%
Revision Layer:	New Incurred	GL Posting Mo Yr:	09/2011	Approval Date:	10/3/2011 19
End of Depr. Life:	00/0000				
Current Liability:	$0.00	New Liability:	$145,584.34	Rate Type:	Standard

Copy Cash Flows from Last Layer

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2036	0.00	0.00	638,580.00	0.00	0.00	638,580.00	638,580.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	638,580.00	0.00	0.00	638,580.00	638,580.00

Update Layer | Calc Layer Bal | Approve Layer | Back to Pend. | Cancel

5|21

ARO Estimate Screen - Purc-TC Environmental Ponds-LGE

ARO Description: Purc-TC Environmental Ponds-LGE

Layer #: 1
Comments: Layer #1 - 9/2011 Revaluation
Revision Layer: New Incurred
End of Depr. Life: 00/0000
Current Liability: $0.00

Initial Expected Bal: $183,535.26
Layer Asset Value: $183,535.26
Layer Status: Active
GL Posting Mo Yr: 09/2011
New Liability: $183,535.26

Discount Rate: 5.70%
Annual Eff. Rate: 5.85%
Risk Free Rate: 0.00%
Approval Date: 10/3/2011 19
Rate Type: Standard

Copy Cash Flows from Last Layer

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2036	0.00	0.00	805,045.00	0.00	0.00	805,045.00	805,045.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	805,045.00	0.00	0.00	805,045.00	805,045.00

Update Layer | Calc Layer Bal | Approve Layer | Back to Pend. | Cancel

6 | 21

ARO Estimate Screen - Purc-GasMains-Trans

ARO Description: Purc-GasMains-Trans

Layer #:	1	Initial Expected Bal:	$3,941,518.65	Discount Rate:	4.90%
Comments:	Layer #1 - 9/2011 Revaluation	Layer Asset Value:	$3,941,518.65	Annual Eff. Rate:	5.01%
		Layer Status:	Active	Risk Free Rate:	0.00%
Revision Layer:	New Incurred	GL Posting Mo Yr:	09/2011	Approval Date:	10/3/2011 18
End of Depr. Life:	12/2048				
Current Liability:	$0.00	New Liability:	$3,941,518.65	Rate Type:	Standard

Copy Cash Flows from Last Layer

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2048	0.00	0.00	24,363,830.00	0.00	0.00	24,363,830.00	24,363,830.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	24,363,830.00	0.00	0.00	24,363,830.00	24,363,830.00

Update Layer | Calc Layer Bal | Approve Layer | Book to Pend | Cancel

7/21

ARO Accretion Expense Report

Period: 09/2011

LOUISVILLE GAS & ELECTRIC COMPANY

0

ARO Description	Layer #	Layer Comments	Beginning Liability	Discount Rate	Monthly Discount Rate	Accretion Expense
Accretion Account: 1150-ACCRETION EXPENSE - G						
Purc-TC Ash Pond-LGE	1	Layer #1 - 9/2011 Revaluation	d $140,646.08	5.70%	0.4750%	$17,958.62
		ARO Totals:	$140,646.08			$17,958.62
		Accretion Account Totals:	$140,646.08			$17,958.62
		Company Totals:	$140,646.08			$17,958.62

pages 8-10
Total (d) =($ 153,362.54 (e)) 230 account
182 account

8/21

ARO Accretion Expense Report

Period: 09/2011

0

LOUISVILLE GAS & ELECTRIC COMPANY

ARO Description	Layer #	Layer Comments	Beginning Liability	Discount Rate	Monthly Discount Rate	Accretion Expense
Accretion Account:	1150-ACCRETION EXPENSE - G					
Purc-TC Coal Storage-LGE	1	Layer #1 - 9/2011 Revaluation	d $5,625.07	5.70%	0.4750%	$718.24
		ARO Totals:	$5,625.07			$718.24
		Accretion Account Totals:	$5,625.07			$718.24
		Company Totals:	$5,625.07			$718.24

9/21

ARO Accretion Expense Report

Period: 09/2011

0

LOUISVILLE GAS & ELECTRIC COMPANY

ARO Description	Layer #	Layer Comments	Beginning Liability	Discount Rate	Monthly Discount Rate	Accretion Expense
Accretion Account: 1150-ACCRETION EXPENSE - G						
Purc-TC Environmental Ponds-LGE	1	Layer #1 - 9/2011 Revaluation	(I) $7,091.39	5.70%	0.4750%	$905.48
		ARO Totals:	$7,091.39			$905.48
		Accretion Account Totals:	$7,091.39			$905.48
		Company Totals:	$7,091.39			$905.48

10/21

CPR Depreciation

Set of Books: Financial

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494639 Eng In Service Year: 12/2010
Asset Description: Pusc-TC Ash Pond-LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	09/2011	Depreciation Base:	$1,767,724.55	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	$5,814.88	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$5,814.88
Beginning Value:	$0.00	Reserve Adj:	9 $104,667.93	YTD Expense Adj:	$0.00
Net Add / Adj:	$3,640,117.01	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$3,640,117.01	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$110,482.81	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

Pages 11-14

Total 9 = ($ 122,949.13)
108 account
182 account

11|21

CPR Depreciation

Set of Books: Financial

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494648 Eng In Service Year: 12/2010

Asset Description: Purc-TC Coal Storage-LGE

Company: LOUISVILLE GAS & ELECTRIC COMPANY

Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	09/2011	Depreciation Base:	$70,699.09	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	$232.56	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$232.56
Beginning Value:	$0.00	Reserve Adj:	a $4,186.17	YTD Expense Adj:	$0.00
Net Add / Adj:	$145,584.34	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$145,584.34	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$4,418.73	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

12/21

CPR Depreciation

Chirinas

Set of Books: Financial

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494657 Eng In Service Year: 12/2010

Asset Description: Ruic-TC Environmental Ponds-LGE

Company: LOUISVILLE GAS & ELECTRIC COMPANY

Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	09/2011	Depreciation Base:	$89,128.97	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	$293.19	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$293.19
Beginning Value:	$0.00	Reserve Adj:	9 $5,277.33	YTD Expense Adj:	$0.00
Net Add / Adj:	$183,535.26	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$183,535.26	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$5,570.52	Adjustment History	Audits

*NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

13|21

CPR Depreciation

Set of Books: Financial

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494630
Eng In Service Year: 09/2011
Asset Description: Puro-GasMains-Trans
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-236807-ARO Cost Gas Trans (Egp)

Accounting Month:	09/2011	Depreciation Base:	$3,941,518.65	Mid Period Method:	Straight Line
Initial Life(mo):	448	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	447	Current Depr Expense:	$8,817.73	Depreciation Method:	<none>
Monthly Calc Rate:	0.2237%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$8,817.73
Beginning Value:	$0.00	Reserve Adj:	$0.00	YTD Expense Adj:	$0.00
Net Add / Adj:	$3,941,518.65	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403213	
Current Value:	$3,941,518.65	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$8,817.73	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

9

14|21

Charnas

ARO Estimate Screen - Purc-TC Ash Pond-KU

ARO Description: Purc-TC Ash Pond-KU

Layer #:	1	Initial Expected Bal:	$3,360,108.01	Discount Rate:	5.70%
Comments:	Layer #1 - 9/2011 Revaluation	Layer Asset Value:	$3,360,108.01	Annual Eff. Rate:	5.85%
		Layer Status:	Active	Risk Free Rate:	0.00%
Revision Layer:	New Incurred	GL Posting Mo Yr:	09/2011	Approval Date:	10/3/2011 10
End of Depr. Life:	00/0000				

Current Liability: $0.00 New Liability: $3,360,108.01 Rate Type: Standard

Copy Cash Flows from Last Layer

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2036	0.00	0.00	14,738,520.00	0.00	0.00	14,738,520.00	14,738,520.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	14,738,520.00	0.00	0.00	14,738,520.00	14,738,520.00

Update Layer | Calc Layer Bal | Approve Layer | Book to Pend | Cancel

Pages 15-17

Total ⓐ = ($3,663,910.97) 230 account

Total ⓑ = $3,663,910.97 101 account

ARO Estimate Screen - Purc-TC Coal Storage-KU

ARO Description: Purc-TC Coal Storage-KU

Layer #: 1
Comments: Layer #1 - 9/2011 Revaluation
Revision Layer: New Incurred
End of Depr. Life: 00/0000
Initial Expected Bal: $134,385.67
Layer Asset Value: $134,385.67
Layer Status: Active
GL Posting Mo Yr: 09/2011
Discount Rate: 5.70%
Annual Eff. Rate: 5.85%
Risk Free Rate: 0.00%
Approval Date: 10/3/2011 19
Current Liability: $0.00
New Liability: $134,385.67
Rate Type: Standard

Copy Cash Flows from Last Layer

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2036	0.00	0.00	589,459.00	0.00	0.00	589,459.00	589,459.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	589,459.00	0.00	0.00	589,459.00	589,459.00

Update Layer | Calc Layer Bal | Approve Layer | Book to Pend. | Cancel

16/21

ARO Estimate Screen - Purc-TC Environmental Ponds KU

Charnas

ARO Description: Purc-TC Environmental Ponds KU

Layer #: 1
Comments: Layer #1 - 9/2011 Revaluation
Revision Layer: New Incurred
End of Depr. Life: 00/0000

Initial Expected Bal: $169,417.29
Layer Asset Value: $169,417.29
Layer Status: Active
GL Posting Mo Yr: 09/2011

Discount Rate: 5.70%
Annual Eff. Rate: 5.86%
Risk Free Rate: 0.00%
Approval Date: 10/3/2011 19

Copy Cash Flows from Last Layer

Current Liability: $0.00
New Liability: $169,417.29
Rate Type: Standard

Click on Cell to Edit the Cash Flow Item

Month Yr	Starting Estimate	Prior Layer(s) Settlement Adjust.	Stream 1 Gross	Stream 2 Gross	Stream 3 Gross	Gross Weighted Est. Layer 1	Net Change
	Stream Prob.:		100.00%	0.00%	0.00%		
12/2036	0.00	0.00	743,119.00	0.00	0.00	743,119.00	743,119.00
00/0000	0.00		0.00	0.00	0.00	0.00	0.00
Total:	0.00	0.00	743,119.00	0.00	0.00	743,119.00	743,119.00

Update Layer | Calc Layer Bal | Approve Layer | Book to Pend. | Cancel

17/21

ARO Accretion Expense Report

Period: 09/2011

KENTUCKY UTILITIES COMPANY

0

ARO Description	Layer #	Layer Comments	Beginning Liability	Discount Rate	Monthly Discount Rate	Accretion Expense
Accretion Account: 1150-ACCRETION EXPENSE - G						
Purc-TC Ash Pond-KU	1	Layer #1 - 9/2011 Revaluation	$129,827.13	5.70%	0.4750%	$16,577.19
		ARO Totals:	$129,827.13			$16,577.19
Purc-TC Coal Storage-KU	1	Layer #1 - 9/2011 Revaluation	$5,192.36	5.70%	0.4750%	$663.00
		ARO Totals:	$5,192.36			$663.00
Purc-TC Environmental Ponds-KU	1	Layer #1 - 9/2011 Revaluation	$6,545.90	5.70%	0.4750%	$835.83
		ARO Totals:	$6,545.90			$835.83
		Accretion Account Totals:	$141,565.39			$18,076.02
		Company Totals:	$141,565.39 ⓒ			$18,076.02

230 account
182 account

18/21

CPR Depreciation — Charges

Set of Books: Financial

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494587 Eng In Service Year: 12/2010
Asset Description: Purc-TC Ash Pond KU
Company: KENTUCKY UTILITIES COMPANY
Depr Group: KU-131707-ARO Cost Steam (Eqp)

Accounting Month:	09/2011	Depreciation Base:	$1,631,745.75	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	$5,367.58	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$5,367.58
Beginning Value:	$0.00	Reserve Adj:	f $96,616.53	YTD Expense Adj:	$0.00
Net Add / Adj:	$3,360,108.01	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$3,360,108.01	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$101,984.11	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

pages 19-21

Total f = ($105,352.11)

108 account
182 account

19|21

CPR Depreciation

Set of Books: Financial

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494596 | Eng In Service Year: 12/2010

Asset Description: Purc-TC Coal Storage-KU

Company: KENTUCKY UTILITIES COMPANY

Depr Group: KU-131707-ARO Cost Steam (Eqp)

Accounting Month:	09/2011	Depreciation Base:	$65,260.77	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	$214.67	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$214.67
Beginning Value:	$0.00	Reserve Adj:	$3,864.15	YTD Expense Adj:	$0.00
Net Add / Adj:	$134,385.67	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$134,385.67	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$4,078.82	Adjustment History	Audits

*NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

20|21

CPR Depreciation — Charnas

Set of Books:	Financial				
Asset Id:	43494605	Eng In Service Year:	12/2010		
Asset Description:	Purc-TC Environmental Ponds-KU				
Company:	KENTUCKY UTILITIES COMPANY				
Depr Group:	KU-131707-ARO Cost Steam (Eqp)				
Accounting Month:	09/2011	Depreciation Base:	$82,272.94	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	$270.63	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	$270.63
Beginning Value:	$0.00	Reserve Adj:	+ $4,871.43	YTD Expense Adj:	$0.00
Net Add / Adj:	$169,417.29	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$169,417.29	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$5,142.06	Adjustment History	Audits

*NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

Update | Cancel | Prev Mo | Next Mo

21|21

Crescente, Angela

From: Crescente, Angela
Sent: Tuesday, October 25, 2011 12:42 PM
To: Clark, Ed; Clark, Lynda; Daly, Karen; Griffin, Sharon; Kinder, Debra; Leenerts, Patricia; Riggs, Eric; Rose, Bruce; Wacker, Diana
Cc: Wiseman, Sara
Subject: Changes to Policy and S-OX Narratives for Preliminary Retirements and AROs.

All:

Please see the attached changes for the Capital – Additions and Retirements Policy for preliminary retirements. Also, please see the changes to the attached narratives for preliminary retirement and AROs.

650 - Capital - Additions and ...

40 01 - Acquisitions Dis...

40.02 - Depreciation of ...

Thanks,
Angela

LG&E and KU Energy LLC Accounting Policy and Procedures

650 - Capital - Additions and Retirements Policy and Procedures

Policy: Capital assets will be recorded based on the acquisition or construction of property, plant and equipment ("PP&E") with useful lives greater than one year, and assets will be removed based on retirements and disposals of PP&E to ensure the accounting records are accurate.

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Procedure: The procedures for adding and removing capital assets are described in the detailed instructions below.

Scope: All asset additions and retirements of LG&E and KU Energy LLC ("LKE" or the "Company") and its subsidiaries.

Objective of Procedure: Ensure that all capital assets and retirements are properly added or removed from the accounting records.

General Requirements:

Detailed Procedures Performed:

Various costs are considered appropriate to be accounted for as capital. The following are some generic definitions of these costs:

Capitalizable Costs - costs that are directly identifiable with specific PP&E. This includes incremental costs related to the acquisition, construction or improvement of capital assets. These costs singly or in combination with other assets will provide a future economic benefit that will contribute directly or indirectly to future net cash inflows.

Direct Costs - costs which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. These costs can be readily identified and are itemized by name and amount. Examples are direct labor, direct material, and direct equipment costs.

Direct Labor Cost - labor cost which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. The cost components are basic wage/salary rate, shift premiums, fringe benefits and overtime premiums.

Direct Material Cost - material cost which can be identified and directly attributed to a specific capital project for the acquisition or construction of PP&E. These costs include inventory loading cost, freight, transportation, and applicable taxes associated with the material.

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Probable – the future event or events are likely to occur. A capital project for the acquisition or construction of PP&E is probable when: 1) proper management approval as specified by the authority limits matrix is obtained in writing, 2) financial resources are available to fund the project, and 3) any regulatory requirements can likely be met.

Indirect/Overhead Costs - costs which generally are not directly attributable to a specific capital project for the acquisition or construction of PP&E.

Capital projects generally follow a timeline and progress through the following stages of acquiring or constructing an asset:

- Preliminary Stage - the period during which the acquisition or construction of specific PP&E is being evaluated. Feasibility studies often occur during this stage. At this stage the project is not yet approved by Management and all costs are expensed as incurred. The only capitalizable costs are payments to obtain an option to purchase PP&E.

- Preacquisition Stage - the acquisition or construction of specific PP&E is deemed probable at this time, so appropriate costs can be capitalized. Only those costs that are directly identifiable to the asset are capitalized. Activities often include zoning, surveying, and engineering studies.

  Directly identifiable costs include:

  - incremental direct costs incurred in transactions with a third party often include an element of the third party's administrative overhead. That element is considered to be an incremental direct cost and should be capitalized.
  - labor and burden costs related to time spent on specified activities performed by the entity during this stage.
  - depreciation of machinery and equipment used directly in the construction or installation of PP&E and incremental costs directly associated with the utilization of that machinery and equipment during this stage.
  - inventory (including spare parts) used directly in the construction or installation of PP&E.
  - payment to obtain an option to acquire PP&E.

  NOTE: Costs that are capitalized during the preliminary and preacquisition stages will be added to the basis of the asset acquired or constructed. If the likelihood no longer exists that the asset will be acquired or constructed, capitalized costs should be reduced to the lower of cost or fair value less cost to sell.

650 - Capital - Additions and Retirements Policy and Procedures

- Acquisition or Construction Stage - the acquisition or construction activities occur that are necessary to get the PP&E ready for its intended use. This is the stage when the business entity acquires ownership of the assets or rights to the assets. It continues until the asset is acquired or until completion of all major construction and installation activities. If the asset is constructed in phases, it can be divided into multiple projects as long as the phases can be operated independently from the projects that are incomplete. Capitalized interest, if applicable, begins during this stage (see AFUDC Policy and Procedures). Costs directly identifiable related to the asset during this stage can be capitalized. Examples are listed below:

    - labor and burden costs related to time spent on specified activities performed by the entity during this stage.
    - depreciation of machinery and equipment used directly in the construction or installation of PP&E and incremental costs directly associated with the utilization of that machinery and equipment during this stage.
    - inventory (including spare parts) used directly in the construction or installation of PP&E.
    - payment to obtain an option to acquire PP&E.
    - incremental direct costs incurred in transactions with a third party often include an element of the third party's administrative overhead. That element is considered to be an incremental direct cost and should be capitalized.
    - for real estate, costs incurred for property taxes, insurance and ground rentals are capitalizable during the time that activities are necessary to get the asset ready for its intended use are in progress. The cost of demolition that occurs with the acquisition of real estate is capitalized during a reasonable period of time thereafter.

- In-Service Stage - PP&E is substantially complete and ready for its intended use. Capitalized interest, if any, ceases (see AFUDC Policy and Procedures) and depreciation commences at this stage. Costs that are incurred during this stage can be as follows:

    - repair and maintenance - expensed as incurred.
    - replacement of existing components of PP&E - capitalized under the guidelines of the FERC Uniform System of accounts.
    - additional components to PP&E- follow the capitalization criteria set forth in the first three stages within this policy.

NOTE: Major maintenance activities may include costs related to replacements of PP&E and should be capitalized (when incurred and not accrued) according to the FERC Uniform System of Accounts. Additions to PP&E should follow the capitalization criteria

set forth in first three stages within this policy. All other maintenance costs should be expensed as incurred.

Refer to Appendix A – Summary of Accounting, for more details on accounting for specific types of costs.

LKE and its subsidiaries have historically applied the standards of the Federal Energy Regulatory Commission ("FERC") and other regulators in their accounting practices when making capital versus expense determinations. It has been LKE's practice is to capitalize the following:

- Direct costs related to asset construction – costs directly charged such as labor, purchased material, contractors and inventory.
- Burden Cost Component – cost that can NOT be directly charged. Examples of burdens include pensions, insurance, payroll taxes and other labor related costs.
- A portion of indirect overheads directly attributable to capital activities –including Administrative and General Expense-Transferred ("A&G") and Engineering, Warehouse and Transportation Overheads. A&G is an allocation from Operation and Maintenance to Capital which allocates labor and expenses of employees that support the capital process but do not work directly on a particular capital project. These costs can be capitalized per the Code of Federal Regulations and have been deemed recoverable in rates by the various regulating entities.

According to the Corporate Capital Policy guidelines, projects with a total cost of $2,000 or less will be expensed, and any Authorization for Investment Proposal ("AIP") that is received for $2,000 or less is returned to the Project Manager with an explanation. All other capital expenditures are subject to mandatory capitalization. All fixed assets are recorded at cost as mandated by the FERC. When the requestor completes preparation of the AIP for capital expenditures in PowerPlant, appropriate authority must be achieved based on the Authority Limits Matrix. The preparer sends the electronic AIP for approval via PowerPlant. At the point the AIP is received by Property Accounting for approval, the Accounting Analyst reviews the AIP for appropriate budget funding, approvals, and whether the described expenditure is indeed a capital expenditure. If the AIP passes review, the Accounting Analyst approves the project in PowerPlant. Should the AIP not pass review, the Accounting Analyst has the option to request additional information or reject the AIP. If the AIP is rejected the approval process starts all over.

To ensure timely capitalization and retirement of projects, a report, referred to as the 90-Day Report, is generated on a quarterly basis identifying capital and cost of removal projects which

are in "open" status but having no activity for 90 days or more. This report is sent to every line of business Budget Coordinator with a request to update the project with either in-service or completion dates or verify that the project is still active. If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely matter.

Monthly, a report called the "Job Log" is generated identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\ POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year Company Job Log).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. The capitalization process includes the following:

- Review Authorization for Investment Proposal ("AIP").
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized. If the variance compared to the original AIP is 10% or $100,000 over; (whichever is less, subject to a minimum of $25,000), a revised AIP must be completed as soon as possible.
- Review all project charges to ensure that all charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., is unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property established by the analyst in the case of manual as-builts, and those established from inventory transactions in the case of automated as-builts. The Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

The retirement process includes the following:

650 - Capital - Additions and Retirements Policy and Procedures

- Review AIP and the associated retirement/salvage information to determine if a retirement is listed or should be listed based on a description of the project (i.e., if a project addition is to replace an asset a retirement should be listed). The Accounting Analyst will question the responsible Budget Analyst if retirements are not listed where it appears they should be.
- Review all project removal charges in the Cost Repository Report – Actual Cost ("RWIP").

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management system.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – not but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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In order to minimize record keeping requirements, equipment in certain General Plant accounts are amortized (office furniture and equipment, stores equipment, tools, shop equipment, garage equipment and laboratory equipment). These assets are retired when the assets become fully depreciated based on their in-service date and depreciable lives. For equipment in these accounts, AIP reporting for retirements is not necessary.

For both additions and retirements, PowerPlant validation rules prevent the Analyst from choosing invalid units of property, plant accounts and business segment combinations in order to prevent incorrect data from being entered. An error message is generated in the event of an

invalid combination and the Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, Company guidelines, etc.) by the Accounting Analyst or other designee. After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Accounting Analysts during the month. The as-built folder is then passed to the analyst responsible for the monthly system closing process for posting.

The Accounting Analyst responsible for the closing process begins the process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The Accounting Analyst then runs the PowerPlant processes to post all acquisitions for assets and retirements. To verify the accuracy and completeness of the data, monthly the Accounting Analyst reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (I:\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the Accounting Analyst runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the Accounting Analyst. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the Accounting Analyst to ensure accurate monthly financial closing. The Accounting Analyst maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the Accounting Analyst uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.

Reports Generated and Recipients:

- 90-Day Report sent to the Budget Coordinators
- Job Log report accessible to Property Accounting on the fs2:\\propacct shared drive

- Plant Additions and Retirement Report – PowerPlant Classification Spreadsheet accessible to Property Accounting on the fs2:\\propacct shared drive
- Cost Repository Report – Actual Cost (RWIP) accessible to Property Accounting in PowerPlant

Additional Controls or Responsibility Provided by Other Procedures:

- General ledger debits and credits for Account 101 Plant in Service should tie to the additions and retirements.
- Budget Coordinators, Financial Planning personnel and Accounting Analysts review AIPs to confirm assets are to be capitalized.

Regulatory Requirements:
- FERC Accounting Guidelines

Reference:
- Code of Federal Regulations 18 Part 101 Electric Plant Instructions
- Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 360 – Property, Plant and Equipment
- FASB ASC Topic 720 – Other Expenses
- FASB ASC Topic 970 – Real Estate
- FASB ASC Topic 980 – Regulated Operations

Corresponding PPL Policy No. and Name:

602 – Accounting Guidelines for Capitalizing Costs for the Acquisition or Construction of Property, Plant and Equipment
612 – Accounting for Capital Office Furniture, Tool, and Equipment
616 – Accounting for Leaseholds and Improvements

Key Contact: Manager, Property Accounting

Administrative Responsibility: Director, Accounting and Regulatory Reporting

Date Created: 11/24/04
Dates Revised: 10/1/2008, 6/15/10; 12/01/10; 3/31/11, 10/07/11

650 - Capital - Additions and Retirements Policy and Procedures

Appendix A- Summary of Accounting

Type of Work	Capital	Expense	Deferred Charges	Comments
Preliminary Stage (pre-probable)				
Internal/external costs of developers working to facilitate project negotiation and start up		X		
Internal/external legal fees to draft letters of intent and purchase agreements		X		
Travel expenses of internal/external developers and other company personnel to conduct negotiations with other parties and review project		X		
Salaries/consultant fees to review or develop models of projected cash flows/operations		X		
Payment to obtain an option to acquire PP&E	X			
Preacquisition Stage (Project is deemed probable) & Construction Stage				
Payment to acquire a site permit and license when directly identifiable to the property	X			A
Internal/external legal fees for Operational/Commercial contracts	X			B
Internal/external legal fees for litigation proceedings related to PP&E	X			B
Internal/external legal fees for condemnations proceedings, including court and counsel costs for land and land rights	X			
Internal/external legal fees for environmental activities directly related to PP&E	X			C
Internal/external fees for incorporation related to a regulated entity	X			
Salaries of developers, legal counsel and other Company personnel working to facilitate obtaining a site permit and license when directly identifiable to the activity	X			D

650 - Capital - Additions and Retirements Policy and Procedures

Internal salaries to negotiate and secure specific project financing		X		
Payment to obtain an option to acquire PP&E	X			
External fees to negotiate and secure project financing			X	
Incremental direct costs with independent third parties for specific PP&E	X			
External consulting fees such as architectural and engineering studies	X			
Real estate legal and title fees	X			
Real estate surveying fees, appraisal, negotiation fees, site preparation, and damage payments (e.g. crops)	X			E
Directly related employee salary and benefit costs	X			
Environmental compliance and due diligence in areas directly related to PP&E	X			F
Building demolition costs	X			G
Internal direct costs of constructing the asset, including labor	X			
Depreciation and incremental costs of directly related equipment	X			
Internal costs to develop software at site (subject to Policy 615 – Hardware and Software Capitalization Policy and Procedure)	X			
Costs of materials to build the plant, including acquisition of inventory and contract labor	X			
Costs reduced for liquidating damages	X			H
Inventory (including spare parts) used directly in acquisition or construction of PP&E	X			
Incremental costs associated with field office maintained during construction	X			
Costs to identify and hire operating and administrative personnel on-site		X		
Internal/external costs to conduct training, including training on internally developed or acquired software		X		
Interest expense incurred on debt incurred to finance acquisition (subject to limitations)	X			
Property taxes and insurance	X			I

Post Construction/Pre-operation				
Costs to test plant	X			J
Synchronization of plant to grid	X			K
O&M contractor costs		X		
Administrative costs such as rent, utilities, etc.		X		

Comments:

A. Capitalize only if all conditions are met: costs are directly identifiable to the specific property, costs would be capitalized if the property were acquired, and acquisition of the property is probable.
B. Capitalize only if directly identifiable to a capital project.
C. Examples of activities include licensing, air and water permitting, site acquisitions, and all other studies required by regulatory and environmental agencies as a pre-condition to permit issuance.
D. Limited to time spent on a specific permit/license. Not time exploring several possible sites; costs should not be significant.
E. Costs include professional fees of engineers, attorneys, appraisers, and financial advisors, etc.
F. Areas include hazardous material and waste management, pollution prevention, environmental permitting & impact analysis, and regulated licensing/renewals
G. Capitalize if the demolition is probable upon purchase and occurs within approximately one year after and classify as land.
H. Liquidating damages an entity receives because a third party did not deliver or complete construction by a contractual specified date.
I. Costs incurred for property taxes associated with real estate and insurance shall be capitalized as property cost only during periods in which activities necessary to get the property ready for its intended use are in progress.
J. Credit test power revenues against capital cost. Need to distinguish true testing from start up activities. Start up losses should be expensed.
K. Extensive connection delays or rework expenses must be expensed. Need to distinguish from start up activities. Start up losses should be expensed.

NOTE: Examples above are not an exhaustive list of all expenditures that may be capitalized. Contact Property Accounting with any questions.

PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.01 - Acquisitions, Disposals and Retirement
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its subsidiaries

Transaction Overview:

This transaction is to ensure that all acquisitions and disposals are properly authorized and reported completely and accurately.

Key Risks:

1	Fixed assets may be acquired or disposed of without authorization and/or the necessary approval levels may not be observed.
2	Additions or disposals of fixed assets may not be communicated to Property Accounting resulting in financial statement misstatement.
3	Additions or disposals of fixed assets may not be properly classified on the financial statements. Additions to or disposals of fixed assets may be recorded at the wrong amounts.
4	Additions to or disposals of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Additions to or disposals of fixed assets may not be recorded in the proper accounting period.
6	Asset retirement obligations (AROs) may not be identified and recorded accurately or completely.
7	Gains/losses on disposals of assets may not be calculated correctly.
8	Spreadsheet risk – a standard risk will be written by S-OX Compliance
9	Shared drive risk - a standard risk will be written by S-OX Compliance

Control Activities:

#1	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Authorization for acquisitions and disposals: Authorizations for Investment Proposals (AIPs) for all capital additions and retirements are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy.						

#2	Key	Risk: 1,2	Event-driven	Semi-Automated	Preventive	V
Change of specifications: A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized.						

#3	Key	Risk: 2,5	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active.						

#4	Key	Risk: 2,5	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement.						

#5	Key	Risk: 3	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR" (Continuing Property Records), the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.						

#6	Key	Risk: 3	Event -driven	Manual	Preventive	C, A, V
Work Order Analysis Checklist : The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements.						

#7	Key	Risk: 4,5,7	Monthly	Manual	Preventive	C, A
Closing Checklist: During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed.						

#8	Key	Risk: 4,5	Monthly	Semi-Automated	Detective	C, A
Period closing activities: To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR).						

#9	Key	Risk: 6	Event-driven	Manual	Preventive	C, A, V
ARO Review for Acquisitions: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for						

further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations.

#10	**Key**	**Risk: 6**	**Event-driven**	**Manual**	**Preventive**	**C, A, V**
ARO Review for Disposals : If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's set up in Oracle and makes corrections as necessary.						

#11	**Key**	**Risk: 8**	**Ongoing**	**Manual**	**Preventive**	**C, A, V, R**
Spreadsheet Controls: Reference control activity number 1 on 80.10 – General ICFR						

#12	**Key**	**Risk: 9**	**Quarterly**	**Manual**	**Preventive**	**R**
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 – General ICFR						

Process Description:

A multi-year Capital Investment Plan, prepared annually on an operating business unit (OBU) basis, is used to inform senior management of future capital-spending projections in order to obtain proper approval to proceed with construction. This Capital Investment Plan is approved by senior management of LG&E and KU Energy LLC, including the Chief Financial Officer (CFO), Chief Executive Officer (CEO), and the Investment Committee.

The first year of the Capital Investment Plan, once approved, becomes the formal budget for the accounting period. During preparation of the multi-year Capital Investment Plan, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's multi-year Capital Investment Plan for additional funds to be approved.

Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrix requirements and all other reviews as stated on the face of the AIP. Additionally, the Investment Committee must approve all projects greater than $1 million to ensure proper cash flow objectives are met.

AIPs are completed and submitted by project managers with the appropriate approvals to document compliance with the Authority Limit Matrix and the Corporate Capital Policy. **[CA 1]** Projects are not considered approved until appropriate approvals are obtained.

The AIP is used to request the appropriate approvals for spending on capital projects. The Corporate Capital Policy details the AIP requirements.

A revised AIP must be submitted by the project manager for project overruns, as required per the Corporate Capital Policy, to ensure that all capital expenditures are properly authorized. **[CA 2]** When it is apparent that the amount approved on the original AIP will be insufficient to complete the project, a revised AIP must be completed in accordance with the Corporate Capital Policy as soon as possible.

Accounting Analysts in Property Accounting are notified via email as projects are ready for approval. The AIP information is used to help the Accounting Analysts evaluate if an AIP is in compliance with the Corporate Capital Policy guidelines. If it is incomplete or does not comply with the Capital Policy guidelines, the Accounting Analyst will reject the AIP and it will be returned to the originator for corrections. The AIP is also reviewed to determine if there is an ARO associated with the retirement of an asset. If there is no ARO qualification for the retirement of an asset and the capital/cost of removal expenditure total matches the amount stated in the approved Capital Budget, the Accounting Analyst will approve the AIP. If there is a possibility of an ARO, the original AIP is routed to the Accounting Analyst in charge of ARO accounting. If an ARO exists for the asset being retired, the Accounting Analyst must to ensure that the cost of removal is being properly accounted for. The Accounting Analyst in charge of ARO accounting reviews the AIP, determines if an ARO liability exists, verifies the proper accounting is associated with the project's setup in PowerPlant and makes corrections as necessary. **[CA 10]** The system approval will automatically update the project status to "open". The Corporate Capital Policy and guidelines for ensuring proper capital acquisitions and disposals, verifying the appropriate retirement, transfer, or salvage information, are available to all employees via the company intranet.

Some capital asset additions necessitate the creation of an ARO if there is a legal or environmental obligation to remove the asset or dispose of it in a special manner when taken out of service. During the AIP process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations. **[CA 9]**

On a quarterly basis, Property Accounting will distribute ARO questionnaires and receive replies from Legal, Environmental and the Budget Managers for each operating line of business regarding any revisions of or additions to laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations which would prompt the creation of additional AROs. If an ARO is required, information regarding the amount is gathered by the Property Accounting Analyst from the appropriate company personnel (operating units, Legal, Environmental, etc.) and the present value of the future retirement obligation is calculated in accordance with guidelines under FASB Accounting Standards Codification (ASC) Topics 410 and 980-410 (formerly Statement of Financial Accounting Standards No. 143, Accounting for AROs and the subsequent FASB Interpretation No. 47).

Each month, the Accounting Analyst in charge of ARO accounting reviews the charges incurred for the ARO cost of removal for reasonableness, and if necessary, follows up with field personnel with questions. – Additionally, the Accounting Analyst will review reports for account 254-Regulatory

Liability-ARO for any new ARO asset activity. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. Any new or unexpected activity in this account will be investigated by the Accounting Analyst to ascertain whether the associated ARO liability has been established. Any issues or problems will be addressed.

Occasionally, due to business needs such as equipment failures and emergencies, a capital/cost of removal project will need to be moved to "open" status before Property Accounting receives the fully approved AIP. In order for project activation to occur, one of following approvals must be received:

1) Property Accounting must receive email approval from the highest level of Lines of Business (LOB) authority based on the total amount of the AIP as per the AIP approval process. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the early activation, as indicated in the Corporate Capital Policy. The approval request email should include the following information: i) Project Number; ii) Project Description; iii) Total Project amount; iv) Name of the individual whose highest level of signature authority is required, and any associated Delegation of Authorities (DOA); v) Description of the need for the early activation; vi) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.

Or

2) In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from the Financial Planning Department that the project had indeed been approved by the Investment Committee would be sufficient approval.

Additionally, for either scenario 1 or 2 above, an automated AIP must be submitted for $10,000 and approved by the project manager and budget coordinator for the project in order for the project to be moved to "open" status in PowerPlant. Within 10 business days of the early activation, the AIP must be revised with the appropriate dollar amount and other relevant information and resubmitted with all required approvals.

The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP. Property Accounting monitors the log to ensure receipt of the AIP.

Charges are accumulated in capital and retirement projects as a result of manual journal entries and automated accounts payable, inventory and labor transactions. Burdens are automatically included as applicable. Reference 80.03 – Burden Accounting and 80.05 – Closing and Account Reconciliation Narratives for controls surrounding these processes.

Refer to the Corporate Capital Policy for guidelines regarding materiality and thresholds. All fixed assets are recorded at cost as mandated by the Federal Energy Regulatory Commission (FERC).

To ensure timely capitalization and retirement of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital and cost of removal projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to

every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. [CA 3] If the project is complete, the Property Accounting Department will capitalize it or process a retirement in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report called the "Job Log" identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization/retirement. [CA 4] The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year).

During the accounting period, Accounting Analysts select projects from the Job Log for capitalization/retirement. The Accounting Analyst uses the Work Order Analysis Checklist posted on the Property Accounting Department's shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Work Order Analysis Checklist) to aid in the capitalization and retirement process. This checklist ensures that fixed asset records are processed consistently by all Accounting Analysts, reducing the risk of misstatement of fixed assets in the financial statements. [CA 6] The capitalization process includes the following:

- Review AIP.
- Reconcile capital and cost of removal expenditure charges to the AIP to ensure that all expenditures have been properly authorized, including requirements for revised AIPs. Review project charges to ensure that charges should be properly capitalized or classified as cost of removal.
- Reconcile units of property listed on the AIP to what has been charged to the project.

The retirement process includes the following:

- Review AIP and the associated retirement/salvage information.
- Review project removal charges in the Cost Repository Report – Actual Cost (RWIP).

Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Property Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an "estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – ~~not~~ but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the analyst from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the Accounting Analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst. **[CA 5]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Property Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all acquisitions for assets and retirements. In order to ensure that

potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles all addition and retirement postings in the general ledger to control totals in the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILT-INPUT-MONTH YEAR). **[CA 8]** Discrepancies are investigated and cleared as discovered. Once all totals are reconciled, the PowerPlant Application Access Reviewer runs the depreciation calculations. PowerPlant automatically generates entries for gains and losses on non-mass property which are then checked for correctness by the PowerPlant Application Access Reviewer. The monthly reconciliation and closing process is then completed. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Access Reviewer to ensure accurate monthly financial closing. The PowerPlant Application Access Reviewer maintains all supporting documentation in binders stored in the Property Accounting Department. During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting Shared Drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 7]**

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 11]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 12]**

Information Processing Objectives (CAVR)

<u>Completeness:</u> All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

<u>Accuracy:</u> Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

<u>Validity:</u> Only authorized economic events that actually occurred and relate to LG&E and KU Energy LLC and its' subsidiaries are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

LG&E KU
PPL companies

Cycle:	40 – Fixed Assets
Transaction:	40.02 - Depreciation of Fixed Assets
Transaction Owner:	Manager, Property Accounting
Executive Owner:	Director, Accounting and Regulatory Reporting
Companies:	LG&E, KU, LKE and its' subsidiaries

Transaction Overview:

This transaction is to ensure that depreciation is properly authorized and reported completely and accurately.

Key Risks:

1	Depreciation is calculated incorrectly. a. Depreciation is calculated using an incorrect basis. b. Assets are classified to incorrect plant accounts leading to incorrect depreciation calculation. c. Depreciation rates may be incorrectly input into PowerPlant.
2	Depreciation rates used are not approved by regulatory agencies.
3	Depreciation of fixed assets may not be recorded in the proper accounting period.
4	Depreciation of fixed assets recorded in PowerPlant may not be transferred to the general ledger completely or accurately.
5	Spreadsheet Risk – a standard risk will be written by S-OX Compliance
6	Shared drive risk – a standard risk will be written by S-OX Compliance

Control Activities:

#1	Reference	Risk: 1a, 3	Quarterly	Semi-Automated	Preventive	C, A, V
Activated costs for construction/cost of removal: Reference control activity #3 on transaction narrative 40.01 – Acquisitions, Disposals and Retirements.						

#2	Reference	Risk: 1a, 3	Monthly	Semi-Automated	Detective	C, A, V
Capitalization/Retirement eligible projects: Reference control activity #4 on transaction narrative 40.01 – Acquisitions, Disposals and Retirements.						

#3	Reference	Risk: 1b	Daily	Semi-Automated	Detective	C, A, V
Capitalization/Disposals of fixed assets: Reference control activity #5 on transaction narrative 40.01 – Acquisitions, Disposals and Retirements.						

#4	Key	Risk: 1c, 2	Event-driven	Semi-Automated	Detective	C, A, V
Double-checked master data: Upon receipt of a written Order from the Kentucky Public Service Commission (KPSC) or Virginia State Corporation Commission (VSCC), the Manager, Property Accounting sends an email to the PowerPlant Application Access Reviewer requesting any applicable changes in depreciation rates be made in PowerPlant. Upon updating PowerPlant, the PowerPlant Application Access Reviewer notifies the Manager, Property Accounting via email that the changes are ready for review to ensure that they have been properly entered. Subsequent to review of the system changes, the Manager, Property Accounting replies with an email approving the change.						

#5	Reference	Risk: 4	Monthly	Manual	Preventive	C, A, V
Closing Checklist: Reference control activities #7 on transaction narrative 40.01 – Acquisitions, Disposals and Retirements.						

#6	Reference	Risk: 4	Monthly	Semi-Automated	Detective	C, A
Period closing activities: Reference control activity #8 on transaction narrative 40.01 – Acquisitions, Disposals and Retirements.						

#7	Key	Risk: 4	Monthly	Semi-Automated	Detective	C, A, V
Check depreciation values: Once the depreciation run has successfully completed, the PowerPlant Application Access Reviewer runs a report in PowerPlant to verify depreciation entries for the month by comparing them to the prior month to ensure validity prior to posting. Variances exceeding 5% are investigated. The Manager, Property Accounting reviews and signs off on the validation.						

#8	Key	Risk: 5	Ongoing	Manual	Preventive	C, A, V, R
Spreadsheet Controls: Reference control activity number 1 on 80.10 – General ICFR						

#9	Key	Risk: 6	Quarterly	Manual	Preventive	R
Restricted Access to Network Shared Drives: Reference control activity number 2 on 80.10 – General ICFR						

Process Description:

LG&E and KU Energy LLC and its' subsidiaries (the Companies) establish depreciation rates and all underlying parameters in accordance with generally accepted accounting principles and with regulatory standards as set forth in the Federal Energy Regulatory Commission (FERC) Code of Federal Regulations and in "Public Utility Depreciation Practices" published by the National Association of Regulatory Utility Commissioners. The Companies use the "Group" method, which is particularly adaptable to utility property. Rather than depreciating each item by itself or depreciating one single group containing all utility plant, a group contains homogenous units of plant, which are alike in character and operated under the same general conditions. For example, utility poles are generally combined in a single group.

The Companies complete periodic depreciation studies, normally at 5-year intervals or as directed by the KPSC or VSCC, to ensure that rates, useful lives and other master data are justified and appropriate.

Changes to depreciation rates are subject to the approval of the KPSC or the VSCC. In the event that the KPSC and/or VSCC do not approve the study, the current rates remain in effect. Upon receipt of a written Order from the KPSC or VSCC, the Manager, Property Accounting sends an email to the PowerPlant Application Access Reviewer requesting the applicable changes be made in PowerPlant. Upon updating PowerPlant, the PowerPlant Application Access Reviewer notifies the Manager, Property Accounting via email that the changes are ready for review to ensure that they have been properly entered. Subsequent to review of the system changes, the Manager, Property Accounting replies with an email approving the change. **[CA 4]** This series of emails is retained by the PowerPlant Application Access Reviewer in a binder to document proof of proper review and approval of changes to master data in PowerPlant. To prevent unauthorized changes to depreciation rates, lives, etc., only the individuals within the PowerPlant Administrative Security Group have access to make changes.

To ensure timely capitalization of projects, a report is generated by the PowerPlant Application Access Reviewer on a quarterly basis identifying capital projects which are in "open" or "in-service" status but having no activity for 90 days or more. This report is sent to every line of business budget coordinator with a request to update the project with either "in-service" or "completion" dates or verify that the project is still active. **[CA 1]** If the project is complete, the Property Accounting Department will capitalize it in a timely manner.

Monthly, the PowerPlant Application Access Reviewer generates a report identifying all capital projects, which are in "completed" or "closed" status with no activity for 90 days or more. The purpose of this report is to identify projects eligible for capitalization. **[CA 2]** The report is saved on the Property Accounting Department shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Job Logs\Current Year Job Logs\Current Month Year\Company Job Log – Month Year). Transaction processing is accomplished in PowerPlant with a combination of manual and automated processes as documented in the PowerPlant User Guides maintained in PowerPlant. The Accounting Analyst creates manual as-builts, in PowerPlant for all non-mass property. Mass property such as utility poles, crossarms etc., are unitized through an automated as-built process. In both processes, costs charged to capital projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts. The Accounting Analyst again verifies the segmentation is correct and assigns the asset to a segmented plant account pursuant to FERC regulations.

Manual retirements are those related to a one time retirement event. Assets are selected for retirement through the "CPR Retire" function. Costs charged to retirement projects are distributed automatically by the system based on units of property, established by the Accounting Analyst in the case of manual as-builts and those established from inventory transactions in the case of automated as-builts.

Blanket retirements are those related to ongoing projects which are processed periodically. The requests for PowerPlant retirements are created automatically based upon data supplied from the STORMS Work Management System.

<u>In order to insure that potential large dollar retirements are properly recorded in the financial records, it may be necessary to record a "preliminary retirement." A preliminary retirement is defined as an</u>

"estimated asset cost retired at the time the replacement asset is put into service." A preliminary retirement is entered into PowerPlant when an asset has been placed into service but is not yet eligible for final unitization due to timing issues, etc. The following guidelines are used to determine whether a preliminary retirement is necessary:

- The project is in In-Service Status /or Completed Status – but not yet unitized; and
- The new asset replacement cost must be equal to or greater than $250,000

Preliminary retirements will be processed during the 'mid' month (February, April, August and November) of each quarter.

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Partial retirements are made from an existing asset. When a retirement asset is a component of an existing asset, the Handy Whitman Index is used to determine retired costs. Through reverse interpolation, the factors in this index calculate historical retirement amounts based on current spending. Handy Whitman indexes are received bi-annually from the vendor and are uploaded into the PowerPlant system. These system updates are checked as part of the monthly closing process.

In order to prevent incorrect data from being entered, PowerPlant validation rules prevent the Accounting Analyst or Associate from choosing invalid units of property, plant accounts and business segment combinations. An error message is generated in the event of an invalid combination and the analyst must correct the error before proceeding. In addition, mandatory input fields are required including in service dates, tax districts, locations, units of property, etc. PowerPlant does not allow the posting of assets with incomplete data fields.

After the Accounting Analyst or Associate creates the as-builts in PowerPlant and performs the process "Send to CPR", the work is reviewed as a final check to ensure additions and retirements are compliant with the various accounting rules (FERC, company guidelines, etc.) by the designated Accounting Analyst.**[CA3]** After the review and approval process is completed, relevant data including project number, amount added or retired, cost of removal, salvage amount, and the Accounting Analyst's initials are entered into the PowerPlant Classification Spreadsheet maintained on the Property Accounting shared drive (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). The spreadsheet calculates a control total of all additions, retirements, removal and salvage costs entered by Accounting Analysts during the month. The as-built folder is then passed to the PowerPlant Application Access Reviewer for posting.

The PowerPlant Application Access Reviewer begins the closing process by sending an email to all Property Accounting personnel toward the end of the accounting period informing them of the last day to unitize assets for the current period. The PowerPlant Application Access Reviewer then runs the PowerPlant processes to post all asset additions and retirements. In order to ensure that potential large dollar retirements are processed, the PowerPlant Application Access Reviewer will review quarterly any projects that are in service, but not unitized and have potential retirements. Preliminary retirement information will be added to the workorder in PowerPlant for projects where a preliminary retirement is required. To verify the accuracy and completeness of the data, monthly the PowerPlant Application Access Reviewer reconciles the system-generated additions and retirement reports to the PowerPlant Classification Spreadsheet (propacct on 'fs2':\POWER PLANT CLASSIFICATION\Current Year Class\ASBUILTS-INPUT-MONTH YEAR). **[CA6]** Discrepancies are investigated and cleared as discovered. Procedures are documented in the "Property Accounting Monthly Closing Procedures". These procedures are maintained by the PowerPlant Application Access Reviewer to ensure accurate monthly financial closing. After ensuring that all assets for the current period are posted, the PowerPlant Application Access Reviewer runs the depreciation process as documented in the Property Accounting Monthly Closing Procedures.

PowerPlant ensures accurate, complete and timely depreciation through implemented depreciation schedules. Once the depreciation run has successfully completed, the PowerPlant Application Access Reviewer runs a report in PowerPlant to verify depreciation entries for the month by comparing them to the prior month to ensure validity prior to posting. Variances exceeding 5% are investigated. The Manager, Property Accounting reviews and signs off on the validation. **[CA 7]** After approval, PowerPlant creates General Ledger Journal Entries. Upon verifying the reasonableness of the un-posted entry, the PowerPlant Application Access Reviewer posts the system generated depreciation entry to the Oracle General Ledger. During the closing process, the PowerPlant Application Access Reviewer uses a closing checklist saved on the Property Accounting shared drive (propacct on 'fs2':\Closing\Closing Reports\PP Closing Checklist) to ensure that all steps are completed. **[CA 5]** The PowerPlant Application Access Reviewer then opens the next month and closes the current month in accordance with the Closing Checklist.

Each month, an Accounting Analyst reconciles the account balances between PowerPlant and the General Ledger to ensure the Fixed Asset Subsidiary Ledger and the General Ledger are in balance. Reference CA #7 in the 80.05 – Closing and Account Reconciliation Narrative.

System access for processing depreciation is restricted to Property Accounting employees with the PowerPlant Application Access Reviewer responsibility. Recording fixed asset transactions and journal entries are restricted to Property Accounting employees according to their responsibilities and approved user access rights. These functions are segregated from approval of capital and maintenance projects and custody of fixed assets as described in the process C04.02.01 Acquiring Fixed Assets. On a quarterly basis, the PowerPlant Application Access Reviewer reviews a list of PowerPlant users assigned to a Property Accounting Security Group to ensure that there are no unauthorized users. Based upon review results, security groups can be reassigned or individuals can be deleted from a group or groups. Reference CA #1 in the 40.03 – PowerPlant Application Security Narrative.

Relevant spreadsheets have been identified and assessed regarding use (Analytical, Financial, and Operational) and complexity (High, Medium, and Low). The necessary level of controls over spreadsheets is determined based on use and complexity. Appropriate controls over spreadsheets are in accordance with the Comprehensive Spreadsheet Policy. Sarbanes-Oxley Compliance maintains an inventory of the applicable spreadsheets on its SharePoint site. **[CA 8]**

Access to the Company's network shared drives that contain financial data is restricted. A quarterly review of access rights to the network shared drives is performed to ensure that access is restricted to only users with a valid business need. **[CA 9]**

Information Processing Objectives (CAVR)
Completeness: All transactions that occur are processed once and only once; duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.

Accuracy: Transactions are recorded at the correct amount in the appropriate account and proper period. That includes accuracy of key data elements and standing data used in transaction processing.

Validity: Only authorized economic events that actually occurred and relate to the Companies are recorded.

Restricted Access: Data is protected against unauthorized amendments and access to confidential data and physical assets are appropriately restricted to authorized personnel.

Crescente, Angela

From: Wiseman, Sara
Sent: Tuesday, January 18, 2011 4:57 PM
To: Crescente, Angela

In November 2010, the Company made a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in depreciation and amortization in the income statement for the successor company of $3 million in 2010 for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded in depreciation and amortization in the income statement for the predecessor company in 2010 was less than $1 million and $2 million was recorded in 2009 and 2008 for the ARO accretion and depreciation expense. LG&E's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells. For the period between October 31, 2010 and December 31, 2010, ARO accretion and removal costs incurred were less than $1 million.

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Crescente, Angela

From: Daly, Karen
Sent: Wednesday, January 26, 2011 1:48 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Note 3 - Asset Retirement Obligations

Attached are our changes for Note 3 on all three companies.

LKE - Note 3.docx KU - Note 3.docx LGE - Note 3.docx

If you have any changes – please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Note 3 - Asset Retirement Obligations

-A summary of the Company's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 9	$ (63)	$ 57
ARO accretion	-	(4)	4
ARO depreciation	(2)	-	1
ARO settlements		1	(2)
Removal cost incurred	-	1	-
As of December 31, 2009, Predecessor	7	(65)	60
ARO accretion	-	(4)	4
Reclass for retired assets	(2)	-	2
ARO revaluation - change in estimates	~~50~~51	(54)	~~4~~3
Removal cost incurred	-	1	-
As of October 31, 2010, Predecessor~~2009~~	56	(122)	69
ARO depreciation	(2)	-	2
Purchase accounting - fair value adjustment	43	19	(62)
As of December 31, 2010, Successor	$ 97	$ (103)	$ 9

As of September 30, 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company made a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in ~~depreciation~~Depreciation, accretion and amortization in the ~~income statement~~Statements of Income for the Successor of $2 million in 2010, and $4 million for the Predecessor for the ARO accretion and depreciation expense. -The offsetting regulatory credit recorded in ~~depreciation~~Depreciation, accretion and amortization in the ~~income statement~~Statements of Income was $4 million in 2009 and 2008 for the ARO accretion and depreciation expense. ~~LG&E's and KU's~~LKE's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells.

~~LG&E and KU~~LKE transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Note 3 – Asset Retirement Obligations

A summary of KU's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	5	(32)	28
ARO accretion	-	(2)	2
ARO depreciation	(1)	-	-
As of December 31, 2009, Predecessor	4	(34)	30
ARO accretion	-	(2)	2
Reclass for retired assets	(1)	-	1
ARO revaluation - change in estimates	22	(24)	2
As of October 31, 2010, Predecessor	25	(60)	35
ARO depreciation	(1)	-	1
Purchase accounting - fair value adjustment	28	6	(34)
As of December 31, 2010, Successor	$ 52	$ (54)	$ 2

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In September 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company made a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in ~~depreciation~~Depreciation, accretion and amortization in the ~~income statement~~Statements of Income for the Successor of $1 million in 2010, and $2 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded in ~~depreciation~~Depreciation, accretion and amortization in the ~~income statement~~Statements of Income was $2 million in 2009 and 2008 for the ARO accretion and depreciation expense. KU's AROs are primarily related to the final retirement of assets associated with generating units.

KU transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Note 3 - Asset Retirement Obligations

A summary of LG&E's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

(in millions)	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 4	$ (31)	$ 29
ARO accretion	-	(2)	2
ARO depreciation	(1)	-	1
ARO settlements	-	1	(2)
Removal cost incurred	-	1	-
As of December 31, 2009, Predecessor	3	(31)	30
ARO accretion	-	(2)	2
Reclass for retired assets	(1)	-	1
ARO revaluation - change in estimates	29	(30)	1
Removal cost incurred	-	1	-
As of October 31, 2010, Predecessor	31	(62)	34
ARO depreciation	(1)	-	1
Purchase accounting - fair value adjustment	15	13	(28)
As of December 31, 2010, Successor	$ 45	$ (49)	$ 7

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In September 2010, the Company performed a revaluation of its ~~AROS~~ AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company made a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in ~~depreciation~~Depreciation, accretion and amortization in the ~~income statement~~Statements of Income for the Successor of $1 million in 2010, and $2 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded in ~~depreciation~~Depreciation, accretion and amortization in the ~~income statement~~Statements of Income was $2 million in 2009 and 2008 for the ARO accretion and depreciation expense. LG&E's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells.

LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Crescente, Angela

From: Daly, Karen
Sent: Thursday, January 27, 2011 5:30 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Note 3 - v2

Attached are a few additional changes for Note 3. Please note – there is a change in the table to add a space before and after the – in two lines.

LKE - Note 3 - v2.docx

KU - Note 3 - v2.docx

LGE - Note 3 - v2.docx

If you have questions, please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Note 3 - Asset Retirement Obligations

A summary of the Company's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 9	$ (63)	$ 57
ARO accretion	-	(4)	4
ARO depreciation	(2)	-	1
ARO settlements	-	1	(2)
Removal cost incurred	-	1	-
As of December 31, 2009, Predecessor	7	(65)	60
ARO accretion	-	(4)	4
Reclass for retired assets	(2)	-	2
ARO revaluation - change in estimates	51	(54)	3
Removal cost incurred	-	1	-
As of October 31, 2010, Predecessor	56	(122)	69
ARO depreciation	(2)	-	2
Purchase accounting - fair value adjustment	43	19	(62)
As of December 31, 2010, Successor	$ 97	$ (103)	$ 9

As of September 30, 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company ~~made~~ recorded a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in Depreciation, accretion and amortization in the Statements of Income for the Successor of $2 million in 2010 and $4 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded in Depreciation, accretion and amortization in the Statements of Income was $4 million in 2009 and 2008 for the ARO accretion and depreciation expense. LKE's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells.

LKE transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Note 3 – Asset Retirement Obligations

A summary of KU's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	5	(32)	28
ARO accretion	-	(2)	2
ARO depreciation	(1)	-	-
As of December 31, 2009, Predecessor	4	(34)	30
ARO accretion	-	(2)	2
Reclass for retired assets	(1)	-	1
ARO revaluation - change in estimates	22	(24)	2
As of October 31, 2010, Predecessor	25	(60)	35
ARO depreciation	(1)	-	1
Purchase accounting - fair value adjustment	28	6	(34)
As of December 31, 2010, Successor	$ 52	$ (54)	$ 2

In September 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company ~~made~~ recorded a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in Depreciation, accretion and amortization in the Statements of Income for the Successor of $1 million in 2010 and $2 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded in Depreciation, accretion and amortization in the Statements of Income was $2 million in 2009 and 2008 for the ARO accretion and depreciation expense. KU's AROs are primarily related to the final retirement of assets associated with generating units.

KU transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Note 3 - Asset Retirement Obligations

A summary of LG&E's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 4	$ (31)	$ 29
ARO accretion	-	(2)	2
ARO depreciation	(1)	-	1
ARO settlements	-	1	(2)
Removal cost incurred	-	1	-
As of December 31, 2009, Predecessor	3	(31)	30
ARO accretion	-	(2)	2
Reclass for retired assets	(1)	-	1
ARO revaluation_-_change in estimates	29	(30)	1
Removal cost incurred	-	1	-
As of October 31, 2010, Predecessor	31	(62)	34
ARO depreciation	(1)	-	1
Purchase accounting_-_fair value adjustment	15	13	(28)
As of December 31, 2010, Successor	$ 45	$ (49)	$ 7

In September 2010, the Company performed a revaluation of its ARO's as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company ~~made~~ recorded a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in Depreciation, accretion and amortization in the Statements of Income for the Successor of $1 million in 2010 and $2 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded in Depreciation, accretion and amortization in the Statements of Income was $2 million in 2009 and 2008 for the ARO accretion and depreciation expense. LG&E's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells.

LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Crescente, Angela

From:	Crescente, Angela	
Sent:	Thursday, February 10, 2011 11:14 AM	
To:	Moeller, Diane; Fackler, Andrea; McDaniels, Jason	
Subject:	Note 4 changes	
Tracking:	**Recipient**	**Read**
	Moeller, Diane	Read: 2/10/2011 1:46 PM
	Fackler, Andrea	Read: 2/10/2011 11:15 AM
	McDaniels, Jason	

Diane,

Please see the attached changes for Note 4 for all companies:

LKE Note 4 wording.docx   KU - Note 4 wording.docx   LGE - Note 4 wording.docx

Thanks,
Angela

investments no later than December 19, 2008, and to complete the consideration by December 19, 2009. The Kentucky Commission established a procedural schedule that allowed for data discovery and testimony through July 2009. In October 2009, the Kentucky Commission held an informal conference for the purpose of discussing issues related to the standard regarding the consideration of Smart Grid investments. A public hearing has not been scheduled in this matter.

Note 4 - Asset Retirement Obligations

A summary of the Company's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 9	$ (63)	$ 57
ARO accretion and depreciation	(2)	(4)	5
ARO settlements	-	1	(2)
Removal cost incurred	-	1	-
As of December 31, 2009, Predecessor	7	(65)	60
ARO accretion and depreciation	-	(4)	4
Reclass for retired assets	(2)	-	2
ARO revaluation - change in estimates	51	(54)	3
Removal cost incurred	-	1	-
As of October 31, 2010, Predecessor	56	(122)	69
ARO accretion and depreciation	(2)	-	2
Purchase accounting - fair value adjustment	43	19	(62)
As of December 31, 2010, Successor	$ 97	$ (103)	$ 9

As of September 30, 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company recorded a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in "Depreciation, accretion and amortization" in the Consolidated Statements of Income for the Successor of $2 million in 2010 and $4 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded was $4 million in 2009 and 2008 for the ARO accretion and depreciation expense. The ARO Liabilities ~~were~~ are offset ~~by $3 million of~~ by cash settlements that have not yet been applied. Therefore, ARO Net Assets, ARO Liabilities, and Regulatory Assets balances do not net to zero.~~ due to the cash settlements.~~

Note 4 - Asset Retirement Obligations

A summary of KU's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 5	$ (32)	$ 28
ARO accretion and depreciation	(1)	(2)	2
As of December 31, 2009, Predecessor	4	(34)	30
ARO accretion and depreciation	-	(2)	2
Reclass for retired assets	(1)	-	1
ARO revaluation - change in estimates	22	(24)	2
As of October 31, 2010, Predecessor	25	(60)	35
ARO accretion and depreciation	(1)	-	1
Purchase accounting - fair value adjustment	28	6	(34)
As of December 31, 2010, Successor	$ 52	$ (54)	$ 2

In September 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company recorded a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in "Depreciation, accretion and amortization" in the Statements of Income for the Successor of $1 million in 2010 and $2 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded was $2 million in 2009 and 2008 for the ARO accretion and depreciation expense. The ARO Liabilities ~~were~~ are offset by ~~less than one million of~~ cash settlements that have not yet been applied.

KU's AROs are primarily related to the final retirement of assets associated with generating units. KU transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Note 4 - Asset Retirement Obligations

A summary of LG&E's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2008, Predecessor	$ 4	$ (31)	$ 29
ARO accretion and depreciation	(1)	(2)	3
ARO settlements	-	1	(2)
Removal cost incurred	-	1	-
As of December 31, 2009, Predecessor	3	(31)	30
ARO accretion and depreciation	-	(2)	2
Reclass for retired assets	(1)	-	1
ARO revaluation - change in estimates	29	(30)	1
Removal cost incurred	-	1	-
As of October 31, 2010, Predecessor	31	(62)	34
ARO accretion and depreciation	(1)	-	1
Purchase accounting - fair value adjustment	15	13	(28)
As of December 31, 2010, Successor	$ 45	$ (49)	$ 7

In September 2010, the Company performed a revaluation of its AROs as a result of recently proposed environmental legislation and improved ability to forecast asset retirement costs due to recent construction and retirement activity.

In November 2010, the Company recorded a purchase accounting adjustment to fair value AROs due to the PPL acquisition.

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit was recorded in "Depreciation, accretion and amortization" in the Statements of Income for the Successor of $1 million in 2010 and $2 million for the Predecessor for the ARO accretion and depreciation expense. The offsetting regulatory credit recorded was $2 million in 2009 and 2008 for the ARO accretion and depreciation expense. The ARO Liabilities ~~were~~ are offset by ~~$3 million of~~ cash settlements that have not yet been applied. Therefore, ARO Net Assets, ARO Liabilities, and Regulatory Assets balances do not net to zero. ~~due to the cash settlements.~~

LG&E's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells. LG&E transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

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Crescente, Angela

From: Wiseman, Sara
Sent: Friday, November 04, 2011 10:07 AM
To: Kelly, Mimi
Cc: Hickman, James; Ising, John; Crescente, Angela
Subject: FW: Revised version of ARO error assessment memo

ARO memo

Mimi: Please see attached.

From: Kelly, Mimi
Sent: Friday, November 04, 2011 9:06 AM
To: Wiseman, Sara; Crescente, Angela
Cc: Hickman, James; Ising, John
Subject: FW: Revised version of ARO error assessment memo

Good Morning –
Do one of you happened to have a tracked changes version so we can see what changes were made?
Thanks.

Mimi Kelly
502-627-2482

From: Charnas, Shannon
Sent: Thursday, November 03, 2011 5:13 PM
To: Scott, Valerie; 'Maggie.Garrison@ey.com'; 'Jennifer.Beneke@ey.com'
Cc: Wiseman, Sara; Crescente, Angela; Shelton, Debbie; Kelly, Mimi; Pienaar, Lesley
Subject: Revised version of ARO error assessment memo

Attached is a clean revised and final version of the ARO error assessment memo, which had some revisions following discussion with E&Y. If you have any questions, please let me know.

ARO (TC2 Joint Use and Gas Tra...

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

Crescente, Angela

From: Charnas, Shannon
Sent: Monday, October 31, 2011 9:30 AM
To: 'Maggie.Garrison@ey.com'
Cc: Wiseman, Sara
Subject: ARO memo

Maggie –

We have made some edits to the memo to address your comments. If you are OK with these, I will finalize and distribute a clean version.

ARO (TC2 Joint Use and Gas Tra...

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

LG&E KU
PPL companies

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MEMORANDUM

Date: October ~~5~~31, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is ~~mainly~~ primarily due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition. ~~The table below illustrates the entries being made to the ARO liability for TC2 (in thousands $):~~

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October ~~5~~31, 2011
Page 3
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

		~~LG&E~~	~~KU~~	~~Consolidated~~
~~Beginning Balance ARO Liability~~ ~~(A)~~	~~(1)~~	~~7,589~~	~~-~~	~~7,589~~
~~Reversal of LG&E's ARO~~ ~~(A)~~		~~(7,589)~~		~~(7,589)~~
~~Establishment of new AROs~~		~~3,969~~	~~3,664~~	~~7,633~~
~~January-August Accretion Activity~~		~~153~~	~~142~~	~~295~~
~~Net September 2011 Activity~~	~~(2)~~	~~(3,467)~~	~~3,806~~	~~339~~
~~Ending Balance ARO Liability~~	~~(1) + (2)~~	~~4,122~~	~~3,806~~	~~7,928~~

~~(A) This amount includes accretion since the liability was originally recorded.~~

The table below illustrates the entries being made to the ARO ~~liability~~related accounts for TC2 (in thousands $):

~~[We should indicate which ARO has the accretion. Theoretically, both should have and they would have gone in opposite directions. If the amount shown is net, we should identify the pieces. Also, we should show the impact on depreciation & the reg credit.]~~

		Regulated Utility Plant			Accumulated Depreciation			Regulatory Assets			ARO Liability (A)		
		LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated
Beginning Balance (A)	(1)	7,255	-	7,255	(230)	-	(230)	564	-	564	(7,589)	-	[illegible]
Reversal of TC ARO		(7,255)	-	(7,255)	-	-	-	-	-	-	7,255	-	[illegible]
Reversal of TC Depreciation		-	-	-	230	-	230	(230)	-	(230)	-	-	[illegible]
Reversal of TC Accretion		-	-	-	-	-	-	(334)	-	(334)	334	-	[illegible]
Establishment of new AROs		3,969	3,664	7,633	(114)	(105)	(219)	114	105	219	(3,969)	(3,664)	[illegible]
January-August Accretion		-	-	-	-	-	-	153	142	295	(153)	(142)	[illegible]
Net September 2011 Activity	(2)	(3,286)	3,664	378	116	(105)	11	(297)	247	(50)	3,467	(3,806)	[illegible]
Ending Balance	(1)+(2)	3,969	3,664	7,633	(114)	(105)	(219)	267	247	514	(4,122)	(3,806)	[illegible]

(A) The beginning balance includes accretion since November 2010 when the liabilities were revalued for purchase accounting.

Comment [MG1]: Was there any accre ... [2]
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A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

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How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011. The error was not identified earlier due to the unique circumstances of this particular non-routine transaction – that TC2 was a new unit going in service that had jointly owned assets, some of which were previously owned and used only by LG&E.

Comment [MG2]: Why not identified earlier?

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An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The errors are determined to be deficiencies as the errors were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large-scale transmission main

replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

Periods Impacted (including quarter correction booked)

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

		6ME 06/30/11	
Fin Stmt Line Item	Company	Debit	Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475

Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

October ~~5~~31, 2011
Page 7
Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

The following table shows the detailed financial statement lines affected ($ millions):

	12/31/09 LG&E	12/31/10 LG&E	3/31/2011 LG&E	3/31/2011 KU	6/30/2011 LG&E	6/30/2011 KU
~~ARO Adjustment~~Impact of ARO Adjustment on Regulated Utility Plant	3.9	3.9	.7	3.7	.7	3.7
Regulated Utility Plant ~~Assets~~ (A/C 101)	4,200	2,600	2,832	4,361	2,868	4,410
Total Percentage Impact on F/S Line	0.09%	~~14~~0.15%	0.02%	0.08%	0.02%	0.08%
Impact of ARO Adjustment on Accumulated Depreciation~~ARO Adjustment~~	.009	.009	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation (A/C 108)	1,708	17	44	54	68	90
Total Percentage Impact on F/S Line~~Percentage~~	0.00%	0.05%	-0.23%	0.19%	-0.15%	0.11%
Impact of ARO Adjustment on Regulatory Assets ~~ARO Adjustment~~	.009	.009	(0.3)	0.2	(0.3)	0.2
Regulatory Assets (A/C 182)	14	13	149	113	363	227
Total Percentage Impact on F/S Line~~Percentage~~	0.06%	0.07%	-0.20%	0.18%	-0.08%	0.09%
Impact of ARO Adjustment on Asset Retirement Obligations~~ARO Adjustment~~	3.9	3.9	0.5	3.8	0.5	3.8
Asset Retirement Obligations (A/C 230)	31	49	49	54	50	55
Total Percentage Impact on F/S Line~~Percentage~~	12.658%	~~8.0~~7.96%	1.02%	7.04%	1.00%	6.91%
Impact of ARO Adjustment on Total Deferred Credits and Other Noncurrent Liabilities~~ARO Adjustment~~	3.9	3.9	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities [(B)]	1,006	1,269	1,220	1,256	1,244	1,286
Total Percentage Impact on F/S Line~~Percentage~~	~~3.9~~0.39%	~~3.1~~0.31%	0.04%	0.30%	0.04%	0.30%

[(B)] This subtotal line is included to show an additional level of comparison.

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Qualitative Assessment

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In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - ~~No~~There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

Comment [MG11]: Consider expanding response to explain why there is no income statement impact.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - ~~No, t~~There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

Comment [MG12]: See previous comment

- Whether it changes a loss into income or vice versa.
  Response - ~~No, t~~There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

Comment [MG13]: See previous comment.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line in 2011 Q1 and Q2 financial statements. For LG&E, the error was greater than 5% on the Asset Retirement Obligation balance sheet line at December 31, 2010 and 2009. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line for all periods for both LG&E and KU.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2] (Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

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Was there any accretion during 2011 that will be reversed or is $7,589 net?

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Page 7: [205] Comment [MG3]	Maggie Garrison	10/24/2011 10:43:00 AM

Consider adding information about impact to prior years/periods. Impact on 3/31/11 of gas transmission is reduced by the overstatement of Trimble Country. If prior period are presented (i.e. 12/31/2010), would impact of gas transmission ARO error be material?

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Page 7: [207] Comment [MG4]	Maggie Garrison	10/24/2011 10:40:00 AM

Should adjustments in the line items be combined with those on the following page to show combined total impact on the Regulatory Assets line item?

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Page 7: [210] Comment [MG5]	Maggie Garrison	10/24/2011 10:41:00 AM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [220] Comment [MG7]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [225] Comment [MG8]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Page 7: [229] Comment [MG9]	Maggie Garrison	10/24/2011 10:44:00 AM

Has this been included b/c ARO is not a separate line items in the F/S? Consider adding a footnote to explain why both account/line items are included.

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Page 7: [232] Comment [MG10]	Maggie Garrison	10/24/2011 1:33:00 PM

Consider updating headings as follows:

Impact of ARO Adjustment on Reg Assets

Regulated Assets, Total

Percentage Impact on F/S Line

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Superscript

Crescente, Angela

From: Kelly, Mimi
Sent: Friday, November 04, 2011 9:06 AM
To: Wiseman, Sara; Crescente, Angela
Cc: Hickman, James; Ising, John
Subject: FW: Revised version of ARO error assessment memo

Good Morning –
Do one of you happened to have a tracked changes version so we can see what changes were made?
Thanks.

Mimi Kelly
502-627-2482

From: Charnas, Shannon
Sent: Thursday, November 03, 2011 5:13 PM
To: Scott, Valerie; 'Maggie.Garrison@ey.com'; 'Jennifer.Beneke@ey.com'
Cc: Wiseman, Sara; Crescente, Angela; Shelton, Debbie; Kelly, Mimi; Pienaar, Lesley
Subject: Revised version of ARO error assessment memo

Attached is a clean revised and final version of the ARO error assessment memo, which had some revisions following discussion with E&Y. If you have any questions, please let me know.

ARO (TC2 Joint
Use and Gas Tra...

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

LG&E KU
PPL companies

MEMORANDUM

Date: October 31, 2011

To: Valerie L. Scott, Controller

From: Sara Wiseman, Manager, Property Accounting
Angela Crescente, Accounting Analyst III, Property Accounting

Re: Asset Retirement Obligations-Trimble County 2 Joint Use & Gas Transmission

cc: Shannon Charnas, Director, Accounting & Regulatory Reporting
Debbie Shelton, Director, Audit Services
Mimi Kelly, Manager, Sarbanes-Oxley Compliance
Lesley Pienaar, Manager, Financial Reporting
Ernst & Young

Overview of Error

During September 2011, it was discovered that asset retirement obligations (AROs) should have been previously established on the financial records of Kentucky Utilities Companies (KU) for certain joint use assets used at Trimble County Unit 2 (TC 2). TC 2 became operational in January 2011 and it was at that time that the related AROs needed to be established. KU and Louisville Gas and Electric Company (LG&E) own the joint use assets under review. An ARO had been appropriately established on LG&E's financial records for these assets. However, at the time when TC 2 became operational (January 2011), LG&E's ARO liability should have been reduced by KU's ownership share and a corresponding liability should have been established on KU's financial records.

Additionally, during the third quarter of 2011, it was discovered that an ARO should have been established for gas transmission mains for LG&E. AROs were established for gas mains when ASC 410 (formerly FIN 47) was originally adopted in 2005, however, the amount reported was not identified as transmission or distribution mains. Since the original adoption, neither the gas operations or the accounting personnel realized that the amount originally recorded represented only the gas distribution mains.

These errors caused the following misstatements on LG&E and KU's financial statements:

	LG&E	KU
Regulated Utility Plant	Understated	Understated
Accumulated Depreciation	Overstated	Understated
Regulatory Assets	Overstated	Understated
Asset Retirement Obligations	Understated	Understated

In September 2011, LG&E's entire ARO amounts related to the TC 2 joint use assets will be reversed. On LG&E's financial records, new AROs will be re-established for its 52% ownership interest and KU will establish AROs for its 48% ownership of the joint use assets. Reversal of the original ARO and re-establishment of the new amounts is the best way to handle this situation in the PowerPlant system. The sum of the new ARO amounts do not exactly agree with the original ARO amount recorded on LG&E's financial records. This difference is primarily due to the difference in the January discount rate used to establish the new AROs vs. the discount rate used when the AROs were re-valued at November 1, 2010 as part of the PPL acquisition.

The table below illustrates the entries being made to the ARO related accounts for TC2 (in thousands $):

		Regulated Utility Plant			Accumulated Depreciation			Regulatory Assets			ARO Liability [A]		
		LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated	LG&E	KU	Consolidated
Beginning Balance [A]	(1)	7,255	-	7,255	(230)	-	(230)	564	-	564	(7,589)	-	(7,589)
Reversal of TC ARO		(7,255)	-	(7,255)	-	-	-	-	-	-	7,255	-	7,255
Reversal of TC Depreciation		-	-	-	230	-	230	(230)	-	(230)	-	-	-
Reversal of TC Accretion		-	-	-	-	-	-	(334)	-	(334)	334	-	334
Establishment of new AROs		3,969	3,664	7,633	(114)	(105)	(219)	114	105	219	(3,969)	(3,664)	(7,633)
January-August Accretion		-	-	-	-	-	-	153	142	295	(153)	(142)	(295)
Net September 2011 Activity	(2)	(3,286)	3,664	378	116	(105)	11	(297)	247	(50)	3,467	(3,806)	(339)
Ending Balance	(1)+(2)	3,969	3,664	7,633	(114)	(105)	(219)	267	247	514	(4,122)	(3,806)	(7,928)

[A] The beginning balance includes accretion since November 2010 when the liabilities were revalued for purchase accounting.

A new ARO will be established on LG&E's financial records for gas transmission mains in September 2011 totaling $3.9 million.

How Error Was Identified

An Accounting Analyst realized that AROs did not exist on KU's financial records for the joint use assets associated with TC 2, while reviewing ARO reports during account reconciliation preparation for period of August 2011. The error was not identified earlier due to the unique circumstances of this particular non-routine transaction – that TC2 was a new unit going in service that had jointly owned assets, some of which were previously owned and used only by LG&E,

An Accounting Analyst reviews the ARO subledger during the account reconciliation process. As part of this review, the Accounting Analyst discussed the cash settlement payments made with field personnel. It was during this discussion that the Accounting Analyst and field personnel realized that the ARO estimate provided by field personnel for gas mains did not include gas transmission mileage. Legal counsel provides a quarterly update on any new issues related to AROs, which is used to identify triggering events that would signal a need for a revaluation. There was no change in the legal requirements, per the memo, that would have been a triggering event. In the second quarter of 2011, procedures relating to the ARO review were updated and a quarterly questionnaire was provided to field personnel to identify further issues that could trigger a revaluation of AROs. Also in the second quarter, the process was adjusted further to ensure a detailed review of the AROs would be done every three years even if there was no triggering event. The implementation of the questionnaire prompted questions from field personnel and resulted in further discussions and the ultimate determination was that gas transmission mains were not included but needed to be.

Controls Impacted

The errors are determined to be deficiencies as the errors were the result of controls that were not operating effectively and were not able to identify the misstatements.

Cycle 40.01-Acquisitions, Disposals and Retirement, Control Activity #9 states "*ARO Review for Acquisitions*: During the AIP review process, Accounting Analysts review the projects to determine if the need for an ARO may exist. If the project is identified as having the potential to require an ARO, a copy of the AIP is forwarded to the Accounting Analyst in charge of ARO accounting for further action. The Accounting Analyst in charge of ARO accounting reviews the AIP and if appropriate, contacts the Legal and Environmental personnel who will make the final determination of the need to establish an ARO based upon review of existing legal documents including laws, statutes, contracts, permits, certificates of need, right of way agreements and environmental regulations." This control was in place and functioning. However, due to the unique situation that resulted from the transfer of these AROs from LG&E to KU, this control did not prevent the TC ARO error between companies. This control also did not prevent the error for the gas transmission mains since there have not been any large–scale transmission main

replacement projects in the past nor are any planned in the future. There is currently a large-scale distribution main replacement project underway, however, discussions regarding distribution mains did not identify the exclusion of the transmission main mileage from the ARO estimates. The control was operating as evidenced by the discussions that took place with field personnel over time. However, it was not identified during these discussions that ARO valuations for gas transmission mains were missing.

Action Plan

In an effort to prevent the TC ARO error from occurring in the future, Property Accounting will implement a new process effective with the September 2011 financial close. The Accounting Analyst responsible for the ARO account reconciliations will begin running reports detailing any new asset activity in account 254-Regulatory Liability-ARO on a monthly basis. This account contains the accumulated cost of removal/salvage on the underlying "parent" assets which give rise to the ARO liability. The Accounting Analyst will investigate any new or unexpected activity in this account to ascertain whether the associated ARO asset and liability has been established. The Accounting Analyst will immediately address any issues or problems. The Accounting Analyst will sign off on this report and keep it with the monthly account reconciliations.

In an effort to ensure that any future gas transmission main activity will be properly communicated, Property Accounting will conduct a training session with Gas personnel. This training will be an opportunity to explain the importance of noting this activity on any AIP involving this type of work so that it will be captured during the AIP review process.

Materiality Assessment

Periods Impacted *(including quarter correction booked)*

Year/Quarter	Q1	Q2	Q3	Q4
2011	X	X		
2010	X	X	X	X
2009	X	X	X	X

Quantitative Assessment -- Adjustment to Amounts Reported on Financial Statements (000's)

Fin Stmt Line Item	Company	6ME 06/30/11 Debit	6ME 06/30/11 Credit
Regulated Utility Plant	LG&E	656	
Accumulated Depreciation	LG&E	107	
Regulatory Assets	LG&E		288
Asset Retirement Obligations	LG&E		475

Regulated Utility Plant	KU	3,664	
Accumulated Depreciation	KU		105
Regulatory Assets	KU	247	
Asset Retirement Obligations	KU		3,806

In this situation, a waived adjustment was not entered into the waived adjustment file; there was no waived adjustment in the current period (Q3 2011) since the balance sheet was corrected when the above entry was recorded in September 2011 on the general ledger. The adjustments were discovered too late to be included in the June 2011 waived adjustment file.

The following table shows the detailed financial statement lines affected ($ millions):

	12/31/09	12/31/10	3/31/2011		6/30/2011	
	LG&E	**LG&E**	**LG&E**	**KU**	**LG&E**	**KU**
Impact of ARO Adjustment on Regulated Utility Plant	3.9	3.9	.7	3.7	.7	3.7
Regulated Utility Plant (A/C 101)	4,200	2,600	2,832	4,361	2,868	4,410
Total Percentage Impact on F/S Line	0.09%	0.15%	0.02%	0.08%	0.02%	0.08%
Impact of ARO Adjustment on Accumulated Depreciation	.009	.009	(0.1)	0.1	(0.1)	0.1
Accumulated Depreciation (A/C 108)	1,708	17	44	54	68	90
Total Percentage Impact on F/S Line	0.00%	0.05%	-0.23%	0.19%	-0.15%	0.11%
Impact of ARO Adjustment on Regulatory Assets	.009	.009	(0.3)	0.2	(0.3)	0.2
Regulatory Assets (A/C 182)	14	13	149	113	363	227
Total Percentage Impact on F/S Line	0.06%	0.07%	-0.20%	0.18%	-0.08%	0.09%
Impact of ARO Adjustment on Asset Retirement Obligations	3.9	3.9	0.5	3.8	0.5	3.8
Asset Retirement Obligations (A/C 230)	31	49	49	54	50	55
Total Percentage Impact on F/S Line	12.58%	7.96%	1.02%	7.04%	1.00%	6.91%
Impact of ARO Adjustment on Total Deferred Credits and Other Noncurrent Liabilities	3.9	3.9	0.5	3.8	0.5	3.8
Total Deferred Credits and Other Noncurrent Liabilities [B]	1,006	1,269	1,220	1,256	1,244	1,286
Total Percentage Impact on F/S Line	0.39%	0.31%	0.04%	0.30%	0.04%	0.30%

[B] This subtotal line is included to show an additional level of comparison.

Qualitative Assessment

In Topic 1 - M, "Materiality" the SEC provides examples of qualitative factors that could cause an otherwise small quantitative error to be material to an investor. These examples, with responses in the context of the first and second quarter differences not corrected prior to issuance:

- Whether it arises from a precisely measurable item/calculation or an estimate.
  Response - The asset retirement obligations are based on estimates.

- Whether it masks a change in earnings or other trends.
  Response - There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

- Whether it hides a failure to meet analysts' or others' consensus expectations.
  Response - There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

- Whether it changes a loss into income or vice versa.
  Response - There is no income statement impact as accretion and depreciation expense are offset by a regulatory credit, the financial statement impact of AROs is income statement neutral.

- Whether it affects compliance with regulatory requirements.
  Response - No.

- Whether it affects compliance with loan covenants or other contractual requirements.
  Response – No, there is no affect on compliance with loan covenants or other contractual requirements per conversation with Dan Arbough.

- Whether it has the effect of increasing management's bonuses or other compensation.
  Response - No.

- Whether it involves concealment of an unlawful or fraudulent transaction.
  Response - No.

Conclusion on Materiality Assessment

Management has concluded, based on both the quantitative and qualitative assessments, this error is not material to the financial statements.

This error impacted the balance sheet only, there was no income statement impact. For KU, the error was greater than 5% on the Asset Retirement Obligations balance sheet line in 2011 Q1 and Q2 financial statements. For LG&E, the error was greater than 5% on the Asset Retirement Obligation balance sheet line at December 31, 2010 and 2009. However, the error was less than 1% on the Total Deferred Credits and Other Noncurrent Liabilities balance sheet line for all periods for both LG&E and KU. Management believes that an investor would not be influenced by the Asset Retirement Obligation line alone, but more focused on the Total Deferred Credits and Other Noncurrent Liabilities subtotal, or total liabilities, in making investing decisions. Therefore, although the percentage of error exceeds 5% on the Asset Retirement Obligation line item, the percent impact on the Total Deferred Credits and Other Noncurrent Liabilities, and accordingly total liabilities, is immaterial and in management's opinion an adjustment or restatement is not deemed necessary.

NOTE: See also overall assessment of all errors made prior to issuance of the financial statements.

SOX Assessment

Per the Public Company Accounting Oversight Board (PCAOB) Audit Standard No. 5[1] "A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
- A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively."

The SOX guidance, A Framework for Evaluating Control Exceptions and Deficiencies[2]

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[1] AUDITING STANDARD No. 5 –AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS, PCAOB Release No. 2007-005, May 24, 2007

[2] A Framework for Evaluating Control Exceptions and Deficiencies, Version 3, A collaboration of 9 audit firms and William F. Messier, jr. Professor, Georgia State University, December 20, 2004

(Framework) provides a methodology for evaluating deficiencies that consists of answering the following question, for which LKE is providing a subsequent response.

Considering the potential magnitude, and any mitigating controls, would a prudent official conclude that the deficiency is at least a significant deficiency with regard to both the annual and interim financial statements? PCAOB AS5 defines a significant deficiency as "a deficiency, or combination of deficiencies in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting."

See the Controls Impacted and Action Plan sections above. Based upon this assessment, the deficiency is one of operation, as the control was being performed, as evidenced by the discussion with field personnel that took place to identify the need for quantification of the ARO. The error occurred due to the misunderstanding of what gas main miles were included in the ARO calculation. Management believes that the deficiency in the operation of the controls should not be classified as a significant deficiency or material weakness.

Disclosure

Per FASB ASC 250-10-45 Accounting Changes and Error Corrections – Presentation, Materiality Determination for Correction of an Error, paragraph 45-27 – "In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period."

No disclosure related to this error is required in the quarterly or annual financial statements.

Conclusion

Management has concluded the error is not a significant deficiency or material weakness and will not be disclosed in the financial statements.

Crescente, Angela

From:	Crescente, Angela
Sent:	Friday, May 06, 2011 11:09 AM
To:	Daly, Karen
Subject:	108799 settlements.

Karen,

The Electric and Gas splits for the settlements for LGE are as follows:

Gas-$283,217.01
Electric-$83,329.50

Thanks,
Angela

Crescente, Angela

From: Crescente, Angela
Sent: Thursday, May 05, 2011 9:43 AM
To: Chapman, Laura; Clark, Lynda; Daly, Karen; Riggs, Eric; Wacker, Diana; Wright, Sharon
Subject: 108799 for April 2011

All:

The additional activity for 108799 for April 2011 is as follows:

LGE – Generation Steam - $11,529.86
LGE – Gas Underground Storage - $26,799.42
KU – Generation Steam –$114,550.00

Thanks,
Angela

Crescente, Angela

From: Koellner, Corey
Sent: Wednesday, May 04, 2011 2:35 PM
To: Crescente, Angela
Subject: KU Regulatory Liabilities

Angela –

I'm preparing the KU Regulatory Liab information that will be included in the Form 3 filing. I identified these ARO liabs with debit activity in 1Q11:

Account	Account	Je Name	Line Description	Debits
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-FEB-11	Journal Import Created	5,968.78
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JAN-11	Journal Import Created	5,968.78
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAR-11	Journal Import Created	5,968.78

Could let me know if these items should be documented as debits, or if the nature of the activity is such it should be netted against the credits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, May 04, 2011 2:42 PM
To: Koellner, Corey
Subject: RE: KU Regulatory Liabilities

Follow Up Flag: Follow up
Flag Status: Completed

Corey,

These items should be netted against the credits.

Thanks,
Angela

From: Koellner, Corey
Sent: Wednesday, May 04, 2011 2:35 PM
To: Crescente, Angela
Subject: KU Regulatory Liabilities

Angela –

I'm preparing the KU Regulatory Liab information that will be included in the Form 3 filing. I identified these ARO liabs with debit activity in 1Q11:

Account	Account	Je Name	Line Description	Debits
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-FEB-11	Journal Import Created	5,968.78
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JAN-11	Journal Import Created	5,968.78
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAR-11	Journal Import Created	5,968.78

Could let me know if these items should be documented as debits, or if the nature of the activity is such it should be netted against the credits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, August 03, 2011 8:11 PM
To: McCammon, Virginia
Subject: RE: Reg Liabilities - ARO Question

No problem.

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 5:07 PM
To: Crescente, Angela
Subject: RE: Reg Liabilities - ARO Question

Thank you!!!

Ginny Copelin McCammon
502.627.3239

From: Crescente, Angela
Sent: Wednesday, August 03, 2011 5:05 PM
To: McCammon, Virginia
Cc: Koellner, Corey; Wiseman, Sara
Subject: FW: Reg Liabilities - ARO Question

Ginny,

All of the amounts listed in your spreadsheet below except for the yellow highlighted ones should be netted against the credits. The highlighted ones should be considered debits since they are settlements. For LGE, the offsetting account for the $568,245.24 in 254014 is 108115. The offsetting account for the $258,005.34 in 254016 is 108216.

Thanks,
Angela

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 4:21 PM
To: Crescente, Angela
Subject: FW: Reg Liabilities - ARO Question

One change to the spreadsheet. Here's the new version. Thanks!

<< File: ARO Liability Activity Q2.2011.xlsx >>

Ginny Copelin McCammon
502.627.3239

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 4:16 PM
To: Crescente, Angela
Cc: Koellner, Corey
Subject: Reg Liabilities - ARO Question

Hi Angela,

I know we discussed the ARO reg assets the other day, now Corey and I are working on the reg liabilities... I just need to verify if the debits to the ARO liability accounts should be reported as credit or debit activity. If they should be reported as debits, can you please provide the offsetting accounts?

Please let me know if you have any questions. Thanks in advance for your help!

Ginny Copelin McCammon, CPA
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, August 03, 2011 5:05 PM
To: McCammon, Virginia
Cc: Koellner, Corey; Wiseman, Sara
Subject: FW: Reg Liabilities - ARO Question

Ginny,

All of the amounts listed in your spreadsheet below except for the yellow highlighted ones should be netted against the credits. The highlighted ones should be considered debits since they are settlements. For LGE, the offsetting account for the $568,245.24 in 254014 is 108115. The offsetting account for the $258,005.34 in 254016 is 108216.

Thanks,
Angela

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 4:21 PM
To: Crescente, Angela
Subject: FW: Reg Liabilities - ARO Question

One change to the spreadsheet. Here's the new version. Thanks!

ARO Liability
Activity Q2.2011...

Ginny Copelin McCammon
502.627.3239

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 4:16 PM
To: Crescente, Angela
Cc: Koellner, Corey
Subject: Reg Liabilities - ARO Question

Hi Angela,

I know we discussed the ARO reg assets the other day, now Corey and I are working on the reg liabilities... I just need to verify if the debits to the ARO liability accounts should be reported as credit or debit activity. If they should be reported as debits, can you please provide the offsetting accounts?

Please let me know if you have any questions. Thanks in advance for your help!

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LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Regulatory Liabilities - ARO Activity

Company	Account	Account	Je Name	Debits	Credits	Total
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-APR-11	6,015.84	26,036.81	(20,020.97)
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JUN-11	6,257.17	26,889.13	(20,631.96)
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAY-11	6,123.23	26,418.74	(20,295.51)
		Total Account		18,396.24	79,344.68	(60,948.44)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-APR-11	55.74	6,082.60	(6,026.86)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JUN-11	55.74	6,316.46	(6,260.72)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAY-11	55.74	6,241.07	(6,185.33)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP DEPR EXPENSE USD 01-MAY-11	568,245.24	0.00	568,245.24
		Total Account		568,412.46	18,640.13	549,772.33
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP ARO USD 01-APR-11	0.00	1,709.82	(1,709.82)
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP ARO USD 01-JUN-11	0.00	1,685.52	(1,685.52)
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP ARO USD 01-MAY-11	0.00	1,709.82	(1,709.82)
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP DEPR EXPENSE USD 01-MAY-11	258,005.34	0.00	258,005.34
		Total Account		258,005.34	5,105.16	252,900.18

Crescente, Angela

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 4:21 PM
To: Crescente, Angela
Subject: FW: Reg Liabilities - ARO Question

One change to the spreadsheet. Here's the new version. Thanks!

ARO Liability Activity Q2.2011...

Ginny Copelin McCammon
502.627.3239

From: McCammon, Virginia
Sent: Wednesday, August 03, 2011 4:16 PM
To: Crescente, Angela
Cc: Koellner, Corey
Subject: Reg Liabilities - ARO Question

Hi Angela,

I know we discussed the ARO reg assets the other day, now Corey and I are working on the reg liabilities... I just need to verify if the debits to the ARO liability accounts should be reported as credit or debit activity. If they should be reported as debits, can you please provide the offsetting accounts?

Please let me know if you have any questions. Thanks in advance for your help!

Ginny Copelin McCammon, CPA
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com
Please consider the environment before printing this e-mail.

Regulatory Liabilities - ARO Activity

Company	Account	Account	Je Name	Debits	Credits	Total
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-APR-11	6,015.84	26,036.81	(20,020.97)
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JUN-11	6,257.17	26,889.13	(20,631.96)
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAY-11	6,123.23	26,418.74	(20,295.51)
		Total Account		18,396.24	79,344.68	(60,948.44)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-APR-11	55.74	6,082.60	(6,026.86)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JUN-11	55.74	6,316.46	(6,260.72)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAY-11	55.74	6,241.07	(6,185.33)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP DEPR EXPENSE USD 01-MAY-11	568,245.24	0.00	568,245.24
		Total Account		568,412.46	18,640.13	549,772.33
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP ARO USD 01-APR-11	0.00	1,709.82	(1,709.82)
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP ARO USD 01-JUN-11	0.00	1,685.52	(1,685.52)
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP ARO USD 01-MAY-11	0.00	1,709.82	(1,709.82)
LGE	254016	REGULATORY LIABILITY ARO - GAS	PP DEPR EXPENSE USD 01-MAY-11	258,005.34	0.00	258,005.34
		Total Account		258,005.34	5,105.16	252,900.18

Crescente, Angela

From:	McCammon, Virginia
Sent:	Wednesday, August 03, 2011 4:16 PM
To:	Crescente, Angela
Cc:	Koellner, Corey
Subject:	Reg Liabilities - ARO Question

Hi Angela,

I know we discussed the ARO reg assets the other day, now Corey and I are working on the reg liabilities... I just need to verify if the debits to the ARO liability accounts should be reported as credit or debit activity. If they should be reported as debits, can you please provide the offsetting accounts?

Please let me know if you have any questions. Thanks in advance for your help!

ARO Liability Activity Q2.2011...

Ginny Copelin McCammon, CPA
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Regulatory Liabilities - ARO Activity

Company	Account	Account	Je Name	Debits	Credits	Total
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-APR-11	6,015.84	26,036.81	(20,020.97)
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JUN-11	6,257.17	26,889.13	(20,631.96)
KU	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAY-11	6,123.23	26,418.74	(20,295.51)
		Total Account		18,396.24	79,344.68	(60,948.44)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-APR-11	55.74	6,082.60	(6,026.86)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JUN-11	55.74	6,316.46	(6,260.72)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAY-11	55.74	6,241.07	(6,185.33)
LGE	254014	REGULATORY LIABILITY ARO - GENERATION	PP DEPR EXPENSE USD 0	568,245.24	0.00	########
		Total Account		568,412.46	18,640.13	########

Crescente, Angela

From: Koellner, Corey
Sent: Friday, July 22, 2011 3:31 PM
To: Crescente, Angela
Subject: RE: LG&E ARO Regulatory Assets

It looks to me like 230012

From: Crescente, Angela
Sent: Friday, July 22, 2011 12:38 PM
To: Koellner, Corey
Cc: Wiseman, Sara
Subject: RE: LG&E ARO Regulatory Assets

Corey,

Since these are related to settlements, I would say they should be documented as credits.

Thanks,
Angela

From: Koellner, Corey
Sent: Thursday, July 21, 2011 10:07 AM
To: Crescente, Angela
Subject: LG&E ARO Regulatory Assets

Angela –

I'm preparing the LG&E Regulatory Asset information that will be included in the Form 3 filing. I identified the following ARO assets with credit activity in 2Q11:

Account	Account	Je Name	Line Description	Debits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	Journal Import Created	257,865.30

182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	Journal Import Created	856,233.30
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-APR-11	Journal Import Created	205,993.36
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-MAY-11	Journal Import Created	506,867.31

If you could let me know if these items should be documented as credits, or if the nature of the activity is such it should be netted against the debits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Koellner, Corey
Sent: Friday, July 22, 2011 3:28 PM
To: Crescente, Angela
Subject: RE: LG&E ARO Regulatory Assets

Thanks, Angela. Do you have the offset account # for the credit entries?

From: Crescente, Angela
Sent: Friday, July 22, 2011 12:38 PM
To: Koellner, Corey
Cc: Wiseman, Sara
Subject: RE: LG&E ARO Regulatory Assets

Corey,

Since these are related to settlements, I would say they should be documented as credits.

Thanks,
Angela

From: Koellner, Corey
Sent: Thursday, July 21, 2011 10:07 AM
To: Crescente, Angela
Subject: LG&E ARO Regulatory Assets

Angela –

I'm preparing the LG&E Regulatory Asset information that will be included in the Form 3 filing. I identified the following ARO assets with credit activity in 2Q11:

Account	Account	Je Name	Line Description	Debits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	Journal Import Created	257,865.30

182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	Journal Import Created	856,233.30
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-APR-11	Journal Import Created	205,993.36
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-MAY-11	Journal Import Created	506,867.31

If you could let me know if these items should be documented as credits, or if the nature of the activity is such it should be netted against the debits.

Thanks!

Corey Koellner
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LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Friday, July 22, 2011 12:38 PM
To: Koellner, Corey
Cc: Wiseman, Sara
Subject: RE: LG&E ARO Regulatory Assets

Tracking:

Recipient	Read
Koellner, Corey	Read: 7/22/2011 12:44 PM
Wiseman, Sara	Read: 7/22/2011 12:58 PM

Corey,

Since these are related to settlements, I would say they should be documented as credits.

Thanks,
Angela

From: Koellner, Corey
Sent: Thursday, July 21, 2011 10:07 AM
To: Crescente, Angela
Subject: LG&E ARO Regulatory Assets

Angela –

I'm preparing the LG&E Regulatory Asset information that will be included in the Form 3 filing. I identified the following ARO assets with credit activity in 2Q11:

Account	Account	Je Name	Line Description	Debits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	Journal Import Created	257,865.30
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	Journal Import Created	856,233.30
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-APR-11	Journal Import Created	205,993.36
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-MAY-11	Journal Import Created	506,867.31

If you could let me know if these items should be documented as credits, or if the nature of the activity is such it should be netted against the debits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Koellner, Corey
Sent: Thursday, July 21, 2011 10:07 AM
To: Crescente, Angela
Subject: LG&E ARO Regulatory Assets

Angela –

I'm preparing the LG&E Regulatory Asset information that will be included in the Form 3 filing. I identified the following ARO assets with credit activity in 2Q11:

Account	Account	Je Name	Line Description	Debits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	Journal Import Created	257,865.30
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	Journal Import Created	856,233.30
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If you could let me know if these items should be documented as credits, or if the nature of the activity is such it should be netted against the debits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Erskine, Greg
Sent: Thursday, July 21, 2011 4:27 PM
To: Crescente, Angela
Subject: RE: Preliminary footnote tie-out - reminder

Angela:

I believe it's the support documentation due Monday. I think Lesley wants to look at it tomorrow.

Greg

From: Crescente, Angela
Sent: Thursday, July 21, 2011 4:26 PM
To: Erskine, Greg
Subject: RE: Preliminary footnote tie-out - reminder

Greg,

Is this the support documentation that is due on Monday, or something else?

Thanks,
Angela

From: Erskine, Greg
Sent: Thursday, July 21, 2011 4:25 PM
To: Crescente, Angela
Subject: FW: Preliminary footnote tie-out - reminder

Angela:

Can you put paper copies of the schedules you used to come up with the numbers for the ARO footnote into the 6/30/11 work-paper binder, please? There's a place for them in binder number 2.

Thanks,

Greg

From: Pienaar, Lesley
Sent: Monday, July 18, 2011 11:49 AM
To: Andes, Isaac; Erskine, Greg; Fackler, Andrea; Hourigan, Amanda; Sneed, Lydia
Subject: RE: Preliminary footnote tie-out - reminder

All,

Please pass a reminder on to all your preparers that the preliminary tie-out of the footnote needs to be available for E&Y on the 19th of July. Let them know that a draft will be available after 1pm
Lesley

Crescente, Angela

From: Erskine, Greg
Sent: Thursday, July 21, 2011 4:25 PM
To: Crescente, Angela
Subject: FW: Preliminary footnote tie-out - reminder

Angela:

Can you put paper copies of the schedules you used to come up with the numbers for the ARO footnote into the 6/30/11 work-paper binder, please? There's a place for them in binder number 2.

Thanks,

Greg

From: Pienaar, Lesley
Sent: Monday, July 18, 2011 11:49 AM
To: Andes, Isaac; Erskine, Greg; Fackler, Andrea; Hourigan, Amanda; Sneed, Lydia
Subject: RE: Preliminary footnote tie-out - reminder

All,
Please pass a reminder on to all your preparers that the preliminary tie-out of the footnote needs to be available for E&Y on the 19th of July. Let them know that a draft will be available after 1pm
Lesley

Crescente, Angela

From:	Erskine, Greg
Sent:	Wednesday, July 13, 2011 11:57 AM
To:	Crescente, Angela
Subject:	RE: review by Subject matter experts

Thanks, Angela.

Greg

From: Crescente, Angela
Sent: Wednesday, July 13, 2011 11:56 AM
To: Erskine, Greg
Cc: Wiseman, Sara
Subject: FW: review by Subject matter experts

Greg:

This looks OK to me.

Thanks,
Angela

From: Erskine, Greg
Sent: Wednesday, July 13, 2011 11:32 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: review by Subject matter experts

Angela:

I sent you a bad version before. I've attached a copy of the current version. Can you take a look at it and e-mail me back and let me know if looks OK to you, please?

Sorry for the confusion.

Thanks,

Greg

<< File: Doc1.docx >>

From: Crescente, Angela
Sent: Wednesday, July 13, 2011 11:25 AM
To: Erskine, Greg

Cc: Wiseman, Sara
Subject: RE: review by Subject matter experts

Greg:

The only thing I see that needs updating is the current/non-current information for June 2011. The rest in the top section looks OK to me for LKE, LG&E, and KU. We do have $1million in LG&E and LKE in current.

Thanks,
Angela

From: Erskine, Greg
Sent: Wednesday, July 13, 2011 11:20 AM
To: Wiseman, Sara; Crescente, Angela
Subject: FW: review by Subject matter experts

Angela and Sara:

I've attached a Word document that contains the ARO footnote from the current version of the 6/30/11 10-Q. The footnote contains information for PPL, PPL Energy Supply, LKE, LG&E, and KU. I put the information for LKE, LG&E, and KU into the note yesterday, after receiving it from Angela.

Can each of you take a look at the information in the note for LKE, LG&E and KU and e-mail me back by the end of the day today and let me know if it looks OK to you, please?

Thanks,

Greg

<< File: Doc1.docx >>

From: Pienaar, Lesley
Sent: Wednesday, July 13, 2011 8:11 AM
To: Financial Reporting Department
Subject: review by Subject matter experts

All,
Please ensure that by EOD today you have provided the subject matter experts, preparers and managers of the preparers with the section that they provided support for so that they may review tomorrow and provide any changes as needed before the draft on Saturday.
I think it may be easier to generate that section only and send it to them for review. Let me know if this does not work for you.
Lesley

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, July 13, 2011 11:56 AM
To: Erskine, Greg
Cc: Wiseman, Sara
Subject: FW: review by Subject matter experts

Greg:

This looks OK to me.

Thanks,
Angela

From: Erskine, Greg
Sent: Wednesday, July 13, 2011 11:32 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: review by Subject matter experts

Angela:

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Sorry for the confusion.

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Greg

Doc1.docx

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Cc: Wiseman, Sara
Subject: RE: review by Subject matter experts

Greg:

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Thanks,
Angela

From: Erskine, Greg
Sent: Wednesday, July 13, 2011 11:20 AM
To: Wiseman, Sara; Crescente, Angela
Subject: FW: review by Subject matter experts

Angela and Sara:

I've attached a Word document that contains the ARO footnote from the current version of the 6/30/11 10-Q. The footnote contains information for PPL, PPL Energy Supply, LKE, LG&E, and KU. I put the information for LKE, LG&E, and KU into the note yesterday, after receiving it from Angela.

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Thanks,

Greg

<< File: Doc1.docx >>

From: Pienaar, Lesley
Sent: Wednesday, July 13, 2011 8:11 AM
To: Financial Reporting Department
Subject: review by Subject matter experts

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Lesley

16. Asset Retirement Obligations

(PPL, PPL Energy Supply, LKE, LG&E and KU)

The changes in the carrying amounts of AROs were as follows.

	PPL	PPL Energy Supply	LKE	LG&E	KU
ARO at December 31, 2010	$ 448	$ 345	$ 103	$ 49	$ 54
Accretion expense (a)	9	7	3	2	1
Obligations assumed in acquisition of LKE					
Obligations assumed in acquisition of WPD Midlands (Note 8)					
Derecognition (b)		(5)			
New obligations incurred					
Changes in estimated cash flow or settlement date					
Effect of foreign currency exchange rates					
Obligations settled	(3)	(3)			
ARO at June 30, 2011	$ 454	$ 344	$ 106	$ 51	$ 55

(a) Accretion expense recorded by PPL for its subsidiaries LG&E and KU is offset with a regulatory asset, such that there is no income statement impact.
(b) Represents AROs derecognized as a result of PPL Energy Supply's distribution of its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. See Note ##ADD for additional information on the distribution.

The classification of AROs on the Balance Sheet was as follows.

	June 30, 2011				
	PPL	PPL Energy Supply	LKE	LG&E	KU
Current portion (a)	$ 12	$ 11	$ 1	$ 1	$
Long-term portion (b)	442	333	105	50	55
Total	$ 454	$ 344	$ 106	$ 51	$ 55

	December 31, 2010				
	PPL	PPL Energy Supply	LKE	LG&E	KU
Current portion (a)	$ 13	$ 13	$	$	$
Long-term portion (b)	435	332	103	49	54
Total	$ 448	$ 345	$ 103	$ 49	$ 54

(a) Included in "Other current liabilities."
(b) Included in "Asset retirement obligations."

The most significant ARO recorded by PPL and PPL Energy Supply relates to the decommissioning of the Susquehanna nuclear plant. The accrued nuclear decommissioning obligation was $276 million and $270 million at June 30, 2011 and December 31, 2010, and is included in "Asset retirement obligations" on the Balance Sheets.

Assets in the NDT funds are legally restricted for purposes of settling PPL's and PPL Energy Supply's ARO related to the decommissioning of the Susquehanna station. The aggregate fair value of these assets was $644 million and $618 million at June 30, 2011 and December 31, 2010, and is included in "Nuclear plant decommissioning trust funds" on the Balance Sheets. See Notes ##FVMCC and ##AFS for additional information on these assets.

Crescente, Angela

From: Erskine, Greg
Sent: Wednesday, July 13, 2011 11:32 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: review by Subject matter experts

Angela:

I sent you a bad version before. I've attached a copy of the current version. Can you take a look at it and e-mail me back and let me know if looks OK to you, please?

Sorry for the confusion.

Thanks,

Greg

Doc1.docx

From: Crescente, Angela
Sent: Wednesday, July 13, 2011 11:25 AM
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Cc: Wiseman, Sara
Subject: RE: review by Subject matter experts

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Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, May 04, 2011 2:42 PM
To: Koellner, Corey
Subject: RE: KU Regulatory Liabilities

Follow Up Flag: Follow up
Flag Status: Completed

Corey,

These items should be netted against the credits.

Thanks,
Angela

From: Koellner, Corey
Sent: Wednesday, May 04, 2011 2:35 PM
To: Crescente, Angela
Subject: KU Regulatory Liabilities

Angela –

I'm preparing the KU Regulatory Liab information that will be included in the Form 3 filing. I identified these ARO liabs with debit activity in 1Q11:

Account	Account	Je Name	Line Description	Debits
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-FEB-11	Journal Import Created	5,968.78
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-JAN-11	Journal Import Created	5,968.78
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-MAR-11	Journal Import Created	5,968.78

Could let me know if these items should be documented as debits, or if the nature of the activity is such it should be netted against the credits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From:	Erskine, Greg
Sent:	Tuesday, July 12, 2011 4:30 PM
To:	Crescente, Angela
Subject:	RE: ARO Footnote - 6/30/11

Thanks, Angela.

Greg

From: Crescente, Angela
Sent: Tuesday, July 12, 2011 4:14 PM
To: Erskine, Greg
Cc: Wiseman, Sara
Subject: FW: ARO Footnote - 6/30/11

Greg:

Please see attached:

<< File: ARO Footnote.xlsx >>
Thanks,
Angela

From: Erskine, Greg
Sent: Friday, July 08, 2011 2:24 PM
To: Crescente, Angela
Subject: FW: ARO Footnote - 6/30/11

Angela:

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KU	55

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<< File: Book7.xlsx >>

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Book7.xlsx

LKE CONSOLIDATED
Asset Retirement Obligations
6ME 06/30/11
06/30/11 Reporting

08/02/12
3:45 PM

	LKE	LG&E	KU
12/31/10 balance	103	49	54
Accretion expense	3	2	1
Obligations assumed in acquisition of LKE	???	???	???
Obligations assumed in acquisition of CN	???	???	???
ARO derecognized	???	???	???
New obligations incurred	???	???	???
Changes in estimated cash flow or settlement date	???	???	???
Effect of foreign currency exchange rates	???	???	???
Obligations settled	???	???	???
06/30/11 balance	106	51	55
Balance-sheet classification at 06/30/11:			
Current	1	1	???
Noncurrent	105	50	55
Totals	106	51	55
Balance-sheet classification at 12/31/10:			
Current			
Noncurrent	103	49	54
Totals	103	49	54

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6ME 06/30/11
06/30/11 Reporting

06/22/11
3:30 PM

	LKE	LG&E	KU
12/31/10 balance	103	49	54
Accretion expense	???	???	???
Obligations assumed in acquisition of LKE	???	???	???
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New obligations incurred	???	???	???
Changes in estimated cash flow or settlement date	???	???	???
Effect of foreign currency exchange rates	???	???	???
Obligations settled	???	???	???
06/30/11 balance	103	49	54
Balance-sheet classification at 06/30/11:			
Current	???	???	???
Noncurrent	???	???	???
Totals	#VALUE!	#VALUE!	#VALUE!
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Current			
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Crescente, Angela

From: Wiseman, Sara
Sent: Wednesday, June 22, 2011 2:22 PM
To: Charnas, Shannon
Subject: RE: Saturday, July 9

They are the majority of it. Since an ARO table is also being included, Angela will need to work on the roll-forward, but she will be doing that just as soon as the books close. The roll-forward does not take nearly a much time to complete as the plant report.

From: Charnas, Shannon
Sent: Wednesday, June 22, 2011 2:19 PM
To: Wiseman, Sara
Subject: RE: Saturday, July 9

Are the plant reports the only thing that impacts the GAAP reporting?

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Wiseman, Sara
Sent: Wednesday, June 22, 2011 2:14 PM
To: Charnas, Shannon
Subject: RE: Saturday, July 9

I do not anticipate that many folks will be here. Karen Daly told me she will be her working on plant reports. I'm not sure beyond her if anyone will be here.

From: Charnas, Shannon
Sent: Wednesday, June 22, 2011 1:40 PM
To: Wiseman, Sara; Raible, Eric; Keemer, Gabriela; Mazza, Frank
Subject: Saturday, July 9

I was interested in confirming with you who in your group would be working on Saturday, July 9 (at least generally). Do you think you will have a majority of your team here that day working on reporting items? Please respond at your convenience.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting

Crescente, Angela

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Obligations settled	(3)	(3)			
ARO at June 30, 2011	$ 454	$ 344	$ 106	$ 51	$ 55

(a) Accretion expense recorded by PPL for its subsidiaries LG&E and KU is offset with a regulatory asset, such that there is no income statement impact.
(b) Represents AROs derecognized as a result of PPL Energy Supply's distribution of its membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. See Note ##ADD for additional information on the distribution.

The classification of AROs on the Balance Sheet was as follows.

	June 30, 2011				
	PPL	PPL Energy Supply	LKE	LG&E	KU
Current portion (a)	$ 12	$ 11	$	$	$
Long-term portion (b)	442	333	103	49	54
Total	$ 454	$ 344	$ 103	$ 49	$ 54

	December 31, 2010				
	PPL	PPL Energy Supply	LKE	LG&E	KU
Current portion (a)	$ 13	$ 13	$	$	$
Long-term portion (b)	435	332	103	49	54
Total	$ 448	$ 345	$ 103	$ 49	$ 54

(a) Included in "Other current liabilities."
(b) Included in "Asset retirement obligations."

The most significant ARO recorded by PPL and PPL Energy Supply relates to the decommissioning of the Susquehanna nuclear plant. The accrued nuclear decommissioning obligation was $##D<SusqAROAROfnCY> million and $##D<SusqAROAROfnPY> million at ##D<CurQtrEnd> and ##D<PreYearEnd>, and is included in "Asset retirement obligations" on the Balance Sheets.

Assets in the NDT funds are legally restricted for purposes of settling PPL's and PPL Energy Supply's ARO related to the decommissioning of the Susquehanna station. The aggregate fair value of these assets was $##D<NDTCYBSCorp> million and $##D<NDTPYBSCorp> million at ##D<CurQtrEnd> and ##D<PreYearEnd>, and is included in "Nuclear plant decommissioning trust funds" on the Balance Sheets. See Notes ##FVMCC and ##AFS for additional information on these assets.

Crescente, Angela

From: McCammon, Virginia
Sent: Monday, August 01, 2011 5:03 PM
To: Crescente, Angela
Subject: KU Form 3 - ARO Reg Asset Activity

Follow Up Flag: Follow up
Flag Status: Completed

Angela,

I am working with Corey Koellner on the Form 3 Reg Assets page, and I wanted to verify if the $58,395.26 credit to the ARO account should be reported as credit or debit activity. I believe you had Corey report this as debit activity for LGE, but I need to verify this is correct for KU as well.

Please let me know if you have any questions. Thanks in advance for your help!

Account	Account	Je Name	Debits	Credits	Total
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	493,741.45	58,395.26	435,346.19
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-JUN-11	470,892.04	-	470,892.04
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	469,935.99	-	469,935.99
182318	OTHER REG ASSETS ARO - TRANSMISSION	PP ARO USD 01-APR-11	512.44	-	512.44
182318	OTHER REG ASSETS ARO - TRANSMISSION	PP ARO USD 01-JUN-11	516.19	-	516.19
182318	OTHER REG ASSETS ARO - TRANSMISSION	PP ARO USD 01-MAY-11	514.31	-	514.31
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	PP ARO USD 01-APR-11	1,717.05	-	1,717.05
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	PP ARO USD 01-JUN-11	1,729.43	-	1,729.43
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	PP ARO USD 01-MAY-11	1,723.23	-	1,723.23

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Crescente, Angela

From: Erskine, Greg
Sent: Wednesday, December 14, 2011 3:33 PM
To: Crescente, Angela
Subject: ARO Footnote - 12/31/11

Angela:

I need to get information from you to complete the LKE, LG&E and KU sections of the ARO footnote that will appear in the 12/31/11 PPL Form 10-K. I've attached a file that shows the information I need. Can you replace the question marks in the file with amounts and return the file to me by Wednesday, January 11, please?

The file calls for a rollforward of the ARO liabilities for LKE, LG&E and KU for the twelve months ended 12/31/11 (in millions). It also calls for a split of the 12/31/11 ARO liability balances between current and noncurrent for LKE, LG&E and KU (also in millions).

The 12/31/11 noncurrent ARO liability balances (in millions) that you put into the attached file need to agree with the 12/31/11 noncurrent ARO liability balances that will appear in the 12/31/11 balance sheets for LKE, LG&E and KU (in millions). I don't yet know the noncurrent ARO liability balances that will appear in the 12/31/11 balance sheets, but I should know them on or near Tuesday, January 10. I will e-mail the balances to you when I know them. Please make sure that the 12/31/11 noncurrent balances that you put into the attached file equal the balances that I e-mail to you.

Please do not change the beginning balances in the attached file. Also, please do not change any of the formulas I've put into the file. If you feel that you need to change the beginning balances or a formula, please contact me before you do anything.

Please do not change the descriptions that appear in column A in the file and please do not add any new rows. PPL came up with the descriptions, and we can't change them.

Some of the formulas in the attached file return #VALUE!. After you replace the question marks with the correct 9/30/11 amounts, the #VALUE!s should go away.

I included the split between current and noncurrent we reported at 12/31/10 in the attached file for your reference.

Thanks,

Greg

Book7.xlsx

LKE CONSOLIDATED
Asset Retirement Obligations
12ME 12/31/11
12/31/11 Reporting

11/30/11
3:49 PM

	LKE	LG&E	KU
12/31/10 balance	103	49	54
Accretion expense	???	???	???
Obligations assumed in acquisition of LKE	???	???	???
Obligations assumed in acquisition of CN	???	???	???
ARO derecognized	???	???	???
New obligations incurred	???	???	???
Changes in estimated cash flow or settlement date	???	???	???
Effect of foreign currency exchange rates	???	???	???
Obligations settled	???	???	???
12/31/11 balance	103	49	54
Balance-sheet classification at 12/31/11:			
Current	???	???	???
Noncurrent	???	???	???
Totals	#VALUE!	#VALUE!	#VALUE!
Balance-sheet classification at 12/31/10:			
Current			
Noncurrent	103	49	54
Totals	103	49	54

Crescente, Angela

From: Crescente, Angela
Sent: Wednesday, October 19, 2011 9:36 AM
To: McCammon, Virginia
Cc: Wiseman, Sara
Subject: RE: LGE ARO Reg Assets

Follow Up Flag: Follow up
Flag Status: Completed

Ginny,

The ones listed below were corrections, so they should be netted against the debits.

Thanks,
Angela

From: McCammon, Virginia
Sent: Tuesday, October 18, 2011 5:54 PM
To: Crescente, Angela
Subject: LGE ARO Reg Assets

Hi Angela,

I'm preparing the LGE regulatory asset information that will be included in the Form 3. I have identified the following ARO assets with credit activity in Q3-2011.

Account	Account	Line Description	Je Name	Credits
182326	OTHER REGULATORY ASSETS ARO - GAS	Journal Import Created	J421-0100-0811 Adjustment USD 31-AUG-11	0.01
182327	OTHER REGULATORY ASSETS ARO - COMMON	Journal Import Created	J422-0100-0811 Adjustment USD 31-AUG-11	0.02

Can you please let me know if these items should be documented as credits, or if they should be netted against the debits due to the nature of the activity?

Just a heads up – I will also have this question if applicable for KU, but it may be a couple more days before I pull the activity. If it is easier for you, feel free to provide the same info related to any KU credits.

Thanks in advance for your help!

Ginny Copelin McCammon, CPA
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Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Please consider the environment before printing this e-mail.

Crescente, Angela

From:	Crescente, Angela
Sent:	Wednesday, October 19, 2011 12:16 PM
To:	McCammon, Virginia
Subject:	RE: LGE ARO Question

Ginny,

It is 230012, but it is always best to ask just in case. I will try to remember to send that to you in the future.

Thanks,
Angela

From: McCammon, Virginia
Sent: Wednesday, October 19, 2011 12:15 PM
To: Crescente, Angela
Subject: RE: LGE ARO Question

Thanks! For the $106k credit, what is the offsetting account? Last quarter it was acct 230 – is that always the case?

Thanks again,

Ginny Copelin McCammon
502.627.3239

From: Crescente, Angela
Sent: Wednesday, October 19, 2011 12:13 PM
To: McCammon, Virginia
Cc: Wiseman, Sara
Subject: RE: LGE ARO Question

Ginny,

The $106,482.65 should be documented as a credit since it relates to settlement activity. The $7,622,791.10 should be netted against the debits due to the nature of the activity that was necessary for the latest revaluation.

Thanks,
Angela

From: McCammon, Virginia
Sent: Wednesday, October 19, 2011 9:13 AM
To: Crescente, Angela
Subject: LGE ARO Question

Hi Angela,

I'm preparing the LGE regulatory asset information that will be included in the Form 3. I have identified the following ARO assets with credit activity in Q3-2011.

Account	Account	Line Description	Je Name	Credits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	Journal Import Created	PP ARO USD 01-JUL-11	106,482.65
182317	OTHER REGULATORY ASSETS ARO - GENERATION	Journal Import Created	PP ARO USD 01-SEP-11	7,622,791.10

Can you please let me know if these items should be documented as credits, or if they should be netted against the debits due to the nature of the activity?

Just a heads up – I will also have this question if applicable for KU, but it may be a couple more days before I pull the activity. If it is easier for you, feel free to provide the same info related to any KU credits.

Thanks in advance for your help!

Ginny Copelin McCammon, CPA
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Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Crescente, Angela

From: McCammon, Virginia
Sent: Thursday, October 27, 2011 2:23 PM
To: Crescente, Angela
Subject: Questions about ARO Activity

Hi Angela,

I'm preparing the KU regulatory asset and the LGE & KU regulatory liability pages for the Form 3. I have identified ARO activity for Q3-2011 in the attached spreadsheet.

For the KU reg asset activity highlighted in orange, does this activity need to be netted against the debits? If no, can you please provide the offsetting account for this activity?

For both LGE and KU reg liability activity highlighted in orange, does any of the activity need to be netted against credits? If no, can you please provide the offsetting account for each of these items?

Thanks in advance for your help!

ARO Activity - Q3.2011.xlsx

Ginny Copelin McCammon, CPA
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com
Please consider the environment before printing this e-mail.

Kentucky Utilities Company - Assets

Acct$Account	Account	Je Name	Line Description	Amount Dr SUM	Amount Cr SUM	Amount SUM
182317	OTHER REGULATORY ASSETS ARO - GENERATION	J422-0110-0811 Adjustment USD 31-AUG-11	Journal Import Created	0.06	-	0.06
		PP ARO USD 01-AUG-11	Journal Import Created	472,209.71	-	472,209.71
		PP ARO USD 01-JUL-11	Journal Import Created	502,741.45	119,378.78	383,362.67
		PP ARO USD 01-SEP-11	Journal Import Created	744,021.96	-	744,021.96
	Total Account			1,718,973.18	119,378.78	1,599,594.40
182318	OTHER REG ASSETS ARO - TRANSMISSION	J422-0110-0811 Adjustment USD 31-AUG-11	Journal Import Created	-	0.01	(0.01)
		PP ARO USD 01-AUG-11	Journal Import Created	519.97	-	519.97
		PP ARO USD 01-JUL-11	Journal Import Created	518.08	-	518.08
		PP ARO USD 01-SEP-11	Journal Import Created	521.87	-	521.87
	Total Account			1,559.92	0.01	1,559.91
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	J422-0110-0811 Adjustment USD 31-AUG-11	Journal Import Created	-	0.01	(0.01)
		PP ARO USD 01-AUG-11	Journal Import Created	1,741.93	-	1,741.93
		PP ARO USD 01-JUL-11	Journal Import Created	1,735.67	-	1,735.67
		PP ARO USD 01-SEP-11	Journal Import Created	1,748.22	-	1,748.22
	Total Account			5,225.82	0.01	5,225.81

Kentucky Utilities Company - Liabilities

Acct$Account	Account	Je Name	Line Description	Amount Dr SUM	Amount Cr SUM	Amount SUM
254014	REGULATORY LIABILITY ARO - GENERATION	J422-0110-0811 Adjustment USD 31-AUG-11	Journal Import Created	0.09	-	0.09
		PP ARO USD 01-AUG-11	Journal Import Created	6,257.17	26,889.13	(20,631.96)
		PP ARO USD 01-JUL-11	Journal Import Created	6,257.17	26,889.13	(20,631.96)
		PP ARO USD 01-SEP-11	Journal Import Created	6,257.17	26,889.13	(20,631.96)
	Total Account			18,771.60	80,667.39	(61,895.79)

Louisville Gas & Electric Company - Liabilities

Acct$Account	Account	Je Name	Line Description	Amount Dr SUM	Amount Cr SUM	Amount SUM
254014	REGULATORY LIABILITY ARO - GENERATION	PP ARO USD 01-AUG-11	Journal Import Created	55.74	6,233.38	(6,177.64)
		PP ARO USD 01-JUL-11	Journal Import Created	55.74	6,233.38	(6,177.64)
		PP ARO USD 01-SEP-11	Journal Import Created	55.74	6,233.38	(6,177.64)
	Total Account			167.22	18,700.14	(18,532.92)
254016	REGULATORY LIABILITY ARO - GAS	J422-0100-0811 Adjustment USD 31-AUG-11	Journal Import Created	-	19,446.67	(19,446.67)

		J423-0100-0911 Adjustment USD 30-SEP-11	Journal Import Created	19,446.67	-	19,446.67
		J431-0100-0811 Adjustment USD 31-AUG-11	Journal Import Created	-	19,446.67	(19,446.67)
		PP ARO USD 01-AUG-11	Journal Import Created	-	1,661.20	(1,661.20)
		PP ARO USD 01-JUL-11	Journal Import Created	-	1,661.20	(1,661.20)
		PP ARO USD 01-SEP-11	Journal Import Created	-	1,661.20	(1,661.20)
		Reverses "J431-0100-0811 Adjustment USD 31-AUG-11"23-AUG-11 15:24:19	Journal Import Created	19,446.67	-	19,446.67
	Total Account			38,893.34	43,876.94	(4,983.60)

Crescente, Angela

From: McCammon, Virginia
Sent: Thursday, October 27, 2011 3:58 PM
To: Crescente, Angela
Subject: RE: Questions about ARO Activity

Thank you!

Ginny Copelin McCammon
502.627.3239

From: Crescente, Angela
Sent: Thursday, October 27, 2011 3:57 PM
To: McCammon, Virginia
Cc: Wiseman, Sara
Subject: RE: Questions about ARO Activity

Ginny,

The LGE and KU reg liability debit activity should be netted against the credits. The KU reg asset activity of $119K should be considered a credit due to settlement activity and the offsetting account for this activity is 230.

Please let me know if you have any questions.

Thanks,
Angela

From: McCammon, Virginia
Sent: Thursday, October 27, 2011 2:23 PM
To: Crescente, Angela
Subject: Questions about ARO Activity

Hi Angela,

I'm preparing the KU regulatory asset and the LGE & KU regulatory liability pages for the Form 3. I have identified ARO activity for Q3-2011 in the attached spreadsheet.

For the KU reg asset activity highlighted in orange, does this activity need to be netted against the debits? If no, can you please provide the offsetting account for this activity?

For both LGE and KU reg liability activity highlighted in orange, does any of the activity need to be netted against credits? If no, can you please provide the offsetting account for each of these items?

Thanks in advance for your help!

<< File: ARO Activity - Q3.2011.xlsx >>

Ginny Copelin McCammon, CPA
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Friday, July 22, 2011 4:20 PM
To: Koellner, Corey
Cc: Wiseman, Sara
Subject: RE: LG&E ARO Regulatory Assets

Follow Up Flag: Follow up
Flag Status: Completed

Corey,

The correct offset amount for 182317 is 230012 and the correct offset amount for 182326 is 230016.

Thanks,
Angela

From: Koellner, Corey
Sent: Friday, July 22, 2011 3:28 PM
To: Crescente, Angela
Subject: RE: LG&E ARO Regulatory Assets

Thanks, Angela. Do you have the offset account # for the credit entries?

From: Crescente, Angela
Sent: Friday, July 22, 2011 12:38 PM
To: Koellner, Corey
Cc: Wiseman, Sara
Subject: RE: LG&E ARO Regulatory Assets

Corey,

Since these are related to settlements, I would say they should be documented as credits.

Thanks,
Angela

From: Koellner, Corey
Sent: Thursday, July 21, 2011 10:07 AM
To: Crescente, Angela
Subject: LG&E ARO Regulatory Assets

Angela –

I'm preparing the LG&E Regulatory Asset information that will be included in the Form 3 filing. I identified the following ARO assets with credit activity in 2Q11:

Account	Account	Je Name	Line Description	Debits
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	Journal Import Created	257,865.30
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	Journal Import Created	856,233.30
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-APR-11	Journal Import Created	205,993.36
182326	OTHER REGULATORY ASSETS ARO - GAS	PP ARO USD 01-MAY-11	Journal Import Created	506,867.31

If you could let me know if these items should be documented as credits, or if the nature of the activity is such it should be netted against the debits.

Thanks!

Corey Koellner
Regulatory Accounting & Reporting
LG&E and KU Energy LLC
Direct: (502) 627-2965
corey.koellner@lge-ku.com

Crescente, Angela

From: Crescente, Angela
Sent: Tuesday, August 02, 2011 10:12 AM
To: McCammon, Virginia
Cc: Koellner, Corey
Subject: FW: KU Form 3 - ARO Reg Asset Activity

Follow Up Flag: Follow up
Flag Status: Completed

Ginny,

Since these are related to settlements, I would say they should be documented as credits and the offsetting account to 182317 is 230012.

Thanks,
Angela

From: McCammon, Virginia
Sent: Monday, August 01, 2011 5:03 PM
To: Crescente, Angela
Subject: KU Form 3 - ARO Reg Asset Activity

Angela,

I am working with Corey Koellner on the Form 3 Reg Assets page, and I wanted to verify if the $58,395.26 credit to the ARO account should be reported as credit or debit activity. I believe you had Corey report this as debit activity for LGE, but I need to verify this is correct for KU as well.

Please let me know if you have any questions. Thanks in advance for your help!

Account	Account	Je Name	Debits	Credits	Total
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-APR-11	493,741.45	58,395.26	435,346.19

182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-JUN-11	470,892.04	-	470,892.04
182317	OTHER REGULATORY ASSETS ARO - GENERATION	PP ARO USD 01-MAY-11	469,935.99	-	469,935.99
182318	OTHER REG ASSETS ARO - TRANSMISSION	PP ARO USD 01-APR-11	512.44	-	512.44
182318	OTHER REG ASSETS ARO - TRANSMISSION	PP ARO USD 01-JUN-11	516.19	-	516.19
182318	OTHER REG ASSETS ARO - TRANSMISSION	PP ARO USD 01-MAY-11	514.31	-	514.31
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	PP ARO USD 01-APR-11	1,717.05	-	1,717.05
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	PP ARO USD 01-JUN-11	1,729.43	-	1,729.43
182325	OTHER REGULATORY ASSETS ARO - DISTRIBUTION	PP ARO USD 01-MAY-11	1,723.23	-	1,723.23

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Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Crescente, Angela

From:	Crescente, Angela
Sent:	Friday, May 06, 2011 11:10 AM
To:	Daly, Karen
Subject:	RE: 108799 settlements.

This is for April 2011.

From: Crescente, Angela
Sent: Friday, May 06, 2011 11:09 AM
To: Daly, Karen
Subject: 108799 settlements.

Karen,

The Electric and Gas splits for the settlements for LGE are as follows:

Gas-$283,217.01
Electric-$83,329.50

Thanks,
Angela

Crescente, Angela

From:	Riggs, Eric
Sent:	Wednesday, May 11, 2011 7:39 AM
To:	Wiseman, Sara; Rose, Bruce; Crescente, Angela
Subject:	FW: Landfill Survey
Attachments:	Questionaire Summary.xlsx
Expires:	Wednesday, June 13, 2012 1:00 AM

FYI,

Please note that Mr. Nitsche responded.

From: Baird, Paul C [mailto:PCBaird@integrysgroup.com]
Sent: Tuesday, May 10, 2011 5:09 PM
To: Robert Santos; roncamp@nu.com; Riggs, Eric; Rennix, Don; Nitsche, John P; betty.mincer@pepcoholdings.com; Litteken, Ryan T; Lewis, Daniel; Lee, Cynthia; Githae, David; DEvavold@otpco.com; Council, Carl J Jr; Biggs, Joy L.
Cc: Harmon, Isetta
Subject: Landfill Survey

Thank you again for participating in my landfill survey. I thought you might be interested I the results. I hope I captured everyone's answers correctly in that I only asked if you capitalized the cost or not. In the case of capping cost it appears most believe it should be handled as an ARO. If you answered you capitalized it, I assumed that was different than ARO treatment.

Paul C. Baird
Manager Property Accounting & Investments
Integrys Business Support, LLC
700 N Adams Street
Green Bay, WI 54307-9001

(920) 433-1127 Phone
(920) 433-2553 Fax

Integrys Energy Group owns a landfill site for disposal of its fly ash and bottom ash. The landfill has room for approximately 15 years worth of ash. The landfill is developed in cells where a liner and piping, etc. is constructed to hold approximately 2 years ash at one time. It is then capped and a new cell is developed. So approximately 7-8 cells will be created before the landfill will be full. The Company has about a 20 year obligation to actively monitor and maintain the site after it is completely full.

		Cap	O&M	ARO
Would you capitalize the construction costs of a landfill site?		13		
If you would capitalize costs, what costs would you capitalize –				
Construction of the landfill cell to hold the ash?		13		
Costs of capping the landfill after cell is full of ash?		6		7
Ongoing cost of monitoring and maintaining the site?			11	2
What depreciation life would you assign to the landfill site.				
Give it the life of each cell created – approximately 2 years?	One Company had a 3yr life minimum.	2		
Give it the life associated with how long it takes to fill the site – approximately 15 years?		6		
Give it a life associated with time the Company is required to maintain site – approximately 35 years?				
Other basis used to set the landfill site life? The life of composite group the landfill is classified.		5		

Crescente, Angela

From:	Leenerts, Patricia
Sent:	Wednesday, May 18, 2011 9:10 AM
To:	Wacker, Diana; Crescente, Angela; Wiseman, Sara; Riggs, Eric
Subject:	Unitization - multiple year plugging project.docx

Here is my first stab at the procedure we discussed. I wasn't sure what to name the procedure. Also, I had a note to point out when a JE may be required...I think that it was if the well was never plugged. If that was the case then we would have already unitized the related dollars on the first project. Also, I think that once the decision to plug a way is made that it will, eventually, get plugged.

Please review, comment and return to me next week. I will combine and rewrite as necessary, then submit to you as a (hopefully) final draft. Then I can get it over to Lisa and Janice.

Unitization - multiple year pl...

PROCEDURE FOR PERMANENT PLUGGING AND RETIREMENT (ARO RETIREMENT) OF GAS WELLS

Background

Each year a new Gas Underground Storage (GUS) project is approved for the permanent plugging and retirement of gas wellS (ARO retirement). The ARO retirement tasks are by major field location on each project. When the project is approved it is unknown which wells will be worked due to weather constraints, vendor/equipment availability, etc. Budget approval of each year's project is with the expectation of the ARO retirement of 10 wells. Ideally, wells worked for permanent plugging (ARO retirement) would be completed on the same project for which they were started. When delays arise, the charges associated with the ARO retirement of a specific well may be accumulated over multiple projects, thus over multiple years. It is possible that a task, specific to a field, will accumulate charges for wells that were truly retired on the project and charges for other wells that are continued onto the next year(s) ARO retirement project(s). Since these tasks are setup by major field name it is difficult to quickly identify the wells to the specific charge.

Property Accounting considered the best course of action for maintaining the integrity of the property records, with the least amount of demands from employees. Consideration was given that due to the potential multi-year charges if the ARO retirement projects should be on the blanket list. The ARO nature of the retirements is not conducive to processing these annual projects as blankets.

Procedure

Charges for ARO retirement should be applied to the specific year, as the charges are currently. On occasion the charges on a task may not be for the entire cost of the ARO retirement. For unitization purposes, a list of wells permanently plugged (ARO retirements) is to be submitted to Property Accounting upon completion of the last well plugged on that project. This should be automatically sent to Property Accounting. If an ARO retirement starts on one project and is completed another project, that well should not be included on the list until the ARO retirement is complete.

Conclusion

The process described above will provide Property Accounting with the information needed without requiring multiple correction processing via Change of Distribution (COD), Journal Entries (JEs), etc. from the Budget Coordinator. There will be slight timing differences that are considered inconsequential compared to the effort to track the charges to the specific wells. The overall integrity of the Property records will be intact.

Crescente, Angela

From: Leenerts, Patricia
Sent: Wednesday, May 18, 2011 11:53 AM
To: Crescente, Angela
Subject: RE: Project 126350

Painted pipe...no asbestos.

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Wednesday, May 18, 2011 11:34 AM
To: Crescente, Angela
Subject: FW: Project 126350

The AIP does state 80 feet of tubings and fittings for 2354.00 -- Which you could ignore for ARO or could be considered part of the structure 2351.xx depending...

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Wednesday, May 18, 2011 11:17 AM
To: Crescente, Angela
Subject: FW: Project 126350

Angela, I don't see that you have done this. Did we discuss verbally?

Thanks,

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Wednesday, April 27, 2011 11:42 PM
To: Crescente, Angela

Cc: Leenerts, Patricia
Subject: Project 126350

Angela, this project has 80 feet of station piping at Muldraugh, per the AIP, which is being replaced. I will need to reclass the charges to 108799. Could you please setup a task and let me know when the task is ready.

Thanks,

Pat
502-627-**3811**

Crescente, Angela

From: Leenerts, Patricia
Sent: Wednesday, May 18, 2011 11:57 AM
To: Crescente, Angela
Cc: Rieth, Tom
Subject: Type III and Type IV asbestos removal

Angela, Tom called. He said that they can do type III and type IV asbestos removal. They can remove asbestos if the intent is not abatement. They can remove only if the intent is for maintenance... like the gasket replacement. Also, the size of the asbestos containing material is minimal. The size is what can go into a "glove-bag". This is a bag they can use, while wearing special gloves, to remove a small quantity of asbestos.

Tom, correct me if needed.

Thanks,

Pat
502-627-**3811**

Crescente, Angela

From: Rieth, Tom
Sent: Wednesday, May 18, 2011 2:42 PM
To: Leenerts, Patricia; Crescente, Angela
Subject: RE: Type III and Type IV asbestos removal

Pat,

This is correct. Our training is annual and allows us to remove asbestos for maintenance activities (Type 3) or incidental contact (Type 4). The glove bag is used primarily around piping, etc. We can also used the "wet" method. This is for non-friable type materials.

Thanks
Tom

From: Leenerts, Patricia
Sent: Wednesday, May 18, 2011 11:57 AM
To: Crescente, Angela
Cc: Rieth, Tom
Subject: Type III and Type IV asbestos removal

Angela, Tom called. He said that they can do type III and type IV asbestos removal. They can remove asbestos if the intent is not abatement. They can remove only if the intent is for maintenance...like the gasket replacement. Also, the size of the asbestos containing material is minimal. The size is what can go into a "glove-bag". This is a bag they can use, while wearing special gloves, to remove a small quantity of asbestos.

Tom, correct me if needed.

Thanks,

Pat
502-627-3811

Crescente, Angela

From:	Crescente, Angela	
Sent:	Wednesday, May 25, 2011 1:11 PM	
To:	Love, K J; Puckett, Paul	
Subject:	MC Landfill Expansion - 112767	
Tracking:	**Recipient**	**Read**
	Love, K J	Read: 5/25/2011 3:08 PM
	Puckett, Paul	Read: 5/25/2011 1:19 PM

Hi KJ and Paul,

We were about to put some of the expansion dollars on the books for 112767 and in analyzing the AIP, I noticed that there was no expected Cost of Removal listed as expected charges on the AIP. Only some language that stated that there was going to be some final closeout of the vertical expansion including cover soil. Based on the AIP information, the majority of the charges seemed like they should go against 107001 (construction) instead of 108799 (retirement). Since we have had our meeting, I think we all have a better understanding of which account charges should occur in the future, so it is just a matter of straightening the current charges this time.

All of the charges are capital (whether it be 108799 or 107001) and I propose moving some of the 108799 charges to 107001 in order to correct the spending by account for the project to date. I have calculated approximately what the 108799 amounts should have been using the most current closure calculation that was used in the revaluation. The escalated cost for 142 acres is expected to be $1,818,426.67, which turns out to approximately $13K an acre. According to our discussion in our meeting, and the confirmation email sent below, the following acres were closed from 2008-2010:

Areas closed/retired:

In 2008:	6.1 acres
In 2009:	2.9 acres
In 2010:	5.2 acres
	14.2 acres

14.2 acres x $13,000 = $184,600.

I believe the rest of the acres (prior to 2007) were closed under project number AROMC0241 which were correctly charged to 108799 since that project was intended to only retire acreage and not expand.

This $184,600 amount for 108799 sounds more reasonable to me as the main intent for project number 112767 was to do the horizontal expansion which would be related to account 107001 instead.

Please confirm if you are in agreement so that I can proceed with a journal entry to correct this issue.

Thanks,
Angela

From: Puckett, Paul
Sent: Thursday, March 31, 2011 4:34 PM
To: Crescente, Angela; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Wacker, Diana
Cc: Winkler, Michael
Subject: Mill Creek Landfill ARO Discussion

To all,
Earlier today, we met at the Mill Creek site to discuss Accounting Retirement Obligations related to the landfill at the Mill Creek Station. After overview discussions and some back and forth to establish perspective, the discussions of substance were centered on determining the total landfill acreage, the active portions of the total acreage, and the retired portions of the landfill and the time periods (2003 and after) in which the retirements occurred. At the close of our discussions, the following information was understood by me to be the most important.

		Acres	
Currently ARO Area		142	
Active Area in excess of current ARO		15	(add)
Adjusted ARO Area		157	This will require an accounting adjustment by Angela (et al.)
Areas closed/retired:			
In 2008:	6.1 acres		
In 2009:	2.9 acres		
In 2010:	5.2 acres	157	
	14.2 acres	14	(subtract)
		143	
Areas currently active:			
At/Near top	10 acres		
At/Near top	8 acres		
NE slope at levee	3 acres		
Cell at former Drive In	15 acres	143	
	36 acres	36	(subtract)
		107	**End of meeting conclusion: 107 Acres of landfill were closed/retired prior to 2007.**

After getting back to the office and researching this a bit more, it appears that there was a slight error in the course of our discussions. We inadvertently referenced Landfill Site B (within the railroad loop) as being approximately 75-85 acres and Landfill Site A as being approximately 50 acres. The acreages should have been reversed; that is to say Landfill Site A is the larger site and Landfill Site B (within the railroad loop) is the smaller site.

Feel free to contact me if you want to discuss this further or if you have any questions.

W. Paul Puckett
Engineer - Environmental Affairs Department
LG&E and KU Energy (Louisville Gas & Electric, Kentucky Utilities, and Old Dominion Power)
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
(502) 627-4659
(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

Crescente, Angela

From:	Love, K J
Sent:	Friday, May 27, 2011 1:00 PM
To:	Crescente, Angela
Cc:	Van Winkle, Don; Buckner, Mike
Subject:	RE: MC Landfill Expansion - 112767

Angela,

The Plant manager is reviewing this, we will get back with you as soon as we know.

Thanks

From: Crescente, Angela
Sent: Friday, May 27, 2011 12:55 PM
To: Love, K J; Puckett, Paul
Subject: RE: MC Landfill Expansion - 112767

I haven't heard anything on this yet for approval, so I just wanted to check on it. Thanks!

From: Crescente, Angela
Sent: Wednesday, May 25, 2011 1:11 PM
To: Love, K J; Puckett, Paul
Subject: MC Landfill Expansion - 112767

Hi KJ and Paul,

We were about to put some of the expansion dollars on the books for 112767 and in analyzing the AIP, I noticed that there was no expected Cost of Removal listed as expected charges on the AIP. Only some language that stated that there was going to be some final closeout of the vertical expansion including cover soil. Based on the AIP information, the majority of the charges seemed like they should go against 107001 (construction) instead of 108799 (retirement). Since we have had our meeting, I think we all have a better understanding of which account charges should occur in the future, so it is just a matter of straightening the current charges this time.

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Please confirm if you are in agreement so that I can proceed with a journal entry to correct this issue.

Thanks,
Angela

From: Puckett, Paul
Sent: Thursday, March 31, 2011 4:34 PM
To: Crescente, Angela; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Wacker, Diana
Cc: Winkler, Michael
Subject: Mill Creek Landfill ARO Discussion

To all,
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Adjusted ARO Area		157	This will require an accounting adjustment by Angela (et al.)
Areas closed/retired:			
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NE slope at levee	3 acres		
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	36 acres	36	(subtract)
		107	**End of meeting conclusion: 107 Acres of landfill were**

closed/retired prior to 2007.

After getting back to the office and researching this a bit more, it appears that there was a slight error in the course of our discussions. We inadvertently referenced Landfill Site B (within the railroad loop) as being approximately 75-85 acres and Landfill Site A as being approximately 50 acres. The acreages should have been reversed; that is to say Landfill Site A is the larger site and Landfill Site B (within the railroad loop) is the smaller site.

Feel free to contact me if you want to discuss this further or if you have any questions.

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(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

Crescente, Angela

From: Leenerts, Patricia
Sent: Tuesday, May 31, 2011 9:31 AM
To: Wacker, Diana; Wiseman, Sara; Riggs, Eric
Cc: Crescente, Angela
Subject: FW: Unitization - multiple year plugging project.docx

I have attached a revision incorporating some of the changes which I have received. If you could, please review and get back to me before you are too bogged down with your closing activities. Thanks for your help.

Unitization - multiple year pl...

Pat
502-627-**3811**

From: Leenerts, Patricia
Sent: Wednesday, May 18, 2011 9:10 AM
To: Wacker, Diana; Crescente, Angela; Wiseman, Sara; Riggs, Eric
Subject: Unitization - multiple year plugging project.docx

Here is my first stab at the procedure we discussed. I wasn't sure what to name the procedure. Also, I had a note to point out when a JE may be required...I think that it was if the well was never plugged. If that was the case then we would have already unitized the related dollars on the first project. Also, I think that once the decision to plug a well is made that it will, eventually, get plugged.

Please review, comment and return to me next week. I will combine and rewrite as necessary, then submit to you as a (hopefully) final draft. Then I can get it over to Lisa and Janice.

Unitization - multiple year pl...

PROCEDURE FOR PERMANENT PLUGGING AND RETIREMENT (ARO RETIREMENT) OF GAS WELLS

Background

Each year a new Gas Underground Storage (GUS) project is approved for the permanent plugging and retirement of gas wells (ARO retirements). The ARO retirement tasks are setup by major field location on each project. When the project is approved it is unknown which wells will be worked due to weather constraints, vendor/equipment availability, etc. Budget approval of each year's project is with the expectation of the ARO retirement of 10 wells.

Ideally, wells worked for permanent plugging (ARO retirement) would be completed on the same project for which they were started. When delays arise, the charges associated with the ARO retirement of a specific well may be accumulated over multiple projects, thus over multiple years. It is possible that a task, specific to a field, will accumulate charges for wells that were truly retired on the project and charges for other wells that are continued onto the next year(s) well plugging project(s). Since these tasks are setup by major field name it is difficult to quickly identify the wells to the specific charge.

Consideration was given on whether or not these projects should be on the blanket list. However, the blanket process would not prevent the same situation of specific well retirements being spread out over multiple years since a new blanket or new retirement task would still be required every year.

Procedure

Property Accounting has decided upon the best course of action for maintaining the integrity of the property records, with the least amount of demands from employees. Charges for ARO retirement should be applied to the specific year, as the charges are currently. On occasion the charges on a task may not be for the entire cost of the ARO retirement. For unitization purposes, a list of wells permanently plugged (ARO retirements) is to be submitted to Property Accounting upon completion of the last well plugged on that project. This information should be automatically sent to Property Accounting by no later than the end of February of the following year. If an ARO retirement starts on one project and is completed on another project, then that well should not be included on the list until the full retirement is complete.

Conclusion

The process described above will provide Property Accounting with the information needed without requiring multiple correction processing via Change of Distribution (COD), Journal Entries (JEs), etc. from the Budget Coordinator. There will be slight timing differences that are considered inconsequential compared to the effort to track the charges to the specific wells. The overall integrity of the Property records will be intact.

Crescente, Angela

From: Wiseman, Sara
Sent: Tuesday, May 31, 2011 3:29 PM
To: Leenerts, Patricia; Riggs, Eric; Wacker, Diana
Cc: Crescente, Angela
Subject: Unitization - multiple year plugging project revised 05312011.docx

Unitization - multiple year pl...

I have made some changes. I've tracked the changes, if you change the view.

PROCEDURE FOR PERMANENT PLUGGING AND RETIREMENT (ARO RETIREMENT) OF GAS WELLS

Background

Each year a new Gas Underground Storage (GUS) project is approved for the permanent plugging and retirement of gas wells (ARO retirements). The ARO retirement tasks are setup by major field location on each project. For example:

Project	Task	Field	Well name
126421	126421-CP PLUG WELL-CTR	Center	P. Janes 31
"	" " " " "	"	BF Pennington #4
"	" " " " "	"	C. Nunn #1
"	126421-CP PLUG WELL-DRI	Doe Run IN	Keith #3
"	" " " " "	"	Ashton #3

When the project is approved it is unknown which wells will be worked due to weather constraints, vendor/equipment availability, etc. Budget approval of each year's project is with the expectation of the ARO retirement of 10 wells.

Ideally, the charges for wells permanently plugged (ARO retirement) would be accumulated on the same project on which the work was started. However, delays due to weather constraints and vendor/equipment availability, etc do arise and in some cases the charges to plug a specific well may span two or more years. This means the charges associated with the ARO retirement of a specific well may be accumulated over multiple projects since a new project is opened every year.

Issue

It is possible that a task (which is set up by field name) will accumulate charges for wells that were truly retired on the project and charges for other wells that are continued onto the next year(s) well plugging project(s). For wells where the work begins and is completed in the same year, there is no issue for Property Accounting—the correct locations are chosen and the retirement dollars are applied. Property Accounting encounters issues for wells where the plugging spans more than one year. They are:

1. If the well is retired in the first year that retirement charges are incurred, what should be done with the retirement charges in subsequent years? This is a problem as there is no asset left to retire in subsequent years, thus nothing to associate the subsequent retirement charges with.
2. If the well is retired in the year in which the work was complete (Year 2 or Year3) what should be done with the retirement charges on the Year 1 project? A journal entry to move the Year 1 charges on the Year 1 project to the Year 2 project would be a possible solution. But this solution was discovered to be a time-consuming, manual process which was not embraced by Energy Delivery Budgeting due to budget issues.

Procedure

Property Accounting has decided upon the best course of action for maintaining the integrity of the property records while considering the needs of Energy Delivery Budgeting and minimizing manual work.

1. Charges for ARO retirement should continue to be applied to the project for the specific year, as is the practice currently.
2. Wells will be retired in the year in which the physical work to accomplish the well plugging is concluded. Retirement charges accumulated on each year's project will be allocated the wells physically retired in that year.
3. A list of wells permanently plugged (ARO retirements) is to be submitted to Property Accounting by XXXXXXXXXX upon completion of the last well plugged on that project. This information should be automatically sent to Property Accounting by no later than the end of each February for the preceding year. If an ARO retirement starts on one project and is completed on another project, then that well should not be included on the list until the full retirement is complete.

Conclusion

The process described above will provide Property Accounting with the information needed without requiring correction processing via Change of Distribution (COD), Journal Entries (JEs), etc. from the Budget Coordinator. There will be slight timing differences in matching the physical retirement with the actual retirement cost that are to be acceptable under group depreciation accounting. The overall integrity of the Property records will be intact.

Other

Consideration was given as to whether or not these projects should be set up as blankets and included on the blanket list. However, the blanket process would not prevent the same situation of specific well retirements being spread out over multiple years since a new blanket or new retirement task would still be required every year.

Crescente, Angela

From:	Wacker, Diana
Sent:	Tuesday, May 31, 2011 3:45 PM
To:	Wiseman, Sara; Leenerts, Patricia; Riggs, Eric
Cc:	Crescente, Angela
Subject:	RE: Unitization - multiple year plugging project revised 05312011.docx

I agree with all of Sara's changes. Diana

From: Wiseman, Sara
Sent: Tuesday, May 31, 2011 3:29 PM
To: Leenerts, Patricia; Riggs, Eric; Wacker, Diana
Cc: Crescente, Angela
Subject: Unitization - multiple year plugging project revised 05312011.docx

<< File: Unitization - multiple year plugging project revised 05312011.docx >>

I have made some changes. I've tracked the changes, if you change the view.

Crescente, Angela

From: Heath, Rosie on behalf of Kirkland, Mike
Sent: Wednesday, June 01, 2011 10:02 AM
To: Love, K J; Crescente, Angela; Pence, Mark; Buckner, Mike; Van Winkle, Don
Subject: RE: MC Landfill Expansion - 112767

Mike is fine with this.

Rosie Heath, Senior Secretary
LG&E - Mill Creek Station
☎ 502-933-6976
Cell 502-338-6998
God Bless America!
My e-mail address has changed from rosie.heath@eon-us.com to rosie.heath@lge-ku.com.

From: Love, K J
Sent: Wednesday, May 25, 2011 3:14 PM
To: Van Winkle, Don; Buckner, Mike; Kirkland, Mike; Pence, Mark
Subject: FW: MC Landfill Expansion - 112767

Angela explained this to me today, I told her I would have to consult with higher Plant management for any approval. Please advise.

Thanks

From: Crescente, Angela
Sent: Wednesday, May 25, 2011 1:11 PM
To: Love, K J; Puckett, Paul
Subject: MC Landfill Expansion - 112767

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In 2008:	6.1 acres
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14.2 acres x $13,000 = $184,600.

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This $184,600 amount for 108799 sounds more reasonable to me as the main intent for project number 112767 was to do the horizontal expansion which would be related to account 107001 instead.

Please confirm if you are in agreement so that I can proceed with a journal entry to correct this issue.

Thanks,
Angela

From: Puckett, Paul
Sent: Thursday, March 31, 2011 4:34 PM
To: Crescente, Angela; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Wacker, Diana
Cc: Winkler, Michael
Subject: Mill Creek Landfill ARO Discussion

To all,
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		107	**End of meeting conclusion: 107 Acres of landfill were closed/retired prior to 2007.**

After getting back to the office and researching this a bit more, it appears that there was a slight error in the course of our discussions. We inadvertently referenced Landfill Site B (within the railroad loop) as being approximately 75-85 acres and Landfill Site A as being approximately 50 acres. The acreages should have been reversed; that is to say Landfill Site A is the larger site and Landfill Site B (within the railroad loop) is the smaller site.

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(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

Crescente, Angela

From: Pence, Mark
Sent: Wednesday, June 01, 2011 10:14 AM
To: Crescente, Angela; Love, K J; Buckner, Mike; Van Winkle, Don; Puckett, Paul
Subject: RE: MC Landfill Expansion - 112767

Per my understanding, as it was explained to me, I am OK with this.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805 Pager: 346-4754

From: Crescente, Angela
Sent: Wednesday, June 01, 2011 10:13 AM
To: Love, K J; Pence, Mark; Buckner, Mike; Van Winkle, Don; Puckett, Paul
Subject: RE: MC Landfill Expansion - 112767

Would you all mind sending me an email back if you are OK with this as well so that I can put this in the folder for documentation purposes so we will know what happened in case we have to look back at it 10 years from now?

Thanks,
Angela

From: Heath, Rosie **On Behalf Of** Kirkland, Mike
Sent: Wednesday, June 01, 2011 10:02 AM
To: Love, K J; Crescente, Angela; Pence, Mark; Buckner, Mike; Van Winkle, Don
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	14.2 acres

14.2 acres x $13,000 = $184,600.

I believe the rest of the acres (prior to 2007) were closed under project number AROMC0241 which were correctly charged to 108799 since that project was intended to only retire acreage and not expand.

This $184,600 amount for 108799 sounds more reasonable to me as the main intent for project number 112767 was to do the horizontal expansion which would be related to account 107001 instead.

Please confirm if you are in agreement so that I can proceed with a journal entry to correct this issue.

Thanks,
Angela

From: Puckett, Paul
Sent: Thursday, March 31, 2011 4:34 PM

To: Crescente, Angela; Love, K J; Pence, Mark; Rose, Bruce; Van Winkle, Don; Wacker, Diana
Cc: Winkler, Michael
Subject: Mill Creek Landfill ARO Discussion

To all,
Earlier today, we met at the Mill Creek site to discuss Accounting Retirement Obligations related to the landfill at the Mill Creek Station. After overview discussions and some back and forth to establish perspective, the discussions of substance were centered on determining the total landfill acreage, the active portions of the total acreage, and the retired portions of the landfill and the time periods (2003 and after) in which the retirements occurred. At the close of our discussions, the following information was understood by me to be the most important.

		Acres	
Currently ARO Area		142	
Active Area in excess of current ARO		15	(add)
Adjusted ARO Area		157	This will require an accounting adjustment by Angela (et al.)
Areas closed/retired:			
In 2008:	6.1 acres		
In 2009:	2.9 acres		
In 2010:	5.2 acres	157	
	14.2 acres	14	(subtract)
		143	
Areas currently active:			
At/Near top	10 acres		
At/Near top	8 acres		
NE slope at levee	3 acres		
Cell at former Drive In	15 acres	143	
	36 acres	36	(subtract)
		107	**End of meeting conclusion: 107 Acres of landfill were closed/retired prior to 2007.**

After getting back to the office and researching this a bit more, it appears that there was a slight error in the course of our discussions. We inadvertently referenced Landfill Site B (within the railroad loop) as being approximately 75-85 acres and Landfill Site A as being approximately 50 acres. The acreages should have been reversed; that is to say Landfill Site A is the larger site and Landfill Site B (within the railroad loop) is the smaller site.

Feel free to contact me if you want to discuss this further or if you have any questions.

W. Paul Puckett
Engineer - Environmental Affairs Department
LG&E and KU Energy (Louisville Gas & Electric, Kentucky Utilities, and Old Dominion Power)
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
(502) 627-4659
(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

Clark, Ed

From: Wiseman, Sara
Sent: Monday, December 26, 2011 12:57 PM
To: Crescente, Angela
Subject: FW: Trimble County ARO
Attachments: RE: Trimble County ARO

From: Jacki Hall [mailto:jhall@impa.com]
Sent: Wednesday, December 21, 2011 5:18 PM
To: Wiseman, Sara
Subject: Trimble County ARO

Hi Sara,

In preparation of our year-end closing, is there any new or updated ARO information relating to the units at Trimble County as of December 31, 2011? I have attached what you sent earlier this year as of December 31, 2010.

Thanks for your help!

Jacki

Jacqueline R. Hall
Senior Accountant
Indiana Municipal Power Agency
11610 North College Avenue
Carmel, IN 46032
P: 317-575-3875
F: 317-575-3372
E: jhall@impa.com

Asset Retirement Obligation
Summary of Details

Location	Description	Legal Requirement	Estimated Settlement Date	Estimated Cost
TC1	TC-Ash Pond	Resource Conservation and Recovery Act, Clean Water Act	12/1/2036	14,339,500
TC1	TC-Chemical Storage	Clean Water Act, Resource Conservation and Recovery Act	12/1/2036	23,798
TC CTs	TC-Coal Storage	Clean Water Act	12/1/2036	573,500
TC1	TC-Environmental Ponds	Resource Conservation and Recovery Act, Clean Water Act	12/1/2036	723,000
TC1	TC-Nuclear Sources	The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100	12/1/2036	32,620
TC1	TC-Sewage Treatment Plant	Clean Water Act	12/1/2036	26,155
Total				**$ 15,718,573**

Clark, Ed

From: Jump, Angela
Sent: Friday, June 24, 2011 3:59 PM
To: Imber, Philip
Cc: Jones, Greg
Subject: RE: Cane Run

The total cost went down to $5,059,290.95

CaneRun.xlsx

From: Imber, Philip
Sent: Friday, June 24, 2011 3:09 PM
To: Jump, Angela
Cc: Jones, Greg
Subject: FW: Cane Run

Angela,

Are the tunnel and piping lengths the full distance from the Screen House to the plant and the Plant to the Discharge Point? If so, I don't expect we'd fill these completely rather cut and plug them at the flood wall (plant).

From: Jump, Angela
Sent: Friday, June 24, 2011 10:10 AM
To: Imber, Philip
Subject: Cane Run

Philip,

For a grand total I got $9,609,647.39

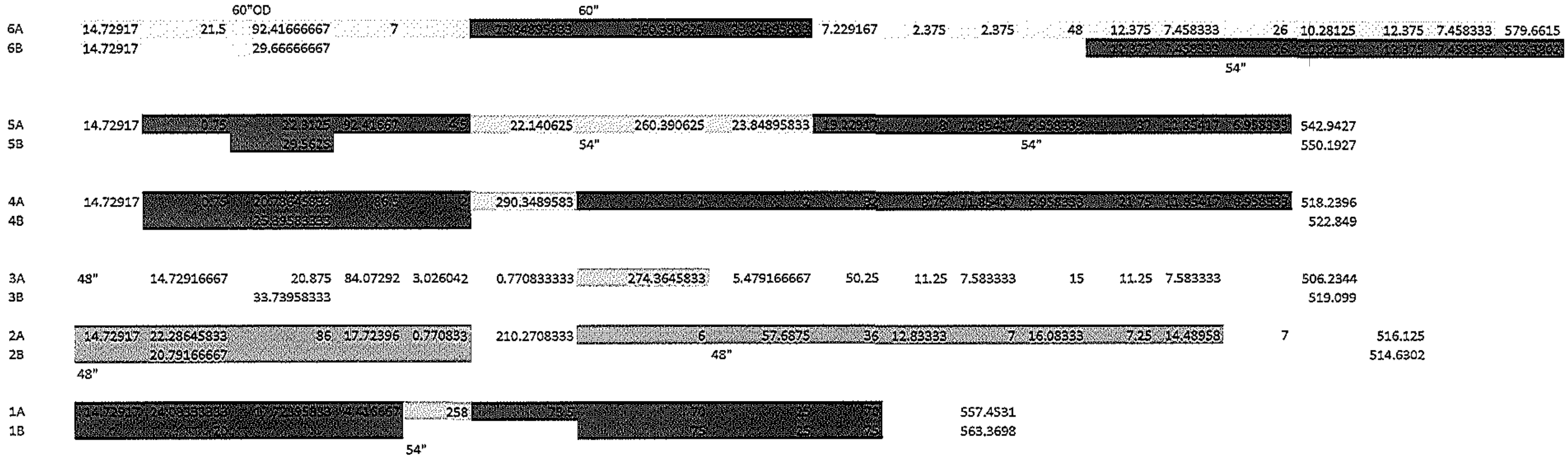
Circulating water pipes- $4,674,302
Coal Reclaim tunnel- $773,922
U4 Tank & Recycle Pit- $1,447,314
Thickener Tunnel: $267,693
Return Tunnel: $2,404,029
Service Water Pipes: $44,383

I was using $300/ cubic yard

If any of these numbers seem off, please let me know and I'll go over my calculations.

<< File: CaneRun.xlsx >>

-Angela


60"OD
60"
6A
6B
14.72917
21.5
92.41666667
7
7.229167
2.375
2.375
48
12.375
7.458333
26
10.28125
12.375
7.458333
579.6615
14.72917
29.66666667
54"
5A
5B
14.72917
22.140625
260.390625
23.84895833
542.9427
550.1927
54"
54"
4A
4B
14.72917
290.3489583
518.2396
522.849
3A
3B
48"
14.72916667
20.875
84.07292
3.026042
0.770833333
274.3645833
5.479166667
50.25
11.25
7.583333
15
11.25
7.583333
506.2344
33.73958333
519.099
2A
2B
14.72917
22.28645833
86
17.72396
0.770833
210.2708333
6
57.6875
36
12.83333
7
16.08333
7.25
14.48958
7
516.125
20.79166667
48"
514.6302
48"
1A
1B
258
557.4531
563.3698
54"

	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)	
6A&B	17.01041667	60	1335.995001	
	13.11458333	48	659.2108585	
	7.020833333	36	198.5093858	
	22.75	60	1786.780822	
		Total	3980.496067	ft^3

	Length (ft)	Diameter (in)	Volume (ft3)					Length (ft)
6A	20	60	1570.796327					579.6615
6B	20	60	1570.796327					533.3802
6B	0	54	0					75.94792
		Total	3141.592654	ft^3	U6 Total	3141.592654	ft^3	

	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)	
5A&B	16.16666667	48	812.6252997	
	18.375	36	519.5408851	
	22.75	54	1447.292466	
		Total	2779.45865	ft^3

	Length (ft)	Diameter (in)	Volume (ft3)					Length (ft)
5A	20	54	1272.345025					542.9427
5B	20	54	1272.345025					550.1927
		Total	2544.690049	ft^3	U5 Total	2544.690049	ft^3	

	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)	
4A&B	15.5	48	779.1149781	
	23.97916667	36	677.9949646	
	22.75	54	1447.292466	
		Total	2904.402408	ft^3

	Length (ft)	Diameter (in)	Volume (ft3)	Length (ft)
4A	20	54	1272.345025	518.2396
4B	20	54	1272.345025	522.849

		Total	2544.690049 ft^3	U4 Total	2544.690049 ft^3	
	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)			
3A&B	15.5	42	596.5099051			
	23.97916667	36	677.9949646			
	22.75	48	1143.539726			
		Total	2418.044596 ft^3			
	Length (ft)	Diameter (in)	Volume (ft3)			Length (ft)
3A	20	48	1005.309649			506.2344
3B	20	48	1005.309649			519.099
		Total	2010.619298 ft^3	U3 Total	2010.619298 ft^3	
	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)			
2A&B	15.5	42	596.5099051			
	29.375	36	830.5585578			
	22.75	48	1143.539726			
		Total	2570.608189 ft^3			
	Length (ft)	Diameter (in)	Volume (ft3)			Length (ft)
2A	20	48	1005.309649			516.125
2B	20	48	1005.309649			514.6302
		Total	2010.619298 ft^3	U2 Total	2010.619298 ft^3	
	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)			
1A&B	14.66666667	48	737.227076			
	18.35416667	42	706.3511107			
	27.25	54	1733.570096			
		Total	3177.148283 ft^3			
	Length (ft)	Diameter (in)	Volume (ft3)			Length (ft)
1A	20	54	1272.345025			557.4531
1B	20	54	1272.345025			563.3698

Reclaim Hopper Tunnel

Reclaim Hopper		
Height (ft)	32	
Width (ft)	37	
Length (ft)	35	
Total	41440	ft^3
Tunnel		
Height (ft)	8	
Width (ft)	12	
Length (ft)	221	
Total	21216	ft^3
Junction House		
Height (ft)	21.5	
Width (ft)	16.83333333	
Length (ft)	19.33333333	
Total	6997.055556	ft^3
Grand Total	69653.05556	ft^3
Grand Total	2579.742798	yd^3
Cost	$ 773,922.84	

Total	2544.690049 ft^3	U1 Total	2544.690049 ft^3
		Grand Total	14796.9014 ft^3
			548.0333851 yd^3
		Cost	$ 164,410.02

Reaction Tank

Height (ft)	24.25	
Width (ft)	25.375	
Length (ft)	24.16666667	
Total	14870.80729	ft^3

Recycle Pit

Height (ft)	24.91666667	
Width (ft)	91.25	
Length (ft)	50.75	
Total	115387.526	ft^3
Grand Total	130258.3333	ft^3
	4824.382716	yd^3
Cost	$ 1,447,314.81	

Thickener Tunnels

U5			
height (ft)	26.04167	26.04167	
length (ft)	6.020833	19	
width (ft)	66.91667	15.75	
Total	10492.03 ft^3	7792.969 ft^3	18285.00253 ft^3
U6			
height (ft)	7.520833	7.520833	
length (ft)	7.5	13.5	
width (ft)	83.5	13.5	
Total	4709.922 ft^3	1370.672 ft^3	6080.59375 ft^3
U4			
height (ft)	8	8	
length (ft)	10	3.5	
width (ft)	52.5	12.33333	
Total	4200 ft^3	345.3333 ft^3	4545.333333 ft^3

Grand Total	28910.92962 ft ^3
	1070.775171 yd^3
Cost	$ 267,693.79

Unit 5

height (ft)	9	16	
width (ft)	12	12	
length(ft)	605.3333	203.75	
total	65376 ft^3	39120 ft^3	104496 ft^3

Unit 3&4

height (ft)	10
width (ft)	8
length(ft)	699.1667
total	55933.33 ft^3

U1&2
Can't Read Drawing

Grand Total	216362.6667 ft^3
	8013.432099 yd^3
Cost	$ 2,404,029.63

Service Water Piping

U1					
d (in)	14				
l (ft)	20		493.25		
Volume	85.52113 ft^3				
	3.167449 yd^3				
U6					
d (in)	10	10			
l (ft)	20	20			
	439.8958	424.2813			
Volume	43.63323 ft^3	43.63323 ft^3			87.2664626 ft^3
					3.23209121 yd^3
				Cost	$ 1,919.86

Total Cost	$ 5,059,290.95

Clark, Ed

From: Jump, Angela
Sent: Friday, June 24, 2011 3:59 PM
To: Imber, Philip
Cc: Jones, Greg
Subject: RE: Cane Run

The total cost went down to $5,059,290.95

CaneRun.xlsx

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I was using $300/ cubic yard

If any of these numbers seem off, please let me know and I'll go over my calculations.

<< File: CaneRun.xlsx >>

-Angela

60"OD 60"

6A 14.72917 21.5 92.41666667 7 [illegible] 7.229167 2.375 2.375 48 12.375 7.458333 26 10.28125 12.375 7.458333 579.6615
6B 14.72917 29.66666667 [illegible]

54"

5A 14.72917 0.75 22.3125 92.41667 4.5 22.140625 260.390625 23.84895833 [illegible] 542.9427
5B [illegible] 550.1927

54" 54"

4A 14.72917 0.75 20.78645833 86.5 2 290.3489583 [illegible] 518.2396
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3A 48" 14.72916667 20.875 84.07292 3.026042 0.770833333 274.3645833 5.479166667 50.25 11.25 7.583333 15 11.25 7.583333 506.2344
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2A 14.72917 22.28645833 86 17.72396 0.770833 210.2708333 6 57.6875 36 12.83333 7 16.08333 7.25 14.48958 7 516.125
2B 20.79166667 514.6302

48" 48"

1A [illegible] 258 [illegible] 557.4531
1B [illegible] 563.3698

54"

	Entrance Length (ft)	Entrance Diameter (in)	Entrance Volume (ft^3)					
6A&B	17.01041667	60	1335.995001					
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	27.25	54	1733.570096			
		Total	3177.148283 ft^3			
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Total	4709.922	ft^3	1370.672	ft^3	6080.59375 ft^3
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width (ft)	52.5		12.33333		
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Volume	43.63323 ft^3	43.63323 ft^3		87.2664626 ft^3
				3.23209121 yd^3
			Cost	$ 1,919.86

Total Cost $ 5,059,290.95

Clark, Ed

From: Crescente, Angela
Sent: Friday, December 16, 2011 9:58 AM
To: Beumel, Michelle; Didelot, Joe
Cc: Wiseman, Sara
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Michelle,

It currently looks like we will not have to set up Freon as an ARO because of the dollar amount and I already knew from previous emails that MC had a smaller amount than GH. Therefore, we will use Joe's 500lb estimate for now. If this changes in the future, I may need to come back to you for a more detailed estimate. For now, please don't worry about doing any additional work on it.

Thanks to you and Joe for your help,
Angela

From: Didelot, Joe
Sent: Thursday, December 15, 2011 9:03 AM
To: Crescente, Angela
Cc: Beumel, Michelle
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Angela,

I don't have a very precise estimate, but you can use 500# as an estimate. (Dave Smith's estimate of $18/lb for disposal). Michelle Beumel is looking into getting more precise detailed listing.

Joe

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 5:54 PM
To: Didelot, Joe; Smith, Timothy (Trimble)
Cc: Wiseman, Sara
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Joe and Tim,

Please see Dave's original email below. He gave me an estimate of $18 per lb of refrigerant, but I did not see anyone respond with an estimate of how many pounds were at Trimble or Mill Creek. He just knew they were less. Who should I contact that would be able to tell me this information or give me a dollar estimate for these two plants?

Thanks,
Angela

From: Smith, Dave
Sent: Wednesday, December 07, 2011 11:44 AM
To: Crescente, Angela; Drake, Michael; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Angela:

Here some answers/comments:

1. The plants would be responsible for paying all costs as part of the fee we would pay the contractor hired to do the work. If the asset is truly being retired, the refrigerant inside the various equipment would be evacuated and disposed/recycled and most likely not have new units installed.
2. Regarding capital or O&M: I had to inquire and was told if this is ARO, it would go against a regulatory liability account that has been set up for that ARO; which is not capital money. Not sure what any of that means – I have exhausted my knowledge and paraphrasing of what I was told.
3. Ghent does not have any transformers with CFC-type refrigerant. The amount I listed previously is the site total for refrigerant containing equipment.
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David A. Smith
Power Production Environmental Supervisor
Ghent Generating Station
(502) 347-4145
dave.smith@lge-ku.com

From: Crescente, Angela
Sent: Wednesday, December 07, 2011 10:39 AM
To: Drake, Michael; Smith, Dave; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

All:

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Subject: RE: ARO information for Ghent Freon/CFC Equipment

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Thanks so much for your help,
Angela

From: Drake, Michael
Sent: Wednesday, November 30, 2011 4:03 PM
To: Wiseman, Sara; Winkler, Michael
Cc: Smith, Dave; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Subject: RE: ARO information for Ghent Freon/CFC Equipment

From: Smith, Dave
Sent: Wednesday, November 30, 2011 2:55 PM
To: Drake, Michael
Subject: ARO information for Ghent Freon/CFC Equipment

Mike:

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Clark, Ed

From: Didelot, Joe
Sent: Thursday, December 15, 2011 9:03 AM
To: Crescente, Angela
Cc: Beumel, Michelle
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Angela,

I don't have a very precise estimate, but you can use 500# as an estimate. (Dave Smith's estimate of $18/lb for disposal). Michelle Beumel is looking into getting more precise detailed listing.

Joe

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 5:54 PM
To: Didelot, Joe; Smith, Timothy (Trimble)
Cc: Wiseman, Sara
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Joe and Tim,

Please see Dave's original email below. He gave me an estimate of $18 per lb of refrigerant, but I did not see anyone respond with an estimate of how many pounds were at Trimble or Mill Creek. He just knew they were less. Who should I contact that would be able to tell me this information or give me a dollar estimate for these two plants?

Thanks,
Angela

From: Smith, Dave
Sent: Wednesday, December 07, 2011 11:44 AM
To: Crescente, Angela; Drake, Michael; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

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Here some answers/comments:

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Clark, Ed

From: Smith, Dave
Sent: Thursday, December 15, 2011 7:41 AM
To: Sumner, Brian; Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Brian, Angela:

Attached is the inventory list I had; Brown is one of the tabs. FYI, I got the list from Tammy (email dated 11/4/08).

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Master CFC Site_Equipment ...

From: Sumner, Brian
Sent: Wednesday, December 14, 2011 5:00 PM
To: Crescente, Angela
Cc: Wiseman, Sara; Smith, Dave
Subject: RE: ARO information for Ghent Freon/CFC Equipment

The two transformers containing Freon are at Brown. Given the size of the transformers, I doubt that it is accounted for in the 300 lbs. I will need to look at the list that EA has for Brown and assess the amount of Freon in the two transformers. With regards to Dix, there is only one small water source heat pump. Again I will need to review EA's list. Hopefully can wrap up by Friday. -Brian

---

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 4:55 PM
To: Sumner, Brian
Cc: Wiseman, Sara; Smith, Dave
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Brian,

Please see Dave's email below. I got confused and stated that Ghent had 2 transformers with Freon, but looking back I think it must have been Brown. Is this correct? If so, does the Ghent estimate we have below (in the first email approximately 300 lbs) sound like it includes those. Also, Dave said I should double check with you to see if the Dix Dam data is included in the number for Brown as well. Please advise.

Thanks,
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Ghent Unit 1 & 2 CFC Inventory List

Unit	Equipment	Freon	CKT 1	CKT 2	Make	Model #
1	chiller 1-1a	R-22	77 lbs	77 lbs	carrier	30hr120-d600
1	chiller 1-2a	R-22	77 lbs	77 lbs	carrier	30hr120-e620
1	Oil room	R-22	58.5 oz		friedrich	sl36l30l30a
1	SCR BLDG.	R-22	54 oz		bard	wa242-a05
1&2	CEMS BLDG. north	R-22	69 oz		bard	36WA6-A10N
1&2	CENS BLDG south	R-22	69 oz		bard	36WA6-A10N
1	MICRO BLDG.	R-22	38 oz		GE	az52h15dadm1
1	DCS ROOM	R-22	X		york	e3fb090a46a
1	1-1 VFD 1A1	R-22	197 oz		bard	wa721
1	1-1 VFD 1A2	R-22	197 oz		bard	wa721
1	1-2 VFD 1B1	R-22	197 oz		bard	wa721
1	1-2 VFD 1B2	R-22	197 oz		bard	wa721
1	FGD SYS. #1 5VV101S	R-22	48 lbs		trane	scwd0204
1	fGD SYS. # 3 5VE301A	R-22	X		trane	tta180b400ba
1	FGD SYS. #4 5VE401SA	R-22	108 lbs		trane	swcd0804
1	FGD SYS. #4 5VE401SB	R-22	128 lbs		trane	swcd0804
1	FGD SYS. #5 5V1501SA	R-22	75 lbs		trane	scwd0384
1	FGD SYS.#5 5V1501SB	R-22	75 lbs		trane	scwd0384
1	FGD SYS. #8 5VE801SAA	R-22	72 lbs		trane	scwd0354
1	FGD SYS. #8 5VE801SAB	R-22	72 lbs		trane	scwd0354
1	FGD SYS. #11 5VE302S	R-22	5.4 lbs		carrier	50AH024321
1	LIMESTONE MCC BLDG.	R-22	144 oz		bard	WH481-A05
2	BATTERY ROOM	R-22	140 oz		bard	wa602
2	PRECIP TR ROOM 2-1 EAST	R-22	115 oz		goodman	ckl-3
2	PRECIP TR ROOM 2-1 WEST	R-22	9.2 lbs		carrier	24ab5360
2	PRECIP TR ROOM 2-2 EAST	R-22	115 oz		goodman	ckl-4l
2	PRECIP TR ROOM 2-2 WEST	R-22	115 oz		goodman	ckl-6sl
1	ASH BOOSTER 1-3	R-22	20 oz		mclean	m52-0816-032
2	ASH BOOSTER 2-3	R-22	20 oz		mclean	m52-0816-032
1	SAMPLE CHILLER	R-22	12 lbs		dunham-bush	wc8a-Q
2	SAMPLE CHILLER	R-22	8.5 lbs		edwards	cc3
CY	TRACTOR GARAGE	R-22	X		carrier	38aqs008-601
CY	MAINT. OFFICE	R-22	6.38 lbs		carrier	38ycc036630
CY	OPS. OFFICE	R-22	32 oz		whirlpool	
CY	BARGE CAB	R-22	30 oz		whirlpool	
CY	STACKER CAB	R-22	22 oz		frigidaire	

NOTE: X Denotes No Information

Ghent Unit 3 & 4 CFC Inventory List

Unit	Equipment	Freon	CKT 1	CKT 2	Make	Model #	S/N #
3-1	Sample Chiller	R-22	13lbs		Dunham-Bush	WC8A	6067901A95L
3-2	Sample Chiller	R-22	16lbs		Dunham-Bush	PLW0085	800500056
4-1	Sample Chiller	R-22	9lbs		Drake	PWC90S2-T4-HA	D03B0065
4-2	Sample Chiller	R-22	16lbs		Dunham-Bush	PCW-008S	70562901A82K
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-35
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-28
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-33
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-31
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-29
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-30
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-34
3-1	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	LL-04-32
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-38
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-36
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-41
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-39
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-37
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-34
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-40
3-2	Station Chiller	R-22	12lbs	12lbs	Multistack	MS30C2H2W-V	JJ-10-35
	Ash Booster DCS	R-22	20oz		McLean	M52-0816-032	08019050-2
1-3	VFD Booster	R-22	20oz		McLean	M52-0816-032	97026472-2
2-3	VFD Booster	R-22	20oz		McLean	M52-0816-032	97026474-2
3-3	VFD Booster	R-22	20oz		McLean	M52-0816-032	97026475-2
4-3	VFD Booster	R-22	20oz		McLean	M52-0816-032	97026471-2
	138 Building	R-22	4.25lbs		Bryant	2904E43423	561CJX030000AEAA
	DCS Reclaim	R-22	144oz		Bard	WH481-A05	137P930822398-02
4	SCR	R-22	54oz		Bard	WA242-A05	140B031790559-02
4	SCR DCS ROOM	R-22	23oz		GE	AZ25E15D3BM1	AF-656381
3/4	CEMS WEST	R-22	68oz		Bard	WA361-A10	125H940848814-02
3/4	CEMS EAST	R-22	68oz		Bard	WA361-A10	125H940848819-02
3	CEMS	R-22	59oz		Bard	WA192-A05	139J001493091-02
3	FGD#3V02C	R-22	7.1lbs		Trane	TSC-072A4	640100561L
3	FGD#3V03C	R-22	7.1lbs		Trane	TSC-072A4	640100639L
3	FGD#3V01C	R-22	47lbs	47lbs	Trane	SEHF-C504	C06J09045
4	CEMS	R-22	66oz		Bard	WA372-A05	225F072340847-02
4	FGD#4VC03C	R-22	7.9lbs	4.0lbs	Trane	TCS-102A4	7181033771
4	FGD#4VC02C	R-22	7.9lbs	4.0lbs	Trane	TCS-102A4	718102949L
4	FGD#4VC01C	R-22	47lbs	47lbs	Trane	SEHF-F504LA	C07C0283
0	#0VC01C	R-22	78lbs	79lbs	Trane	SEHF-F604NA	C06M11856
0	#0VC02C	R-22	6.2lbs	3.4lbs	Trane	TSC092A4RGA0HW6	713100256L
0	#0VC03C	R-22	6.2lbs	3.4lbs	Trane	TSC092A4RGA0HW6	713100336L
	Workout Rm	R-22	8.4lbs		Trane	2TWB0048A1000AB	4502YDM4F
	Engineering	R-22	50oz		Lennox	HP17-953V6Y	5193K01458
	Main Warehouse	R-22	8.2lbs		Trane	WSC072H4RKA0JJ5	607100285L
	Training Building	R-22	X		Bryant	X	Y9E08086
	Guard Gate #4	R-22	6.8lbs		Trane	2WCC3024A1000AA	6383K0Y9H
	Ash Filtration CO2	R-404	X		Witt	PWS020L44H	244302G97
	Cardox Unit	R-12	X		Cardox	FD18256-5	L2987S
	Ammonia Farm	R-22	7.9lbs		Carrier	50TFF006-A-611BA	4002G50052
	Guard Gate #2	R-22	8.0lbs		Bryant	548FE060000AA	0701G24734

NOTE: "X" Denotes no information.

Site: Midway Service Center

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	Unit 1	R22	80 oz.	Y
2	Unit 2	R22	60 oz.	Y
3	Unit 3	R22	60 oz.	Y
4	Unit 4	R22	48 oz.	Y
5	Unit 5	R22	43 oz.	Y
6	Unit 6	R22	59 oz.	Y
7				
8				
9				
10				
11				
112				
13				
14				
15				
16				
17				
18				
19				
20				

Trimble County Station Units > 50 lbs as of 12/10/09

Location	Unit Designigation	Make	Model#	Serial#	Refigerant	Refigerant Charge	Date in Service
A Chiller		Carrier	30GXN249-A-640KA	3402F75107	134	544	11/01/2003
B Chiller		Carrier	30GXN249-A-640KA	5002F94380	134A	544	11/01/2003
C2 Chiller		York	YCAM24/46C	YMVM-521353	R-22	203	01/01/1988
C1 Chiller		York	YCAM34/460	YMVM-521354	R-22	203	01/01/1988
SDRS ROOF		Trane	SEHFF304HA00A5	C07D03705	R-22	57	06/27/2007
Cooling Tower Unit B		York	BQ240E18A4BAA2B	NOC7583552	R-22	50.5	08/01/2007
Cooling Tower Unit A		York	BQ240E18A4BAA2B	NOC7583553	R-22	50.5	08/01/2007

Site: **Lexington Operations Center (Stone Road)**

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	South office complex additon #1	R22	20 lbs	Y
2	South office complex additon #2	R22	9 lbs	Y
3	South office complex additon #3	R22	13 lbs	Y
4	South office complex additon #4	R22	10 lbs	Y
5	Original Bldg-Main Unit Circuit #1	R22	25.7 lbs	Y
6	Original Bldg-Main Unit Circuit #2	R22	12.5 lbs	Y
7	Original Bldg-Carrier Unit	R22	12 lbs	Y
8	Original Bldg-Trane Unit	R22	9 lbs	Y
9	Service Dock Office	R22	27 oz.	Y
10	Construction Dock Office	R22	32.8 oz.	Y
11	Storeroom Office	R22	30.7 oz.	Y
112	Serco Office	R22	32 oz.	Y
13	Mapping Office South Unit	R22	34 oz.	Y
14	Mapping Office North Unit	R22	34 oz.	Y
15	Telecom Bldg	R22	95 oz.	Y
16				
17				
18				
19				
20				

EW Brown Station

Description	Type of Refrigerant	Size of Unit (lbs full charge)	Certfied Contractor (Y/N)	
2-1 DCS EQUIPMENT ROOM HVAC	R22	16 LBS 9 OZ		
2-2 DCS EQUIPMENT ROOM HVAC	R22	9 LBS 8 OZ		
OPER SUPV OFFICE HVAC UNIT 1	R22	39.5 OZ		
OPER SUPV OFFICE HVAC UNIT 2	R22	27 OZ		
STATION SERVICES OFFICE HVAC	R22	79 OZ		
SHIFT SUPER OFFICE HVAC UNIT	R22	106 OZ		
U-3 LUNCH ROOM HVAC SYSTEM 1	R22	7.9 LBS		
U-3 LUNCH ROOM HVAC SYSTEM 2	R22	7.6 LBS		
U-3 CONTROL ROOM HVAC SYSTEM COMPRESSORS 1	R22	55 LBS		
U-3 CONTROL ROOM HVAC SYSTEM COMPRESSORS 2	R22	55 LBS		
U-3 COMPUTER ROOM HVAC SYSTEM 1	R22	118 OZ		
U-3 COMPUTER ROOM HVAC SYSTEM 2	R22	118 OZ		
VIBRATION SHOP HVAC SYSTEM	R22	unknown		
INST. CHIEF/LEAD OFFICES HVAC	R22	unknown		
PLANNING OFFICE HVAC SYSTEM 1	R22	unknown		
PLANNING OFFICE HVAC SYSTEM 2	R22	unknown		
MACHINE SHOP HVAC	R22	281 OZ		
MECH. MAINT. LEAD'S OFFICE HVAC	R22	195 OZ		
ELECT DEPT OFFICE HVAC UNIT 1	R22	25 OZ		
ELECT DEPT OFFICE HVAC UNIT 2	R22	25 OZ		
ELECT SHOP HVAC SYSTEM	R22	127 OZ		
INSTRUMENT SHOP HVAC SYSTEM	R22	unknown		
U-1-2 CONTROL ROOM HVAC SYSTEM	R22	unknown		
U-1 LOCKER ROOM HVAC SYSTEM	R-410A	unknown		410 is a substitute
MAIN OFFICE HVAC SYSTEM	R-407C	26.5 LBS X 4		407 is a substitute
CEMS HVAC	R22	69 OZ		
TRAINING BUILDING HVAC SYSTEM 1	R22	7.9 LBS		
TRAINING BUILDING HVAC SYSTEM 2	R22	7.9 LBS		
TRAINING BUILDING HVAC SYSTEM 3	R22	6.8 LBS		
TRACTOR GARAGE HVAC SYSTEM SHOWER ROOM	R22	5.0 LBS		
TRACTOR GARAGE LUNCH ROOM HVAC UNIT	R22	2.91 LBS		
TRACTOR GARAGE OFFICE HVAC UNIT	R22	73 OZ		
MAIN WAREHOUSE HVAC UNITS 1	R22	6.8 LBS		
MAIN WAREHOUSE HVAC UNITS 2	R22	12.2 LBS		
CY CONTROL ROOM HVAC SYSTEM	R22	61 OZ		
CY SUPV OFFICE HVAC UNIT	R22	28 OZ		
SAMPLE AUGER HOUSE PERSONNEL ROOM HVAC SYSTEM	R22	unknown		

Substation Department Site Refrigerent -745 N. Limestone, Lexington KY

	CFC Unit - Description/Location	Type of Refrigerant	Size of Unit -*(lbs, full charge)*	Certified Contractor (Y/N)
1	Downstairs Unit - Substation Office Building	R-22	7	N
2	Upstairs Unit - Substation Office Building	R-22	10	N
3	Window AC - PowerHouse Office	R-22	2.6	N
4	Window AC - Relay Office	R-22	3	N

Units at LG&E Magnolia Compressor Station that use Refrigerant

Building		Room	Unit Type	Refrigerant	Charge
Aux. Bldg.		David & Keith	Window AC	R-22	38.5 Oz.
		Jon. & Jerry	Window AC	R-22	28.2 Oz.
		Electrical Room	Window AC	R-22	21.75 Oz.
			Water Ft.	R-134a	3.5 Oz.
Office Bldg.			AC	HCFC-22	17.5 lbs
			Water Ft.	R-134a	4.8 Oz.
			Refrigerator	R-134a	4 Oz.
Field Crew Trailer			AC	R-22	73.5 Oz.
John Crane			None		
Lab			AC	R-22	73.5 Oz.
Shop		Garage	Ice Machine	R-502	56 Oz.
			Refrigerator	R-134a	4.25 Oz.
			Water Ft.	R-12	3.4 Oz.
		Locker Room	AC	HCFC-22	4 lbs. 2 Oz.
Control Room			Mini Frige	R-134a	2.5 Oz.
			Water Ft.	R-134a	4.8 Oz.
			AC	HCFC-22	7 lbs. 2 Oz.

Site: TYRONE POWER STATION

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	Lower Office Building/ Outside South end of Locker room	R-22	22	Y
2	Upper Office Building/ Outside South end of Locker room	R-22	22	Y
3	Unit #1 Control Room / West end of control room	R-22	3.75	Y
4	Unit #2 Control Room / West end of control room	R-22	3.75	Y
5	Unit #3 Control Room / North end of control room outside	R-22	12	Y
6	Workout room / Mounted on top of room	R-22	5	Y
7	Coal Yard office / Mounted in north wall Coal Yard Office	R-22	3.44	Y
8	Coal Yard Truck Sampler Window unit		3.44	Y
9	Precipitator Control Room / Outside on roof of Unit #3	R-22	5	Y
10	Lower Locker Room / Mounted on East side of building on porch #3 unit	R-22	5	Y
11	Water sample room / Window unit basement floor north of #4 mill	R-22	3.44	Y
12	1&2 units Assistance Board / Mounted on South wall of room	R-22	3.75	Y
13	Lab portable unit / Top floor of Office Building	R-22	1.1	Y
14	CEMS Shelter/East End of Shelter	R-22	4.25	Y
15	CEMS Shelter/West End of Shelter	R-22	4.25	Y

Site: **Carrollton Storeroom**

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	Wall AC unit	R-22	33 oz.	Y

Simpsonville Control center

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	140 ton chiller	R-134A	135	Y (Carrier)
2	140 ton chiller	R-134A	135	Y (Carrier)
3	140 ton chiller	R-134A	135	Y (Carrier)

Mill Creek Station

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	A Chiller on 7th floor roof	R-134A	>50	Y
2	B Chiller on 7th floor roof	R-134A	>50	Y
3	C Chiller on 7th floor roof	R-134A	>50	Y
4	HVAC on top of mens/womens restroom	R-22	28	Y
5	Various room AC units	R-22	<50	Y
6	"Large" HVAC unit at the gate 4 guard house,	R-22	<50	Y
7	training bld,	R-22	<50	Y
8	Annex HVAC	R-22	<50	Y
9	HVAC for annex lab	R-22	28	Y

A, B,C chillers are a combination of comfort cooling and equipment cooling (therefore essentially comfort cooling).

Cane Run Station
HVAC Units 50# or more

Unit ID Number	Make	Location	REFRIGERANT
ACD-0331	TRANE	MAIN MENS RESTROOM	R-22 / 60LBS
ACD - 0332	TRANE	CAFETERIA	R-22 / 58LBS
VAV RTU-40T	TRANE	PLANNERS OFFICE AREA	R-22 / 72LBS.
CHILLER A	TRANE	LAB SAMPLING / COMPRESSOR #1	R-22 / 75LBS.
	TRANE	LAB SAMPLING / COMPRESSOR #2	R-22 / 75LBS.
CHILLER B	TRANE	LAB SAMPLING / COMPRESSOR #1	R-22 / 75LBS.
	TRANE	LAB SAMPLING / COMPRESSOR #2	R-22 / 75LBS.
UNIT A	TRANE	OLD CONTROL ROOM / COMPRESSOR #1	R-22 / 46LBS.
	TRANE	OLD CONTROL ROOM / COMPRESSOR #2	R-22 / 46LBS.
UNIT B	TRANE	OLD CONTROL ROOM / COMPRESSOR #1	R-22 / 46LBS.
	TRANE	OLD CONTROL ROOM / COMPRESSOR #2	R-22 / 46LBS.

Notes:
12/8/09 update: Larry Wilson is the person responsible for CFC compliance. Greg Walker is the Evans Mechanical contracted employee on site; he is a certified CFC person.
CR uses the Shardein mechanical service form which states if the leak triggered any thresholds. CR keeps all service records.

System Lab CFC Equipment Inventory

Site:	System Laboratory	8815 Hwy 42	Ghent, KY 41045	Edgar Raker, Supervisor
	CFC unit Description/Location	**Type of refrigerent**	**Size of Unit (lbs, full charge)**	**Certified Contractor (Y/N)**
1	Comfort Cooling Zone 1	R-22	10.5	Y
2	Comfort Cooling Zone 2	R-22	6.0	Y
3	Comfort Cooling Zone 3	R-22	14.5	Y
4	Comfort Cooling Zone 4	R-22	4.63	Y
5	Comfort Cooling Zone 5	R-22	10.5	Y
6	Comfort Cooling Zone 6	R-22	14.7	Y

Site: Kentucky Utilities General Office One Quality Street Lexington

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	120 ton condensing unit/ Roof	R-22	240	Y
2	120 ton condensing unit/ Roof	R-22	240	Y
3	120 ton condensing unit/ Roof	R-22	240	Y
4	Telecom AC unit off loading dock	R-22	18	Y
5	UPS AC unit on roof.	R-22	20	Y
6	Computer room AC secondary unit.	R-22	48	Y
7	Computer room AC primary unit.	R-22	32	Y

Site: ODP Substation Dept. 2337 Shawnee Ave. Big Stone Gap, VA 24219

	CFC unit Description/Location	Type of refrigerent	Size of Unit (lbs, full charge)	Certified Contractor (Y/N)
1	Central Heat pump unit / upstairs	R-22	8lbs, 1 oz.	Y
2	window AC unit / front office	R-22	3lbs., 1.33oz.	N
3	window AC unit / center office	R-22	1lb., 8.5oz.	N
4	window AC unit / back office	R-22	13oz.	N
5	window AC unit / break room	R-22	2lbs., 11.5oz.	N
6	refrigerator / break room	R-134A	4.5oz.	N
7	ice machine / shop	R12	3.5lbs.	N
8				

Green River Station HVAC List: As of 12/21/09

Item#	Unit Description	Unit Size(Tons)	Line Set Distance	Refrigerant Capacity	Ref. Type
1	Men's Locker Room # 1	4	32' 6"	6lbs 9oz	R-22
2	Men's Locker Room #2	4	32' 6"	7lbs 4oz	R-22
3	Lunch Room	5	42' 6"	11lbs 4oz	R-22
4	General Office	10	41'	24lbs	R-22
5	Chemistry Lab	2.5	50' 6"	5lbs 4oz	R-22
6	Lady's Locker Room	3	39'	7lbs 12oz	R-22
7	Electric Shop	5	57'	11lbs 7oz	R-22
8	Control Room	20	41' 6"	42lbs	R-22
9	Instrument Shop	5	34' 6"	11lbs 5oz	R-22
10	Server Room	4	58'	10lbs 7oz	R-22
11	Net 90 Room	3.5	102'	10lbs	R-22
12	Water Analysis Chiller	10	2 circuits	16lbs 8oz	R-22
13	#5 Boiler Precipitator	7.5	1 circuit	10lbs 10oz	R-22
14	CEMS Shelter	2 Bard units	1 circuit each	4lbs 5oz each	R-22
15	UN Building	2	20'	3lbs 11oz	R-22
16	Coal Handling Locker rm	3	43'	6lbs 1oz	R-22
17	Training Building #1	1.5	1 circuit	5lbs	R-22
18	Training Building #2	2	30' 6"	3lbs 11oz	R-22
19	Scrubber Room	3	18'	4lbs 15oz	R-22
20	Water Analysis Shack	3	20'	4lbs 15oz	R-22

Clark, Ed

From:	Freibert, Diana
Sent:	Friday, December 09, 2011 3:23 PM
To:	Wiseman, Sara; Crescente, Angela
Cc:	McFarland, Beth
Subject:	RE: Line Transformers with PCB

My estimate, based on the available information, for the Total Asset Retirement Obligation for disposal of PCB contaminated and PCB transformers is:

KU: $321,194.21
LGE: $4849.03
TOTAL: $326.043.24

It will probably take several decades for all the transformers to fail and be removed from service.

All LGE transformers, and most KU transformers, with PCB's between 45 ppm and 450 ppm are drained, flushed and sold for scrap metal. We do have to pay to dispose of the PCB oil properly, but that cost is offset by the revenue from the scrap metal. Therefore, our disposal costs are primarily for transformers with PCB's over 450 ppm. A few KU transformers with PCB's between 45 and 450 ppm do not go through the South Service Center to be drained, flushed and sold for scrap metal. They are disposed of by Paul Puckett and they are included in the estimate.

The spreadsheets below contain the data and assumptions on which I based my estimates.

LGE PCB above 450 and unteste...

ampling-TDL2005-rev 2...

From: McFarland, Beth
Sent: Tuesday, December 06, 2011 10:30 AM
To: Wiseman, Sara
Cc: Crescente, Angela; Freibert, Diana; Puckett, Paul
Subject: RE: Line Transformers with PCB

Hi Sara,

We are working on this but unfortunately it isn't as easy as I had first envisioned. KU line transformers were not entered into DETS until approximately 2002, therefore, we are in the process of making some reasonable assumptions. We will provide you with this information by the end of the week – will this work?

Thanks!
Beth

From: Wiseman, Sara
Sent: Tuesday, December 06, 2011 10:14 AM
To: McFarland, Beth
Cc: Crescente, Angela
Subject: Line Transformers with PCB

Hi Beth:

I know you are busy, but when do you expect to have an estimate on the line transformers? Just trying to tie up loose ends.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Asset Retirement Obligations-PCB Disposal-LGE Line Transformers

OWNER: LGE AND DATE_MANUFACTURED: Between Jan 1, 1925 and Dec 31, 1980 AND STATUS: On-Line AND

# of untested LGE units	Total lbs of untested units, lbs	1% of the weight (typically 1% of tested transformers are over 450 ppm), lbs	wt of known LGE transformers over 450 ppm plus the wt of 1% of the untested units (lbs)	US Ecology cost/lb	cost to dispose of units over 450 ppm
211	126,632	1266.32	11545.32	$0.42	$4,849.03

LGE Untested Transformers

Row	OWNER	ASSET_NUMBER	KVA	MOUNTING_TYPE	MANUFACTURER	PCB_LAB_TEST_RESULTS	DATE_MANUFACTURED	STATUS	TOTAL_WEIGHT_POUNDS
1	LGE	MP1821	25.0	Pole	Westinghouse	0	03/08/1961	On-Line	435
2	LGE	MP2212	25.0	Pole	McGraw Edison	0	09/15/1961	On-Line	435
3	LGE	MP2612	25.0	Pole	Westinghouse	0	09/18/1962	On-Line	435
4	LGE	MP6037	10.0	Pole	General Electric	0	10/22/1965	On-Line	246
5	LGE	MP6682	15.0	Pole	McGraw Edison	0	05/10/1966	On-Line	306
6	LGE	MP6714	25.0	Pole	General Electric	0	05/31/1966	On-Line	435
7	LGE	MP6825	25.0	Pole	Allis Chalmers	0	06/23/1966	On-Line	435
8	LGE	MP7111	37.0	Pole	General Electric	0	09/09/1966	On-Line	575
9	LGE	MP7422	25.0	Pole	General Electric	0	10/20/1966	On-Line	435
10	LGE	MPB892	15.0	Pole	Westinghouse	0	07/29/1969	On-Line	306
11	LGE	MPC388	25.0	Pole	Westinghouse	0	09/16/1969	On-Line	435
12	LGE	MPD323	25.0	Pole	Kuhlman	0	03/27/1970	On-Line	435
13	LGE	MPE107	15.0	Pole	Allis Chalmers	0	08/04/1970	On-Line	306
14	LGE	MPE519	25.0	Pole	Kuhlman	0	12/08/1970	On-Line	435
15	LGE	MPE903	25.0	Pole	General Electric	0	03/23/1971	On-Line	435
16	LGE	MPF206	25.0	Pole	H K Porter	0	07/07/1971	On-Line	435
17	LGE	RSC940	15.0	Pole	McGraw Edison	0	02/07/1956	On-Line	359
18	LGE	RSD110	15.0	Pole	McGraw Edison	0	05/10/1956	On-Line	359
19	LGE	RSH513	50.0	Pole	Kuhlman	0	10/06/1965	On-Line	740
20	LGE	RSJ646	50.0	Pole	General Electric	0	04/04/1967	On-Line	670
21	LGE	YE1374	833.0	Pole	McGraw Edison	0	07/03/1973	On-Line	6075
22	LGE	YE87	50.0	Pole	General Electric	0	03/19/1937	On-Line	1275
23	LGE	YE89	50.0	Pole	General Electric	0	03/19/1937	On-Line	1275
24	LGE	MND17	25.0	Pole	General Electric	0	08/09/1979	On-Line	435
25	LGE	MN928	37.0	Pole	Westinghouse	0	08/04/1966	On-Line	575
26	LGE	MN379	50.0	Pole	General Electric	0	09/01/1965	On-Line	616
27	LGE	MN2408	25.0	Pole	RTE	0	06/04/1968	On-Line	435
28	LGE	MCP3776	10.0	Pole	McGraw Edison	0	03/04/1958	On-Line	292
29	LGE	MCP3562	25.0	Pole	General Electric	0	11/18/1957	On-Line	435
30	LGE	MCP1228	25.0	Pole	McGraw Edison	0	01/27/1955	On-Line	435
31	LGE	MP1723	37.0	Pole	Westinghouse	0	02/22/1961	On-Line	676
32	LGE	MP5573	37.0	Pole	H K Porter	0	07/21/1965	On-Line	577
33	LGE	MP5835	25.0	Pole	Westinghouse	0	09/01/1965	On-Line	435
34	LGE	MP6205	37.0	Pole	Allis Chalmers	0	12/30/1965	On-Line	530
35	LGE	MP6430	25.0	Pole	Westinghouse	0	04/14/1966	On-Line	435
36	LGE	MP7580	37.0	Pole	Kuhlman	0	12/05/1966	On-Line	575
37	LGE	MPD249	37.0	Pole	General Electric	0	03/16/1970	On-Line	577
38	LGE	MPD55	15.0	Pole	RTE	0	12/22/1969	On-Line	306
39	LGE	MPE862	37.0	Pole	McGraw Edison	0	03/11/1971	On-Line	577
40	LGE	MPF577	25.0	Pole	RTE	0	09/07/1971	On-Line	435
41	LGE	MPF712	37.0	Pole	General Electric	0	10/22/1971	On-Line	577
42	LGE	RSE826	25.0	Pole	Westinghouse	0	09/06/1960	On-Line	486
43	LGE	RSE979	25.0	Pole	Westinghouse	0	08/03/1961	On-Line	486
44	LGE	RSF840	25.0	Pole	Westinghouse	0	08/15/1963	On-Line	486
45	LGE	YE1211	500.0	Pole	General Electric	0	06/21/1967	On-Line	3070
46	LGE	MNC274	75.0	Pole	H K Porter	0	11/20/1978	On-Line	970
47	LGE	MN415	50.0	Pole	Westinghouse	0	09/16/1965	On-Line	670
48	LGE	MN3705	50.0	Pole	Allis Chalmers	0	10/03/1969	On-Line	616
49	LGE	MN1493	50.0	Pole	McGraw Edison	0	01/19/1967	On-Line	670
50	LGE	MCP1976	25.0	Pole	McGraw Edison	0	05/07/1956	On-Line	435
51	LGE	MCP1371	15.0	Pole	McGraw Edison	0	01/04/1956	On-Line	329
52	LGE	MP164	15.0	Pole	McGraw Edison	0	03/10/1959	On-Line	306
53	LGE	MP5981	15.0	Pole	General Electric	0	09/22/1965	On-Line	306
54	LGE	MP7264	25.0	Pole	Allis Chalmers	0	10/03/1966	On-Line	435
55	LGE	MPC368	25.0	Pole	Westinghouse	0	09/15/1969	On-Line	435

LGE units known to be >450

OWNER	ASSET NO	KVA	MOUNTING TYPE	DATE MANUFACTURED	WEIGHT IN LBS	PPM	STATUS
LGE	B974	50	POLE	3/25/1975	638	462	ONLINE
LGE	MPC334	25	POLE	9/15/1969	435	480	ONLINE
LGE	RSB444	25	POLE	8/23/1954	486	479	ONLINE
LGE	MN4483	50	POLE	8/5/1970	670	472	ONLINE
LGE	MPB644	25	POLE	5/29/1969	435	470	ONLINE
LGE	MPB908	15	POLE	7/29/1969	306	488	ONLINE
LGE	MPC65	15	POLE	8/11/1969	306	456	ONLINE
LGE	MW241	750	PAD	2/26/1974	7003	474	ONLINE
				Total lbs:	10279		

Asset Retirement Obligations-PCB Disposal-LGE Line Transformers

56	LGE	MPC829	25.0	Pole	General Electric	0	11/06/1969	On-Line	435
57	LGE	MPC906	15.0	Pole	Kuhlman	0	11/14/1969	On-Line	306
58	LGE	MPC939	10.0	Pole	Allis Chalmers	0	11/28/1969	On-Line	246
59	LGE	MPD443	25.0	Pole	General Electric	0	05/06/1970	On-Line	435
60	LGE	MPD511	25.0	Pole	Kuhlman	0	05/08/1970	On-Line	435
61	LGE	MPD819	37.0	Pole	Kuhlman	0	07/01/1970	On-Line	577
62	LGE	MPE906	25.0	Pole	General Electric	0	03/23/1971	On-Line	435
63	LGE	MPF57	25.0	Pole	Westinghouse	0	06/16/1971	On-Line	435
64	LGE	MPL592	37.0	Pole	General Electric	0	04/07/1976	On-Line	528
65	LGE	RSF17	25.0	Pole	Westinghouse	0	09/01/1961	On-Line	486
66	LGE	RSF470	25.0	Pole	H K Porter	0	11/16/1962	On-Line	486
67	LGE	RSF644	15.0	Pole	Westinghouse	0	06/10/1963	On-Line	359
68	LGE	RSJ824	75.0	Pole	McGraw Edison	0	05/17/1967	On-Line	970
69	LGE	RSK129	50.0	Pole	H K Porter	0	11/14/1967	On-Line	650
70	LGE	YE1010	100.0	Pole	General Electric	0	05/18/1965	On-Line	1070
71	LGE	YE1210	500.0	Pole	General Electric	0	06/21/1967	On-Line	3070
72	LGE	YM164	75.0	Pole	General Electric	0	02/16/1959	On-Line	1060
73	LGE	MNE323	25.0	Pole	Westinghouse	0	08/04/1980	On-Line	435
74	LGE	MN9234	25.0	Pole	Westinghouse	0	08/25/1976	On-Line	435
75	LGE	MN838	50.0	Pole	General Electric	0	07/28/1966	On-Line	655
76	LGE	MN345	50.0	Pole	H K Porter	0	08/24/1965	On-Line	616
77	LGE	MN2190	25.0	Pole	Allis Chalmers	0	10/04/1967	On-Line	435
78	LGE	MN1658	37.0	Pole	Westinghouse	0	04/24/1967	On-Line	575
79	LGE	MP6273	37.0	Pole	General Electric	0	03/18/1966	On-Line	575
80	LGE	MP7174	25.0	Pole	Allis Chalmers	0	09/13/1966	On-Line	435
81	LGE	MP7152	25.0	Pole	Allis Chalmers	0	09/13/1966	On-Line	435
82	LGE	MP7749	25.0	Pole	McGraw Edison	0	12/22/1966	On-Line	435
83	LGE	MPC136	25.0	Pole	Kuhlman	0	08/22/1969	On-Line	435
84	LGE	MPC348	25.0	Pole	Westinghouse	0	09/15/1969	On-Line	435
85	LGE	MPC528	25.0	Pole	Kuhlman	0	09/25/1969	On-Line	435
86	LGE	MPD281	25.0	Pole	Allis Chalmers	0	03/17/1970	On-Line	435
87	LGE	MPF346	15.0	Pole	General Electric	0	07/19/1971	On-Line	306
88	LGE	MPG99	25.0	Pole	Westinghouse	0	02/07/1972	On-Line	435
89	LGE	RSC848	37.0	Pole	McGraw Edison	0	02/07/1956	On-Line	624
90	LGE	RSE891	25.0	Pole	H K Porter	0	11/02/1960	On-Line	486
91	LGE	RSF622	15.0	Pole	Westinghouse	0	05/31/1963	On-Line	359
92	LGE	RSF997	15.0	Pole	Westinghouse	0	02/03/1964	On-Line	359
93	LGE	RSJ822	75.0	Pole	McGraw Edison	0	05/17/1967	On-Line	970
94	LGE	YE1009	100.0	Pole	General Electric	0	05/18/1965	On-Line	1070
95	LGE	YE1102	100.0	Pole	General Electric	0	09/06/1966	On-Line	1070
96	LGE	YE1152	167.0	Pole	McGraw Edison	0	12/06/1966	On-Line	1535
97	LGE	YE1212	500.0	Pole	General Electric	0	06/21/1967	On-Line	3070
98	LGE	YM1061	75.0	Pole	General Electric	0	09/24/1971	On-Line	880
99	LGE	YM784	75.0	Pole	Allis Chalmers	0	09/13/1966	On-Line	1020
100	LGE	MN513	50.0	Pole	H K Porter	0	12/23/1965	On-Line	616
101	LGE	MN511	50.0	Pole	H K Porter	0	12/23/1965	On-Line	616
102	LGE	MN1946	50.0	Pole	Kuhlman	0	07/27/1967	On-Line	676
103	LGE	MCP1195	15.0	Pole	McGraw Edison	0	12/15/1954	On-Line	329
104	LGE	MCP1087	15.0	Pole	Westinghouse	0	12/07/1953	On-Line	329
105	LGE	MCP1060	10.0	Pole	McGraw Edison	0	02/13/1953	On-Line	292
106	LGE	MP1402	10.0	Pole	Westinghouse	0	12/22/1960	On-Line	246
107	LGE	MP5717	5.0	Pole	General Electric	0	08/10/1965	On-Line	156
108	LGE	MP6161	37.0	Pole	Westinghouse	0	12/14/1965	On-Line	613
109	LGE	MP6295	15.0	Pole	McGraw Edison	0	03/21/1966	On-Line	306
110	LGE	MPC639	15.0	Pole	General Electric	0	10/09/1969	On-Line	306
111	LGE	MPD513	25.0	Pole	Kuhlman	0	05/08/1970	On-Line	435
112	LGE	MPD811	37.0	Pole	Kuhlman	0	07/01/1970	On-Line	577
113	LGE	MPD977	37.0	Pole	General Electric	0	07/24/1970	On-Line	577
114	LGE	MPE67	25.0	Pole	General Electric	0	08/03/1970	On-Line	435
115	LGE	MPF54	25.0	Pole	Westinghouse	0	06/16/1971	On-Line	435
116	LGE	MPG622	15.0	Pole	Westinghouse	0	05/23/1972	On-Line	306
117	LGE	MPL549	25.0	Pole	Westinghouse	0	03/10/1976	On-Line	435
118	LGE	RSC210	37.0	Pole	McGraw Edison	0	06/30/1955	On-Line	624
119	LGE	RSC948	15.0	Pole	McGraw Edison	0	02/07/1956	On-Line	359
120	LGE	RSF104	50.0	Pole	Westinghouse	0	05/15/1967	On-Line	725
121	LGE	RSF455	50.0	Pole	Westinghouse	0	10/04/1962	On-Line	700
122	LGE	RSG524	37.0	Pole	Westinghouse	0	08/17/1964	On-Line	625

Asset Retirement Obligations-PCB Disposal-LGE Line Transformers

123	LGE	RSH451	37.0	Pole	Westinghouse	0	09/21/1965	On-Line	624
124	LGE	RSK122	37.0	Pole	Allis Chalmers	0	10/27/1967	On-Line	550
125	LGE	YE1131	100.0	Pole	General Electric	0	10/31/1966	On-Line	1070
126	LGE	YM1056	75.0	Pole	General Electric	0	09/24/1971	On-Line	880
127	LGE	MND146	25.0	Pole	General Electric	0	09/05/1979	On-Line	435
128	LGE	MNC793	50.0	Pole	Westinghouse	0	07/23/1979	On-Line	616
129	LGE	MNC781	25.0	Pole	Cooper Power Sy:	0	07/02/1979	On-Line	435
130	LGE	MN939	37.0	Pole	Westinghouse	0	08/04/1966	On-Line	575
131	LGE	MN641	50.0	Pole	General Electric	0	05/02/1966	On-Line	616
132	LGE	MN515	50.0	Pole	H K Porter	0	12/23/1965	On-Line	616
133	LGE	MP2308	10.0	Pole	Westinghouse	0	12/07/1961	On-Line	246
134	LGE	MP429	25.0	Pole	H K Porter	0	06/11/1959	On-Line	435
135	LGE	MP457	15.0	Pole	H K Porter	0	06/15/1959	On-Line	306
136	LGE	MP524	25.0	Pole	General Electric	0	07/20/1959	On-Line	435
137	LGE	MP6309	25.0	Pole	Allis Chalmers	0	03/24/1966	On-Line	435
138	LGE	MP7200	25.0	Pole	General Electric	0	09/19/1966	On-Line	435
139	LGE	MP7877	37.0	Pole	McGraw Edison	0	04/07/1967	On-Line	619
140	LGE	MPC539	37.0	Pole	Westinghouse	0	09/25/1969	On-Line	577
141	LGE	MPC628	37.0	Pole	Kuhlman	0	10/06/1969	On-Line	577
142	LGE	MPD343	37.0	Pole	General Electric	0	04/01/1970	On-Line	577
143	LGE	MPD842	25.0	Pole	McGraw Edison	0	07/07/1970	On-Line	435
144	LGE	MPD887	25.0	Pole	Wagner	0	07/13/1970	On-Line	435
145	LGE	MPE505	25.0	Pole	Kuhlman	0	12/08/1970	On-Line	435
146	LGE	MPF431	37.0	Pole	Westinghouse	0	07/26/1971	On-Line	577
147	LGE	RSG3	15.0	Pole	Westinghouse	0	02/03/1964	On-Line	359
148	LGE	RSH512	50.0	Pole	Kuhlman	0	10/06/1965	On-Line	740
149	LGE	RSJ470	50.0	Pole	Kuhlman	0	11/18/1966	On-Line	740
150	LGE	YM782	75.0	Pole	Allis Chalmers	0	09/13/1966	On-Line	1020
151	LGE	MNC761	15.0	Pole	Cooper Power Sy:	0	07/02/1979	On-Line	359
152	LGE	MNC200	25.0	Pole	General Electric	0	10/27/1978	On-Line	435
153	LGE	MN2409	25.0	Pole	RTE	0	06/04/1968	On-Line	435
154	LGE	MN1496	50.0	Pole	McGraw Edison	0	01/19/1967	On-Line	670
155	LGE	MN1495	50.0	Pole	McGraw Edison	0	01/19/1967	On-Line	670
156	LGE	MCP3962	15.0	Pole	McGraw Edison	0	04/22/1958	On-Line	329
157	LGE	MP1191	15.0	Pole	H K Porter	0	06/28/1960	On-Line	306
158	LGE	MP5813	37.0	Pole	Westinghouse	0	08/19/1965	On-Line	613
159	LGE	MP7364	25.0	Pole	Kuhlman	0	10/06/1966	On-Line	435
160	LGE	MP925	15.0	Pole	McGraw Edison	0	01/27/1960	On-Line	335
161	LGE	MPC141	25.0	Pole	Kuhlman	0	08/22/1969	On-Line	435
162	LGE	MPD492	25.0	Pole	Kuhlman	0	05/08/1970	On-Line	435
163	LGE	MPD60	25.0	Pole	McGraw Edison	0	01/12/1970	On-Line	435
164	LGE	MPD708	25.0	Pole	General Electric	0	06/09/1970	On-Line	435
165	LGE	MPE518	25.0	Pole	Kuhlman	0	12/08/1970	On-Line	435
166	LGE	MPF263	25.0	Pole	Wagner	0	07/09/1971	On-Line	435
167	LGE	MPF691	37.0	Pole	Westinghouse	0	10/19/1971	On-Line	577
168	LGE	MPF68	37.0	Pole	Kuhlman	0	06/28/1971	On-Line	577
169	LGE	MPH61	15.0	Pole	Kuhlman	0	08/31/1972	On-Line	306
170	LGE	RS8448	25.0	Pole	McGraw Edison	0	10/25/1949	On-Line	486
171	LGE	RSA513	37.0	Pole	McGraw Edison	0	03/26/1953	On-Line	624
172	LGE	RSC404	75.0	Pole	McGraw Edison	0	08/28/1955	On-Line	1109
173	LGE	RSF998	15.0	Pole	Westinghouse	0	02/03/1964	On-Line	359
174	LGE	RSH363	25.0	Pole	Westinghouse	0	08/25/1965	On-Line	486
175	LGE	RSH345	50.0	Pole	Westinghouse	0	08/25/1965	On-Line	1023
176	LGE	RSH489	37.0	Pole	Westinghouse	0	09/30/1965	On-Line	625
177	LGE	RSJ825	75.0	Pole	McGraw Edison	0	05/17/1967	On-Line	970
178	LGE	RSJ895	25.0	Pole	Westinghouse	0	06/12/1967	On-Line	486
179	LGE	YE75	50.0	Pole	General Electric	0	02/10/1937	On-Line	1275
180	LGE	MN871	25.0	Pole	McGraw Edison	0	07/29/1966	On-Line	435
181	LGE	MN293	25.0	Pole	Westinghouse	0	07/30/1965	On-Line	435
182	LGE	MN2407	25.0	Pole	RTE	0	06/04/1968	On-Line	435
183	LGE	MN1660	37.0	Pole	Westinghouse	0	04/24/1967	On-Line	575
184	LGE	MN1659	37.0	Pole	Westinghouse	0	04/24/1967	On-Line	575
185	LGE	MN1494	50.0	Pole	McGraw Edison	0	01/19/1967	On-Line	670
186	LGE	MN1486	50.0	Pole	McGraw Edison	0	01/19/1967	On-Line	670
187	LGE	MP1834	15.0	Pole	H K Porter	0	03/10/1961	On-Line	306
188	LGE	MP2300	25.0	Pole	H K Porter	0	11/14/1961	On-Line	435
189	LGE	MP2412	15.0	Pole	H K Porter	0	04/30/1962	On-Line	306

Asset Retirement Obligations-PCB Disposal-LGE Line Transformers

190	LGE	MP5750	37.0	Pole	General Electric	0	08/18/1965	On-Line	577
191	LGE	MPB845	25.0	Pole	Westinghouse	0	07/21/1969	On-Line	435
192	LGE	MPC267	37.0	Pole	Westinghouse	0	09/02/1969	On-Line	577
193	LGE	MPC566	37.0	Pole	Kuhlman	0	10/06/1969	On-Line	577
194	LGE	MPC804	37.0	Pole	McGraw Edison	0	10/16/1969	On-Line	577
195	LGE	MPC981	25.0	Pole	H K Porter	0	12/05/1969	On-Line	435
196	LGE	MPD949	25.0	Pole	McGraw Edison	0	07/23/1970	On-Line	435
197	LGE	MPE665	15.0	Pole	Allis Chalmers	0	12/23/1970	On-Line	306
198	LGE	MPF386	15.0	Pole	General Electric	0	07/20/1971	On-Line	306
199	LGE	MPF419	37.0	Pole	Westinghouse	0	07/26/1971	On-Line	577
200	LGE	MPF459	25.0	Pole	Kuhlman	0	08/16/1971	On-Line	435
201	LGE	MPF962	15.0	Pole	Westinghouse	0	11/01/1971	On-Line	306
202	LGE	MPG66	25.0	Pole	Westinghouse	0	02/07/1972	On-Line	435
203	LGE	RSC950	15.0	Pole	McGraw Edison	0	02/07/1956	On-Line	359
204	LGE	RSH482	37.0	Pole	Westinghouse	0	09/30/1965	On-Line	624
205	LGE	YE1132	100.0	Pole	General Electric	0	10/31/1966	On-Line	1070
206	LGE	YM162	75.0	Pole	General Electric	0	02/16/1959	On-Line	1060
207	LGE	YM165	75.0	Pole	General Electric	0	02/16/1959	On-Line	1060
208	LGE	MNC264	75.0	Pole	H K Porter	0	11/20/1978	On-Line	1060
209	LGE	MN311	15.0	Pole	Allis Chalmers	0	08/16/1965	On-Line	359
210	LGE	MN233	25.0	Pole	H K Porter	0	07/01/1965	On-Line	435
211	LGE	MCP1200	15.0	Pole	McGraw Edison	0	12/15/1954	On-Line	329

Asset Retirement Obligations-PCB Disposal-KU Line Transformers

KU	Total units disposed of	units per yr disposed of
# of months of data	86	
# of units tested & disposed of	17,531	2,446
Total Units >45 ppm PCBs:	1,398	195
Total Units >450 ppm PCBs:	134	19
Total Units >45 but <450 ppm PCBs:	1,264	
Percent >45 ppm PCBs:	8.0%	
Percent >450 ppm PCBs:	0.8%	
% Units >45 but <450 ppm PCBs:	7.21%	
# of KU OH transformers per Small World	191,445	
# of KU UG transformers per Small World	38,159	
Total KU transformers in 2011 per Small World	229,604	
# of KU transformers >45 but <450 ppm (7.21% of total # of KU transformers, assume total # of KU transformers in 1980 was the same as today because no data exists for the total number of KU transformers in 1980)	16,555	
# of KU transformers >450 ppm (0.8% of total # of KU transformers, assume total # of KU transformers in 1980 was the same as today because no data exists for the total number of KU transformers in 1980)	1,755	
# of KU units >450 ppm retired 1980-2011 (assume a static rate of 19 per year based on the number of transformers sent for disposal 2004-2011)	580	
# of KU units >450 ppm remaining	1,175	
wt of remaining units >450 ppm (assume avg wt 600 lbs)	705,224	
US Ecology cost/lb for >450	$ 0.42	
Total cost for KU >450 ppm	$ 296,194.21	
Wt of 10 large KU transformers per year that are>45 but <450, (assume avg wt 10,000 lbs, these are disposed of by Paul Puckett, they do not go through South Service Center to be drained, flushed and sold for scrap metal)	100,000	
US Ecology cost/lb for >45 but <450	$ 0.25	
Total cost for KU >45 but <450 ppm	$ 25,000.00	
# of yrs to retire KU transformers >450 ppm	63	
Total cost for all remaining KU tranformers <450 ppm	$ 321,194.21	

Clark, Ed

From: McFarland, Beth
Sent: Tuesday, December 13, 2011 11:04 PM
To: Freibert, Diana; Wiseman, Sara; Crescente, Angela
Subject: RE: Line Transformers with PCB

Sara and Angela,

I am assuming the two of you are satisfied with our response?

Let us know.

Thanks!
Beth

From: Freibert, Diana
Sent: Friday, December 09, 2011 3:23 PM
To: Wiseman, Sara; Crescente, Angela
Cc: McFarland, Beth
Subject: RE: Line Transformers with PCB

My estimate, based on the available information, for the Total Asset Retirement Obligation for disposal of PCB contaminated and PCB transformers is:

KU: $321,194.21
LGE: $4849.03
TOTAL: $326.043.24

It will probably take several decades for all the transformers to fail and be removed from service.

All LGE transformers, and most KU transformers, with PCB's between 45 ppm and 450 ppm are drained, flushed and sold for scrap metal. We do have to pay to dispose of the PCB oil properly, but that cost is offset by the revenue from the scrap metal. Therefore, our disposal costs are primarily for transformers with PCB's over 450 ppm. A few KU transformers with PCB's between 45 and 450 ppm do not go through the South Service Center to be drained, flushed and sold for scrap metal. They are disposed of by Paul Puckett and they are included in the estimate.

The spreadsheets below contain the data and assumptions on which I based my estimates.

<< File: LGE PCB above 450 and untested transf.xls >> << File: PCBSampling-TDL2005-2011 rev 2.xlsx >>

From: McFarland, Beth
Sent: Tuesday, December 06, 2011 10:30 AM
To: Wiseman, Sara
Cc: Crescente, Angela; Freibert, Diana; Puckett, Paul
Subject: RE: Line Transformers with PCB

Hi Sara,

We are working on this but unfortunately it isn't as easy as I had first envisioned. KU line transformers were not entered into DETS until approximately 2002, therefore, we are in the process of making some reasonable assumptions. We will provide you with this information by the end of the week – will this work?

Thanks!
Beth

From: Wiseman, Sara
Sent: Tuesday, December 06, 2011 10:14 AM
To: McFarland, Beth
Cc: Crescente, Angela
Subject: Line Transformers with PCB

Hi Beth:

I know you are busy, but when do you expect to have an estimate on the line transformers? Just trying to tie up loose ends.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: McFarland, Beth
Sent: Wednesday, December 14, 2011 11:13 AM
To: Crescente, Angela; Freibert, Diana; Wiseman, Sara
Subject: RE: Line Transformers with PCB

Thanks. Let us know if you need anything else from us.

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 10:33 AM
To: McFarland, Beth; Freibert, Diana; Wiseman, Sara
Subject: RE: Line Transformers with PCB

Beth,

I left you a voicemail. I apologize, I have unexpectedly been out sick for the last two days. I am trying to get a listing of the KU line transformers that we still have on the books listed in service between the dates of 1930 and 1979 to help with the estimate. Then we can apply those transformers to Paul's percentage estimate and multiply that by the cost per transformer to dispose of the PCB material. Hopefully, that will help.

Thanks,
Angela

From: McFarland, Beth
Sent: Tuesday, December 13, 2011 11:04 PM
To: Freibert, Diana; Wiseman, Sara; Crescente, Angela
Subject: RE: Line Transformers with PCB

Sara and Angela,

I am assuming the two of you are satisfied with our response?

Let us know.

Thanks!
Beth

From: Freibert, Diana
Sent: Friday, December 09, 2011 3:23 PM
To: Wiseman, Sara; Crescente, Angela
Cc: McFarland, Beth
Subject: RE: Line Transformers with PCB

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LGE: $4849.03
TOTAL: $326.043.24

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<< File: LGE PCB above 450 and untested transf.xls >> << File: PCBSampling-TDL2005-2011 rev 2.xlsx >>

From: McFarland, Beth
Sent: Tuesday, December 06, 2011 10:30 AM
To: Wiseman, Sara
Cc: Crescente, Angela; Freibert, Diana; Puckett, Paul
Subject: RE: Line Transformers with PCB

Hi Sara,

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Thanks!
Beth

From: Wiseman, Sara
Sent: Tuesday, December 06, 2011 10:14 AM
To: McFarland, Beth
Cc: Crescente, Angela
Subject: Line Transformers with PCB

Hi Beth:

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Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 1:36 PM
To: McFarland, Beth; Freibert, Diana
Cc: Wiseman, Sara
Subject: RE: Line Transformers with PCB

Tracking:

Recipient	Read
McFarland, Beth	
Freibert, Diana	Read: 12/14/2011 1:52 PM
Wiseman, Sara	Read: 12/14/2011 1:55 PM

Beth and Diana,

According to our property records, we have approximately 88,777 line transformers for KU placed in-service between the years 1930-1981 remaining. I went out through 1981 to try to make sure we encompassed some 1979 manufactured transformers into our estimate to be conservative with the assumption they may have been a couple of years old when we put them in-service. Please advise on whether or not this seems reasonable.

Please apply Paul's percentages for the over 450ppm to determine the estimated amount of transformers with possible PCB.

Thanks so much for all of your help!
Angela

From: McFarland, Beth
Sent: Wednesday, December 14, 2011 11:13 AM
To: Crescente, Angela; Freibert, Diana; Wiseman, Sara
Subject: RE: Line Transformers with PCB

Thanks. Let us know if you need anything else from us.

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 10:33 AM
To: McFarland, Beth; Freibert, Diana; Wiseman, Sara
Subject: RE: Line Transformers with PCB

Beth,

I left you a voicemail. I apologize, I have unexpectedly been out sick for the last two days. I am trying to get a listing of the KU line transformers that we still have on the books listed in service between the dates of 1930 and 1979 to help with the estimate. Then we can apply those transformers to Paul's percentage estimate and multiply that by the cost per transformer to dispose of the PCB material. Hopefully, that will help.

Thanks,
Angela

From: McFarland, Beth
Sent: Tuesday, December 13, 2011 11:04 PM
To: Freibert, Diana; Wiseman, Sara; Crescente, Angela
Subject: RE: Line Transformers with PCB

Sara and Angela,

I am assuming the two of you are satisfied with our response?

Let us know.

Thanks!
Beth

From: Freibert, Diana
Sent: Friday, December 09, 2011 3:23 PM
To: Wiseman, Sara; Crescente, Angela
Cc: McFarland, Beth
Subject: RE: Line Transformers with PCB

My estimate, based on the available information, for the Total Asset Retirement Obligation for disposal of PCB contaminated and PCB transformers is:

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LGE: $4849.03
TOTAL: $326.043.24

It will probably take several decades for all the transformers to fail and be removed from service.

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Cc: Crescente, Angela
Subject: Line Transformers with PCB

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Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Puckett, Paul
Sent: Thursday, December 15, 2011 11:44 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: RE: Line Transformers with PCB

Angela,
Diana and I spoke about this approach. I am comfortable with the approach and have looked through the spreadsheet calculations. They seem consistent with the method we discussed.

Bottom line is that this looks fine.

W. Paul Puckett
Engineer - Environmental Affairs Department
LG&E and KU Energy (Louisville Gas & Electric, Kentucky Utilities, and Old Dominion Power)
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
(502) 627-4659
(502) 217-4836 (facsimile)
(502) 648-7842 (mobile)

Please note the recent change in e-mail address: paul.puckett@lge-ku.com

Friends of Coal

From: Crescente, Angela
Sent: Thursday, December 15, 2011 10:56 AM
To: Puckett, Paul
Cc: Wiseman, Sara
Subject: FW: Line Transformers with PCB

Hey Paul,

I just wanted to run this past you to see if you are comfortable with the calculation below since I know you helped provide some percentage numbers. Please advise.

Thanks,
Angela

From: Freibert, Diana
Sent: Wednesday, December 14, 2011 6:13 PM
To: Crescente, Angela; McFarland, Beth
Cc: Wiseman, Sara; Puckett, Paul
Subject: RE: Line Transformers with PCB

See attached revision based on the number of KU transformers provided below.

<< File: PCBSampling-TDL2005-2011 rev 3, 12-14-11.xlsx >>

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 1:36 PM
To: McFarland, Beth; Freibert, Diana
Cc: Wiseman, Sara
Subject: RE: Line Transformers with PCB

Beth and Diana,

According to our property records, we have approximately 88,777 line transformers for KU placed in-service between the years 1930-1981 remaining. I went out through 1981 to try to make sure we encompassed some 1979 manufactured transformers into our estimate to be conservative with the assumption they may have been a couple of years old when we put them in-service. Please advise on whether or not this seems reasonable.

Please apply Paul's percentages for the over 450ppm to determine the estimated amount of transformers with possible PCB.

Thanks so much for all of your help!
Angela

From: McFarland, Beth
Sent: Wednesday, December 14, 2011 11:13 AM
To: Crescente, Angela; Freibert, Diana; Wiseman, Sara
Subject: RE: Line Transformers with PCB

Thanks. Let us know if you need anything else from us.

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 10:33 AM
To: McFarland, Beth; Freibert, Diana; Wiseman, Sara
Subject: RE: Line Transformers with PCB

Beth,

I left you a voicemail. I apologize, I have unexpectedly been out sick for the last two days. I am trying to get a listing of the KU line transformers that we still have on the books listed in service between the dates of 1930 and 1979 to help with the estimate. Then we can apply those transformers to Paul's percentage estimate and multiply that by the cost per transformer to dispose of the PCB material. Hopefully, that will help.

Thanks,
Angela

From: McFarland, Beth
Sent: Tuesday, December 13, 2011 11:04 PM
To: Freibert, Diana; Wiseman, Sara; Crescente, Angela
Subject: RE: Line Transformers with PCB

Sara and Angela,

I am assuming the two of you are satisfied with our response?

Let us know.

Thanks!
Beth

From: Freibert, Diana
Sent: Friday, December 09, 2011 3:23 PM
To: Wiseman, Sara; Crescente, Angela
Cc: McFarland, Beth
Subject: RE: Line Transformers with PCB

My estimate, based on the available information, for the Total Asset Retirement Obligation for disposal of PCB contaminated and PCB transformers is:

KU: $321,194.21
LGE: $4849.03
TOTAL: $326.043.24

It will probably take several decades for all the transformers to fail and be removed from service.

All LGE transformers, and most KU transformers, with PCB's between 45 ppm and 450 ppm are drained, flushed and sold for scrap metal. We do have to pay to dispose of the PCB oil properly, but that cost is offset by the revenue from the scrap metal. Therefore, our disposal costs are primarily for transformers with PCB's over 450 ppm. A few KU transformers with PCB's between 45 and 450 ppm do not go through the South Service Center to be drained, flushed and sold for scrap metal. They are disposed of by Paul Puckett and they are included in the estimate.

The spreadsheets below contain the data and assumptions on which I based my estimates.

<< File: LGE PCB above 450 and untested transf.xls >> << File: PCBSampling-TDL2005-2011 rev 2.xlsx >>

From: McFarland, Beth
Sent: Tuesday, December 06, 2011 10:30 AM
To: Wiseman, Sara
Cc: Crescente, Angela; Freibert, Diana; Puckett, Paul
Subject: RE: Line Transformers with PCB

Hi Sara,

We are working on this but unfortunately it isn't as easy as I had first envisioned. KU line transformers were not entered into DETS until approximately 2002, therefore, we are in the process of making some reasonable assumptions. We will provide you with this information by the end of the week – will this work?

Thanks!
Beth

From: Wiseman, Sara
Sent: Tuesday, December 06, 2011 10:14 AM
To: McFarland, Beth
Cc: Crescente, Angela
Subject: Line Transformers with PCB

Hi Beth:

I know you are busy, but when do you expect to have an estimate on the line transformers? Just trying to tie up loose ends.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

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ampling-TDL2005-
rev 3...

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Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

KU

Estimate based on percentages associated with GE brands which had the highest percentage of units over 450 ppm and are presently used only infrequently for distribution. (Newer non-PCB units skew the data)

# of months of data		86
# of GE units tested & disposed of		3888
Percent of GE units >45 ppm PCBs:		18.2%
Percent of GE units >450 ppm PCBs:		2.6%
All Units Disposed of per yr >45 ppm PCBs:		2,446
All Units Disposed of per yr >450 ppm PCBs:		19
Total KU transformers 1930-1981 per Property Accounting		88,777
# of KU transformers >450 ppm (2.6% of total # of KU transformers)		2,308
# of KU units >450 ppm retired 1980-2011 (assume a static rate of 19 per year based on the number of transformers sent for disposal 2004-2011)		589
# of KU units >450 ppm remaining		1,719
wt of remaining units >450 ppm (assume avg wt 600 lbs)		1,031,521
US Ecology cost/lb for >450	$	0.42
Total cost for KU >450 ppm	$	433,238.90
Wt of 10 large KU transformers per year that are>45 but <450, (assume avg wt 10,000 lbs, these are disposed of by Paul Puckett, they do not go through South Service Center to be drained, flushed and sold for scrap metal)		100,000
US Ecology cost/lb for >45 but <450	$	0.25
Total cost for KU >45 but <450 ppm	$	25,000.00
Total cost for all remaining KU tranformers over 450 ppm	**$**	**458,238.90**

Total disposal cost for LGE units over 450 ppm	$4,849.03

Total disposal cost for KU units over 450 ppm	$458,238.90

Total cost for all KU and LGE units over 450 ppm	$463,087.94

Clark, Ed

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Sent: Wednesday, December 14, 2011 6:13 PM
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Total cost for all KU and LGE units over 450 ppm	$463,087.94

Clark, Ed

From: Legler, Steve
Sent: Tuesday, January 25, 2011 9:09 AM
To: Crescente, Angela
Subject: RE: Canal and Paddy's Run Asbestos

Angela,

I am confirming the details of the Paddy's Run and Canal asbestos removal estimates. However, pricing supplied by NEC is contingent upon total demolition of the facilities at the time of removal. The pricing used for FIN-47 purposes includes additional costs under a removal only scenario.

Steve

From: Crescente, Angela
Sent: Tuesday, January 11, 2011 3:04 PM
To: Legler, Steve
Cc: Wiseman, Sara
Subject: RE: Canal and Paddy's Run Asbestos

Steve,

I don't believe I have heard anything from you regarding your confirmation to the email below. If you already responded, I apologize. I just want to follow up with you to see if you agree with my understanding so that I can keep this documentation in my records.

Thanks!
Angela

From: Crescente, Angela
Sent: Friday, November 05, 2010 4:01 PM
To: Legler, Steve
Cc: Wiseman, Sara
Subject: Canal and Paddy's Run Asbestos

Steve,

This is just to confirm our conversation for purposes of supporting our records. We used several vendors to come up with a cost of removal asbestos estimate for both Canal and Paddy's Run several years back. The decision at the time was to use a "middle estimate" number since some vendors quoted high prices and some quoted low prices.

However, there has been much discussion surrounding the dismantlement of these two locations. Therefore, operations obtained a detailed location specific estimate from National Environmental Contracting (NEC) in April 2010 by performing an actual walkthrough for both Canal and Paddy's. NEC has confirmed that they are comfortable with these numbers even though they are significantly lower than the estimates previously submitted during the FIN47 implementation back in 2005.

Thanks so much for your help,
Angela

Clark, Ed

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Thanks so much for your help,
Angela

Clark, Ed

From: Joseph Holt <jholt@pwrplan.com>
Sent: Wednesday, October 12, 2011 9:34 AM
To: Crescente, Angela; PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Josh Hirschel
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

I will be available at 10:30 Eastern and will send you an email.

Thanks!
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

-----Original Message-----
From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 8:32 AM
To: PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Jim Ogilvie; Josh Hirschel; Jim Dahlby; Joseph Holt
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

I can gotoassist whenever you are ready.

-----Original Message-----
From: Plant Support [mailto:support@pwrplan.com]
Sent: Wednesday, October 12, 2011 9:30 AM
To: Wacker, Diana; Kinder, Debra; Crescente, Angela
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

Can you please forward the email below to jholt@pwrplan.com? I am having trouble viewing these pictures.

Also, would it be possible for you to connect me to your PC via gotoassist?

Thank you,
Joe

--------------- Original Message ---------------
From: Crescente, Angela [Angela.Crescente@lge-ku.com]
Sent: 10/12/2011 8:56 AM
To: support@pwrplan.com;

Diana.Wacker@lge-ku.com;
Debra.Kinder@lge-ku.com
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

You are correct, this problem does not happen with new AROs.

However, due to a situation that we had to fix in September this year with some of our AROs, we needed to settle some older ones and set them up again with a January date so that the cumulative effect would "catch up" accretion and depreciation through September. We also did this in November 2010 due to the acquisition from PPL in order to capture the November accretion. However, the difference is that the purchase accounting set of books was not completed until December 2010. This is the first time we have done a transition ARO since then and although not likely, I cannot say for sure that we will never need to set up transitions again if it is decided that we need to account for the cumulative effect.

Therefore, we still need a fix for this in the event that we have to do something with transitions again. We cannot correct what happened, because there is no purchase accounting cost or asset, only a basis from which depreciation is computed. In the three screenshots below, you can see there is no purchase accounting ending plant in service, only a depreciable base in the depr ledger.

Thanks,

Angela

[cid:image002.jpg@01CC88BC.B0401280]

[cid:image008.jpg@01CC88BC.B0401280]

[cid:image009.jpg@01CC88BC.B0401280]

-----Original Message-----
From: Plant Support [mailto:support@pwrplan.com]
Sent: Tuesday, October 11, 2011 11:26 PM

To: Wacker, Diana; Kinder, Debra
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com; Crescente, Angela
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Debra,

To remove the incorrect depreciation basis, you should be able to perform a standard depreciation adjustment or CPR adjustment for that basis only for the book cost.

My question on the transition piece is why are is the ARO transition module to set up new AROs. The transition module, including the cumulative effective adjustment, was built to help comply with the 2003 adoption of FAS143, but it is no longer generally used as the adoption period has passed.

I believe this problem could be avoided by entering new AROs through the standard ARO module, although this would need to be tested in DEV.

Thanks!

Joe

--------------- Original Message ---------------

From: Kinder, Debra [Debra.Kinder@lge-ku.com]

Sent: 10/7/2011 9:15 AM

To: support@pwrplan.com<mailto:support@pwrplan.com>;

Diana.Wacker@lge-ku.com<mailto:Diana.Wacker@lge-ku.com>

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Elizabeth,

Our concerns are why this happened with the set up of the ARO transition assets, how to prevent it from happening again and how to get the basis that was created on the Purchase Accounting depreciation ledger removed so depreciation will not be calculated next month. Our DEV instance will be refreshed this weekend if that will help with the research of these issues.

Thanks,

Deb

-----Original Message-----

From: Plant Support [mailto:support@pwrplan.com]<mailto:[mailto:support@pwrplan.com]>

Sent: Thursday, October 06, 2011 5:16 PM

To: Wacker, Diana

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Kinder, Debra; Crescente, Angela

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Diana,

You will need to do a depr adjustment to remove the amount from the one set of books.

Thanks,

Elizabeth Cowart

--------------- Original Message ---------------

From: Wacker, Diana [Diana.Wacker@lge-ku.com]

Sent: 10/6/2011 4:20 PM

To: support@pwrplan.com<mailto:support@pwrplan.com>

Cc: Debra.Kinder@lge-ku.com<mailto:Debra.Kinder@lge-ku.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>; jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>

Subject: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE

All:

We have a Closing Issue. We set up Transition ARO's on both LGE and KU. Somehow these transition ARO's created a Purchase Accounting Depr Reserve Adjustment, which created entries for depreciation expense. It basically duplicated the financial set of books entry - the financial set of book entry is correct - BUT THE PURCHASE ACCOUNTING SET OF BOOKS IS NOT CORRECT.

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This is in PRODUCTION only. Please let me know what other information I can provide to help you with getting this corrected.

Thanks,

Diana Wacker

502-627-4054

Thanks,

Elizabeth Cowart

PowerPlant Support

770.937.3000

ref:00D6KJDN.5006FE4Ma:ref

Clark, Ed

From: Plant Support <support@pwrplan.com>
Sent: Wednesday, October 12, 2011 9:30 AM
To: Wacker, Diana; Kinder, Debra; Crescente, Angela
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

Can you please forward the email below to jholt@pwrplan.com? I am having trouble viewing these pictures.

Also, would it be possible for you to connect me to your PC via gotoassist?

Thank you,
Joe

--------------- Original Message ---------------
From: Crescente, Angela [Angela.Crescente@lge-ku.com]
Sent: 10/12/2011 8:56 AM
To: support@pwrplan.com;
Diana.Wacker@lge-ku.com;
Debra.Kinder@lge-ku.com
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

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However, due to a situation that we had to fix in September this year with some of our AROs, we needed to settle some older ones and set them up again with a January date so that the cumulative effect would "catch up" accretion and depreciation through September. We also did this in November 2010 due to the acquisition from PPL in order to capture the November accretion. However, the difference is that the purchase accounting set of books was not completed until December 2010. This is the first time we have done a transition ARO since then and although not likely, I cannot say for sure that we will never need to set up transitions again if it is decided that we need to account for the cumulative effect.

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Thanks,

Angela

[cid:image002.jpg@01CC88BC.B0401280]

[cid:image008.jpg@01CC88BC.B0401280]

[cid:image009.jpg@01CC88BC.B0401280]

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Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

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I believe this problem could be avoided by entering new AROs through the standard ARO module, although this would need to be tested in DEV.

Thanks!

Joe

--------------- Original Message ---------------

From: Kinder, Debra [Debra.Kinder@lge-ku.com]

Sent: 10/7/2011 9:15 AM

To: support@pwrplan.com<mailto:support@pwrplan.com>;

Diana.Wacker@lge-ku.com<mailto:Diana.Wacker@lge-ku.com>

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

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Thanks,

Deb

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From: Plant Support [mailto:support@pwrplan.com]<mailto:[mailto:support@pwrplan.com]>

Sent: Thursday, October 06, 2011 5:16 PM

To: Wacker, Diana

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Kinder, Debra; Crescente, Angela

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Diana,

You will need to do a depr adjustment to remove the amount from the one set of books.

Thanks,

Elizabeth Cowart

--------------- Original Message ---------------

From: Wacker, Diana [Diana.Wacker@lge-ku.com]

Sent: 10/6/2011 4:20 PM

To: support@pwrplan.com<mailto:support@pwrplan.com>

Cc: Debra.Kinder@lge-ku.com<mailto:Debra.Kinder@lge-ku.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>; jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>

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502-627-4054

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the person or entity to which it is directly addressed or copied.

It may contain material of confidential and/or private nature. Any

review, retransmission, dissemination or other use of, or taking of

any action in reliance upon, this information by persons or

entities other than the intended recipient is not allowed. If you

received this message and the information contained therein by

error, please contact the sender and delete the material from

your/any storage medium.

Thanks,

Elizabeth Cowart

PowerPlant Support

770.937.3000

ref:00D6KJDN.5006FE4Ma:ref

Clark, Ed

From: Crescente, Angela
Sent: Wednesday, October 12, 2011 8:55 AM
To: Plant Support; Wacker, Diana; Kinder, Debra
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
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Thanks,
Angela

PowerPlant ----- PTAXPROD Database

File Edit Subsystem Batch Admin Preferences Window Help

Unit Col Projects Budgets Assets Depr Tables CR Admin MyPPlant Help Calc Print Win

PowerPlant Depreciation Ledger

Select Criteria: Monthly / Quarterly / Annually — Start Date: September 2011 — End Date: September 2011 — Set of Books: PPL Purchase Acc

Select | Refresh

Orientation: Time / Group — Pick Display — Life Reserve / COR Reserve / Combined Reserve

LGE-131707-ARO Cost Steam (Eqp)

Cancel | View Rates | View Factors

Period Comparison | Depreciation Basis | Reserve Activity | Reserve History

	September 2011
Beginning Plant in Service	$0.00
Additions	$0.00
Retirements	$0.00
Transfers In	$0.00
Transfers Out	$0.00
Adjustments	$0.00
Ending Plant in Service	$0.00
Beginning Reserve Balance (Less COR)	$0.00
Depreciable Base	($57,065.73)
Annual Provision Rate	0.000000%
Depreciation Provision	($187.72)
Depreciation Input Adjustment	$0.00
Depreciation Calculated Adjustment	$0.00
Estimated Annual Net Additions	$0.00
Ending Reserve Impairment	$0.00
Salvage Rate	0.000000%
Salvage Base	$0.00
Salvage Provision	$0.00
Salvage Input Adjustment	$0.00

Ready

PowerPlant ----- PTAXPROD Database

File Edit Subsystem Batch Admin Preferences Window Help

Unit Cat | Projects | Budgets | Assets | Depr | Tables | CR | Admin | MyPPlant | Help | Calc | Print Win

PowerPlant Continuing Property Records

CPR Ledger Detail

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494639 — Eng In Service Year: 12/2010

Asset Description: Pure-TC Ash Pond-LGE

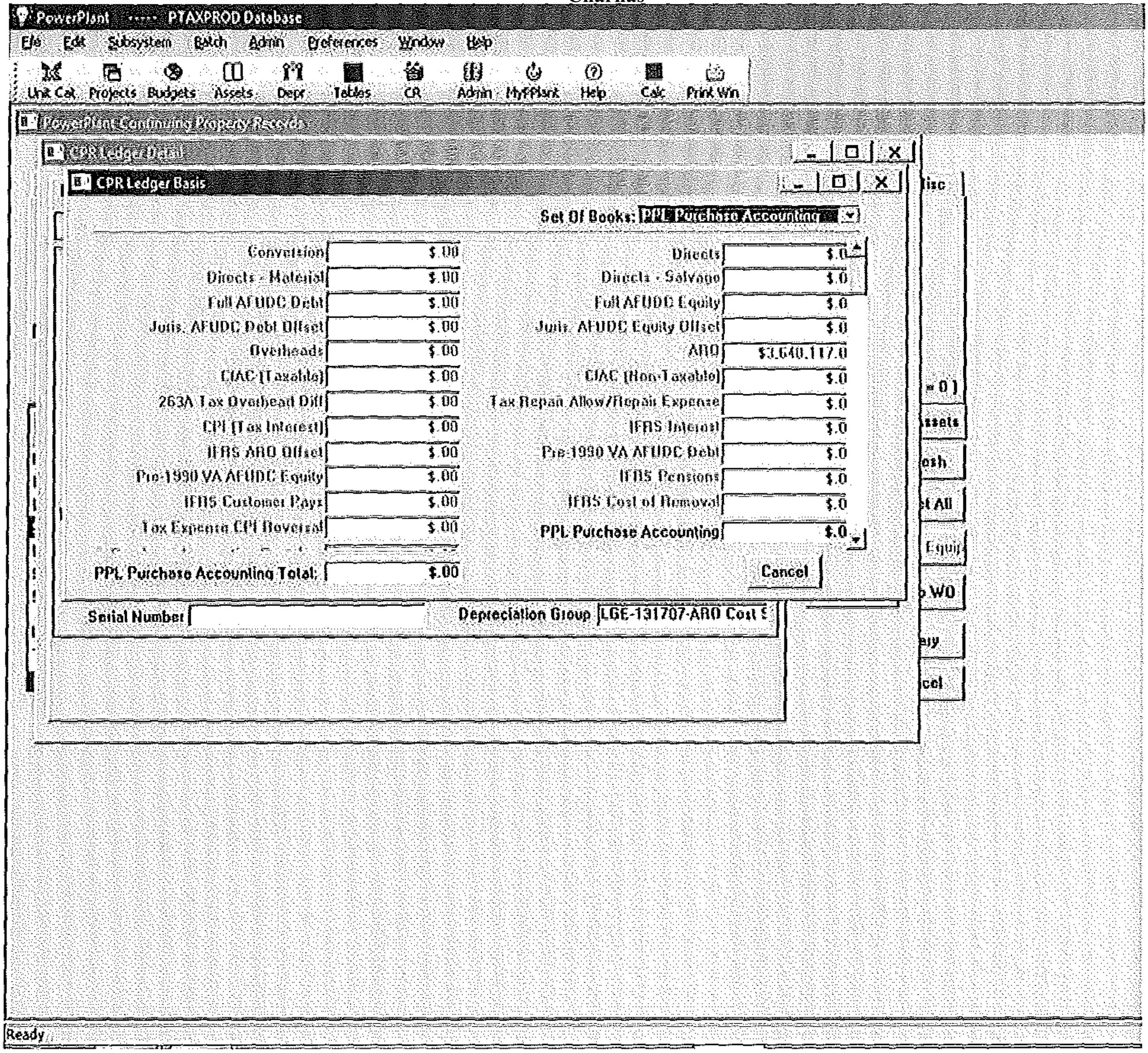
Company: LOUISVILLE GAS & ELECTRIC COMPANY

Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	09/2011	Depreciation Base:	($52,333.97)	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	304	Current Depr Expense:	($172.15)	Depreciation Method:	<none>
Monthly Calc Rate:	0.3289%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($172.15)
Beginning Value:	$0.00	Reserve Adj:	$104,667.93	YTD Expense Adj:	$0.00
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$104,495.78	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

arrow!



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Sent: Tuesday, October 11, 2011 11:26 PM
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Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

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Elizabeth Cowart
PowerPlant Support
770.937.3000
ref:00D6KJDN.5006FE4Ma:ref

Clark, Ed

From: Rieth, Tom
Sent: Monday, November 28, 2011 9:54 AM
To: Crescente, Angela
Subject: FW: Asset Retirement (third quarter)

From: Mayes, Gregory
Sent: Monday, October 03, 2011 3:06 PM
To: Rieth, Tom
Subject: Asset Retirement (third quarter)

Tom,

The legal department needs to update its Asset Retirement Obligations (ARO) Memo for the third quarter. If you could provide answers to the following questions, it would be greatly appreciated:

1. Have there been any major changes to the Compressor stations (specifically the Muldraugh Compressor Station, Doe Run Indiana Compressor Station, Crosier Compressor Station, Doe Run Kentucky Compressor Station, and the Riggs Junction Compressor Station) since July 2011? This may include the following: any major construction, the retirement of any assets, and/or any new acquired assets.
2. Have there been any changes to, or renewals of the current permit(s) (if applicable)?
3. Have there been any changes to the existing leases? Have there been any additional leases signed, in relation to the compressor stations or related property?
4. Have there been any changes in the estimated cost that would be required to retire the assets at the compressor stations? The current estimates I have are as follows:

    Muldraugh Compressor Station: $4.25 million
    Indiana Compressor Sites: $300,000
    Kentucky Compressor Sites: $200,000

I realize that there may not have been any changes since last quarter. You may either reply to this email with answers to questions 1-4, or call me at 627-3321, whichever you find more convenient. Thanks in advance for your help

Greg Mayes, Jr.
Law Clerk
LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202
Phone: (502) 627-3321
Email: Gregory.Mayes@lge-ku.com

Clark, Ed

From: Crescente, Angela
Sent: Monday, November 28, 2011 4:39 PM
To: Lewellen, Kevin
Cc: Ryan, Joe; Rose, Bob; Wiseman, Sara
Subject: Coal Tar Pipeline/Asbestos

Kevin,

Per our conversation, would you be able to provide an estimate as to how many miles/feet we have of coal tar pipeline?

Joe and Bob,

I have already spoken with Kevin and explained to him that we recently had a Gas meeting in regards to Asset Retirement Obligations (AROs). During the meeting, it was mentioned that we do not currently have an estimate set up for the coal tar removal on our pipelines in the event we were to have to remove the pipe and then clean and dispose of the coal tar. Would one of you be able to provide an estimate for the total coal tar cleanup and disposal costs for the number of miles/feet we have of coal tar pipeline that Kevin will be providing? I would only need to know the amount of removal costs for the coal tar cleanup/disposal since this would be the "legally required" portion, not the entire removal costs associated with the removal of the pipe itself. I realize it may cost more to clean 1000 feet versus 100 feet of pipe, but if you could provide an average estimate based on your best judgment from past invoices, etc. that would be great.

We are trying to wrap up this issue before the end of the year so that Senior Management can decide if the estimate is large enough to have an ARO set up for it. It would be greatly appreciated if we could have this information by Monday, December 5 if at all possible.

Thanks so much for your help. Please feel free to contact me if you have any questions at all.

Angela

Clark, Ed

From: Lewellen, Kevin
Sent: Wednesday, November 30, 2011 7:33 AM
To: Crescente, Angela
Subject: RE: Coal Tar Pipeline/Asbestos

Angela, see my numbers below of the amount of coal tar pipe in our system. If you need the number of contiguous segments of coal tar pipe, that will require some coding from our IT group and will probably be a few weeks. They are pretty tied up at this time with yearend projects.

Kevin

1933.17 miles of Distribution
283.76 miles of Transmission

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Angela

Clark, Ed

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 5:54 PM
To: Didelot, Joe; Smith, Timothy (Trimble)
Cc: Wiseman, Sara
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Joe and Tim,

Please see Dave's original email below. He gave me an estimate of $18 per lb of refrigerant, but I did not see anyone respond with an estimate of how many pounds were at Trimble or Mill Creek. He just knew they were less. Who should I contact that would be able to tell me this information or give me a dollar estimate for these two plants?

Thanks,
Angela

From: Smith, Dave
Sent: Wednesday, December 07, 2011 11:44 AM
To: Crescente, Angela; Drake, Michael; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Angela:

Here some answers/comments:

1. The plants would be responsible for paying all costs as part of the fee we would pay the contractor hired to do the work. If the asset is truly being retired, the refrigerant inside the various equipment would be evacuated and disposed/recycled and most likely not have new units installed.
2. Regarding capital or O&M: I had to inquire and was told if this is ARO, it would go against a regulatory liability account that has been set up for that ARO; which is not capital money. Not sure what any of that means – I have exhausted my knowledge and paraphrasing of what I was told.
3. Ghent does not have any transformers with CFC-type refrigerant. The amount I listed previously is the site total for refrigerant containing equipment.
4. I have information for Green River; they have 206 lbs of refrigerant. I believe Dix Dam data would be included in the EW Brown amount I gave (check with EW Brown on that; I have their list given to me which I can forward if needed). I don't have any data (amounts) for Ohio Falls, Pineville, Paddy's, or the rest below. However, I'm confident they would have very minor amounts of refrigerants (if any, they probably have less than 100 lbs for any of those other sites so if you wanted to insert a place holder, you could list $2K with some reasonable assurance – just a thought).

Dave
David A. Smith
Power Production Environmental Supervisor
Ghent Generating Station
(502) 347-4145
dave.smith@lge-ku.com

From: Crescente, Angela
Sent: Wednesday, December 07, 2011 10:39 AM
To: Drake, Michael; Smith, Dave; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

All:

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From: Drake, Michael
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To: Wiseman, Sara; Winkler, Michael
Cc: Smith, Dave; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Subject: RE: ARO information for Ghent Freon/CFC Equipment

From: Smith, Dave
Sent: Wednesday, November 30, 2011 2:55 PM

To: Drake, Michael
Subject: ARO information for Ghent Freon/CFC Equipment

Mike:

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Clark, Ed

From: Sumner, Brian
Sent: Wednesday, December 14, 2011 5:00 PM
To: Crescente, Angela
Cc: Wiseman, Sara; Smith, Dave
Subject: RE: ARO information for Ghent Freon/CFC Equipment

The two transformers containing Freon are at Brown. Given the size of the transformers, I doubt that it is accounted for in the 300 lbs. I will need to look at the list that EA has for Brown and assess the amount of Freon in the two transformers. With regards to Dix, there is only one small water source heat pump. Again I will need to review EA's list. Hopefully can wrap up by Friday. -Brian

---

From: Crescente, Angela
Sent: Wednesday, December 14, 2011 4:55 PM
To: Sumner, Brian
Cc: Wiseman, Sara; Smith, Dave
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Brian,

Please see Dave's email below. I got confused and stated that Ghent had 2 transformers with Freon, but looking back I think it must have been Brown. Is this correct? If so, does the Ghent estimate we have below (in the first email approximately 300 lbs) sound like it includes those. Also, Dave said I should double check with you to see if the Dix Dam data is included in the number for Brown as well. Please advise.

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Clark, Ed

From: Puckett, Paul
Sent: Saturday, December 10, 2011 9:24 PM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: Re: ARO

Angela,
I don't have nearly as good data for bushings, but my recollection is that about 30 percent of bushings are PCB regulated.
I think Robby's 50 percent assumption might be a bit conservative, but for ARO purposes, it will be fine. I'll check the database when I get back to my computer to make certain the estimate is not way off.
Sent from my iPhone

On Dec 9, 2011, at 5:02 PM, "Crescente, Angela" <Angela.Crescente@lge-ku.com> wrote:

Hey Paul,

We received some final numbers from Robby in regards to bushings:

Here's our final numbers (using 1979 as the PCB date and assuming 50% will be PCB)

- 3,774 breaker bushings prior to 1979 in service -- $1,000 to retire if PCB. 50% PCB rate = $1,887k
- 438 transformer bushings prior to 1979 in service -- $1,000 to retire if PCB. 50% PCB rate = $219k
- 981 PT bushings prior to 1979 in service -- $500 to retire if PCB. 50% PCB rate = $245k

I was just wondering if you had a chance to look over whether or not the oil filled equipment percentages you provided Beth would qualify for bushings or only the line transformers. Or, should we used the 50% that Robby is suggesting? Please advise.

As always, thanks so much for your help ,
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From: Crescente, Angela
Sent: Tuesday, December 06, 2011 2:48 PM
To: Puckett, Paul
Cc: Wiseman, Sara
Subject: FW: ARO

Paul,

Would the information you provided Beth also cover breaker and transformer bushings in regards to the percentage of PCB contaminated equipment or should that only be used for line transformers?

Thanks,
Angela

From: Trimble, Robert
Sent: Friday, December 02, 2011 10:26 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: ARO

Angela,
Breaker Bushings

- We have 3,774 bushings in service manufactured prior to 1979 – these cost $1,000 to dispose of ($3.7 million) they won't all be PCB but I think we need to assume they are.

I'll have transformer bushing information middle of next week

Robby Trimble | Manager Transmission Line Services | 859-367-5709 Office | 859-576-0045 Mobile | 189*60*11756 Nextel DC | 502-217-2100 Fax

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Cc: Smith, Dave
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Angela

Dave is going to give you the totals for Green River as well. If you need something else please let us know.

Danny Faulkner
Manager-Maintenance
Kentucky Utilities Company
Green River Generating Station
811 Power Plant Dr.
Central City, KY 42330
270-757-3155 office
270-993-1548 cell
502-217-2426 fax
danny.faulkner@lge-ku.com

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So, Ghent has 2000 lbs of CFC's in about 100 pieces of equipment; this is more than any other site. You could say this disposal cost works out to about $18/lb of refrigerant.

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Please let me know if you need anything else.

Dave
David A. Smith
Power Production Environmental Supervisor
Ghent Generating Station
(502) 347-4145
dave.smith@lge-ku.com

Clark, Ed

From: Crescente, Angela
Sent: Wednesday, December 07, 2011 10:39 AM
To: Drake, Michael; Smith, Dave; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

All:

By the way, I don't know if this helps or not, but we talked to Karan Kapp in regards to Freon/HVAC at the office facilities and we will not be setting up AROs for them. The reason is due to the fact that the removal of the old unit is part of the cost of installing the new unit (not separable) and the contractor is responsible for the environmental disposal. Would that be the case in any of this equipment, or are we responsible for the disposal? Just trying to help.

Thanks,
Angela

From: Crescente, Angela
Sent: Wednesday, December 07, 2011 9:22 AM
To: Drake, Michael; Smith, Dave; Winkler, Michael; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Cc: Wiseman, Sara; Rose, Bruce
Subject: RE: ARO information for Ghent Freon/CFC Equipment

Thanks for the response. In order to get this issue finalized and wrapped up, I need just a little more information.

Could someone tell me if this type of work would normally be done under capital or O&M? If capital, could someone provide me with more specific pound estimates for Mill Creek and Trimble County? Also, does Green River, Paddy's Run, Zorn, Dix Dam, Ohio Falls, Pineville, and Haefling have any of this type of equipment? I also have in my notes that there are 2 large transformers (I think at Ghent) that have Freon in them, so were they included in the estimate below?

If the work is indeed done under capital, it would be greatly appreciated if someone could please provide the estimates needed above to me by Friday, December 7th. If the other locations I mentioned do not have this equipment, please let me know that as well.

Thanks so much for your help,
Angela

From: Drake, Michael
Sent: Wednesday, November 30, 2011 4:03 PM
To: Wiseman, Sara; Winkler, Michael
Cc: Smith, Dave; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Subject: RE: ARO information for Ghent Freon/CFC Equipment

From: Smith, Dave
Sent: Wednesday, November 30, 2011 2:55 PM
To: Drake, Michael
Subject: ARO information for Ghent Freon/CFC Equipment

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dave.smith@lge-ku.com

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Cc: Smith, Dave; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Subject: RE: ARO information for Ghent Freon/CFC Equipment

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Sent: Wednesday, November 30, 2011 2:55 PM
To: Drake, Michael
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Ghent Generating Station
(502) 347-4145
dave.smith@lge-ku.com

Clark, Ed

From: Crescente, Angela
Sent: Tuesday, December 06, 2011 2:48 PM
To: Puckett, Paul
Cc: Wiseman, Sara
Subject: FW: ARO

Paul,

Would the information you provided Beth also cover breaker and transformer bushings in regards to the percentage of PCB contaminated equipment or should that only be used for line transformers?

Thanks,
Angela

From: Trimble, Robert
Sent: Friday, December 02, 2011 10:26 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: ARO

Angela,
Breaker Bushings

- We have 3,774 bushings in service manufactured prior to 1979 – these cost $1,000 to dispose of ($3.7 million) they won't all be PCB but I think we need to assume they are.

I'll have transformer bushing information middle of next week

Robby Trimble | Manager Transmission Line Services | 859-367-5709 Office | 859-576-0045 Mobile | 189*60*11756 Nextel DC | 502-217-2100 Fax

Clark, Ed

From: Rieth, Tom
Sent: Tuesday, December 06, 2011 2:39 PM
To: Crescente, Angela
Subject: Miscellaneous ARO's at Compressor Stations

Angela,

Per our conversation yesterday I believe that any miscellaneous ARO requirements at the compressor stations can be included in the existing estimate for the gas transmission lines. I had conversations with John Skaggs (Mng, Gas Storage Magnolia) and Paul Puckett (Environmental Affairs) and our thoughts are there would be likely less than $200k per station in miscellaneous ARO requirements beyond the gas lines in the station (covered by existing gas transmission ARO estimate) and some asbestos (my understanding there is also money currently for this). The majority of the additional ARO would be for cleaning vessels prior to retirement and disposing of the material. Based on this I do not think there needs to be any additional money for other ARO's at the compressor stations.

Thanks,

Tom Rieth
Muldraugh Gas Storage
Office telephone - (502) 364-8575
Cell Phone - (502) 471-0289
Fax - (502) 364-8566

Clark, Ed

From: Wiseman, Sara
Sent: Tuesday, December 06, 2011 10:42 AM
To: Crescente, Angela
Subject: FW: ARO information for Ghent Freon/CFC Equipment

From: Drake, Michael
Sent: Wednesday, November 30, 2011 4:03 PM
To: Wiseman, Sara; Winkler, Michael
Cc: Smith, Dave; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Subject: RE: ARO information for Ghent Freon/CFC Equipment

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Please let me know if you need anything else.

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Ghent Generating Station
(502) 347-4145
dave.smith@lge-ku.com

Clark, Ed

From: Wiseman, Sara
Sent: Tuesday, December 06, 2011 10:29 AM
To: Trimble, Robert
Cc: Crescente, Angela
Subject: RE: ARO

Robby: Are you on track to have this info for us tomorrow (Wednesday)?

From: Trimble, Robert
Sent: Friday, December 02, 2011 10:26 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: ARO

Angela,
Breaker Bushings

- We have 3,774 bushings in service manufactured prior to 1979 – these cost $1,000 to dispose of ($3.7 million) they won't all be PCB but I think we need to assume they are.

I'll have transformer bushing information middle of next week

Robby Trimble | Manager Transmission Line Services | 859-367-5709 Office | 859-576-0045 Mobile | 189*60*11756 Nextel DC | 502-217-2100 Fax

Clark, Ed

From:	Beyerle, Jude
Sent:	Monday, December 05, 2011 9:37 AM
To:	McFarland, Beth; Crescente, Angela; Wiseman, Sara
Subject:	ARO - Distribution Substations
Importance:	High

Based on our recent meetings, the ARO for Distribution Substations is updated as follows:

Electric
Distribution Reti...

Jude Beyerle PE

Group Leader - Substation Engineering - Distribution
502 364 8642 (office)
502 648 9859 (cell)
jude.beyerle@lge-ku.com

ELECTRIC DISTRIBUTION RETIREMENT UNITS

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:	
LAND & LAND RIGHTS	136010	RIGHTS OF WAY	No environmental or contractual obligations for removal.	
LAND & LAND RIGHTS	136020	LAND	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ACCESS ROAD	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	AIR CONDITIONER	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ANNUNCIATOR SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	BERMS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	BUILDING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	BUILDINGS & STRUCTURES	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	BUSHING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CABINETS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CABINETS - STATION	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CEILING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CHARGER, BATTERY	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CONTROL BLDG, EXCL. FOUNDATION	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CONTROL BUILDING - POWER PANEL	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CULVERT	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	CURBS & WALLS - RETAINING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	DOORS - EXTERIOR	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	DRAINAGE - YARD & BUILDING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	DRAINAGE INFRASTRUCTURE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ENTRANCE ROADS & DRIVES	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	EXCAVATION & BACKFILL	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FENCE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FENCES AND ENCLOSURES	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FILL & GRADE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FIRE EXTINGUISHERS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FLOOR PLATE, STEEL	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FLOOR, CONCRETE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	FLOOR, COVERING	Yes environmental or contractual obligations for removal.	if asbestos
SUBSTATIONS-STRUCTURES	136100	FUSE CABINET	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	GATE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	HEATER	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	HEATING, COOLING, VENTILATING LOT	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	HOIST - STATIONARY EACH	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	HVAC	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	HYDRANT - FIRE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	INDICATORS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	INITIAL SITE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	INSULATION - BUILDING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	INTERCOMMUNICATION SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	LAMP, INDICATING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	LANDSCAPING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	LIGHTING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	LIGHTING FIXTURES	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	LIGHTING SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	MAIN BUILDING ELEVATOR	Yes environmental or contractual obligations for removal.	if asbestos brakes/clutch
SUBSTATIONS-STRUCTURES	136100	MANHOLES	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PANELBOARDS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PANELS - CONTROLS & INSTRUMENTS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PARKING LOT SUBSURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PARKING LOT SURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PARTITIONS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PAVEMENT	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PAVING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PIPE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PITS - UNDERGROUND	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PLATFORM	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PLUMBING	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	POTHEADS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	PUMP	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	RACK, BATTERY	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	RELAYS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	RESISTORS, GROUNDING EACH	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	RETAINING WALL	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ROAD OR DRIVEWAY SUBSURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ROAD OR DRIVEWAY SURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ROADWAYS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ROCK SURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	ROOF	Yes environmental or contractual obligations for removal.	if asbestos
SUBSTATIONS-STRUCTURES	136100	SAFETY SWITCH	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	SANITARY SEWERS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	SENSING DEVICES	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	SEWAGE SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	SHELVES & BINS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	SIGNS	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	SITE PREPARATION	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	STORAGE CABINET	No environmental or contractual obligations for removal.	
SUBSTATIONS-STRUCTURES	136100	STORAGE SHED	No environmental or contractual obligations for removal.	

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:
SUBSTATIONS-STRUCTURES	136100	STRUCTURAL STEEL	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	STRUCTURES	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	SUBSTRUCTURE	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	SUMP PUMP	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	SWITCHES - CONTROL CIRCUITS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	SWITCHES (EACH) (07632)	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	TOWERS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	TRANSFORMER	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	TRANSMITTERS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	TUBING & FITTINGS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	TUNNEL	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	VENTILATING FAN & HOOD	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	VENTILATION SYSTEM	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	WALKWAYS & SIDEWALKS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	WALLS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	WINDOWS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	WIREWAY & CABLETROUGH	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	WIRING - BUILDING	Yes environmental or contractual obligations for removal. if asbestos
SUBSTATIONS-STRUCTURES	136100	YARD DRAINAGE SYSTEM	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	YARD GRADING & SURFACING	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	YARD IMPROVEMENTS	No environmental or contractual obligations for removal.
SUBSTATIONS-STRUCTURES	136100	YARD LIGHTING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	#12 CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1 1/2" CONDUIT IN CONCRETE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1 1/2" PIPE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1 CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1000 MCM CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	101 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	12 FIBER OPTIC CABLE, FOCAS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	12 FIBER OPTIC CABLE, OPGW	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	123,270 ACAR WIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1272 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1500 MCM UGAL CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	1590 ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	19/C CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	195,700 ACAR WIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	2 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	2/0 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	20 M.A.W. MESSENGER WIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	200 MCM 1/C 500/600V CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	2000 MCM 1/C 1000V CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	2000 MCM 1/C 500/600V CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	2156 ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	22 FIBER OPTIC CABLE, OPWG	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	24 FIBER OPTIC CABLE, FOCAS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	24 FIBER OPTIC CABLE, OPGW	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	250 MCM COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	266 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	3 TRIAD	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	3 UNIT METAL CLAD SWITCHGEAR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	3/0 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	300 MCM COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	336,400 19 STR. ALL ALUMINUM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	350 MCM COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	378 MCM ACSR BARE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	392,500 24/13 ACAR WIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	397 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	4 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	4/0 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	477 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	48 FIBER OPTIC CABLE, OPGW	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	4A COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	500 MCM COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	520 MCM CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	556 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	6 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	600 MCM CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	636 MCM ALUMINUM CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	650 MCM COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	6A COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	7/C CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	750 MCM COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	795 MCM ALUMINUM CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	8 COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	80 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	840,200 24/13 ACAR WIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	8A COPPER CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	9/C CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	954 MCM ACSR CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	987 UG CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	AC POWER SUPPLY	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	ACCESS ROAD	No environmental or contractual obligations for removal.

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:	
SUBSTATIONS--EQUIPMENT	136200	AIR CONDITIONER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM TUBING, 1"	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM TUBING, 2"	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM TUBING, 3"	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM TUBING, 4"	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM TUBING, 5"	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ALUMINUM TUBING, 6"	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ANNUNCIATOR SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ANTENNA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ANTENNA/DISHES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ARRESTERS - DISTRIBUTION	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ARRESTERS - NEW	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BASE STATIONS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BATTERY EQUIPMENT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BERMS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BUILDING	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BUILDINGS & STRUCTURES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BUS EQUIPMENT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BUSHING	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	BUSS SUPPORTS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CABINETS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CABINETS - STATION	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CABLE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CABLE TRENCHES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CAPACITORS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CARRIER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CC VOLTAGE TRANSFORMER - 138KV	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CC VOLTAGE TRANSFORMER - 161KV	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CC VOLTAGE TRANSFORMER - 345KV	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CC VOLTAGE TRANSFORMER - 550KV	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CEILING	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CHARGER, BATTERY	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CIRCUIT BREAKER - 15000V 400A IOL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CIRCUIT BREAKERS	Yes environmental or contractual obligations for removal.	if asbestos arc chutes
SUBSTATIONS--EQUIPMENT	136200	COAX CABLE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CONDUCTOR	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CONDUIT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CONTROL BLDG, EXCL. FOUNDATION	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CONTROL BUILDING - POWER PANEL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CROSS ARMS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CULVERT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	CURBS & WALLS - RETAINING	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DC - DC CONVERTER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DIGITAL SWITCHING EQUIPMENT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DISPATCH COMPUTER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DISTRIBUTION SUBSTATION	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DOORS - EXTERIOR	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DRAINAGE - YARD & BUILDING	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DRAINAGE INFRASTRUCTURE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	DUCTS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ENERGY MANAGEMENT SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ENTRANCE ROADS & DRIVES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	EXCAVATION & BACKFILL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FAULT RECORDER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FENCE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FENCES AND ENCLOSURES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER DUCT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC CABLE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC CABLE SPLICER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC CHANNEL BANK	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC MULTICHANEL RACK	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC RECEIVER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC TRANSCEIVER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIBER OPTIC TRANSMITTER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FILL & GRADE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FIRE EXTINGUISHERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FISHER PIERCE CURRENT CONTROL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FISHER PIERCE CURRENT SENSOR	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FLOOR PLATE, STEEL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FLOOR, CONCRETE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	FLOOR, COVERING	Yes environmental or contractual obligations for removal.	if asbestos
SUBSTATIONS--EQUIPMENT	136200	FUSE CABINET	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GATE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GENERATION METER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GENERATOR	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GROUND	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GROUND RODS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GROUNDING SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	GUY	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	H-BEAM STEEL GUY	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	HEATER	No environmental or contractual obligations for removal.	

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:
SUBSTATIONS--EQUIPMENT	136200	HEATING, COOLING, VENTILATING LOT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	HIGH VOLTAGE FUSE ASSEMBLY	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	HOIST - STATIONARY EACH	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	HVAC	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	HYDRANT - FIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INDICATOR - 1 PH FAULT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INDICATOR 3 PH FAULT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INDICATORS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INITIAL SITE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INSTRUMENT TRANSFOMER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INSULATING PLATES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INSULATION - BUILDING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INSULATORS - SUBSTATION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INTERCHANGE METER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	INTERCOMMUNICATION SYSTEM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	JUMPER STRUT ASSEMBLY	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	KNEE BRACES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LAMP, INDICATING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LANDSCAPING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LIGHT WAVE TERMINALS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LIGHTING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LIGHTING FIXTURES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LIGHTING SYSTEM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LINE TRANSFORMER INSTALLS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LINE TRAP	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LINE TUNER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	LTC - LOAD TAP CHANGING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MAIN BUILDING ELEVATOR	Yes environmental or contractual obligations for removal. if asbestos brake/clutch
SUBSTATIONS--EQUIPMENT	136200	MANHOLES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MARKERS, AERIAL WIRE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	METERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MISCELLANEOUS EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MODEMS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MOTOR OPERATOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MULTIPLEX EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	MULTIPLEXER/CHANNEL BANKS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	NETWORK TRANSF. CONVERSION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	NOISE ABATEMENT-ACTIVE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	NOISE ABATEMENT-PASSIVE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	OVERHEAD SWITCH	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PAD / MAT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PANEL EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PANELBOARDS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PANELS - CONTROLS & INSTRUMENTS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PARKING LOT SUBSURFACE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PARKING LOT SURFACE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PARTITIONS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PAVEMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PAVING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PIERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PIPE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PITS - UNDERGROUND	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PLATFORM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PLATFORMS NEW (05491)	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PLUMBING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 100 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 105 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 110 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 20 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 25 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 30 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 35 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 40 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 45 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 50 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 55 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 60 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 65 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 70 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 75 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 80 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 85 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 90 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD 95 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POLE WOOD UNDER 20 FT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PORTABLE SUBSTATION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POTHEADS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POWER CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	POWER CONVERTER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PROTECTOR, NETWORK	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	PUMP	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	RACK, BATTERY	No environmental or contractual obligations for removal.

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:	
SUBSTATIONS--EQUIPMENT	136200	REACTORS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RECEIVERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RECLOSER, MISCELLANEOUS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	REGULATORS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RELAYS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	REMOTE TERMINAL UNIT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RESISTORS, GROUNDING EACH	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RETAINING WALL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RF RECEIVERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RF TRANSCEIVERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RF TRANSMITTERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	RHEOSTATS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ROAD OR DRIVEWAY SUBSURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ROAD OR DRIVEWAY SURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ROADWAYS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ROCK SURFACE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	ROOF	Yes environmental or contractual obligations for removal.	if asbestos
SUBSTATIONS--EQUIPMENT	136200	SAFETY SWITCH	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SANITARY SEWERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SCADA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SENSING DEVICES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SEWAGE SYSTEM	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SHELVES & BINS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SIGNS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SITE PREPARATION	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SKY WIRE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	STATION POWER TRANSFORMER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	STORAGE CABINET	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	STORAGE SHED	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	STRUCTURAL STEEL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	STRUCTURES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUBGRADE SPLICE BOXES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUBSTATION MONITORING AND CONTRO	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUBSTRUCTURE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUMP PUMP	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUPERVISORY CABLE	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUPERVISORY CABLE NEW	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SUPERVISORY CONTROL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCH - 0-6 AMP LINCOLNTROL	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHES - CONTROL CIRCUITS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHES - CUTOUT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHES - CUTOUT NEW	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHES - DISCONNECT NEW	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHES - MISC. NEW	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHES (EACH) (07632)	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHGEAR	Yes environmental or contractual obligations for removal.	if asbestos arc chutes
SUBSTATIONS--EQUIPMENT	136200	SWITCHGEAR - 138KV S&C, 5BAY	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	SWITCHING EQUIPMENT	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TERMINAL ASSEMBLIES	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TERMINATOR CABINETS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TOWERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSCEIVERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSDUCER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMER - INSTALLATION COST	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMER - POWER	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMER - STEP DOWN	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - GROUNDING	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - .6 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 1 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 1.5 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 10 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 100 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 1250 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 15 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 150 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 167 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 2.5 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 25 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 250 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 3 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 333 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 37.5 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 5 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 50 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 500 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 667 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 7.5 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 75 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - OH 1P - 833 KVA	No environmental or contractual obligations for removal.	
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 10 KVA	No environmental or contractual obligations for removal.	

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 100 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 15 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 150 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 167 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 225 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 25 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 250 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 333 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 37.5 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 50 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 500 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 1P - 75 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 1000 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 112 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 112.5 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 1250 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 150 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 1500 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 2000 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 225 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 250 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 2500 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 300 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 3000 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 333 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 45 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 500 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 5000 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 75 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 750 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - PM 3P - 833 KVA	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSFORMERS - POWER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSMISSION SUBSTATION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRANSMITTERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TRENCH	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TUBING & FITTINGS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	TUNNEL	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	UNINTERRUPTIBLE POWER SUPPLY	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	VACUUM INTERRUPTER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	VAULT LOCATIONS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	VENTILATING FAN & HOOD	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	VENTILATION SYSTEM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	VOLTAGE CONTROL	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WALKWAYS & SIDEWALKS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WALLS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WAVE GUIDES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WILDLIFE PROTECTION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WINDOWS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WIREWAY & CABLETROUGH	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	WIRING - BUILDING	Yes environmental or contractual obligations for removal. if asbestos
SUBSTATIONS--EQUIPMENT	136200	X BRACES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	YARD DRAINAGE SYSTEM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	YARD GRADING & SURFACING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	YARD IMPROVEMENTS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	YARD LIGHTING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136200	Z FRAME SET	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	3 TRIAD	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	AC POWER SUPPLY	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM TUBING, 1"	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM TUBING, 2"	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM TUBING, 3"	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM TUBING, 4"	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM TUBING, 5"	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ALUMINUM TUBING, 6"	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ANTENNA/DISHES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	ARRESTERS - NEW	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	BATTERY EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	BUS EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CABLE TRENCHES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CC VOLTAGE TRANSFORMER - 138KV	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CC VOLTAGE TRANSFORMER - 161KV	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CC VOLTAGE TRANSFORMER - 345KV	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CC VOLTAGE TRANSFORMER - 550KV	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	COAX CABLE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	CONDUCTOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	DC - DC CONVERTER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	DIGITAL SWITCHING EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	DISPATCH COMPUTER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	DISTRIBUTION SUBSTATION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	DUCTS	No environmental or contractual obligations for removal.

FERC DESCRIPTION	ACCOUNT	RETIREMENT UNIT DESCRIPTION	ARO REVIEW:
SUBSTATIONS--EQUIPMENT	136205	FAULT RECORDER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	GENERATION METER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	GENERATOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	GROUND RODS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	HIGH VOLTAGE FUSE ASSEMBLY	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	INSTRUMENT TRANSFOMER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	INSULATING PLATES	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	INTERCHANGE METER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	LIGHT WAVE TERMINALS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	LINE TRAP	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	LINE TUNER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	LTC - LOAD TAP CHANGING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	METERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	MODEMS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	MOTOR OPERATOR	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	MULTIPLEXER/CHANNEL BANKS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	NOISE ABATEMENT-ACTIVE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	NOISE ABATEMENT-PASSIVE	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	PANEL EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	REACTORS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	RECLOSER, MISCELLANEOUS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	RF RECEIVERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	RF TRANSCEIVERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	RF TRANSMITTERS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	RHEOSTATS	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	STATION POWER TRANSFORMER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	SUBSTATION MONITORING AND CONTRO	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	SUPERVISORY CONTROL	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	SWITCHING EQUIPMENT	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRANSDUCER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRANSFORMER - INSTALLATION COST	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRANSFORMER - POWER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRANSFORMERS - GROUNDING	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRANSFORMERS - POWER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRANSMISSION SUBSTATION	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	TRENCH	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	VACUUM INTERRUPTER	No environmental or contractual obligations for removal.
SUBSTATIONS--EQUIPMENT	136205	WILDLIFE PROTECTION	No environmental or contractual obligations for removal.

Clark, Ed

From: Trimble, Robert
Sent: Friday, December 02, 2011 10:26 AM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: ARO

Angela,
Breaker Bushings

- We have 3,774 bushings in service manufactured prior to 1979 – these cost $1,000 to dispose of ($3.7 million) they won't all be PCB but I think we need to assume they are.

I'll have transformer bushing information middle of next week

Robby Trimble | Manager Transmission Line Services | 859-367-5709 Office | 859-576-0045 Mobile | 189*60*11756 Nextel DC | 502-217-2100 Fax

Clark, Ed

From: Wiseman, Sara
Sent: Wednesday, November 30, 2011 12:21 PM
To: Scott, Valerie
Subject: FW: ARO Gas Training.pptx

Here is the email.

From: Crescente, Angela
Sent: Friday, November 11, 2011 3:46 PM
To: Wiseman, Sara
Subject: FW: ARO Gas Training.pptx

I sent these to Rich per his update testing requests for the EAM along with this morning's meeting notice.

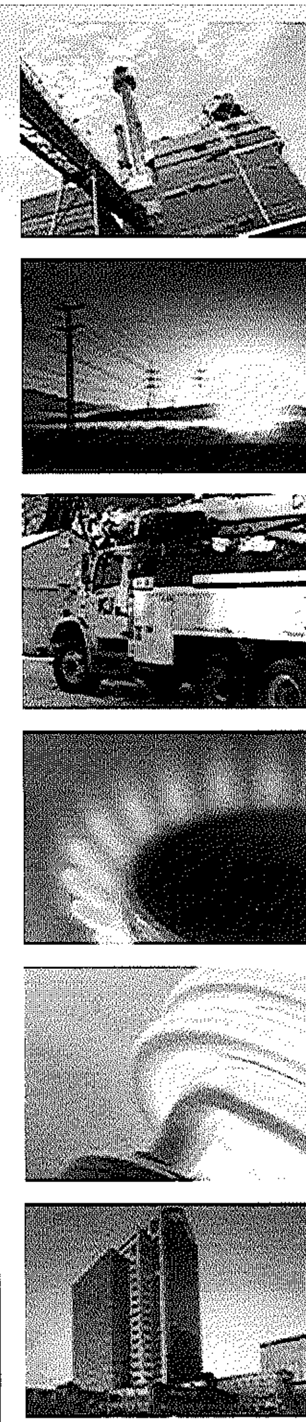
From: Crescente, Angela
Sent: Friday, November 11, 2011 3:45 PM
To: Dowdell, Richard
Subject: ARO Gas Training.pptx

ARO Gas
Training.pptx

PPL companies

ARO Gas Training and Discussion

November 11, 2011



Asset Retirement Obligations (AROs)

- Asset Retirement Obligations are accruals of asset obligation liabilities for **legally** required removal costs.

- Assume that eventually every asset will deteriorate and be torn down or physically removed.

LG&E KU
PPL companies

Asset Retirement Obligations (AROs)

- Important to financial reporting.
- ARO Quarterly Questionnaire.
- Identifying and quantifying potential AROs.
- AROs must be reviewed to determine the need for revaluation.

LG&E KU
PPL companies

Current LGE Gas AROs

- Asbestos
- Gas Wells (Permanent Plugging)
- Gas Mains (Permanent Cut, Cap and Purge)

PPL companies

Questions?

PPL companies

Clark, Ed

From: Sumner, Brian
Sent: Tuesday, November 29, 2011 4:54 PM
To: Wiseman, Sara; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: RE: Deepwell ARO

Sara,

At Brown there is one well that is an actual water well on an adjacent property that we recently acquired. There are 25 test borings that were drilled to access leakage around Dix Dam. The test wells are capped with PVC, but would likely require permanent capping upon retirement of the facility. So for Brown there are 26 deep wells. Joe's estimate of $7,000 per well is an adequate estimate for the wells at Brown. -Brian

---

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:23 PM
To: Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: FW: Deepwell ARO

Brian and Steve:

Joe has provided us with an estimate on deepwells below. Joe has stated that they are included in the ARO for the landfill. We have in our notes that you also have deepwells at your plants. Would you provide us with the number of wells at your plants? Joe has suggested $7,000 per well—if you have a different dollar estimate would you please send that as well? Also, would you agree that the wells are associated with landfill/ashponds? We would appreciate this information by Wednesday, November 30. Sorry for the quick turnaround, but we are under tight timelines to finish this project up.

Thanks,
Sara

From: Didelot, Joe
Sent: Wednesday, November 23, 2011 10:54 AM
To: Wiseman, Sara
Cc: Pence, Mark
Subject: Deepwell ARO

Sara,

We have about 19 monitoring and production wells at Mill Creek. We just closed one out for around $7000. We plan on closing out several others this year that are no longer in use. They have been written as ARO against the landfill project to date.

After this year, we will have around 12 wells remaining. (12 x 7k = $84k).

Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Wiseman, Sara
Sent: Tuesday, November 29, 2011 4:21 PM
To: Crescente, Angela
Subject: FW: ARO Info for wells

From: Drake, Michael
Sent: Tuesday, November 29, 2011 4:12 PM
To: Wiseman, Sara
Cc: Smith, Dave; Joyce, Jeff; Didelot, Joe; Faulkner, Danny; Henry, Jim; Legler, Steve; Smith, Timothy; Sumner, Brian
Subject: FW: ARO Info for wells

Sara:

Below are Dave Smith's comments regarding the wells at Ghent.

Best Regards,

Michael Drake

Maintenance Manager
KU Ghent Generating Station
michael.drake@lge-ku.com
office 502-347-4002
mobile 502-939-5851
Friends of Coal

From: Smith, Dave
Sent: Tuesday, November 29, 2011 3:33 PM
To: Drake, Michael
Subject: ARO Info for wells

Mike:

I came up with a total (estimate) of $95,000 for closing the wells at Ghent. I got an actual cost for closing one well at Mill Creek and applied some assumptions for the wells we have here.

Not sure how Ghent compares to the other facilities as far as the number of wells or even the types of wells. No doubt, closing a production well would cost more than closing an observation well or a piezometer. I would think, just due to Ghent's size we would have more wells (of all types) than other/most facilities so maybe this is a worse-case scenario for the plants.

Now for the disclaimer: I would say the cost might range slightly less than this value, but if it actually cost $130,000, it wouldn't surprise me.

I will let you forward to Sara and whoever else needs this.

I hope to hear from one of our contractors by tomorrow on the CFC info.

Dave

Clark, Ed

From: Trimble, Robert
Sent: Tuesday, November 29, 2011 9:14 AM
To: Crescente, Angela
Cc: Birchell, Brent; Wiseman, Sara
Subject: RE: Follow up from ARO meeting

Angela, here's what I've got:

Bushings – ~5,800 in service (this includes breakers and transformers) – We need to talk to Mike Winkler's group to see what it costs to dispose of these if they are PCB and Non-PCB.
Breakers/Transformers – when these are retired we actually end up with a credit. Someone will pay us for the steel carcass and for the oil

Can we set up a call for tomorrow at 11:00 am?

I'm going to need help with the Freon question – do we need to ask facilities?

Robby Trimble | Manager Transmission Line Services | 859-367-5709 Office | 859-576-0045 Mobile | 189*60*11756 Nextel DC | 502-217-2100 Fax

---

From: Crescente, Angela
Sent: Monday, November 28, 2011 3:14 PM
To: Trimble, Robert
Cc: Birchell, Brent; Wiseman, Sara
Subject: Follow up from ARO meeting

Robby,

From our meeting, I have in my notes that you were going to follow up and try to quantify the removal activities (legal obligations) associated with the amount of PCB oil in bushings, capacitors, and regulators. Also, estimates were needed for SF6 gas, and Freon (HVAC). We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,
Angela

Clark, Ed

From: Didelot, Joe
Sent: Tuesday, November 29, 2011 6:00 AM
To: Pence, Mark; Wiseman, Sara
Cc: Crescente, Angela; Ballinger, Kayla; Cosby, David
Subject: RE: Deepwell ARO

Sara,

Several of these wells are production wells used to pump water from the ground and then treat it to become boiler water. They are not part of the landfill.

Joe

From: Pence, Mark
Sent: Monday, November 28, 2011 2:34 PM
To: Wiseman, Sara; Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Crescente, Angela; Ballinger, Kayla; Cosby, David
Subject: RE: Deepwell ARO

FYI, Kayla Ballinger has notified me that we will be closing out another nine of these 12 wells at MC this year, in addition to the one that we just closed out, if she can agree to terms with Stantec in a timely manner.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:23 PM
To: Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: FW: Deepwell ARO

Brian and Steve:

Joe has provided us with an estimate on deepwells below. Joe has stated that they are included in the ARO for the landfill. We have in our notes that you also have deepwells at your plants. Would you provide us with the number of wells at your plants? Joe has suggested $7,000 per well—if you have a different dollar estimate would you please send that as well? Also, would you agree that the wells are associated with landfill/ashponds? We would appreciate this information by Wednesday, November 30. Sorry for the quick turnaround, but we are under tight timelines to finish this project up.

Thanks,
Sara

From: Didelot, Joe

Sent: Wednesday, November 23, 2011 10:54 AM
To: Wiseman, Sara
Cc: Pence, Mark
Subject: Deepwell ARO

Sara,

We have about 19 monitoring and production wells at Mill Creek. We just closed one out for around $7000. We plan on closing out several others this year that are no longer in use. They have been written as ARO against the landfill project to date.

After this year, we will have around 12 wells remaining. (12 x 7k = $84k).

Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Smith, Dave
Sent: Monday, November 28, 2011 3:28 PM
To: Drake, Michael; Wiseman, Sara; Sumner, Brian
Cc: Crescente, Angela
Subject: RE: Follow up from ARO meeting~halon, freon and CFC

Sara, Mike, Brian:

I have a group working on the information requested for CFC's (as well as the information on monitoring wells). I am waiting on responses; hopefully, I will get them by Wednesday.

If you have any questions, please ask.

Dave
David A. Smith
Power Production Environmental Supervisor
Ghent Generating Station
(502) 347-4145
dave.smith@lge-ku.com

From: Drake, Michael
Sent: Monday, November 28, 2011 2:51 PM
To: Wiseman, Sara; Sumner, Brian
Cc: Crescente, Angela; Smith, Dave
Subject: RE: Follow up from ARO meeting~halon, freon and CFC

Sara: I talked to Dave Smith last week and he was going to contact EA (Mike Winkler) to discuss Freon/CFC's in the fleet. I have copied him on this e-mail.

Best Regards,

Michael Drake
Maintenance Manager
<< OLE Object: Picture (Device Independent Bitmap) >> **Ghent Generating Station**
michael.drake@lge-ku.com
office 502-347-4002
mobile 502-939-5851
<< OLE Object: Picture (Device Independent Bitmap) >>

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:39 PM

To: Sumner, Brian; Drake, Michael
Cc: Crescente, Angela
Subject: Follow up from ARO meeting~halon, freon and CFC

Michael/Brian:

From our ARO meeting, I have in my notes that you were going to follow up and try to quantify the removal activities associated with Halon, Freon and CFCs. We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Wiseman, Sara
Sent: Monday, November 28, 2011 3:26 PM
To: Sumner, Brian; Drake, Michael
Cc: Crescente, Angela
Subject: RE: Follow up from ARO meeting~halon, freon and CFC

Right. Thanks for pointing us in the right direction. We talked about so many topics that day, it is hard to keep all of them straight.

From: Sumner, Brian
Sent: Monday, November 28, 2011 3:25 PM
To: Wiseman, Sara; Drake, Michael
Cc: Crescente, Angela
Subject: RE: Follow up from ARO meeting~halon, freon and CFC

Sara,

I suggested that EA already has this list for the facilities. Michael was going to follow-up with Dave Smith as this was one of his last assignments prior to his move from EA to Ghent.

-Brian

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:39 PM
To: Sumner, Brian; Drake, Michael
Cc: Crescente, Angela
Subject: Follow up from ARO meeting~halon, freon and CFC

Michael/Brian:

From our ARO meeting, I have in my notes that you were going to follow up and try to quantify the removal activities associated with Halon, Freon and CFCs. We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Sumner, Brian
Sent: Monday, November 28, 2011 3:25 PM
To: Wiseman, Sara; Drake, Michael
Cc: Crescente, Angela
Subject: RE: Follow up from ARO meeting~halon, freon and CFC

Sara,

I suggested that EA already has this list for the facilities. Michael was going to follow-up with Dave Smith as this was one of his last assignments prior to his move from EA to Ghent.

-Brian

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:39 PM
To: Sumner, Brian; Drake, Michael
Cc: Crescente, Angela
Subject: Follow up from ARO meeting~halon, freon and CFC

Michael/Brian:

From our ARO meeting, I have in my notes that you were going to follow up and try to quantify the removal activities associated with Halon, Freon and CFCs. We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Crescente, Angela
Sent: Monday, November 28, 2011 3:14 PM
To: Trimble, Robert
Cc: Birchell, Brent; Wiseman, Sara
Subject: Follow up from ARO meeting

Robby,

From our meeting, I have in my notes that you were going to follow up and try to quantify the removal activities (legal obligations) associated with the amount of PCB oil in bushings, capacitors, and regulators. Also, estimates were needed for SF6 gas, and Freon (HVAC). We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,
Angela

Clark, Ed

From: Drake, Michael
Sent: Monday, November 28, 2011 2:51 PM
To: Wiseman, Sara; Sumner, Brian
Cc: Crescente, Angela; Smith, Dave
Subject: RE: Follow up from ARO meeting~halon, freon and CFC

Sara: I talked to Dave Smith last week and he was going to contact EA (Mike Winkler) to discuss Freon/CFC's in the fleet. I have copied him on this e-mail.

Best Regards,

Michael Drake
Maintenance Manager
KU Ghent Generating Station
michael.drake@lge-ku.com
office 502-347-4002
mobile 502-939-5851
Friends of Coal

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:39 PM
To: Sumner, Brian; Drake, Michael
Cc: Crescente, Angela
Subject: Follow up from ARO meeting~halon, freon and CFC

Michael/Brian:

From our ARO meeting, I have in my notes that you were going to follow up and try to quantify the removal activities associated with Halon, Freon and CFCs. We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:44 PM
To: Legler, Steve
Cc: Crescente, Angela; Harder, Tim
Subject: RE: Deepwell ARO

Thanks, Steve.

I think my last email was being sent at the same time as this one.

From: Legler, Steve
Sent: Monday, November 28, 2011 2:43 PM
To: Wiseman, Sara
Cc: Crescente, Angela; Harder, Tim
Subject: RE: Deepwell ARO

Sara,

Cane Run has 15 wells that would require closure. $7,000 per well is sufficient. They are associated with landfill/ashponds.

In addition, concrete filling of floodwall penetrations include:
- Units 1 thru 3 circulating water piping
- Unit 4-5-6 circulating water piping
- Return Tunnels
- Service water piping

Project Engineering estimates this work to total approximately $2M.

Let me know if you have questions.

Steve

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:23 PM
To: Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: FW: Deepwell ARO

Brian and Steve:

Joe has provided us with an estimate on deepwells below. Joe has stated that they are included in the ARO for the landfill. We have in our notes that you also have deepwells at your plants. Would you provide us with the number of wells at your plants? Joe has suggested $7,000 per well—if you have a different dollar estimate would you please send that as well? Also, would you agree that the wells are associated with landfill/ashponds? We would appreciate this information by Wednesday, November 30. Sorry for the quick turnaround, but we are under tight timelines to finish this project up.

Thanks,
Sara

From: Didelot, Joe
Sent: Wednesday, November 23, 2011 10:54 AM
To: Wiseman, Sara
Cc: Pence, Mark
Subject: Deepwell ARO

Sara,

We have about 19 monitoring and production wells at Mill Creek. We just closed one out for around $7000. We plan on closing out several others this year that are no longer in use. They have been written as ARO against the landfill project to date.

After this year, we will have around 12 wells remaining. (12 x 7k = $84k).

Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Legler, Steve
Sent: Monday, November 28, 2011 2:43 PM
To: Wiseman, Sara
Cc: Crescente, Angela; Harder, Tim
Subject: RE: Deepwell ARO

Sara,

Cane Run has 15 wells that would require closure. $7,000 per well is sufficient. They are associated with landfill/ashponds.

In addition, concrete filling of floodwall penetrations include:
- Units 1 thru 3 circulating water piping
- Unit 4-5-6 circulating water piping
- Return Tunnels
- Service water piping

Project Engineering estimates this work to total approximately $2M.

Let me know if you have questions.

Steve

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:23 PM
To: Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: FW: Deepwell ARO

Brian and Steve:

Joe has provided us with an estimate on deepwells below. Joe has stated that they are included in the ARO for the landfill. We have in our notes that you also have deepwells at your plants. Would you provide us with the number of wells at your plants? Joe has suggested $7,000 per well—if you have a different dollar estimate would you please send that as well? Also, would you agree that the wells are associated with landfill/ashponds? We would appreciate this information by Wednesday, November 30. Sorry for the quick turnaround, but we are under tight timelines to finish this project up.

Thanks,
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From: Didelot, Joe
Sent: Wednesday, November 23, 2011 10:54 AM
To: Wiseman, Sara
Cc: Pence, Mark
Subject: Deepwell ARO

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After this year, we will have around 12 wells remaining. (12 x 7k = $84k).

Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:42 PM
To: Legler, Steve
Cc: Crescente, Angela
Subject: Follow up from ARO meeting~floodwall penetration

Steve:

From our ARO meeting, I have in my notes that you were going to follow up and try to quantify the plugging activities associated with floodwall penetrations. We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

As I recall, we only needed an estimate for Cane Run.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:39 PM
To: Sumner, Brian; Drake, Michael
Cc: Crescente, Angela
Subject: Follow up from ARO meeting~halon, freon and CFC

Michael/Brian:

From our ARO meeting, I have in my notes that you were going to follow up and try to quantify the removal activities associated with Halon, Freon and CFCs. We are trying to get this project wrapped up and would appreciate a response by Wednesday, November 30, if possible.

Thanks,

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Pence, Mark
Sent: Monday, November 28, 2011 2:34 PM
To: Wiseman, Sara; Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Crescente, Angela; Ballinger, Kayla; Cosby, David
Subject: RE: Deepwell ARO

FYI, Kayla Ballinger has notified me that we will be closing out another nine of these 12 wells at MC this year, in addition to the one that we just closed out, if she can agree to terms with Stantec in a timely manner.

Mark A. Pence
Budget Analyst - Mill Creek Station
Phone: 933-6805

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:23 PM
To: Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: FW: Deepwell ARO

Brian and Steve:

Joe has provided us with an estimate on deepwells below. Joe has stated that they are included in the ARO for the landfill. We have in our notes that you also have deepwells at your plants. Would you provide us with the number of wells at your plants? Joe has suggested $7,000 per well—if you have a different dollar estimate would you please send that as well? Also, would you agree that the wells are associated with landfill/ashponds? We would appreciate this information by Wednesday, November 30. Sorry for the quick turnaround, but we are under tight timelines to finish this project up.

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Sara

From: Didelot, Joe
Sent: Wednesday, November 23, 2011 10:54 AM
To: Wiseman, Sara
Cc: Pence, Mark
Subject: Deepwell ARO

Sara,

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After this year, we will have around 12 wells remaining. (12 x 7k = $84k).

Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Wiseman, Sara
Sent: Monday, November 28, 2011 2:23 PM
To: Sumner, Brian; Legler, Steve
Cc: Didelot, Joe; Pence, Mark; Crescente, Angela
Subject: FW: Deepwell ARO

Brian and Steve:

Joe has provided us with an estimate on deepwells below. Joe has stated that they are included in the ARO for the landfill. We have in our notes that you also have deepwells at your plants. Would you provide us with the number of wells at your plants? Joe has suggested $7,000 per well—if you have a different dollar estimate would you please send that as well? Also, would you agree that the wells are associated with landfill/ashponds? We would appreciate this information by Wednesday, November 30. Sorry for the quick turnaround, but we are under tight timelines to finish this project up.

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Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Wiseman, Sara
Sent: Wednesday, November 23, 2011 11:01 AM
To: Crescente, Angela
Subject: FW: Deepwell ARO

From: Didelot, Joe
Sent: Wednesday, November 23, 2011 10:54 AM
To: Wiseman, Sara
Cc: Pence, Mark
Subject: Deepwell ARO

Sara,

We have about 19 monitoring and production wells at Mill Creek. We just closed one out for around $7000. We plan on closing out several others this year that are no longer in use. They have been written as ARO against the landfill project to date.

After this year, we will have around 12 wells remaining. (12 x 7k = $84k).

Let me know if you need anything else.

Joe Didelot

Clark, Ed

From: Wiseman, Sara
Sent: Wednesday, November 16, 2011 2:52 PM
To: Crescente, Angela
Subject: FW: ARO Electric Distribution and General Facilities Discussion.pptx

OK for me

From: Crescente, Angela
Sent: Wednesday, November 16, 2011 2:46 PM
To: Wiseman, Sara
Subject: ARO Electric Distribution and General Facilities Discussion.pptx

Sara:

Last one for December 1st.

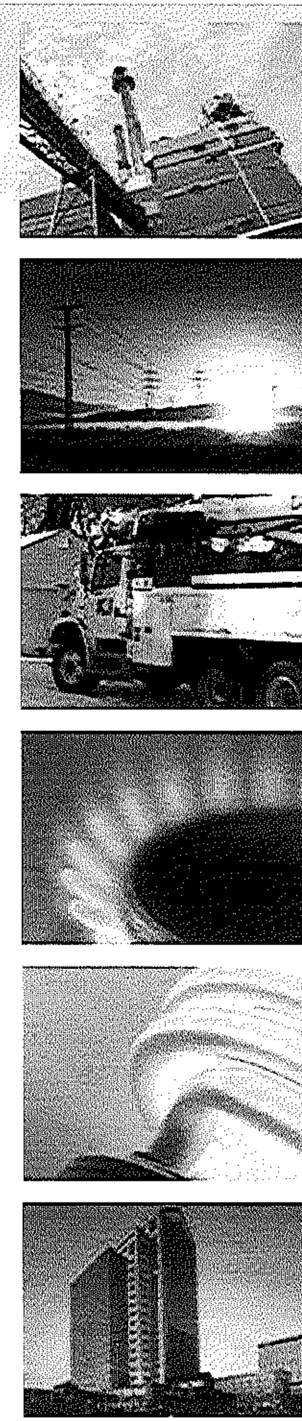
ARO Electric
Distribution and...

Thanks,
Angela

PPL companies

ARO Electric Distribution and General Facilities Discussion

December 1, 2011



Asset Retirement Obligations (AROs)

- Asset Retirement Obligations are accruals of asset obligation liabilities for **legally** required removal costs.
- Assume that eventually every asset will deteriorate and be torn down or physically removed.

PPL companies

Asset Retirement Obligations (AROs)

- Important to financial reporting.
- ARO Quarterly Questionnaire.
- Identifying and quantifying potential AROs.
- AROs must be reviewed to determine the need for revaluation.

PPL companies

Current Electric Distribution and General Facilities AROs

- Asbestos

PPL companies

Questions?

PPL companies

Clark, Ed

From: Wiseman, Sara
Sent: Wednesday, November 16, 2011 2:52 PM
To: Crescente, Angela
Subject: FW: ARO Generation Discussion.pptx

I think we should print this out to take along with and email to those who attending via teleconference.

From: Crescente, Angela
Sent: Wednesday, November 16, 2011 2:38 PM
To: Wiseman, Sara
Subject: ARO Generation Discussion.pptx

Sara:

Much bigger ARO list! Please review, the AROs here are more plant specific so do you think the way I did it is OK, or do you think I need to list the AROs by Plant? I figured they already saw them in more detail on the email that was sent the other day. But, just wanted to double check. I will also change the date on this one for Friday's meeting as well. Do you want this one sent out, or only printed to take with us?

ARO Generation Discussion.pptx...

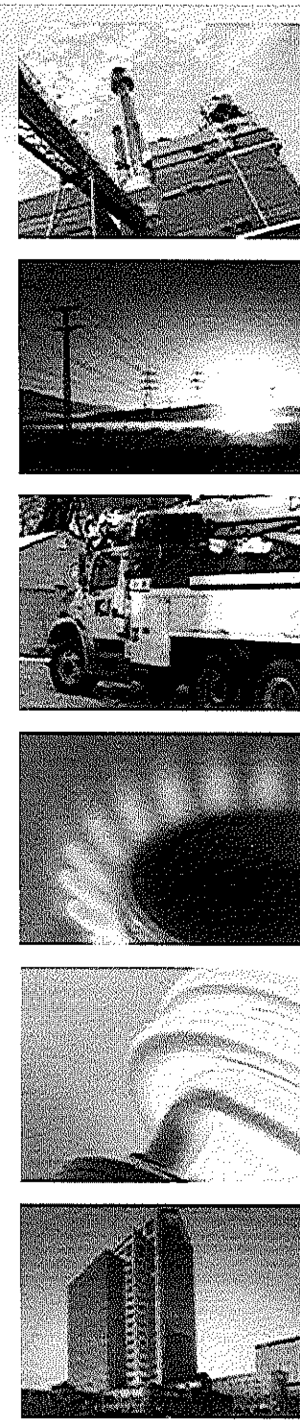
Thanks,
Angela

LG&E KU

PPL companies

ARO Generation Discussion

November 17, 2011



Asset Retirement Obligations (AROs)

- Asset Retirement Obligations are accruals of asset obligation liabilities for **legally** required removal costs.

- Assume that eventually every asset will deteriorate and be torn down or physically removed.

PPL companies

Asset Retirement Obligations (AROs)

- Important to financial reporting.
- ARO Quarterly Questionnaire.
- Identifying and quantifying potential AROs.
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LG&E KU
PPL companies

Current Generation AROs

- Asbestos
- Ash Ponds/Other Ponds
- Landfills
- Coal Storage
- Oil Storage
- Chemical Storage
- Nuclear/Radiation Sources
- Ghent 1 Scrubber Gypsum
- GSUs
- Sewage Treatment
- Green River Limestone Silo
- Tyrone Service Water Pump Structure

PPL companies

Questions?

PPL companies

Clark, Ed

From: Wiseman, Sara
Sent: Wednesday, November 16, 2011 2:29 PM
To: Crescente, Angela
Subject: RE: ARO Transmission Discussion.pptx

Yes, please

From: Crescente, Angela
Sent: Wednesday, November 16, 2011 2:08 PM
To: Wiseman, Sara
Subject: RE: ARO Transmission Discussion.pptx

Do you also want me to make some copies for those of us who are meeting in the conference room?

From: Crescente, Angela
Sent: Wednesday, November 16, 2011 2:07 PM
To: Wiseman, Sara
Subject: ARO Transmission Discussion.pptx

Sara:

Attached is the Transmission one for in the morning. Please review to catch any mistakes I made and then let me know when I can send it out.

<< File: ARO Transmission Discussion.pptx >>
Thanks,
Angela

Clark, Ed

From: Wiseman, Sara
Sent: Thursday, November 10, 2011 3:15 PM
To: Charnas, Shannon
Cc: Crescente, Angela
Subject: ARO Gas Training.pptx

ARO Gas Training.pptx

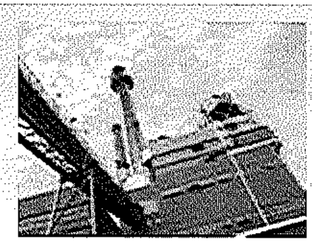
Shannon: These are the slides we have to take along with us tomorrow. We made them up as discussion points. Do you have anything you want to add?

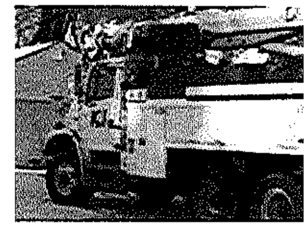
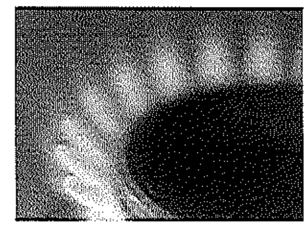
LG&E KU

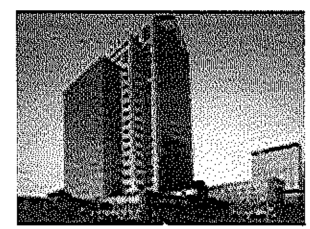
PPL companies

ARO Gas Training and Discussion

November 11, 2011





Asset Retirement Obligations (AROs)

- Asset Retirement Obligations are accruals of asset obligation liabilities for **legally** required removal costs.
- Assume that eventually every asset will deteriorate and be torn down or physically removed.

PPL companies

Asset Retirement Obligations (AROs)

- Important to financial reporting.
- ARO Quarterly Questionnaire.
- Identifying and quantifying potential AROs.
- AROs must be reviewed to determine the need for revaluation.

PPL companies

Current LGE Gas AROs

- Asbestos
- Gas Wells (Permanent Plugging)
- Gas Mains (Permanent Cut, Cap and Purge)

Questions?

PPL companies

Clark, Ed

From:	Charnas, Shannon
Sent:	Saturday, November 12, 2011 6:24 PM
To:	Steinmetz, Keith
Cc:	Trimble, Robert; Birchell, Brent; Miller, Jon; Wiseman, Sara; Crescente, Angela
Subject:	FW: Urgent Request-ARO review

Keith –

Unfortunately, I don't think I will be available for a call on Sunday, but I am not the best person to talk to – either Sara or Angela could provide more/better information. If there would be any availability for a call on Monday, I'm sure one or both of them could make sure they are available.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

From: Steinmetz, Keith
Sent: Saturday, November 12, 2011 4:43 PM
To: Charnas, Shannon
Cc: Trimble, Robert; Birchell, Brent; Miller, Jon
Subject: Re: Urgent Request-ARO review

Shannon, Do you have any examples of what might be included? Perhaps even a quick conference call would help Robby and Brent identify what is required. I don't think any of us have dealt with this issue before.

My cell phone is 502-263-9143 if you want to call me. Ill be traveling Monday but could call if if you wanted a conference call with Robby and Brent. I'll be in Louisville Monday until about 8am. Thx.

Keith Steinmetz

On Nov 12, 2011, at 10:00 AM, "Charnas, Shannon" <Shannon.Charnas@lge-ku.com> wrote:

> We are conducting a review of our capital assets in order to ensure that all asset retirement obligations (AROs) have been properly recorded. We need your help to accomplish this review. This review is being prompted by the recent discovery of AROs which should have been recorded previously, but were not. **This discovery resulted in an error in our financial statements. The Company was required to disclose this error to PPL as well as to our auditors, E&Y.**
>
> AROs are defined as the accrual of a liability for **legally** required removal costs of capital assets. Legal requirements may include environmental or contractual obligations. Regulations require the assumption that eventually every capital asset will deteriorate and ultimately be torn down or physically removed.
>
> Attached is a listing of retirement units for the Transmission area. Please review this listing and consider if there is a legal obligation to dispose of the asset in a certain manner upon retirement. I realize the list is rather long, but the descriptions are short so hopefully you can move through it fairly quickly. Please

use the drop down box in Column C to document your answers for each line. If you do think an ARO should be established and you have an estimate of the amount, please provide that as well. Currently, the only ARO recorded for Transmission is for asbestos removal at the substations.

I realize that everyone is very busy, but please consider this an urgent request. We will be scheduling a meeting for sometime during the week of November 14 to discuss any issues you may identify. Ultimately, we would like to complete the review by COB on Monday, November 21. Should you have questions please contact Sara Wiseman on Ext 3189 or Angela Crescente on Ext 2524.

Thanks,

Shannon Charnas
Director, Accounting & Regulatory Reporting
LG&E and KU
(502) 627-4978

<Transmission Retirement Units.xlsx>

Clark, Ed

From: Crescente, Angela
Sent: Tuesday, January 04, 2011 9:07 AM
To: Stratman, Paul
Subject: RE: LSMR414 - ARO

Tracking:

Recipient	Read
Stratman, Paul	Read: 1/4/2011 9:08 AM

If all the work is cut, cap and purge, then it is considered all ARO because it is our understanding that this process is a legal/environmental requirement before we abandon the pipes.

Anything related to fulfilling the requirements of a legal or environmental obligation to retire something in a certain manner is an ARO – Asset Retirement Obligation. Anything related to retiring something without special requirements or in a certain manner is not an ARO. An example I like to use is a Fuel Oil Tank. The oil from the tank has to be disposed in a certain manner which would be considered an ARO. To remove the tank itself after the oil has been removed would not qualify as an ARO.

We plan to have meetings sometime this year to everyone including our legal and environmental groups in regards to all of our AROs to ensure we all understand the legal and environmental requirements that have to be met in handling these situations.

I hope this helps. Let me know if you have any questions.

Thanks,
Angela

From: Stratman, Paul
Sent: Tuesday, January 04, 2011 8:01 AM
To: Crescente, Angela
Subject: RE: LSMR414 - ARO

What is "normal" and what is "ARO"?

All the work is cut, cap and purge associated with LSMR414.

From: Crescente, Angela
Sent: Monday, January 03, 2011 5:13 PM
To: Stratman, Paul
Subject: LSMR414 - ARO

Paul,

I saw in 2011, LSMR414 removal costs are budgeted for $263,340. Is all of that cut, cap, and purge like we discussed during the revaluation? In other words, is all of the cost of removal budget going to be ARO related or will it be split between "normal" cost of removal and ARO removal? If it is going to be split, could you give me an approximate estimate between the two?

I have to split out expected the ARO cost of removal between short-term and long-term before Thursday and anything budgeted for next year would be considered short-term. I apologize for the short notice, but if you could let me know by **COB, Wednesday, January 5th** that would be much appreciated.

As always, I appreciate your help! Please feel free to call if you have any questions.

Thanks!
Angela

Clark, Ed

From: Leenerts, Patricia
Sent: Friday, January 07, 2011 8:19 PM
To: Stratman, Paul
Cc: Crescente, Angela
Subject: Distribution Main

Please see if you can answer these questions by 1/21/2011:

Regarding Distribution Mains, is there any other cost with retiring mains besides just cutting, purging and capping? Cutting, purging and capping removal costs are considered ARO (108799) cost of removal as the disposal is regulated (in that we cannot just let the pipes leak into the air).

Are Distribution Mains retired in place meaning there is not actual physical removal going on? Ever? Ultimately my question is, are there 108901, non-regulated, removal costs as well as the 108799-regulated cutting, purging and capping removal costs?

My understanding is that all removal on LSMR would be for cutting, purging and capping. Is that understanding of LSMR correct?

PMR – Priority main replacement...is that handled differently in some way regarding 108901 and 108799 charges? Or are all removal charges cutting, purging and capping?

How about GME...same questions?

I was told that sometimes a smaller diameter pipe was inserted in the main to facilitate repair. How are these charges booked to the project 107001, 108901 and/or 108799? Is this type work only charged on a specific project? If so, which one?

In case you don't know: ARO-Asset Retirement Obligations are removal costs which are dictated by contract (e.g. a well lease where we contractually agree to remove evidence that the well was ever there-known as "return to green") or environmental (asbestos removal). An example of where ARO cost of removal lies is with a fuel oil tank. If the fuel oil inside the fuel oil tank is tested and determined to have sufficiently high levels of hazardous/toxic waste, then the regulated disposal of the fuel oil is an ARO cost of removal, 108799. Cost associated with the disposal of the fuel oil tank itself is normal cost of removal, 108901. If the levels are not sufficiently high, then the fuel oil disposal is not required to be regulated and may be disposed of with the tank and the disposal of both would then be normal cost of removal, 108901.

Thanks,

Pat
502-627-**3811**

Clark, Ed

From: Wiseman, Sara
Sent: Saturday, January 08, 2011 11:08 AM
To: Crescente, Angela
Subject: FW: Asset Retirement Obligations.docx

For next week.

From: Elmore, Barry
Sent: Tuesday, January 04, 2011 8:26 PM
To: Charnas, Shannon
Cc: McDaniels, Jason; Sneed, Lydia; Wiseman, Sara
Subject: RE: Asset Retirement Obligations.docx

Shannon,

I think you are probably right on this one; however, we did not want to make anyone do any work if we had predetermined it was not going to be included.

Lydia – can you work with Sara and see what specifically has to be required to fulfill the requirement, especially since we will not be reporting this on PPL's 10k. Maybe we will not have to get as detailed as expected. Keep me informed.

Thanks

Barry Elmore
Manager, Financial Accounting and Reporting
LG&E and KU Energy LLC
502-627-3580

From: Charnas, Shannon
Sent: Tuesday, January 04, 2011 7:45 PM
To: Elmore, Barry
Cc: McDaniels, Jason; Sneed, Lydia; Wiseman, Sara
Subject: RE: Asset Retirement Obligations.docx

Barry –

I believe there is no need to include sensitivity for our AROs in PPL's 10-K. Our report may be a different matter, as AROs are significant for LG&E and KU. I'm not sure what "table" is being referenced by Sara. Going by the 4 points Lydia mentioned, I would think we could include something fairly high level. See below by Lydia's bullet points. Let me know your thoughts on my suggestions.

Thanks,

Shannon Charnas
Director, Utility Accounting & Reporting

LG&E and KU
(502) 627-4978

From: Elmore, Barry
Sent: Tuesday, January 04, 2011 6:56 PM
To: Charnas, Shannon
Cc: McDaniels, Jason; Sneed, Lydia
Subject: RE: Asset Retirement Obligations.docx

Shannon,

I believe Sara is correct as noted below; however, I am trying to recall our conversation with PPL and I do not seem to remember us determining whether or not to include sensitivity analysis for ARO's at that time. I know we have a requirement; however, if we regard it as immaterial, then I do not want to put critical time on this. Any thoughts?

Barry Elmore
Manager, Financial Accounting and Reporting
LG&E and KU Energy LLC
502-627-3580

From: Sneed, Lydia
Sent: Tuesday, January 04, 2011 5:04 PM
To: Elmore, Barry
Cc: McDaniels, Jason
Subject: FW: Asset Retirement Obligations.docx

Barry,

Below is a note from Sara; I am passing on. I want to make sure everyone is an agreement on sensitivity analysis for ARO in the MDA.

Thanks

Lydia Sneed

From: Wiseman, Sara
Sent: Tuesday, December 28, 2010 3:15 PM
To: Sneed, Lydia
Cc: Crescente, Angela; Daly, Karen; McDaniels, Jason
Subject: RE: Asset Retirement Obligations.docx

Lydia:

I attended a meeting a couple of weeks ago with PPL on the 10K and there was discussion that the sensitivity analysis/table might not be required. PPL includes only nuclear, which is very large. We do not have any nuclear.

Generating the information for this table is a very time consuming effort and we need to check with PPL to see if it is going to be included before we go down that path.

From: Sneed, Lydia
Sent: Tuesday, December 28, 2010 1:48 PM
To: Wiseman, Sara
Cc: Crescente, Angela; Daly, Karen; McDaniels, Jason
Subject: RE: Asset Retirement Obligations.docx

Hello Sara and Angela,

Thanks for your work. We are closer than what I had originally mocked-up. I do need sensitivity analysis; it is a requirement of the SEC. The end results needs to respond to **all** of the below points.

- How management arrived at the estimate – brief, high level description

- How accurate the estimate has been in the past – we don't really know this since we haven't settled any significant ARO's. Maybe we just state that we haven't settled any significant AROs.

- How much the estimate has changed in the past – Not sure of the exact requirement here, if we think we need to state the estimate changed $xM as a result of our revaluation in 9/10, then I would suggest adding a brief description of the main drivers behind the change.

- Whether the estimate is reasonably likely to change in the future – maybe we say something like revaluations will be performed as needed and are expected to change based on ... (economic conditions, interest rates, etc.... – we can list some of the drivers of changes this time)

Lydia M. Sneed
Consultant
Financial Accounting and Reporting

From: Wiseman, Sara
Sent: Tuesday, December 28, 2010 1:22 PM
To: Sneed, Lydia; McDaniels, Jason
Cc: Crescente, Angela; Daly, Karen
Subject: Asset Retirement Obligations.docx

<< File: Asset Retirement Obligations.docx >>

Lydia:

Angela and I have made a few changes to LG&E's critical accounting policies. I've also put instructions in the WORD for the differences for KU.

Please call with questions.

Clark, Ed

From: McDaniels, Jason
Sent: Friday, January 14, 2011 10:15 AM
To: Crescente, Angela
Subject: FW: MD&A Disclosure of Critical Accounting Policies - Long-lived assets and ARO's
Attachments: CCH Guidance for Critical Accounting Policies.docx; PPL 2009 Application of Critical Accounting Policies Disclosure - ARO's.docx; PPL 2009 Application of Critical Accounting Policies Disclosure - Asset Impairment.docx

Jason McDaniels
Accounting Analyst III
Financial Accounting and Reporting
502-627-3678 (P)
502-627-3820 (F)
Jason.McDaniels@lge-ku.com

From: McDaniels, Jason
Sent: Friday, November 12, 2010 2:55 PM
To: Wiseman, Sara; Crescente, Angela
Cc: Elmore, Barry
Subject: MD&A Disclosure of Critical Accounting Policies - Long-lived assets and ARO's

Sara/Angela

Since we have been purchased by PPL, we will need to migrate more to SEC reporting, which includes the need to have a detailed discussion of our critical accounting policies in our MD&A. We typically list impairment of long-lived assets and Asset Retirement Obligation as critical accounting policies and will need your assistance with preparing the language and numbers needed for our LKE/LGE/KU annual reports. For your reference, I am attaching three files. The first file is the guidance from the CCH Disclosure Checklist. Please pay particular attention to the areas I have highlighted in this document as those are the things we need to consider for disclosure. The second and third files are examples from PPL's 2009 10-K. Please note in the Asset impairment file that only the language highlighted in green pertains to long-lived assets. The remainder is for goodwill and I will be sending that section to another department for help. Hopefully this will provide some guidance regarding the types of things they discussed and the language they used. This can be a starting point for you, but you will need to tailor this language to our specific situation.

Finally, please notice that we need to include a sensitivity analysis similar to PPL for our ARO's. Please take a look at how PPL does it and let us know if there are any issues with using PPL's current approach to prepare our sensitivity analysis.

We will need to have the language and applicable numbers, including sensitivity analysis, ready for inclusion in our 2010 annual report. Hopefully this will give you enough time to start thinking about this and get everything ready for the reports.

Let us know if you have any questions.

Jason McDaniels
Accounting Analyst III
Financial Accounting and Reporting
502-627-3678 (P)

502-627-3820 (F)
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Critical Accounting Policies

Registrants should disclose information about their critical accounting policies. A critical accounting policy is one that is both very important to the portrayal of a company's financial position and its results of operations and requires management's most difficult, subjective or complex judgments. The purpose of disclosing information about critical accounting policies is to:

- Communicate to investors and other financial-statement users the level of imprecision inherent in the financial statements;
- Provide an understanding of how management forms its judgments about future events; and
- Explain how these judgments and future events could affect the financial statements.

The key points to identify for investors in these disclosures are:

- Types of assumptions that underlie the most significant and subjective estimates;
- Sensitivity of those estimates to deviations of actual results from management's assumptions; and
- Circumstances that have resulted in revised assumptions in the past.

Although the SEC's proposed rules regarding the discussion of critical accounting policies has not yet been finalized, MD&A should address the role significant accounting policies and estimates have in understanding the company's results. For example, the following should be considered:

- Identify and evaluate critical accounting policies
- Identify the riskiness of the critical accounting policies, analyzing to the extent possible factors such as:
    - How the company arrived at the estimate;
    - How accurate the estimate/assumption has been in the past;
    - Whether the estimate/assumption is reasonably likely to change in the future; and
    - Evaluate the sensitivity to change of critical accounting policies. For example, discuss and quantify the sensitivity of the company's pension plan long-term rate of return and the effect of reasonably possible changes on the company's financial condition and operating performance

The SEC staff has asked companies to enhance their disclosure of critical accounting policies in one or more of the following areas:

- Revenue recognition;
- Restructuring charges;
- Impairments of long-lived assets, investments and goodwill (including failing the Step 1 impairment test discussed in the preceding question);
- Depreciation and amortization expenses;
- Income tax liabilities;
- Pension income and expense;
- Environmental liabilities;
- Repurchase obligations under repurchase commitments;
- Stock based compensation;
- Insurance loss reserves;
- Inventory reserves and allowance for doubtful accounts;

- Lease accounting; and
- Changes in valuing financial instruments.

In a December 2009 update to its *Financial Reporting Manual*, Corp Fin outlined several estimates related to goodwill impairment testing that may be considered critical and therefore should be considered for disclosure. Specifically, the staff in Corp Fin recommended registrants consider providing the following disclosures for each reporting unit that is at risk of failing step one of the impairment test (defined in Codification Topic 350):

- The percentage by which fair value exceeded carrying value as of the date of the most recent test;
- The amount of goodwill allocated to the reporting unit;
- A description of the methods and key assumptions used and how the key assumptions were determined;
- A discussion of the degree of uncertainty associated with the key assumptions, including specifics to the extent possible (e.g., the valuation model assumes recovery from a business downturn within a defined period of time); and
- A description of potential events and/or changes in circumstances that could reasonably be expected to negatively affect the key assumptions.

A company that has significant assets or liabilities subject to the valuation requirements in Topic 820, *Fair Value Measurements and Disclosures*, (guidance generally derived from FASB Statement No. 157, *Fair Value Measurements*), should include as a critical accounting estimate a discussion on how the company applied Topic 820 particularly if Level 3 inputs were involved.

References: FRR No. 60; FRR No. 72 - 501.14; Summary by the Division of Corporation Finance of Significant Issues Addressed in the Review of the Periodic Reports of the Fortune 500 Companies; SEC Letter February 7, 2005; and Current Accounting and Disclosure Issues, 11/30/06, IIE2 Leasing – Disclosure, IIF Revenue- Disclosure, IIH1 Investments-Other-Than-Temporary Declines in Value, III Contingencies, Loss Reserves, and Uncertain Tax Positions, IIJ2 Pension, Post Retirement, and Post Employment Plans - Disclosure, IIL5 Segment Disclosure - Operating Segments and Goodwill Impairment, IIM1 Issues Associated with SFAS 133, Accounting for Derivative Instruments and Hedging Activities – Formal Documentation under SFAS 133

5) Asset Retirement Obligations

PPL is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation should be measured at its estimated fair value. An equivalent amount should be recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability should be increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time. A conditional ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the obligations.

At December 31, 2009, PPL had AROs totaling $426 million recorded on the Balance Sheet, of which $10 million is included in "Other current liabilities." Of the total amount, $348 million, or 82%, relates to PPL's nuclear decommissioning ARO. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to PPL's nuclear decommissioning ARO liability as of December 31, 2009, associated with a change in these assumptions at the time of initial recognition. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%/(10)%	$32/$(32)
Discount Rate	0.25%/(0.25)%	$(31)/$34
Inflation Rate	0.25%/(0.25)%	$41/$(37)

3) Asset Impairment

PPL performs impairment analyses for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying value may not be recoverable. For these long-lived assets to be held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current-period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its previously estimated useful life.

For a long-lived asset to be held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying value to its estimated fair value. Management must make significant judgments to estimate future cash flows including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. PPL considers alternate courses of action to recover the carrying value of a long-lived asset, and uses estimated cash flows from the "most likely" alternative to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

For a long-lived asset held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust its carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence of fair value. However, when market prices are unavailable, PPL considers all valuation techniques appropriate in the circumstances and for which market participant inputs can be obtained. PPL has generally used discounted cash flows to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

In 2009, PPL recorded impairments of certain long-lived assets. See Note 17 to the Financial Statements for a discussion of impairments related to certain sulfur dioxide emission allowances and the Long Island generation business.

PPL tests goodwill for impairment at the reporting unit level. PPL has determined its reporting units to be at or one level below its operating segments. PPL performs a goodwill impairment test annually or more frequently if events or changes in circumstances indicate that the carrying value of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any.

The second step requires a calculation of the implied fair value of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value of a reporting unit is allocated to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

In 2009, PPL was not required to impair any goodwill. Management primarily used discounted cash flows, which required significant assumptions, to estimate the fair value of each reporting unit. A decrease in the forecasted cash flows of 10%, or an increase of the discount rate by 25 basis points, would not have resulted in an impairment of goodwill.

Additionally, in 2009, PPL wrote off $3 million of goodwill allocated to discontinued operations.

Clark, Ed

From: Wiseman, Sara
Sent: Friday, January 14, 2011 8:03 PM
To: Crescente, Angela
Subject: FW: Asset Retirement Obligations.docx

Not sure if you ever got with Jason on sensitivity.....the comments Lydia are talking about can be found on Sharepoint—I can help you find them if you are interested.

From: Sneed, Lydia
Sent: Friday, January 14, 2011 11:08 AM
To: Wiseman, Sara
Cc: McDaniels, Jason
Subject: FW: Asset Retirement Obligations.docx

Hello Sara,

I have incorporated all of Shannon's comments other than the revaluation change between 2009 and 2010 can you provide me with this info for all companies.

–

- How much the estimate has changed in the past – Not sure of the exact requirement here, if we think we need to state the estimate changed $xM as a result of our revaluation in 9/10, then I would suggest adding a brief description of the main drivers behind the change.

Thanks

Lydia Sneed

From: Charnas, Shannon
Sent: Tuesday, January 04, 2011 7:45 PM
To: Elmore, Barry
Cc: McDaniels, Jason; Sneed, Lydia; Wiseman, Sara
Subject: RE: Asset Retirement Obligations.docx

Barry –

I believe there is no need to include sensitivity for our AROs in PPL's 10-K. Our report may be a different matter, as AROs are significant for LG&E and KU. I'm not sure what "table" is being referenced by Sara. Going by the 4 points Lydia mentioned, I would think we could include something fairly high level. See below by Lydia's bullet points. Let me know your thoughts on my suggestions.

Thanks,

Shannon Charnas
Director, Utility Accounting & Reporting
LG&E and KU
(502) 627-4978

From: Elmore, Barry
Sent: Tuesday, January 04, 2011 6:56 PM
To: Charnas, Shannon
Cc: McDaniels, Jason; Sneed, Lydia
Subject: RE: Asset Retirement Obligations.docx

Shannon,

I believe Sara is correct as noted below; however, I am trying to recall our conversation with PPL and I do not seem to remember us determining whether or not to include sensitivity analysis for ARO's at that time. I know we have a requirement; however, if we regard it as immaterial, then I do not want to put critical time on this. Any thoughts?

Barry Elmore
Manager, Financial Accounting and Reporting
LG&E and KU Energy LLC
502-627-3580

From: Sneed, Lydia
Sent: Tuesday, January 04, 2011 5:04 PM
To: Elmore, Barry
Cc: McDaniels, Jason
Subject: FW: Asset Retirement Obligations.docx

Barry,

Below is a note from Sara; I am passing on. I want to make sure everyone is an agreement on sensitivity analysis for ARO in the MDA.

Thanks

Lydia Sneed

From: Wiseman, Sara
Sent: Tuesday, December 28, 2010 3:15 PM
To: Sneed, Lydia
Cc: Crescente, Angela; Daly, Karen; McDaniels, Jason
Subject: RE: Asset Retirement Obligations.docx

Lydia:

I attended a meeting a couple of weeks ago with PPL on the 10K and there was discussion that the sensitivity analysis/table might not be required. PPL includes only nuclear, which is very large. We do not have any nuclear. Generating the information for this table is a very time consuming effort and we need to check with PPL to see if it is going to be included before we go down that path.

From: Sneed, Lydia
Sent: Tuesday, December 28, 2010 1:48 PM
To: Wiseman, Sara
Cc: Crescente, Angela; Daly, Karen; McDaniels, Jason
Subject: RE: Asset Retirement Obligations.docx

Hello Sara and Angela,

Thanks for your work. We are closer than what I had originally mocked-up. I do need sensitivity analysis; it is a requirement of the SEC. The end results needs to respond to all of the below points.

- How management arrived at the estimate – brief, high level description

- How accurate the estimate has been in the past – we don't really know this since we haven't settled any significant ARO's. Maybe we just state that we haven't settled any significant AROs.

- How much the estimate has changed in the past – Not sure of the exact requirement here, if we think we need to state the estimate changed $xM as a result of our revaluation in 9/10, then I would suggest adding a brief description of the main drivers behind the change.

- Whether the estimate is reasonably likely to change in the future – maybe we say something like revaluations will be performed as needed and are expected to change based on ... (economic conditions, interest rates, etc.... – we can list some of the drivers of changes this time)

Lydia M. Sneed
Consultant
Financial Accounting and Reporting

From: Wiseman, Sara
Sent: Tuesday, December 28, 2010 1:22 PM
To: Sneed, Lydia; McDaniels, Jason
Cc: Crescente, Angela; Daly, Karen
Subject: Asset Retirement Obligations.docx

<< File: Asset Retirement Obligations.docx >>

Lydia:

Angela and I have made a few changes to LG&E's critical accounting policies. I've also put instructions in the WORD for the differences for KU.

Please call with questions.

Clark, Ed

From: Charnas, Shannon
Sent: Sunday, January 16, 2011 2:35 PM
To: Wiseman, Sara; Scott, Valerie; Erskine, Greg
Cc: Pienaar, Lesley; Crescente, Angela
Subject: RE:

PPL does classify some of their AROs as short term – related to the asbestos abatement, I believe. We had not decided to reclassify any of our AROs to current. I thought in discussions, we were not readily able to determine what the current amount of the asbestos abatement would be for us. If this has changed, we can discuss.

Shannon Charnas
Director, Utility Accounting & Reporting
LG&E and KU
(502) 627-4978

From: Wiseman, Sara
Sent: Sunday, January 16, 2011 2:22 PM
To: Scott, Valerie; Erskine, Greg
Cc: Pienaar, Lesley; Charnas, Shannon; Crescente, Angela
Subject: RE:

Valerie:

These are new accounts that were set up during the mapping exercise earlier in the year in order to be consistent with PPL. It is my understanding that they also classify some of the obligations as current. We have moved the short term obligations to these accounts (based on the MTP as was agreed at the time we set up the accounts). The mapping appears correct based on previous decisions, but of course can always be changed.

Sara

From: Scott, Valerie
Sent: Sunday, January 16, 2011 1:54 PM
To: Erskine, Greg
Cc: Wiseman, Sara; Pienaar, Lesley; Charnas, Shannon
Subject:

Greg,

The following two accounts are mapped to other current liabilities in your consolidation and should be mapped to AROs. Would you work with Sara to make the correction?

230022	ASSET RETIREMENT OBLIGATIONS - STEAM - ST
230026	ASSET RETIREMENT OBLIGATIONS - GAS - ST

Valerie

Clark, Ed

From: Leenerts, Patricia
Sent: Monday, January 17, 2011 11:00 AM
To: Crescente, Angela
Subject: FW: Distribution Main

Here's some answers to help with our questions. More discussion later...but not too much later.

Thanks,

Pat
502-627-**3811**

From: Stratman, Paul
Sent: Friday, January 14, 2011 2:23 PM
To: Leenerts, Patricia
Subject: RE: Distribution Main

I've attempted to answer in RED below. Please let me know if you need any additional clarifications.

One concern is, to my knowledge, most retirement tasks have been associated with 108901, not 108799. By your definitions, I think that most (all?) gas retirements should fall under 108799 (virtually all gas pipeline work is regulated by federal, state and other local laws, regulations and codes).

From: Leenerts, Patricia
Sent: Friday, January 07, 2011 8:19 PM
To: Stratman, Paul
Cc: Crescente, Angela
Subject: Distribution Main

Please see if you can answer these questions by 1/21/2011:

Regarding Distribution Mains, is there any other cost with retiring mains besides just cutting, purging and capping? Cutting, purging and capping removal costs are considered ARO (108799) cost of removal as the disposal is regulated (in that we cannot just let the pipes leak into the air).

All gas facility work is regulated, most of that is federal regulation (49 CFR 192), though there are state laws and other environmental codes/regulations that apply in some cases.

Are Distribution Mains retired in place meaning there is not actual physical removal going on? Ever? Ultimately my question is, are there 108901, non-regulated, removal costs as well as the 108799-regulated cutting, purging and capping removal costs?

Gas mains are removed from the ground, but not very often, and generally in small segments (a few feet here and there, not miles at a time). That being said, the act of taking it out of service, and in some cases the disposal are regulated tasks by PHMSA (49 CFR 192). In many cases, before sending to a scrap yard or approved dump site, the pipe is tested for any environmentally hazardous materials (specifically PCB's, and asbestos in the pipe coatings).

My understanding is that all removal on LSMR would be for cutting, purging and capping. Is that understanding of LSMR correct?

All LSMR retirements are as listed above.

PMR – Priority main replacement…is that handled differently in some way regarding 108901 and 108799 charges? Or are all removal charges cutting, purging and capping?

PMR retirements are identical to LSMR retirements.

How about GME…same questions?

GME is for gas main extensions, and are rarely associated with a retirement/cutout of a facility.

I was told that sometimes a smaller diameter pipe was inserted in the main to facilitate repair. How are these charges booked to the project 107001, 108901 and/or 108799? Is this type work only charged on a specific project? If so, which one?

Insertion jobs are charged to 107001 tasks. That is very common for service line replacements (RRCS419G), but uncommon on other jobs (though it has been done).

In case you don't know: ARO-Asset Retirement Obligations are removal costs which are dictated by contract (e.g. a well lease where we contractually agree to remove evidence that the well was ever there-known as "return to green") or environmental (asbestos removal). An example of where ARO cost of removal lies is with a fuel oil tank. If the fuel oil inside the fuel oil tank is tested and determined to have sufficiently high levels of hazardous/toxic waste, then the regulated disposal of the fuel oil is an ARO cost of removal, 108799. Cost associated with the disposal of the fuel oil tank itself is normal cost of removal, 108901. If the levels are not sufficiently high, then the fuel oil disposal is not required to be regulated and may be disposed of with the tank and the disposal of both would then be normal cost of removal, 108901.

Thanks,

Pat
502-627-3811

Clark, Ed

From: Neal, Susan
Sent: Monday, January 17, 2011 4:48 PM
To: Wacker, Diana; Kinder, Debra; Crescente, Angela; 'akoch@pwrplan.com'
Cc: Duce, John
Subject: FW: purchase accounting organizations eligible to have projects

Toni set the purchased accounting orgs up to be used with Projects but CR elements still did not bring it into PowerPlant – any other thoughts on what might need to be fixed?

Thank you,
Susan Neal
Manager, Financial Analysis
LG&E and KU Services Company
220 W. Main St.
Louisville, KY 40202
(502) 627-3447
susan.neal@lge-ku.com

From: Sheets, Toni
Sent: Monday, January 17, 2011 3:35 PM
To: Neal, Susan
Cc: Amlung, Kim; Bush, Tom; Pienaar, Lesley
Subject: RE: purchase accounting organizations eligible to have projects

I have set these organizations (other than 000019, which is closed) to allow projects to be create and to allow that project to have expenditures. They are not a valid organization for labor charges.

I did run into 1 issue:

000099-LOUISVILLE GAS & ELECTRIC COMPANY - PURCHASE ACCTG ADJ CORP (66 characters)
006299-LG&E ASSET RETIREMENT OBLIGATIONS - PURCHASE ACCTG ADJ (61 characters)

Have more than 60 characters, to add the organization to the burden multipliers, (via request PRC: Add New Organization Compiled Burden Multipliers) and to be able to use the organization in auto accounting, the number of characters has to be less than 60.

I didn't want to change the name of the organization without additional approval. Until the org names are changed they should not be used for Project expenditures, it will cause errors in the interfaces/apps when the GLAFF is created. They can still be used to set up Projects though.

Tom – when you are back in the office, please confirm the setups. Susan said to just add them to company parents, which is what I did in the hierarchy and GBLGL_Center valueset. I also added these organization to the Auto-Accounting lookup sets. I ran the PRC: Add New Organization Compiled Burden Multipliers for the orgs I could. I think I remembered everything.

009997-LG&E AND KU CAPITAL CORP. - PURCHASE ACCTG ADJ

Parent: P00004 Company: 0004 Operating Unit: LELLC

000019-CLOSED 01/11 - LG&E AND KU SERVICES COMPANY - PURCHASE ACCTG ADJ CORP
(was not set up – closed)

000099-LOUISVILLE GAS & ELECTRIC COMPANY - PURCHASE ACCTG ADJ CORP
Parent: P01000 Company: 0100 Operating Unit: LUTL
006299-LG&E ASSET RETIREMENT OBLIGATIONS - PURCHASE ACCTG ADJ
Parent: P01000 Company: 0100 Operating Unit: LUTL

000119-KENTUCKY UTILITIES CO - PURCHASE ACCTG ADJ CORP
Parent: P10040 Company: 0110 Operating Unit: KUTL
015599-KU ASSET RETIREMENT OBLIGATIONS - PURCHASE ACCTG ADJ
Parent: P10040 Company: 0110 Operating Unit: KUTL

Toni

Toni Sheets
Oracle System Support: Financial and Interfaces
Work: 502/627-4343
Cell: 502/439-8287

From: Pienaar, Lesley
Sent: Monday, January 17, 2011 2:35 PM
To: Sheets, Toni
Cc: Amlung, Kim; Bush, Tom; Neal, Susan
Subject: RE: purchase accounting organizations eligible to have projects

yes

From: Sheets, Toni
Sent: Monday, January 17, 2011 2:34 PM
To: Pienaar, Lesley
Cc: Amlung, Kim; Bush, Tom; Neal, Susan
Subject: RE: purchase accounting organizations eligible to have projects

So it's ok for me to make the change?

Toni

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Oracle System Support: Financial and Interfaces
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From: Pienaar, Lesley
Sent: Monday, January 17, 2011 2:34 PM
To: Sheets, Toni
Cc: Amlung, Kim; Bush, Tom; Neal, Susan
Subject: RE: purchase accounting organizations eligible to have projects

It's ok...Tom this relates to pension changes.

From: Sheets, Toni
Sent: Monday, January 17, 2011 2:24 PM
To: Pienaar, Lesley
Cc: Amlung, Kim; Bush, Tom; Neal, Susan
Subject: purchase accounting organizations eligible to have projects

Lesley,

Susan gave me a call. She needs the following purchase accounting organizations eligible to have projects. Tom is out and Kim doesn't know how to do it.

Is it ok for me to make this change? Is it something where we need a GLAFF change form filled out?

009997
000019
000099
006299
000119
015599

Thanks,

Toni

Toni Sheets

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Clark, Ed

From: Neal, Susan
Sent: Monday, January 17, 2011 5:08 PM
To: Wacker, Diana; Kinder, Debra; Crescente, Angela; 'akoch@pwrplan.com'
Cc: Duce, John
Subject: RE: purchase accounting organizations eligible to have projects

I figured it out – the orgs were in the department table but in the wrong company – I will get Toni to fix it in Oracle and I can fix the table in PowerPlant.

Thank you,
Susan Neal
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LG&E and KU Services Company
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Louisville, KY 40202
(502) 627-3447
susan.neal@lge-ku.com

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Parent: P10040 Company: 0110 Operating Unit: KUTL
015599-KU ASSET RETIREMENT OBLIGATIONS - PURCHASE ACCTG ADJ
Parent: P10040 Company: 0110 Operating Unit: KUTL

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Toni Sheets
Oracle System Support: Financial and Interfaces
Work: 502/627-4343
Cell: 502/439-8287

From: Pienaar, Lesley
Sent: Monday, January 17, 2011 2:34 PM
To: Sheets, Toni
Cc: Amlung, Kim; Bush, Tom; Neal, Susan
Subject: RE: purchase accounting organizations eligible to have projects

It's ok...Tom this relates to pension changes.

From: Sheets, Toni
Sent: Monday, January 17, 2011 2:24 PM
To: Pienaar, Lesley
Cc: Amlung, Kim; Bush, Tom; Neal, Susan
Subject: purchase accounting organizations eligible to have projects

Lesley,

Susan gave me a call. She needs the following purchase accounting organizations eligible to have projects. Tom is out and Kim doesn't know how to do it.

Is it ok for me to make this change? Is it something where we need a GLAFF change form filled out?

009997
000019
000099
006299
000119
015599

Thanks,

Toni

Toni Sheets

Oracle System Support: Financial and Interfaces
Work: 502/627-4343
Cell: 502/439-8287

Clark, Ed

From: Moeller, Diane
Sent: Tuesday, January 25, 2011 7:20 PM
To: Tipton, Karen; Crescente, Angela; Whitaker, Sherrie; Pienaar, Lesley; Williams, Scott; Erskine, Greg; Pemberton, Courtney; Higdon, Kelli
Cc: McDaniels, Jason
Subject: LKE table updates

I have formatted the tables in the LKE file. Would you please review and validate that your data is still there and proper? Please let me know when completed/any changes to be made. LGE & KU to follow.

If you are not responsible for the note in LGE, please advise who I should contact.
thanks
Diane

LKE

Tipton/Stuecker	Note 2 regulatory assets &liabilities section only
Crescente	Note 3 Asset Retirement Obligations
Whitaker	Note 4 Derivative Financial Instruments
Whitaker	Note 5 Fair Value Measurements
Pienaar	Note 6 Goodwill and Other Intangible Assets
Higdon	Note 8 Pension and Other Postretirement Benefit
Williams	Note 9 income taxes
Pienaar	Note 13 acquisition by PPL
Erskine	Note 16 selected quarterly data
Pemberton	Note 19 Discontinued Ops

Diane L. Moeller, CPA
KForce Consultant

Clark, Ed

From: Daly, Karen
Sent: Wednesday, January 26, 2011 1:43 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela

Attached are our change to the Critical Accounting Policies – Asset Retirement Obligation section for all three companies.

LKE - Critical Accounting Poli... KU - Critical Accounting Poli... LGE - Critical Accounting Poli...

If you have questions, please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Asset Retirement Obligations

LKE is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. -The initial obligation is measured at its estimated fair value. -An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. -Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the ~~income statement~~Statements of Income, for changes in the obligation due to the passage of time. -An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. -An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated.

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In determining AROs, management must make significant judgments and estimates to calculate fair value. -Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. -Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed ~~annually~~ periodically to ensure that any material changes are incorporated into the estimate of the obligations.

At December 31, 2010, LKE had AROs totaling $103 million recorded on the Balance Sheet. Of the total amount, $64 million, or 62%, relates to LKE's ash ponds, landfills, and gas mains decommissioning AROs. -The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. -A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to ~~KU's~~ LKE's ash ponds, landfills, and gas mains decommissioning ARO liabilities as of December 31, 2010. -There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. -The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%/(10)%	$7/$(7)
Discount Rate	0.25%/(0.25)%	$(4)/$3
Inflation Rate	0.25%/(0.25)%	$4/$(4)

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The following chart reflects the sensitivities related to KU's ash ponds and landfills decommissioning ARO liabilities as of December 31, 2010.- There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. -The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%/(10)%	$4/$(4)
Discount Rate	0.25%/(0.25)%	$(2)/$1
Inflation Rate	0.25%/(0.25)%	$2/$(2)

Asset Retirement Obligations

LG&E is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the ~~income statement~~Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated.

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At December 31, 2010, LG&E had AROs totaling $49 million recorded on the Balance Sheet. Of the total amount, $29 million, or 59%, relates to LG&E's ash ponds, landfills, and gas mains decommissioning AROs. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to LG&E's ash ponds, landfills, and gas mains decommissioning ARO liabilities as of December 31, 2010. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%/(10)%	$3/$(3)
Discount Rate	0.25%/(0.25)%	$(2)/$2
Inflation Rate	0.25%/(0.25)%	$2/$(2)

Clark, Ed

From: Daly, Karen
Sent: Wednesday, January 26, 2011 1:53 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Summary of Significant Accounting Policies - Asset Retirement Obligations

All,

Attached are our changes for the Summary of Significant Accounting Policies – Asset Retirement Obligations – for all three companies.

LKE - Summary of Significant A... KU - Summary of Significant Ac... LGE - Summary of Significant A...

If you have any questions, please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Asset Retirement Obligations

LKE recognizes various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. -Initially this obligation is measured at fair value. -An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. -Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified ~~within Depreciation, Accretion and Amortization,~~ in the Statements of Income, for changes in the obligation due to the passage of time. -An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. -The regulatory asset is relieved when the ARO has been settled. -Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the obligations.

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Asset Retirement Obligations

KU recognizes various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. Initially this obligation is measured at fair value.- An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified in the Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the obligations.

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Clark, Ed

From: Moeller, Diane
Sent: Wednesday, January 26, 2011 2:37 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

Completed. Please validate

From: Daly, Karen
Sent: Wednesday, January 26, 2011 1:48 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Note 3 - Asset Retirement Obligations

Attached are our changes for Note 3 on all three companies.

<< File: LKE - Note 3.docx >> << File: KU - Note 3.docx >> << File: LGE - Note 3.docx >>

If you have any changes – please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From: Daly, Karen
Sent: Thursday, January 27, 2011 9:00 AM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Summary of Significant Accounting Policies - Asset Retirement Obligations

On LKE – one word was missed in the deletion process. See attached for clean copy with the one word that was missed tracked.

LKE - Summary of Significant A...

From: Moeller, Diane
Sent: Wednesday, January 26, 2011 2:37 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Summary of Significant Accounting Policies - Asset Retirement Obligations

Completed. Please validate

From: Daly, Karen
Sent: Wednesday, January 26, 2011 1:53 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Summary of Significant Accounting Policies - Asset Retirement Obligations

All,

Attached are our changes for the Summary of Significant Accounting Policies – Asset Retirement Obligations – for all three companies.

<< File: LKE - Summary of Significant Accounting Policies - Asset Retirement Obligations.docx >> << File: KU - Summary of Significant Accounting Policies - Asset Retirement Obligations.docx >> << File: LGE - Summary of Significant Accounting Policies - Asset Retirement Obligations.docx >>
If you have any questions, please let Angela know.

Karen L. Daly
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Property Accounting
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Asset Retirement Obligations

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Clark, Ed

From: Daly, Karen
Sent: Thursday, January 27, 2011 11:03 AM
To: Moeller, Diane; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

ARO revaluation-change in estimates
Purchase accounting-fair value adjustment

Per Shannon's comments – a space needs to be added in front of and behind the -. This change was not made as requested on Note 3's table. (all three companies)

On LG&E – the word Depreciation was changed to Dpreciation. Please correct the spelling (toward the end of the next to last paragraph for this note)

From: Moeller, Diane
Sent: Wednesday, January 26, 2011 2:37 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

Completed. Please validate

From: Daly, Karen
Sent: Wednesday, January 26, 2011 1:48 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Note 3 - Asset Retirement Obligations

Attached are our changes for Note 3 on all three companies.

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If you have any changes – please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From: Moeller, Diane
Sent: Thursday, January 27, 2011 11:26 AM
To: Daly, Karen; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

I fixed the spelling error.

Would you mind sending back a document with the other changes noted for all companies.

Thanks.

From: Daly, Karen
Sent: Thursday, January 27, 2011 11:03 AM
To: Moeller, Diane; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

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Subject: RE: Note 3 - Asset Retirement Obligations

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To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
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If you have any changes – please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From: Daly, Karen
Sent: Thursday, January 27, 2011 12:34 PM
To: Moeller, Diane; McDaniels, Jason
Cc: Crescente, Angela; Wiseman, Sara
Subject: RE: Note 3 - Asset Retirement Obligations

Sure – it was in the original but I can send another one.

From: Moeller, Diane
Sent: Thursday, January 27, 2011 11:26 AM
To: Daly, Karen; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

I fixed the spelling error.

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Sent: Wednesday, January 26, 2011 2:37 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Note 3 - Asset Retirement Obligations

Completed. Please validate

From: Daly, Karen

Sent: Wednesday, January 26, 2011 1:48 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
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Subject: Note 3 - Asset Retirement Obligations

Attached are our changes for Note 3 on all three companies.

<< File: LKE - Note 3.docx >> << File: KU - Note 3.docx >> << File: LGE - Note 3.docx >>

If you have any changes – please let Angela know.

Karen L. Daly
Accounting Analyst III
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(502) 627-4279

Clark, Ed

From: Moeller, Diane
Sent: Thursday, January 27, 2011 12:43 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Summary of Significant Accounting Policies - Asset Retirement Obligations

This was completed.

From: Daly, Karen
Sent: Thursday, January 27, 2011 9:00 AM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Summary of Significant Accounting Policies - Asset Retirement Obligations

On LKE – one word was missed in the deletion process. See attached for clean copy with the one word that was missed tracked.

<< File: LKE - Summary of Significant Accounting Policies - Asset Retirement Obligations - version 2.docx >>

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Cc: Crescente, Angela
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Completed. Please validate

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Sent: Wednesday, January 26, 2011 1:53 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Summary of Significant Accounting Policies - Asset Retirement Obligations

All,

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<< File: LKE - Summary of Significant Accounting Policies - Asset Retirement Obligations.docx >> << File: KU - Summary of Significant Accounting Policies - Asset Retirement Obligations.docx >> << File: LGE - Summary of Significant Accounting Policies - Asset Retirement Obligations.docx >>
If you have any questions, please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From:	Daly, Karen
Sent:	Thursday, January 27, 2011 3:41 PM
To:	Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc:	Crescente, Angela
Subject:	Critical Accounting Policies - Asset Retirement Obligations - v2

Attached are additional changes for all three companies.

LKE - Critical Accounting Poli... KU - Critical Accounting Poli... LGE - Critical Accounting Poli...

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

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Asset Retirement Obligations

LG&E is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date~~. These~~ and ~~dollars are~~ then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the estimate of the obligations. Any change to the capitalized is amortized over the remaining life of the associated long-lived asset. See Note 3, Asset Retirement Obligations, for additional information on AROs.~~LG&E has not settled any significant AROs.~~

At December 31, 2010, LG&E had AROs totaling $49 million recorded on the Balance Sheet. Of the total amount, $29 million, or 59%, relates to LG&E's ash ponds, landfills, and gas mains decommissioning AROs. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to LG&E's ash ponds, landfills, and gas mains decommissioning ARO liabilities as of December 31, 2010. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%/(10)%	$3/$(3)
Discount Rate	0.25%/(0.25)%	$(2)/$2
Inflation Rate	0.25%/(0.25)%	$2/$(2)

Clark, Ed

From: Daly, Karen
Sent: Thursday, January 27, 2011 3:43 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Summary of Significant Accounting Policies - Asset Retirement Obligations - v2

Attached are additional change for this section.

KU - Summary of Significant Ac... LGE - Summary of Significant A... LKE - Summary of Significant A...

If you have any questions on this section, please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Asset Retirement Obligations

KU recognizes various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. Initially this obligation is measured at fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified in the Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the obligations. See Note 3, Asset Retirement Obligations, for additional information on AROs.

Asset Retirement Obligations

LG&E recognizes various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. Initially this obligation is measured at fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified in the Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the obligations. See Note 3, Asset Retirement Obligations, for additional information on AROs.

Asset Retirement Obligations

LKE recognizes various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. Initially this obligation is measured at fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified in the Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the obligations. See Note 3, Asset Retirement Obligations, for additional information on AROs.

Clark, Ed

From: Moeller, Diane
Sent: Thursday, January 27, 2011 6:38 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Critical Accounting Policies - Asset Retirement Obligations - v2

I'm sorry – I know I made these changes, but I am having Word problems. They are done now, but I won't update share point for a bit.

From: Daly, Karen
Sent: Thursday, January 27, 2011 3:41 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Critical Accounting Policies - Asset Retirement Obligations - v2

Attached are additional changes for all three companies.

<< File: LKE - Critical Accounting Policies - Asset Retirement Obligations v2.docx >> << File: KU - Critical Accounting Policies - Asset Retirement Obligations v2.docx >> << File: LGE - Critical Accounting Policies - Asset Retirement Obligations v2.docx >>

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From: Moeller, Diane
Sent: Thursday, January 27, 2011 6:40 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Summary of Significant Accounting Policies - Asset Retirement Obligations - v2

Completed.

From: Daly, Karen
Sent: Thursday, January 27, 2011 3:43 PM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Summary of Significant Accounting Policies - Asset Retirement Obligations - v2

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If you have any questions on this section, please let Angela know.

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From: Daly, Karen
Sent: Friday, January 28, 2011 9:13 AM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Critical Accounting Policies - Asset Retirement Obligations - v2

Please see attached. In the review I found that we forgot to add a word in our changes.

This is the second paragraph of this section only. The wording is the same for all three companies so I am just attaching one file.

Paragraph 2 - Critical Account...

From: Moeller, Diane
Sent: Thursday, January 27, 2011 6:38 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
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Subject: Critical Accounting Policies - Asset Retirement Obligations - v2

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Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

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Clark, Ed

From: Moeller, Diane
Sent: Friday, January 28, 2011 9:25 AM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Critical Accounting Policies - Asset Retirement Obligations - v2

Done.

From: Daly, Karen
Sent: Friday, January 28, 2011 9:13 AM
To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Critical Accounting Policies - Asset Retirement Obligations - v2

Please see attached. In the review I found that we forgot to add a word in our changes.

This is the second paragraph of this section only. The wording is the same for all three companies so I am just attaching one file.

<< File: Paragraph 2 - Critical Accounting Policies - Asset Retirement Obligations v3.docx >>

From: Moeller, Diane
Sent: Thursday, January 27, 2011 6:38 PM
To: Daly, Karen; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: RE: Critical Accounting Policies - Asset Retirement Obligations - v2

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To: Moeller, Diane; Fackler, Andrea; McDaniels, Jason
Cc: Crescente, Angela
Subject: Critical Accounting Policies - Asset Retirement Obligations - v2

Attached are additional changes for all three companies.

<< File: LKE - Critical Accounting Policies - Asset Retirement Obligations v2.docx >> << File: KU - Critical Accounting Policies - Asset Retirement Obligations v2.docx >> << File: LGE - Critical Accounting Policies - Asset Retirement Obligations v2.docx >>

Karen L. Daly
Accounting Analyst III
Property Accounting
(502) 627-4279

Clark, Ed

From: Moeller, Diane
Sent: Friday, January 28, 2011 10:02 AM
To: Moeller, Diane; Tipton, Karen; Crescente, Angela; Whitaker, Sherrie; Pienaar, Lesley; Williams, Scott; Erskine, Greg; Pemberton, Courtney; Higdon, Kelli
Cc: McDaniels, Jason
Subject: RE: LKE table updates - KU is updated

KU is updated. Please review.
thanks

From: Moeller, Diane
Sent: Tuesday, January 25, 2011 7:20 PM
To: Tipton, Karen; Crescente, Angela; Whitaker, Sherrie; Pienaar, Lesley; Williams, Scott; Erskine, Greg; Pemberton, Courtney; Higdon, Kelli
Cc: McDaniels, Jason
Subject: LKE table updates

I have formatted the tables in the LKE file. Would you please review and validate that your data is still there and proper? Please let me know when completed/any changes to be made. LGE & KU to follow.

If you are not responsible for the note in LGE, please advise who I should contact.
thanks
Diane

LKE

Tipton/Stuecker	Note 2 regulatory assets &liabilities section only
Crescente	Note 3 Asset Retirement Obligations
Whitaker	Note 4 Derivative Financial Instruments
Whitaker	Note 5 Fair Value Measurements
Pienaar	Note 6 Goodwill and Other Intangible Assets
Higdon	Note 8 Pension and Other Postretirement Benefit
Williams	Note 9 income taxes
Pienaar	Note 13 acquisition by PPL
Erskine	Note 16 selected quarterly data
Pemberton	Note 19 Discontinued Ops

Diane L. Moeller, CPA
KForce Consultant

Clark, Ed

From: Moeller, Diane
Sent: Friday, January 28, 2011 10:33 AM
To: Crescente, Angela
Subject: RE: LKE table updates - KU is updated

Use the files in folder M2

From: Crescente, Angela
Sent: Friday, January 28, 2011 10:25 AM
To: Moeller, Diane
Subject: RE: LKE table updates - KU is updated

Did you make these changes in the footnote sections are SharePoint because it still shows I'm the last one to make changes?

From: Moeller, Diane
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Diane L. Moeller, CPA
KForce Consultant

Clark, Ed

From: Crescente, Angela
Sent: Friday, January 28, 2011 1:58 PM
To: Moeller, Diane
Subject: RE: LKE table updates - KU is updated

KU and LKE look good to me.

From: Moeller, Diane
Sent: Friday, January 28, 2011 10:33 AM
To: Crescente, Angela
Subject: RE: LKE table updates - KU is updated

Use the files in folder M2

From: Crescente, Angela
Sent: Friday, January 28, 2011 10:25 AM
To: Moeller, Diane
Subject: RE: LKE table updates - KU is updated

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Cc: McDaniels, Jason
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thanks

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Cc: McDaniels, Jason
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Diane

LKE

Tipton/Stuecker	Note 2 regulatory assets &liabilities section only
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Pienaar	Note 13 acquisition by PPL
Erskine	Note 16 selected quarterly data
Pemberton	Note 19 Discontinued Ops

Diane L. Moeller, CPA
KForce Consultant

Clark, Ed

From: Wiseman, Sara
Sent: Friday, February 04, 2011 8:19 AM
To: Crescente, Angela
Subject: FW: question on ARO wording

From: Moeller, Diane
Sent: Thursday, February 03, 2011 7:18 PM
To: Wiseman, Sara
Subject: question on ARO wording

Sara,

Barry and I are having a hard time understanding the wording on the following paragraph taken from LKE Note 1 long lived & intangible assets

Asset Retirement Obligations

LKE recognizes various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. Initially this obligation is measured at fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified in the Statements of Income, for changes in the obligation due to the passage of time.

I think we are missing something about the expense being classified as "Depreciation, accretion and amortization" in the Statements of Income. Any thoughts? Is this an issue in LGE and KU as well?
thanks

Diane L. Moeller, CPA
KForce Consultant

Clark, Ed

From: Crescente, Angela
Sent: Friday, February 11, 2011 5:19 PM
To: Moeller, Diane
Subject: LKE - Asset Retirement Obligations.docx

Diane:

This one is just missing the colon used on the other two companies instead of a period after December 31, 2010.

LKE - Asset
Retirement Obli...

Thanks,
Angela

Asset Retirement Obligations

LKE is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the Consolidated Statements of Income, for changes in the obligation due to the passage of time. An offsetting regulatory asset is recognized to reverse the depreciation and accretion expense related to the ARO such that there is no income statement impact. The regulatory asset is relieved when the ARO has been settled. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of various AROs and the related assets, are reviewed periodically to ensure that any material changes are incorporated into the estimate of the obligations. Any change to the capitalized asset is amortized over the remaining life of the associated long-lived asset. See Note 4, Asset Retirement Obligations, for further information on AROs.

At December 31, 2010, LKE had AROs totaling $103 million recorded on the Consolidated Balance Sheets. Of the total amount, $64 million, or 62%, relates to LKE's ash ponds, landfills and gas mains. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in the forecasted retirement costs, the discount rates or the inflation rates could have a significant impact on the ARO liabilities.

The following chart reflects the sensitivities related to LKE's ARO liabilities for ash ponds, landfills and gas mains as of December 31, 2010:~~.~~

	Change in Assumption	Impact on ARO Liability
Retirement cost	10%/(10)%	$7/$(7)
Discount rate	0.25%/(0.25)%	$(4)/$3
Inflation rate	0.25%/(0.25)%	$4/$(4)

Clark, Ed

From: Moeller, Diane
Sent: Friday, February 11, 2011 6:08 PM
To: Crescente, Angela
Subject: RE: LKE - Asset Retirement Obligations.docx

completed

From: Crescente, Angela
Sent: Friday, February 11, 2011 5:19 PM
To: Moeller, Diane
Subject: LKE - Asset Retirement Obligations.docx

Diane:

This one is just missing the colon used on the other two companies instead of a period after December 31, 2010.

<< File: LKE - Asset Retirement Obligations.docx >>
Thanks,
Angela

Clark, Ed

From:	Crescente, Angela	
Sent:	Tuesday, February 15, 2011 4:37 PM	
To:	Ritchey, Stacy	
Subject:	RE: ARO Explanation	
Tracking:	**Recipient**	**Read**
	Ritchey, Stacy	Read: 2/15/2011 5:01 PM

Stacy,

The best explanation I have is:

An Asset Retirement Obligation is any asset that has to be disposed of in a legally required manner. For example, asbestos, closing of ash ponds/landfills, gas main and service abandonments, etc. Another instance of an ARO would be if we have a contractual obligation to do something, like returning something to "green space". Actually, the field personnel have a better idea of what qualifies since they know what assets have to be removed/disposed of properly or what contracts we have out there. If there is any question as to whether or not something qualifies as an ARO, we usually get the Legal and Environmental departments involved in helping us with the decision.

Thanks,
Angela

From: Ritchey, Stacy
Sent: Tuesday, February 15, 2011 3:39 PM
To: Crescente, Angela
Subject: ARO Explanation

Angela,

One of our project managers has requested guidance to know when something qualifies for ARO and how to treat it. Rusty suggested you or someone in Property may have a white paper or a short description of ARO which details what it is so we can provide guidance to our managers for the future. Do you have anything that would work? Thanks,

Stacy Ritchey
Sr Budget Analyst
Project Engineering
BOC Phone: (502) 627-4388
EW Brown Phone (859) 748-4455
Fax: (502) 217-4980

Clark, Ed

From: Leenerts, Patricia
Sent: Monday, March 28, 2011 10:02 AM
To: Porter, Janice
Cc: Sundheimer, Glenn; Crescente, Angela
Subject: RE: Project 130940-Reline Wells

New assets, which will have cost of removal associated with the asset retirement obligation, are put into the appropriate Plant Account and thus through Property Accounting mapped into the appropriate Depreciation (Depr) Group. The Well assets which fall under ARO are the initial drilling of the well, well casing, well relining. These are the assets which cause the Asset Retirement Obligation liability to be setup on our books.

Thanks,

Pat
502-627-**3811**

From: Porter, Janice
Sent: Monday, March 28, 2011 9:12 AM
To: Leenerts, Patricia
Cc: Sundheimer, Glenn; Crescente, Angela
Subject: RE: Project 130940-Reline Wells

Why is this ARO if the wells are relined and not plugged?

From: Leenerts, Patricia
Sent: Friday, March 25, 2011 6:30 PM
To: Porter, Janice
Cc: Sundheimer, Glenn
Subject: RE: Project 130940-Reline Wells

Here's the info after my review.

This project does not look ready for review as it is missing data.

The Major Location s/b GUS-KY not GSF
The Asset Location s/b Magnolia not Mag Storage Field
We need at least one 107001 and 108901 for a likely well that will be on this project.

The unit estimate for relining – casings – is G352.50 Well Equipment-ARO and the RU is CASINGS – ARO ONLY

Please make the above changes and get with me if you feel it necessary.

Thanks,

Pat
502-627-**3811**

From: Porter, Janice
Sent: Thursday, March 24, 2011 4:46 PM
To: Leenerts, Patricia
Cc: Sundheimer, Glenn
Subject: Project 130940-Reline Wells

Pat,
Please review this project. If there any changes, please get with Glenn. I am out tomorrow, but back in on Monday with the hopes of getting this project processes.
Thanks,
Janice

Janice W. Porter

Clark, Ed

From: Crescente, Angela
Sent: Monday, March 28, 2011 11:14 AM
To: Porter, Janice
Cc: Sundheimer, Glenn; Leenerts, Patricia
Subject: RE: Project 130940-Reline Wells

Just to add a little extra for documentation purposes....

The only time you have to put a "CP" task on a project is when you are actually retiring an ARO (in this case, the well). This step that Pat is talking about belongs at the very beginning of an asset's life to initiate the future obligation to retire the asset maybe 20 years from now. It is important to set the asset up in the right depreciation group for it to begin the journey to being retired in a certain fashion at some point in the future. I hope this helps. Feel free to call if you have any questions.

Thanks,
Angela

From: Leenerts, Patricia
Sent: Monday, March 28, 2011 10:02 AM
To: Porter, Janice
Cc: Sundheimer, Glenn; Crescente, Angela
Subject: RE: Project 130940-Reline Wells

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Thanks,
Janice

Janice W. Porter

Clark, Ed

From: Leenerts, Patricia
Sent: Friday, April 01, 2011 4:32 PM
To: Thomas, Zach
Cc: Porter, Janice; Crescente, Angela
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

Zach, I cannot identify the charges which hit the RO TANK as they came through on a credit card purchase. Can you give me some more detail on these tanks (material, size/gallons, etc). Also, what does RO stand for? The other task currently setup is SPENT ACID TANKS. Explain a little about the liquid that will be stored in these various tanks. If you have already planned on purchasing additional tanks, for other liquids, then please go ahead and explain those to me now also.

Did you find out about tank disposal or cleaning? If the estimate is not something that you expect to get soon, then I will need a rough estimate now. I am trying to determine if the cost of cleaning or disposal of these tanks will make them qualify as AROs (Asset Retirement Obligations).

Thanks,

Pat
502-627-3811

From: Thomas, Zach
Sent: Wednesday, January 13, 2010 12:03 PM
To: Leenerts, Patricia
Cc: Porter, Janice; Skaggs, John
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

Pat,
The current tanks were probably purchased with O&M money instead of capital, so they probably do not show up anywhere as a retirement item. Due to the liquids contained within some of the tanks, there will probably be a removal cost for cleaning and disposal of the tanks. The purchase of the tanks will likely be staggered due to the different waste sources and coordination of liquid waste disposal. Most of the tanks will be at Magnolia, we might replace 1 or 2 at the Center facility. As the tanks are purchased, I will try to set up a task either for each tank or for each type of liquid that they will be used to contain. I do not have any quotes yet for tank disposal, so that will ultimately determine how many tanks we will be able to dispose of and purchase with this project. If you need anything else, let me know.

Thanks,
Zach

From: Skaggs, John
Sent: Wednesday, January 13, 2010 9:18 AM
To: Thomas, Zach
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

Zach,

Please answer what you can.

Thanks,
John

From: Porter, Janice
Sent: Wednesday, January 13, 2010 9:09 AM
To: Skaggs, John
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

John,
Can you answer these questions.
Thanks.

From: Porter, Janice
Sent: Wednesday, January 13, 2010 9:08 AM
To: Leenerts, Patricia
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

After I complete monthly financial reporting. Until then, I am sending this to John Skaggs. Most of the questions he can answer.
Thanks,
Janice

Janice W. Porter, CPA, MBA

From: Leenerts, Patricia
Sent: Wednesday, January 13, 2010 8:39 AM
To: Porter, Janice
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

Janice,

When do you expect to respond to this email so that I may approve?

Thanks,

Pat
502-627-3811

From: Leenerts, Patricia
Sent: Monday, January 11, 2010 8:09 PM
To: Porter, Janice
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

Janice,

Please don't forget that I am here to help you. Please consider letting me review the AIPs prior to you submitting for approval. There are several corrections that I will make for you. Making these corrections is harder at this point than if you had made them before submitting for approval. If these error continue, then I will need to reject them for you to correct. Rejecting causes the AIP to go through the entire AIP approval cycle again.

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How did you come up with the plant account and UOP as I do not find plastic tanks under this UOP to retire? Are you able to give me an example of a tank that may be retired or the project the original plastic tanks were purchased under?
Are all tanks to be purchased/installed at the same time?
Are all tanks to be purchased/installed at the same location or tax district (i.e. Magnolia Compressor Station)? Where?
Are you adding task as each tank is purchased/installed?
Ideally there should be at least one task that is not the budget tasks, this may prevent the $1 upload problem.

When completing the AIP a quantity must be shown with the materials unit estimate. I know that it is unknown how many tanks are to be purchased, but the materials estimate was based on some quantity and that is the quantity that you include on the unit estimate. This AIP is out of balance: the materials costs listed in the "Investment Materials" section should equal the material amount shown from the unit estimate (s/b $22,300 in this case). Also, when completing the retirement information on the unit estimate, then you include an estimated quantity but DO NOT include dollars. The dollars here are for the material of the asset that is being retired and not for the cost of removal as you have done on this automated AIP. I will make the corrections required from this paragraph and let you know when you can add a task as mentioned above (if you choose to do so). I may need to make this task level unitization.

Thanks,

Pat
502-627-3811

From: JANICE.PORTER@EON-US.COM [mailto:JANICE.PORTER@EON-US.COM]
Sent: Monday, January 11, 2010 2:54 PM
To: Leenerts, Patricia
Subject: AIP Project Approval - 126441 - ORIGINAL

LG&E project number 126441 (MAG PURCHASE PLASTIC TANKS) has been submitted for your approval. Please login to PowerPlant and respond to the items awaiting your approval.

login to powerplant

Clark, Ed

From: Trenary, Samara
Sent: Tuesday, April 05, 2011 8:56 AM
To: Crescente, Angela
Subject: Comments

Angela

There were two paragraphs removed from the *Asset Retirement Obligation* footnote that you prepare. You can view the changes on the sharepoint site. Let me know if you have any questions. Thanks!

Samara

Clark, Ed

From: Thomas, Zach
Sent: Thursday, April 07, 2011 2:39 PM
To: Leenerts, Patricia
Cc: Porter, Janice; Crescente, Angela
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

Pat,
RO stands for Reverse Osmosis. It is used to hold water during the purification process. The $2217 purchase was for heat trace to prevent the tank from freezing during cooler temperatures. I think the $2771 charge was for tank insulation.

I think the disposal cost for an average plastic tank is around $300.

Zach

From: Leenerts, Patricia
Sent: Friday, April 01, 2011 4:32 PM
To: Thomas, Zach
Cc: Porter, Janice; Crescente, Angela
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

Zach, I cannot identify the charges which hit the RO TANK as they came through on a credit card purchase. Can you give me some more detail on these tanks (material, size/gallons, etc). Also, what does RO stand for? The other task currently setup is SPENT ACID TANKS. Explain a little about the liquid that will be stored in these various tanks. If you have already planned on purchasing additional tanks, for other liquids, then please go ahead and explain those to me now also.

Did you find out about tank disposal or cleaning? If the estimate is not something that you expect to get soon, then I will need a rough estimate now. I am trying to determine if the cost of cleaning or disposal of these tanks will make them qualify as AROs (Asset Retirement Obligations).

Thanks,

Pat
502-627-**3811**

From: Thomas, Zach
Sent: Wednesday, January 13, 2010 12:03 PM
To: Leenerts, Patricia
Cc: Porter, Janice; Skaggs, John
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

Pat,
The current tanks were probably purchased with O&M money instead of capital, so they probably do not show up anywhere as a retirement item. Due to the liquids contained within some of the tanks, there will probably be a removal cost for cleaning and disposal of the tanks. The purchase of the tanks will likely be staggered due to the different waste sources and coordination of liquid waste disposal. Most of the tanks will be at Magnolia, we might replace 1 or 2 at the Center facility. As the tanks are purchased, I will try to set up a task either for each tank or for each type of liquid that they will be used to contain. I do not have any quotes yet for tank disposal, so that will ultimately determine how many tanks we will be able to dispose of and purchase with this project. If you need anything else, let me know.

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Zach

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Sent: Wednesday, January 13, 2010 9:18 AM
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Subject: FW: AIP Project Approval - 126441 - ORIGINAL

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Sent: Wednesday, January 13, 2010 9:09 AM
To: Skaggs, John
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

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Thanks.

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Sent: Wednesday, January 13, 2010 9:08 AM
To: Leenerts, Patricia
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

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Thanks,
Janice

Janice W. Porter, CPA, MBA

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Sent: Wednesday, January 13, 2010 8:39 AM
To: Porter, Janice
Subject: FW: AIP Project Approval - 126441 - ORIGINAL

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Pat
502-627-3811

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Sent: Monday, January 11, 2010 8:09 PM
To: Porter, Janice
Subject: RE: AIP Project Approval - 126441 - ORIGINAL

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Thanks,

Pat
502-627-3811

From: JANICE.PORTER@EON-US.COM [mailto:JANICE.PORTER@EON-US.COM]
Sent: Monday, January 11, 2010 2:54 PM
To: Leenerts, Patricia
Subject: AIP Project Approval - 126441 - ORIGINAL

LG&E project number 126441 (MAG PURCHASE PLASTIC TANKS) has been submitted for your approval. Please login to PowerPlant and respond to the items awaiting your approval.

login to powerplant

Clark, Ed

From: Crescente, Angela
Sent: Tuesday, April 12, 2011 10:22 AM
To: Trenary, Samara
Subject: RE: ARO footnote

Samara:

I apologize, I thought for sure I saved that! Please see the attached for LGE:

Note 4 - Asset
Retirement Obli...

Thanks!
Angela

From: Trenary, Samara
Sent: Tuesday, April 12, 2011 9:59 AM
To: Crescente, Angela
Subject: RE: ARO footnote

Do we need a write-up paragraph for LGE like you had for KU?

From: Crescente, Angela
Sent: Monday, April 11, 2011 5:20 PM
To: Trenary, Samara
Cc: Wiseman, Sara
Subject: RE: ARO footnote

Samara:

Please see the attached footnote updates:

<< File: Note 4 - Asset Retirement Obligations LKE.docx >> << File: Note 4 - Asset Retirement Obligations KU.docx >> << File: Note 4 - Asset Retirement Obligations LGE.docx >>

Thanks,
Angela

From: Trenary, Samara
Sent: Monday, April 11, 2011 1:35 PM
To: Crescente, Angela
Cc: Wiseman, Sara
Subject: ARO footnote

Angela

Will you let me know when you have the reporting package complete? Also, will you provide the updated numbers to the footnote? I believe I need all of this by 8am tomorrow. Let me know if you have any questions. Thanks!

Note 4 - Asset Retirement Obligations

A summary of LG&E's net ARO assets, ARO liabilities and regulatory assets established under the asset retirement and environmental obligations guidance of the FASB ASC follows:

	ARO Net Assets	ARO Liabilities	Regulatory Assets
As of December 31, 2010	$ 45	$ (49)	$ 7
ARO accretion and depreciation	~~?~~-	~~(?~~(1)	~~?~~1
ARO settlements	~~?~~-	~~?~~-	~~(?~~-)
Removal cost incurred	~~?~~-	~~?~~-	~~?~~-
As of **Error! Reference source not found.**~~March 31~~, 2011	$ ~~?~~45	$ (~~??~~50)	$ ~~??~~8

At March 31, 2011, AROs totaling $50 million were recorded on the Balance Sheet, of which $1 million is included in "Other current liabilities."

Pursuant to regulatory treatment prescribed under the regulated operations guidance of the FASB ASC, an offsetting regulatory credit for the ARO accretion and depreciation expense was recorded in "Depreciation and amortization" in the Condensed Statements of Income. As such, there is no impact on net income for the ARO accretion and depreciation. The ARO liabilities are offset by cash settlements that have not yet been applied; therefore, ARO net assets, ARO liabilities and regulatory asset balances do not net to zero.

LG&E's AROs are primarily related to the final retirement of assets associated with generating units and natural gas mains and wells. LG&E's transmission and distribution lines largely operate under perpetual property easement agreements which do not generally require restoration upon removal of the property. Therefore, under the asset retirement and environmental obligations guidance of the FASB ASC, no material asset retirement obligations are recorded for transmission and distribution assets.

Clark, Ed

From: Crescente, Angela
Sent: Thursday, June 23, 2011 2:03 PM
To: Allen, Lisa; Satkamp, Mark
Cc: Wiseman, Sara
Subject: RE: ARO Quarterly Questionnaire.docx

Lisa and Mark:

An ARO is any asset that has a legal, environmental or contractual obligation/requirement to be removed/disposed of in a certain manner. This also includes returning land back into "green space". One example would be asbestos since the removal and disposal of it generally requires the men in the little white suits to come and take care of it. Another example would be our ash ponds/landfills. It is a requirement that the retirement of them are handled in a certain fashion and the land is cover soiled and seeded.

In your example, it would depend on what type of equipment you are purchasing. If this equipment has no legal, environmental, or contractual obligation to remove/retire it a certain way, then it would not qualify as an ARO. Please feel free to call me if you would like to discuss it further and we can speak to your specific issue with the equipment. If this information is sufficient enough in helping you decide, please let me know that too.

Thanks,
Angela

From: Allen, Lisa
Sent: Thursday, June 23, 2011 10:05 AM
To: Satkamp, Mark
Cc: Wiseman, Sara
Subject: RE: ARO Quarterly Questionnaire.docx

If they result in a legal obligation to remove the asset/equipment once we are finished with it, yes. If not, no. If you have more questions as to if it qualifies, I think that Property can probably provide some more insight.

Sara – any guidance you can give Mark to determine if his AIPs would be AROs. Is there any general guidance you have on what qualifies for AROs?

Lisa

From: Satkamp, Mark
Sent: Thursday, June 23, 2011 9:45 AM
To: Allen, Lisa
Subject: RE: ARO Quarterly Questionnaire.docx

Lisa,

Several of the Gas Control 2011 AIPs involve the installation of new equipment. Would all of these be applicable to question #3 ?

Clark, Ed

From: Wiseman, Sara
Sent: Thursday, November 10, 2011 12:45 PM
To: Amlung, Kim; Clark, Ed; Clark, Lynda; Crescente, Angela; Daly, Karen; Griffin, Sharon; Kinder, Debra; Kuntz, John; Leenerts, Patricia; Riggs, Eric; Rose, Bruce; Wacker, Diana
Subject: ARO review

Hi all:

As you may know, we have recently discovered some AROs in the gas area which should have been recorded in a previous year. As you can guess, this has caused concern to Sr. Management. Therefore, Shannon and Valerie have asked us to work with folks in the field to once again review our fixed assets to determine whether there are any other AROs which have been missed. In order to accomplish this Shannon will be sending out emails to various folks in the field requesting help. Additionally, we will also be having meetings. Several of you may be copied on the emails and receive meeting notices, depending on the functional areas you work on.

Sara Wiseman
Manager, Property Accounting
Office 502.627.3189
Cell 502.338.0886

Clark, Ed

From: Leenerts, Patricia
Sent: Thursday, November 10, 2011 8:24 AM
To: Crescente, Angela
Cc: Wiseman, Sara; Sundheimer, Glenn
Subject: ARO review

Angela, you may already know (I couldn't get others to show up on calendar) that Glenn will not be attending tomorrow. I did ask if he had any other things that would be plugged or sealed, offering the regulator pit example and farm taps. He is only "wells" and said that there was nothing else.

Thanks,

Pat
502-627-**3811**

Clark, Ed

From: Crescente, Angela
Sent: Tuesday, November 01, 2011 4:10 PM
To: 'Joseph Holt'
Cc: Wacker, Diana; Kinder, Debra; Josh Hirschel; Jim Ogilvie; 'asmith@pwrplan.com'
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]
Attachments: LGE TEST OCTOBER.xlsx; LGE TEST NOVEMBER.xlsx; Support - PA Depr Problem.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Hey Joe,

Well......I thought it was fixed because it looked OK in the PP ledger in the test system, but I tested it out one more time to be sure. The PP depr ledger for the PPL Purchase Accounting set of books did get wiped clean in October like it should with my depr adjustments (see screenshots), but it is popping out journals (in the wrong direction). I have attached screen shots of the 3 assets that make up the $187.72 that originally started the problem. I would have expected to see a debit to 403 and a credit to 108 for $187.72 in October. Instead, I see the $182.72 doubled ($375.43) and going in the wrong direction (credit to 403 and debit to 108). Then, in November, the exact same $375.43 (credit to 403 and debit to 108) is still happening. I have attached October and November JE rows to show you.

Let me know if you have any questions. I know this is a twisted maze.

Thanks,
Angela

From: Joseph Holt [mailto:jholt@pwrplan.com]
Sent: Wednesday, October 12, 2011 5:04 PM
To: Crescente, Angela
Cc: Wacker, Diana; Kinder, Debra; Josh Hirschel; Jim Ogilvie
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

I'm glad to hear there is a workaround! Please let me know if you need anything else from me for the data fix.

As for a code change, I will submit a maintenance item for this, but I can not say for certain when the maintenance will be completed and delivered. I would monitor these transition AROs closely if there is a need to book one before a code change is delivered, and it should be possible to correct the data prior to any journals being sent in the unlikely event that this situation occurs again.

Thank you,
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300

Atlanta, GA 30339

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 2:06 PM
To: Joseph Holt
Cc: Wacker, Diana; Kinder, Debra
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

After playing around in DEV with a combination of depr exp and depr reserve adjustments, I think we finally got it to work. I am going to test it out one more time when DEV refreshes over the weekend to be sure of exactly which procedure I think worked. I will keep you posted. Are you still planning on a fix for the future so this doesn't happen again?

Thanks,
Angela

From: Joseph Holt [mailto:jholt@pwrplan.com]
Sent: Wednesday, October 12, 2011 12:01 PM
To: Crescente, Angela
Cc: Wacker, Diana; Kinder, Debra
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

I was forgetting something important here: For CPR Depr, individually depreciated assets, Depreciable Base = NBV, in this case, 0$ cost – 104k reserve = -104K base, and therefore negative expense. I don't believe there should be any reserve for the PPL Purchase Accounting set of books. Therefore, if you adjust the reserve to 0$ and rerun depreciation, this issue should go away.

Thanks!
Joe

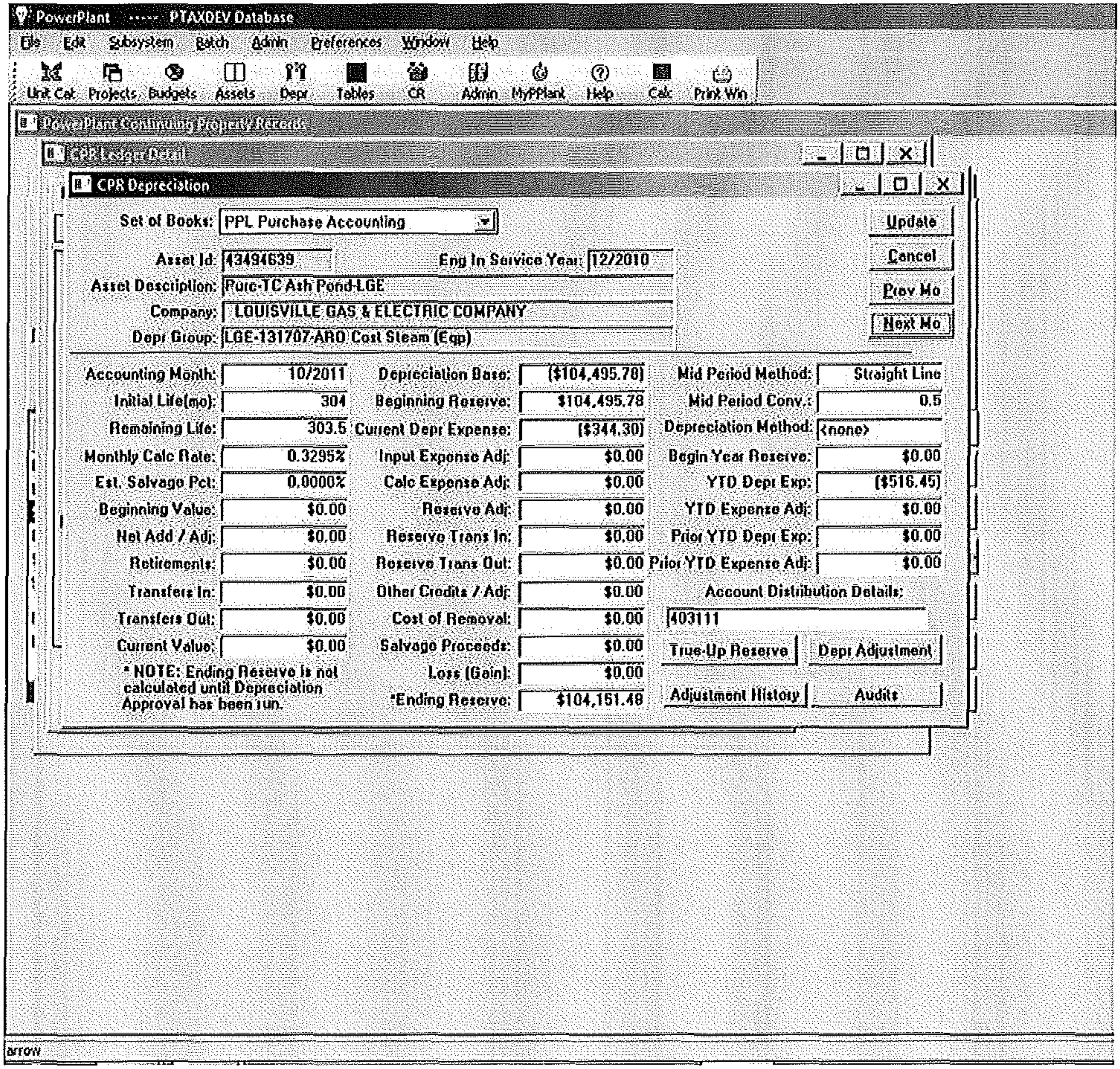
Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 10:16 AM
To: Joseph Holt
Cc: Wacker, Diana; Kinder, Debra
Subject: FW: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

It's baaaaack! It doubled the base to get a full month of depr this time, so it's still broken.

Thanks,
Angela



PowerPlant ····· PTAXDEV Database

File Edit Subsystem Batch Admin Preferences Window Help

Unit Cat Projects Budgets Assets Depr Tables CR Admin MyPPlant Help Calc Print Win

PowerPlant Continuing Property Records

CPR Ledger Detail

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494639 | Eng In Service Year: 12/2010
Asset Description: Purc-TC Ash Pond-LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	10/2011	Depreciation Base:	($104,495.78)	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$104,495.78	Mid Period Conv.:	0.5
Remaining Life:	303.5	Current Depr Expense:	($344.30)	Depreciation Method:	<none>
Monthly Calc Rate:	0.3295%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($516.45)
Beginning Value:	$0.00	Reserve Adj:	$0.00	YTD Expense Adj:	$0.00
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$104,161.48	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

arrow

-----Original Message-----
From: Joseph Holt [mailto:jholt@pwrplan.com]
Sent: Wednesday, October 12, 2011 10:39 AM
To: Crescente, Angela
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

I can connect now if you have a minute. I am on PowerPlant Support 24.

Thank you,
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

-----Original Message-----
From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 8:35 AM
To: Joseph Holt; PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Josh Hirschel
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

OK. Thanks Joe!

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Sent: Wednesday, October 12, 2011 9:34 AM
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Cc: Josh Hirschel
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

I will be available at 10:30 Eastern and will send you an email.

Thanks!
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

-----Original Message-----
From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 8:32 AM
To: PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Jim Ogilvie; Josh Hirschel; Jim Dahlby; Joseph Holt
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

I can gotoassist whenever you are ready.

-----Original Message-----
From: Plant Support [mailto:support@pwrplan.com]
Sent: Wednesday, October 12, 2011 9:30 AM
To: Wacker, Diana; Kinder, Debra; Crescente, Angela
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

Can you please forward the email below to jholt@pwrplan.com? I am having trouble viewing these pictures.

Also, would it be possible for you to connect me to your PC via gotoassist?

Thank you,
Joe

--------------- Original Message ---------------
From: Crescente, Angela [Angela.Crescente@lge-ku.com]
Sent: 10/12/2011 8:56 AM
To: support@pwrplan.com;
Diana.Wacker@lge-ku.com;
Debra.Kinder@lge-ku.com
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

You are correct, this problem does not happen with new AROs.

However, due to a situation that we had to fix in September this year with some of our AROs, we needed to settle some older ones and set them up again with a January date so that the cumulative effect would "catch up" accretion and depreciation through September. We also did this in November 2010 due to the acquisition from PPL in order to capture the November accretion. However, the difference is that the purchase accounting set of books was not completed until December 2010. This is the first time we have done a transition ARO since then and although not likely, I cannot say for sure that we will never need to set up transitions again if it is decided that we need to account for the cumulative effect.

Therefore, we still need a fix for this in the event that we have to do something with transitions again. We cannot correct what happened, because there is no purchase accounting cost or asset, only a basis from which depreciation is computed. In the three screenshots below, you can see there is no purchase accounting ending plant in service, only a depreciable base in the depr ledger.

Thanks,

Angela

[cid:image002.jpg@01CC88BC.B0401280]

[cid:image008.jpg@01CC88BC.B0401280]

[cid:image009.jpg@01CC88BC.B0401280]

-----Original Message-----
From: Plant Support [mailto:support@pwrplan.com]
Sent: Tuesday, October 11, 2011 11:26 PM
To: Wacker, Diana; Kinder, Debra
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com; Crescente, Angela
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Debra,

To remove the incorrect depreciation basis, you should be able to perform a standard depreciation adjustment or CPR adjustment for that basis only for the book cost.

My question on the transition piece is why are is the ARO transition module to set up new AROs. The transition module, including the cumulative effective adjustment, was built to help comply with the 2003 adoption of FAS143, but it is no longer generally used as the adoption period has passed.

I believe this problem could be avoided by entering new AROs through the standard ARO module, although this would need to be tested in DEV.

Thanks!

Joe

--------------- Original Message ---------------

From: Kinder, Debra [Debra.Kinder@lge-ku.com]

Sent: 10/7/2011 9:15 AM

To: support@pwrplan.com<mailto:support@pwrplan.com>;

Diana.Wacker@lge-ku.com<mailto:Diana.Wacker@lge-ku.com>

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Elizabeth,

Our concerns are why this happened with the set up of the ARO transition assets, how to prevent it from happening again and how to get the basis that was created on the Purchase Accounting depreciation ledger removed so depreciation will not be calculated next month. Our DEV instance will be refreshed this weekend if that will help with the research of these issues.

Thanks,

Deb

-----Original Message-----

From: Plant Support [mailto:support@pwrplan.com]<mailto:[mailto:support@pwrplan.com]>

Sent: Thursday, October 06, 2011 5:16 PM

To: Wacker, Diana

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Kinder, Debra; Crescente, Angela

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Diana,

You will need to do a depr adjustment to remove the amount from the one set of books.

Thanks,

Elizabeth Cowart

--------------- Original Message ---------------

From: Wacker, Diana [Diana.Wacker@lge-ku.com]

Sent: 10/6/2011 4:20 PM

To: support@pwrplan.com<mailto:support@pwrplan.com>

Cc: Debra.Kinder@lge-ku.com<mailto:Debra.Kinder@lge-ku.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>; jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>

Subject: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE

All:

We have a Closing Issue. We set up Transition ARO's on both LGE and KU. Somehow these transition ARO's created a Purchase Accounting Depr Reserve Adjustment, which created entries for depreciation expense. It basically duplicated the financial set of books entry - the financial set of book entry is correct - BUT THE PURCHASE ACCOUNTING SET OF BOOKS IS NOT CORRECT.

There is a fictitious depr basis on the Purchase Accounting Set of Books, which created depreciation entries. I am sending screen shots of the Depr Ledger for the reserve activity for both sets of books.

This is in PRODUCTION only. Please let me know what other information I can provide to help you with getting this corrected.

Thanks,

Diana Wacker

502-627-4054

Thanks,

Elizabeth Cowart

PowerPlant Support

770.937.3000

ref:00D6KJDN.5006FE4Ma:ref

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month	company_number	debit_credit_indicator	amount	gl_je_code	gl_account	gl_status_id	description	description
10/1/2011 0:00	100	1	(375.43)	DEPR EXPENSE	0099-111-000099-000099-403111-0000-0697-0000-	1	LOUISVILLE GAS & ELECTRIC COMPANY	Accrue monthly depreciation expense
10/1/2011 0:00	100	0	(375.43)	DEPR EXPENSE	0099-304-000099-000099-108107-0000-0697-0000-	1	LOUISVILLE GAS & ELECTRIC COMPANY	Accrue monthly depreciation expense

month	company_number	debit_credit_indicator	amount	gl_je_code	gl_account	gl_status_id	description	description
11/1/2011 0:00	100	1	(375.43)	DEPR EXPENSE	0099-111-000099-000099-403111-0000-0697-0000-	1	LOUISVILLE GAS & ELECTRIC COMPANY	Accrue monthly depreciation expense
11/1/2011 0:00	100	0	(375.43)	DEPR EXPENSE	0099-304-000099-000099-108107-0000-0697-0000-	1	LOUISVILLE GAS & ELECTRIC COMPANY	Accrue monthly depreciation expense

CPR Depreciation

Set of Books:	PPL Purchase Accounting
Asset Id:	43494639
Eng In Service Year:	12/2010
Asset Description:	Purc-TC Ash Pond-LGE
Company:	LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group:	LGE-131707-ARO Cost Steam (Eqp)

Update | Cancel | Prev Mo | Next Mo

Accounting Month:	10/2011	Depreciation Base:	$0.00	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$104,495.78	Mid Period Conv.:	0.5
Remaining Life:	303.5	Current Depr Expense:	$0.00	Depreciation Method:	<none>
Monthly Calc Rate:	0.3295%	Input Expense Adj:	$172.15	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($172.15)
Beginning Value:	$0.00	Reserve Adj:	($104,667.93)	YTD Expense Adj:	$172.15
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True-Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$0.00	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

Depr adjust 3 assets - $187.72

PPL Purchase Accounting set of books.
in PTAXDEV.

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494699
Eng In Service Year: 12/2010
Asset Description: Purc-TC Ash Pond LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707 ARO Cost Steam (Eqp)

Accounting Month:	11/2011	Depreciation Base:	$0.00	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	302.5	Current Depr Expense:	$0.00	Depreciation Method:	<none>
Monthly Calc Rate:	0.3306%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($172.15)
Beginning Value:	$0.00	Reserve Adj:	$0.00	YTD Expense Adj:	$172.15
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$0.00	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

Looks like it all zeroed out.

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494648
Eng In Service Year: 12/2010
Asset Description: Purc-TC Coal Storage-LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707/ARO Cost Steam (Eqp)

Accounting Month:	10/2011	Depreciation Base:	$0.00	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$4,179.28	Mid Period Conv.:	0.5
Remaining Life:	303.5	Current Depr Expense:	$0.00	Depreciation Method:	<none>
Monthly Calc Rate:	0.3295%	Input Expense Adj:	$6.89	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($6.89)
Beginning Value:	$0.00	Reserve Adj:	($4,186.17)	YTD Expense Adj:	$6.89
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$0.00	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494640
Eng In Service Year: 12/2010
Asset Description: Purc-TC Coal Storage-LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707 ARO Cost Steam (Eqp)

Accounting Month:	11/2011	Depreciation Base:	$0.00	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv.:	0.5
Remaining Life:	302.5	Current Depr Expense:	$0.00	Depreciation Method:	<none>
Monthly Calc Rate:	0.3306%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($6.89)
Beginning Value:	$0.00	Reserve Adj:	$0.00	YTD Expense Adj:	$6.89
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$0.00	Adjustment History	Audits

* NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494657
Eng In Service Year: 12/2010
Asset Description: Purc-TC Environmental Ponds-LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	10/2011	Depreciation Base:	$0.00	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$5,268.65	Mid Period Conv.:	0.5
Remaining Life:	303.5	Current Depr Expense:	$0.00	Depreciation Method:	<none>
Monthly Calc Rate:	0.3295%	Input Expense Adj:	$8.68	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($8.68)
Beginning Value:	$0.00	Reserve Adj:	($5,277.33)	YTD Expense Adj:	$8.68
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$0.00	Adjustment History	Audits

*NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

CPR Depreciation

Set of Books: PPL Purchase Accounting

Update | Cancel | Prev Mo | Next Mo

Asset Id: 43494657
Eng In Service Year: 12/2010
Asset Description: Purc-TC Environmental Ponds LGE
Company: LOUISVILLE GAS & ELECTRIC COMPANY
Depr Group: LGE-131707-ARO Cost Steam (Eqp)

Accounting Month:	11/2011	Depreciation Base:	$0.00	Mid Period Method:	Straight Line
Initial Life(mo):	304	Beginning Reserve:	$0.00	Mid Period Conv:	0.5
Remaining Life:	302.5	Current Depr Expense:	$0.00	Depreciation Method:	<none>
Monthly Calc Rate:	0.3306%	Input Expense Adj:	$0.00	Begin Year Reserve:	$0.00
Est. Salvage Pct:	0.0000%	Calc Expense Adj:	$0.00	YTD Depr Exp:	($8.68)
Beginning Value:	$0.00	Reserve Adj:	$0.00	YTD Expense Adj:	$8.68
Net Add / Adj:	$0.00	Reserve Trans In:	$0.00	Prior YTD Depr Exp:	$0.00
Retirements:	$0.00	Reserve Trans Out:	$0.00	Prior YTD Expense Adj:	$0.00
Transfers In:	$0.00	Other Credits / Adj:	$0.00	Account Distribution Details:	
Transfers Out:	$0.00	Cost of Removal:	$0.00	403111	
Current Value:	$0.00	Salvage Proceeds:	$0.00	True Up Reserve	Depr Adjustment
		Loss (Gain):	$0.00		
		*Ending Reserve:	$0.00	Adjustment History	Audits

*NOTE: Ending Reserve is not calculated until Depreciation Approval has been run.

Clark, Ed

From: Garrett, Chris
Sent: Tuesday, November 01, 2011 8:58 AM
To: Wiseman, Sara
Cc: Crescente, Angela
Subject: ARO Quarterly Questionnaire.docx

ARO Quarterly Questionnaire.d...

<u>ARO Quarterly Questionnaire</u>

Please answer the following questions for the period since the date of your last completed questionnaire.

1. To the best of your knowledge, are you aware of any changes that would impact the valuation of the asset retirement obligations ("AROs") that have been identified? Such changes may include changes in laws, statutes, regulations, precedents set by the Company, contracts, permits, certificates of need, right of way agreements, market costs or available resources for remediation, or planned retirements. (Please list)

Answer: No (assuming we've addressed the issues communicated in the recent CPCN filing announcing the expected retirements at Cane Run, Green River, and Tyrone.)

2. To the best of your knowledge, are you aware of any acquired assets, land, or leases that will create an ARO? (Please list, include location)

Answer: No

3. To the best of your knowledge, are you aware of any new construction that will create an ARO? (Please list, include location)

Answer: No

4. In certain very limited circumstances the Company could be determined to be obligated to retire an asset or a group of assets based upon a commitment made to a third party. Are you aware of any communications either written or verbal between representatives of LKE and third parties with respect to retirement of an asset or a group of assets owned by LKE at the end of operations or a specific point in time? If so, please list the identities of the LKE representatives and assets involved, as well as the third party or parties who were involved and the context in which the discussions took place.

Answer: No

Completed by: ____
Chris Garrett____

For the quarter ended:
_9/30/2011____

Crescente, Angela

From: McCammon, Virginia
Sent: Tuesday, October 18, 2011 5:54 PM
To: Crescente, Angela
Subject: LGE ARO Reg Assets

Follow Up Flag: Follow up
Flag Status: Completed

Hi Angela,

I'm preparing the LGE regulatory asset information that will be included in the Form 3. I have identified the following ARO assets with credit activity in Q3-2011.

Account	Account	Line Description	Je Name	Credits
182326	OTHER REGULATORY ASSETS ARO - GAS	Journal Import Created	J421-0100-0811 Adjustment USD 31-AUG-11	0.01
182327	OTHER REGULATORY ASSETS ARO - COMMON	Journal Import Created	J422-0100-0811 Adjustment USD 31-AUG-11	0.02

Can you please let me know if these items should be documented as credits, or if they should be netted against the debits due to the nature of the activity?

Just a heads up – I will also have this question if applicable for KU, but it may be a couple more days before I pull the activity. If it is easier for you, feel free to provide the same info related to any KU credits.

Thanks in advance for your help!

Ginny Copelin McCammon, CPA
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Direct: 502-627-3239
Fax: 502.627.3800
virginia.mccammon@lge-ku.com

Clark, Ed

From: Sechler, Joel R <JRSechler@pplweb.com>
Sent: Friday, October 14, 2011 3:18 PM
To: Crescente, Angela
Subject: RE: LGE-KU ARO Note for Q3

Angela,

The note was due this morning. So I talked to our reporting people yesterday, and they pulled the clarity file for me. Its not big deal, and I understand you didn't want to step on any toes. Your ARO's are more complicated due to the offsetting with reg assets. Our's are a little more straight forward since we only have them on the deregulated side of the house.

I think I was confused with the 1st Qtr, because I had an Excel reporting package from LGE and KU, and I get a similar one from our Global Operations. I think last quarter someone from the reporting side tied out your portion of the ARO to the consolidated total.

Thanks,

Joel

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Friday, October 14, 2011 3:07 PM
To: Sechler, Joel R
Subject: RE: LGE-KU ARO Note for Q3

Joel,

When did you actually need it by? I wanted to make sure it had been reviewed by Financial Reporting before I sent you anything in case there were changes. I didn't want to step on any toes.

Thanks,
Angela

From: Sechler, Joel R [mailto:JRSechler@pplweb.com]
Sent: Friday, October 14, 2011 3:04 PM
To: Erskine, Greg
Cc: Crescente, Angela
Subject: RE: LGE-KU ARO Note for Q3

Greg

It's not a big deal. The note was completed on time. Your right it will work better this way. Going forward I'll get the numbers from someone with Clarity access here. Have a nice weekend.

Thanks,
Joel

From: Erskine, Greg [mailto:Greg.Erskine@lge-ku.com]
Sent: Friday, October 14, 2011 1:53 PM
To: Sechler, Joel R

Cc: Crescente, Angela Michelle
Subject: RE: LGE-KU ARO Note for Q3

Joel:

We received a reporting package and we plan on completing it and sending it back, but I don't know the due date exactly. I thought getting the numbers from Clarity might save you some time and trouble. I hope I didn't create any confusion.

Greg

From: Sechler, Joel R [mailto:JRSechler@pplweb.com]
Sent: Friday, October 14, 2011 1:46 PM
To: Erskine, Greg
Cc: Crescente, Angela
Subject: RE: LGE-KU ARO Note for Q3

Hi Greg,

No, I don't have access to Clarity; however, I talked to someone from our reporting group and they were able to get me a copy of the tables. I was confused and thought we'd still be getting a reporting package. Thanks for following up.

Joel

From: Erskine, Greg [mailto:Greg.Erskine@lge-ku.com]
Sent: Friday, October 14, 2011 1:43 PM
To: Sechler, Joel R
Cc: Crescente, Angela Michelle
Subject: FW: LGE-KU ARO Note for Q3
Importance: High

Joel:

I updated the LKE, LG&E and KU amounts in the tables in the ARO footnote in Clarity a couple of days ago. The amounts in the footnote now represent 9/30/11 YTD activity and balances. Do you have access to Clarity?

Greg

From: Crescente, Angela
Sent: Friday, October 14, 2011 1:22 PM
To: Erskine, Greg
Cc: Pienaar, Lesley; Wiseman, Sara
Subject: FW: LGE-KU ARO Note for Q3
Importance: High

Greg:

I thought I should pass this along to you guys to respond to since you will be sending the finalized reporting package to PPL.

Thanks,

Angela

From: Sechler, Joel R [mailto:JRSechler@pplweb.com]
Sent: Tuesday, October 11, 2011 4:08 PM
To: Crescente, Angela
Subject: LGE-KU ARO Note for Q3
Importance: High

Hi Angela,

I'm working on the consolidated ARO Note for Q3 for PPL Corp. I know the LGE reporting package isn't due until next week, but could I get a copy of the amounts for your ARO note when they are finished and reviewed? It will be a big help in meeting the deadline. Let me know if you have any questions or concerns.

Thank you,

Joel Sechler
Financial Accounting - Asset Management
610-774-3948
JRSechler@pplweb.com, GENTW10

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Clark, Ed

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Cc: Crescente, Angela Michelle
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Subject: LGE-KU ARO Note for Q3
Importance: High

Hi Angela,

I'm working on the consolidated ARO Note for Q3 for PPL Corp. I know the LGE reporting package isn't due until next week, but could I get a copy of the amounts for your ARO note when they are finished and reviewed? It will be a big help in meeting the deadline. Let me know if you have any questions or concerns.

Thank you,

Joel Sechler
Financial Accounting - Asset Management
610-774-3948
JRSechler@pplweb.com, GENTW10

Clark, Ed

From: Erskine, Greg
Sent: Friday, October 14, 2011 1:53 PM
To: 'Sechler, Joel R'
Cc: Crescente, Angela
Subject: RE: LGE-KU ARO Note for Q3

Joel:

We received a reporting package and we plan on completing it and sending it back, but I don't know the due date exactly. I thought getting the numbers from Clarity might save you some time and trouble. I hope I didn't create any confusion.

Greg

From: Sechler, Joel R [mailto:JRSechler@pplweb.com]
Sent: Friday, October 14, 2011 1:46 PM
To: Erskine, Greg
Cc: Crescente, Angela
Subject: RE: LGE-KU ARO Note for Q3

Hi Greg,

No, I don't have access to Clarity; however, I talked to someone from our reporting group and they were able to get me a copy of the tables. I was confused and thought we'd still be getting a reporting package. Thanks for following up.

Joel

From: Erskine, Greg [mailto:Greg.Erskine@lge-ku.com]
Sent: Friday, October 14, 2011 1:43 PM
To: Sechler, Joel R
Cc: Crescente, Angela Michelle
Subject: FW: LGE-KU ARO Note for Q3
Importance: High

Joel:

I updated the LKE, LG&E and KU amounts in the tables in the ARO footnote in Clarity a couple of days ago. The amounts in the footnote now represent 9/30/11 YTD activity and balances. Do you have access to Clarity?

Greg

From: Crescente, Angela
Sent: Friday, October 14, 2011 1:22 PM
To: Erskine, Greg
Cc: Pienaar, Lesley; Wiseman, Sara
Subject: FW: LGE-KU ARO Note for Q3
Importance: High

Greg:

I thought I should pass this along to you guys to respond to since you will be sending the finalized reporting package to PPL.

Thanks,
Angela

From: Sechler, Joel R [mailto:JRSechler@pplweb.com]
Sent: Tuesday, October 11, 2011 4:08 PM
To: Crescente, Angela
Subject: LGE-KU ARO Note for Q3
Importance: High

Hi Angela,

I'm working on the consolidated ARO Note for Q3 for PPL Corp. I know the LGE reporting package isn't due until next week, but could I get a copy of the amounts for your ARO note when they are finished and reviewed? It will be a big help in meeting the deadline. Let me know if you have any questions or concerns.

Thank you,

Joel Sechler
Financial Accounting - Asset Management
610-774-3948
JRSechler@pplweb.com, GENTW10

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Clark, Ed

From:	Joseph Holt <jholt@pwrplan.com>
Sent:	Wednesday, October 12, 2011 5:04 PM
To:	Crescente, Angela
Cc:	Wacker, Diana; Kinder, Debra; Josh Hirschel; Jim Ogilvie
Subject:	RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

I'm glad to hear there is a workaround! Please let me know if you need anything else from me for the data fix.

As for a code change, I will submit a maintenance item for this, but I can not say for certain when the maintenance will be completed and delivered. I would monitor these transition AROs closely if there is a need to book one before a code change is delivered, and it should be possible to correct the data prior to any journals being sent in the unlikely event that this situation occurs again.

Thank you,
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 2:06 PM
To: Joseph Holt
Cc: Wacker, Diana; Kinder, Debra
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

After playing around in DEV with a combination of depr exp and depr reserve adjustments, I think we finally got it to work. I am going to test it out one more time when DEV refreshes over the weekend to be sure of exactly which procedure I think worked. I will keep you posted. Are you still planning on a fix for the future so this doesn't happen again?

Thanks,
Angela

From: Joseph Holt [mailto:jholt@pwrplan.com]
Sent: Wednesday, October 12, 2011 12:01 PM
To: Crescente, Angela
Cc: Wacker, Diana; Kinder, Debra
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

I was forgetting something important here: For CPR Depr, individually depreciated assets, Depreciable Base = NBV, in this case, 0$ cost – 104k reserve = -104K base, and therefore negative expense. I don't believe there should be any reserve for the PPL Purchase Accounting set of books. Therefore, if you adjust the reserve to 0$ and rerun depreciation, this issue should go away.

Thanks!
Joe

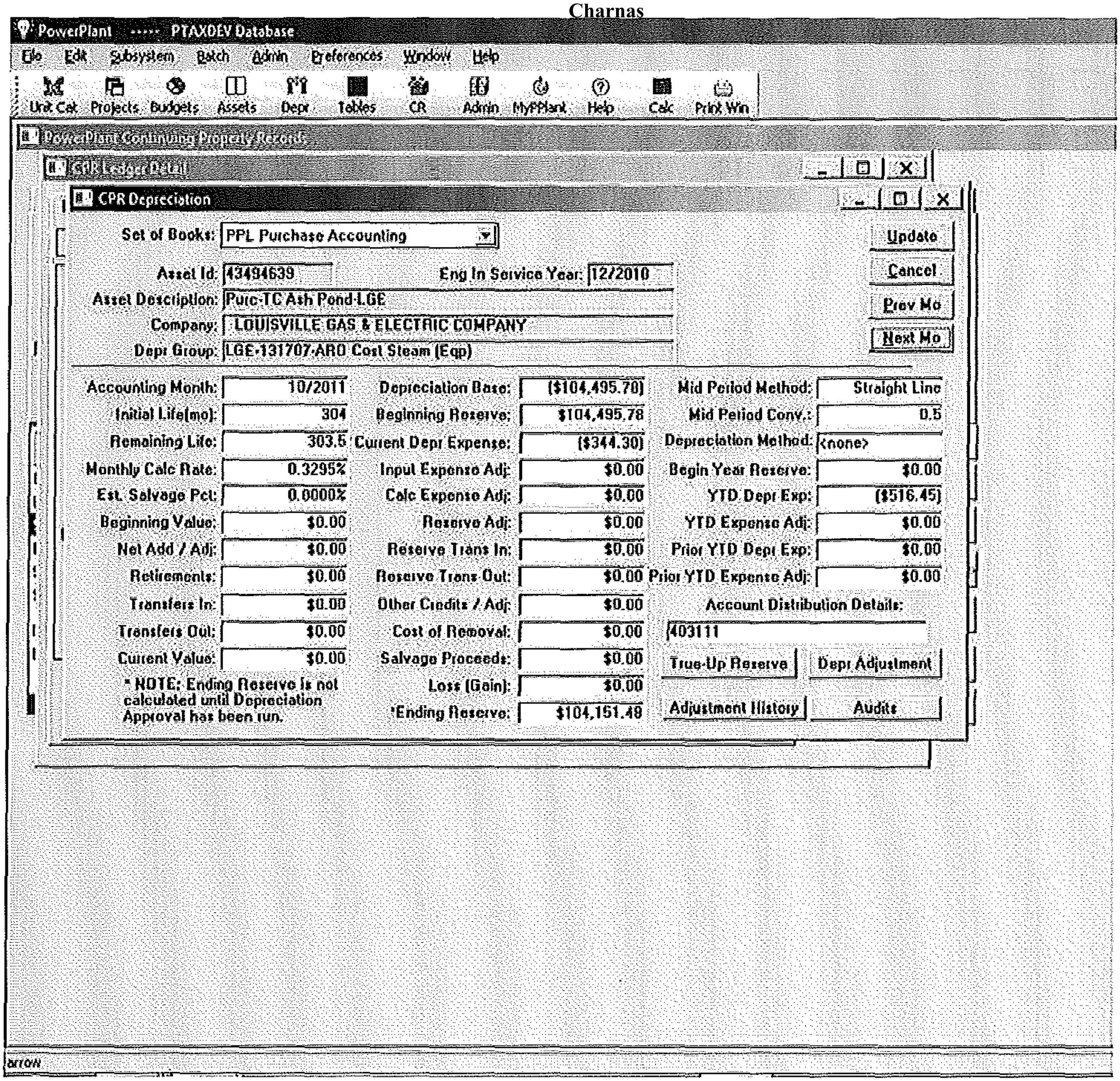
Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 10:16 AM
To: Joseph Holt
Cc: Wacker, Diana; Kinder, Debra
Subject: FW: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

It's baaaaack! It doubled the base to get a full month of depr this time, so it's still broken.

Thanks,
Angela



-----Original Message-----
From: Joseph Holt [mailto:jholt@pwrplan.com]
Sent: Wednesday, October 12, 2011 10:39 AM
To: Crescente, Angela
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

I can connect now if you have a minute. I am on PowerPlant Support 24.

Thank you,
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

-----Original Message-----
From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 8:35 AM
To: Joseph Holt; PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Josh Hirschel
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

OK. Thanks Joe!

-----Original Message-----
From: Joseph Holt [mailto:jholt@pwrplan.com]
Sent: Wednesday, October 12, 2011 9:34 AM
To: Crescente, Angela; PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Josh Hirschel
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

I will be available at 10:30 Eastern and will send you an email.

Thanks!
Joe

Joseph Holt
PowerPlan Consultants
(404) 734 - 4155
200 Galleria Parkway
Suite 1300
Atlanta, GA 30339

-----Original Message-----
From: Crescente, Angela [mailto:Angela.Crescente@lge-ku.com]
Sent: Wednesday, 12 October, 2011 8:32 AM
To: PowerPlant Support; Wacker, Diana; Kinder, Debra
Cc: Jim Ogilvie; Josh Hirschel; Jim Dahlby; Joseph Holt
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

I can gotoassist whenever you are ready.

-----Original Message-----
From: Plant Support [mailto:support@pwrplan.com]
Sent: Wednesday, October 12, 2011 9:30 AM
To: Wacker, Diana; Kinder, Debra; Crescente, Angela
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Angela,

Can you please forward the email below to jholt@pwrplan.com? I am having trouble viewing these pictures.

Also, would it be possible for you to connect me to your PC via gotoassist?

Thank you,
Joe

--------------- Original Message ---------------
From: Crescente, Angela [Angela.Crescente@lge-ku.com]
Sent: 10/12/2011 8:56 AM
To: support@pwrplan.com;
Diana.Wacker@lge-ku.com;
Debra.Kinder@lge-ku.com
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Joe,

You are correct, this problem does not happen with new AROs.

However, due to a situation that we had to fix in September this year with some of our AROs, we needed to settle some older ones and set them up again with a January date so that the cumulative effect would "catch up" accretion and depreciation through September. We also did this in November 2010 due to the acquisition from PPL in order to capture the November accretion. However, the difference is that the purchase accounting set of books was not completed until December 2010. This is the first time we have done a transition ARO since then and although not likely, I cannot say for sure that we will never need to set up transitions again if it is decided that we need to account for the cumulative effect.

Therefore, we still need a fix for this in the event that we have to do something with transitions again. We cannot correct what happened, because there is no purchase accounting cost or asset, only a basis from which depreciation is computed. In the three screenshots below, you can see there is no purchase accounting ending plant in service, only a depreciable base in the depr ledger.

Thanks,

Angela

[cid:image002.jpg@01CC88BC.B0401280]

[cid:image008.jpg@01CC88BC.B0401280]

[cid:image009.jpg@01CC88BC.B0401280]

-----Original Message-----
From: Plant Support [mailto:support@pwrplan.com]
Sent: Tuesday, October 11, 2011 11:26 PM
To: Wacker, Diana; Kinder, Debra
Cc: jogilvie@pwrplan.com; jhirschel@pwrplan.com; jdahlby@pwrplan.com; Crescente, Angela
Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00 [ref:00D6KJDN.5006FE4Ma:ref]

Debra,

To remove the incorrect depreciation basis, you should be able to perform a standard depreciation adjustment or CPR adjustment for that basis only for the book cost.

My question on the transition piece is why are is the ARO transition module to set up new AROs. The transition module, including the cumulative effective adjustment, was built to help comply with the 2003 adoption of FAS143, but it is no longer generally used as the adoption period has passed.

I believe this problem could be avoided by entering new AROs through the standard ARO module, although this would need to be tested in DEV.

Thanks!

Joe

--------------- Original Message ---------------

From: Kinder, Debra [Debra.Kinder@lge-ku.com]

Sent: 10/7/2011 9:15 AM

To: support@pwrplan.com<mailto:support@pwrplan.com>;

Diana.Wacker@lge-ku.com<mailto:Diana.Wacker@lge-ku.com>

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Elizabeth,

Our concerns are why this happened with the set up of the ARO transition assets, how to prevent it from happening again and how to get the basis that was created on the Purchase Accounting depreciation ledger removed so depreciation will not be calculated next month. Our DEV instance will be refreshed this weekend if that will help with the research of these issues.

Thanks,

Deb

-----Original Message-----

From: Plant Support [mailto:support@pwrplan.com]<mailto:[mailto:support@pwrplan.com]>

Sent: Thursday, October 06, 2011 5:16 PM

To: Wacker, Diana

Cc: jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; Kinder, Debra; Crescente, Angela

Subject: RE: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE [ref:00D6KJDN.5006FE4Ma:ref]

Diana,

You will need to do a depr adjustment to remove the amount from the one set of books.

Thanks,

Elizabeth Cowart

--------------- Original Message ---------------

From: Wacker, Diana [Diana.Wacker@lge-ku.com]

Sent: 10/6/2011 4:20 PM

To: support@pwrplan.com<mailto:support@pwrplan.com>

Cc: Debra.Kinder@lge-ku.com<mailto:Debra.Kinder@lge-ku.com>; Angela.Crescente@lge-ku.com<mailto:Angela.Crescente@lge-ku.com>; jogilvie@pwrplan.com<mailto:jogilvie@pwrplan.com>; jdahlby@pwrplan.com<mailto:jdahlby@pwrplan.com>; jhirschel@pwrplan.com<mailto:jhirschel@pwrplan.com>; jholt@pwrplan.com<mailto:jholt@pwrplan.com>

Subject: Transition ARO - PURCHASE ACCOUNTING SET OF BOOKS DEPRECIATION ISSUE - CLOSING ISSUE

All:

We have a Closing Issue. We set up Transition ARO's on both LGE and KU. Somehow these transition ARO's created a Purchase Accounting Depr Reserve Adjustment, which created entries for depreciation expense. It basically duplicated the financial set of books entry - the financial set of book entry is correct - BUT THE PURCHASE ACCOUNTING SET OF BOOKS IS NOT CORRECT.

There is a fictitious depr basis on the Purchase Accounting Set of Books, which created depreciation entries. I am sending screen shots of the Depr Ledger for the reserve activity for both sets of books.

This is in PRODUCTION only. Please let me know what other information I can provide to help you with getting this corrected.

Thanks,

Diana Wacker

502-627-4054

Thanks,

Elizabeth Cowart

PowerPlant Support

770.937.3000

ref:00D6KJDN.5006FE4Ma:ref

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