

Kentucky Utilities Company
Case No. 2014-00371
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(o)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available.

Response:

The Company has only one monthly performance report used for management reporting to the CEO and executive officers that addresses budget variances. Although the performance report contains separate analyses of gas and electric margins, no separate income statement, balance sheet or statement of cash flows are presented for gas versus electric operations, or KU versus LG&E, and decisions are based on the overall utility operations of LG&E and KU.

See attached for the monthly reports for:

- March 2013 through February 2014 which are the twelve months prior to the base period.
- Each month of the base period. Reports for March 2014 through October 2014 are presently available. KU will provide these reports for the remaining periods requested in the upcoming months as they become available.

February 27, 2015 Supplemental Response:

See attached for the monthly reports for November 2014 through January 2015. The Company will provide this data for the remaining periods requested in the upcoming months as it becomes available.



Performance Report

November 2014

Content**Page**

| | |
|--|----|
| Executive Summary | 3 |
| Income Statement: Actual vs. Budget & Forecast (Month) | 4 |
| Income Statement: Actual vs. Budget (YTD) | 5 |
| Income Statement: Forecast vs. Prior Forecast & Budget | 6 |
| Electric Gross Margin Analysis | 7 |
| Gas Gross Margin Analysis | 8 |
| O&M | 9 |
| Financing Activities | 10 |
| Balance Sheet | 11 |
| Rate Base Growth | 12 |

Kentucky Regulated Dashboard

November 2014

| | Current Month | | YTD | | Full Year | |
|--|---------------|---------------|---------------|---------------|-----------------|---------------|
| | Actual | PY | Actual | PY | Forecast | PY |
| Safety | | | | | | |
| TCIR - Employees | 0.37 | 0.27 | 1.04 | 1.36 | 1.04 | 1.29 |
| Employee lost-time incidents | 0 | 0 | 6 | 3 | 6 | 3 |
| Reliability | Actual | Budget | Actual | Budget | Forecast | Budget |
| Generation Volumes | 3,032 | 2,580 | 32,560 | 31,749 | 35,588 | 34,780 |
| Utility EFOR | 4.9% | 5.9% | 4.8% | 5.9% | N/A | 5.9% |
| Utility EAF | 74.7% | 76.6% | 81.4% | 81.7% | N/A | 82.5% |
| Steam Fleet Commercial Availability | 95.2% | 91.5% | 94.2% | 91.5% | N/A | 91.5% |
| Combined SAIFI | 0.05 | 0.06 | 0.92 | 1.12 | N/A | 1.20 |
| Combined SAIDI (minutes) | 3.94 | 4.68 | 86.61 | 100.63 | N/A | 107.60 |
| GWh Sales | | | | | | |
| Residential | 869 | 742 | 9,858 | 9,956 | 10,262 | 10,962 |
| Commercial | 589 | 610 | 7,178 | 7,300 | 7,837 | 7,952 |
| Industrial | 869 | 829 | 9,212 | 9,145 | 10,057 | 10,011 |
| Municipals | 151 | 149 | 1,728 | 1,808 | 1,880 | 1,969 |
| Other | 216 | 222 | 2,619 | 2,552 | 2,851 | 2,788 |
| Off-System Sales | 23 | 2 | 470 | 254 | 509 | 273 |
| Total | 2,716 | 2,554 | 31,064 | 31,014 | 33,396 | 33,954 |
| Weather-Normalized Sales Growth | | | TTM | | | |
| Residential | | | -1.35% | | | |
| Commercial | | | -1.49% | | | |
| Industrial | | | 2.03% | | | |
| Municipal | | | -1.39% | | | |
| Other | | | -0.28% | | | |
| Total | | | -0.30% | | | |

| Financial Metrics | Current Month | | YTD | | Full Year | |
|----------------------------|---------------|--------|---------|---------|-----------|---------|
| | Actual | Budget | Actual | Budget | Forecast | Budget |
| Utility ROE ⁽¹⁾ | 7.9% | 7.1% | 9.3% | 8.5% | 9.4% | 8.7% |
| Electric Margins | \$131 | \$126 | \$1,539 | \$1,521 | \$1,682 | \$1,664 |
| Gas Margins | \$16 | 14 | 138 | 136 | 161 | 157 |

| Capital Expenditures (\$ millions) | Actual | Budget | Actual | Budget | Forecast | Budget |
|------------------------------------|--------|--------|---------|---------|----------|---------|
| New Generation | \$1 | \$6 | \$102 | \$120 | \$116 | \$126 |
| ECR | 72 | 44 | 672 | 558 | 750 | 603 |
| Generation | 17 | 24 | 90 | 119 | 102 | 121 |
| Transmission | 6 | 7 | 69 | 70 | 84 | 77 |
| Electric Distribution | 14 | 11 | 130 | 131 | 147 | 143 |
| Gas Distribution | 6 | 6 | 68 | 75 | 77 | 80 |
| Customer Services | 1 | 1 | 15 | 19 | 17 | 20 |
| IT and Other | 3 | 4 | 31 | 46 | 37 | 50 |
| Total | \$120 | \$103 | \$1,178 | \$1,139 | \$1,330 | \$1,221 |

| O&M (\$ millions) ⁽²⁾ | Actual | Budget | Actual | Budget | Forecast | Budget |
|----------------------------------|--------|--------|--------|--------|----------|--------|
| Operations | \$43 | \$37 | \$438 | \$433 | \$476 | \$468 |
| Administrative | 7 | 7 | \$85 | 90 | 95 | 98 |
| Finance | 1 | 1 | \$17 | 18 | 18 | 19 |
| Burdens & Other Charges | 9 | 12 | \$115 | 137 | 128 | 150 |
| Total | \$60 | \$58 | \$654 | \$677 | \$717 | \$735 |

| Head Count | Actual | Budget | Actual | Budget | Forecast | Budget |
|---------------------|--------|--------|--------|--------|----------|--------|
| Full-time Employees | 3,467 | 3,550 | 3,467 | 3,550 | 3,520 | 3,549 |

| Other Metrics | Actual | PY | Actual | PY | Forecast | PY |
|---|--------|----|--------|----|----------|----|
| Environmental Events | 0 | 3 | 9 | 14 | N/A | 14 |
| NERC Possible Violations ⁽³⁾ | 0 | 2 | 7 | 11 | N/A | 11 |

| Variance Explanations |
|--|
| <ul style="list-style-type: none"> Current month generation and GWh sales volumes higher than budget due to colder than normal weather. Current month capital was higher than budget due primarily to increased costs on environmental air projects at Mill Creek and timing of spend on environmental air projects at Trimble County and Ghent, partially offset by timing of spend on Cane Run Unit 7. YTD and full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets. Current month higher margins due to \$5 million from higher retail electric energy and demand revenues due to colder than normal weather and \$2 million from higher gas revenues due to colder than normal weather. YTD higher margins due to \$9 million from the sale of excess generation driven by favorable plant availability and higher market prices, \$7 million from lower cost of production margin expenses, \$6 million from lower purchase power demand costs, \$2 million from higher gas revenues due to colder than normal weather, and \$3 million from higher retail rate mechanism revenue partially offset by \$7 million lower retail electric energy and demand revenues. YTD lower O&M primarily due to \$19 million from pension and medical cost savings, \$12 million from labor savings and \$3 million from plant outage and other operating costs, partially offset by \$7 million of higher storm restoration expenses and \$5 million higher uncollectible accounts. |

| Major Developments |
|---|
| <p>In Louisville and Lexington, November 2014 ranked as the coldest and 2nd coldest, respectively, in the last 30 years. Consistent with previous years, and for the period October 1, 2014 through March 31, 2015, LG&E and KU are matching residential customers' donations, \$1 for \$1, to the utilities' primary heating assistance programs. The cold temperatures led to several new November peaks for LG&E, KU and the Combined system:</p> <ul style="list-style-type: none"> On November 17 and 18, LG&E reached new all-time November peak loads of 1,757 MW and 1,780 MW, respectively (versus previous peak of 1,657 MW in 2005). Also on November 17, LG&E recorded a new all-time November natural gas system record of 391 million cubic feet of natural gas usage in a 24-hour period. This exceeded the previous record of 374 million cubic feet of natural gas set in 2000. KU and the Combined system recorded three consecutive days of setting an all-time November peak load: <ul style="list-style-type: none"> On November 19, a new KU November peak load record was set of 3,981 MW; this eclipsed peak loads established on November 18 of 3,947 MW and on November 17 of 3,698 MW. The prior record was in 2013 at 3,588 MW. The Combined system established new all-time November peak loads on November 17, November 18, and November 19, with loads of 5,449 MW, 5,663 MW, and 5,680 MW, respectively, exceeding the mark set on November 14 of 5,169 MW. Previously, the all-time November peak was 5,165 MW set in 2013. <p>In regulatory news:</p> <ul style="list-style-type: none"> The KPSC accepted LG&E and KU's rate case application as filed with no deficiencies. This signifies a major first step in the rate case process and starts the timeline for consideration of the case. The Company filed the initial set of data requests on December 12. These represent standard data requests issued between the notice and filing of the case. The KPSC issued an Order approving LKE's DSM application as filed. A hearing in the CPCN proceeding for Brown Solar was held in late November and the Company has requested an order by mid-December. The KPSC approved the Company's capacity purchase and tolling agreement with LS Power. <p>In environmental and construction news:</p> <ul style="list-style-type: none"> The Mill Creek Unit 4 and Ghent Unit 4 environmental upgrade projects were turned over to operations for restarting the units as scheduled for the tie-in outages. This represents a significant major milestone for LG&E and KU's construction program. LG&E and KU continue to manage this constructive activity and operations while maintaining their focus on safety. Through November, LG&E and KU had an OSHA recordable injury rate of 1.04 which is significantly better than top quartile performance in the industry. LKE filed comments on the EPA's proposed GHG regulations for existing units. The comments filed were aligned with those filed by PPL, ELI, CIGS and EEI. Issues specific to Kentucky were included in the LKE comments and complimented those filed by the state. Besides pointing out some of the legal issues with the proposal, LKE's comments addressed economic concerns for customers, the pace and time for meeting the rules, grid reliability impacts, flaws in the EPA assumptions and getting credit for actions taken by the Company. LKE submitted the request to the KY Division of Air Quality for extending Green River 3 and 4 operation by one year as allowed under the MATS rules. The request was based on time needed to complete transmission projects to circumvent reliability risk related to the shutdown of these units. This extension would allow LKE to keep the units in production through the spring of 2016, consistent with Plan. |

| Significant Future Events |
|---|
| <ul style="list-style-type: none"> The KPSC issued an order that established a procedural schedule for discovery. The second round (first time for intervenors) of data requests will be received January 8 with intervenor testimony filed in March and the Company's rebuttal testimony filed in April. A formal hearing has not been scheduled, however, is expected early May. Heavy construction is proceeding at Mill Creek, Ghent, Brown, Cane Run and Trimble County, and all projects are expected to be in-service by target completion dates. The construction of Cane Run 7 is approximately 95 percent complete, with first firing of gas for the unit expected during January of next year. |

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.

⁽²⁾ Net of cost recovery mechanisms.

⁽³⁾ The possible violation issues for YTD Actual are believed to be minimal risk. One of those has been processed for a zero dollar penalty from the regulator. Though described by SERC as minimal risk, four of those have been included in a \$30,000 package settlement proposed by SERC that includes possible violations from 2013. The two most recent possible violations are not included in this settlement proposal.

Income Statement: Actual vs. Budget and Forecast (Month)

November 2014

(\$ Millions)

| | MTD | | | | MTD | | | |
|---|--------------|--------------|-------------|---|--------------|--------------|-------------|---|
| | Actual | Budget | Variance | Comments | Actual | Q3 Forecast | Variance | Comments |
| Revenues: | | | | | | | | |
| Electric Revenues | \$ 220 | \$ 215 | \$ 5 | Due to higher electricity volumes resulting from colder than normal weather. | \$ 220 | \$ 211 | \$ 9 | Due to higher electricity volumes resulting from colder than normal weather. |
| Gas Revenues | 39 | 31 | 9 | Due to higher gas volumes resulting from colder than normal weather. | 39 | 31 | 8 | Due to higher gas volumes resulting from colder than normal weather. |
| Total Revenues | 259 | 245 | 14 | | 259 | 241 | 17 | |
| Cost of Sales: | | | | | | | | |
| Fuel Electric Costs | 76 | 71 | (5) | Due to higher electricity volumes resulting from colder than normal weather. | 76 | 70 | (6) | Due to higher electricity volumes resulting from colder than normal weather. |
| Gas Supply Expenses | 23 | 16 | (7) | Due to higher gas volumes resulting from colder than normal weather. | 23 | 16 | (6) | Due to higher gas volumes resulting from colder than normal weather. |
| Purchased Power | 4 | 6 | 2 | | 4 | 6 | 1 | |
| Other Electric Cost | 9 | 11 | 2 | | 9 | 10 | 1 | |
| Total Cost of Sales | 111 | 105 | (7) | | 111 | 101 | (10) | |
| Gross Margin: | | | | | | | | |
| Electric Margin | 131 | 126 | 5 | Due to higher retail electric energy and demand revenues due to colder than normal weather. | 131 | 126 | 5 | Due to higher retail electric energy and demand revenues due to colder than normal weather. |
| Gas Margin | 16 | 14 | 2 | Due to higher gas revenues due to colder than normal weather. | 16 | 14 | 2 | Due to higher gas revenues due to colder than normal weather. |
| Total Gross Margin | 147 | 140 | 7 | | 147 | 140 | 7 | |
| Operating Expenses: | | | | | | | | |
| O&M | 60 | 58 | (2) | | 60 | 63 | 3 | |
| Depreciation & Amortization | 29 | 29 | (0) | | 29 | 29 | 0 | |
| Taxes, Other than Income | 4 | 4 | 0 | | 4 | 4 | 0 | |
| Total Operating Expenses | 93 | 91 | (2) | | 93 | 96 | 4 | |
| Other income (expense) | (0) | (0) | (0) | | (0) | (0) | 0 | |
| EBIT | 54 | 49 | 5 | | 54 | 43 | 11 | |
| Interest Expense | 14 | 14 | 0 | | 14 | 14 | (0) | |
| Income from Ongoing Operations before income taxes | 40 | 35 | 5 | | 40 | 29 | 11 | |
| Income Tax Expense | 15 | 13 | (2) | | 15 | 11 | (4) | |
| Net Income (loss) from ongoing operations | 25 | 22 | \$ 3 | | \$ 25 | 18 | \$ 7 | |
| Non Operating Income | 0 | 0 | 0 | | 0 | 0 | 0 | |
| Discontinued Operations | 0 | 0 | (0) | | 0 | 0 | (0) | |
| Net Income (loss) | \$ 25 | \$ 22 | \$ 3 | | \$ 25 | \$ 18 | \$ 7 | |
| KY Regulated Financing Costs | (3) | (3) | 0 | | (3) | (3) | 0 | |
| KY Regulated Net Income | \$ 22 | \$ 19 | \$ 3 | | \$ 22 | \$ 16 | \$ 7 | |
| Earnings Per Share | \$ 0.03 | \$ 0.03 | \$ 0.00 | | \$ 0.03 | \$ 0.02 | \$ 0.01 | |

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 4 of 35
Witness: K. Blake**

Income Statement: Actual vs. Budget (YTD)
November 2014

(\$ Millions)

| | YTD | | | Comments |
|---|-----------------|---------------|--------------|--|
| | Actual | Budget | Variance | |
| Revenues: | | | | |
| Electric Revenues | \$ 2,576 | \$ 2,571 | \$ 4 | |
| Gas Revenues | \$ 315 | 269 | 46 | Due to higher gas volumes resulting from colder than normal weather. |
| Total Revenues | \$ 2,891 | 2,840 | 51 | |
| Cost of Sales: | | | | |
| Fuel Electric Costs | 890 | 869 | (21) | Due to higher electricity volumes resulting from favorable weather. |
| Gas Supply Expenses | 176 | 132 | (44) | Due to higher gas volumes resulting from favorable weather. |
| Purchased Power | 49 | 66 | 17 | Due to lower purchases than planned. |
| Other Electric Cost | 97 | 115 | 17 | Due primarily to lower plant system consumables costs. |
| Total Cost of Sales | 1,214 | 1,183 | (31) | |
| Gross Margin: | | | | |
| Electric Margin | 1,539 | 1,521 | 18 | Due to the sale of excess generation driven by favorable plant availability and higher market prices, lower cost of production margin expenses, lower purchase power demand costs, and higher gas revenues due to colder than normal weather partially offset by lower retail electric energy and demand revenues. |
| Gas Margin | 138 | 136 | 2 | |
| Total Gross Margin | 1,677 | 1,657 | 20 | |
| Operating Expenses: | | | | |
| O&M | 654 | 677 | 23 | Due primarily to pension, medical cost, labor, and plant outage and other operating costs savings partially offset by higher storm restoration expenses and higher uncollectible accounts. |
| Depreciation & Amortization | 313 | 315 | 1 | |
| Taxes, Other than Income | 47 | 47 | (0) | |
| Total Operating Expenses | 1,014 | 1,038 | 24 | |
| Other income (expense) | (7) | (6) | (0) | |
| EBIT | 656 | 613 | 43 | |
| Interest Expense | 153 | 158 | 5 | Due to favorable interest rates. |
| Income from Ongoing Operations before income taxes | 503 | 455 | 48 | |
| Income Tax Expense | 191 | 171 | (20) | Higher pre-tax income. |
| Net Income (loss) from ongoing operations | \$ 312 | \$ 284 | \$ 28 | |
| Non Operating Income | 0 | - | 0 | |
| Discontinued Operations | (0) | 0 | (0) | |
| Net Income (loss) | \$ 312 | \$ 284 | \$ 28 | |
| KY Regulated Financing Costs | (29) | (29) | 0 | |
| KY Regulated Net Income | \$ 284 | \$ 256 | \$ 28 | |
| Earnings Per Share | \$ 0.42 | \$ 0.38 | \$ 0.04 | |

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 5 of 35
Witness: K. Blake

(\$ Millions)

| | Full Year | | | | Full Year | | | |
|---|---------------|---------------|--------------|---|---------------|---------------|--------------|---|
| | 11&1 Forecast | Q3 Forecast | Variance | Comments | 11&1 Forecast | Budget | Variance | Comments |
| Revenues: | | | | | | | | |
| Electric Revenues | \$ 2,820 | \$ 2,817 | \$ 3 | | \$ 2,820 | \$ 2,815 | \$ 5 | Due to higher electricity volumes resulting from colder than normal weather. |
| Gas Revenues | 365 | 357 | 8 | Due to higher gas volumes resulting from colder than normal weather. | 365 | 318 | 47 | Due to higher gas volumes resulting from colder than normal weather. |
| Total Revenues | 3,185 | 3,175 | 11 | | 3,185 | 3,134 | 52 | |
| Cost of Sales: | | | | | | | | |
| Fuel Electric Costs | 973 | 976 | 3 | | 973 | 953 | (20) | Due to higher electricity volumes resulting from favorable weather. |
| Gas Supply Expenses | 206 | 199 | (7) | Due to higher gas volumes resulting from colder than normal weather. | 206 | 162 | (45) | Due to higher gas volumes resulting from colder than normal weather. |
| Purchased Power | 55 | 55 | - | | 55 | 72 | 16 | Due to lower purchases than planned. |
| Other Electric Cost | 107 | 110 | 3 | | 107 | 127 | 20 | Due primarily to lower plant system consumables costs. |
| Total Cost of Sales | 1,342 | 1,341 | (1) | | 1,342 | 1,313 | (28) | |
| Gross Margin: | | | | | | | | |
| Electric Margin | 1,682 | 1,676 | 6 | Due to higher retail electric energy and demand revenues due to colder than normal weather. | 1,682 | 1,664 | 18 | Due to higher revenues offset by higher cost of sales (see above). |
| Gas Margin | 161 | 158 | 3 | | 161 | 157 | 4 | |
| Total Gross Margin | 1,843 | 1,834 | 10 | | 1,843 | 1,821 | 22 | |
| Operating Expenses: | | | | | | | | |
| O&M | 717 | 731 | 14 | Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes. | 717 | 735 | 18 | Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes. |
| Depreciation & Amortization | 343 | 343 | - | | 343 | 344 | 0 | |
| Taxes, Other than Income | 51 | 51 | - | | 51 | 51 | (0) | |
| Total Operating Expenses | 1,111 | 1,125 | 14 | | 1,111 | 1,130 | 19 | |
| Other income (expense) | (6) | (6) | - | | (6) | (7) | 0 | |
| EBIT | 726 | 703 | 23 | | 726 | 684 | 42 | |
| Interest Expense | 168 | 168 | - | | 168 | 172 | 5 | Favorable interest rates. |
| Income from Ongoing Operations before income taxes | 558 | 535 | 23 | | 558 | 511 | 47 | |
| Income Tax Expense | 211 | 202 | (9) | Higher pre-tax income. | 211 | 192 | (19) | Higher pre-tax income. |
| Net Income (loss) from ongoing operations | 347 | \$ 333 | \$ 14 | | \$ 347 | \$ 319 | \$ 28 | |
| Non Operating Income | 0 | 0 | 0 | | 0 | - | 0 | |
| Discontinued Operations | (0) | (0) | (0) | | (0) | 0 | (0) | |
| Net Income (loss) | \$ 347 | \$ 333 | \$ 14 | | \$ 347 | \$ 320 | \$ 28 | |
| KY Regulated Financing Costs | (31) | (31) | - | | (31) | (31) | 0 | |
| KY Regulated Net Income | \$ 316 | \$ 302 | \$ 14 | | \$ 316 | \$ 288 | \$ 28 | |
| Earnings Per Share | \$ 0.47 | \$ 0.45 | \$ 0.02 | | \$ 0.47 | \$ 0.43 | \$ 0.04 | |

Note: Schedules may not sum due to rounding.

Electric Gross Margin

November 2014

(\$ Millions)

| | MTD | | | | | | YTD | | | | | |
|--|-----------|-----------|---------------|----------|-----------------|-----------------|------------|------------|---------------|----------|-----------------|-----------------|
| | Actual | Budget | Unit Variance | Value @ | Dollar Variance | Margin Variance | Actual | Budget | Unit Variance | Value @ | Dollar Variance | Margin Variance |
| Base Electric Margin: | | | | | | \$ 5 | | | | | | \$ (8) |
| Energy Volumes (a) | 2,692,396 | 2,551,271 | 141,126 | \$ - | \$ 6 | | 30,593,021 | 30,759,268 | (166,248) | \$ - | \$ (7) | |
| Energy Prices (a) | | | | | (0) | | | | | | 1 | |
| Customer Charges (Avg. Customers) | 943,322 | 950,676 | (7,354) | | (0) | | 939,991 | 947,397 | (7,406) | | (1) | |
| Demand Charges (b) | 36 | 36 | | | (1) | | 436 | 437 | | | (1) | |
| ECR: | | | | | | \$ 1 | | | | | | \$ 5 |
| Average Rate Base | \$ 1,678 | \$ 1,509 | \$ 169 | 10.46% | \$ 1.3 | | \$ 1,397 | \$ 1,338 | \$ 59 | 10.40% | \$ 5.0 | |
| Cost of Capital | 10.18% | 10.46% | -0.28% | \$ 1,678 | \$ (0.3) | | 10.17% | 10.40% | -0.23% | \$ 1,397 | (2.6) | |
| Jurisdictional Factor | 88.54% | 88.99% | -0.45% | \$ 1,678 | \$ (0.1) | | 88.64% | 88.57% | 0.07% | \$ 1,397 | 0.1 | |
| Other | | | | | \$ 0.4 | | | | | | 2.6 | |
| DSM: | | | | | | \$ (1) | | | | | | \$ (3) |
| Program Expense (Revenue Net of Expense) | \$ - | \$ 0.1 | | | \$ (0.1) | | \$ (0.1) | \$ 0.5 | | | \$ (0.6) | |
| Lost Sales | 1.4 | 1.9 | | | \$ (0.5) | | 18.5 | 20.5 | | | (2.0) | |
| Incentive | 0.1 | 0.1 | | | \$ - | | 1.0 | 1.1 | | | (0.1) | |
| Balancing Adjustment | - | - | | | \$ - | | (0.3) | - | | | (0.3) | |
| Net Fuel Recovery | \$ (0.8) | \$ (0.4) | | | | \$ (0) | \$ (5) | \$ (5) | | | | \$ 0 |
| Purchase Power Demand | (2.1) | (2.5) | | | | \$ 0 | (22.7) | (28.2) | | | | \$ 6 |
| Transmission | 0.6 | 0.7 | | | | \$ (0) | 9.6 | 9.9 | | | | \$ (0) |
| Other | (2.7) | (1.6) | | | | \$ (1) | (16.4) | (23.2) | | | | \$ 9 |
| Retail Margin Variance | | | | | | \$ 5 | | | | | | \$ 9 |
| Off-System Margin Variance | | | | | | \$ 0 | | | | | | \$ 9 |
| Electric Margin Variance | | | | | | \$ 5 | | | | | | \$ 18 |

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

| | MTD | | | | | | | | |
|--------------------------|---------------|------------------|-----------------|---------------|------------------|-----------------|---------------|--------------|--------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 42 | 868,695 | \$ 48.69 | \$ 36 | 741,941 | \$ 48.87 | \$6 | \$6 | (\$0) |
| Commercial | 18 | 589,014 | 29.91 | 20 | 609,518 | 32.23 | (\$2) | (\$1) | (\$1) |
| Industrial | 8 | 868,709 | 9.03 | 7 | 828,819 | 8.96 | \$0 | \$0 | \$0 |
| Municipals | 1 | 150,311 | 5.01 | 1 | 148,671 | 4.17 | \$0 | \$0 | \$0 |
| Other | 5 | 215,668 | 24.12 | 4 | 222,321 | 18.97 | \$1 | (\$0) | \$1 |
| Native Load Total | \$ 74 | 2,692,396 | \$ 27.38 | \$ 68 | 2,551,271 | \$ 26.72 | \$6 | \$6 | (\$0) |

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

| | YTD | | | | | | | | |
|--------------------------|---------------|-------------------|-----------------|---------------|-------------------|-----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 481 | 9,857,761 | \$ 48.81 | \$ 487 | 9,955,374 | \$ 48.90 | (\$6) | (\$5) | (\$1) |
| Commercial | 220 | 7,177,998 | 30.68 | 235 | 7,299,550 | 32.14 | (\$14) | (\$4) | (\$11) |
| Industrial | 83 | 9,211,538 | 8.99 | 82 | 9,145,351 | 8.97 | \$1 | \$1 | \$0 |
| Municipals | 9 | 1,727,386 | 5.14 | 9 | 1,807,024 | 4.90 | \$0 | (\$0) | \$0 |
| Other | 59 | 2,618,337 | 22.69 | 46 | 2,551,970 | 18.10 | \$13 | \$1 | \$12 |
| Native Load Total | \$ 852 | 30,593,021 | \$ 27.86 | \$ 859 | 30,759,268 | \$ 27.91 | (\$6) | (\$7) | \$1 |

(b) Demand Analysis (net of base ECR revenue):

| | MTD | | | YTD | | |
|--------------------------|-----------|-----------|------------|------------|------------|------------|
| | Act | Bud | Variance | Act | Bud | Variance |
| Commercial | 12 | 11 | 1 | 149 | 143 | 6 |
| Industrial | 16 | 16 | - | 180 | 185 | (6) |
| Municipals | 2 | 4 | (2) | 44 | 48 | (4) |
| Other | 5 | 5 | 0 | 63 | 61 | 2 |
| Native Load Total | 36 | 36 | (1) | 436 | 437 | (1) |

Gas Gross Margin

November 2014

(\$ Millions)

| | MTD | | | | YTD | | | |
|--------------------------------|--------|--------|----------|-----------------|--------|--------|----------|-----------------|
| | Actual | Budget | Subtotal | Margin Variance | Actual | Budget | Subtotal | Margin Variance |
| Gas Base Service Charge | \$ 5 | \$ 5 | | ● \$ - | \$ 55 | \$ 55 | | ● \$ 0 |
| Gas Supply Costs | | | | | | | | |
| Gas Supply Costs | (22) | (16) | \$ (6) | | (174) | (129) | \$ (44) | |
| GSC Revenue | 22 | 16 | 6 | | 172 | 129 | 42 | |
| Net Gas Supply Costs | | | | ◆ \$ (0) | | | | ◆ \$ (2) |
| Retail Gas (a) | 12 | 9 | | ● \$ 3 | 83 | 72 | | ● \$ 11 |
| Wholesale Gas (a) | - | - | | ● \$ - | - | - | | ● \$ - |
| DSM | 0 | 0 | | ● \$ - | 0 | 1 | | ◆ \$ (1) |
| GLT | 1 | 1 | | ● \$ 0 | 7 | 7 | | ◆ \$ (0) |
| WNA | (1) | - | | ◆ \$ (1) | (7) | - | | ◆ \$ (7) |
| Other Margin | 0 | 0 | | ● \$ - | 2 | 2 | | ● \$ 0 |
| Gas Margin Variance | | | | ● \$ 2 | | | | ● \$ 2 |

(a) Retail and wholesale gas sales - excludes GSC

| | MTD | | | | | | | | |
|--------------------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 8 | 2,915,088 | \$ 2.64 | \$ 5 | 2,017,290 | \$ 2.64 | ● \$2 | ● \$ 2 | ● \$ - |
| Commercial | 2 | 1,113,594 | 2.09 | 2 | 818,652 | 2.09 | ● \$1 | ● \$ 1 | ● \$ - |
| Industrial | 0 | 169,160 | 1.94 | 0 | 91,167 | 1.83 | ● \$0 | ● \$ 0 | ● \$ - |
| Public Authority | 0 | 189,981 | 2.05 | 0 | 165,472 | 2.03 | ● \$0 | ● \$ - | ● \$ - |
| Transportation | 1 | 1,253,114 | 0.71 | 0.90 | 1,205,765 | 0.78 | ● \$0 | ● \$ - | ◆ \$ (0) |
| Ultimate Consumer | \$ 12 | 5,640,937 | \$ 2.06 | \$ 9 | 4,298,346 | \$ 1.97 | ● \$3 | ● \$ 3 | ◆ \$ (0) |

| | YTD | | | | | | | | |
|--------------------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 50 | 18,973,607 | \$ 2.64 | \$ 43 | 16,365,419 | \$ 2.64 | ● \$7 | ● \$ 7 | ● \$ - |
| Commercial | 18 | 8,691,056 | 2.04 | 16 | 7,442,510 | 2.08 | ● \$2 | ● \$ 3 | ◆ \$ (0) |
| Industrial | 2 | 1,343,544 | 1.69 | 2 | 893,777 | 1.79 | ● \$1 | ● \$ 1 | ◆ \$ (0) |
| Public Authority | 3 | 1,354,558 | 1.97 | 3 | 1,287,700 | 2.01 | ● \$0 | ● \$ 0 | ● \$ - |
| Transportation | 10 | 12,281,332 | 0.81 | 9 | 11,497,642 | 0.81 | ● \$1 | ● \$ 1 | ● \$ - |
| Ultimate Consumer | \$ 83 | 42,644,097 | \$ 1.94 | \$ 72 | 37,487,048 | \$ 1.93 | ● \$11 | ● \$ 11 | ◆ \$ (1) |

(\$ Millions)

| | MTD | | | Labor & Burdens | Outages | Outside Services | Materials | Uncollectible Accounts | Other |
|-------------------------------------|--------------|--------------|----------------|-----------------|---------------|------------------|-------------|------------------------|---------------|
| | Actual | Budget | Total Variance | | | | | | |
| Generation | \$ 24 | \$ 20 | \$ (4) | \$ (1) | \$ (4) | \$ (1) | \$ 1 | | \$ 0 |
| Project Engineering | 0 | 0 | 0 | 0 | | 0 | (0) | | 0 |
| Transmission | 3 | 2 | (1) | (0) | | (1) | 0 | | (0) |
| Energy Supply and Analysis | 1 | 1 | (0) | (0) | | 0 | (0) | | 0 |
| Electric Distribution | 6 | 5 | (0) | 0 | | (0) | (0) | (0) | (0) |
| Gas Distribution | 2 | 3 | 0 | 0 | | 0 | (0) | (0) | (0) |
| Safety and Security | 0 | 0 | (0) | (0) | | (0) | 0 | 0 | (0) |
| Customer Services | 6 | 6 | (0) | 0 | | (0) | 0 | (0) | (0) |
| Chief Operations Officer | 43 | 37 | (6) | (1) | (4) | (3) | 1 | (0) | (0) |
| Information Technology | 4 | 4 | 1 | 0 | | 0 | 0 | | 0 |
| General Counsel | 2 | 2 | 0 | (0) | | 0 | 0 | | 0 |
| Human Resources | 1 | 1 | 0 | 0 | | (0) | 0 | | 0 |
| Supply Chain | 0 | 0 | 0 | 0 | | 0 | 0 | | 0 |
| Chief Administrative Officer | 7 | 7 | 1 | 0 | | 0 | 0 | | 0 |
| Chief Financial Officer | 1 | 1 | (0) | (0) | | 0 | 0 | | (0) |
| Corporate | 9 | 12 | 3 | 3 | | 0 | 0 | 0 | (0) |
| O&M Total MTD | \$ 60 | \$ 58 | \$ (2) | \$ 3 | \$ (4) | \$ (2) | \$ 1 | \$ (0) | \$ (0) |

| | YTD | | | Labor & Burdens | Outages | Outside Services | Materials | Uncollectible Accounts | Other |
|-------------------------------------|---------------|---------------|----------------|-----------------|-------------|------------------|-------------|------------------------|---------------|
| | Actual | Budget | Total Variance | | | | | | |
| Generation | \$ 221 | \$ 228 | \$ 7 | \$ 5 | \$ 4 | \$ (3) | \$ 5 | | \$ (2) |
| Project Engineering | 1 | 1 | 1 | 0 | | 0 | (0) | | 0 |
| Transmission | 27 | 27 | (0) | (0) | | (2) | 1 | | 0 |
| Energy Supply and Analysis | 8 | 9 | 1 | 0 | | 0 | (0) | | 0 |
| Electric Distribution | 72 | 67 | (5) | (0) | | (5) | 0 | (0) | (0) |
| Gas Distribution | 29 | 29 | 1 | 0 | | 1 | (0) | (0) | (0) |
| Safety and Security | 3 | 0 | (3) | (2) | | (0) | 0 | 0 | (0) |
| Customer Services | 77 | 72 | (5) | 1 | | (2) | 1 | (5) | (1) |
| Chief Operations Officer | 438 | 433 | (5) | 3 | 4 | (10) | 6 | (5) | (3) |
| Information Technology | 47 | 51 | 5 | 4 | | 0 | (0) | | (0) |
| General Counsel | 29 | 29 | (1) | 0 | | (1) | 0 | | (0) |
| Human Resources | 6 | 7 | 1 | 0 | | 0 | 0 | | 1 |
| Supply Chain | 3 | 3 | 0 | 0 | | 0 | (0) | | 0 |
| Chief Administrative Officer | 85 | 90 | 5 | 5 | | (0) | (0) | | 0 |
| Chief Financial Officer | 17 | 18 | 1 | 1 | | 0 | 0 | | 0 |
| Corporate | 115 | 137 | 22 | 22 | | 3 | 2 | (0) | (4) |
| O&M Total YTD | \$ 654 | \$ 677 | \$ 23 | \$ 30 | \$ 4 | \$ (7) | \$ 8 | \$ (5) | \$ (7) |

| | Full Year | | | Labor & Burdens | Outages | Outside Services | Materials | Uncollectible Accounts | Other |
|-------------------------------------|---------------|---------------|----------------|-----------------|-------------|------------------|-------------|------------------------|---------------|
| | Forecast | Budget | Total Variance | | | | | | |
| Generation | \$ 240 | \$ 245 | \$ 5 | \$ 5 | \$ 3 | \$ (1) | \$ 2 | | \$ (4) |
| Project Engineering | 1 | 1 | 0 | 0 | | 0 | (0) | | 0 |
| Transmission | 29 | 29 | (1) | (1) | | 2 | (2) | | 0 |
| Energy Supply and Analysis | 8 | 9 | 1 | 0 | | 0 | 0 | | 0 |
| Electric Distribution | 78 | 72 | (5) | (0) | | (5) | 0 | 0 | (1) |
| Gas Distribution | 32 | 32 | (0) | (1) | | 1 | (0) | (0) | 0 |
| Safety and Security | 3 | 0 | (3) | (2) | | (0) | 0 | 0 | (1) |
| Customer Services | 85 | 79 | (6) | 2 | | (2) | 0 | (5) | (1) |
| Chief Operations Officer | 476 | 468 | (9) | 3 | 3 | (5) | 0 | (5) | (5) |
| Information Technology | 52 | 55 | 3 | 5 | | 0 | (0) | | (2) |
| General Counsel | 33 | 32 | (1) | 0 | | (1) | 0 | | (1) |
| Human Resources | 7 | 8 | 1 | 0 | | 0 | 0 | | 0 |
| Supply Chain | 4 | 4 | 0 | 0 | | 0 | 0 | | 0 |
| Chief Administrative Officer | 95 | 98 | 3 | 6 | | (0) | (0) | | (2) |
| Chief Financial Officer | 18 | 19 | 1 | 0 | | 0 | 0 | | 0 |
| Corporate | 128 | 150 | 22 | 22 | | 2 | (0) | | (9) |
| O&M Total Full Year | \$ 717 | \$ 735 | \$ 17 | \$ 31 | \$ 3 | \$ (2) | \$ 0 | \$ (6) | \$ (9) |

Attachment to Filing Requirement
 807 KAR 5:001 Section 16(7) (o)
 Page 9 of 35
 Witness: K. Blake

Note: Schedules may not sum due to rounding.

Financing Activities

November 2014

(\$ Millions)

| Balance Sheet | MTD | | | YTD | | | Full Year | | |
|--|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
| | Actual | Budget | Variance | Actual | Budget | Variance | Forecast | Budget | Variance |
| PCB | | | | | | | | | |
| Beg Bal | \$ 923.9 | \$ 924.8 | \$ 0.9 | \$ 924.0 | \$ 924.0 | \$ 0.0 | \$ 924.0 | \$ 924.0 | \$ - |
| End Bal | 923.9 | 924.9 | 1.0 | 923.9 | 924.9 | 1.0 | 924.1 | 924.9 | 0.9 |
| Ave Bal | \$ 923.9 | \$ 924.9 | \$ 1.0 | \$ 924.0 | \$ 924.5 | \$ 0.6 | \$ 924.0 | \$ 924.6 | \$ 0.6 |
| Interest Exp | \$ 0.8 | \$ 0.9 | \$ 0.2 | \$ 8.4 | \$ 10.4 | \$ 2.0 | \$ 9.4 | \$ 11.3 | \$ 1.9 |
| Rate | 1.00% | 1.23% | 0.22% | 0.98% | 1.21% | 0.23% | 1.02% | 1.23% | 0.21% |
| FMB/Sr Nts | | | | | | | | | |
| Beg Bal | \$ 3,642.4 | \$ 3,642.3 | \$ (0.1) | \$ 3,640.9 | \$ 3,640.9 | \$ - | \$ 3,640.9 | \$ 3,640.9 | \$ - |
| End Bal | 3,642.5 | 3,642.4 | (0.1) | 3,642.5 | 3,642.4 | (0.1) | 3,642.7 | 3,642.5 | (0.1) |
| Ave Bal | \$ 3,642.4 | \$ 3,642.3 | \$ (0.1) | \$ 3,641.7 | \$ 3,641.7 | \$ 0.0 | \$ 3,641.8 | \$ 3,641.8 | \$ - |
| Interest Exp | \$ 11.5 | \$ 11.6 | \$ 0.1 | \$ 126.4 | \$ 128.0 | \$ 1.6 | \$ 139.7 | \$ 141.4 | \$ 1.6 |
| Rate | 3.79% | 3.83% | 0.05% | 3.74% | 3.79% | 0.05% | 3.84% | 3.88% | 0.04% |
| Short-term Debt | | | | | | | | | |
| Beg Bal | \$ 420.1 | \$ 434.3 | \$ 14.3 | \$ 245.0 | \$ 245.0 | \$ - | \$ 245.0 | \$ 245.0 | \$ - |
| End Bal | 617.9 | 539.1 | (78.8) | 617.9 | 539.1 | (78.8) | 554.3 | 527.8 | (26.5) |
| Ave Bal | \$ 519.0 | \$ 486.7 | \$ (32.3) | \$ 431.4 | \$ 341.3 | \$ (90.2) | \$ 329.1 | \$ 356.8 | \$ 27.7 |
| Interest Exp | \$ 0.3 | \$ 0.4 | \$ 0.1 | \$ 2.1 | \$ 3.2 | \$ 1.1 | \$ 2.0 | \$ 3.6 | \$ 1.6 |
| Rate | 0.63% | 0.92% | 0.29% | 0.52% | 1.00% | 0.48% | 0.60% | 1.00% | 0.40% |
| Total End Bal | \$ 5,184.4 | \$ 5,106.5 | \$ (77.9) | \$ 5,184.4 | \$ 5,106.5 | \$ (77.9) | \$ 5,121.0 | \$ 5,095.3 | \$ (25.7) |
| Total Average Bal | \$ 5,085.4 | \$ 5,054.0 | \$ (31.4) | \$ 4,997.1 | \$ 4,907.5 | \$ (89.6) | \$ 4,894.9 | \$ 4,923.2 | \$ 28.3 |
| Total Expense Excl I/C ⁽¹⁾ | \$ 14.1 | \$ 14.4 | \$ 0.3 | \$ 153.5 | \$ 157.9 | \$ 4.5 | \$ 167.6 | \$ 172.4 | \$ 4.7 |
| Rate | 3.33% | 3.43% | 0.10% | 3.31% | 3.47% | 0.16% | 3.42% | 3.50% | 0.08% |

⁽¹⁾ Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

| Credit Facilities (\$ Millions) | Committed Capacity | Borrowed | Letters of Credit Issued | Unused Capacity |
|------------------------------------|-----------------------|---------------|-----------------------------|--------------------|
| LKE | \$ 300 | \$ 112 | | \$ 188 |
| LG&E | 500 | 309 | | 191 |
| KU | 598 | 197 | \$ 198 | 203 |
| TOTAL | \$ 1,398 | \$ 618 | \$ 198 | \$ 582 |

| Credit Metrics (\$ Millions) | YTD | | Full Year | |
|--|--------|---------|-----------|---------|
| | Actual | +/- Bud | Forecast | +/- Bud |
| FFO to Debt - LG&E | 23.5% | +0.03 | 24.8% | +0.02 |
| FFO to Debt - KU | 24.8% | +0.03 | 25.4% | +0.01 |
| Debt to EBITDA - LG&E ⁽²⁾ | 3.52 | -0.15 | 3.39 | -0.27 |
| Debt to EBITDA - KU ⁽²⁾ | 3.66 | -0.06 | 3.70 | -0.03 |
| Debt to Capitalization - LG&E ⁽³⁾ | 49.7% | +0.02 | 47.3% | +0.00 |
| Debt to Capitalization - KU ⁽³⁾ | 47.3% | -0.00 | 47.0% | +0.00 |

⁽²⁾ Actuals represent a trailing 12 months

⁽³⁾ Excludes purchase accounting adjustments and corresponding goodwill of \$996m

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 10 of 35
Witness: K. Blake

Balance Sheet

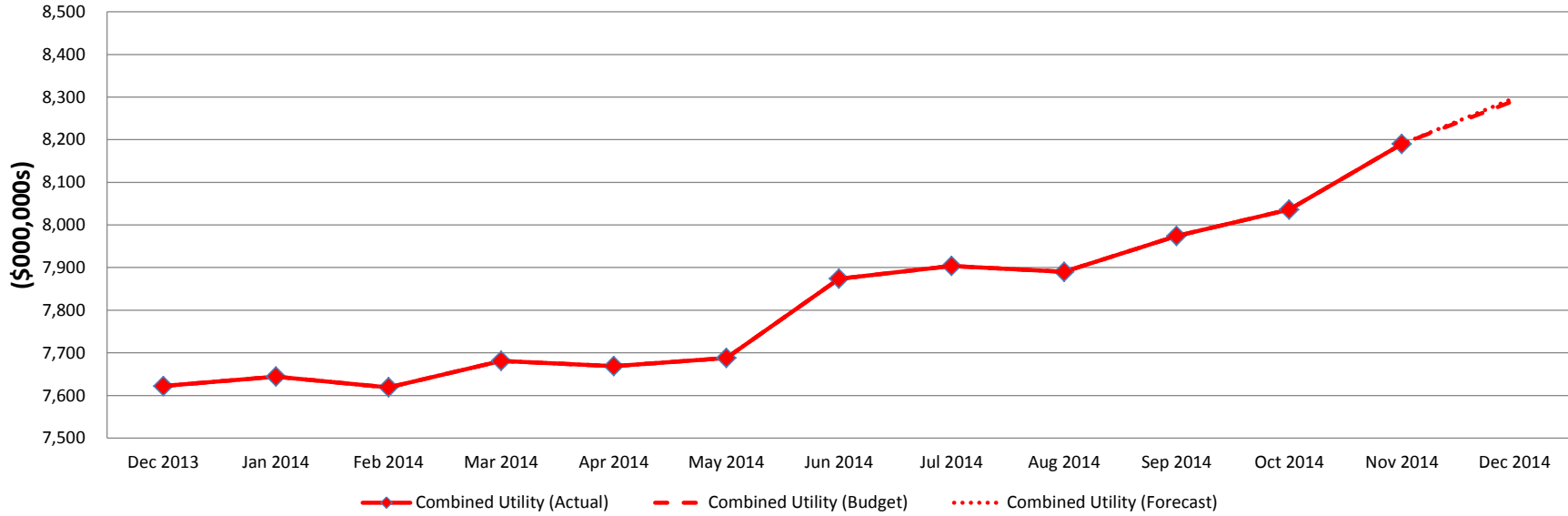
November 2014

(\$ Millions)

| | 11/30/2014 | YTD Budget | Variance | Comments |
|---|------------------|------------------|--------------|---|
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 78 | \$ 9 | \$ 69 | Excess cash for month end due to the timing of CP maturities, during a tightened liquidity position of the market during the holiday time period. |
| Accounts Receivable (Trade) | 372 | 400 | (28) | Lower unbilled utility revenue (\$9m) and lower customer accounts receivable (\$18m). |
| Inventory | 304 | 284 | 20 | Higher fuel related costs of \$17m. |
| Deferred Income Taxes | 69 | 159 | (90) | Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities. |
| Regulatory Assets Current | 27 | 30 | (3) | |
| Prepayments and other current assets | 45 | 110 | (65) | Lower notes receivable from affiliate (\$70m). |
| Total Current Assets | 895 | 992 | (97) | |
| Property, Plant, and Equipment | 10,402 | 10,355 | 47 | Higher CWIP \$120m partially offset by lower completed construction (\$52m) and accumulated depreciation (\$23m). |
| Intangible Assets | 178 | 178 | (0) | |
| Other Property and Investments | 1 | 1 | (0) | |
| Regulatory Assets Non Current | 523 | 446 | 76 | Increases in ARO \$19m and long term interest rate swap \$54m. |
| Goodwill | 997 | 997 | 0 | |
| Other Long-term Assets | 99 | 92 | 7 | |
| Total Assets | \$ 13,095 | \$ 13,062 | \$ 33 | |
| Liabilities and Equity: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Trade) | \$ 434 | \$ 342 | \$ 92 | Increases in project engineering accruals \$55m, in and timing of coal receipts \$24m, in gas purchase accruals \$9m, in power generation accruals \$7m, and \$3m due to timing of payables. |
| Accounts Payable - Affiliated Company | 109 | 0 | 109 | Dividend payable \$109m issued to PPL based on Q3 2014 net income. |
| Customer Deposits | 51 | 50 | 2 | |
| Derivative Liability | 48 | 4 | 44 | Primarily due to short-term derivative liability from forward hedges with PPL as counterparty \$43m. |
| Accrued Taxes | 37 | 70 | (33) | A change in the NOL assumption from the 2014 BP increased the level of NOL's which resulted in lower taxable income and less accrued taxes. |
| Regulatory Liabilities Current | 15 | 14 | 1 | |
| Other Current Liabilities | 118 | 125 | (7) | |
| Total Current Liabilities | 812 | 604 | 208 | |
| Debt - Affiliated Company | 37 | 19 | 18 | Short term note payable made to PPL. |
| Debt ⁽¹⁾ | 5,147 | 5,088 | 59 | Higher issuance of CPs than budgeted due to a tightened liquidity position of the market during the holiday time period. |
| Total Debt | 5,184 | 5,106 | 78 | |
| Deferred Tax Liabilities | 1,131 | 1,193 | (62) | Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes. |
| Investment Tax Credit | 131 | 131 | (0) | |
| Accum Provision for Pension & Related Benefits | 116 | 123 | (7) | |
| Asset Retirement Obligation | 277 | 251 | 26 | KU Green River Ash and Environmental Pond Revaluation \$27m. |
| Regulatory Liabilities Non Current | 992 | 990 | 2 | |
| Derivative Liability | 42 | 32 | 10 | Increase due to loss on long term interest rate swaps. |
| Other Liabilities | 247 | 234 | 13 | Accrued retiree medical post employee benefits \$10m which are not budgeted for in the Other Liabilities account. In December the balance is moved to the liability account where it is budgeted for. |
| Total Deferred Credits and Other Liabilities | 2,936 | 2,954 | (18) | |
| Equity | 4,163 | 4,397 | (235) | |
| Total Liabilities and Equity | \$ 13,095 | \$ 13,062 | \$ 33 | |

⁽¹⁾ Includes all ST and LT debt. See Financing Activities page for details.
 Note: Schedules may not sum due to rounding.

Rate Base Growth





Performance Report

December 2014

Content**Page**

| | |
|--|----|
| Executive Summary | 3 |
| Income Statement: Actual vs. Budget and Forecast (Month) | 4 |
| Income Statement: Actual vs. Budget (YTD) | 5 |
| Electric Gross Margin Analysis | 6 |
| Gas Gross Margin Analysis | 7 |
| O&M | 8 |
| Financing Activities | 9 |
| Balance Sheet | 10 |
| Cash Flow | 11 |
| Rate Base | 12 |
| ROE | 13 |

Kentucky Regulated Dashboard **December 2014**

| | Current Month | | YTD | |
|--|---------------|---------------|---------------|---------------|
| | Actual | PY | Actual | PY |
| Safety | | | | |
| TCIR - Employees | 1.25 | 0.43 | 1.03 | 1.29 |
| Employee lost-time incidents | 0 | 0 | 6 | 3 |
| Reliability | Actual | Budget | Actual | Budget |
| Generation Volumes | 3,006 | 3,031 | 35,566 | 34,780 |
| Utility EFOR | 9.1% | 5.9% | 5.2% | 5.9% |
| Utility EAF | 83.4% | 90.6% | 81.6% | 82.5% |
| Steam Fleet Commercial Availability | 87.3% | 91.5% | 93.7% | 91.5% |
| Combined SAIFI | 0.06 | 0.08 | 0.98 | 1.20 |
| Combined SAIDI (minutes) | 4.34 | 6.97 | 90.97 | 107.60 |
| Gwh Sales | | | | |
| Residential | 1,040 | 1,006 | 10,898 | 10,962 |
| Commercial | 608 | 652 | 7,786 | 7,952 |
| Industrial | 798 | 866 | 10,010 | 10,011 |
| Municipals | 158 | 161 | 1,885 | 1,969 |
| Other | 229 | 236 | 2,849 | 2,788 |
| Off-System Sales | 11 | 19 | 480 | 273 |
| Total | 2,844 | 2,940 | 33,908 | 33,954 |
| Weather-Normalized Sales Growth | | | TTM | |
| Residential | | | -1.86% | |
| Commercial | | | -1.21% | |
| Industrial | | | 2.69% | |
| Municipal | | | -1.77% | |
| Other | | | 0.36% | |
| Total | | | -0.17% | |

| Variance Explanations |
|---|
| <ul style="list-style-type: none"> Current month EFOR unfavorable to budget due to outages at Mill Creek 2 and Trimble County 2 resulting from a main transformer startup failure and boiler tube leaks respectively. Current month EAF unfavorable to budget due to Mill Creek 2 main transformer startup failure and Brown 3 SCR NOx plugging. Current month capital was higher than budget due primarily to increased costs on environmental air projects at Mill Creek and timing of spend on environmental air projects at Brown, Trimble County, and Ghent with some non-environmental spend offsets. YTD higher capital due primarily to increased costs related to Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) and timing of spend on environmental air projects at Trimble County and Ghent with some non-environmental spend offsets. YTD higher margins due to \$9 million from the sale of excess generation driven by favorable plant availability and higher market prices, \$7 million from lower cost of production margin expenses, \$5 million from lower purchase power demand costs, \$1 million from higher gas margins and \$2 million from higher retail rate mechanism revenue partially offset by \$9 million lower retail electric energy and demand revenues. YTD lower O&M primarily due to \$20 million from pension and medical cost savings, \$10 million from labor savings and \$1m in other savings, partially offset by \$7 million of higher storm restoration expenses and \$6 million higher uncollectible accounts. |

| Financial Metrics | Current Month | | YTD | |
|----------------------------|---------------|--------|---------|---------|
| | Actual | Budget | Actual | Budget |
| Utility ROE ⁽¹⁾ | 9.8% | 10.8% | 9.3% | 8.7% |
| Electric Margins | \$141 | \$142 | \$1,679 | \$1,664 |
| Gas Margins | \$19 | 20 | \$158 | 157 |

| Capital Expenditures (\$ millions) | Actual | Budget | Actual | Budget |
|------------------------------------|--------|--------|---------|---------|
| New Generation | \$9 | \$7 | \$111 | \$126 |
| ECR | 64 | 44 | 736 | 603 |
| Generation | 19 | 2 | 109 | 121 |
| Transmission | 10 | 6 | 78 | 77 |
| Electric Distribution | 16 | 12 | 146 | 143 |
| Gas Distribution | 10 | 5 | 78 | 80 |
| Customer Services | 2 | 1 | 18 | 20 |
| IT and Other | 5 | 4 | 36 | 50 |
| Total | \$135 | \$82 | \$1,313 | \$1,221 |

| O&M (\$ millions) ⁽²⁾ | Actual | Budget | Actual | Budget |
|----------------------------------|--------|--------|--------|--------|
| Operations | \$40 | \$35 | \$477 | \$468 |
| Administrative | 9 | 8 | \$95 | 98 |
| Finance | 2 | 1 | \$18 | 19 |
| Burdens & Other Charges | 11 | 14 | \$126 | 150 |
| Total | \$62 | \$58 | \$717 | \$735 |

| Head Count | Actual | Budget | Actual | Budget |
|---------------------|--------|--------|--------|--------|
| Full-time Employees | 3,482 | 3,549 | 3,482 | 3,549 |

| Other Metrics | Actual | PY | Actual | PY |
|---|--------|----|--------|----|
| Environmental Events | 0 | 0 | 9 | 14 |
| NERC Possible Violations ⁽³⁾ | 0 | 0 | 7 | 11 |

| Major Developments |
|--|
| <ul style="list-style-type: none"> LKE continued advancement of its construction program as it recently received KPSC approval to build Brown Solar. In 2014, LKE deployed \$1.3 billion of capital, with a large portion of the investments earning real-time returns through ECR and other rate mechanisms. During this heavy construction period in 2014, LKE achieved milestone safety performance as it obtained a recordable injury rate of 1.03, the lowest in Company history, and significantly below the EEI top quartile of 1.42 and the National Safety Council industry average of 3.50. Also, during 2014, LKE continued to optimize recovery methods in its regulatory proceedings as it shifted its Kentucky rate case strategy to the utilization of a forecasted test year. The November 2014 rate case filing for LG&E and KU is proceeding as planned, with LKE currently addressing data requests from the KPSC and other interveners, which will be submitted on January 23. On January 8, LKE's combined system recorded 144,702 MWh's, which ranks 5th for all-time total daily energy usage. Through the Company's 2014 annual charitable-giving campaign, Power of One, LKE donated over \$1.7 million for local nonprofits in the service territories. This marks the eighth year in a row in which employees have raised more than \$1 million for the campaign and it represents the highest amount ever pledged in the history of the ten-year campaign. Seventy percent of LKE employees participated through payroll deduction, well above the national average. |

| Significant Future Events |
|---|
| <ul style="list-style-type: none"> The execution of LKE's construction plan continues in 2015. Key environmental projects such as Ghent 1 fabric filter baghouse construction is proceeding toward a March tie-in outage, while Mill Creek Units 1 and 2 FGD and fabric filter baghouses are also scheduled for March/April tie-in outages. The construction of Cane Run 7 is nearing completion with first firing of gas for the unit expected in early February, and the start of commercial operations likely by the end of May. Bidder pre-qualification and due diligence site visits for Brown Solar are projected to occur in the first quarter of 2015, with a contract award targeted by the second quarter of 2015. Regarding the Kentucky rate case, intervenor testimony will be filed in March and LKE's rebuttal testimony will be submitted in April. A formal hearing has not been scheduled, however, it is expected to be in early May. |

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.

⁽²⁾ Net of cost recovery mechanisms.

⁽³⁾ The possible violation issues for YTD Actual are believed to be minimal risk. One of those has been processed for a zero dollar penalty from the regulator. Though described by SERC as minimal risk, four of those have been included in a \$30,000 package settlement proposed by SERC that includes possible violations from 2013. The two most recent possible violations are not included in this settlement proposal.

Income Statement: Actual vs. Budget and Forecast (Month)

December 2014

(\$ Millions)

| | | | | MTD | |
|---|--------------|--------------|---------------|-----|---|
| | Actual | Budget | Variance | | Comments |
| Revenues: | | | | | |
| Electric Revenues | \$ 237 | \$ 244 | \$ (7) | | Due to lower electricity volumes resulting from milder than normal weather. |
| Gas Revenues | 45 | 50 | (5) | | Due to lower gas volumes resulting from milder than normal weather. |
| Total Revenues | 281 | 293 | (12) | | |
| Cost of Sales: | | | | | |
| Fuel Electric Costs | 80 | 84 | 3 | | |
| Gas Supply Expenses | 25 | 29 | 4 | | |
| Purchased Power | 6 | 6 | (0) | | |
| Other Electric Cost | 10 | 12 | 2 | | |
| Total Cost of Sales | 121 | 131 | 9 | | Due to fuel expense savings resulting from milder than normal weather. |
| Gross Margin: | | | | | |
| Electric Margin | 141 | 142 | (2) | | |
| Gas Margin | 19 | 20 | (1) | | |
| Total Gross Margin | 160 | 163 | (3) | | |
| Operating Expenses: | | | | | |
| O&M | 62 | 58 | (4) | | |
| Depreciation & Amortization | 29 | 29 | 0 | | |
| Taxes, Other than Income | 4 | 4 | 0 | | |
| Total Operating Expenses | 95 | 91 | (4) | | |
| Other income (expense) | (1) | (0) | (0) | | |
| EBIT | 64 | 71 | (7) | | |
| Interest Expense | 14 | 14 | 0 | | |
| Income from Ongoing Operations before income taxes | 50 | 57 | (7) | | |
| Income Tax Expense | 18 | 21 | 3 | | |
| Net Income (loss) from ongoing operations | 31 | 35 | \$ (4) | | |
| Non Operating Income | 0 | 0 | 0 | | |
| Discontinued Operations | (0) | 0 | (0) | | |
| Net Income (loss) | \$ 31 | \$ 35 | \$ (4) | | |
| KY Regulated Financing Costs | (3) | (3) | (0) | | |
| KY Regulated Net Income | \$ 29 | \$ 33 | \$ (4) | | |
| Earnings Per Share | \$ 0.04 | \$ 0.05 | \$ (0.01) | | |

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 16 of 35
Witness: K. Blake**

Income Statement: Actual vs. Budget (YTD)

December 2014

(\$ Millions)

| | YTD | | | Comments |
|---|-----------------|---------------|--------------|--|
| | Actual | Budget | Variance | |
| Revenues: | | | | |
| Electric Revenues | \$ 2,812 | \$ 2,815 | \$ (3) | |
| Gas Revenues | \$ 360 | 318 | 42 | Due to higher gas volumes resulting from colder than normal weather. |
| Total Revenues | \$ 3,172 | 3,134 | 39 | |
| Cost of Sales: | | | | |
| Fuel Electric Costs | 971 | 953 | (18) | Due to higher electricity volumes resulting from favorable weather. |
| Gas Supply Expenses | 202 | 162 | (40) | Due to higher gas volumes resulting from favorable weather. |
| Purchased Power | 55 | 72 | 17 | Due to lower purchases than planned. |
| Other Electric Cost | 107 | 127 | 20 | Due primarily to lower plant system consumables costs. |
| Total Cost of Sales | 1,335 | 1,313 | (22) | |
| Gross Margin: | | | | |
| Electric Margin | 1,679 | 1,664 | 16 | Due to the sale of excess generation driven by favorable plant availability and higher market prices, lower cost of production margin expenses, lower purchase power demand costs, higher retail rate mechanism revenue, and higher gas revenues due to colder than normal weather partially offset by lower retail electric energy and demand revenues. |
| Gas Margin | 158 | 157 | 1 | |
| Total Gross Margin | 1,837 | 1,820 | 17 | |
| Operating Expenses: | | | | |
| O&M | 717 | 735 | 18 | Due primarily to pension, medical cost, labor, and plant outage and other operating costs savings partially offset by higher storm restoration expenses and higher uncollectible accounts. |
| Depreciation & Amortization | 342 | 344 | 1 | |
| Taxes, Other than Income | 51 | 51 | 0 | |
| Total Operating Expenses | 1,110 | 1,130 | 20 | |
| Other income (expense) | (7) | (7) | (0) | |
| EBIT | 720 | 684 | 36 | |
| Interest Expense | 168 | 172 | 5 | Due to favorable interest rates. |
| Income from Ongoing Operations before income taxes | 552 | 511 | 41 | |
| Income Tax Expense | 209 | 192 | (17) | Higher pre-tax income. |
| Net Income (loss) from ongoing operations | \$ 343 | \$ 319 | \$ 24 | |
| Non Operating Income | 0 | - | 0 | |
| Discontinued Operations | (0) | 0 | (1) | |
| Net Income (loss) | \$ 344 | \$ 320 | \$ 24 | |
| KY Regulated Financing Costs | (32) | (31) | (0) | |
| KY Regulated Net Income | \$ 312 | \$ 288 | \$ 24 | |
| Earnings Per Share | \$ 0.47 | \$ 0.43 | \$ 0.04 | |

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 17 of 35
Witness: K. Blake**

Electric Gross Margin

December 2014

(\$ Millions)

| | MTD | | | | | Margin Variance | YTD | | | | | Margin Variance |
|--|-----------|-----------|---------------|----------|-----------------|-----------------|------------|------------|---------------|----------|-----------------|-----------------|
| | Actual | Budget | Unit Variance | Value @ | Dollar Variance | | Actual | Budget | Unit Variance | Value @ | Dollar Variance | |
| Base Electric Margin: | | | | | | ♦ \$ (2) | | | | | | ♦ \$ (10) |
| Energy Volumes (a) | 2,834,327 | 2,921,887 | (87,560) | \$ - | \$ (1) | | 33,427,347 | 33,681,155 | (253,808) | \$ - | \$ (8) | |
| Energy Prices (a) | | | | | 0 | | | | | | 1 | |
| Customer Charges (Avg. Customers) | 943,458 | 950,689 | (7,231) | | (0) | | 940,280 | 947,671 | (7,391) | | (1) | |
| Demand Charges (b) | 36 | 37 | | | (1) | | 472 | 474 | | | (2) | |
| ECR: | | | | | | ● \$ - | | | | | | ● \$ 5 |
| Average Rate Base | \$ 1,637 | \$ 1,525 | \$ 112 | 10.46% | \$ 0.9 | | \$ 1,417 | \$ 1,353 | \$ 63 | 10.41% | \$ 5.9 | |
| Cost of Capital | 9.93% | 10.46% | -0.53% | \$ 1,637 | \$ (0.6) | | 10.15% | 10.41% | -0.26% | \$ 1,417 | (3.3) | |
| Jurisdictional Factor | 89.82% | 88.39% | 1.43% | \$ 1,637 | \$ 0.2 | | 88.75% | 88.56% | 0.20% | \$ 1,417 | 0.3 | |
| Other | | | | | \$ (0.5) | | | | | | 2.1 | |
| DSM: | | | | | | ♦ \$ (1) | | | | | | ♦ \$ (4) |
| Program Expense (Revenue Net of Expense) | \$ - | \$ 0.1 | | | \$ (0.1) | | \$ (0.2) | \$ 0.6 | | | \$ (0.8) | |
| Lost Sales | 1.5 | 1.9 | | | \$ (0.4) | | 20.0 | 22.3 | | | (2.3) | |
| Incentive | 0.1 | 0.1 | | | \$ - | | 1.1 | 1.2 | | | (0.1) | |
| Balancing Adjustment | - | - | | | \$ - | | (0.3) | - | | | (0.3) | |
| Net Fuel Recovery | \$ 0.7 | \$ (0.4) | | | | ● \$ 1 | \$ (4) | \$ (5) | | | | ● \$ 1 |
| Purchase Power Demand | (2.8) | (2.6) | | | | ♦ \$ (0) | (25.5) | (30.8) | | | | ● \$ 5 |
| Transmission | 0.6 | 0.7 | | | | ♦ \$ (0) | 10.2 | 10.6 | | | | ♦ \$ (0) |
| Other | (1.5) | (1.3) | | | | ♦ \$ (0) | (17.8) | (24.5) | | | | ● \$ 9 |
| Retail Margin Variance | | | | | | ♦ \$ (2) | | | | | | ● \$ 7 |
| Off-System Margin Variance | | | | | | ● \$ - | | | | | | ● \$ 9 |
| Electric Margin Variance | | | | | | ♦ \$ (2) | | | | | | ● \$ 16 |

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

| | MTD | | | | | | | | |
|--------------------------|---------------|------------------|-----------------|---------------|------------------|-----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 50 | 1,040,378 | \$ 48.49 | \$ 49 | 1,006,238 | \$ 48.68 | \$1 | \$2 | (\$0) |
| Commercial | 19 | 607,728 | 31.04 | 21 | 652,165 | 32.49 | (\$2) | (\$1) | (\$1) |
| Industrial | 7 | 798,119 | 8.97 | 8 | 865,743 | 8.96 | (\$1) | (\$1) | \$0 |
| Municipals | 1 | 158,148 | 5.49 | 1 | 162,164 | 4.17 | \$0 | \$0 | \$0 |
| Other | 5 | 229,953 | 22.45 | 4 | 235,576 | 18.15 | \$1 | (\$0) | \$1 |
| Native Load Total | \$ 83 | 2,834,327 | \$ 29.11 | \$ 83 | 2,921,887 | \$ 28.36 | (\$0) | (\$1) | \$0 |

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

| | YTD | | | | | | | | |
|--------------------------|---------------|-------------------|-----------------|---------------|-------------------|-----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 532 | 10,898,139 | \$ 48.78 | \$ 536 | 10,961,611 | \$ 48.88 | (\$4) | (\$3) | (\$1) |
| Commercial | 239 | 7,785,726 | 30.71 | 256 | 7,951,715 | 32.17 | (\$17) | (\$5) | (\$11) |
| Industrial | 90 | 10,009,657 | 8.98 | 90 | 10,011,094 | 8.97 | \$0 | \$0 | \$0 |
| Municipals | 10 | 1,885,534 | 5.17 | 10 | 1,969,188 | 4.84 | \$0 | (\$0) | \$1 |
| Other | 65 | 2,848,290 | 22.67 | 51 | 2,787,546 | 18.11 | \$14 | \$1 | \$13 |
| Native Load Total | \$ 935 | 33,427,347 | \$ 27.97 | \$ 941 | 33,681,155 | \$ 27.95 | (\$6) | (\$8) | \$1 |

(b) Demand Analysis (net of base ECR revenue):

| | MTD | | | YTD | | |
|--------------------------|-----------|-----------|------------|------------|------------|------------|
| | Act | Bud | Variance | Act | Bud | Variance |
| Commercial | 12 | 12 | 0 | 161 | 154 | 7 |
| Industrial | 16 | 16 | (1) | 196 | 202 | (6) |
| Municipals | 3 | 4 | (1) | 48 | 52 | (5) |
| Other | 5 | 5 | 0 | 68 | 66 | 2 |
| Native Load Total | 36 | 37 | (1) | 472 | 474 | (2) |

Gas Gross Margin

December 2014

(\$ Millions)

| | MTD | | | | YTD | | | |
|--------------------------------|--------|--------|----------|-----------------|--------|--------|----------|-----------------|
| | Actual | Budget | Subtotal | Margin Variance | Actual | Budget | Subtotal | Margin Variance |
| Gas Base Service Charge | \$ 5 | \$ 5 | | ● \$ - | \$ 60 | \$ 60 | | ● \$ 0 |
| Gas Supply Costs | | | | | | | | |
| Gas Supply Costs | (25) | (29) | \$ 4 | | (198) | (159) | \$ (40) | |
| GSC Revenue | 26 | 29 | (4) | | 197 | 159 | 39 | |
| Net Gas Supply Costs | | | | ● \$ 1 | | | | ◆ \$ (1) |
| Retail Gas (a) | 13 | 15 | | ◆ \$ (2) | 96 | 87 | | ● \$ 9 |
| Wholesale Gas (a) | - | - | | ● \$ - | - | - | | ● \$ - |
| DSM | - | 0 | | ◆ \$ (0) | 0 | 1 | | ◆ \$ (0) |
| GLT | 1 | 1 | | ● \$ 0 | 8 | 8 | | ◆ \$ (0) |
| WNA | (1) | - | | ◆ \$ (1) | (7) | - | | ◆ \$ (7) |
| Other Margin | 0 | 0 | | ● \$ - | 2 | 2 | | ● \$ 0 |
| Gas Margin Variance | | | | ◆ \$ (1) | | | | ● \$ 1 |

(a) Retail and wholesale gas sales - excludes GSC

| | MTD | | | | | | | | |
|--------------------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 9 | 3,216,767 | \$ 2.64 | \$ 10 | 3,685,235 | \$ 2.64 | ◆ (\$1) | ◆ \$ (1) | ● \$ - |
| Commercial | 3 | 1,445,688 | 2.10 | 3 | 1,437,891 | 2.09 | ● \$0 | ● \$ - | ● \$ - |
| Industrial | 0 | 138,184 | 2.14 | 0 | 110,847 | 1.82 | ● \$0 | ● \$ - | ● \$ - |
| Public Authority | 1 | 241,512 | 2.04 | 1 | 257,876 | 2.03 | ● \$0 | ● \$ - | ● \$ - |
| Transportation | 1 | 1,253,989 | 0.58 | 1.00 | 1,352,682 | 0.74 | ◆ (\$0) | ◆ \$ (0) | ◆ \$ (0) |
| Ultimate Consumer | \$ 13 | 6,296,140 | \$ 2.07 | \$ 15 | 6,844,531 | \$ 2.11 | ◆ (\$2) | ◆ \$ (1) | ◆ \$ (0) |

| | YTD | | | | | | | | |
|--------------------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 59 | 22,190,374 | \$ 2.64 | \$ 53 | 20,050,654 | \$ 2.64 | ● \$6 | ● \$ 6 | ● \$ - |
| Commercial | 21 | 10,136,744 | 2.05 | 19 | 8,880,401 | 2.09 | ● \$2 | ● \$ 3 | ◆ \$ (0) |
| Industrial | 3 | 1,481,728 | 1.73 | 2 | 1,004,623 | 1.80 | ● \$1 | ● \$ 1 | ◆ \$ (0) |
| Public Authority | 3 | 1,596,070 | 1.98 | 3 | 1,545,576 | 2.01 | ● \$0 | ● \$ 0 | ● \$ - |
| Transportation | 11 | 13,535,321 | 0.79 | 10 | 12,850,324 | 0.80 | ● \$0 | ● \$ 1 | ◆ \$ (0) |
| Ultimate Consumer | \$ 96 | 48,940,237 | \$ 1.96 | \$ 87 | 44,331,578 | \$ 1.96 | ● \$9 | ● \$ 10 | ◆ \$ (1) |

(\$ Millions)

| | MTD | | | Labor & Burdens | Outages | Outside Services | Materials | Uncollectible Accounts | Other |
|-------------------------------------|--------------|--------------|----------------|-----------------|---------------|------------------|-------------|------------------------|---------------|
| | Actual | Budget | Total Variance | | | | | | |
| Generation | \$ 19 | \$ 17 | \$ (2) | \$ (1) | \$ (2) | \$ (0) | \$ 0 | | \$ (0) |
| Project Engineering | 0 | 0 | 0 | 0 | | 0 | (0) | | 0 |
| Transmission | 3 | 2 | (0) | (0) | | (0) | 0 | | (0) |
| Energy Supply and Analysis | 1 | 1 | (0) | (0) | | 0 | 0 | | (0) |
| Electric Distribution | 6 | 6 | (0) | 0 | | (0) | (0) | (0) | (0) |
| Gas Distribution | 4 | 2 | (1) | (0) | | (0) | (1) | (0) | (0) |
| Safety and Security | 0 | 0 | (0) | (0) | | (0) | 0 | 0 | (0) |
| Customer Services | 7 | 7 | (0) | (0) | | (1) | 0 | (0) | 1 |
| Chief Operations Officer | 40 | 35 | (5) | (2) | (2) | (2) | (0) | (0) | 0 |
| Information Technology | 5 | 4 | (1) | (1) | | (0) | 0 | | 0 |
| General Counsel | 3 | 3 | (0) | (0) | | 0 | (0) | | 0 |
| Human Resources | 1 | 1 | (0) | (0) | | (0) | 0 | | (0) |
| Supply Chain | 0 | 0 | (0) | (0) | | 0 | (0) | | (0) |
| Chief Administrative Officer | 9 | 8 | (1) | (1) | | (0) | 0 | | 0 |
| Chief Financial Officer | 2 | 1 | (0) | (0) | | 0 | 0 | | (0) |
| Corporate | 11 | 14 | 2 | 3 | | 0 | 0 | (0) | (1) |
| O&M Total MTD | \$ 62 | \$ 58 | \$ (4) | \$ (0) | \$ (2) | \$ (2) | \$ 0 | \$ (0) | \$ (0) |

| | YTD | | | Labor & Burdens | Outages | Outside Services | Materials | Uncollectible Accounts | Other |
|-------------------------------------|---------------|---------------|----------------|-----------------|-------------|------------------|-------------|------------------------|---------------|
| | Actual | Budget | Total Variance | | | | | | |
| Generation | \$ 240 | \$ 245 | \$ 5 | \$ 4 | \$ 2 | \$ (4) | \$ 5 | | \$ (3) |
| Project Engineering | 1 | 1 | 1 | 0 | | 0 | (0) | | 0 |
| Transmission | 30 | 29 | (1) | (1) | | (2) | 1 | | 0 |
| Energy Supply and Analysis | 9 | 9 | 1 | (0) | | 0 | 0 | | 0 |
| Electric Distribution | 78 | 72 | (6) | 0 | | (5) | 0 | (0) | (0) |
| Gas Distribution | 33 | 32 | (1) | (0) | | 1 | (1) | (0) | (1) |
| Safety and Security | 3 | 0 | (3) | (2) | | (0) | 0 | 0 | (1) |
| Customer Services | 85 | 79 | (6) | 1 | | (2) | 1 | (5) | 0 |
| Chief Operations Officer | 477 | 468 | (10) | 2 | 2 | (12) | 6 | (5) | (3) |
| Information Technology | 52 | 55 | 4 | 4 | | 0 | (0) | | 0 |
| General Counsel | 33 | 32 | (1) | 0 | | (1) | 0 | | (0) |
| Human Resources | 7 | 8 | 1 | 0 | | 0 | 0 | | 1 |
| Supply Chain | 4 | 4 | 0 | (0) | | 0 | (0) | | 0 |
| Chief Administrative Officer | 95 | 98 | 4 | 4 | | (0) | (0) | | 0 |
| Chief Financial Officer | 18 | 19 | 1 | 0 | | 0 | 0 | | 0 |
| Corporate | 126 | 150 | 24 | 24 | | 4 | 2 | (1) | (5) |
| O&M Total YTD | \$ 717 | \$ 735 | \$ 18 | \$ 30 | \$ 2 | \$ (9) | \$ 8 | \$ (6) | \$ (7) |

Note: Schedules may not sum due to rounding.

Financing Activities
December 2014

(\$ Millions)

| Balance Sheet | MTD | | | YTD | | |
|--|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
| | Actual | Budget | Variance | Actual | Budget | Variance |
| PCB | | | | | | |
| Beg Bal | \$ 923.9 | \$ 924.9 | \$ 1.0 | \$ 924.0 | \$ 924.0 | \$ 0.0 |
| End Bal | 923.9 | 924.9 | 1.0 | 923.9 | 924.9 | 1.0 |
| Ave Bal | <u>\$ 923.9</u> | <u>\$ 924.9</u> | <u>\$ 1.0</u> | <u>\$ 924.0</u> | <u>\$ 924.6</u> | <u>\$ 0.6</u> |
| Interest Exp | \$ 0.8 | \$ 0.9 | \$ 0.1 | \$ 9.3 | \$ 11.3 | \$ 2.1 |
| Rate | 1.03% | 1.19% | 0.16% | 0.99% | 1.21% | 0.22% |
| FMB/Sr Nts | | | | | | |
| Beg Bal | \$ 3,642.5 | \$ 3,642.4 | \$ (0.1) | \$ 3,640.9 | \$ 3,640.9 | \$ - |
| End Bal | 3,642.7 | 3,642.5 | (0.1) | 3,642.7 | 3,642.5 | (0.1) |
| Ave Bal | <u>\$ 3,642.6</u> | <u>\$ 3,642.5</u> | <u>\$ (0.1)</u> | <u>\$ 3,641.8</u> | <u>\$ 3,641.8</u> | <u>\$ 0.0</u> |
| Interest Exp | \$ 11.5 | \$ 11.6 | \$ 0.1 | \$ 137.9 | \$ 139.7 | \$ 1.7 |
| Rate | 3.66% | 3.71% | 0.05% | 3.74% | 3.78% | 0.05% |
| Short-term Debt | | | | | | |
| Beg Bal | \$ 617.9 | \$ 539.1 | \$ (78.8) | \$ 245.0 | \$ 245.0 | \$ - |
| End Bal | 615.4 | 527.8 | (87.6) | 615.4 | 527.8 | (87.6) |
| Ave Bal | <u>\$ 616.7</u> | <u>\$ 533.5</u> | <u>\$ (83.2)</u> | <u>\$ 430.2</u> | <u>\$ 356.8</u> | <u>\$ (73.4)</u> |
| Interest Exp | \$ 0.3 | \$ 0.4 | \$ 0.1 | \$ 2.4 | \$ 3.6 | \$ 1.2 |
| Rate | 0.62% | 0.86% | 0.23% | 0.55% | 0.99% | 0.43% |
| Total End Bal | \$ 5,182.0 | \$ 5,095.3 | \$ (86.7) | \$ 5,182.0 | \$ 5,095.3 | \$ (86.7) |
| Total Average Bal | \$ 5,183.2 | \$ 5,100.9 | \$ (82.3) | \$ 4,995.9 | \$ 4,923.2 | \$ (72.8) |
| Total Expense Excl I/C ⁽¹⁾ | \$ 14.1 | \$ 14.5 | \$ 0.3 | \$ 167.6 | \$ 172.4 | \$ 4.8 |
| Rate | 3.16% | 3.29% | 0.13% | 3.31% | 3.45% | 0.15% |

⁽¹⁾ Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

| Credit Facilities (\$ Millions) | Committed | | Letters of Credit Issued | Unused Capacity |
|------------------------------------|-----------------|---------------|-----------------------------|--------------------|
| | Capacity | Borrowed | | |
| LKE | \$ 300 | \$ 116 | | \$ 184 |
| LG&E | 500 | 264 | | 236 |
| KU | 598 | 236 | \$ 198 | 164 |
| TOTAL | \$ 1,398 | \$ 616 | \$ 198 | \$ 584 |

| Credit Metrics (\$ Millions) | YTD | |
|--|--------|---------|
| | Actual | +/- Bud |
| FFO to Debt - LG&E | 23.3% | +0.01 |
| FFO to Debt - KU | 23.5% | -0.00 |
| Debt to EBITDA - LG&E ⁽²⁾ | 3.43 | -0.24 |
| Debt to EBITDA - KU ⁽²⁾ | 3.75 | +0.03 |
| Debt to Capitalization - LG&E ⁽³⁾ | 47.6% | +0.01 |
| Debt to Capitalization - KU ⁽³⁾ | 47.2% | +0.00 |

⁽²⁾ Actuals represent a trailing 12 months

⁽³⁾ Excludes purchase accounting adjustments and corresponding goodwill of \$996m

Balance Sheet

December 2014

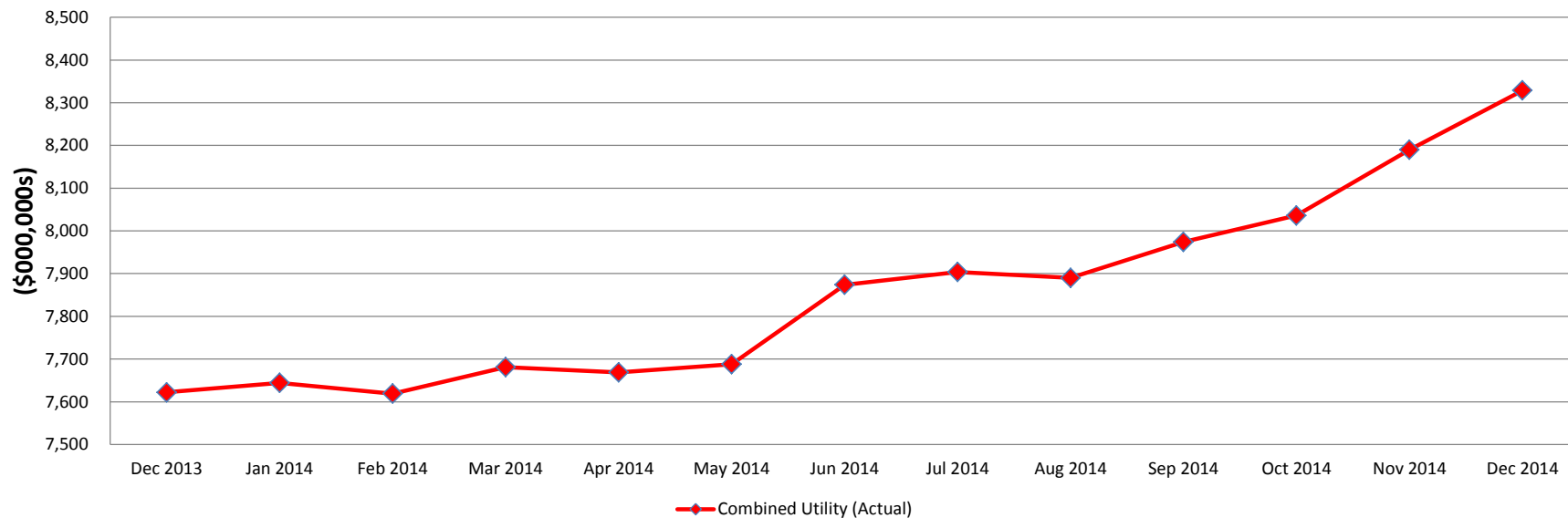
(\$ Millions)

| | 12/31/2014 | YTD Budget | Variance | Comments |
|---|------------------|------------------|---------------|--|
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 21 | \$ 9 | \$ 12 | Higher investment balances of \$10m due to higher CP balances. |
| Accounts Receivable (Trade) | 404 | 415 | (11) | Lower unbilled utility revenue (\$12m) primarily due to meter reading timing and lower revenues from milder weather. |
| Inventory | 311 | 271 | 40 | Higher fuel related costs of \$32m and plant materials and supplies \$5m. |
| Deferred Income Taxes | 16 | 159 | (143) | Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities. |
| Regulatory Assets Current | 25 | 30 | (5) | |
| Prepayments and other current assets | 179 | 108 | 71 | Lower notes receivable from affiliate (\$70m). |
| Total Current Assets | 957 | 993 | (36) | |
| Property, Plant, and Equipment | 10,504 | 10,403 | 101 | Higher completed construction \$225m offset by lower CWIP (\$102m) and accumulated depreciation (\$22m). |
| Intangible Assets | 174 | 178 | (5) | |
| Other Property and Investments | 1 | 1 | 0 | |
| Regulatory Assets Non Current | 665 | 444 | 221 | Increases in Pension \$110m, long term interest rate swap \$78m, and ARO \$20m. |
| Goodwill | 997 | 997 | - | |
| Other Long-term Assets | 99 | 92 | 7 | |
| Total Assets | \$ 13,396 | \$ 13,108 | \$ 288 | |
| Liabilities and Equity: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Trade) | \$ 401 | \$ 347 | \$ 53 | Increases in project engineering accruals \$13m, in and timing of coal receipts \$24m, in gas purchase accruals \$4m, and \$3m due to timing of payables. |
| Accounts Payable - Affiliated Company | 0 | 0 | 0 | |
| Customer Deposits | 52 | 50 | 2 | |
| Derivative Liability | 71 | 4 | 68 | Primarily due to short-term derivative liability from forward hedges with PPL as counterparty \$67m. |
| Accrued Taxes | 36 | 41 | (5) | |
| Regulatory Liabilities Current | 15 | 14 | 1 | |
| Other Current Liabilities | 153 | 137 | 16 | Increases in AROs \$4m, accrued interest \$3m, accounts payable payroll \$2m. |
| Total Current Liabilities | 727 | 592 | 135 | |
| Debt - Affiliated Company | 41 | - | 41 | Short term note payable made to PPL. |
| Debt ⁽¹⁾ | 5,141 | 5,095 | 46 | Higher issuance of Commercial Paper \$46m due to higher CapEx payments. |
| Total Debt | 5,182 | 5,095 | 87 | |
| Deferred Tax Liabilities | 1,242 | 1,269 | (27) | Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes offset by the extension of bonus tax depreciation which resulted in the company not expecting to utilize Net Operating Losses in 2015 . |
| Investment Tax Credit | 131 | 131 | (0) | |
| Accum Provision for Pension & Related Benefits | 305 | 124 | 181 | Increase due to higher pension payables \$181m. |
| Asset Retirement Obligation | 274 | 251 | 22 | KU Green River Ash and Environmental Pond Revaluation \$22m. |
| Regulatory Liabilities Non Current | 974 | 986 | (12) | |
| Derivative Liability | 43 | 32 | 11 | Increase due to loss on long term interest rate swaps. |
| Other Liabilities | 270 | 221 | 48 | Due to higher post retirement benefits and Medicare subsidy. |
| Total Deferred Credits and Other Liabilities | 3,238 | 3,015 | 224 | |
| Equity | 4,249 | 4,406 | (157) | |
| Total Liabilities and Equity | \$ 13,396 | \$ 13,108 | \$ 288 | |

⁽¹⁾ Includes all ST and LT debt. See Financing Activities page for details.
 Note: Schedules may not sum due to rounding.

| YTD | Actual | Budget | Variance | Comments |
|--|---------------|---------------|-------------|--|
| Net Income | 344 | 320 | 24 | Due to higher gross margin and lower O&M. See Income Statement. |
| Depreciation | 379 | 375 | 4 | |
| Deferred Income Taxes | 449 | 299 | 150 | Due to the extension of bonus tax depreciation which resulted in the company not expecting to utilize Net Operating Losses in 2015. |
| Other Balance Sheet Movements | (197) | (21) | (177) | Primarily increases in Pension, long term interest rate swap, and ARO. See Balance Sheet. |
| Funds From Operations | 974 | 973 | 1 | |
| Changes in accounts receivables | 5 | (5) | 11 | Lower unbilled utility revenue due to the timing of meter reading and lower revenues from milder weather. |
| Changes in inventories | (33) | 7 | (40) | Higher fuel related costs and higher plant materials and supplies costs. |
| Change in Accounts Payable | 52 | (0) | 52 | Increases in project engineering, in and timing of coal receipts, in gas purchase accruals, and due to timing of payables. |
| Change in Working Capital | 24 | 1 | 23 | |
| Operating Cash flow | 999 | 974 | 24 | |
| Capex | (1262) | (1221) | (41) | Higher due primarily to increased costs related to Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) and timing of spend on environmental air projects at Trimble County and Ghent with some non-environmental spend offsets. |
| Other Investing | 71 | 0 | 71 | Primarily from LKE cash from tax settlements with PPL. |
| Loans to Affiliates | 0 | 0 | 0 | |
| Investing Cash flow | (1191) | (1221) | 29 | |
| Dividends | (436) | (332) | (104) | Higher due to liquidity of LKE cash related to PPL tax settlements. |
| Equity Infusion | 248 | 269 | (21) | Lower equity infusion required to meet equity/debt target due to change in dividends and borrowing |
| Net Borrowings | 371 | 284 | 87 | Higher capex payments and dividends. |
| Other | (5) | 0 | (5) | |
| Financing Cash flow | 178 | 221 | (43) | |
| Net increase (decrease) in cash | (14) | (25) | 11 | |

Rate Base Growth



**KU and LG&E Combined
 Reconciliation of Allowed Return to
 2014 Regulatory Return and
 Book ROE from Ongoing Operations**

| | | |
|--|--------------|--|
| Allowed Return ⁽¹⁾ | 10.32% | |
| Adjustments (net of tax): | | |
| Change in capitalization - non ECR | -1.67% | Growth in non-ECR capitalization (rate base) between rate cases does not earn a return |
| Change in ROE from average mechanism rate base grc | 0.00% | Mechanisms have a real-time return |
| Change in weighted cost of debt | -0.25% | Additional borrowings offset by favorable rates |
| Change in margins | 2.16% | Primarily new rates since last rate cases |
| Change in allowed expenses | -1.32% | Inflationary increases |
| | | <u>-1.08%</u> |
| Actual Regulated ROE | 9.24% | |
| Adjustments (net of tax): | | |
| Impact of non-recoverable purchase accounting | -1.78% | |
| Impact of 'below the line' items not recoverable through rates | 0.02% | |
| | | <u>-1.76%</u> |
| Actual Book ROE from Ongoing Operations | <u>7.48%</u> | |

⁽¹⁾ Based on the most recent approved base rate filings with test years ending 3/31/12 KPSC, 12/31/12 FERC, 12/31/12 VA.



Performance Report

January 2015

Content**Page**

| | |
|---|----|
| Executive Summary | 3 |
| Income Statement: Actual vs. Budget (Month) | 4 |
| Electric Gross Margin Analysis | 5 |
| Gas Gross Margin Analysis | 6 |
| O&M | 7 |
| Financing Activities | 8 |
| Balance Sheet | 9 |
| Rate Base Growth | 10 |

Kentucky Regulated Dashboard

January 2015

| | Current Month | | Full Year | |
|--|---------------|---------------|-----------------|---------------|
| | Actual | PY | Forecast | PY |
| Safety | | | | |
| TCIR - Employees | 1.22 | 1.59 | 1.04 | 1.29 |
| Employee lost-time incidents | 0 | 0 | 6 | 3 |
| Reliability | Actual | Budget | Forecast | Budget |
| Generation Volumes | 3,246 | 3,205 | 34,623 | 34,582 |
| Utility EFOR | 3.5% | 5.9% | N/A | 5.9% |
| Utility EAF | 91.9% | 92.5% | N/A | 83.8% |
| Steam Fleet Commercial Availability | 97.9% | 92.0% | N/A | 92.0% |
| Combined SAIFI | 0.07 | 0.10 | N/A | 1.19 |
| Combined SAIDI (minutes) | 6.13 | 8.17 | N/A | 106.60 |
| GwH Sales | | | | |
| Residential | 1,233 | 1,144 | 10,842 | 10,842 |
| Commercial | 678 | 673 | 7,916 | 7,916 |
| Industrial | 790 | 814 | 10,024 | 10,024 |
| Municipals | 177 | 168 | 1,890 | 1,890 |
| Other | 240 | 233 | 2,723 | 2,723 |
| Off-System Sales | 30 | 60 | 311 | 311 |
| Total | 3,148 | 3,093 | 33,706 | 33,706 |
| Weather-Normalized Sales Growth | TTM | | | |
| Residential | -2.53% | | | |
| Commercial | -1.70% | | | |
| Industrial | 2.39% | | | |
| Municipal | -1.86% | | | |
| Other | -0.70% | | | |
| Total | -0.69% | | | |

| | Current Month | | Full Year | |
|----------------------------|---------------|--------|-----------|---------|
| | Actual | Budget | Forecast | Budget |
| Financial Metrics | | | | |
| Utility ROE ⁽¹⁾ | 13.9% | 12.3% | 8.9% | 8.9% |
| Electric Margins | \$156 | \$153 | \$1,774 | \$1,774 |
| Gas Margins | \$25 | 23 | 165 | 165 |

| | Current Month | | Full Year | |
|---|---------------|--------|-----------|---------|
| | Actual | Budget | Forecast | Budget |
| Capital Expenditures (\$ millions) | | | | |
| New Generation | \$4 | \$6 | \$52 | \$48 |
| ECR | 57 | 56 | 564 | 569 |
| Generation | 4 | 5 | 139 | 149 |
| Transmission | 4 | 3 | 63 | 59 |
| Electric Distribution | 11 | 9 | 162 | 162 |
| Gas Distribution | 5 | 4 | 84 | 83 |
| Customer Services | 1 | 1 | 17 | 17 |
| IT and Other | 2 | 2 | 38 | 38 |
| Total | \$87 | \$85 | \$1,119 | \$1,125 |

| | Current Month | | Full Year | |
|--|---------------|--------|-----------|--------|
| | Actual | Budget | Forecast | Budget |
| O&M (\$ millions)⁽²⁾ | | | | |
| Operations | \$32 | \$34 | \$471 | \$471 |
| Administrative | 7 | 9 | 102 | 102 |
| Finance | 2 | 2 | 20 | 20 |
| Burdens & Other Charges | 14 | 14 | 175 | 175 |
| Total | \$55 | \$59 | \$767 | \$767 |

| | Current Month | | Full Year | |
|---------------------|---------------|--------|-----------|--------|
| | Actual | Budget | Forecast | Budget |
| Head Count | | | | |
| Full-time Employees | 3,478 | 3,573 | 3,566 | 3,566 |

| | Current Month | | Full Year | |
|---|---------------|----|-----------|----|
| | Actual | PY | Forecast | PY |
| Other Metrics | | | | |
| Environmental Events | 0 | 1 | N/A | 9 |
| NERC Possible Violations ⁽³⁾ | 1 | 0 | N/A | 7 |

| Variance Explanations |
|--|
| <ul style="list-style-type: none"> Full year capital is projected to be \$6 million lower than budget due to the timing of spend for the MC 3, MC 4, and Trimble County Fabric Filter projects. There is also lower budgeted spend on the Ghent Landfill project. The projected reduction in spend is partially offset by higher than budgeted spend on the Brown Landfill project, as well as the MC 1 & MC 2 Fabric Filter projects. Current month higher margins due to \$4 million from higher energy residential electric volumes and \$2 million from higher gas margins due to favorable weather partially offset by \$1 million of net fuel costs. |

| Major Developments |
|---|
| <ul style="list-style-type: none"> LKE has embarked on a successful 2015 with new construction milestones. Progress has been made on Brown Solar, as bidder pre-qualification and due diligence site visits were conducted in January. |

| Significant Future Events |
|---|
| <ul style="list-style-type: none"> The execution of LKE's construction plan continues in 2015. Commissioning activities for Cane Run 7 are underway and first fire for the units is expected to occur during the month of February and have positioned the project to likely begin commercial operations by the end of May. Bids for the site preparation and the EPC for Brown Solar are targeted for the month of February, with site work scheduled to commence in the second quarter. Key environmental projects such as Ghent 1 fabric filter baghouse construction is proceeding toward a February/March tie-in outage, while Mill Creek Units 1 and 2 FGD and fabric filter baghouses are also scheduled for March/April tie-in outages. The discovery phase of the rate case continues with LKE currently addressing supplemental data requests, responses to which are due February 20. The formal public hearing has also been scheduled to begin on April 21. In addition to the formal public hearing for the rate case, intervenor testimony will be filed in March and LKE's rebuttal testimony will be submitted in April. |

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.
⁽²⁾ Net of cost recovery mechanisms.
⁽³⁾ The possible violation issues for YTD Actual are believed to be minimal risk.

Income Statement: Actual vs. Budget and Forecast (Month)

January 2015

(\$ Millions)

| | | | | MTD | |
|---|--------------|--------------|-------------|-----|---|
| | Actual | Budget | Variance | | Comments |
| Revenues: | | | | | |
| Electric Revenues | \$ 260 | \$ 259 | \$ 1 | | |
| Gas Revenues | 56 | 58 | (2) | | |
| Total Revenues | 316 | 317 | (1) | | |
| Cost of Sales: | | | | | |
| Fuel Electric Costs | 88 | 90 | 2 | | |
| Gas Supply Expenses | 32 | 35 | 3 | | |
| Purchased Power | 4 | 5 | 0 | | |
| Other Electric Cost | 11 | 11 | 0 | | |
| Total Cost of Sales | 135 | 141 | 6 | | |
| Gross Margin: | | | | | |
| Electric Margin | 156 | 153 | 3 | | |
| Gas Margin | 25 | 23 | 2 | | |
| Total Gross Margin | 181 | 176 | 5 | | Higher margins due to \$4 million from higher energy residential electric volumes and \$2 million from higher gas margins due to favorable weather partially offset by \$1 million of net fuel costs. |
| Operating Expenses: | | | | | |
| O&M | 55 | 59 | 4 | | Lower O&M due to \$1.5m lower labor expenses across the company, \$1.3m favorable in outside services expenses due to the timing of consulting services and outside counsel, and \$1.1m lower uncollectible accounts. |
| Depreciation & Amortization | 29 | 30 | 0 | | |
| Taxes, Other than Income | 4 | 5 | 0 | | |
| Total Operating Expenses | 88 | 93 | 5 | | |
| Other income (expense) | (1) | (1) | (0) | | |
| EBIT | 92 | 82 | 10 | | |
| Interest Expense | 14 | 15 | 0 | | |
| Income from Ongoing Operations before income taxes | 77 | 67 | 9 | | |
| Income Tax Expense | 29 | 26 | (3) | | |
| Net Income (loss) from ongoing operations | 48 | 41 | \$ 6 | | |
| Non Operating Income | 0 | 0 | 0 | | |
| Discontinued Operations | 0 | 0 | (0) | | |
| Net Income (loss) | \$ 48 | \$ 41 | \$ 6 | | |
| KY Regulated Financing Costs | (3) | (3) | - | | |
| KY Regulated Net Income | \$ 45 | \$ 39 | \$ 6 | | |
| Earnings Per Share | \$ 0.07 | \$ 0.06 | \$ 0.01 | | |

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 29 of 35
Witness: K. Blake**

Electric Gross Margin

January 2015

(\$ Millions)

| | MTD | | | | | Margin Variance |
|--|-----------|-----------|---------------|----------|-----------------|-----------------|
| | Actual | Budget | Unit Variance | Value @ | Dollar Variance | |
| Base Electric Margin: | | | | | | ● \$ 3 |
| Energy Volumes (a) | 3,118,133 | 3,033,015 | 85,118 | | \$ 4.3 | |
| Energy Prices (a) | | | | | \$ (0.1) | |
| Customer Charges (Avg. Customers) | 945,008 | 954,277 | (9,269) | | \$ (0.0) | |
| Demand Charges (b) | 38 | 39 | | | \$ (0.7) | |
| ECR: | | | | | | ◆ \$ (1) |
| Average Rate Base | \$ 1,675 | \$ 1,648 | \$ 27 | 10.19% | \$ 0.2 | |
| Cost of Capital | 10.00% | 10.19% | -0.19% | \$ 1,675 | \$ (0.2) | |
| Jurisdictional Factor | 88.49% | 87.69% | 0.80% | \$ 1,675 | \$ 0.1 | |
| Other | | | | | \$ (0.6) | |
| DSM: | | | | | | ● \$ 1 |
| Program Expense (Revenue Net of Expense) | \$ 0.0 | \$ 0.0 | | | \$ (0.0) | |
| Lost Sales | \$ 2.0 | \$ 1.1 | | | \$ 0.9 | |
| Incentive | \$ 0.1 | \$ 0.1 | | | \$ (0.0) | |
| Balancing Adjustment | \$ 0.0 | \$ - | | | \$ 0.0 | |
| Net Fuel Recovery | \$ (1.5) | \$ (0.3) | | | | ◆ \$ (1) |
| Purchase Power Demand | \$ (2.1) | \$ (2.2) | | | | ● \$ 0 |
| Transmission | \$ 1.1 | \$ 0.9 | | | | ● \$ 0 |
| Other | \$ (1.5) | \$ (2.0) | | | | ● \$ 0 |
| Retail Margin Variance | | | | | | ● \$ 3 |
| Off-System Margin Variance | | | | | | ◆ \$ (0) |
| Electric Margin Variance | | | | | | ● \$ 3 |

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

| | MTD | | | | | | | | |
|--------------------------|---------------|------------------|-----------------|---------------|------------------|-----------------|----------------|----------------|------------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume (MWH) | Price (\$/MWH) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 60 | 1,232,670 | \$ 48.28 | \$ 55 | 1,143,989 | \$ 48.17 | ● \$4.4 | ● \$4.2 | ● \$0.2 |
| Commercial | 21 | 677,992 | 31.42 | 22 | 673,285 | 32.17 | ◆ (\$0.4) | ● \$0.1 | ◆ (\$0.5) |
| Industrial | 7 | 790,217 | 9.06 | 7 | 814,213 | 9.04 | ◆ (\$0.2) | ◆ (\$0.2) | ● \$0.0 |
| Municipals | 1 | 176,787 | 5.70 | 1 | 168,200 | 5.21 | ● \$0.1 | ● \$0.0 | ● \$0.1 |
| Other | 6 | 240,468 | 23.46 | 5 | 233,328 | 23.34 | ● \$0.2 | ● \$0.2 | ● \$0.0 |
| Native Load Total | \$ 95 | 3,118,133 | \$ 30.35 | \$ 90 | 3,033,015 | \$ 29.82 | ● \$4.2 | ● \$4.3 | ◆ (\$0.1) |

(b) Demand Analysis (net of base ECR revenue):

| | MTD | | |
|--------------------------|-----------|-----------|------------|
| | Act | Bud | Variance |
| Commercial | 12 | 12 | 0 |
| Industrial | 16 | 16 | 0 |
| Municipals | 5 | 6 | (1) |
| Other | 5 | 5 | (0) |
| Native Load Total | 38 | 39 | (1) |

Gas Gross Margin

January 2015

(\$ Millions)

| | MTD | | | | Margin Variance |
|--------------------------------|--------|--------|----------|--|-----------------|
| | Actual | Budget | Subtotal | | |
| Gas Base Service Charge | \$ 5 | \$ 5 | | | ♦ \$ (0) |
| Gas Supply Costs | | | | | |
| Gas Supply Costs | (32) | (34) | \$ 3 | | |
| GSC Revenue | 31 | 34 | (3) | | |
| Net Gas Supply Costs | | | | | ♦ \$ (0) |
| Retail Gas (a) | 18 | 17 | | | ● \$ 1 |
| Wholesale Gas (a) | - | - | | | ● \$ - |
| DSM | 0 | 0 | | | ● \$ 0 |
| GLT | 1 | 1 | | | ♦ \$ (0) |
| WNA | 0 | - | | | ● \$ 0 |
| Other Margin | 0 | 0 | | | ● \$ 0 |
| Gas Margin Variance | | | | | ● \$ 2 |

(a) Retail and wholesale gas sales - excludes GSC

| | MTD | | | | | | | | |
|--------------------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|-------------|
| | Actual | | | Budget | | | Variance | | |
| | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume (Mcf) | Price (\$/Mcf) | Revenue \$mil | Volume \$mil | Price \$mil |
| Residential | \$ 12 | 4,429,909 | \$ 2.64 | \$ 11 | 4,119,803 | \$ 2.64 | \$0.8 | \$0.8 | ♦ (\$0.0) |
| Commercial | 4 | 1,916,824 | 2.09 | 4 | 1,794,240 | 2.09 | \$0.3 | \$0.3 | ♦ (\$0.0) |
| Industrial | 0 | 177,169 | 2.05 | 0 | 185,039 | 1.89 | \$0.0 | (\$0.0) | ● \$0.0 |
| Public Authority | 1 | 314,573 | 2.03 | 1 | 294,900 | 2.06 | \$0.0 | \$0.0 | ♦ (\$0.0) |
| Transportation | 1 | 1,495,821 | 0.50 | 1 | 1,559,313 | 0.45 | \$0.1 | (\$0.0) | ● \$0.1 |
| Interdepartmental | 1 | 42,446 | 11.96 | 0 | 28,119 | 15.50 | \$0.1 | \$0.2 | ♦ (\$0.2) |
| Ultimate Consumer | \$ 18 | 8,376,742 | \$ 2.15 | \$ 17 | 7,981,414 | \$ 2.10 | \$1.2 | \$1.3 | ♦ (\$0.0) |

(\$ Millions)

| | MTD | | | | | | | | |
|-------------------------------------|--------------|--------------|----------------|-----------------|---------------|------------------|---------------|------------------------|-------------|
| | Actual | Budget | Total Variance | Labor & Burdens | Outages | Outside Services | Materials | Uncollectible Accounts | Other |
| Generation | \$ 15 | \$ 14 | \$ (1) | \$ 0 | \$ (0) | \$ 0 | \$ (1) | | \$ (0) |
| Project Engineering | 0 | 0 | 0 | 0 | | (0) | (0) | | 0 |
| Transmission | 3 | 2 | (0) | 0 | | (0) | 0 | | (0) |
| Energy Supply and Analysis | 1 | 1 | 0 | 0 | | 0 | 0 | | 0 |
| Electric Distribution | 5 | 6 | 1 | 0 | | 0 | 0 | (0) | (0) |
| Gas Distribution | 2 | 3 | 0 | (0) | | 0 | (0) | (0) | 0 |
| Safety and Security | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Customer Services | 6 | 8 | 2 | 0 | | 0 | 0 | 1 | 0 |
| Chief Operations Officer | 32 | 34 | 2 | 1 | (0) | 1 | (1) | 1 | (0) |
| Information Technology | 4 | 5 | 1 | 0 | | 1 | 0 | | 0 |
| General Counsel | 2 | 2 | 0 | 0 | | 0 | 0 | | 0 |
| Human Resources | 0 | 1 | 0 | 0 | | 0 | 0 | | 0 |
| Supply Chain | 0 | 0 | 0 | 0 | | 0 | (0) | | 0 |
| Chief Administrative Officer | 7 | 9 | 2 | 0 | | 1 | 0 | | 0 |
| Chief Financial Officer | 2 | 2 | 0 | (0) | | 0 | 0 | | 0 |
| Corporate | 14 | 14 | 0 | (0) | | 0 | (0) | (0) | 0 |
| O&M Total MTD | \$ 55 | \$ 59 | \$ 4 | \$ 1 | \$ (0) | \$ 1 | \$ (1) | \$ 1 | \$ 1 |

Financing Activities
January 2015

(\$ Millions)

| Balance Sheet | MTD | | |
|--|-------------------|-------------------|------------------|
| | Actual | Budget | Variance |
| PCB | | | |
| Beg Bal | \$ 923.9 | \$ 923.9 | \$ - |
| End Bal | 923.9 | 923.9 | 0.0 |
| Ave Bal | <u>\$ 923.9</u> | <u>\$ 923.9</u> | <u>\$ 0.0</u> |
| Interest Exp | \$ 0.9 | \$ 1.1 | \$ 0.3 |
| Rate | 1.08% | 1.44% | 0.36% |
| FMB/Sr Nts ⁽¹⁾ | | | |
| Beg Bal | \$ 3,642.7 | \$ 3,642.7 | \$ - |
| End Bal | 3,642.8 | 3,642.8 | (0.0) |
| Ave Bal | <u>\$ 3,642.7</u> | <u>\$ 3,642.7</u> | <u>\$ (0.0)</u> |
| Interest Exp | \$ 11.6 | \$ 11.6 | \$ (0.0) |
| Rate | 3.71% | 3.71% | 0.00% |
| Short-term Debt | | | |
| Beg Bal | \$ 615.4 | \$ 615.4 | \$ - |
| End Bal | 727.0 | 636.9 | (90.1) |
| Ave Bal | <u>\$ 671.2</u> | <u>\$ 626.2</u> | <u>\$ (45.0)</u> |
| Interest Exp | \$ 0.3 | \$ 0.5 | \$ 0.2 |
| Rate | 0.54% | 0.95% | 0.43% |
| Total End Bal | \$ 5,293.7 | \$ 5,203.7 | \$ (90.1) |
| Total Average Bal | \$ 5,237.9 | \$ 5,192.9 | \$ (45.0) |
| Total Expense Excl I/C ⁽²⁾ | \$ 14.4 | \$ 14.5 | \$ 0.1 |
| Rate | 3.17% | 3.24% | 0.08% |

⁽¹⁾ Include FMBs maturing in November 2015 \$900m.

⁽²⁾ Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

| Credit Facilities (\$ Millions) | Committed | | Letters of Credit Issued | Unused Capacity |
|------------------------------------|-----------------|---------------|-----------------------------|--------------------|
| | Capacity | Borrowed | | |
| LKE | \$ 300 | \$ 128 | | \$ 172 |
| LG&E | 500 | 309 | | 192 |
| KU | 598 | 291 | \$ 198 | 109 |
| TOTAL | \$ 1,398 | \$ 727 | \$ 198 | \$ 473 |

| Credit Metrics (\$ Millions) | MTD | |
|--|--------|---------|
| | Actual | +/- Bud |
| FFO to Debt - LG&E | 22.0% | -0.03 |
| FFO to Debt - KU | 23.1% | -0.02 |
| Debt to EBITDA - LG&E ⁽²⁾ | 3.56 | +0.07 |
| Debt to EBITDA - KU ⁽²⁾ | 3.89 | +0.05 |
| Debt to Capitalization - LG&E ⁽³⁾ | 48.0% | +0.01 |
| Debt to Capitalization - KU ⁽³⁾ | 47.5% | +0.00 |

⁽²⁾ Actuals represent a trailing 12 months

⁽³⁾ Excludes purchase accounting adjustments and corresponding goodwill of \$996m

Balance Sheet

January 2015

(\$ Millions)

| | 1/31/2015 | YTD Budget | Variance | Comments |
|---|------------------|------------------|--------------|---|
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 18 | \$ 14 | \$ 4 | |
| Accounts Receivable (Trade) | 465 | 439 | 26 | Higher customer accounts receivable and accrued utility revenue due to higher energy residential electric and gas volumes due to favorable weather. |
| Inventory | 277 | 283 | (7) | |
| Deferred Income Taxes | 16 | 16 | - | |
| Regulatory Assets Current | 17 | 31 | (14) | Lower GSC, FAC, and ECR balances. |
| Prepayments and other current assets | 161 | 181 | (20) | Lower income tax receivable from PPL (\$20m). |
| Total Current Assets | 953 | 964 | (11) | |
| Property, Plant, and Equipment | 10,559 | 10,558 | 2 | |
| Intangible Assets | 169 | 169 | (0) | |
| Other Property and Investments | 1 | 1 | - | |
| Regulatory Assets Non Current | 766 | 664 | 102 | Due to lower than expected interest rates on interest rate swaps. |
| Goodwill | 997 | 997 | - | |
| Other Long-term Assets | 100 | 99 | 0 | |
| Total Assets | \$ 13,545 | \$ 13,452 | \$ 93 | |
| Liabilities and Equity: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Trade) | \$ 302 | \$ 399 | \$ (97) | Decreases in invoice (\$47m), project engineering (\$24m), and fuel (\$17m) accruals. |
| Accounts Payable - Affiliated Company | 0 | 0 | 0 | |
| Customer Deposits | 52 | 52 | 0 | |
| Derivative Liability | 167 | 71 | 96 | Due to lower than expected interest rates on interest rate swaps. |
| Accrued Taxes | 20 | 66 | (45) | Primarily due to property tax payments that were paid in January, but were scheduled to be paid in Oct-Dec of 2014. |
| Regulatory Liabilities Current | 20 | 14 | 5 | |
| Other Current Liabilities | 196 | 167 | 28 | Due to credit cash adjustments to cover the credit balance in the A/P cash account at the end of the month from the last day ACh's & Wires and outstanding checks that have not cleared the bank, but have been paid out of the GL. |
| Total Current Liabilities | 757 | 770 | (12) | |
| Debt - Affiliated Company | 53 | 57 | (5) | |
| Debt ⁽¹⁾ | 5,241 | 5,146 | 95 | Higher issuance of Commercial Paper \$95m primarily to finance the decrease of \$97m in AP. |
| Total Debt | 5,294 | 5,204 | 90 | |
| Deferred Tax Liabilities | 1,242 | 1,242 | 0 | |
| Investment Tax Credit | 131 | 131 | (0) | |
| Accum Provision for Pension & Related Benefits | 257 | 257 | 0 | |
| Asset Retirement Obligation | 275 | 275 | (0) | |
| Regulatory Liabilities Non Current | 971 | 971 | 1 | |
| Derivative Liability | 50 | 43 | 7 | |
| Other Liabilities | 272 | 270 | 1 | |
| Total Deferred Credits and Other Liabilities | 3,198 | 3,188 | 9 | |
| Equity | 4,296 | 4,290 | 6 | |
| Total Liabilities and Equity | \$ 13,545 | \$ 13,452 | \$ 93 | |

⁽¹⁾ Includes all ST and LT debt. See Financing Activities page for details.

Note: Schedules may not sum due to rounding.

Rate Base Growth

