

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Chief Financial Officer for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Kent W. Blake
Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31st day of March 2015.

Jammy J. Ely (SEAL)
Notary Public

My Commission Expires:

November 9, 2018

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.

Updated Response:

See attached for the February 2015 monthly. The Company will provide this data for the remaining periods requested in the upcoming months as it becomes available.



Performance Report

February 2015

Content**Page**

Executive Summary	3
Income Statement: Actual vs. Budget (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
Rate Base Growth	11

Kentucky Regulated Dashboard

February 2015

	Current Month		YTD		Full Year	
	Actual	PY	Actual	PY	Forecast	PY
Safety						
TCIR - Employees	1.43	0.72	1.34	1.13	1.04	1.29
Employee lost-time incidents	0	0	0	0	6	3
Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	3,262	2,908	6,508	6,113	34,977	34,582
Utility EFOR	2.1%	5.9%	2.8%	5.9%	N/A	5.9%
Utility EAF	96.6%	91.9%	94.1%	92.2%	N/A	83.8%
Steam Fleet Commercial Availability	99.3%	92.0%	98.6%	92.0%	N/A	92.0%
Combined SAIFI	0.07	0.06	0.14	0.16	N/A	1.19
Combined SAIDI (minutes)	5.05	5.48	11.18	13.65	N/A	106.60
GWh Sales						
Residential	1,185	991	2,418	2,135	10,842	10,842
Commercial	645	606	1,323	1,279	7,916	7,916
Industrial	795	756	1,585	1,570	10,024	10,024
Municipals	172	156	349	324	1,890	1,890
Other	225	210	465	443	2,723	2,723
Off-System Sales	118	76	148	136	311	311
Total	3,140	2,795	6,288	5,888	33,706	33,706
Weather-Normalized Sales Growth			TTM			
Residential			-2.19%			
Commercial			-1.39%			
Industrial			2.63%			
Municipal			-1.68%			
Other			-0.78%			
Total			-0.43%			

Financial Metrics	Current Month		YTD		Full Year	
	Actual	Budget	Actual	Budget	Forecast	Budget
Utility ROE ⁽¹⁾	13.8%	10.3%	13.8%	11.3%	8.9%	8.9%
Electric Margins	\$159	\$141	\$315	\$294	\$1,774	\$1,774
Gas Margins	23	21	47	43	165	165

Capital Expenditures (\$ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	\$3	\$7	\$6	\$13	\$52	\$48
ECR	59	68	117	125	564	569
Generation	6	8	10	13	139	149
Transmission	3	3	8	6	63	59
Electric Distribution	10	9	21	18	162	162
Gas Distribution	4	4	9	8	84	83
Customer Services	1	1	1	1	17	17
IT and Other	1	3	3	5	38	38
Total	\$88	\$103	\$175	\$189	\$1,119	\$1,125

O&M (\$ millions) ⁽²⁾	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	\$35	\$33	\$67	\$67	\$471	\$471
Administrative	8	8	\$15	16	102	102
Finance	2	1	\$3	3	20	20
Burdens & Other Charges	15	16	\$29	30	175	175
Total	\$58	\$58	\$113	\$116	\$767	\$767

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,478	3,574	3,478	3,574	3,556	3,566

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	7	2	7	3	N/A	9
NERC Possible Violations ⁽³⁾	0	0	1	0	N/A	7

Variance Explanations

- Current month and YTD generation volumes and GWh sales were impacted by cold weather. Generation volumes were also impacted by excellent plant availability.
- Current month higher margins due to a combination of favorable weather and plant/system performance resulting in \$11 million from higher retail electric volumes (primarily residential), \$3 million from the sale of excess generation, \$2 million from higher demand revenues, and \$2 million from higher gas margins.
- YTD higher margins due to a combination of favorable weather and plant/system performance resulting in \$16 million from higher retail electric volumes (primarily residential), \$3 million from higher gas margins, \$2 million from the sale of excess generation, and \$1 million from higher demand revenues.
- Current month capital was \$16 million lower than budget due primarily to milestone shifts in environmental air projects at Ghent and Trimble County, offset by higher than budgeted spend on air compliance projects at Mill Creek. New Generation was \$4 million below budget due to decreased spend at Cane Run.
- YTD capital was \$14 million lower than budget due primarily to milestone shifts in environmental air projects at Ghent and Trimble County, offset by higher than budgeted spend on air compliance projects at Mill Creek. New Generation was \$6 million below budget due to decreased spend at Cane Run.
- Full year capital is projected to be \$6 million lower than budget due to spend for PR Gas Pipe Line being pushed to 2016-\$11 million. The reduction is partially offset by contingency dollars added back to the Cane Run 7 project and milestone shifts in the Brown Landfill project.
- Seven environmental events occurred in the current month. The events were a result of SO₂, NO_x, and CO exceedances at Mill Creek and Trimble County. All events were short timeframe limits which were exceeded and were all due to equipment malfunctions.

Major Developments

- LKE's service territories experienced the coldest February in the past 30 years. Higher margins resulted from the increased load and new peaks as LG&E, KU and the Combined Utilities' system established new all-time February peak loads of 1,967 MW's, 5,112 MW's and 7,079 MW's, respectively. KU's peak load of 5,112 MW's, represented an all-time peak, surpassing the previous record of 5,068 MW's. LKE successfully managed the increased demand while producing exceptional reliability results with over 99 percent commercial availability from the generation fleet and limited, short outages from the transmission and distribution system. During this difficult time, LKE is donating over \$200,000 to shelters, day centers, and community action agencies across the service territories. LKE also announced that it will match \$2 for every customer dollar donated [extending beyond the previous \$1 for \$1 match] by residential customers to the Companies' heating assistance programs.
- The first combustion turbine for Cane Run 7 achieved first fire on February 16 and initial synchronization on March 1. Additional commissioning activities continue with the second combustion turbine expected to achieve first fire in mid-March.
- LKE filed over 500 responses to supplemental data requests in the rate case proceeding and is currently analyzing intervenors' testimony. Rebuttal testimony will be filed in April.

Significant Future Events

- The execution of LKE's construction plan continues in 2015. The commissioning activities for Cane Run 7 have positioned the project to likely begin commercial operations in Q2. Site work for Brown Solar is expected to commence in the second quarter as EPC contractor pre-qualification packet was issued to thirty potential bidders with responses due February 26, 2015. Ghent 1 fabric filter baghouse construction and Mill Creek Units 1 and 2 FGD and fabric filter baghouses, are all projected for March tie-in outages.
- The KPSC will hold public meetings in Louisville and Lexington to present information and receive comments on the rate case proceeding. The Louisville meeting will take place on March 30 and the Lexington event will occur on April 13. The formal public hearing is scheduled to begin on April 21.

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.

⁽²⁾ Net of cost recovery mechanisms.

⁽³⁾ The possible violation issue for YTD Actual is believed to be minimal risk.

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

February 2015

(\$ Millions)

	MTD			Comments
	Actual	Budget	Variance	
Revenues:				
Electric Revenues	\$ 263	\$ 240	\$ 24	See Electric Margin variance explanation below.
Gas Revenues	54	51	3	
Total Revenues	317	291	26	
Cost of Sales:				
Fuel Electric Costs	92	84	(8)	See Electric Margin variance explanation below.
Gas Supply Expenses	31	30	(1)	
Purchased Power	3	4	1	
Other Electric Cost	10	11	1	
Total Cost of Sales	136	129	(7)	
Gross Margin:				
Electric Margin	159	141	17	Due to a combination of favorable weather and plant/system performance resulting in \$11 million from higher retail electric volumes (primarily residential), \$3 million from the sale of excess generation, and \$2 million from higher demand revenues.
Gas Margin	23	21	2	
Total Gross Margin	182	162	20	
Operating Expenses:				
O&M	58	58	(0)	
Depreciation & Amortization	29	30	0	
Taxes, Other than Income	5	5	0	
Total Operating Expenses	92	93	0	
Other income (expense)	0	(1)	1	
EBIT	90	68	21	
Interest Expense	14	14	1	
Income from Ongoing Operations before income taxes	75	54	21	
Income Tax Expense	28	21	(8)	Due to higher pre-tax income.
Net Income (loss) from ongoing operations	46	33	\$ 13	
Non Operating Income	0	0	0	
Discontinued Operations	0	0	(0)	
Net Income (loss)	\$ 46	\$ 33	\$ 13	
KY Regulated Financing Costs	(3)	(3)	0	
KY Regulated Net Income	\$ 44	\$ 30	\$ 13	
Earnings Per Share	\$ 0.065	\$ 0.045	\$ 0.02	

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 4 of 11
Witness: K. Blake**

Income Statement: Actual vs. Budget (YTD)

February 2015

(\$ Millions)

	YTD			Comments
	Actual	Budget	Variance	
Revenues:				
Electric Revenues	\$ 523	\$ 499	\$ 24	See Electric Margin variance explanation below.
Gas Revenues	109	109	1	
Total Revenues	633	608	25	
Cost of Sales:				
Fuel Electric Costs	180	174	(6)	See Electric Margin variance explanation below.
Gas Supply Expenses	63	65	3	
Purchased Power	8	9	1	
Other Electric Cost	21	22	1	
Total Cost of Sales	271	270	(1)	
Gross Margin:				
Electric Margin	315	294	21	Due to a combination of favorable weather and plant/system performance resulting in \$16 million from higher retail electric volumes (primarily residential), \$2 million from the sale of excess generation, and \$1 million from higher demand revenues.
Gas Margin	47	43	3	
Total Gross Margin	361	337	24	
Operating Expenses:				
O&M	113	116	3	
Depreciation & Amortization	59	59	1	
Taxes, Other than Income	9	9	1	
Total Operating Expenses	181	185	5	
Other income (expense)	(1)	(2)	1	
EBIT	180	150	29	
Interest Expense	28	29	1	
Income from Ongoing Operations before income taxes	151	121	30	
Income Tax Expense	57	46	(11)	Higher pre-tax income.
Net Income (loss) from ongoing operations	\$ 94	\$ 75	\$ 19	
Non Operating Income	0	-	0	
Discontinued Operations	0	0	(0)	
Net Income (loss)	\$ 94	\$ 75	\$ 19	
KY Regulated Financing Costs	(6)	(6)	0	
KY Regulated Net Income	\$ 88	\$ 69	\$ 19	
Earnings Per Share	\$ 0.13	\$ 0.10	\$ 0.03	

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement

807 KAR 5:001 Section 16(7) (o)

Page 5 of 11

Witness: K. Blake

Electric Gross Margin

February 2015

(\$ Millions)

	MTD						YTD					
	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance
Base Electric Margin:						● \$ 13						● \$ 17
Energy Volumes (a)	3,022,613	2,717,233	305,380		\$ 11.3		6,140,746	5,750,248	390,498		\$ 15.6	
Energy Prices (a)					\$ 0.1						\$ 0.0	
Customer Charges (Avg. Customers)	945,415	954,701	(9,286)		\$ (0.0)		945,212	954,489	(9,278)		\$ (0.0)	
Demand Charges (b)	38	36			\$ 1.7		76	75			\$ 1.1	
ECR:						● \$ 2						● \$ 1
Average Rate Base	\$ 1,731	\$ 1,711	\$ 20	10.22%	\$ 0.1		\$ 1,703	\$ 1,680	\$ 23	10.21%	\$ 0.3	
Cost of Capital	10.17%	10.22%	-0.05%	\$ 1,731	\$ (0.1)		10.09%	10.21%	-0.12%	\$ 1,703	\$ (0.3)	
Jurisdictional Factor	85.14%	88.83%	-3.69%	\$ 1,731	\$ (0.5)		86.76%	88.27%	-1.51%	\$ 1,703	\$ (0.4)	
Other					\$ 2.0						\$ 1.3	
DSM:						◆ \$ (0)						● \$ 1
Program Expense (Revenue Net of Expense)	\$ 0.0	\$ 0.0			\$ (0.0)		\$ 0.1	\$ 0.1			\$ (0.0)	
Lost Sales	\$ 1.0	\$ 1.1			\$ (0.0)		\$ 3.0	\$ 2.1			\$ 0.9	
Incentive	\$ 0.1	\$ 0.1			\$ (0.0)		\$ 0.1	\$ 0.2			\$ (0.0)	
Balancing Adjustment	\$ 0.0	\$ -			\$ 0.0		\$ 0.0	\$ -			\$ 0.0	
Net Fuel Recovery	\$ (1.3)	\$ (0.3)				◆ \$ (1)	\$ (2.8)	\$ (0.6)				◆ \$ (2)
Purchase Power Demand	\$ (1.6)	\$ (2.2)				● \$ 1	(3.7)	(4.4)				● \$ 1
Transmission	\$ 1.3	\$ 0.8				● \$ 0	2.4	1.7				● \$ 1
Other	\$ (1.4)	\$ (1.5)				● \$ 0	(2.9)	(3.5)				● \$ 1
Retail Margin Variance						● \$ 15						● \$ 18
Off-System Margin Variance						● \$ 3						● \$ 2
Electric Margin Variance						● \$ 17						● \$ 21

(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	\$ 57	1,185,206	\$ 48.27	\$ 48	990,520	\$ 48.23	\$ 9.4	\$ 9.2	\$ 0.3
Commercial	21	645,375	32.03	19	605,232	32.09	\$ 1.3	\$ 1.3	(\$ 0.1)
Industrial	7	794,464	9.09	7	755,442	9.02	\$ 0.4	\$ 0.4	\$ 0.1
Municipals	1	172,627	4.90	1	155,960	5.23	\$ 0.0	\$ 0.1	(\$ 0.1)
Other	5	224,941	24.06	5	210,079	24.32	\$ 0.3	\$ 0.4	(\$ 0.1)
Native Load Total	\$ 91	3,022,613	\$ 30.23	\$ 80	2,717,233	\$ 29.42	\$ 11.4	\$ 11.3	\$ 0.1

(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	\$ 117	2,417,876	\$ 48.27	\$ 103	2,134,509	\$ 48.20	\$ 13.8	\$ 13.3	\$ 0.5
Commercial	42	1,323,367	31.72	41	1,278,517	32.13	\$ 0.9	\$ 1.4	(\$ 0.6)
Industrial	14	1,584,681	9.08	14	1,569,654	9.03	\$ 0.2	\$ 0.1	\$ 0.1
Municipals	2	349,413	5.30	2	324,161	5.22	\$ 0.2	\$ 0.1	\$ 0.0
Other	11	465,409	23.75	11	443,407	23.81	\$ 0.5	\$ 0.5	(\$ 0.0)
Native Load Total	\$ 186	6,140,746	\$ 30.29	\$ 170	5,750,248	\$ 29.63	\$ 15.6	\$ 15.6	\$ 0.0

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

	MTD			YTD		
	Act	Bud	Variance	Act	Bud	Variance
Commercial	12	12	0	24	24	0
Industrial	16	15	0	32	31	1
Municipals	5	4	1	10	10	(0)
Other	5	5	0	10	10	0
Native Load Total	38	36	2	76	75	1

Weather Statistics	MTD			YTD		
	Act	Bud	+/- Bud	Act	Bud	+/- Bud
Heating Degree Days - Louisville	1,053	291	38%	2,040	334	20%
Heating Degree Days - Lexington	1,116	305	38%	2,160	354	20%
Cooling Degree Days - Louisville	0	0	0%	0	0	0%
Cooling Degree Days - Lexington	0	0	0%	0	0	0%

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)**

Page 6 of 11

Witness: K. Blake

Gas Gross Margin **February 2015**

(\$ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	\$ 5	\$ 5		● \$ 0	\$ 10	\$ 10		● \$ 0
Gas Supply Costs								
Gas Supply Costs	(30)	(30)	\$ (1)		(62)	(64)	\$ 2	
GSC Revenue	31	30	1		62	64	(2)	
Net Gas Supply Costs				● \$ 0				● \$ 0
Retail Gas (a)	18	14		● \$ 4	36	31		● \$ 5
Wholesale Gas (a)	-	-		● \$ -	-	-		● \$ -
DSM	0	0		● \$ 0	0	0		● \$ 0
GLT	1	1		◆ \$ (0)	2	2		◆ \$ (0)
WNA	(2)	-		◆ \$ (2)	(2)	-		◆ \$ (2)
Other Margin	0	0		● \$ 0	0	0		● \$ 0
Gas Margin Variance				● \$ 2				● \$ 3

(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	4,583,322	\$ 2.64	\$ 9	3,589,221	\$ 2.64	\$2.6		\$2.6	◆ (\$0.0)
Commercial	4	1,983,165	2.09	3	1,518,069	2.10	\$1.0		\$1.0	◆ (\$0.0)
Industrial	0	188,467	2.10	0	167,738	1.89	\$0.1		\$0.0	● \$0.0
Public Authority	1	305,153	2.07	1	249,443	2.07	\$0.1		\$0.1	● \$0.0
Transportation	1	1,460,318	0.51	1	1,250,530	0.44	\$0.2		\$0.1	● \$0.1
Interdepartmental	0	21,039	13.86	0	29,495	14.79	(\$0.1)		(\$0.1)	◆ (\$0.0)
Ultimate Consumer	\$ 18	8,541,464	\$ 2.15	\$ 14	6,804,495	\$ 2.13	\$3.8		\$3.7	● \$0.1

	YTD									
	Actual			Budget			Variance			
	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume \$mil	Price \$mil	
Residential	\$ 24	9,013,231	\$ 2.64	\$ 20	7,709,023	\$ 2.64	\$3		\$3	◆ (\$0)
Commercial	8	3,899,989	2.09	7	3,312,308	2.09	\$1		\$1	◆ (\$0)
Industrial	1	365,636	2.07	1	352,778	1.89	\$0		\$0	● \$0
Public Authority	1	619,726	2.05	1	544,343	2.06	\$0		\$0	◆ (\$0)
Transportation	2	2,956,139	0.51	1	2,809,843	0.44	\$0		\$0	● \$0
Interdepartmental	1	63,485	12.59	1	57,614	15.14	(\$0)		\$0	◆ (\$0)
Ultimate Consumer	\$ 36	16,918,206	\$ 2.15	\$ 31	14,785,909	\$ 2.11	\$5		\$5	● \$0

(\$ Millions)

	MTD			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Actual	Budget	Total Variance						
Generation	\$ 16	\$ 15	\$ (1)	\$ (0)	\$ (0)	\$ (0)	\$ 0		\$ (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	5	5	0	(0)		1	(0)	(0)	(0)
Gas Distribution	3	2	(1)	(0)		(0)	(0)	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	7	7	0	(0)		0	0	0	(0)
Chief Operations Officer	35	33	(2)	(1)	(0)	(0)	0	0	(0)
Information Technology	4	5	0	0		0	(0)		0
General Counsel	3	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	8	8	0	0		0	0		(0)
Chief Financial Officer	2	1	(0)	(0)		(0)	(0)		(0)
Corporate	15	16	1	1		(0)	(0)	(0)	0
O&M Total MTD	\$ 58	\$ 58	\$ (0)	\$ 0	\$ (0)	\$ (0)	\$ 0	\$ 0	\$ (0)

	YTD			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Actual	Budget	Total Variance						
Generation	\$ 31	\$ 29	\$ (1)	\$ 0	\$ (1)	\$ 0	\$ (0)		\$ (0)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	5	4	(1)	(0)		(1)	0		(0)
Energy Supply and Analysis	2	1	(0)	(0)		0	0		(0)
Electric Distribution	10	11	1	0		1	0	(0)	(0)
Gas Distribution	5	5	(0)	(0)		(0)	(0)	(0)	0
Safety and Security	1	1	0	0		(0)	0	0	(0)
Customer Services	13	15	2	0		1	0	1	(0)
Chief Operations Officer	67	67	(0)	0	(1)	0	(0)	1	(1)
Information Technology	8	10	1	0		1	0		0
General Counsel	5	5	0	0		0	0		(0)
Human Resources	1	1	0	0		0	0		0
Supply Chain	1	1	0	0		0	(0)		0
Chief Administrative Officer	15	16	2	1		1	0		0
Chief Financial Officer	3	3	0	(0)		(0)	0		0
Corporate	29	30	2	1		0	(0)	(0)	1
O&M Total YTD	\$ 113	\$ 116	\$ 3	\$ 2	\$ (1)	\$ 1	\$ (0)	\$ 1	\$ 0

Note: Schedules may not sum due to rounding.

Financing Activities
February 2015

Balance Sheet	MTD			YTD		
	Actual	Budget	Variance	Actual	Budget	Variance
PCB						
Beg Bal	\$ 923.9	\$ 923.9	\$ 0.0	\$ 923.9	\$ 923.9	\$ -
End Bal	923.9	923.9	(0.0)	923.9	923.9	(0.0)
Ave Bal	<u>\$ 923.9</u>	<u>\$ 923.9</u>	<u>\$ (0.0)</u>	<u>\$ 923.9</u>	<u>\$ 923.9</u>	<u>\$ (0.0)</u>
Interest Exp	\$ 0.8	\$ 1.1	\$ 0.3	\$ 1.7	\$ 2.3	\$ 0.6
Rate	1.18%	1.60%	0.42%	1.13%	1.52%	0.39%
FMB/Sr Nts ⁽¹⁾						
Beg Bal	\$ 3,642.8	\$ 3,642.8	\$ (0.0)	\$ 3,642.7	\$ 3,642.7	\$ -
End Bal	3,643.0	3,643.0	0.0	3,643.0	3,643.0	0.0
Ave Bal	<u>\$ 3,642.9</u>	<u>\$ 3,642.9</u>	<u>\$ 0.0</u>	<u>\$ 3,642.8</u>	<u>\$ 3,642.8</u>	<u>\$ 0.0</u>
Interest Exp	\$ 11.5	\$ 11.5	\$ (0.0)	\$ 23.0	\$ 23.0	\$ (0.0)
Rate	4.06%	4.06%	0.00%	3.85%	3.85%	0.00%
Short-term Debt						
Beg Bal	\$ 727.0	\$ 636.9	\$ (90.1)	\$ 615.4	\$ 615.4	\$ -
End Bal	686.5	604.8	(81.7)	686.5	604.8	(81.7)
Ave Bal	<u>\$ 706.8</u>	<u>\$ 620.9</u>	<u>\$ (85.9)</u>	<u>\$ 651.0</u>	<u>\$ 610.1</u>	<u>\$ (40.9)</u>
Interest Exp	\$ 0.4	\$ 0.5	\$ 0.1	\$ 0.8	\$ 1.0	\$ 0.3
Rate	0.69%	1.08%	0.39%	0.73%	1.04%	0.31%
Total End Bal	\$ 5,253.4	\$ 5,171.7	\$ (81.7)	\$ 5,253.4	\$ 5,171.7	\$ (81.7)
Total Average Bal	\$ 5,273.6	\$ 5,187.7	\$ (85.9)	\$ 5,217.7	\$ 5,176.9	\$ (40.9)
Total Expense Excl I/C ⁽²⁾	\$ 14.0	\$ 14.5	\$ 0.5	\$ 28.4	\$ 29.0	\$ 0.6
Rate	3.41%	3.59%	0.18%	3.32%	3.42%	0.10%

⁽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	\$ 127		\$ 173
LG&E	500	295		205
KU	598	265	\$ 198	135
TOTAL	\$ 1,398	\$ 687	\$ 198	\$ 513

Credit Metrics (\$ Millions)	YTD	
	Actual	+/- Bud
FFO to Debt - LG&E	11.4%	-0.14
FFO to Debt - KU	14.9%	-0.09
Debt to EBITDA - LG&E ⁽²⁾	3.45	-0.04
Debt to EBITDA - KU ⁽²⁾	3.80	-0.04
Debt to Capitalization - LG&E ⁽³⁾	47.8%	+0.01
Debt to Capitalization - KU ⁽³⁾	47.3%	+0.00

⁽²⁾ Actuals represent a trailing 12 months

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

Balance Sheet

February 2015

(\$ Millions)

	2/28/2015	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 30	\$ 15	\$ 15	Higher investment balances of \$15m due to higher CP balances.
Accounts Receivable (Trade)	494	422	72	Higher customer accounts receivable and accrued utility revenue due to higher energy residential electric and gas volumes due to colder than normal weather.
Inventory	251	266	(15)	Higher fuel usage due to colder than normal weather.
Deferred Income Taxes	24	16	8	
Regulatory Assets Current	14	34	(20)	Lower GSC, FAC, and ECR balances.
Prepayments and other current assets	148	179	(31)	Lower income tax receivable from PPL (\$30m).
Total Current Assets	960	932	28	
Property, Plant, and Equipment	10,615	10,629	(14)	Lower CWIP (\$95m) partially offset by higher completed construction \$34m offset by accumulated depreciation \$46m.
Intangible Assets	165	165	0	
Other Property and Investments	1	1	(0)	
Regulatory Assets Non Current	701	663	38	Due to lower than expected interest rates on interest rate swaps.
Goodwill	997	997	0	
Other Long-term Assets	101	100	1	
Total Assets	\$ 13,540	\$ 13,487	\$ 53	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	\$ 335	\$ 395	\$ (60)	Decreases in invoice (\$67m) and project engineering (\$23m) accruals partially offset by an increase in gas purchase accruals \$17m.
Accounts Payable - Affiliated Company	23	0	23	Dividend payable \$23m issued to PPL based on Q4 2014 net income.
Customer Deposits	52	52	0	
Derivative Liability	109	71	38	Due to lower than expected interest rates on interest rate swaps.
Accrued Taxes	25	91	(66)	Primarily due to deferred tax entries being booked in February instead of March due to the timing of the rate case \$30m, property tax payments that were paid in January, but were scheduled to be paid in Oct-Dec of 2014 \$24m, and higher pre-tax book income \$12m.
Regulatory Liabilities Current	24	14	10	Higher DSM and GSC balances.
Other Current Liabilities	178	181	(3)	
Total Current Liabilities	746	804	(58)	
Debt - Affiliated Company	52	59	(7)	
Debt ⁽¹⁾	5,202	5,113	89	Higher issuance of Commercial Paper \$89m primarily to finance the decrease of \$60m in AP.
Total Debt	5,253	5,172	82	
Deferred Tax Liabilities	1,273	1,242	30	Deferred tax entries were booked in February instead of March due to the timing of the rate case.
Investment Tax Credit	130	130	(0)	
Accum Provision for Pension & Related Benefits	257	258	(1)	
Asset Retirement Obligation	276	276	(0)	
Regulatory Liabilities Non Current	968	967	1	
Derivative Liability	45	43	2	
Other Liabilities	272	271	1	
Total Deferred Credits and Other Liabilities	3,221	3,188	33	
Equity	4,320	4,324	(4)	
Total Liabilities and Equity	\$ 13,540	\$ 13,487	\$ 53	

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

Note: Schedules may not sum due to rounding.

Rate Base Growth

