

PPL companies

2014 Business Plan Electric Sales Forecast

July 11, 2013

Combined Company energy sales less than 1% lower in 2014 Plan vs. 2013 Plan

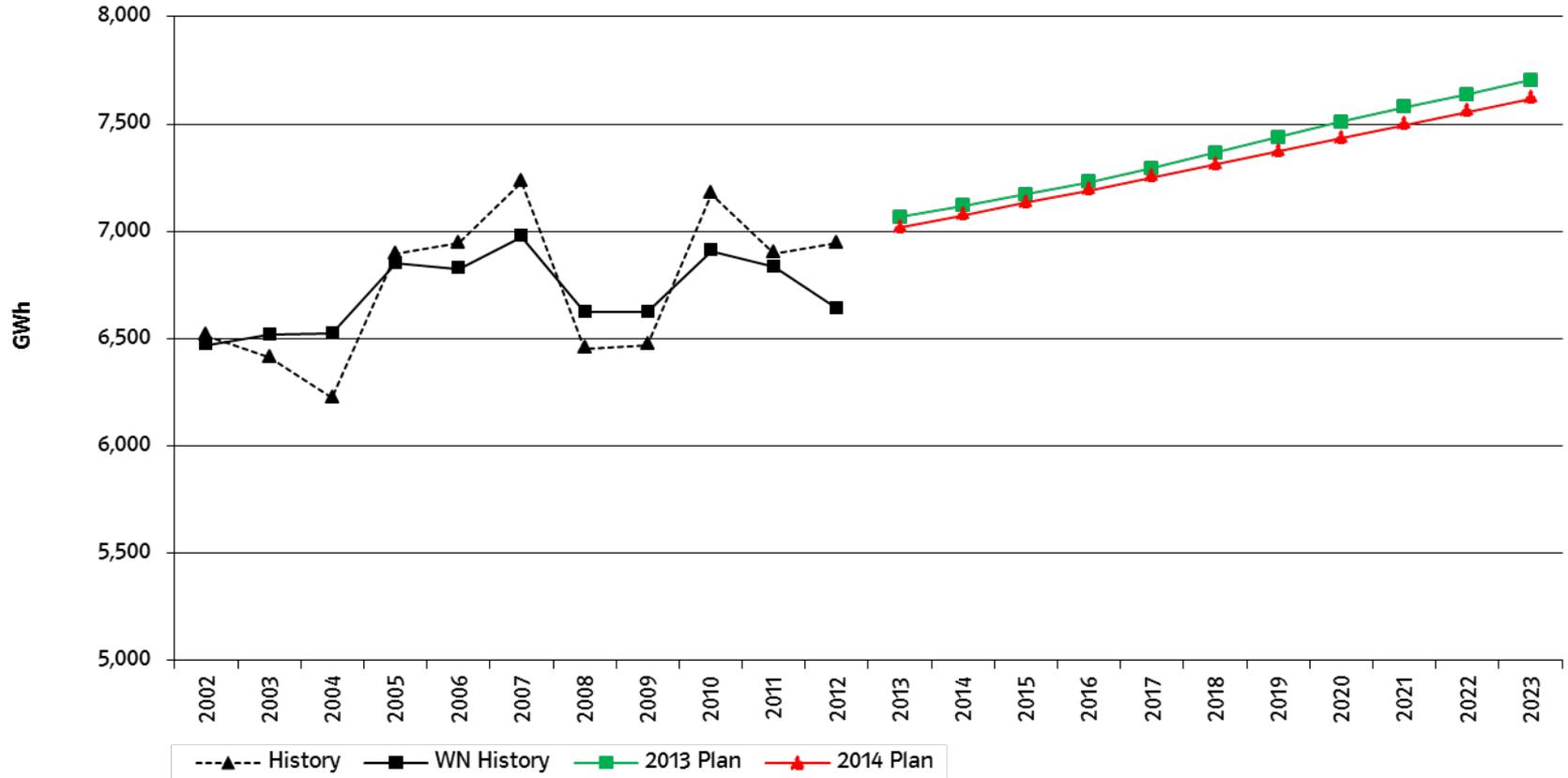
- *Slow growth for national and global economy*
 - *Advanced economies expected to grow 1.9% thru 2014*
 - *Low threat of US recession thru 2014*
- *KU energy sales slightly higher than prior plan due to small increase in residential use per customer, lower KY unemployment, and increase in current count of small commercial customers vs. 2013 Plan.*
- *LG&E energy sales below prior plan driven by weaker commercial outlook; current small commercial customer count below 2013 Plan.*

| | Total Company Sales (GWh) | | | | KU/ODP Sales (GWh) | | | | LG&E Sales (GWh) | | | |
|-------------|---------------------------|-----------|-------|----------|--------------------|-----------|-------|----------|------------------|-----------|-------|----------|
| | 2014 Plan | 2013 Plan | Delta | % Change | 2014 Plan | 2013 Plan | Delta | % Change | 2014 Plan | 2013 Plan | Delta | % Change |
| 2013* | 33,463 | 33,710 | (247) | -0.7% | 21,677 | 21,491 | 186 | 0.9% | 11,786 | 12,219 | (433) | -3.5% |
| 2014 | 33,630 | 33,902 | (272) | -0.8% | 21,722 | 21,591 | 131 | 0.6% | 11,908 | 12,311 | (403) | -3.3% |
| 2015 | 33,797 | 34,096 | (299) | -0.9% | 21,813 | 21,686 | 126 | 0.6% | 11,985 | 12,410 | (426) | -3.4% |
| 2016 | 34,044 | 34,270 | (226) | -0.7% | 21,967 | 21,767 | 200 | 0.9% | 12,077 | 12,503 | (426) | -3.4% |
| 2017 | 34,258 | 34,421 | (163) | -0.5% | 22,109 | 21,836 | 274 | 1.3% | 12,148 | 12,585 | (437) | -3.5% |
| 2018 | 34,544 | 34,693 | (149) | -0.4% | 22,290 | 22,013 | 277 | 1.3% | 12,253 | 12,679 | (426) | -3.4% |
| 5-year CAGR | 0.64% | 0.58% | | | 0.56% | 0.48% | | | 0.78% | 0.74% | | |

* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

Peak Demand is lower, consistent with slightly lower energy forecast

Combined Company Summer Peak Demand - 10 Year View



* Peak demand values shown are before the impact of Direct Load Control.

2013 KU-ODP energy expected to remain slightly above 2013 Plan for balance of 2013

| Revenue Class | Jan - May 2013 KU/ODP Plan to Plan | | | | Jun - Dec 2013 KU/ODP Plan to Plan | | | |
|-------------------------------|------------------------------------|--------------------|-------------------|-------------|------------------------------------|--------------------|-------------------|-------------|
| | 2014 Plan (GWh) | 2013 Plan (GWh) | Variance (GWh) | Pct Var | 2014 Plan (GWh) | 2013 Plan (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 2,869 | 2,829 | 40 | 1.4% | 3,775 | 3,737 | 38 | 1.0% |
| <i>Commercial</i> | 1,669 | 1,658 | 11 | 0.7% | 2,488 | 2,424 | 63 | 2.6% |
| <i>Industrial</i> | 2,898 | 2,854 | 44 | 1.5% | 4,295 | 4,353 | (59) | -1.3% |
| <i>Public Authority/Other</i> | 1,421 | 1,386 | 35 | 2.5% | 2,263 | 2,249 | 13 | 0.6% |
| Total | 8,857 | 8,727 | 130 | 1.5% | 12,820 | 12,764 | 56 | 0.4% |

| Revenue Class | KU/ODP Jan - May Year over Year | | | | KU/ODP Jun - Dec Year over Year | | | |
|-------------------------------|---------------------------------|--------------------------|-------------------|-------------|---------------------------------|--------------------------|-------------------|-------------|
| | 2014 Plan (GWh) | 2012 WN Actuals (GWh) | Variance (GWh) | Pct Var | 2014 Plan (GWh) | 2012 WN Actuals (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 2,869 | 2,707 | 162 | 6.0% | 3,775 | 3,822 | (47) | -1.2% |
| <i>Commercial</i> | 1,669 | 1,679 | (10) | -0.6% | 2,488 | 2,500 | (12) | -0.5% |
| <i>Industrial</i> | 2,898 | 2,914 | (16) | -0.5% | 4,295 | 4,014 | 281 | 7.0% |
| <i>Public Authority/Other</i> | 1,421 | 1,433 | (12) | -0.8% | 2,263 | 2,148 | 115 | 5.4% |
| Total | 8,857 | 8,733 | 124 | 1.4% | 12,820 | 12,484 | 336 | 2.7% |



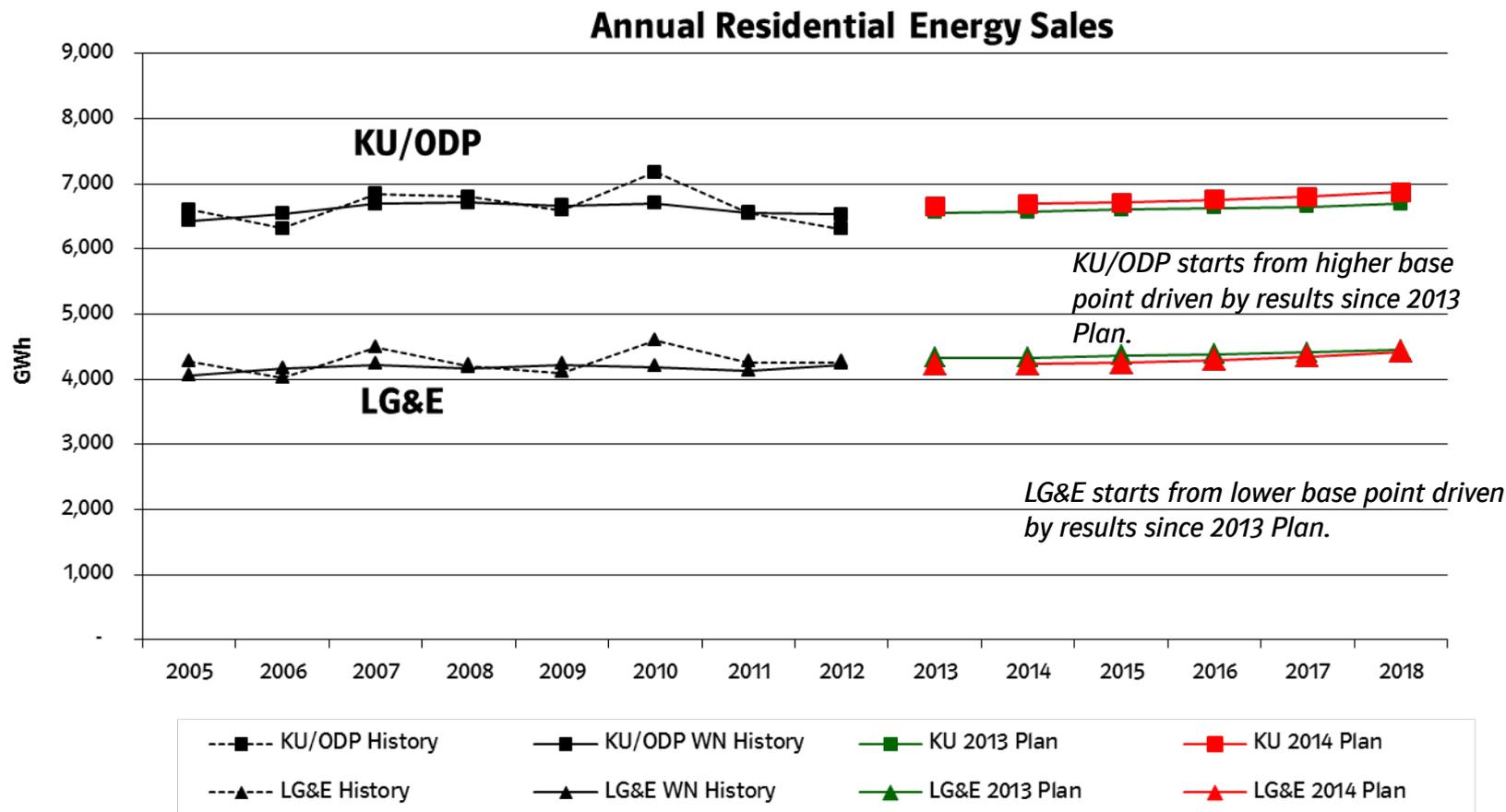
2013 LG&E energy below 2013 Plan for the balance of the year, consistent with first five months

| Revenue Class | Jan - May 2013 LGE Plan to Plan | | | | Jun - Dec 2013 LGE Plan to Plan | | | |
|-------------------------------|---------------------------------|--------------------|-------------------|--------------|---------------------------------|--------------------|-------------------|--------------|
| | 2014 Plan (GWh) | 2013 Plan (GWh) | Variance (GWh) | Pct Var | 2014 Plan (GWh) | 2013 Plan (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 1,538 | 1,579 | (41) | -2.6% | 2,689 | 2,751 | (62) | -2.2% |
| <i>Commercial</i> | 1,428 | 1,484 | (56) | -3.8% | 2,230 | 2,345 | (115) | -4.9% |
| <i>Industrial</i> | 1,083 | 1,074 | 9 | 0.8% | 1,669 | 1,642 | 27 | 1.6% |
| <i>Public Authority/Other</i> | 454 | 515 | (61) | -11.8% | 694 | 829 | (134) | -16.2% |
| Total | 4,503 | 4,652 | (149) | -3.2% | 7,283 | 7,566 | (284) | -3.8% |

| Revenue Class | LGE Jan - May Year over Year | | | | LGE Jun - Dec Year over Year | | | |
|-------------------------------|------------------------------|--------------------------|-------------------|--------------|------------------------------|--------------------------|-------------------|-------------|
| | 2014 Plan (GWh) | 2012 WN Actuals (GWh) | Variance (GWh) | Pct Var | 2014 Plan (GWh) | 2012 WN Actuals (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 1,538 | 1,540 | (2) | -0.1% | 2,689 | 2,684 | 5 | 0.2% |
| <i>Commercial</i> | 1,428 | 1,455 | (27) | -1.9% | 2,230 | 2,255 | (25) | -1.1% |
| <i>Industrial</i> | 1,083 | 1,036 | 47 | 4.5% | 1,669 | 1,626 | 43 | 2.7% |
| <i>Public Authority/Other</i> | 454 | 482 | (28) | -5.8% | 694 | 697 | (3) | -0.4% |
| Total | 4,503 | 4,513 | (10) | -0.2% | 7,283 | 7,262 | 21 | 0.3% |



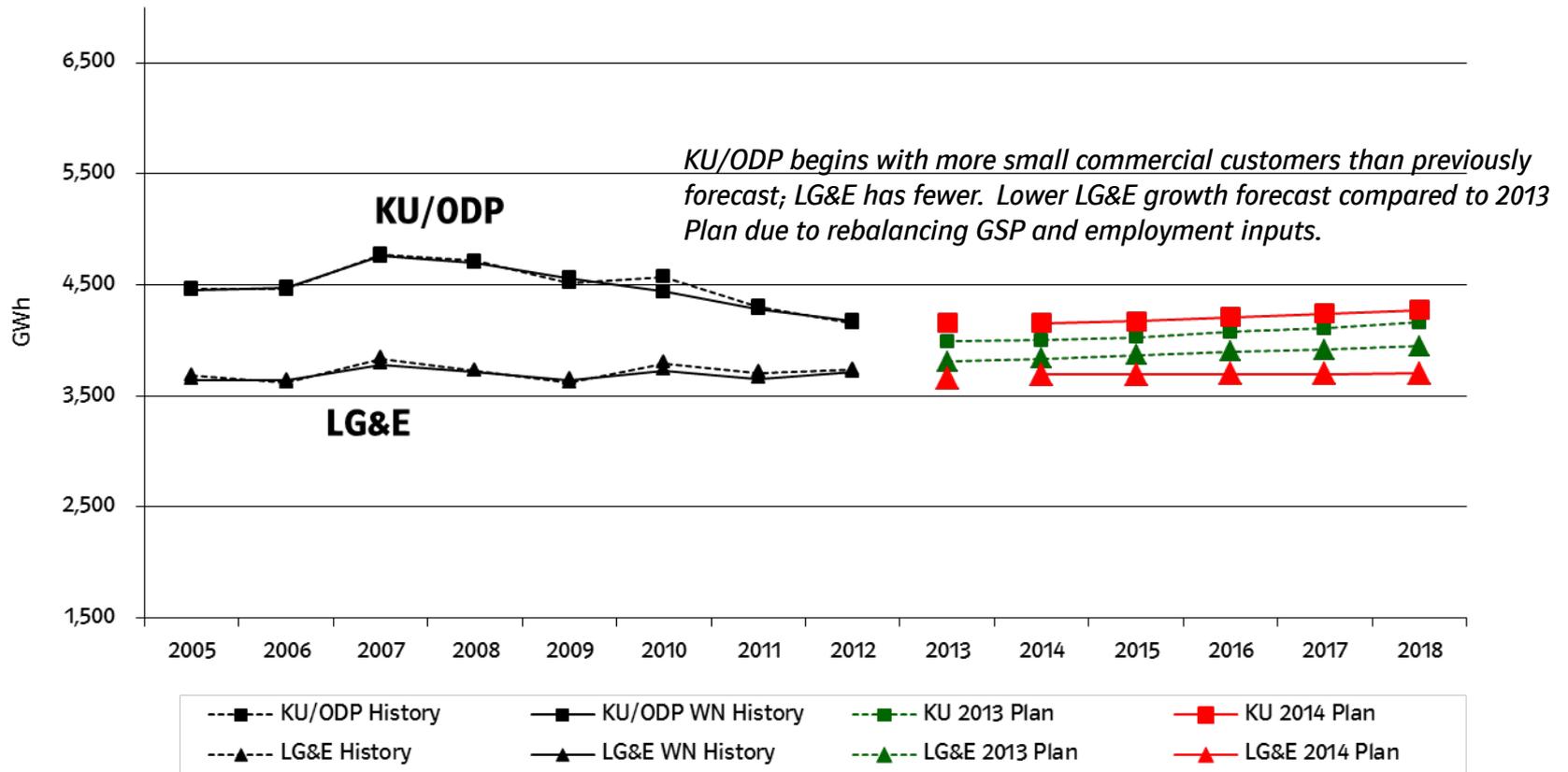
Residential sales forecast is slightly higher for KU and slightly lower for LG&E



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

Compared to 2013 Plan, commercial sales higher in KU and lower in LG&E

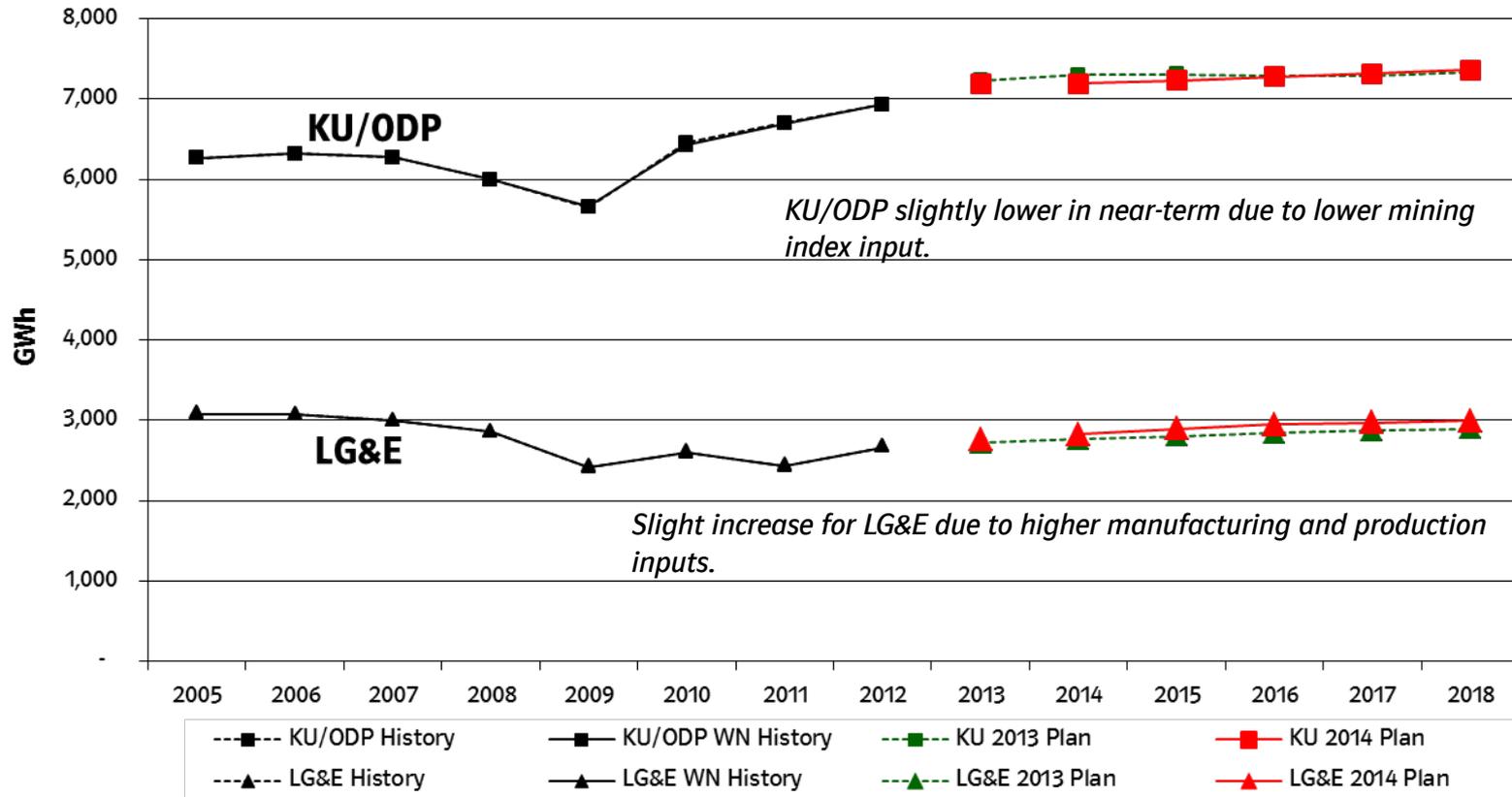
Annual Commercial Energy Sales



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

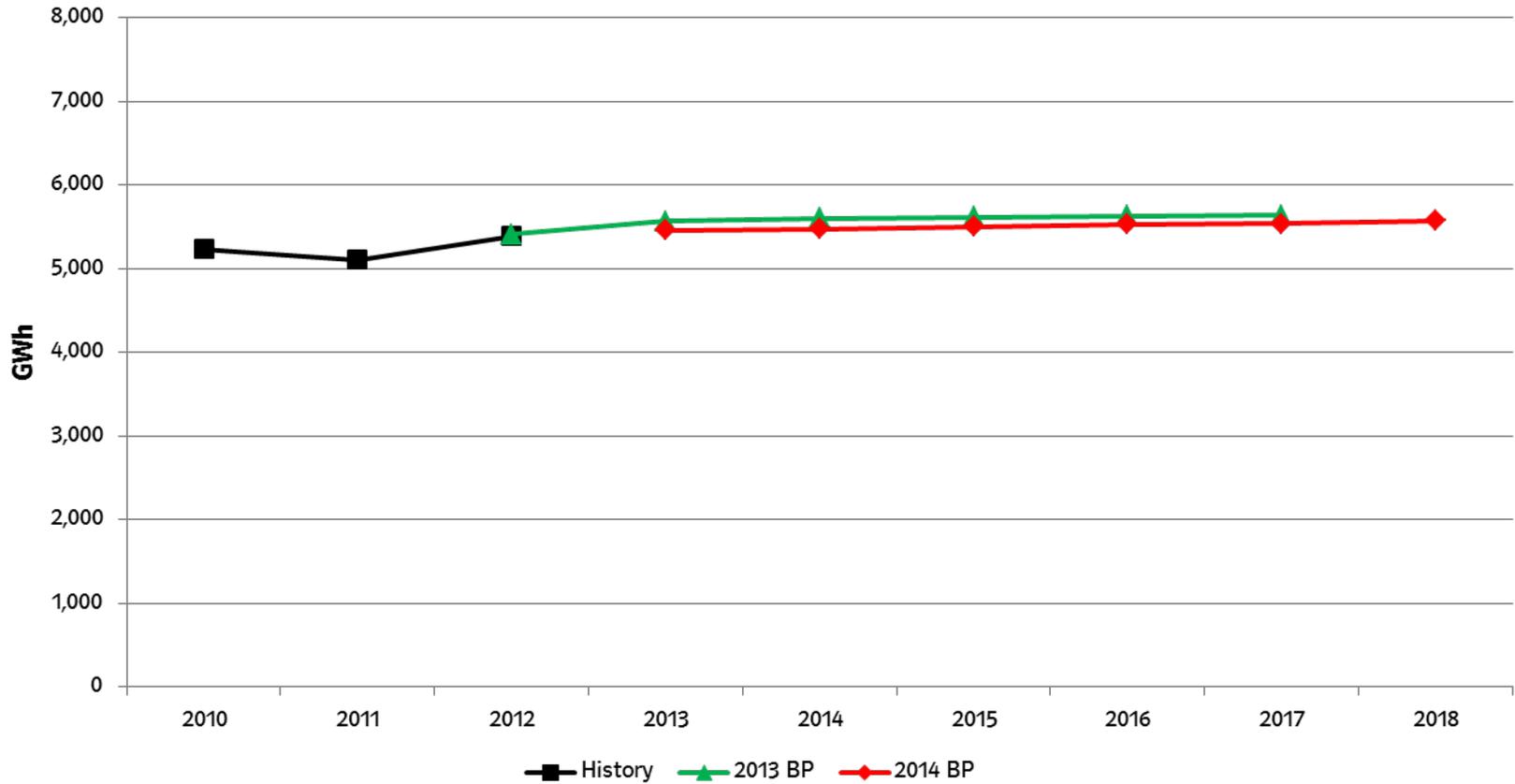
Slow growth expected in industrial class consistent with prior Plan

Annual Industrial Energy Sales



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

Major Accounts History and Forecast



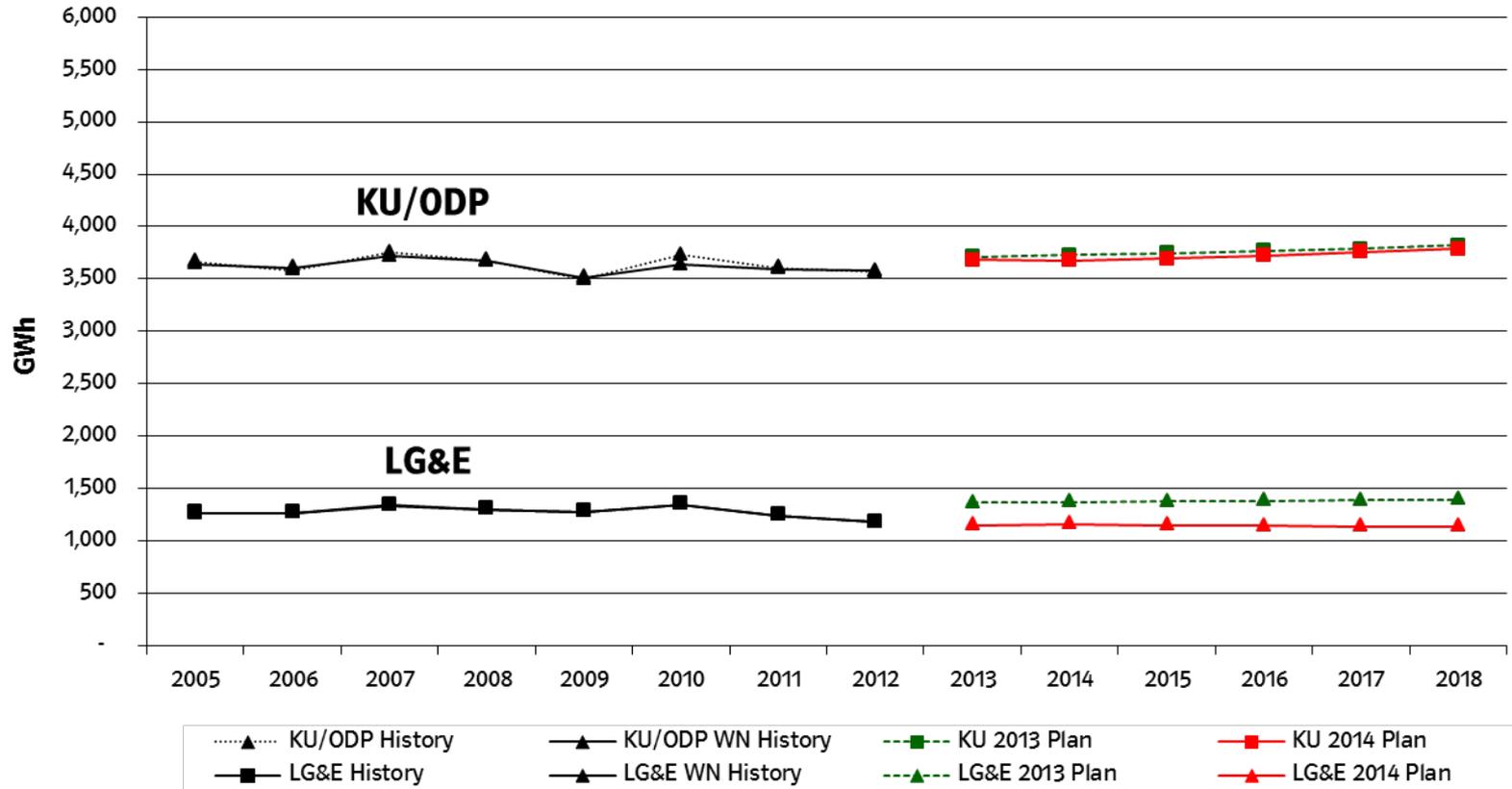
Changes in Major Account sales: 2014BP v. 2013BP

- *Carbide energy forecast decreased by 54 GWh annually.*
- *Fort Knox energy is reduced by 2 GWh in 2014 increasing to a reduction of 29 GWh in 2017 annually as peak demand is reduced by 20 MW by 2018 due to installation of gas-fired generators.*
- *Dow Corning energy is increased by 30 GWh annually in 2014BP due to a 6 MVA load expansion that was not in 2013BP.*
- *North American Stainless energy is decreased by 59 GWh consistent with recent customer discussions.*
- *UK energy reduced by 16 GWh due to new energy efficiency activities that were not in the 2013BP.*



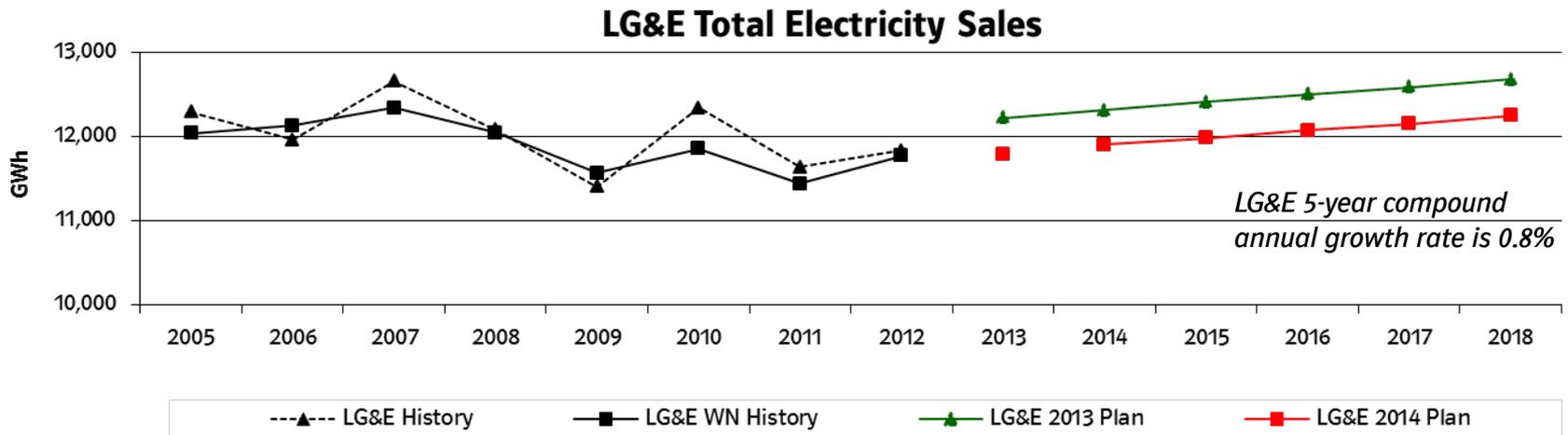
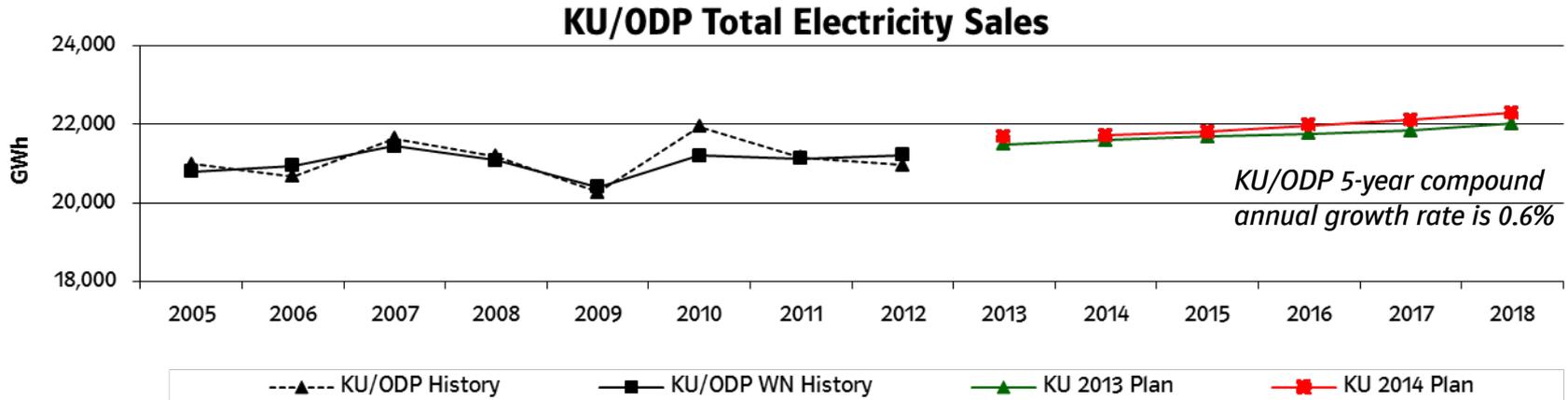
LG&E Public Authority sales reflect lower Ft. Knox usage

Annual Public Authority/Other Energy Sales



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

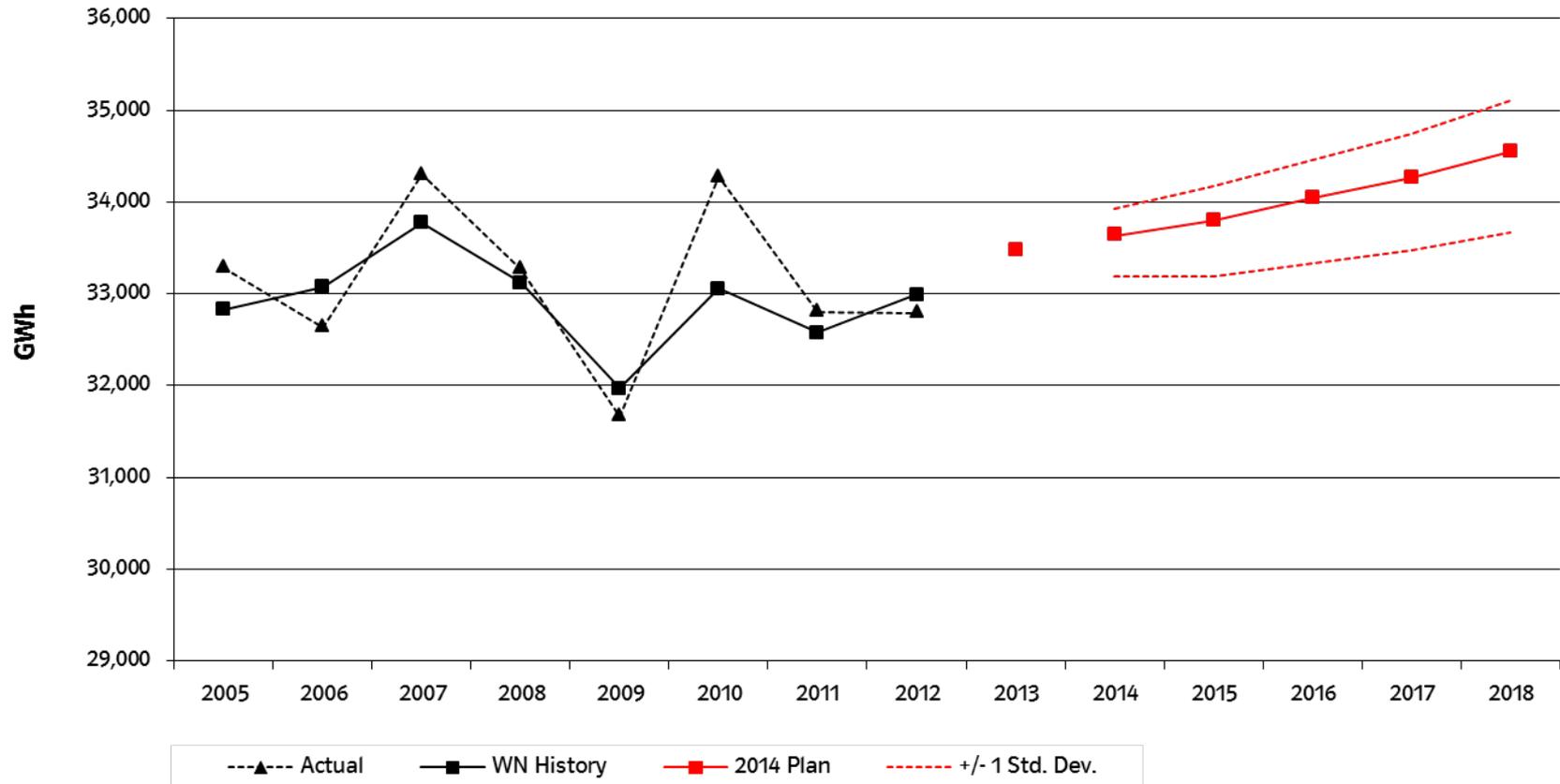
KU energy sales up slightly vs. 2013 Plan; LG&E results reflect lower commercial forecast



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

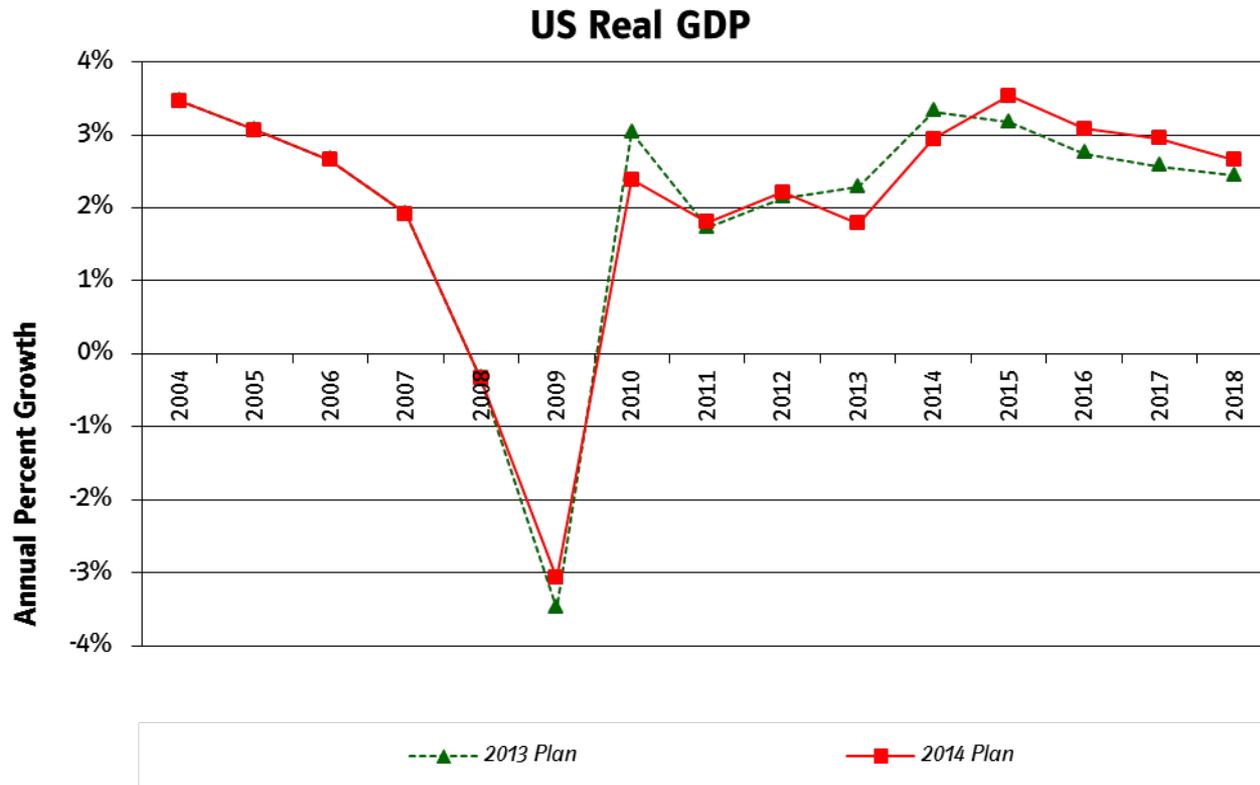
Sales risk based on IHS GSP risk scenario

Combined Company Total Electricity Sales



Appendix A - Macroeconomic Inputs

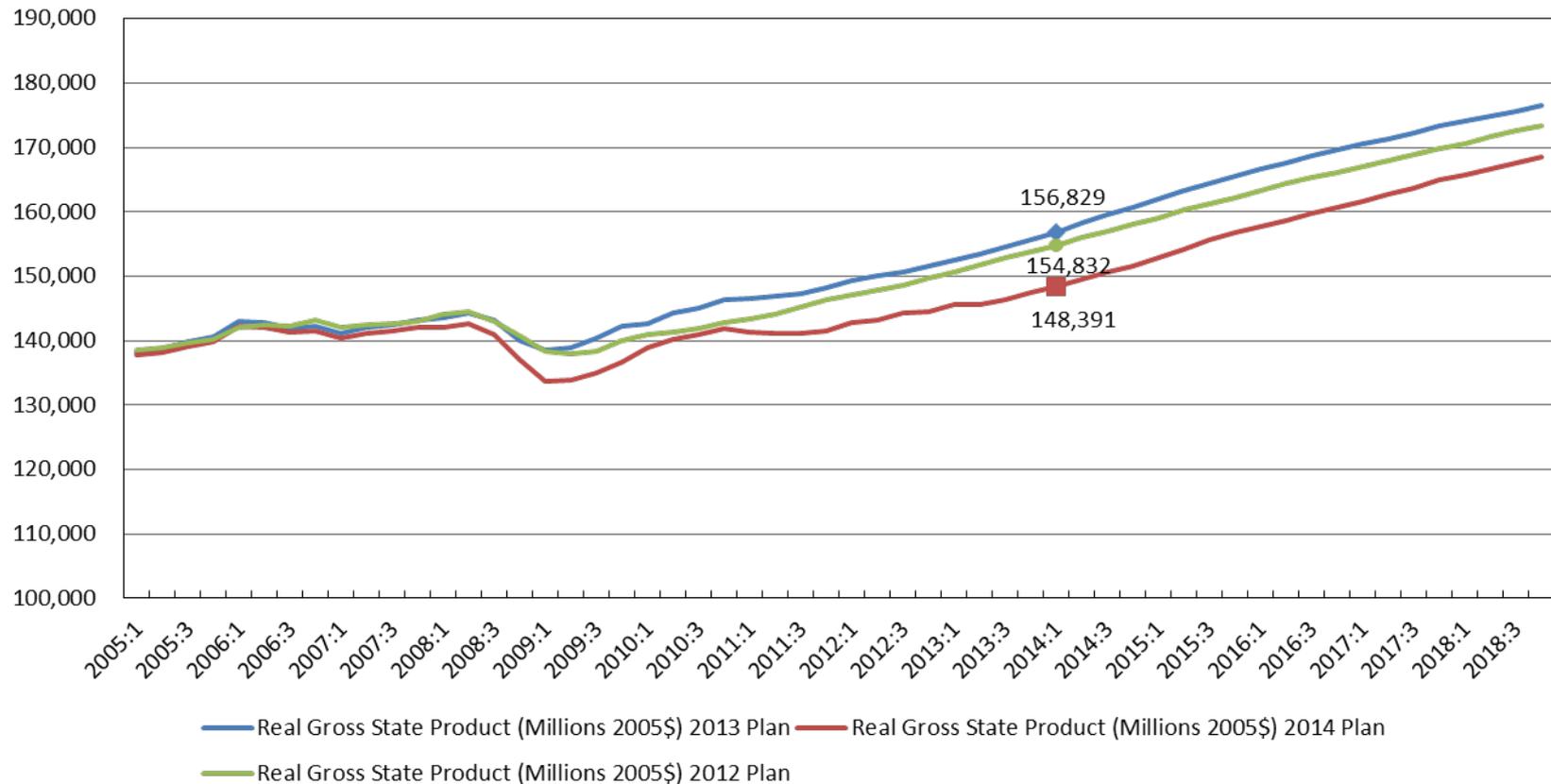
US GDP forecast lower near term vs. prior Plan



Source: IHS Global Insight

Kentucky GSP continues trend of lower revisions

Kentucky GSP



Source: IHS Global Insight



Appendix B - Customer Data



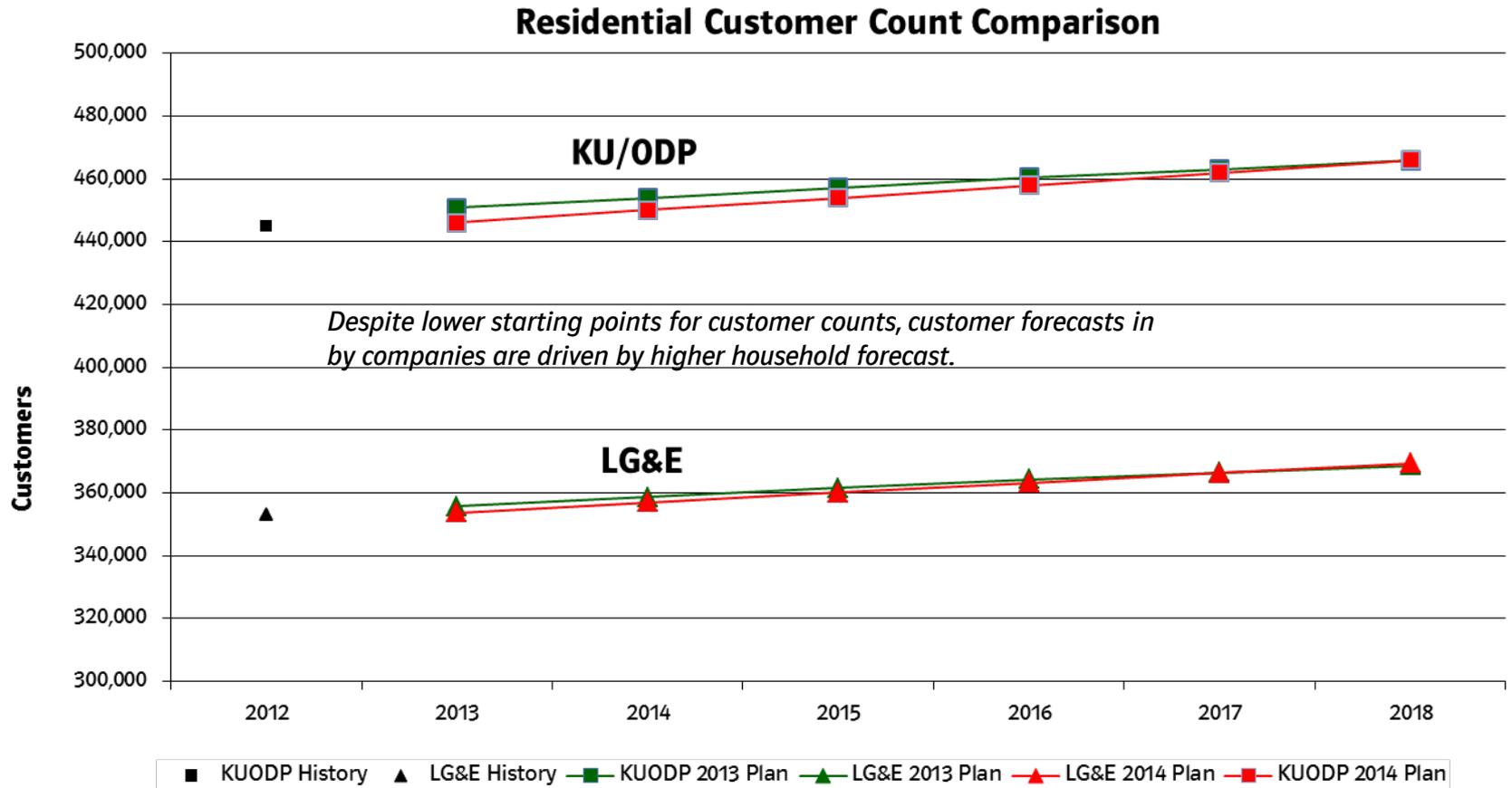
Customers by Rate

| | Rate Category | Current | | | Rate Category | Current | |
|---------------|---------------------|-----------------|-------------------|-----------------|-----------------|-----------------|-------------------|
| | | Contract Count* | Forecast for 2014 | | | Contract Count* | Forecast for 2014 |
| KU/ODP | <i>AES</i> | 790 | 800 | LG&E | <i>CPS-Pri</i> | 56 | 56 |
| | <i>GS</i> | 86,001 | 86,171 | | <i>CPS-Sec</i> | 2,568 | 2,523 |
| | <i>LTOD-Pri</i> | 54 | 56 | | <i>CTOD-Pri</i> | 32 | 35 |
| | <i>PS-Pri</i> | 302 | 264 | | <i>CTOD-Sec</i> | 129 | 142 |
| | <i>PS-Sec</i> | 5,532 | 5,267 | | <i>GS</i> | 44,251 | 44,448 |
| | <i>RS</i> | 446,414 | 450,199 | | <i>IPS-Pri</i> | 25 | 21 |
| | <i>RTS</i> | 46 | 45 | | <i>IPS-Sec</i> | 263 | 249 |
| | <i>TOD-Pri</i> | 139 | 161 | | <i>ITOD-Pri</i> | 64 | 68 |
| | <i>TOD-Sec</i> | 271 | 327 | | <i>ITOD-Sec</i> | 59 | 63 |
| | <i>FLS</i> | 1 | 1 | | <i>RS</i> | 353,817 | 356,974 |
| | <i>Muni Pumping</i> | 12 | 12 | | <i>RTS</i> | 12 | 12 |
| | <i>Municipals</i> | 12 | 12 | | | <u>401,274</u> | <u>404,590</u> |
| | | <u>539,573</u> | <u>543,315</u> | | | | |

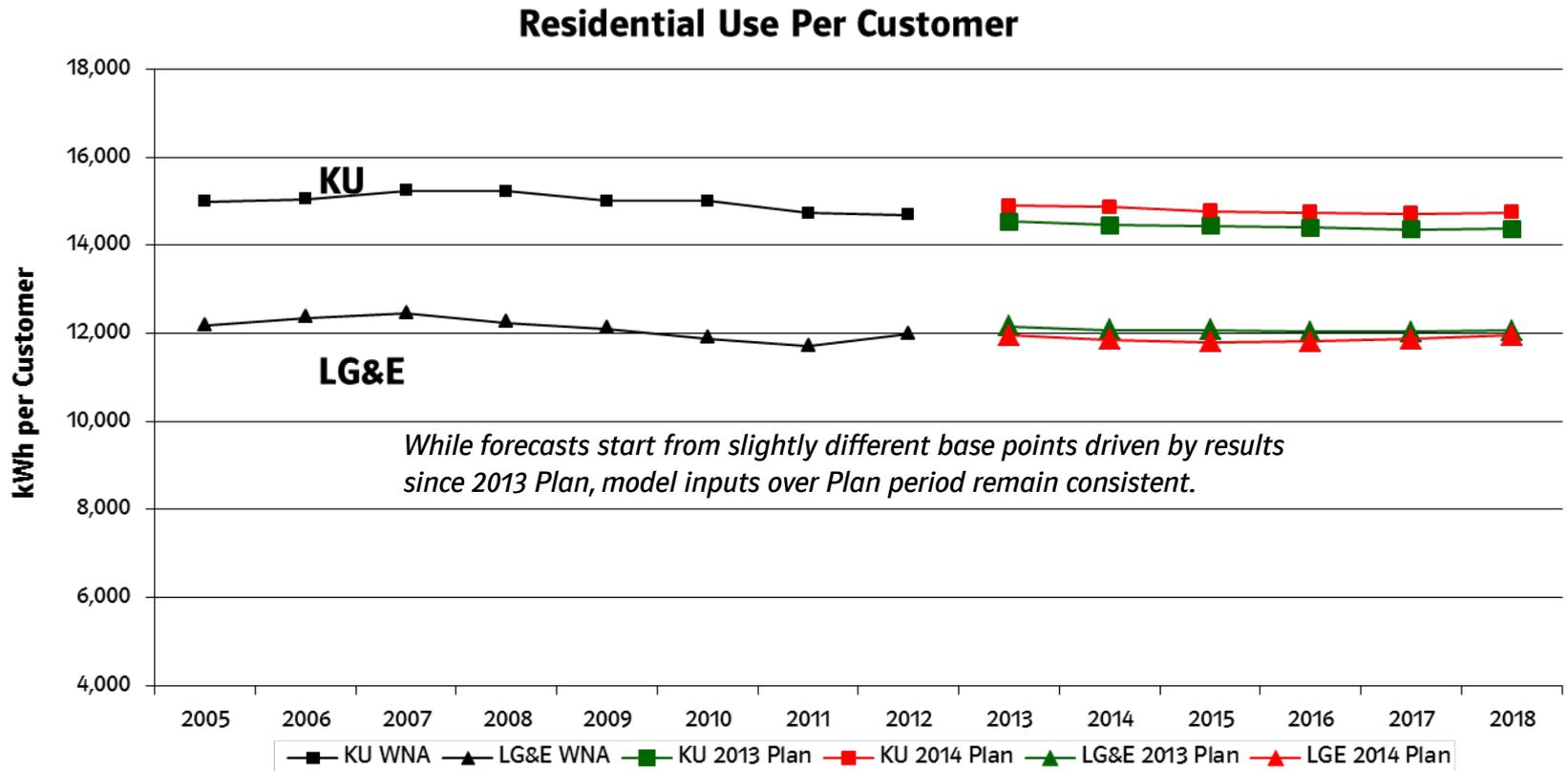
* Average of Jan-Apr 2013



Residential customer growth slightly below 2013BP



KU use per customer slightly higher than 2013 Plan; LG&E largely consistent with 2013 Plan



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

Appendix C – Balance of 2013 and Long-term Sales Forecasts



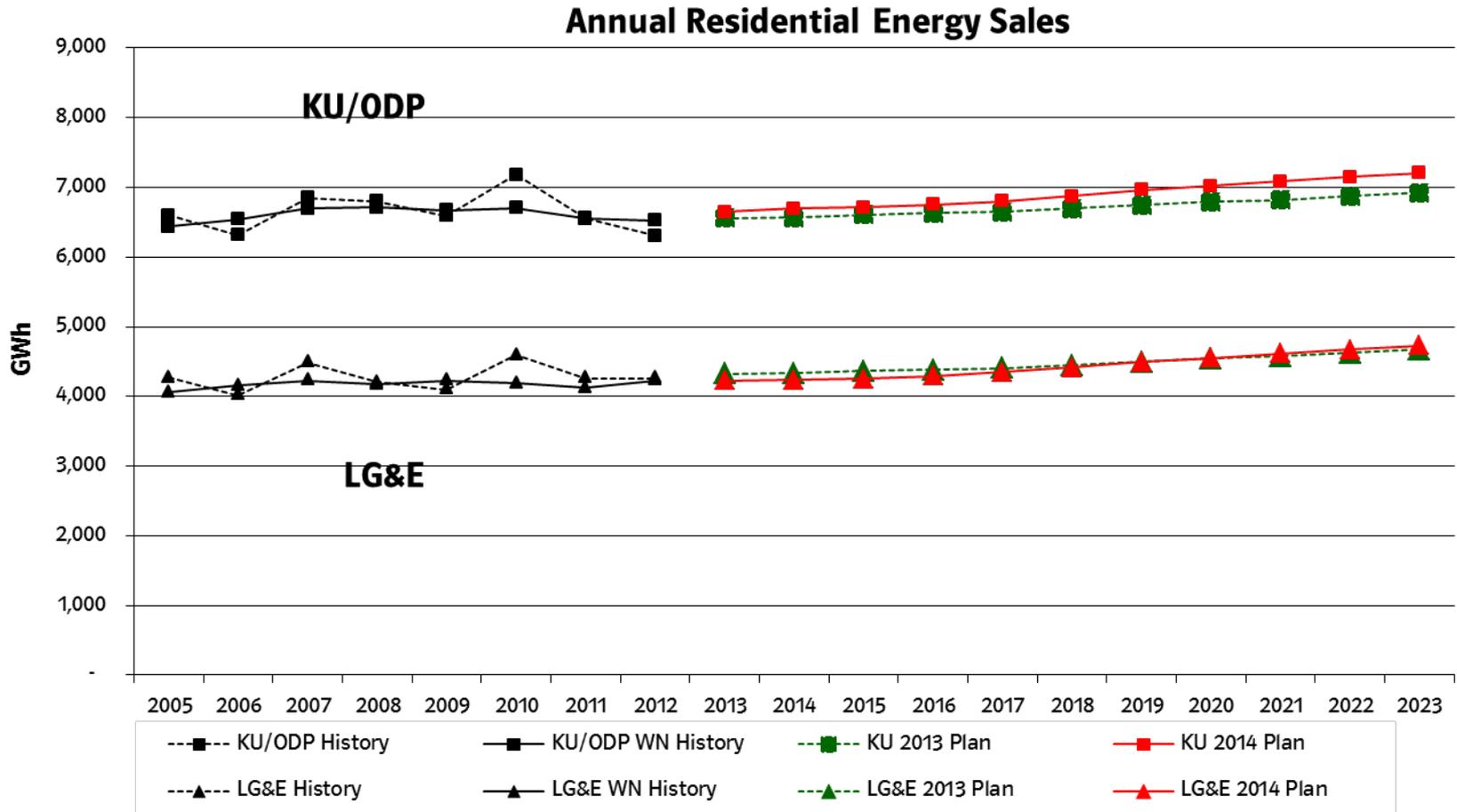
Combined Company energy expected to be 1.1% below 2013BP for balance of 2013

| Jan - May 2013 Combined Company Plan to Plan | | | | | Jun - Dec 2013 Combined Company Plan to Plan | | | |
|--|---------------|---------------|-------------|--------------|--|---------------|--------------|--------------|
| Revenue Class | 2014 Plan | 2013 Plan | Variance | | 2014 Plan | 2013 Plan | Variance | |
| | (GWh) | (GWh) | (GWh) | Pct Var | | | (GWh) | (GWh) |
| <i>Residential</i> | 4,407 | 4,407 | (0) | 0.0% | 6,464 | 6,488 | (24) | -0.4% |
| <i>Commercial</i> | 3,096 | 3,142 | (46) | -1.5% | 4,718 | 4,769 | (52) | -1.1% |
| <i>Industrial</i> | 3,981 | 3,928 | 53 | 1.3% | 5,964 | 5,995 | (32) | -0.5% |
| <i>Public Authority/Other</i> | 1,876 | 1,901 | (25) | -1.3% | 2,957 | 3,078 | (121) | -3.9% |
| Total | 13,360 | 13,379 | (19) | -0.1% | 20,103 | 20,331 | (228) | -1.1% |

| Combined Company Jan - May Year over Year | | | | | Combined Company Jun - Dec Year over Year | | | |
|---|---------------|---------------|------------|-------------|---|---------------|---------------|-------------|
| Revenue Class | 2014 Plan | 2012 WN | Variance | | 2014 Plan | 2012 WN | Variance | |
| | (GWh) | Actuals (GWh) | (GWh) | Pct Var | | (GWh) | Actuals (GWh) | (GWh) |
| <i>Residential</i> | 4,407 | 4,247 | 160 | 3.8% | 6,464 | 6,506 | (42) | -0.6% |
| <i>Commercial</i> | 3,096 | 3,134 | (38) | -1.2% | 4,718 | 4,755 | (37) | -0.8% |
| <i>Industrial</i> | 3,981 | 3,950 | 31 | 0.8% | 5,964 | 5,640 | 324 | 5.7% |
| <i>Public Authority/Other</i> | 1,876 | 1,915 | (39) | -2.0% | 2,957 | 2,845 | 112 | 4.0% |
| Total | 13,360 | 13,246 | 114 | 0.9% | 20,103 | 19,746 | 357 | 1.8% |



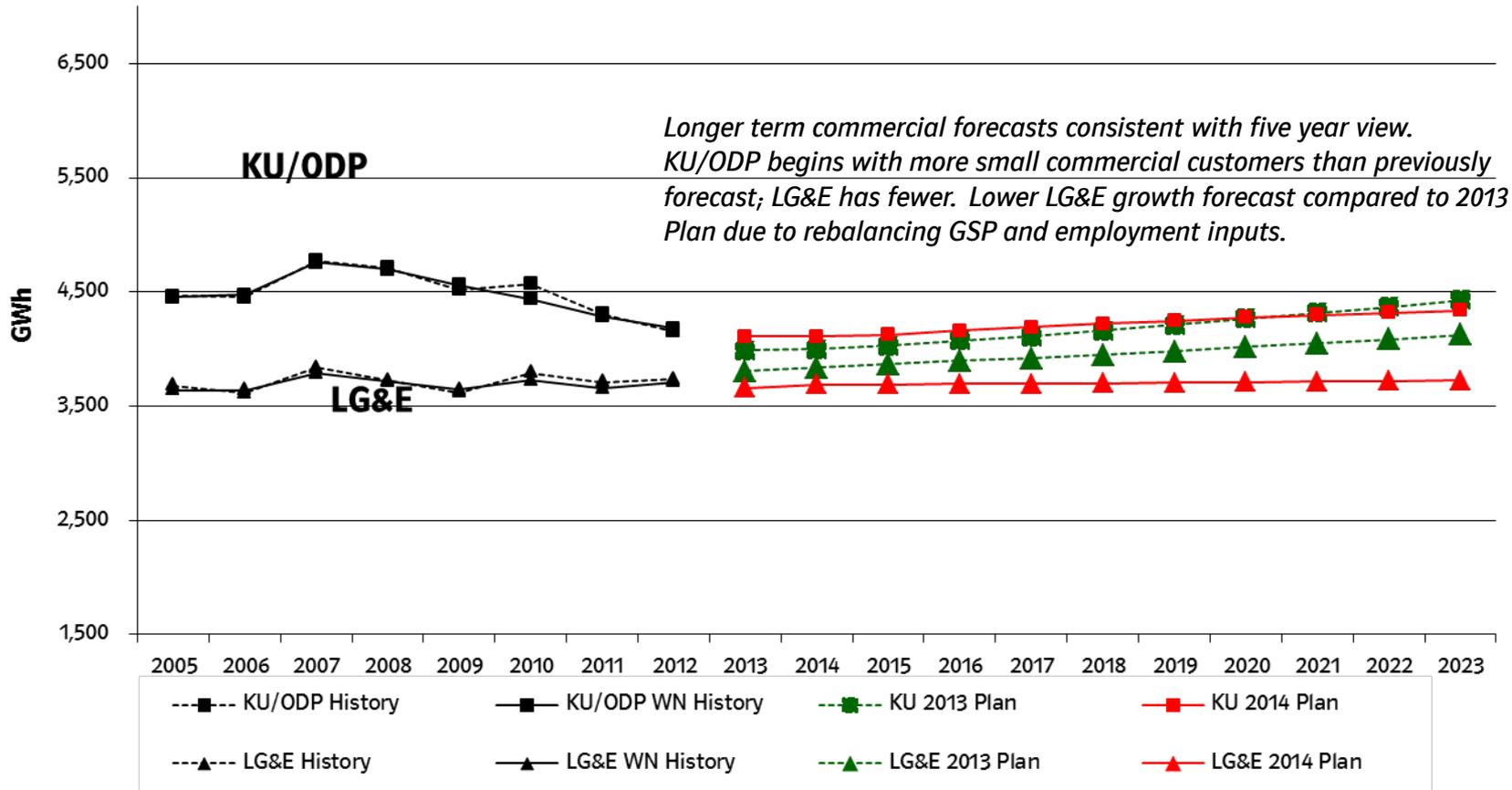
Residential energy sales are higher in the long term due to higher household forecasts



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

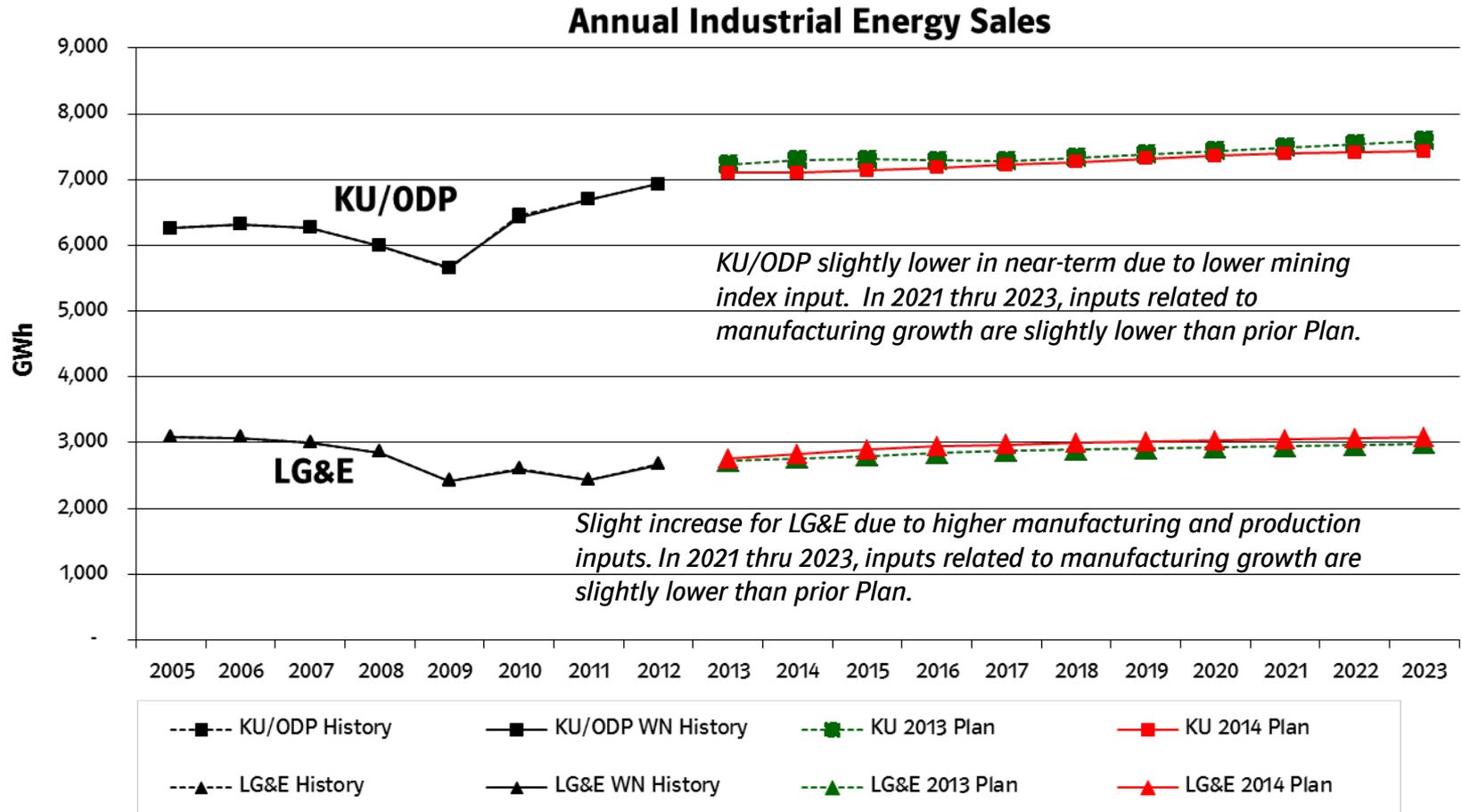
Commercial sales are lower for KU and LG&E in 10 years due to

Annual Commercial Energy Sales



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

Slow growth expected in Industrial sales



* In 2014 Plan forecast, 2013 value is a weather-normalized 5+7 forecast.

Large Industrial billing demands below 2013 BP driven by lower coal mining

| Period | 2014 Plan | 2013 Plan | Delta | Pct Var | 2014 Plan | 2013 Plan | Delta | Pct Var |
|----------|-----------|-----------|-------|---------|------------|------------|---------|---------|
| | MW Billed | MW Billed | | | MVA Billed | MVA Billed | | |
| | Rates | Rates | | | Rates | Rates | | |
| 2013 YTD | 12,246 | 11,691 | 555 | 4.7% | 25,733 | 26,925 | (1,192) | -4.4% |
| 2013 BoY | 19,026 | 17,903 | 1,123 | 6.3% | 36,920 | 39,469 | (2,549) | -6.5% |
| 2014 | 31,277 | 29,570 | 1,707 | 5.8% | 63,922 | 67,496 | (3,574) | -5.3% |
| 2015 | 32,143 | 29,584 | 2,558 | 8.6% | 64,528 | 67,842 | (3,314) | -4.9% |
| 2016 | 32,473 | 29,621 | 2,852 | 9.6% | 65,128 | 67,994 | (2,866) | -4.2% |
| 2017 | 32,452 | 29,663 | 2,789 | 9.4% | 65,558 | 68,269 | (2,710) | -4.0% |
| 2018 | 32,426 | 29,832 | 2,594 | 8.7% | 66,043 | 68,700 | (2,657) | -3.9% |

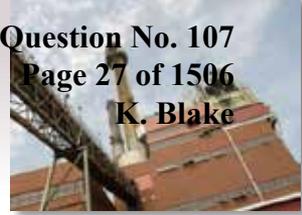




PPL companies

2014 Business Plan Generation & OSS Forecast

*Generation Planning & Analysis
September 12, 2013*



2014 Plan Summary

- *Compared to 2013 Plan, native load production costs (\$/MWh) in 2014 Plan are lower.*
 - *Lower coal prices drive reductions in native load production costs throughout planning period.*
- *OSS contribution is slightly lower in 2014, mostly unchanged in 2015-16, and slightly higher in 2017+.*
 - *Reporting of OSS contribution no longer includes opportunity costs for ECR expense and transmission losses.*

| Native Load Production Costs (\$/MWh) | 2014 | 2015 | 2016 | 2017 | 2018 | CAGR |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 2013 Plan | 30.18 | 31.97 | 34.72 | 36.43 | 37.22 | 5.4% |
| 2014 Plan | 29.68 | 30.62 | 32.32 | 33.92 | 35.12 | 4.3% |

| OSS Contribution (\$M) | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| 2013 Plan | 2.7 | 1.2 | 1.0 | 0.7 | 1.5 |
| 2014 Plan | 2.1 | 1.3 | 0.9 | 1.2 | 1.8 |



Key Changes in Planning Assumptions & Inputs

- *Plan over plan, coal prices are 4.4% lower in 2014 and approximately 8% lower in 2015-18.*
 - *Electricity and gas prices are mostly unchanged, but hourly electricity prices (based on history) are assumed to be less volatile.*
- *Coal unit availability consistent with prior plan except for:*
 - *Added 13 weeks to 2-week TC2 outage in spring 2014 to replace burners.*
 - *2013 Plan assumed Cane Run would operate 2 of 3 units beginning October 2014 for CR7 operator training; additionally, 2014 Plan assumes '2-of-3' operation in March-April 2014.*
 - *Plan assumes Green River 3-4 will be retired October 1, 2014; final Green River 3-4 retirement decision will be made summer of 2014.*
- *Brown 1-2 operate without constraints beyond MATS compliance deadline with NALCO fuel additive.*
- *Expansion plan includes reserve margin purchase in 2016-17 and 2x1 NGCC in 2018.*
 - *Reserve margin purchase (165 MW in 2016-17).*
 - *Fixed capacity costs (~\$8.2 million/year in 2016-17).*
 - *Site for 2018 2x1 NGCC to be determined.*

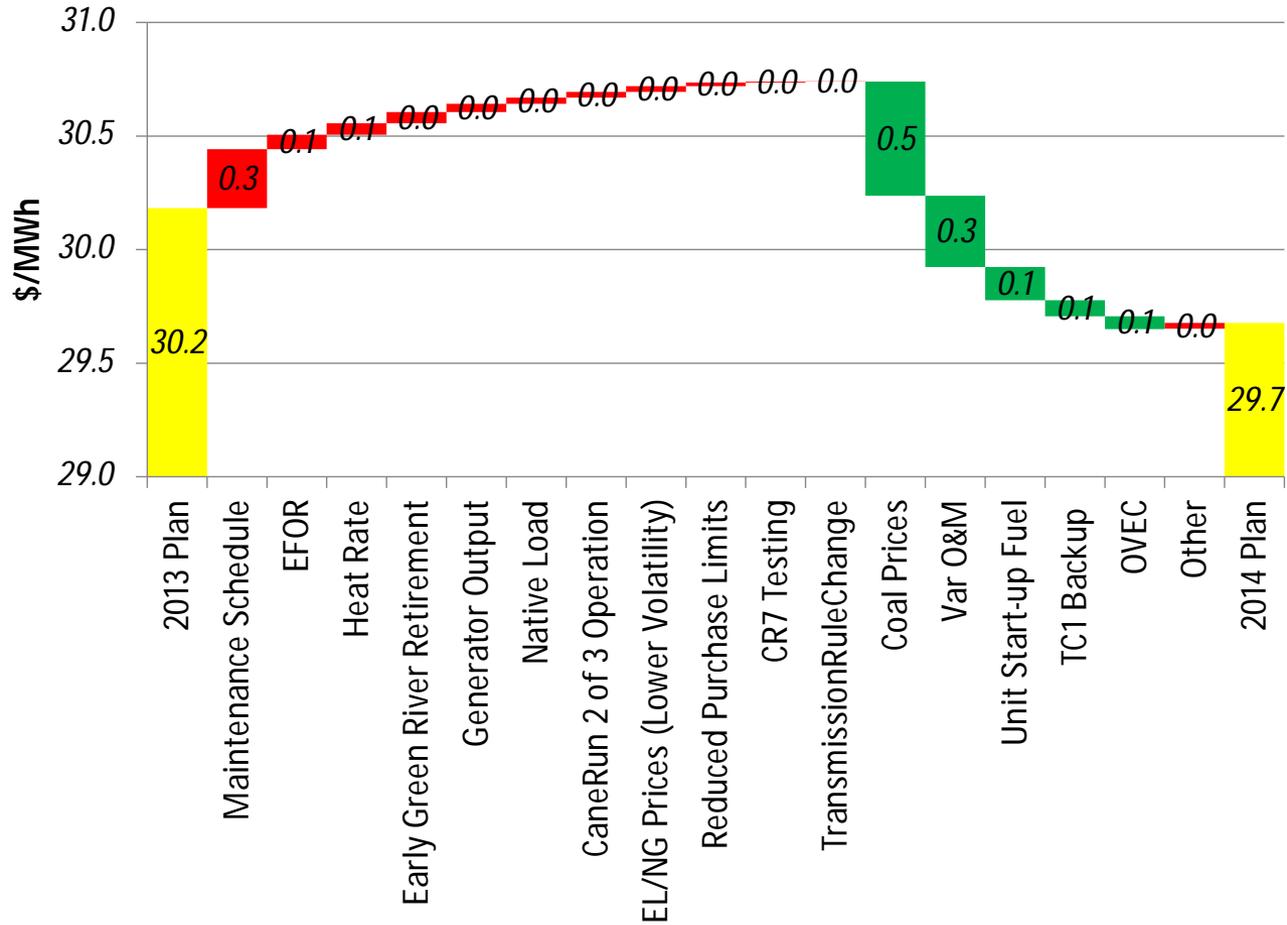
Modeled EFOR assumptions are mostly unchanged

- *Plan EFOR assumptions are slightly higher for Cane Run and Green River (based on recent history and reduction in maintenance scope).*
- *To better model uncertainty in high sulfur fuel burn, one EFOR value was developed for the Mill Creek, Ghent, and Trimble Count 1 coal units. TC1's EFOR increased slightly as a result.*
- *TC2 EFOR held constant at 6%; 2013 Plan assumed improvement to 5.6%.*
- *Consistent with 2013 Plan, 2014 KPI reporting will continue to be based on a different (lower) set of 'target' EFORs.*
 - *Target EFOR for system is 5.0%.*

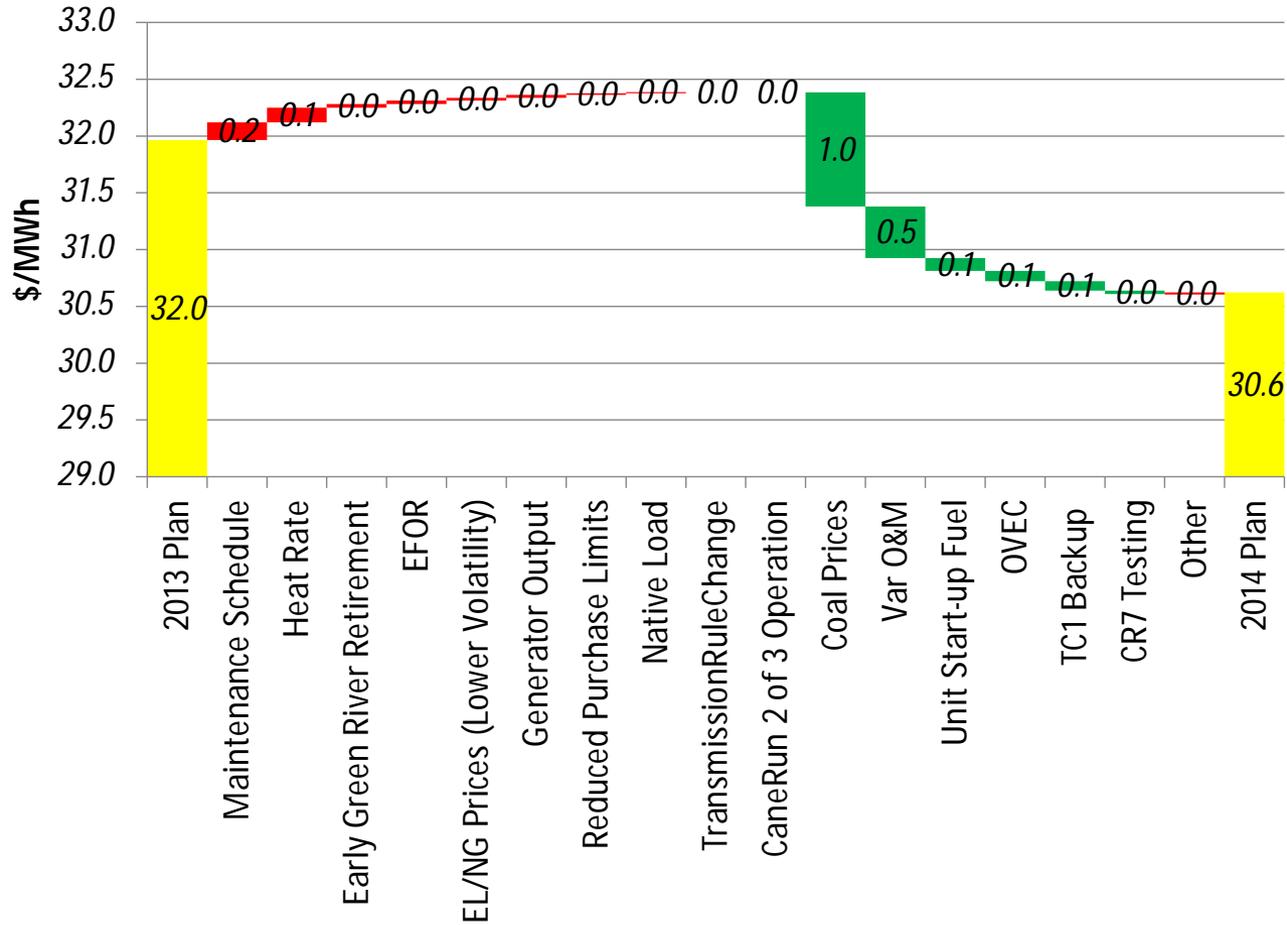
| | Modeled EFOR Assumptions for 2014 | | | Target |
|--------------|-----------------------------------|-----------|------------|--------|
| | 2013 Plan | 2014 Plan | Difference | |
| BR1 | 5.6% | 5.6% | 0.0% | 5.6% |
| BR2 | 5.6% | 5.6% | 0.0% | 5.6% |
| BR3 | 5.6% | 5.6% | 0.0% | 5.6% |
| CR4 | 7.3% | 7.8% | 0.5% | 6.8% |
| CR5 | 7.3% | 7.8% | 0.5% | 6.8% |
| CR6 | 7.3% | 7.8% | 0.5% | 6.8% |
| GH1 | 5.6% | 5.6% | 0.0% | 5.0% |
| GH2 | 5.6% | 5.6% | 0.0% | 5.0% |
| GH3 | 5.6% | 5.6% | 0.0% | 5.0% |
| GH4 | 5.6% | 5.6% | 0.0% | 5.0% |
| GR3 | 7.3% | 7.8% | 0.5% | 7.0% |
| GR4 | 7.3% | 7.8% | 0.5% | 7.0% |
| MC1 | 5.6% | 5.6% | 0.0% | 5.0% |
| MC2 | 5.6% | 5.6% | 0.0% | 5.0% |
| MC3 | 5.6% | 5.6% | 0.0% | 5.0% |
| MC4 | 5.6% | 5.6% | 0.0% | 5.0% |
| TC1 | 5.1% | 5.6% | 0.5% | 4.0% |
| TC2 | 5.6% | 6.0% | 0.4% | 3.8% |
| LGE/KU Steam | 5.7% | 5.9% | 0.2% | 5.0% |



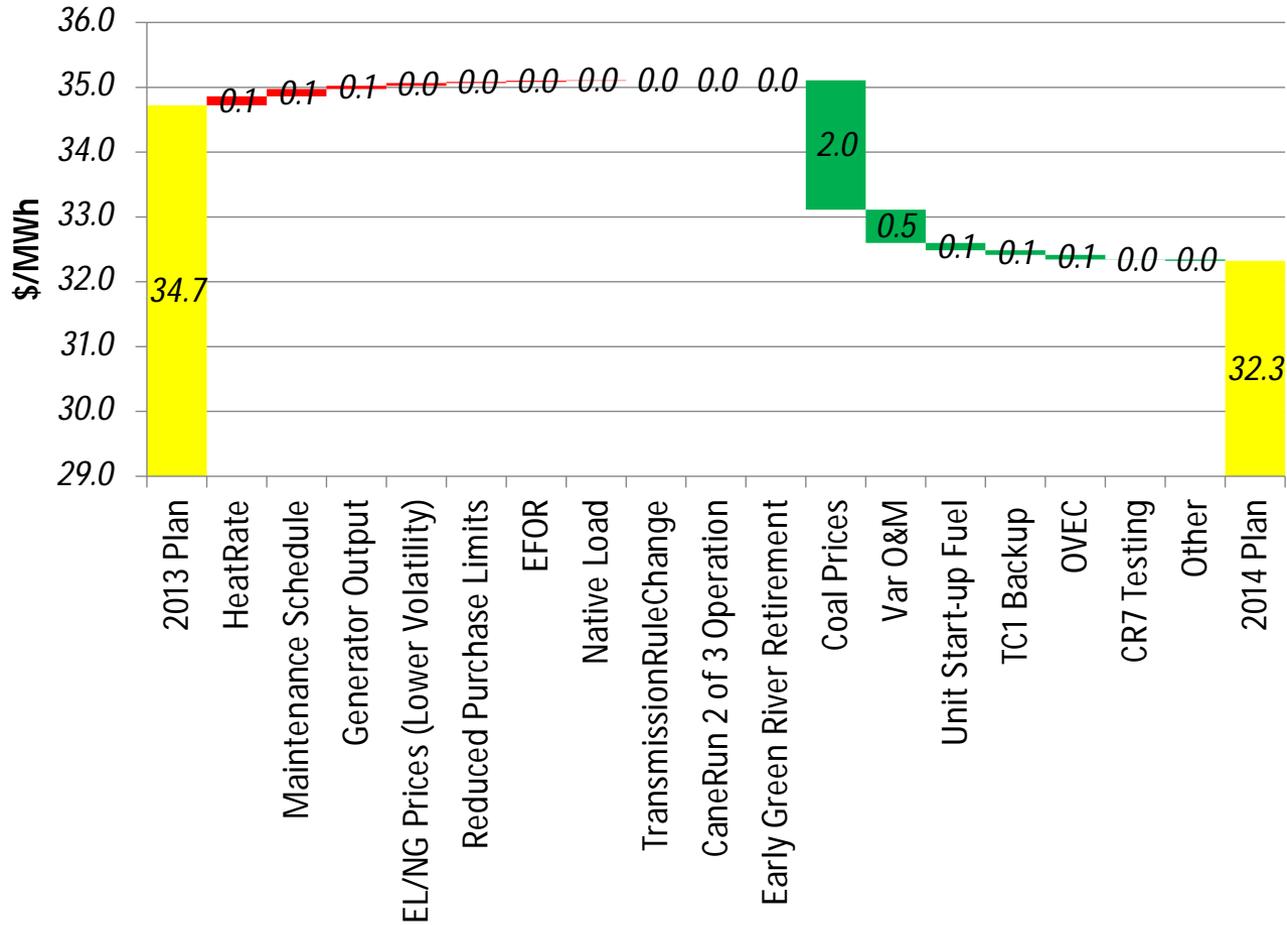
In 2014, lower coal prices more than offset impact of added planned maintenance on native load production costs



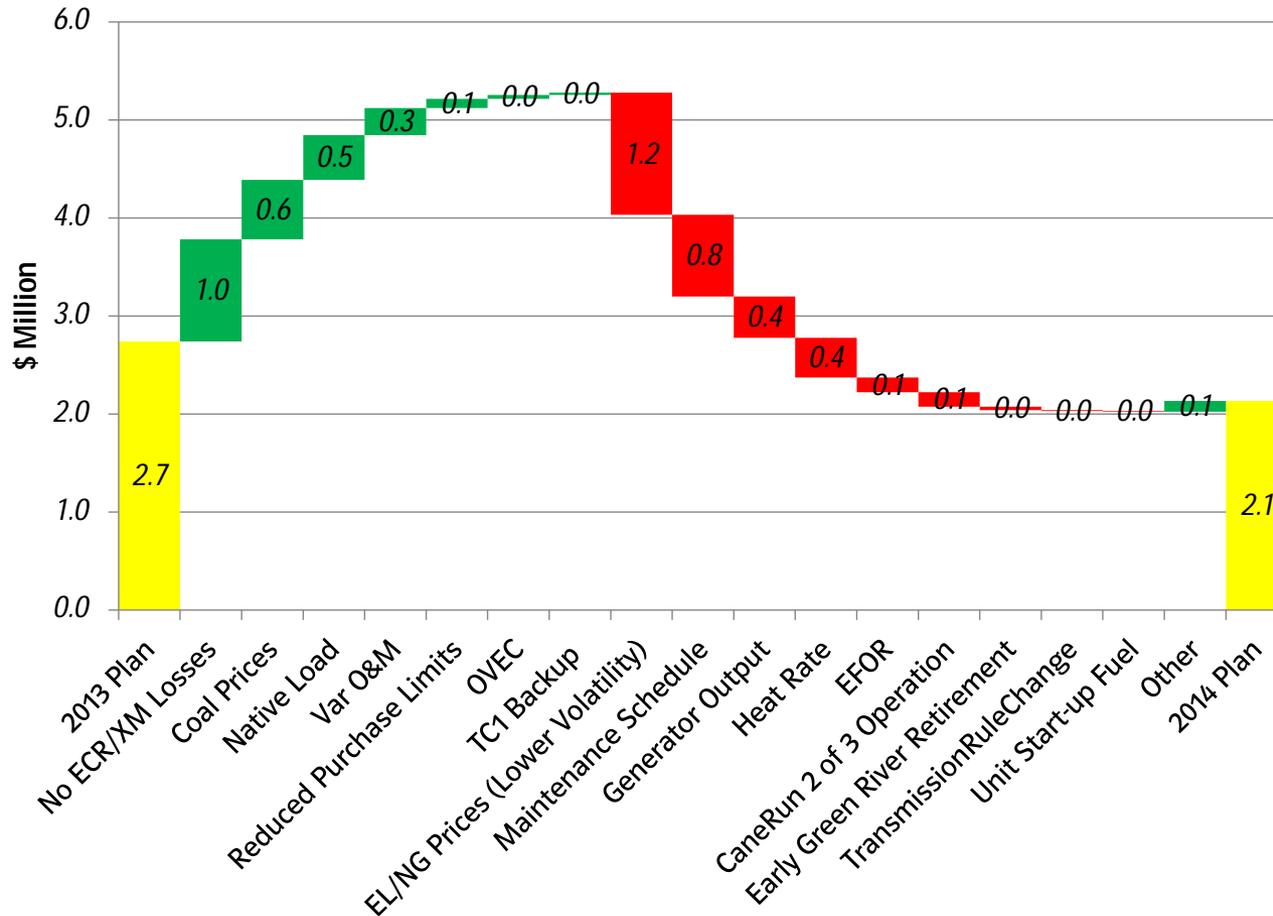
Lower coal prices drive reduction in native load production costs in 2015



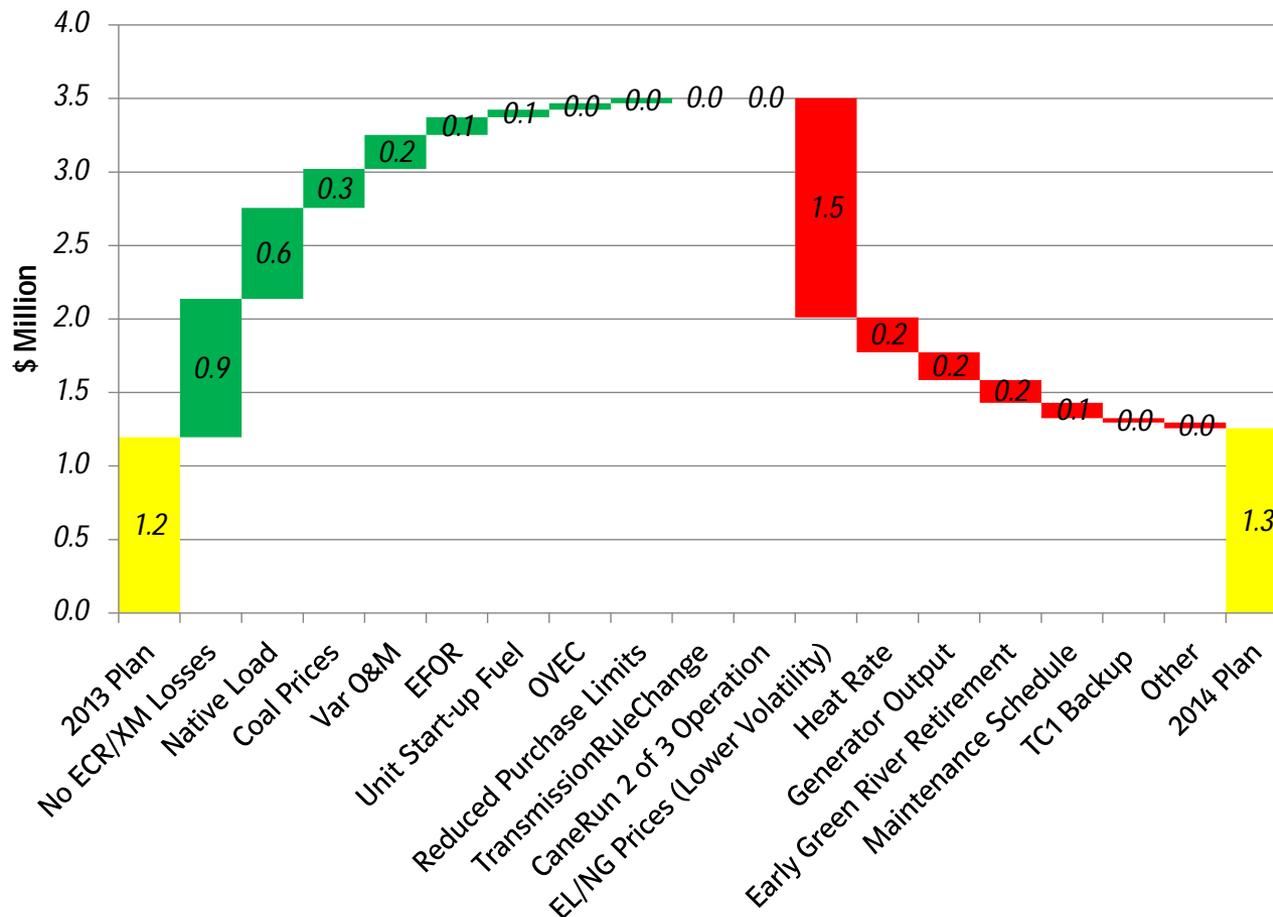
Lower coal prices drive reduction in native load production costs in 2016



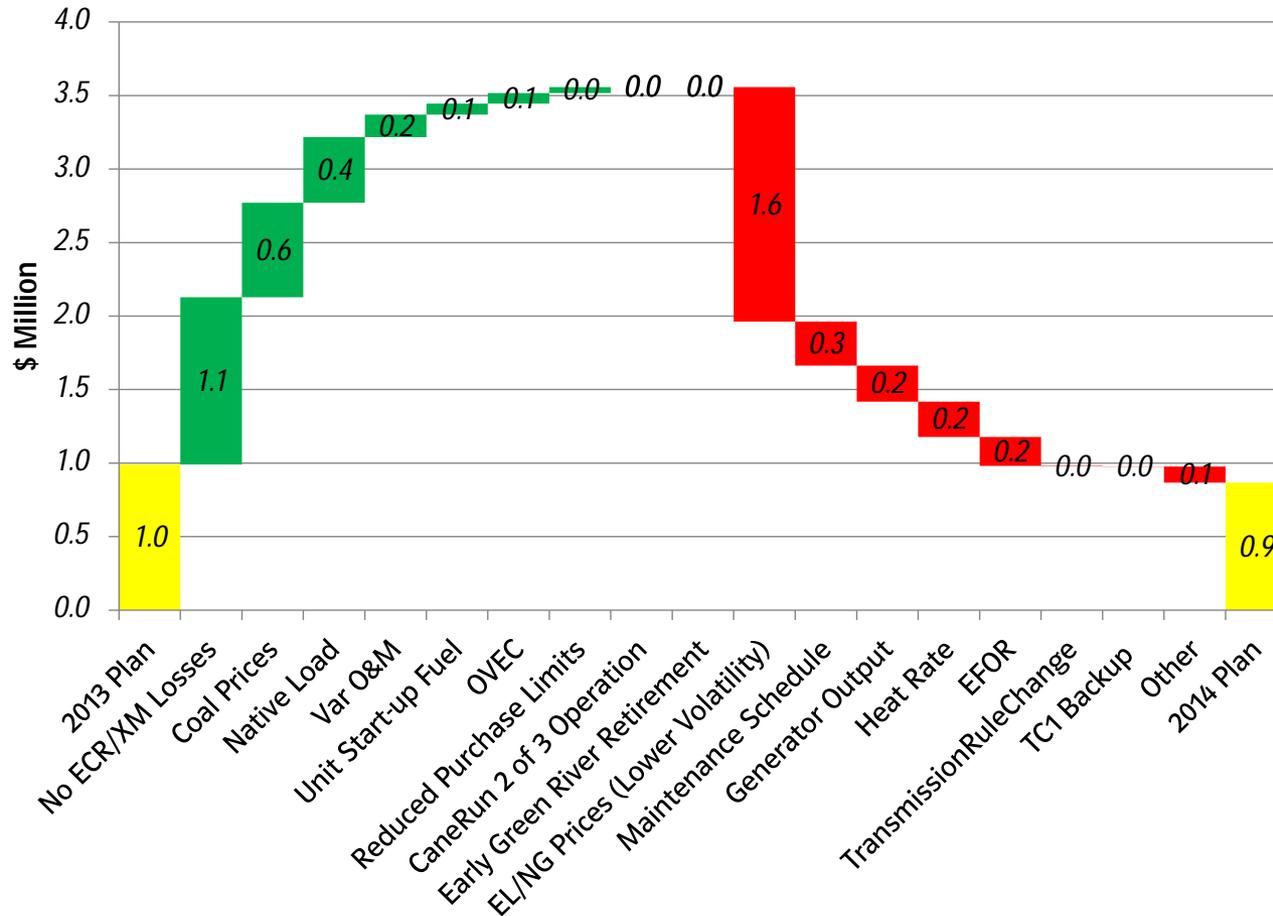
OSS contribution in 2014 is slightly lower



OSS contribution in 2015 is mostly unchanged



OSS contribution in 2016 is mostly unchanged



Key Risks and Uncertainties

- *TC2 performance post burner replacement*
- *CR7 testing and commissioning date*
- *CR7 performance after commissioning*
- *Coal unit performance in 2014 post installation of environmental retrofits*
 - *GH3: Spring 2014 (baghouse)*
 - *GH4: Fall 2014 (baghouse/turbine overhaul)*
 - *MC4: Fall 2014 (baghouse/FGD/turbine overhaul)*
- *Generally, transition of system as we retire small coal units and commission CR7*

Appendix



2014 Plan – Assumptions

- *Plan EFOR assumptions are based on historical EFOR values. 'Target' EFORs will continue to be the basis for KPI reporting and are unchanged.*
- *For the purposes of computing production costs, the following will be assumed:*
 - *CR6 unavailable 3/1/14 – 4/30/14 and 10/1/14 – 4/30/15*
 - *10/1/2014 retirement date for GR3-4*
 - *5/1/2015 commercial date for CR7*
 - *5/1/2015 retirement date for CR4-6*
- *TC2 will be available at full load (732 MW summer; 760 MW winter) throughout the planning period; TC2 will be on control after spring 2014 outage.*
- *At least one Brown unit must be operating at all times.*
- *At least two Cane Run coal units must be operating during June-August; at least one Cane Run coal unit must be operating during rest of year.*
- *PR11-13 unavailable from November through March (gas pressure); PR11-12 will also be unavailable in 2014 if PR13 is operating.*
- *FGDs will continue to operate at normal SO₂ removal levels.*

2014 Plan – Assumptions

- *Expansion plan:*
 - *Target reserve margin of 16% (within range 15-17%)*
 - *2016-17: 165 MW Reserve Margin Purchase (Jan-Dec)*
 - *6/2018: 2X1 CC*
- *Spinning reserve requirements:*
 - *Contingency: Spinning 253MW, (100 MW of 253 MW is supplemental - supplied by quick-start units)*
 - *75 MW regulating*
 - *75 MW NAS*
- *Off-system sales cannot be generated by CTs (same assumption in 2014 Plan)*
- *Baghouse installation schedule:*
 - *2014: GH3, GH4, MC4*
 - *2015: BR3, GH1, GH2, MC1, MC2, TC1*
 - *2016: MC3*
- *NALCO*
 - *2015: BR1, BR2 (beginning 4/16)*

2014 Plan – Assumptions

- *FGD installation schedule:*
 - 2014: *new MC4 FGD*
 - 2015: *Combined MC1 & 2 FGD*
 - 2016: *new MC3 FGD*
- *TC2 burners and warranty work:*
 - 2014: *TC2 (15 Weeks)*
- *No turbine upgrades*

2014 Plan – Assumptions

- *Turbine Overhaul schedule:*
 - 2014: MC4, GH4
 - 2015: GH1, BR1
 - 2016: None
 - 2017: BR2, TC1
 - 2018: GH3, TC2

- *Market Volume Limits:*
 - *Hourly sales limited to 600 MW in all months*
 - *Hourly purchases (reduced from 2013 Plan)*
 - *5x16 limited to 300 MW, reduced from 400 MW*
 - *2x16 limited to 200 MW, reduced from 450 MW*
 - *7x8 limited to 150 MW, reduced from 200 MW*

- *Market Electricity Prices*
 - *Consistent with July-approved prices*
 - *Hourly pricing shaped to correspond with historical load shape*

2014 Plan – Assumptions

- *CAIR continues*

Emission Allowance Prices (\$/ton emitted)

| <i>Year</i> | <i>Annual NOx</i> | <i>Seasonal NOx</i> | <i>SO₂</i> |
|-------------|-------------------|---------------------|-----------------------|
| <i>2014</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2015</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2016</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2017</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2018</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2019</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2020</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2021</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2022</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |
| <i>2023</i> | <i>45</i> | <i>21.50</i> | <i>1.50</i> |

Based on GADS data (and assuming TC2 is offline), there's a 5% chance that at least 1,100-1,150 MW will be unavailable

Distribution of Unavailable MWs (Weekdays Only, No TC2, 2000-2011)

| Unavailable MWs | Count of Weekday | | Cumulative Probability | Unavailable MWs | Count of Weekday | | Cumulative Probability |
|-----------------|------------------|-------------|------------------------|-----------------|------------------|-------------|------------------------|
| | Hours | Probability | | | Hours | Probability | |
| 0-50 | 9,110 | 12.1% | 12.1% | 1150-1200 | 566 | 0.8% | 95.7% |
| 50-100 | 4,073 | 5.4% | 17.5% | 1200-1250 | 565 | 0.8% | 96.5% |
| 100-150 | 4,345 | 5.8% | 23.3% | 1250-1300 | 548 | 0.7% | 97.2% |
| 150-200 | 5,265 | 7.0% | 30.3% | 1300-1350 | 311 | 0.4% | 97.6% |
| 200-250 | 4,331 | 5.8% | 36.1% | 1350-1400 | 278 | 0.4% | 98.0% |
| 250-300 | 3,418 | 4.6% | 40.7% | 1400-1450 | 252 | 0.3% | 98.3% |
| 300-350 | 3,601 | 4.8% | 45.5% | 1450-1500 | 163 | 0.2% | 98.5% |
| 350-400 | 3,210 | 4.3% | 49.7% | 1500-1550 | 179 | 0.2% | 98.8% |
| 400-450 | 3,619 | 4.8% | 54.5% | 1550-1600 | 131 | 0.2% | 99.0% |
| 450-500 | 4,465 | 5.9% | 60.5% | 1600-1650 | 125 | 0.2% | 99.1% |
| 500-550 | 3,560 | 4.7% | 65.2% | 1650-1700 | 128 | 0.2% | 99.3% |
| 550-600 | 3,569 | 4.8% | 70.0% | 1700-1750 | 82 | 0.1% | 99.4% |
| 600-650 | 2,996 | 4.0% | 74.0% | 1750-1800 | 115 | 0.2% | 99.6% |
| 650-700 | 2,726 | 3.6% | 77.6% | 1800-1850 | 94 | 0.1% | 99.7% |
| 700-750 | 2,195 | 2.9% | 80.5% | 1850-1900 | 34 | 0.0% | 99.7% |
| 750-800 | 1,990 | 2.6% | 83.2% | 1900-1950 | 47 | 0.1% | 99.8% |
| 800-850 | 2,027 | 2.7% | 85.9% | 1950-2000 | 22 | 0.0% | 99.8% |
| 850-900 | 1,566 | 2.1% | 87.9% | 2000-2050 | 52 | 0.1% | 99.9% |
| 900-950 | 1,141 | 1.5% | 89.5% | 2050-2100 | 33 | 0.0% | 99.9% |
| 950-1000 | 1,354 | 1.8% | 91.3% | 2100-2150 | 3 | 0.0% | 99.9% |
| 1000-1050 | 1,098 | 1.5% | 92.7% | 2150-2200 | 27 | 0.0% | 100.0% |
| 1050-1100 | 951 | 1.3% | 94.0% | 2200+ | 19 | 0.0% | 100.0% |
| 1100-1150 | 736 | 1.0% | 95.0% | | | | |

Note: Based on GADS data. Planned outage, non-curtailing, and reserve shutdown events are ignored.



Early Green River 3-4 retirement does not raise reliability concerns for winter 2014/15; O&M savings more than offset increase in production costs

Resource Summary

| 2014-15 Week of... | Dec 29th | Jan 5th | Jan 12th | Jan 19th | Jan 26th | Feb 2nd | Feb 9th | Feb 16th | Feb 23rd | |
|---|----------|---------|----------|----------|----------|---------|---------|----------|----------|--|
| <i>Total Resources*</i> | 8,144 | 8,144 | 8,144 | 8,144 | 8,144 | 8,144 | 8,144 | 8,144 | 8,144 | |
| <i>Access to Markets</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| <i>Planned Outages</i> | -4 | -4 | -4 | -4 | -4 | -4 | -4 | -4 | -4 | |
| <i>Curtaillable</i> | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 | |
| <i>Total Supply</i> | 8,273 | 8,273 | 8,273 | 8,273 | 8,273 | 8,273 | 8,273 | 8,273 | 8,273 | |
| <i>Peak Demand</i> | 5,642 | 5,965 | 6,047 | 6,087 | 6,008 | 5,791 | 5,644 | 5,474 | 5,300 | |
| <i>Contingency Reserves</i> | 328 | 328 | 328 | 328 | 328 | 328 | 328 | 328 | 328 | |
| <i>Total Demand</i> | 5,970 | 6,293 | 6,375 | 6,415 | 6,336 | 6,119 | 5,972 | 5,802 | 5,628 | |
| Reserve Capacity | | | | | | | | | | |
| <i>No Retirements</i> | 2,303 | 1,980 | 1,898 | 1,858 | 1,937 | 2,154 | 2,301 | 2,471 | 2,645 | |
| <i>GR3-4 Retirement</i> | 2,134 | 1,811 | 1,729 | 1,689 | 1,768 | 1,985 | 2,132 | 2,302 | 2,476 | |
| <i>GR3-4 & CR6 Retirement</i> | 1,894 | 1,571 | 1,489 | 1,449 | 1,528 | 1,745 | 1,892 | 2,062 | 2,236 | |
| <i>GR3-4 & CR6 Retirement/500 MW unit out</i> | 1,394 | 1,071 | 989 | 949 | 1,028 | 1,245 | 1,392 | 1,562 | 1,736 | |
| LOL Probability with Normal Weather & No Access to Markets | | | | | | | | | | |
| <i>No Retirements</i> | 0.1% | 0.4% | 0.7% | 0.7% | 0.6% | 0.2% | 0.1% | 0.0% | 0.0% | |
| <i>GR3-4 Retirement</i> | 0.2% | 0.7% | 1.1% | 1.1% | 0.8% | 0.3% | 0.2% | 0.0% | 0.0% | |
| <i>GR3-4 & CR6 Retirement</i> | 0.3% | 1.4% | 1.8% | 1.8% | 1.4% | 0.7% | 0.3% | 0.1% | 0.1% | |
| <i>GR3-4 & CR6 Retirement/500 MW unit out</i> | 1.4% | 4.6% | 6.8% | 8.1% | 5.7% | 2.6% | 1.4% | 0.5% | 0.3% | |

- *Total resources exclude all of Paddy's Run from Nov thru Mar; includes OVEC, 6 MW derate on both GH3 & GH4 (baghouse)
- Early GR3-4 retirement reduces O&M by \$6 M; increases production costs by \$3 M.
- Final retirement decision will be made next summer pending successful TC2 burner replacement.



Electricity price elasticity to load

- *Elasticity reflects the deviation between daily vs. monthly avg. electricity price corresponding to the expected deviation between daily vs. monthly avg. load.*
 - *1.7 elasticity is average for PJM-SI since 2006.*
 - *2.5 elasticity used in recent business plans.*
- *Lower elasticity reflects lower volatility.*
 - *PJM-SI price volatility has declined since 2007 as prices have declined.*

| <i>PJM-SI (\$/MWh)</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013 YTD</i> |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| <i>Avg. Price</i> | <i>49</i> | <i>55</i> | <i>33</i> | <i>39</i> | <i>39</i> | <i>31</i> | <i>34</i> |
| <i>Std. Dev.</i> | <i>29</i> | <i>33</i> | <i>14</i> | <i>20</i> | <i>24</i> | <i>18</i> | <i>15</i> |

2014 Maintenance increases by 12 weeks

Maintenance-Weeks

| | 2014 Plan | | | | | 2013 Plan | | | | | 2014 Plan - 2013 Plan | | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2014 | 2015 | 2016 | 2017 | 2018 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Brown 1 | 3 | 8 | 3 | 1 | 3 | 8 | 1 | 4 | 1 | 3 | (5) | 7 | (1) | - | - |
| Brown 2 | 4 | 1 | 3 | 8 | 1 | 1 | 1 | 4 | 8 | 1 | 3 | - | (1) | - | - |
| Brown 3 | 3 | 7 | 3 | 1 | 3 | 3 | 4 | 3 | 1 | 3 | - | 3 | - | - | - |
| Ghent 1 | 3 | 8 | 4 | 2 | 4 | 3 | 8 | 4 | 2 | 4 | - | - | - | - | - |
| Ghent 2 | 2 | 6 | 4 | 3 | 3 | 2 | 6 | 4 | 3 | 3 | - | - | - | - | - |
| Ghent 3 | 6 | 5 | 2 | 3 | 8 | 6 | 5 | 2 | 3 | 8 | - | - | - | - | - |
| Ghent 4 | 8 | - | 3 | 3 | 4 | 8 | 2 | 3 | 3 | 4 | - | (2) | - | - | - |
| Green River 3 | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | - | - |
| Green River 4 | 1 | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - |
| Cane Run 4 | 2 | - | - | - | - | 3 | - | - | - | - | (1) | - | - | - | - |
| Cane Run 5 | 1 | - | - | - | - | - | - | - | - | - | 1 | - | - | - | - |
| Cane Run 6 | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | - | - |
| Mill Creek 1 | 1 | 6 | 1 | 4 | 1 | 1 | 6 | 1 | 4 | 1 | - | - | - | - | - |
| Mill Creek 2 | 4 | 6 | 4 | 1 | 4 | 4 | 6 | 4 | 1 | 4 | - | - | - | - | - |
| Mill Creek 3 | 1 | 2 | 9 | 4 | 1 | 1 | 6 | 1 | 4 | 1 | - | (4) | 8 | - | - |
| Mill Creek 4 | 12 | 1 | 4 | 1 | 4 | 10 | 1 | 4 | 1 | 4 | 2 | - | - | - | - |
| Trimble County 1 | 2 | 5 | 2 | 9 | 2 | - | 4 | - | 8 | - | 2 | 1 | 2 | 1 | 2 |
| Trimble County 2 | 16 | 5 | 5 | 5 | 9 | 6 | - | 4 | - | 8 | 10 | 5 | 1 | 5 | 1 |
| Cane Run 7 | - | - | - | 2 | - | - | - | - | 2 | - | - | - | - | - | - |
| Totals | 75 | 60 | 47 | 45 | 47 | 63 | 50 | 38 | 39 | 44 | 12 | 10 | 9 | 6 | 3 |
| MW-Maint Wks * | 32,218 | 24,272 | 20,410 | 19,665 | 21,947 | 24,471 | 21,338 | 15,998 | 16,357 | 20,535 | 7,747 | 2,933 | 4,412 | 3,307 | 1,412 |

* Coal + CR7 Only

Notes:

2014: Moved BR1 TO to 2015; TC2 burner replacement outage

2015: BR1 TO moved from 2014; BR3 increase due to baghouse installation; MC3 FGD/baghouse moved to 2016; TC outages per plant request

2016: MC3 outage from 2015



PPL companies

Modeled EFOR assumptions are slightly higher

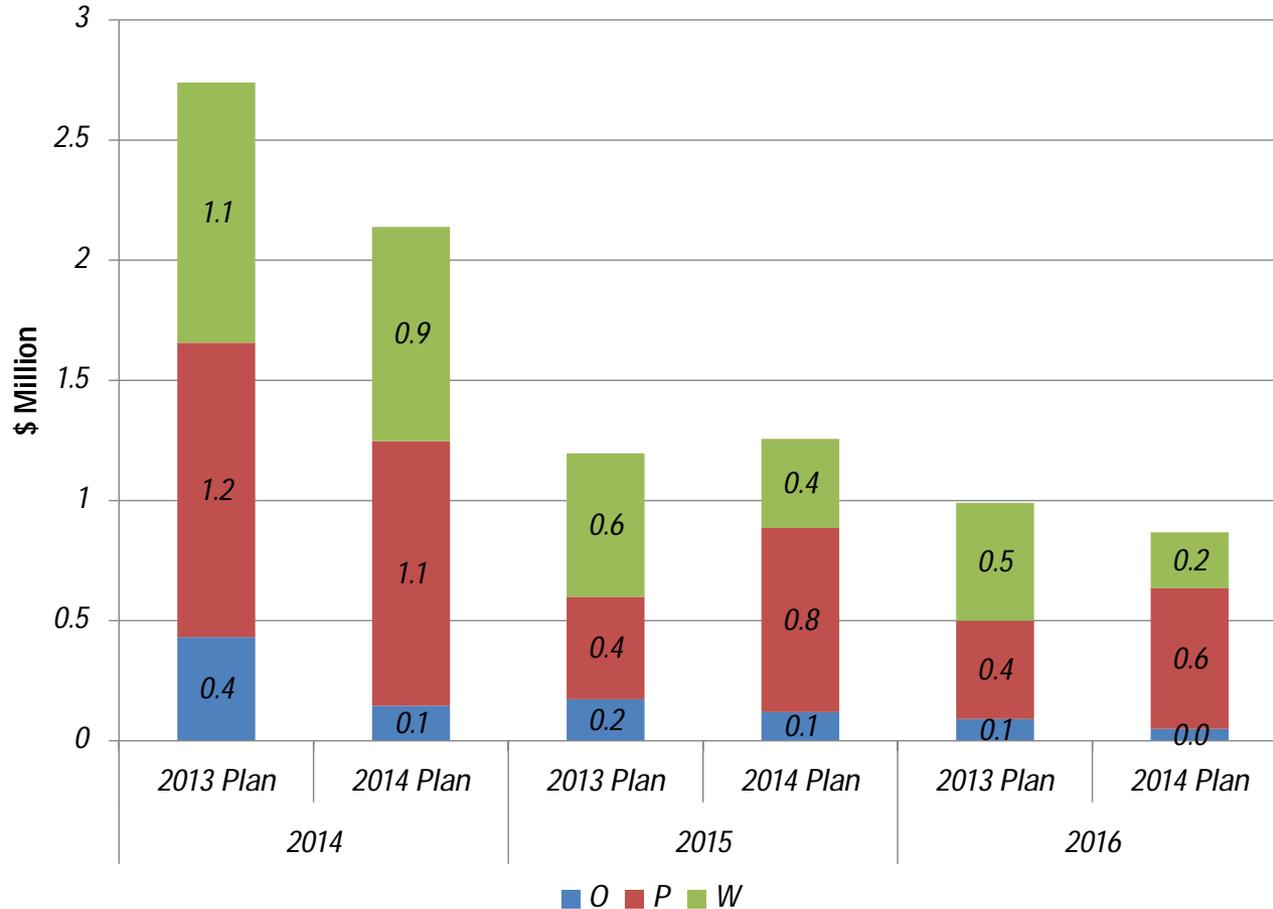
| (%) | 2014 Plan | | | | | 2013 Plan | | | | | 2014 Plan - 2013 Plan | | | | |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|------------|------------|-------------|-------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2014 | 2015 | 2016 | 2017 | 2018 | 2014 | 2015 | 2016 | 2017 | 2018 |
| <i>Brown 1</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Brown 2</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Brown 3</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Ghent 1</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Ghent 2</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Ghent 3</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Ghent 4</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Green River 3</i> | 7.8 | 8.1 | N/A | N/A | N/A | 7.3 | 7.6 | N/A | N/A | N/A | 0.5 | 0.5 | N/A | N/A | N/A |
| <i>Green River 4</i> | 7.8 | 8.1 | N/A | N/A | N/A | 7.3 | 7.6 | N/A | N/A | N/A | 0.5 | 0.5 | N/A | N/A | N/A |
| <i>Tyrone 3</i> | N/A | N/A | N/A | N/A | N/A |
| <i>Cane Run 4</i> | 7.8 | 8.1 | N/A | N/A | N/A | 7.3 | 7.6 | N/A | N/A | N/A | 0.5 | 0.5 | N/A | N/A | N/A |
| <i>Cane Run 5</i> | 7.8 | 8.1 | N/A | N/A | N/A | 7.3 | 7.6 | N/A | N/A | N/A | 0.5 | 0.5 | N/A | N/A | N/A |
| <i>Cane Run 6</i> | 7.8 | 8.1 | N/A | N/A | N/A | 7.3 | 7.6 | N/A | N/A | N/A | 0.5 | 0.5 | N/A | N/A | N/A |
| <i>Mill Creek 1</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Mill Creek 2</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Mill Creek 3</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Mill Creek 4</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Trimble County 1</i> | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| <i>Trimble County 2</i> | 6.0 | 5.6 | 5.1 | 5.1 | 5.1 | 5.6 | 5.1 | 5.1 | 5.1 | 5.1 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 |
| <i>Cane Run 7</i> | N/A | 7.0 | 6.0 | 5.0 | 5.0 | N/A | 7.0 | 7.0 | 7.0 | 7.0 | N/A | N/A | -1.0 | -2.0 | -2.0 |
| Total EFOR | 5.9 | 5.9 | 5.6 | 5.5 | 5.5 | 5.7 | 5.7 | 5.6 | 5.6 | 5.6 | 0.2 | 0.2 | 0.0 | -0.1 | -0.1 |
| <i>Total MOR</i> | 2.4 | 2.4 | 2.3 | 2.3 | 2.3 | 2.4 | 2.4 | 2.3 | 2.3 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Total EUOR</i> | 8.3 | 8.3 | 7.8 | 7.7 | 7.7 | 8.2 | 8.0 | 7.9 | 7.9 | 7.9 | 0.2 | 0.2 | 0.0 | -0.1 | -0.1 |



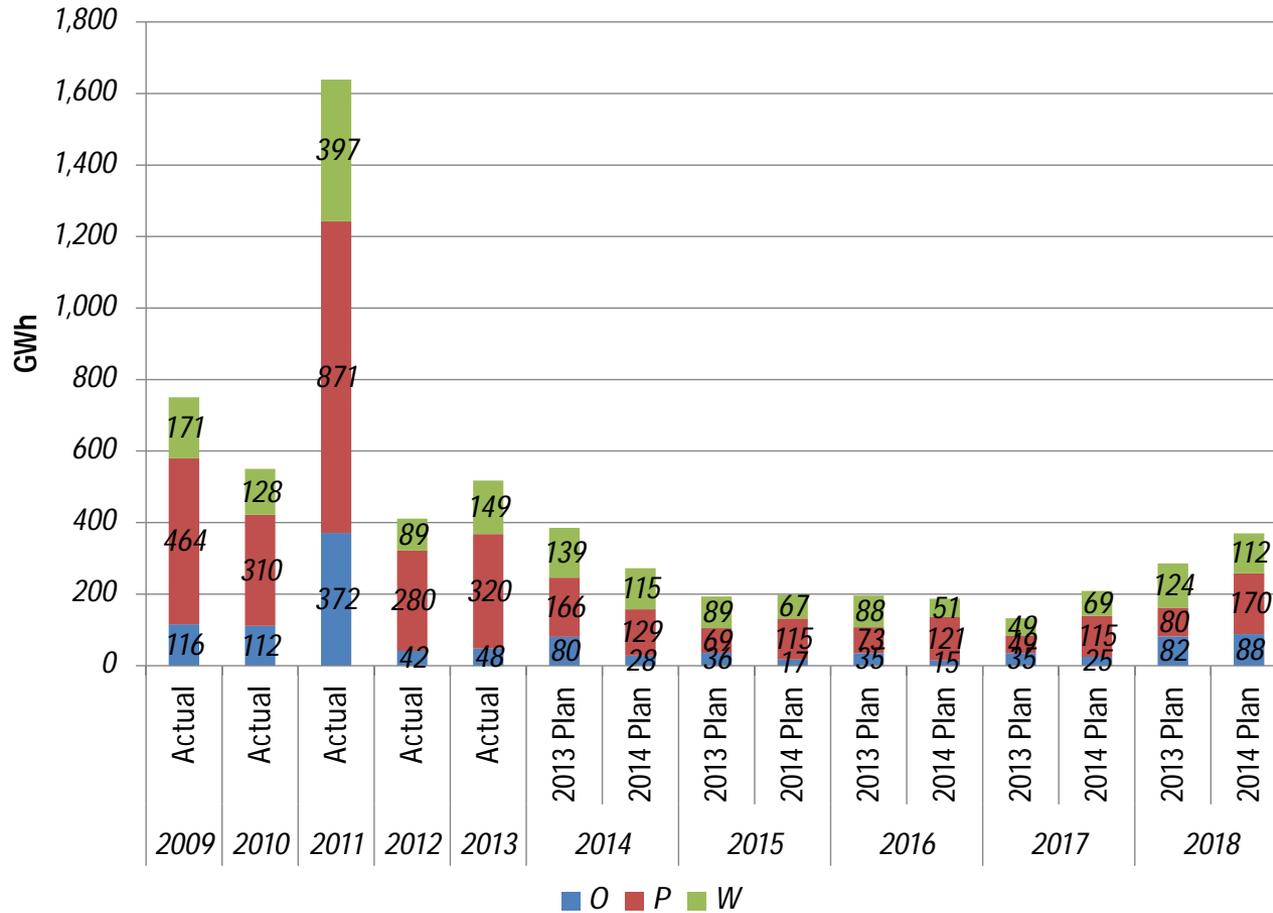
Dispatch order comparison

| | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2013Plan | 2014Plan |
| Brown 1 | 18 | 18 | 18 | 17 | 14 | 13 | 14 | 14 | 15 | 15 |
| Brown 2 | 17 | 17 | 15 | 14 | 13 | 12 | 13 | 13 | 14 | 14 |
| Brown 3 | 19 | 19 | 19 | 16 | 15 | 14 | 15 | 15 | 16 | 16 |
| Cane Run 4 | 14 | 15 | 9 | 15 | | | | | | |
| Cane Run 5 | 11 | 11 | 6 | 13 | | | | | | |
| Cane Run 6 | 15 | 14 | | | | | | | | |
| Cane Run 7 | | | 5 | 11 | 3 | 11 | 2 | 10 | 4 | 10 |
| CC2X1 | | | | | | | | | 6 | 12 |
| Ghent 1 | 6 | 9 | 12 | 8 | 8 | 8 | 9 | 9 | 10 | 9 |
| Ghent 2 | 4 | 4 | 4 | 4 | 5 | 3 | 8 | 3 | 9 | 4 |
| Ghent 3 | 13 | 13 | 13 | 10 | 9 | 9 | 11 | 11 | 12 | 11 |
| Ghent 4 | 12 | 12 | 16 | 12 | 11 | 10 | 12 | 12 | 13 | 13 |
| Green River 3 | 16 | 16 | 14 | | | | | | | |
| Green River 4 | 7 | 8 | 3 | | | | | | | |
| RM Purchase | | | | | | 15 | | 16 | | |
| Mill Creek 1 | 5 | 3 | 10 | 6 | 6 | 5 | 5 | 6 | 3 | 5 |
| Mill Creek 2 | 3 | 2 | 8 | 5 | 7 | 5 | 3 | 5 | 2 | 6 |
| Mill Creek 3 | 8 | 6 | 11 | 3 | 12 | 6 | 10 | 8 | 11 | 8 |
| Mill Creek 4 | 9 | 7 | 17 | 9 | 10 | 7 | 7 | 7 | 8 | 7 |
| OVEC-K Release | 10 | 10 | 7 | 7 | 4 | 4 | 6 | 4 | 7 | 3 |
| OVEC-L Release | 10 | 10 | 7 | 7 | 4 | 4 | 6 | 4 | 7 | 3 |
| Trimble County 1 | 2 | 5 | 2 | 2 | 2 | 2 | 4 | 2 | 5 | 2 |
| Trimble County 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

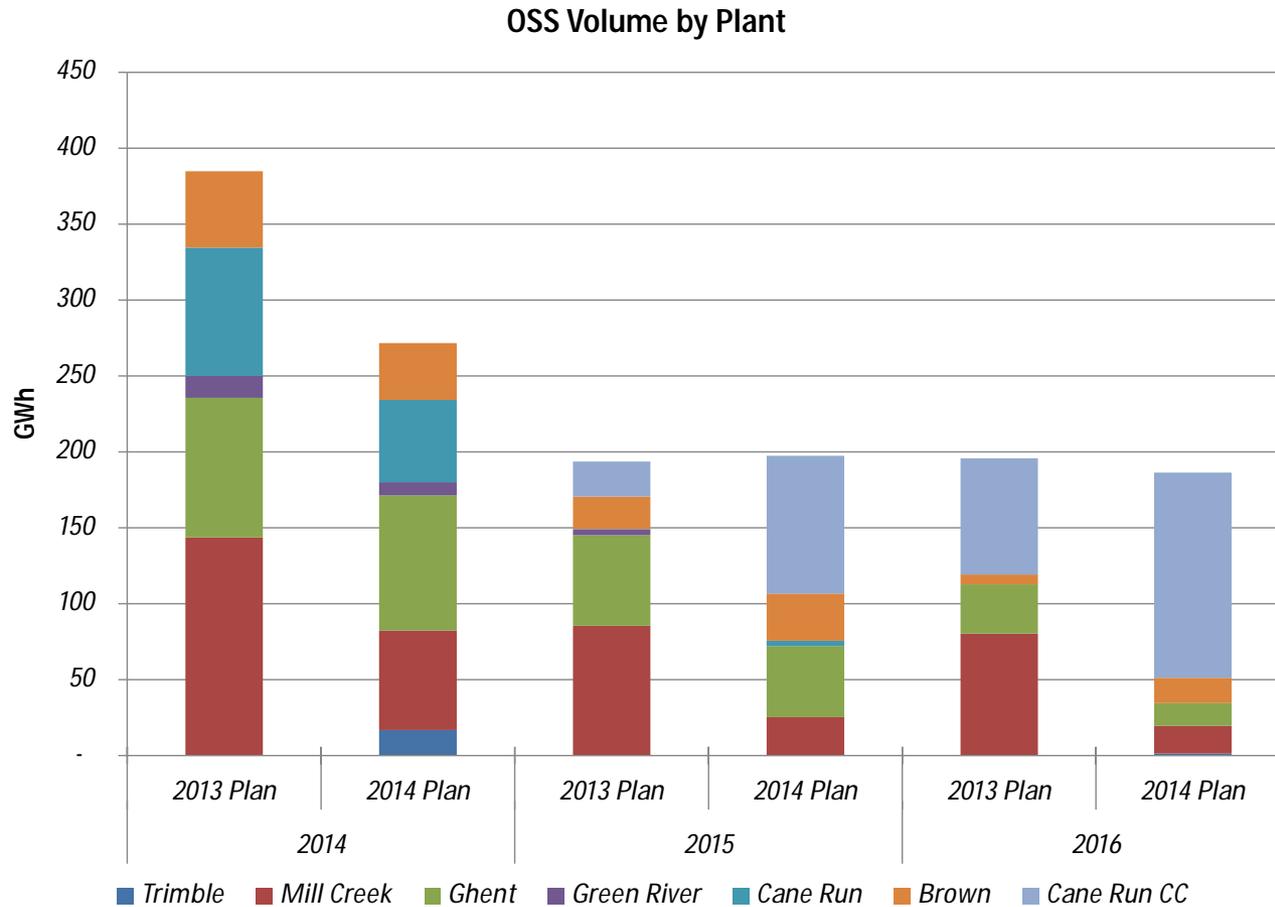
OSS Contribution by Peak-type



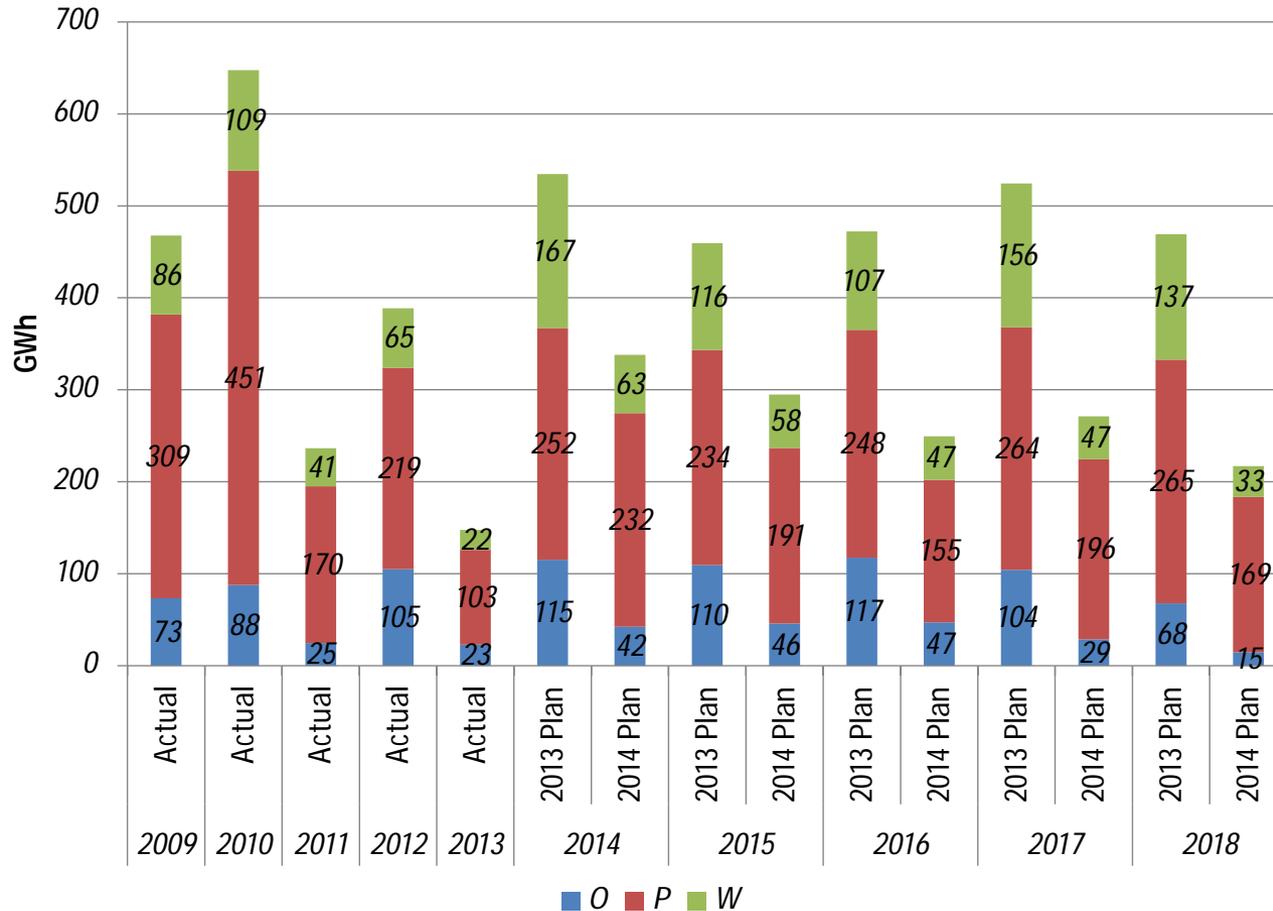
OSS volumes lower in 2014



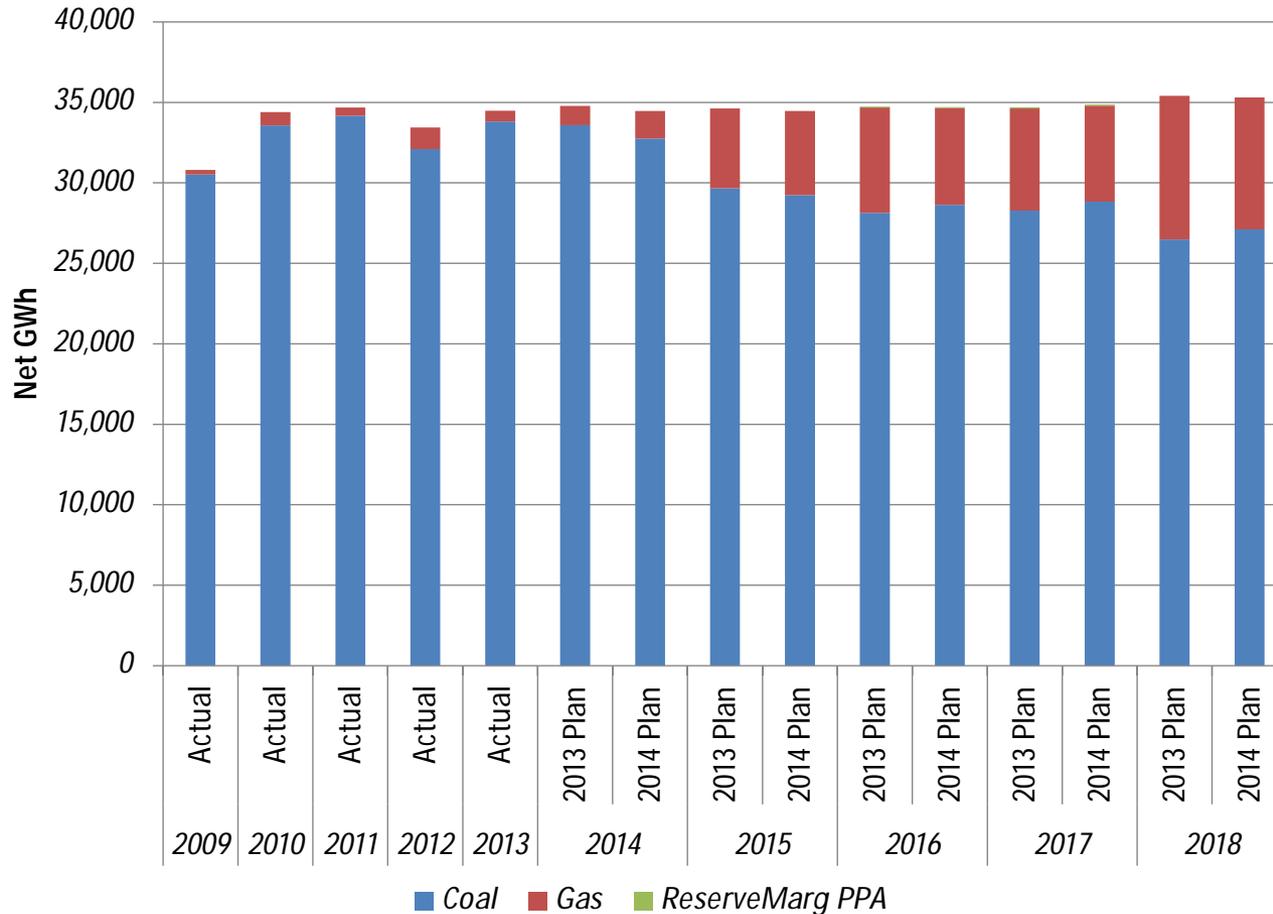
OSS from Cane Run 7 increases



Economy purchases lower (and more in line with history) due to reduced purchase limits



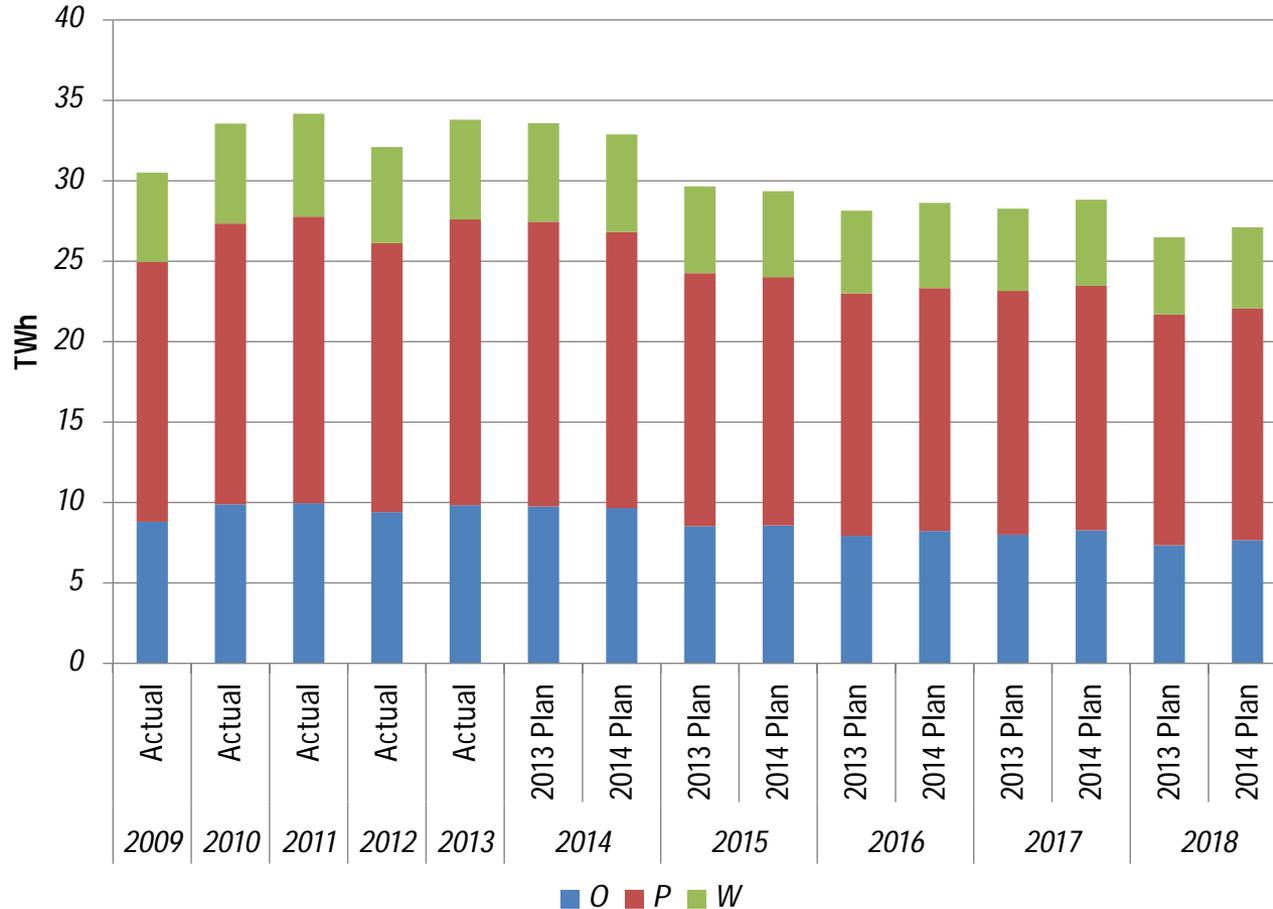
Total coal and gas generation remains mostly unchanged in 2014 Plan



2013: 7 + 5



Compared to 2013 Plan, coal generation in 2014 Plan is mostly unchanged

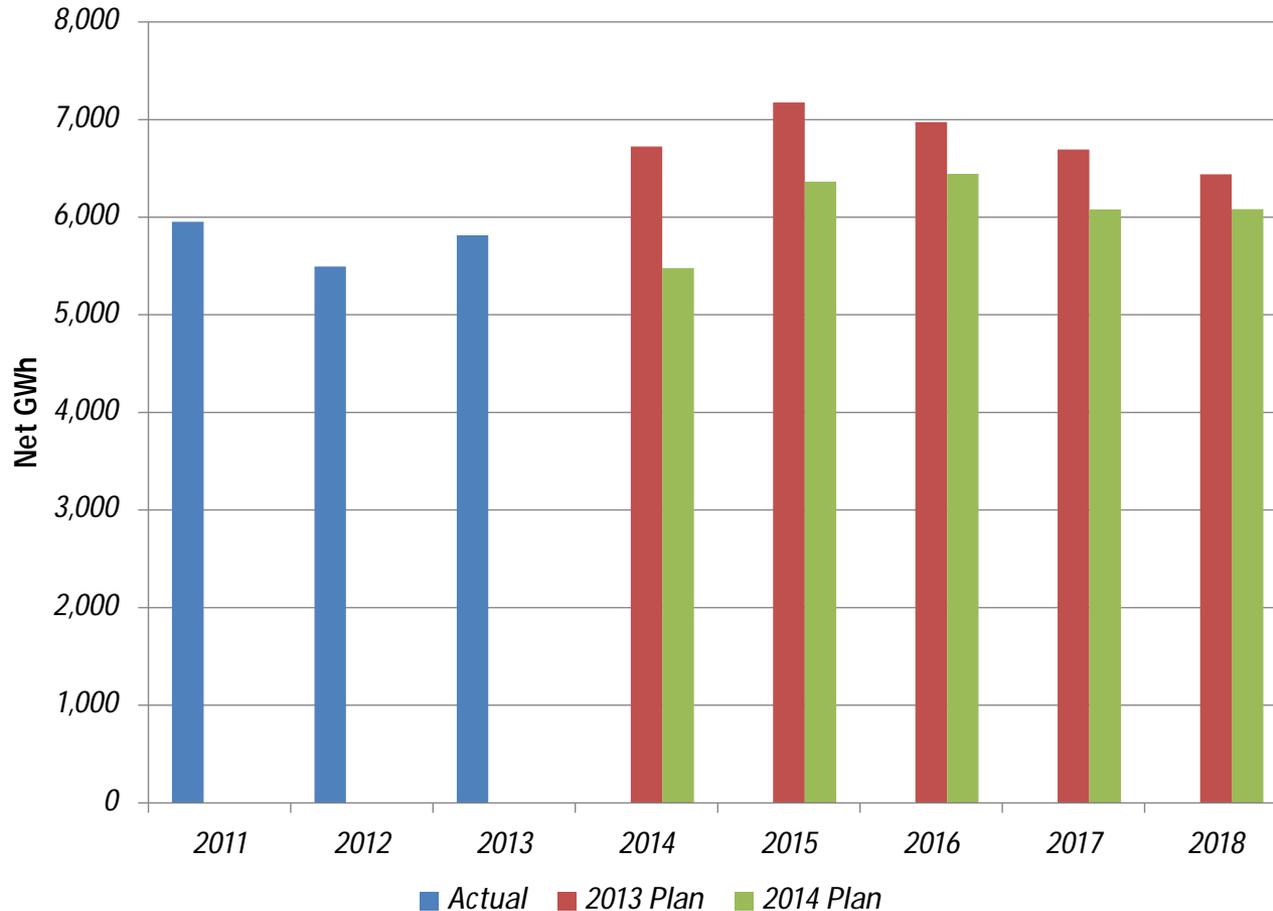


Note: TC1 & 2 at 75%



PPL companies

Trimble coal generation decreases in 2014 Plan primarily due to additional weeks of maintenance

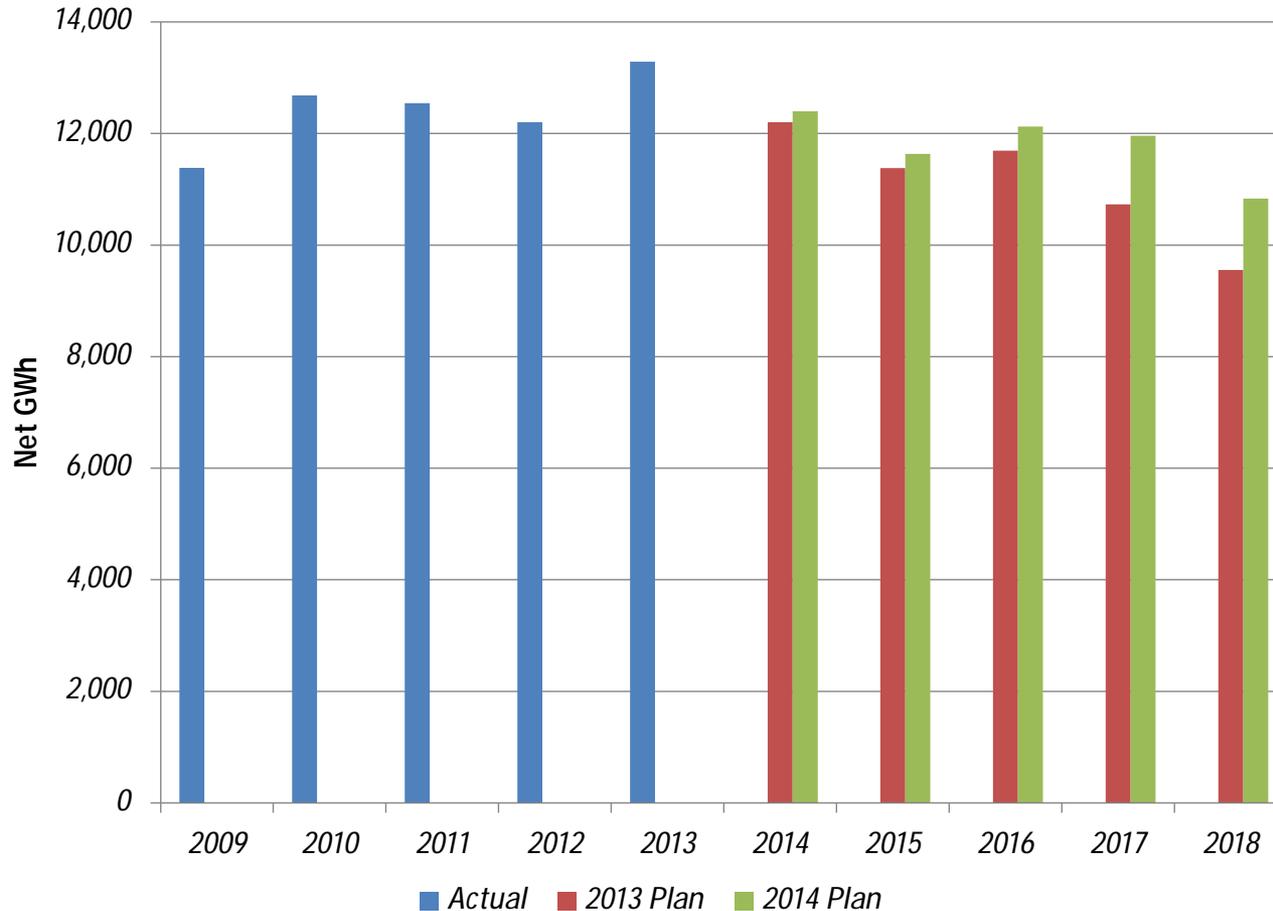


2013: 7 + 5



PPL companies

Ghent generation in the 2014 Plan increases mostly due to change in VOM

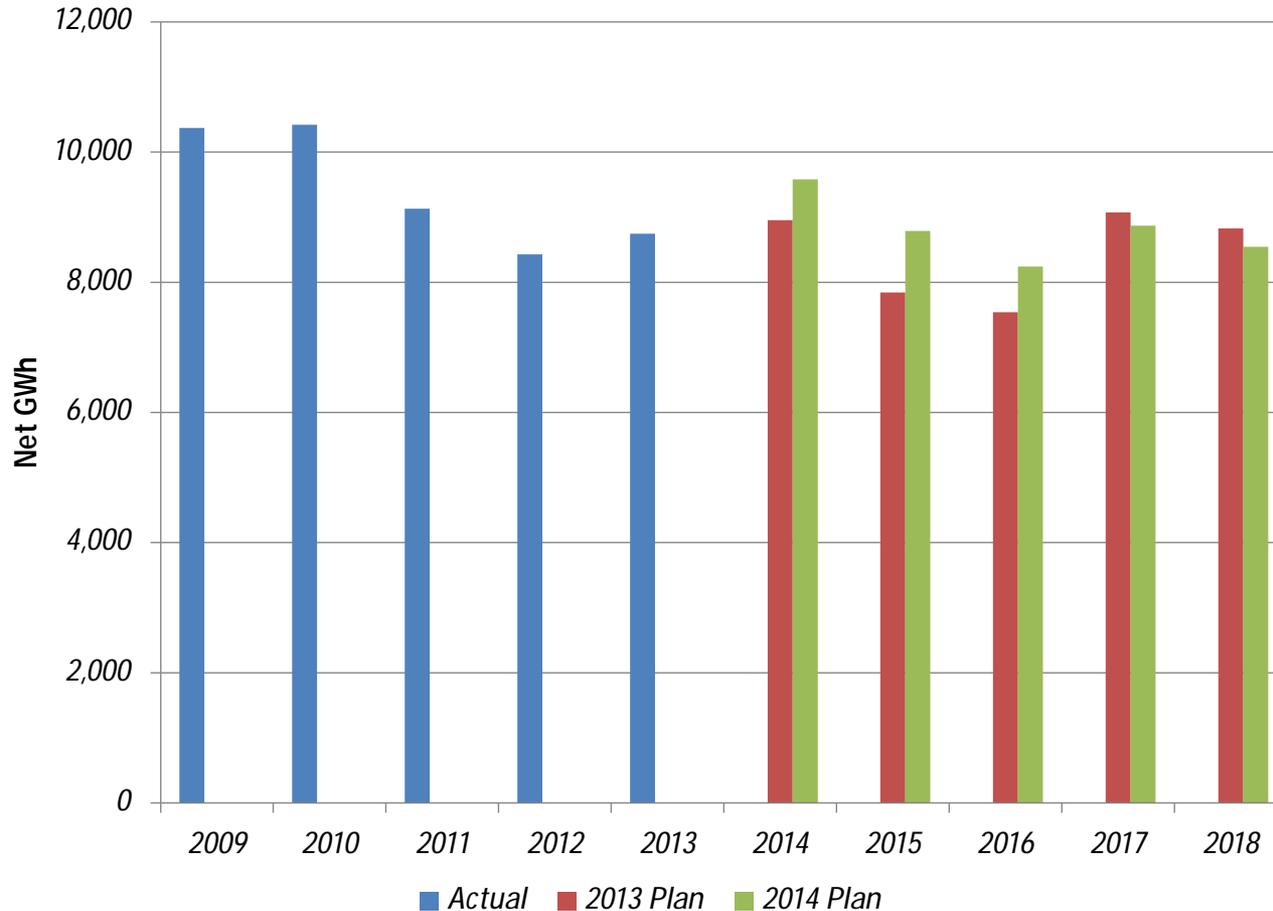


2013: 7 + 5



PPL companies

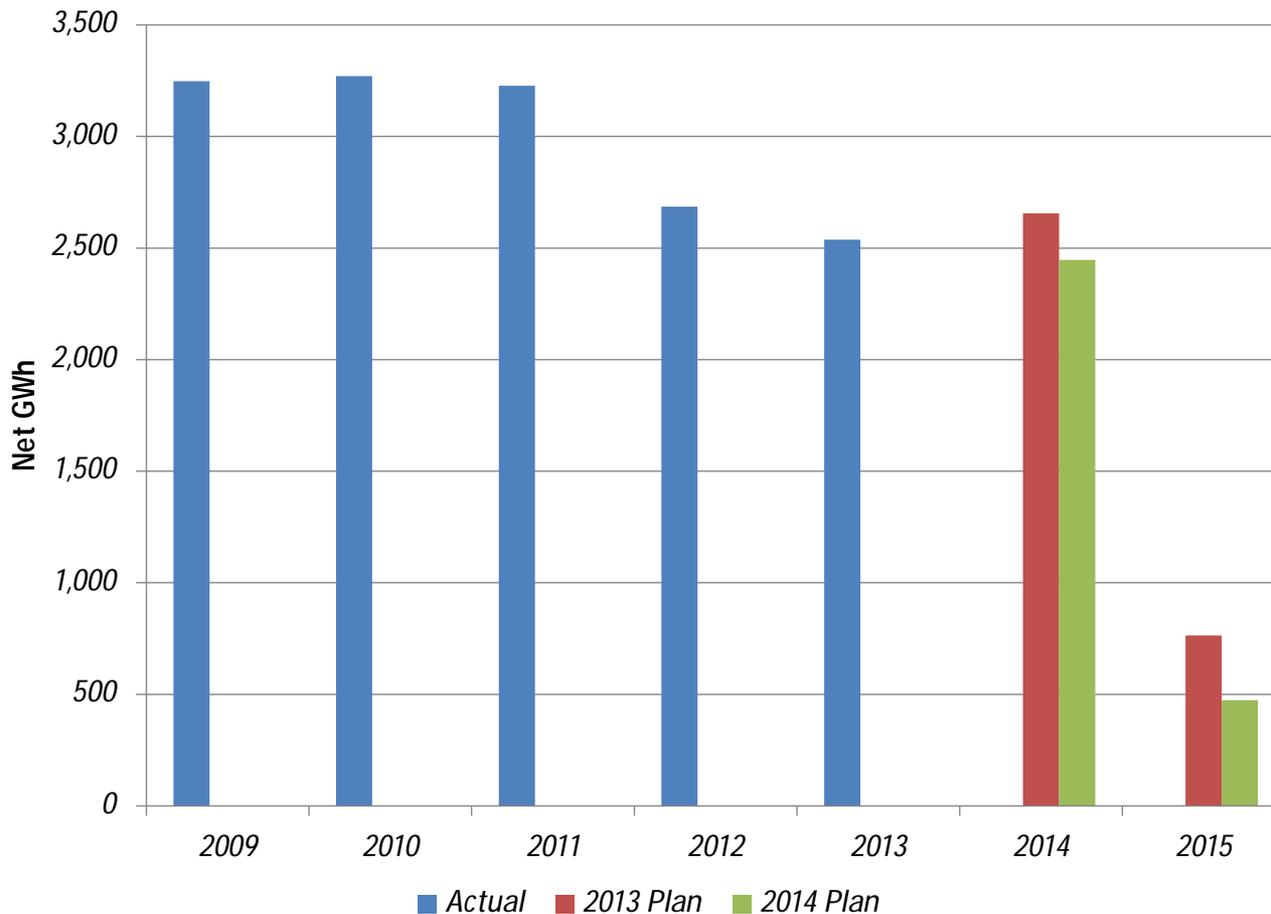
Mill Creek generation is higher in 2014-2016 due to lower coal prices; lower in 2017+ due to system VOM differences



2013: 7 + 5

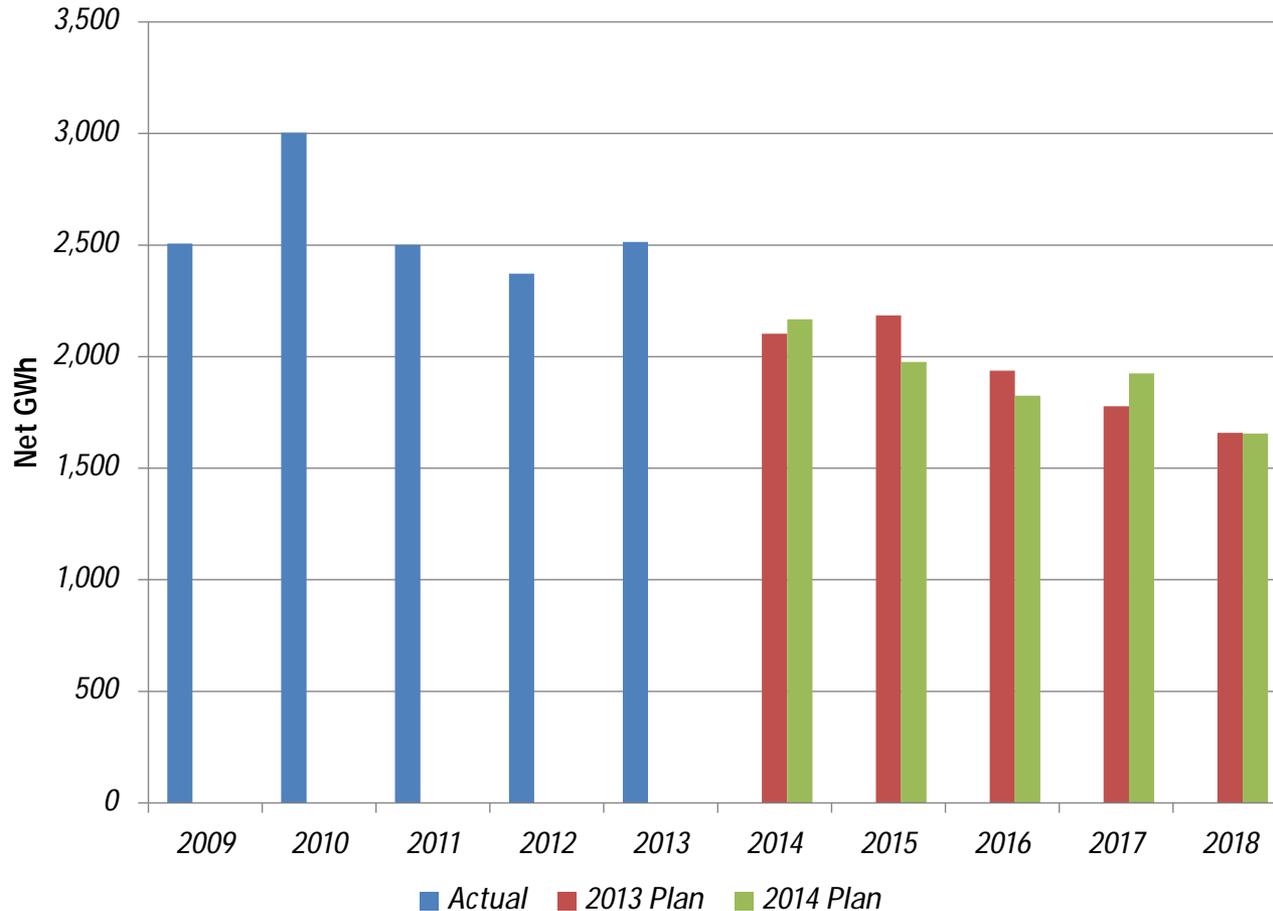


Cane Run coal generation decreases in 2014-15 due to change in system coal prices



2013: 7 + 5

Brown coal generation continues to decline over planning period

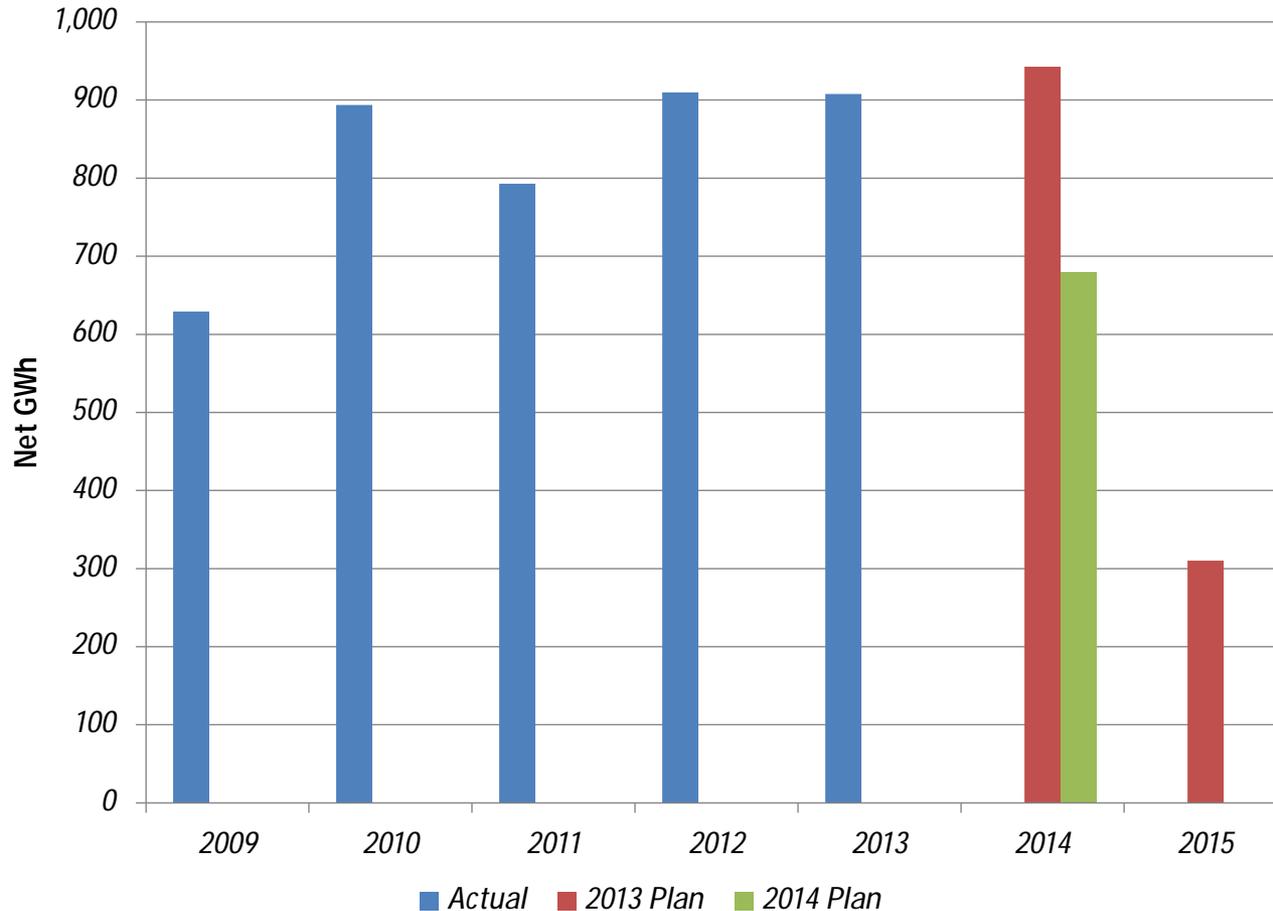


2013: 7 + 5



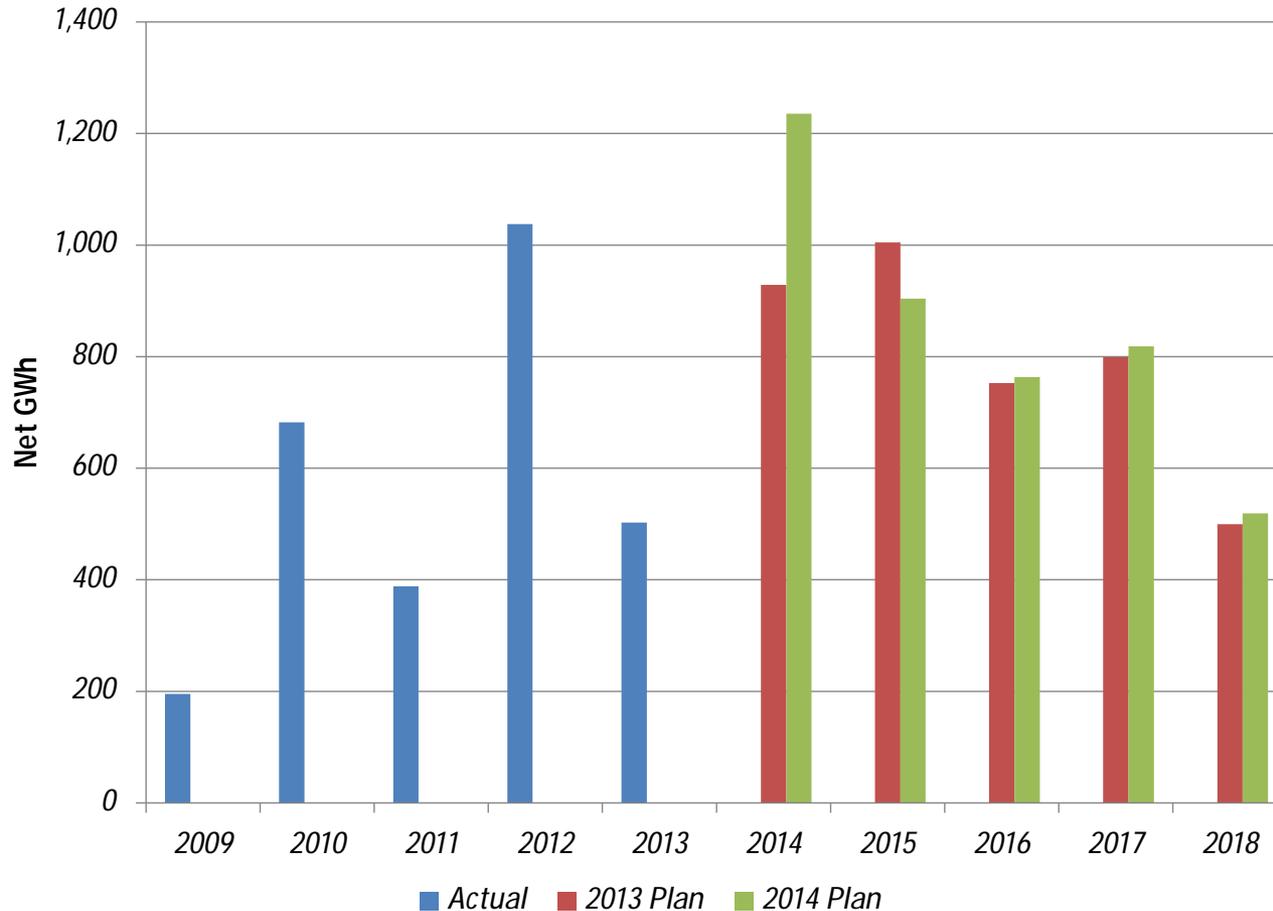
PPL companies

Green River generation decreases in 2014 Plan primarily due to early retirement



2013: 7 + 5

Trimble CT generation increases in 2014 primarily due to additional maintenance at Trimble coal units; decreases in 2015 due partly to CR7 testing; mostly unchanged in 2016-18

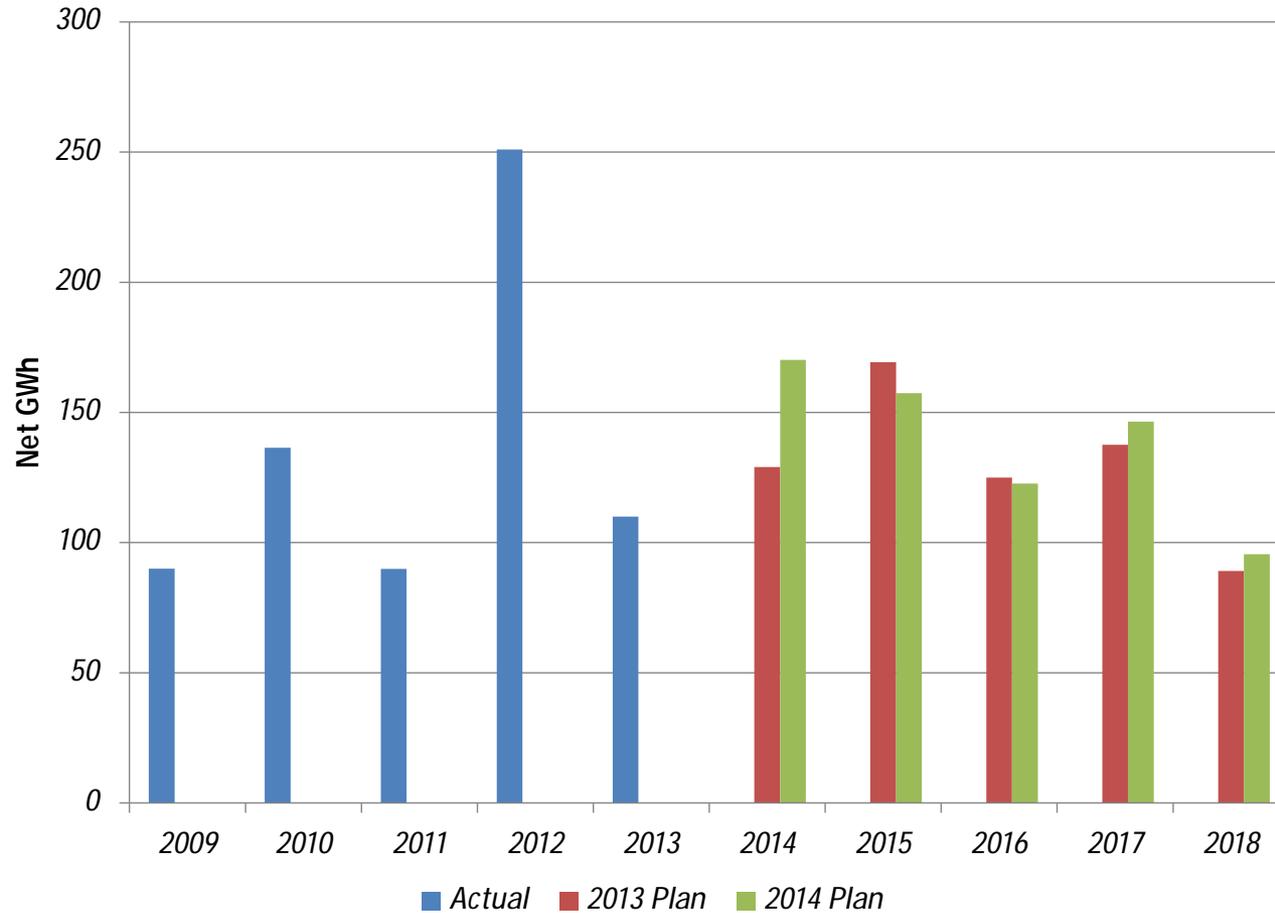


2013: 7 + 5



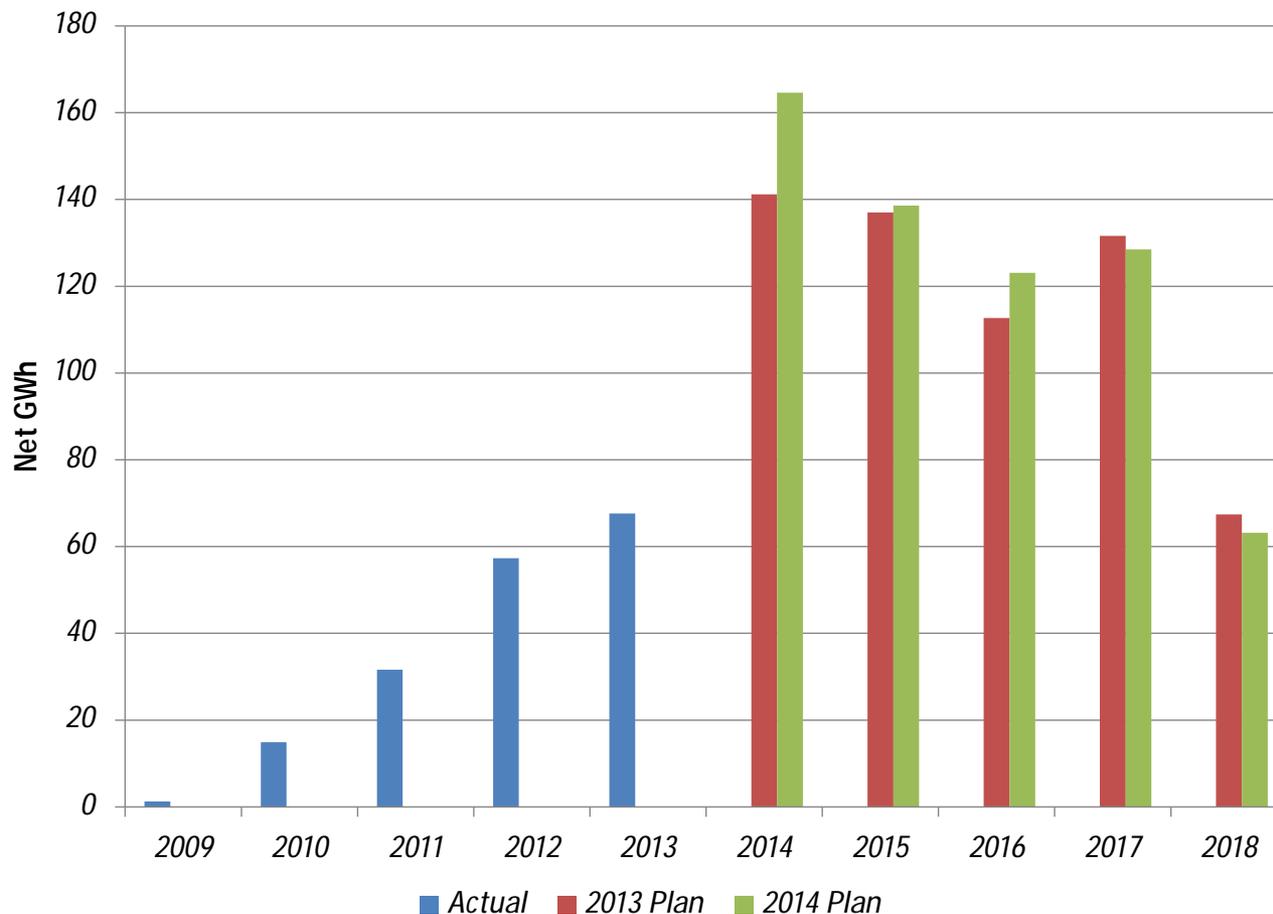
PPL companies

Brown CT generation increases in 2014 primarily due to additional maintenance at Trimble coal units; mostly unchanged in 2015-18



2013: 7 + 5

Paddy's Run 13 generation increases in 2014 primarily due to additional maintenance at Trimble coal unit; mostly unchanged in 2015-18



2013: 7 + 5

VOM drives generation differences between 2013 and 2014 Plans

| VOM (\$/MWh) | 2014 | | | 2015 | | | 2016 | | | 2017 | | |
|-----------------|-----------|-----------|--------|-----------|-----------|--------|-----------|-----------|--------|-----------|-----------|--------|
| | 2013 Plan | 2014 Plan | Diff |
| Brown 1 | 1.11 | 0.89 | (0.22) | 1.12 | 2.14 | 1.02 | 4.38 | 2.65 | (1.73) | 4.70 | 2.47 | (2.22) |
| Brown 2 | 1.06 | 0.88 | (0.18) | 1.08 | 1.77 | 0.69 | 3.98 | 2.26 | (1.72) | 4.65 | 2.25 | (2.40) |
| Brown 3 | 1.98 | 2.17 | 0.19 | 5.42 | 5.93 | 0.51 | 5.95 | 7.58 | 1.63 | 5.77 | 7.83 | 2.06 |
| Cane Run 4 | 4.46 | 4.14 | (0.32) | 4.43 | 4.39 | (0.05) | - | - | - | - | - | - |
| Cane Run 5 | 4.13 | 3.87 | (0.26) | 4.09 | 4.09 | (0.00) | - | - | - | - | - | - |
| Cane Run 6 | 6.02 | 5.87 | (0.15) | 6.06 | 5.98 | (0.08) | - | - | - | - | - | - |
| Ghent 1 | 3.03 | 2.74 | (0.29) | 4.96 | 3.75 | (1.21) | 5.21 | 3.94 | (1.27) | 5.67 | 4.34 | (1.33) |
| Ghent 2 | 2.10 | 1.11 | (0.99) | 3.67 | 1.94 | (1.74) | 3.91 | 2.06 | (1.85) | 4.21 | 2.37 | (1.84) |
| Ghent 3 | 4.65 | 3.51 | (1.14) | 4.60 | 3.56 | (1.04) | 5.49 | 3.83 | (1.66) | 6.00 | 4.37 | (1.63) |
| Ghent 4 | 5.38 | 3.62 | (1.75) | 6.40 | 4.14 | (2.26) | 6.39 | 4.13 | (2.26) | 7.53 | 5.05 | (2.47) |
| Mill Creek 1 | 0.66 | 0.63 | (0.03) | 1.86 | 3.17 | 1.31 | 2.58 | 3.89 | 1.32 | 2.80 | 3.85 | 1.05 |
| Mill Creek 2 | 0.67 | 0.64 | (0.03) | 2.04 | 2.94 | 0.91 | 3.04 | 3.88 | 0.84 | 3.06 | 3.61 | 0.55 |
| Mill Creek 3 | 1.42 | 1.25 | (0.17) | 5.78 | 1.59 | (4.19) | 6.15 | 5.19 | (0.97) | 6.68 | 5.06 | (1.62) |
| Mill Creek 4 | 4.85 | 1.41 | (3.44) | 4.63 | 4.22 | (0.41) | 4.71 | 4.53 | (0.18) | 4.75 | 4.07 | (0.68) |
| Trimble 1 | 1.34 | 1.44 | 0.09 | 2.15 | 2.11 | (0.04) | 2.26 | 2.83 | 0.56 | 2.41 | 3.24 | 0.84 |
| Trimble 2 | 1.72 | 1.74 | 0.02 | 1.79 | 1.73 | (0.06) | 1.87 | 1.79 | (0.08) | 1.94 | 1.81 | (0.13) |



2014 heat rate assumptions are mostly unchanged in 2014 Plan

| | 2013 Plan | 2014 Plan | Difference (2014 Plan vs 2013 Plan) Percent Change | |
|-----|-----------|-----------|---|-------|
| CR4 | 10,740 | 11,380 | 640 | 5.6% |
| CR5 | 10,380 | 10,380 | 0 | 0.0% |
| CR6 | 10,390 | 10,070 | (320) | -3.2% |
| MC1 | 10,490 | 10,490 | 0 | 0.0% |
| MC2 | 10,420 | 10,420 | 0 | 0.0% |
| MC3 | 10,450 | 10,530 | 80 | 0.8% |
| MC4 | 10,730 | 10,730 | 0 | 0.0% |
| TC1 | 10,500 | 10,470 | (30) | -0.3% |
| TC2 | 9,340 | 9,230 | (110) | -1.2% |
| BR1 | 10,560 | 10,560 | 0 | 0.0% |
| BR2 | 10,270 | 10,270 | 0 | 0.0% |
| BR3 | 10,800 | 10,800 | 0 | 0.0% |
| GH1 | 10,680 | 10,790 | 110 | 1.0% |
| GH2 | 10,750 | 10,600 | (150) | -1.4% |
| GH3 | 10,950 | 10,850 | (100) | -0.9% |
| GH4 | 11,100 | 10,900 | (200) | -1.8% |
| GR3 | 12,250 | 13,260 | 1,010 | 7.6% |
| GR4 | 10,650 | 10,650 | 0 | 0.0% |
| CR7 | 6,629 | 6,890 | 261 | 3.8% |

CT Usage (MWh/Start, RunHours/Start) consistent with history

CT Generation (GWh)

| | ACTUAL | | | | (6+6) | 2014 Plan | | | | |
|-----------|------------------|------|------|-------|-------|-----------|-------|-------|-------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| BR5, 8-11 | 18 | 34 | 16 | 24 | 13 | 25 | 27 | 19 | 30 | 16 |
| BR6, 7 | 63 | 95 | 62 | 223 | 101 | 144 | 130 | 104 | 117 | 79 |
| PR13 | 1 | 15 | 31 | 56 | 79 | 164 | 139 | 123 | 128 | 63 |
| TC5-10 | 195 | 682 | 376 | 1,034 | 573 | 1,236 | 904 | 763 | 818 | 519 |
| | 278 | 826 | 485 | 1,337 | 766 | 1,570 | 1,199 | 1,009 | 1,094 | 677 |
| | <u>2013 Plan</u> | | | | | 1,199 | 1,311 | 990 | 1,068 | 656 |

CT Generation (GWh)/Start

| | ACTUAL | | | | (6+6) | 2014 Plan | | | | |
|-----------|------------------|------|------|------|-------|-----------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| BR5, 8-11 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 |
| BR6, 7 | 0.6 | 0.7 | 0.6 | 1.2 | 0.8 | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 |
| PR13 | 0.6 | 0.8 | 0.6 | 0.8 | 0.7 | 1.0 | 0.8 | 0.8 | 0.8 | 0.6 |
| TC5-10 | 0.7 | 0.9 | 0.7 | 1.7 | 0.9 | 1.1 | 0.9 | 1.0 | 1.1 | 0.8 |
| | 0.5 | 0.8 | 0.6 | 1.4 | 0.8 | 1.0 | 0.8 | 0.9 | 0.9 | 0.7 |
| | <u>2013 Plan</u> | | | | | 0.9 | 1.0 | 0.9 | 0.9 | 0.8 |

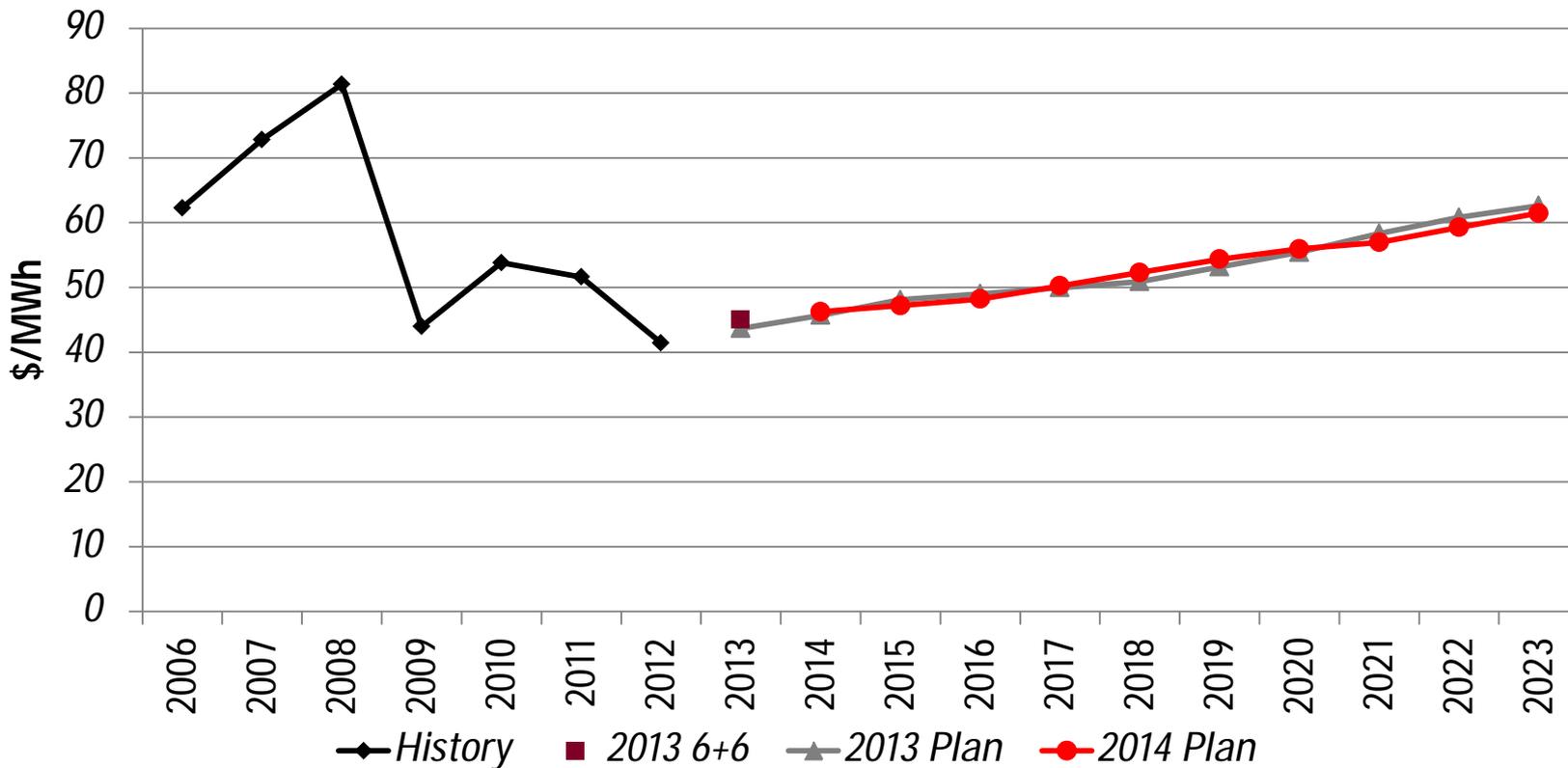
CT Starts (# starts)

| | ACTUAL | | | | (6+6) | 2014 Plan | | | | |
|-----------|------------------|-------|------|------|-------|-----------|-------|-------|-------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| BR5, 8-11 | 112 | 137 | 88 | 103 | 115 | 141 | 152 | 131 | 162 | 96 |
| BR6, 7 | 101 | 139 | 110 | 185 | 126 | 198 | 183 | 142 | 148 | 107 |
| PR13 | 2 | 18 | 49 | 68 | 110 | 172 | 171 | 154 | 152 | 101 |
| TC5-10 | 292 | 779 | 509 | 626 | 652 | 1,097 | 1,027 | 754 | 778 | 627 |
| | 507 | 1,073 | 756 | 982 | 1,003 | 1,607 | 1,532 | 1,181 | 1,239 | 931 |
| | <u>2013 Plan</u> | | | | | 1,286 | 1,309 | 1,075 | 1,158 | 854 |

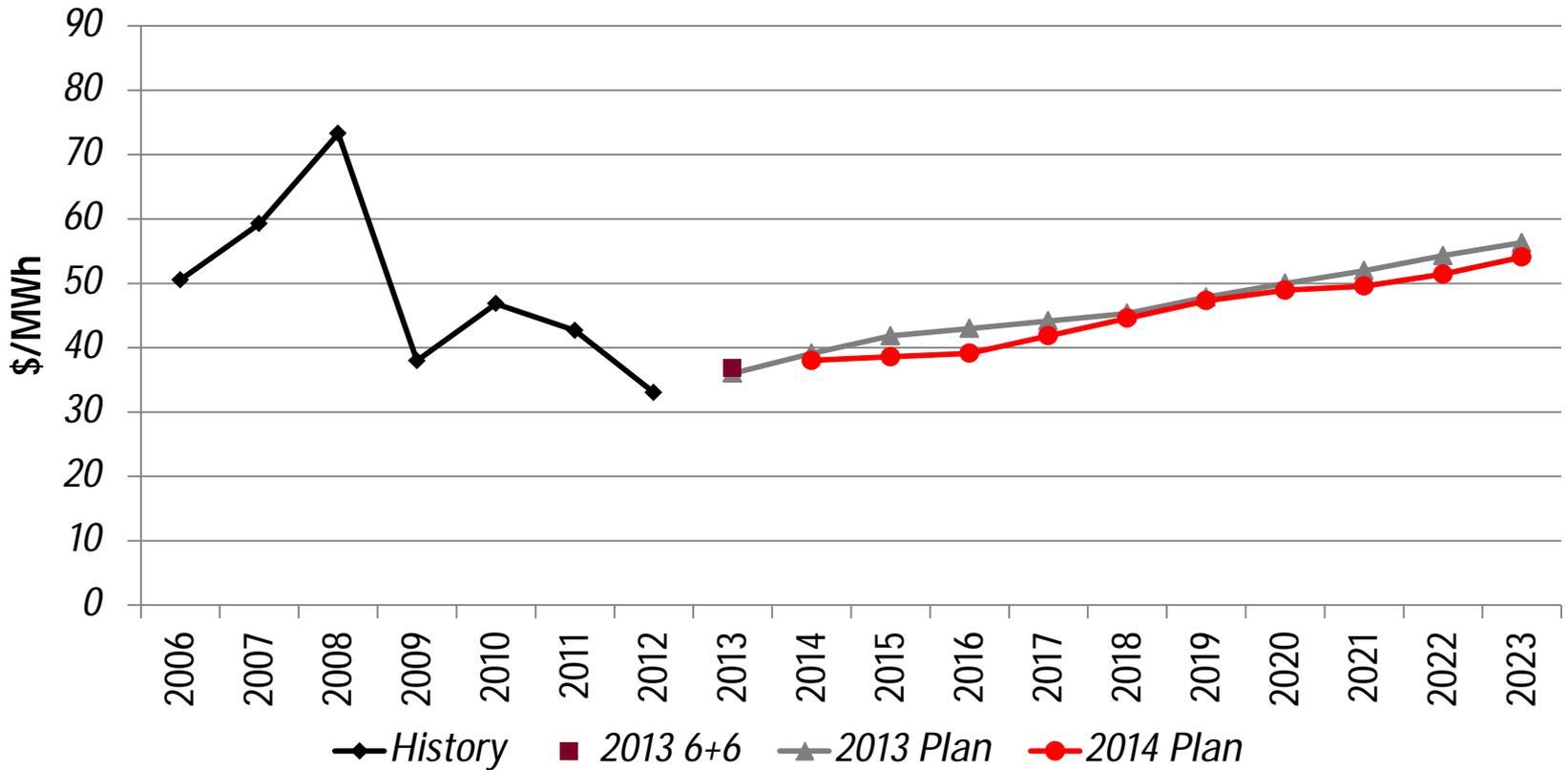
CT Run Hours/Start

| | ACTUAL | | | | (6+6) | 2014 Plan | | | | |
|-----------|------------------|------|------|------|-------|-----------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| BR5, 8-11 | 3.4 | 4.6 | 4.3 | 4.3 | 2.9 | 3.6 | 3.6 | 3.0 | 3.6 | 3.4 |
| BR6, 7 | 7.7 | 8.7 | 7.0 | 10.1 | 8.3 | 7.2 | 7.0 | 6.7 | 7.2 | 7.2 |
| PR13 | 4.7 | 5.9 | 5.4 | 6.9 | 8.1 | 11.1 | 9.5 | 9.6 | 9.8 | 7.5 |
| TC5-10 | 5.8 | 7.8 | 7.3 | 11.9 | 8.6 | 8.1 | 6.7 | 7.5 | 7.7 | 6.3 |
| | 5.6 | 7.4 | 6.8 | 10.4 | 7.9 | 8.0 | 6.8 | 7.2 | 7.3 | 6.2 |
| | <u>2013 Plan</u> | | | | | 7.5 | 7.9 | 7.1 | 7.2 | 6.1 |

Compared to the 2013 BP, on-peak PJM-West electricity prices are mostly unchanged

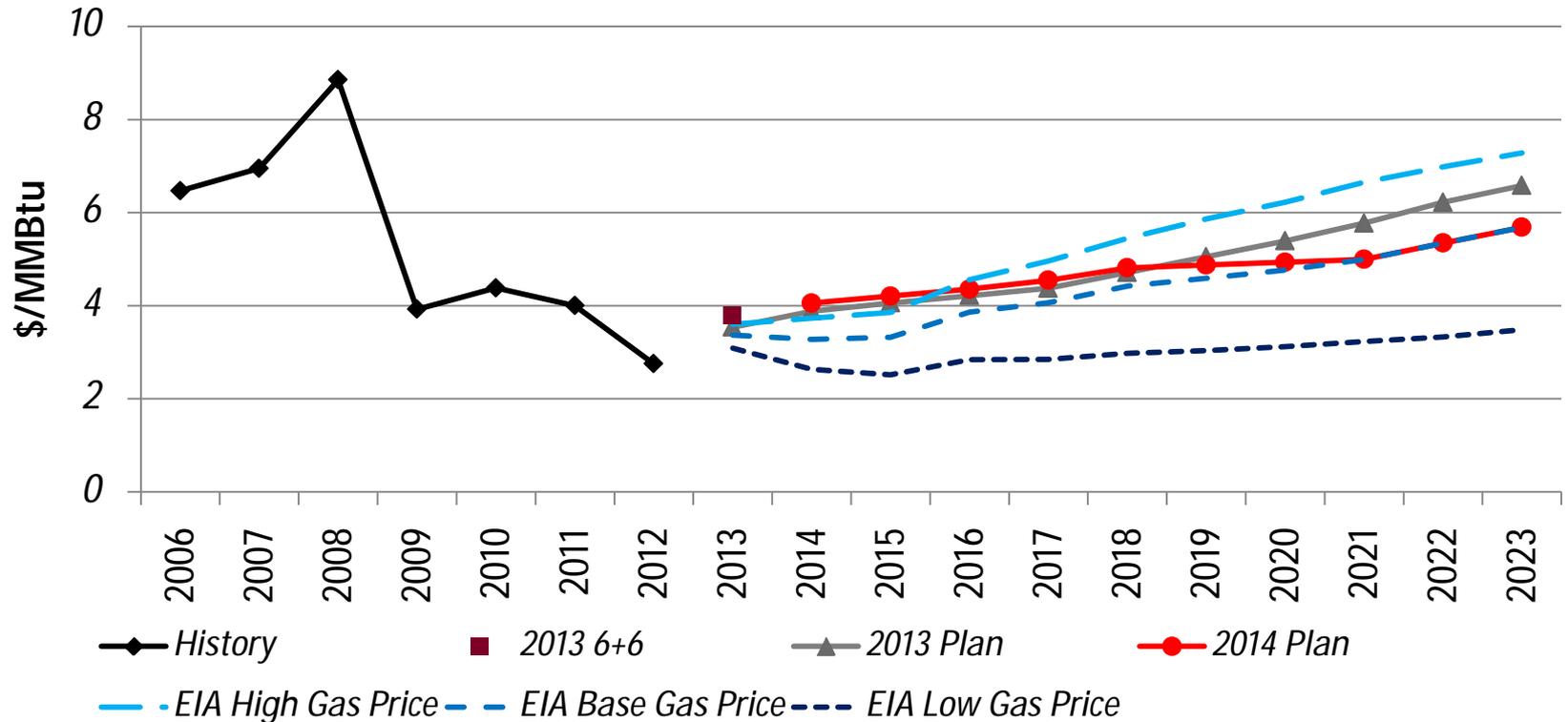


- 2014-2016 prices are ICE forward market prices as of June 24, 2013.
- Long-term prices from 2019 are modeled in AURORA.
- 2017-2018 prices are interpolated.



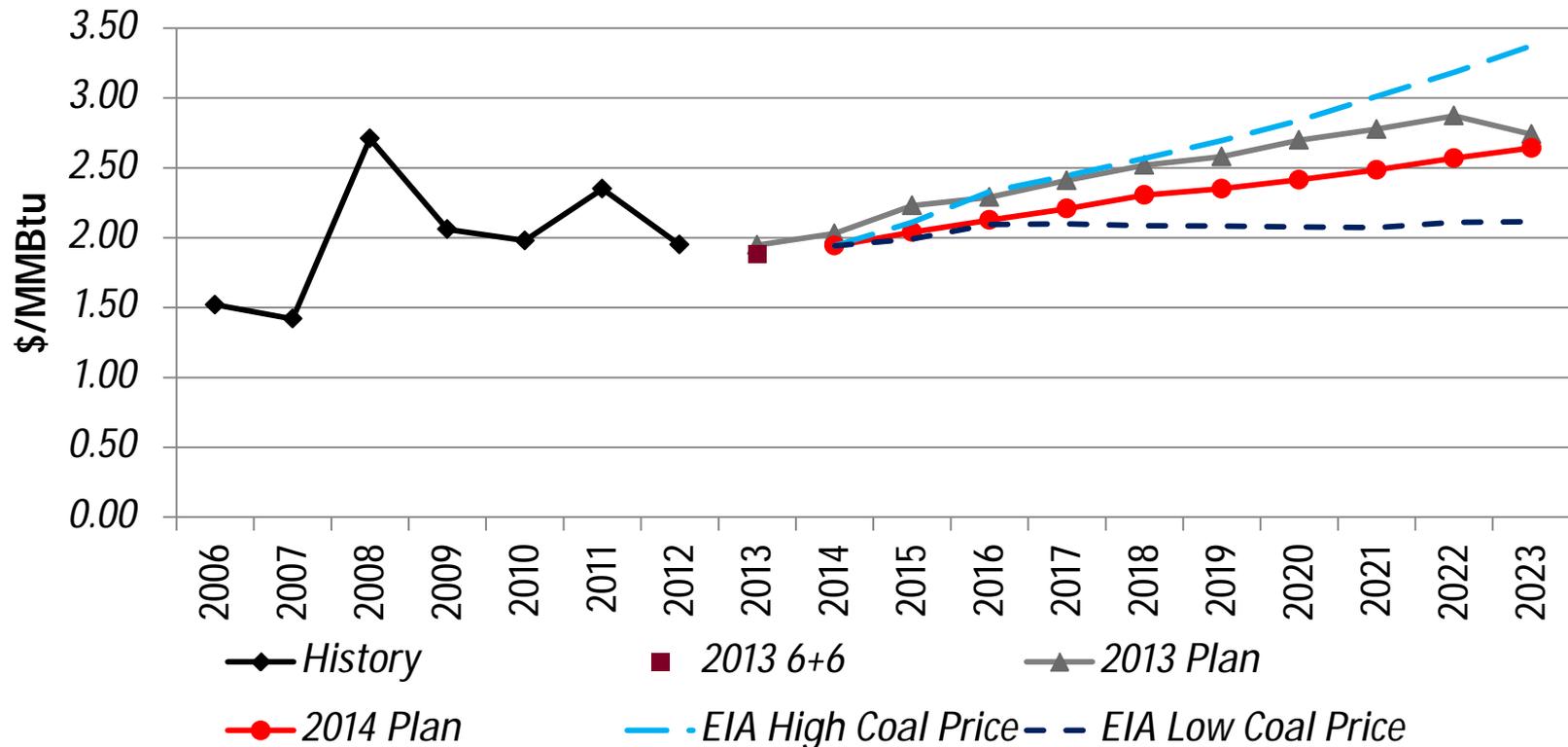
- 2014-2016 prices are ICE forward market prices as of June 24, 2013.
- Long-term prices from 2019 are modeled in AURORA.
- 2017-2018 prices are interpolated.

Henry Hub natural gas outlook slightly higher in near term



- 2014-2018 prices are NYMEX forward market prices as of June 24, 2013.
- Long-term prices from 2021 are EIA's Annual Energy Outlook Reference Case (April 2013)
- 2019-2020 prices are interpolated.

Illinois Basin high sulfur coal prices lower



- Coal prices represent blend of bid information and Wood Mackenzie's Spring 2013 outlook through 2018. Thereafter, prices reflect EIA's (April 2013) forecasted growth rates.

2014 Fuel Cost Comparison - Annual Averages

| Fuel Expense (¢/mmBTU) | | | | | Delta | |
|------------------------|-----------------|------------------------|-------------------|-------------------|------------------------------------|----------|
| | | 2013 Forecast (6+6) | 2014 Plan 2014 | 2013 Plan 2014 | 2014 Plan 2014 - 2013 Plan 2014 | % Change |
| COAL | <i>BR</i> | 301 | 316 | 320 | (4) | -1% |
| | <i>GH</i> | 223 | 235 | 234 | 2 | 1% |
| | <i>GR</i> | 244 | 253 | 264 | (11) | -4% |
| | <i>CR</i> | 227 | 239 | 240 | (1) | -1% |
| | <i>MC</i> | 240 | 239 | 259 | (19) | -7% |
| | <i>TC</i> | 232 | 235 | 231 | 3 | 1% |
| | <i>TC PRB</i> | 247 | 238 | 255 | (17) | -7% |
| GAS | <i>Gas BR</i> | 408 | 452 | 433 | 18 | 4% |
| | <i>Gas LGE</i> | 396 | 425 | 409 | 16 | 4% |
| | <i>Gas PR</i> | 407 | 410 | 402 | 8 | 2% |
| | <i>Gas Haef</i> | 617 | 672 | 748 | (77) | -10% |
| OIL | <i>Oil</i> | 1742 | 2045 | 2148 | (103) | -5% |

2015 Fuel Cost Comparison - Annual Averages

| Fuel Expense (¢/mmBTU) | | | | Delta | |
|------------------------|-----------------|-------------------|-------------------|------------------------------------|----------|
| | | 2014 Plan 2015 | 2013 Plan 2015 | 2014 Plan 2015 - 2013 Plan 2015 | % Change |
| COAL | <i>BR</i> | 309 | 320 | (11) | -3% |
| | <i>GH</i> | 243 | 245 | (2) | -1% |
| | <i>GR</i> | N/A | 269 | N/A | N/A |
| | <i>CR</i> | 259 | 246 | 13 | 5% |
| | <i>MC</i> | 241 | 275 | (35) | -13% |
| | <i>TC</i> | 233 | 234 | (1) | 0% |
| | <i>TC PRB</i> | 252 | 260 | (7) | -3% |
| GAS | <i>Gas BR</i> | 467 | 451 | 16 | 4% |
| | <i>Gas LGE</i> | 440 | 427 | 13 | 3% |
| | <i>Gas PR</i> | 425 | 420 | 5 | 1% |
| | <i>Gas Haef</i> | 687 | 766 | (79) | -10% |
| OIL | <i>Oil</i> | 1794 | 2224 | (430) | -19% |

2016 Fuel Cost Comparison - Annual Averages

| Fuel Expense (¢/mmBTU) | | | | Delta | |
|------------------------|-----------------|-------------------|-------------------|------------------------------------|----------|
| | | 2014 Plan 2016 | 2013 Plan 2016 | 2014 Plan 2016 - 2013 Plan 2016 | % Change |
| COAL | <i>BR</i> | 315 | 330 | (16) | -5% |
| | <i>GH</i> | 250 | 264 | (14) | -5% |
| | <i>GR</i> | N/A | N/A | N/A | N/A |
| | <i>CR</i> | N/A | N/A | N/A | N/A |
| | <i>MC</i> | 244 | 292 | (48) | -16% |
| | <i>TC</i> | 242 | 260 | (18) | -7% |
| | <i>TC PRB</i> | 255 | 260 | (5) | -2% |
| GAS | <i>Gas BR</i> | 483 | 467 | 15 | 3% |
| | <i>Gas LGE</i> | 456 | 444 | 12 | 3% |
| | <i>Gas PR</i> | 440 | 436 | 5 | 1% |
| | <i>Gas Haef</i> | 703 | 782 | (80) | -10% |
| OIL | <i>Oil</i> | 1829 | 2193 | (364) | -17% |

Peak and Energy Comparison

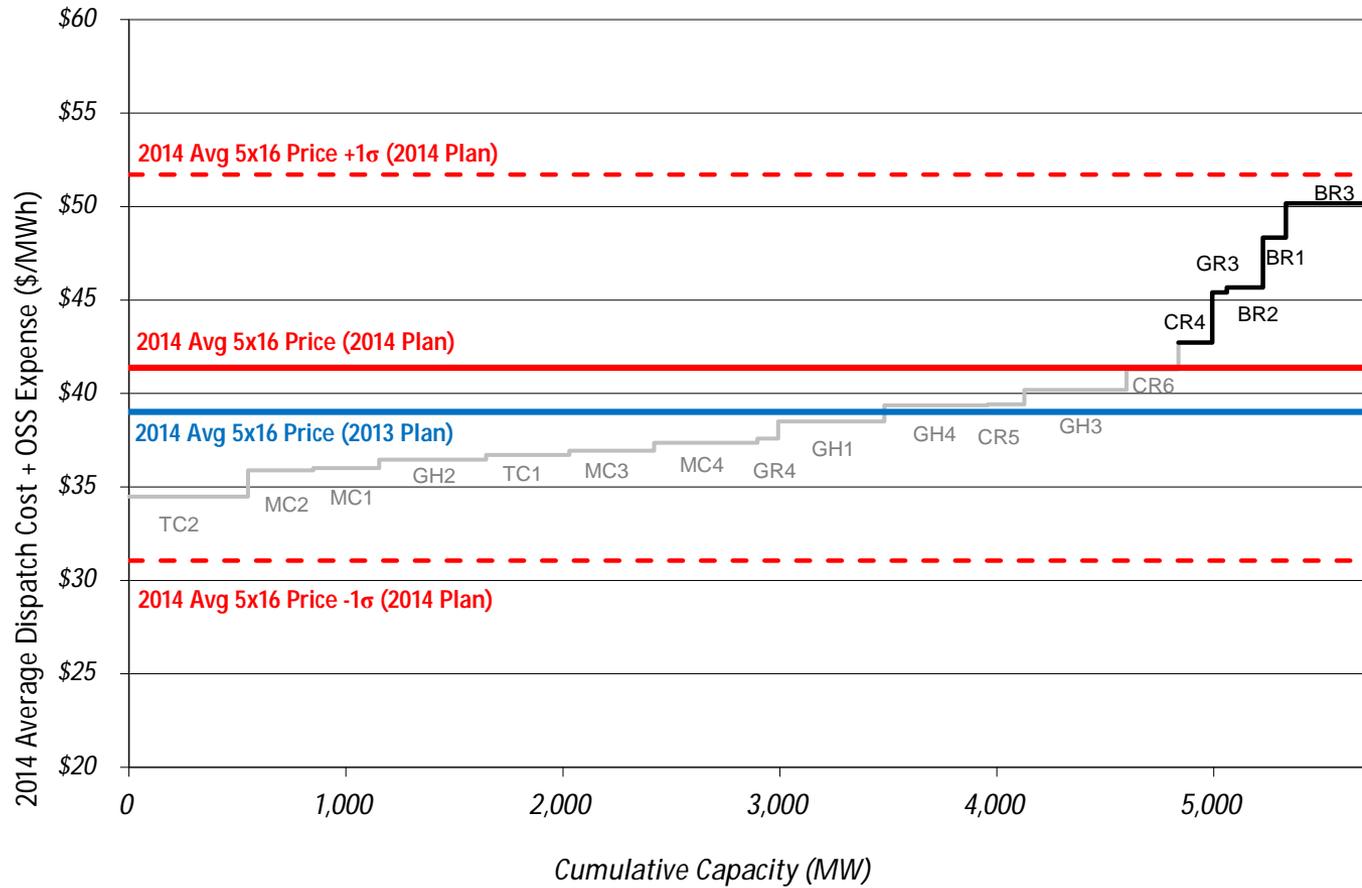
Peak Delta (2014 Plan - 2013 Plan)

| MW | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------|-------------|-------------|------------|------------|-------------|
| Jan | 102 | 96 | 112 | 125 | 123 |
| Feb | 31 | 28 | 43 | 55 | 58 |
| Mar | (83) | (92) | (87) | (72) | (73) |
| Apr | (30) | (30) | (23) | (13) | (13) |
| May | (123) | (128) | (119) | (110) | (110) |
| Jun | 191 | 179 | 212 | 209 | 200 |
| Jul | 191 | 205 | 215 | 189 | 164 |
| Aug | (42) | (35) | (33) | (23) | (15) |
| Sep | (37) | (39) | (31) | (16) | (13) |
| Oct | 8 | 3 | 10 | 23 | 29 |
| Nov | (32) | (35) | (25) | (14) | (14) |
| Dec | 65 | 70 | 105 | 96 | 99 |
| Peak | (22) | (12) | (7) | (6) | (15) |

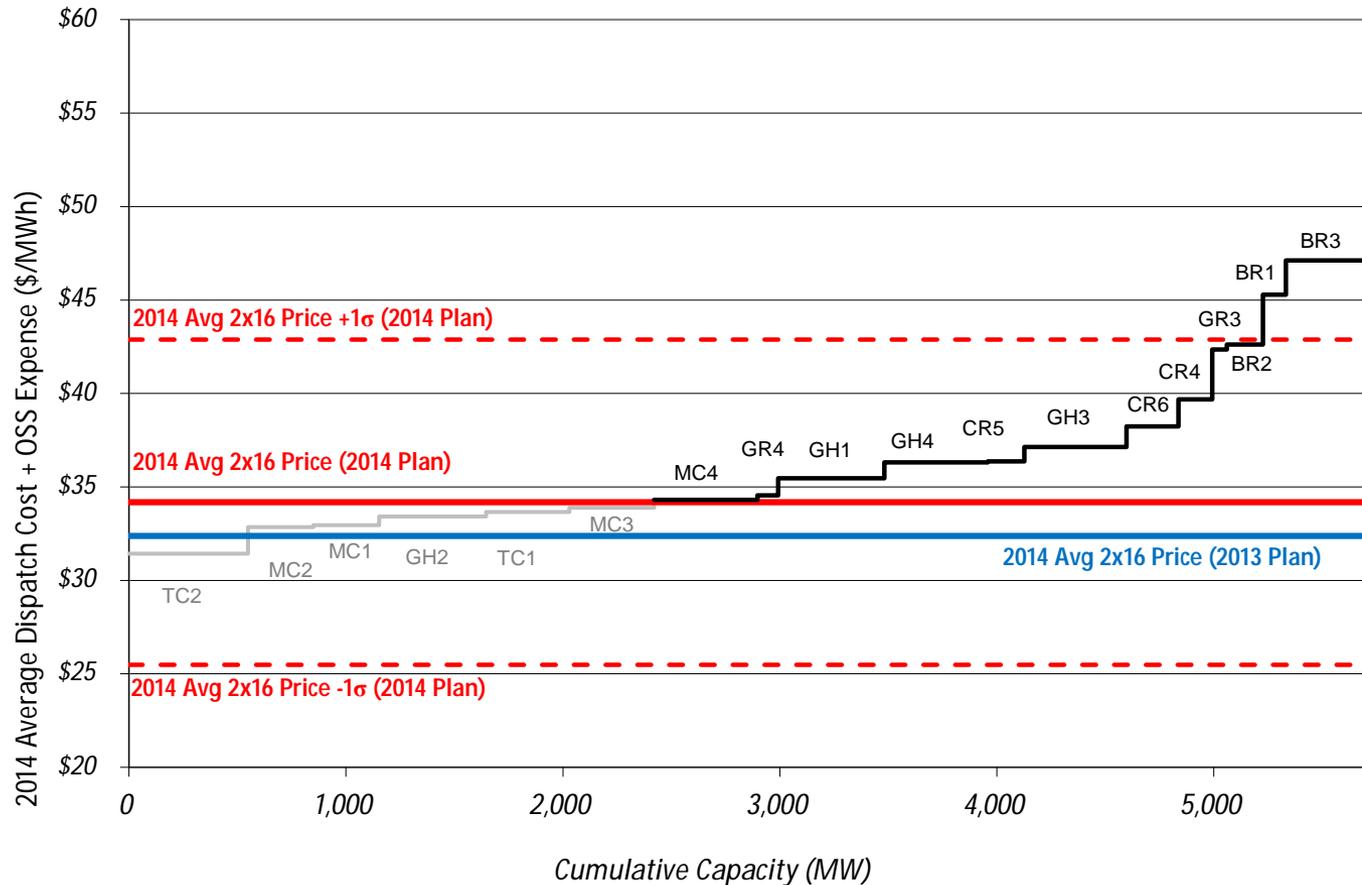
Energy Delta (2014 Plan - 2013 Plan)

| GWh | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| Jan | (59) | (61) | (54) | (47) | (46) |
| Feb | (25) | (27) | (19) | (14) | (13) |
| Mar | (13) | (14) | (7) | (1) | 0 |
| Apr | (13) | (14) | (7) | (3) | (1) |
| May | (41) | (43) | (37) | (31) | (31) |
| Jun | (30) | (34) | (29) | (23) | (21) |
| Jul | (33) | (38) | (31) | (26) | (24) |
| Aug | (27) | (33) | (17) | (16) | (15) |
| Sep | 13 | 10 | 17 | 22 | 24 |
| Oct | 1 | (1) | 5 | 11 | 12 |
| Nov | 1 | (1) | 5 | 11 | 12 |
| Dec | (10) | (14) | (9) | (2) | 0 |
| Total | (236) | (270) | (182) | (120) | (103) |

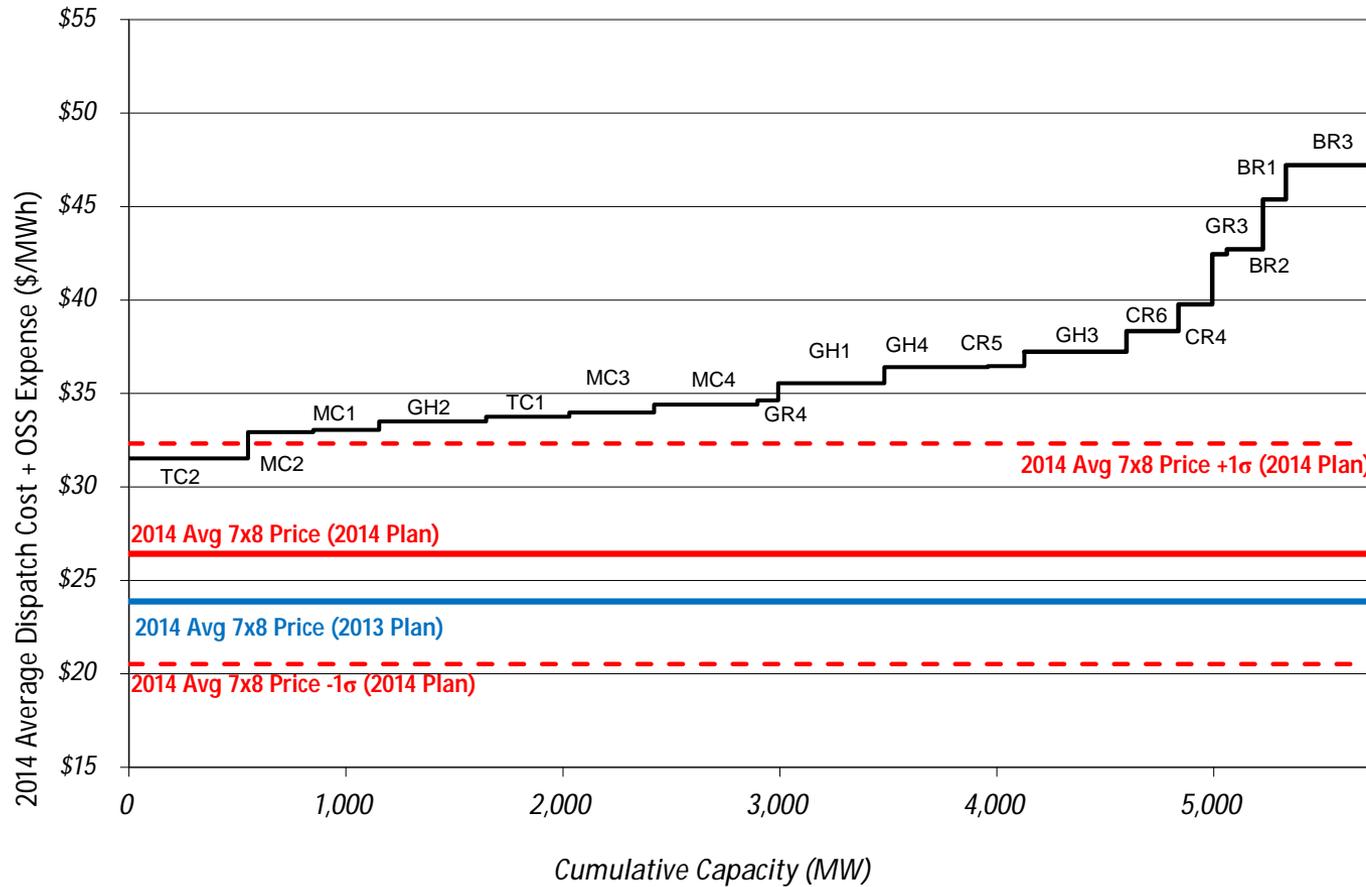
2014 5x16 Average Dispatch Cost (OSS)



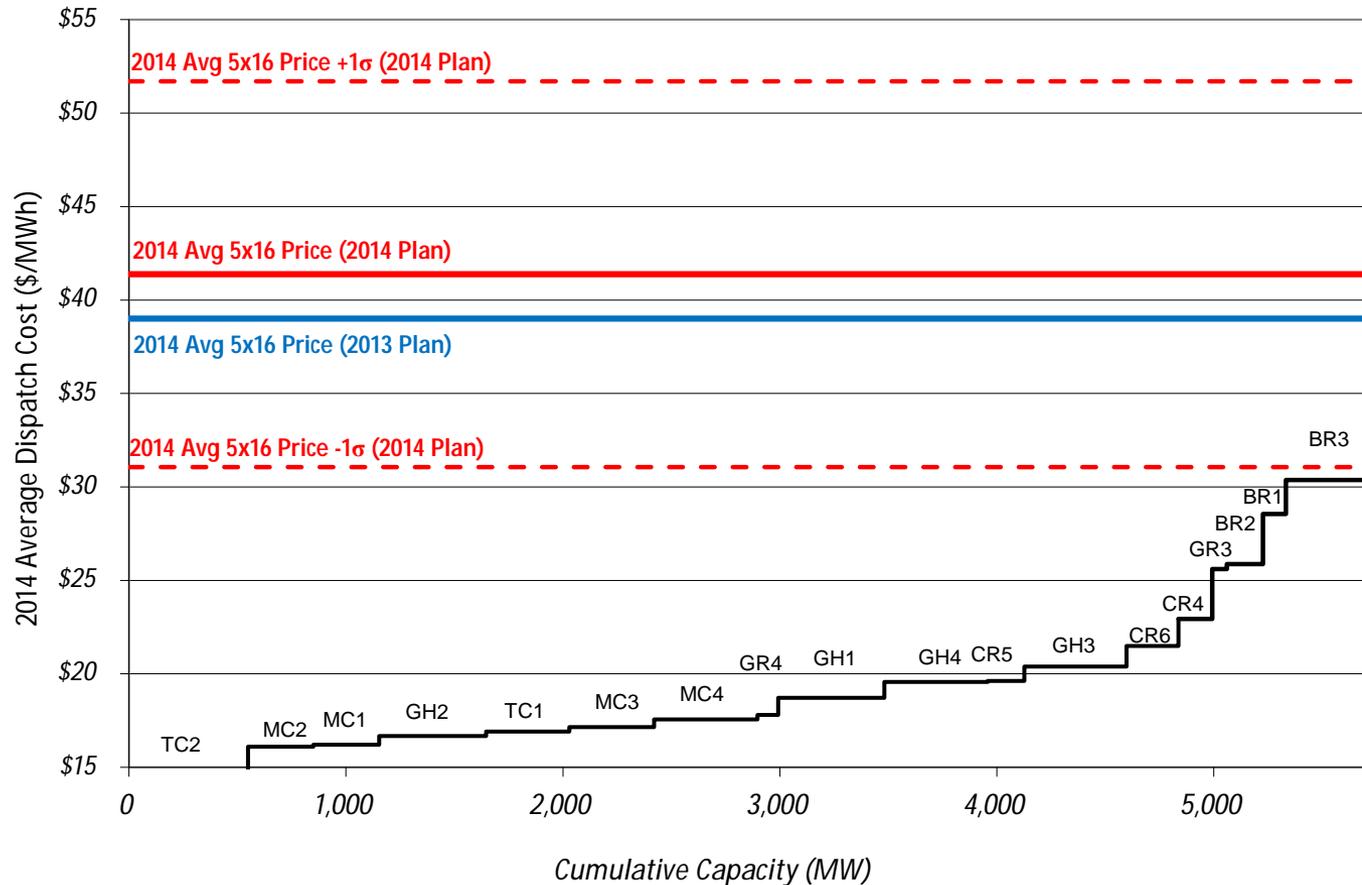
2014 2x16 Average Dispatch Cost (OSS)



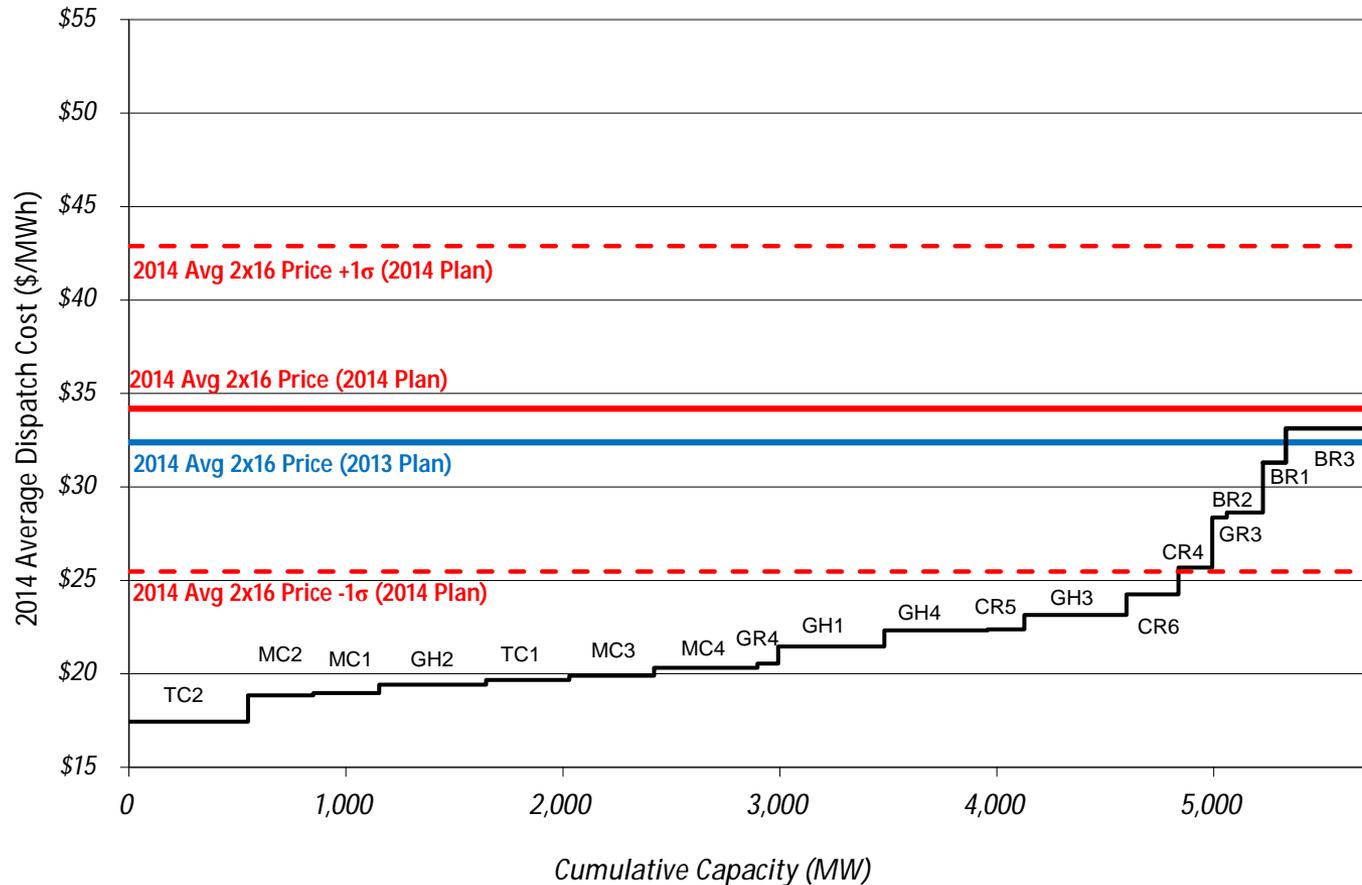
2014 7x8 Average Dispatch Cost (OSS)



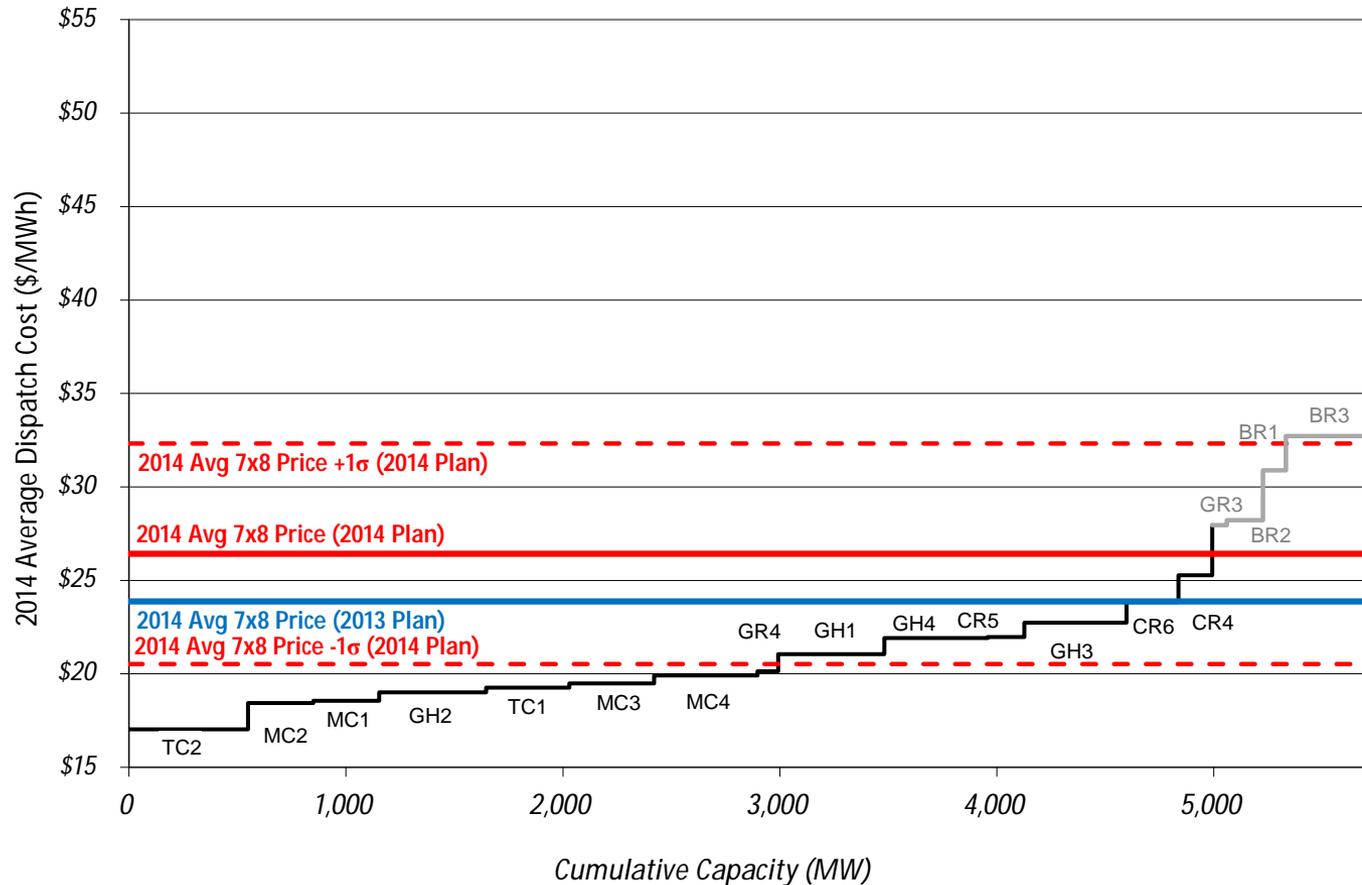
2014 5x16 Average Dispatch Cost (Purch)



2014 2x16 Average Dispatch Cost (Purch)



2014 7x8 Average Dispatch Cost (Purch)



2014 Maintenance Schedule Changes

2014

Weekly Maintenance Detail

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|--------|--------|-----|-----|-------|-----|--------|-----|--------|-------|--------|-------|--------|-------|-----|--------|--------|--------|
| 1/6 | | | | | | | | | | | | | | | | | | |
| 1/13 | | | | | | | | | | | | | | | | | | |
| 1/20 | | | | | | | | | | | | | | | | | | |
| 1/27 | | | | | | | | | | | | | | | | | | |
| 2/3 | | | | | | | | | | | | | | | | | | Yellow |
| 2/10 | | | | | | | | | | | | | | | | | | Yellow |
| 2/17 | | | | | Red | | | | | | | | | | | | | Yellow |
| 2/24 | | | | | Red | | | | | | | | | | | | | Yellow |
| 3/3 | Red | Yellow | | | Red | | | | | | | | | | | | | Yellow |
| 3/10 | Black | | | | Red | | | | | | Yellow | | | | | | | Yellow |
| 3/17 | Black | | | | Red | | Red | | | | | | Red | | | Yellow | | Yellow |
| 3/24 | Yellow | | | | Red | | | | Red | | | | | | | | | Yellow |
| 3/31 | | | | | Red | | Black | | | | | Black | | | | | | Yellow |
| 4/7 | | | | | Black | | | | | | | | | | | | | Yellow |
| 4/14 | | | | | Black | | Yellow | | | | | | Yellow | | | Red | | Black |
| 4/21 | | Red | | | Black | | Yellow | | | | | | | Black | | | Yellow | Black |
| 4/28 | | Red | | | Black | | | | Yellow | Black | | | | Black | | | | Yellow |
| 5/5 | | | | | Black | | | | | Red | | | | Red | | | | Yellow |
| 5/12 | | | | | | | | | | | | | | | | | | Yellow |
| 5/19 | | | | | | | | | | | | | | | | | | Yellow |
| 5/26 | | | | | | | | | | | | | | | | | | Yellow |
| Summer Season | | | | | | | | | | | | | | | | | | |
| 9/1 | | | | | | | | | | | | | | | | | | |
| 9/8 | | | | | | | | | | | | | | | | | | |
| 9/15 | | | | | | | | | | | | | | | | | | |
| 9/22 | | | | | | | | | | | | | | | | | | |
| 9/29 | | | | | Black | | | | | | | | | | | Black | | |
| 10/6 | | | | | Black | | | | | | | | | | | Black | | Black |
| 10/13 | | | | | Black | | | | | | | | | | | Black | | Black |
| 10/20 | | | | | | | Yellow | | | Black | | | | | | | Yellow | Red |
| 10/27 | | | | | | | Yellow | | | Black | | | | | | | Yellow | Red |
| 11/3 | | | | | | | | | | | | | | | | | | Red |
| 11/10 | | | | | | | | | | | | | | | | | | Red |
| 11/17 | | | | | Black | | Black | | | | | | | | | | | Red |
| 11/24 | | | | | Black | | | | | | | | | | | | | Red |
| 12/1 | | | | | | | | | | | | | | | | Yellow | | |
| 12/8 | | | | | | | | | | | | | | | | | | |
| 12/15 | | | | | | | | | | | | | | | | | | |
| 12/22 | | | | | | | | | | | | | | | | | | |
| 12/29 | | | | | | | | | | | | | | | | | | |

■ Removed from 2013 Plan
 ■ Added to 2014 Plan
 ■ Unchanged



2015 Maintenance Schedule Changes

2015
Weekly Maintenance Detail

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 | CR7 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/5 | | | | | | | | | | | | | | | | | | | |
| 1/12 | | | | | | | | | | | | | | | | | | | |
| 1/19 | | | | | | | | | | | | | | | | | | | |
| 1/26 | | | | | | | | | | | | | | | | | | | |
| 2/2 | | | | | | | | | | | | | | | | | | | |
| 2/9 | | | | | | | | | | | | | | | | | | | |
| 2/16 | | | | | | | | | | | | | | | | | | | |
| 2/23 | | | | | | | | | | | | | | | | | | | |
| 3/2 | | | | | | | | | | | | | | | | | | | |
| 3/9 | ■ | | | | ■ | | | | | | | | ■ | | | | | | |
| 3/16 | ■ | | | | ■ | | | | | | | | ■ | | | | | | |
| 3/23 | ■ | | | | ■ | | | | | | | | ■ | | | | | ■ | |
| 3/30 | ■ | | | | ■ | | | | | | | | ■ | | | | | ■ | |
| 4/6 | ■ | | | | ■ | | | | | | | | ■ | | | | | ■ | |
| 4/13 | ■ | | | | ■ | | | | | | | | ■ | | | | | ■ | |
| 4/20 | ■ | | | | ■ | | | | | | | | ■ | | | | | ■ | |
| 4/27 | | ■ | | | | | | | | | | | | ■ | | | | | |
| 5/4 | | ■ | | | | | | | | | | | | ■ | | | | | |
| 5/11 | | ■ | | | | | | | | | | | | ■ | | | | | |
| 5/18 | | ■ | | | | | | | | | | | | ■ | | | | | |
| 5/25 | | ■ | | | | | | | | | | | | ■ | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 8/31 | | | | | | | | | | | | | | | | | | | |
| 9/7 | | | | | | | | | | | | | | | | | | | |
| 9/14 | | | | | | | | | | | | | | | | | | | |
| 9/21 | | | | | | | | | | | | | | | | | | | |
| 9/28 | | | | | | | | | | | | | | | | | | | |
| 10/5 | | | | | | | | | | | | | | | | | | | |
| 10/12 | | | | | | | | | | | | | | | | | | | |
| 10/19 | | | | | | | | | | | | | | | | | | | |
| 10/26 | | | | | | | | | | | | | | | | | | | |
| 11/2 | | | | | | | | | | | | | | | | | | | |
| 11/9 | | | | | | | | | | | | | | | | | | | |
| 11/16 | | | | | | | | | | | | | | | | | | | |
| 11/23 | | | | | | | | | | | | | | | | | | | |
| 11/30 | | | | | | | | | | | | | | | | | | | |
| 12/7 | | | | | | | | | | | | | | | | | | | |
| 12/14 | | | | | | | | | | | | | | | | | | | |
| 12/21 | | | | | | | | | | | | | | | | | | | |
| 12/28 | | | | | | | | | | | | | | | | | | | |

■ Removed from 2013 Plan
 ■ Added to 2014 Plan
 ■ Unchanged



2016 Maintenance Schedule Changes

2016

Weekly Maintenance Detail

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 | CR7 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/4 | | | | | | | | | | | | | | |
| 1/11 | | | | | | | | | | | | | | |
| 1/18 | | | | | | | | | | | | | | |
| 1/25 | | | | | | | | | | | | | | |
| 2/1 | | | | | | | | | | | | | | |
| 2/8 | | | | | | | | | | | | | | |
| 2/15 | | | | | | | | | | | | | | |
| 2/22 | | | | | | | | | | | | | | |
| 2/29 | | | | | | | | | | | | | | |
| 3/7 | | | | | | | | | | | | | | |
| 3/14 | | | | | | | | | | | | | | |
| 3/21 | | | | | | | | | | | | | | |
| 3/28 | | | | | | | | | | | | | | |
| 4/4 | | | | | | | | | | | | | | |
| 4/11 | | | | | | | | | | | | | | |
| 4/18 | | | | | | | | | | | | | | |
| 4/25 | | | | | | | | | | | | | | |
| 5/2 | | | | | | | | | | | | | | |
| 5/9 | | | | | | | | | | | | | | |
| 5/16 | | | | | | | | | | | | | | |
| 5/23 | | | | | | | | | | | | | | |
| 5/30 | | | | | | | | | | | | | | |
| 6/6 | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | |
| 8/29 | | | | | | | | | | | | | | |
| 9/5 | | | | | | | | | | | | | | |
| 9/12 | | | | | | | | | | | | | | |
| 9/19 | | | | | | | | | | | | | | |
| 9/26 | | | | | | | | | | | | | | |
| 10/3 | | | | | | | | | | | | | | |
| 10/10 | | | | | | | | | | | | | | |
| 10/17 | | | | | | | | | | | | | | |
| 10/24 | | | | | | | | | | | | | | |
| 10/31 | | | | | | | | | | | | | | |
| 11/7 | | | | | | | | | | | | | | |
| 11/14 | | | | | | | | | | | | | | |
| 11/21 | | | | | | | | | | | | | | |
| 11/28 | | | | | | | | | | | | | | |
| 12/5 | | | | | | | | | | | | | | |
| 12/12 | | | | | | | | | | | | | | |
| 12/19 | | | | | | | | | | | | | | |
| 12/26 | | | | | | | | | | | | | | |

■ Removed from 2013 Plan
 ■ Added to 2014 Plan
 ■ Unchanged

Reserve margin need without 2016-17 PPA and 2018 NGCC is 100-300 MWs

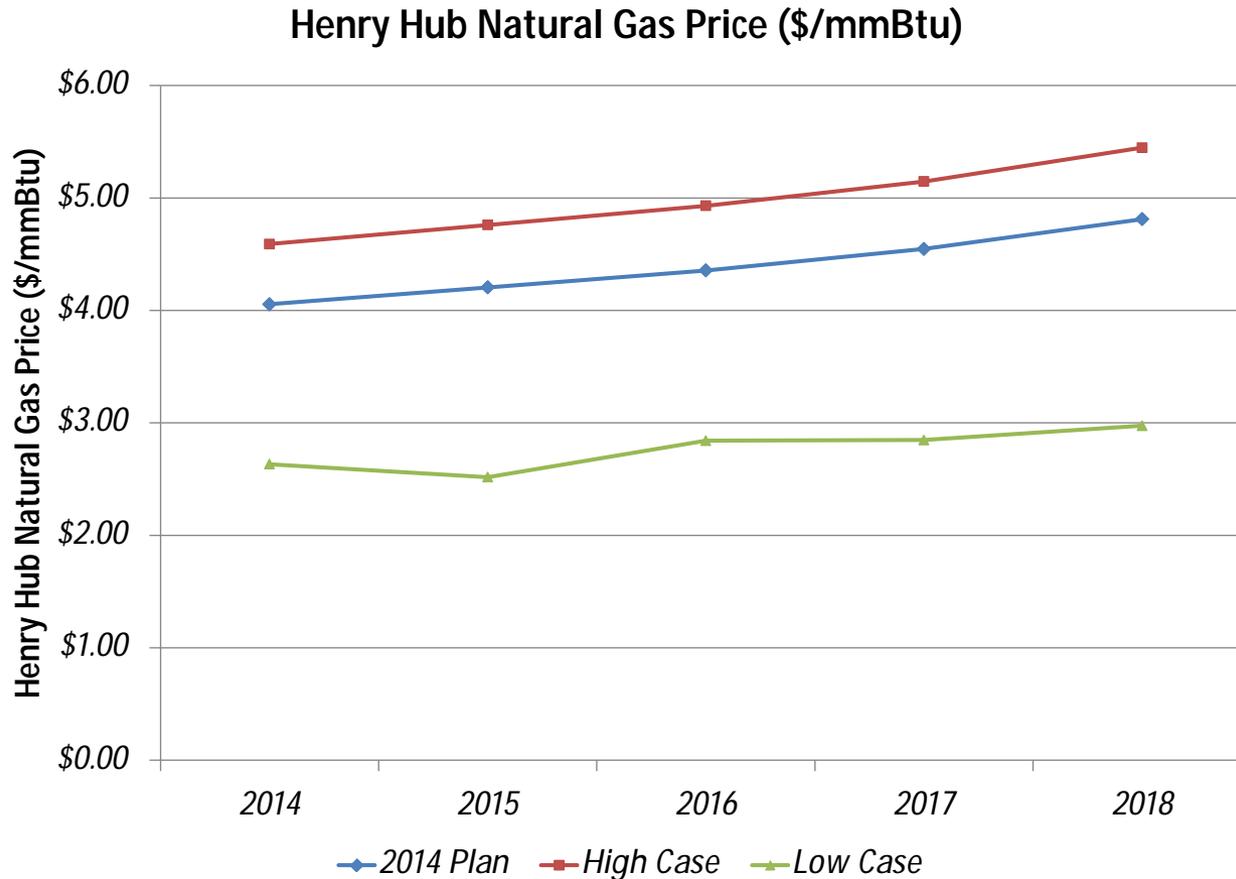
Reserve Margin Need without RM Purchases or next unit

Reserve Margin Target: 16%

| (MW) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <u>2013 Plan</u> | | | | | | | | | | | |
| Net Load | 6,821 | 6,860 | 6,903 | 6,954 | 7,010 | 7,077 | 7,144 | 7,212 | 7,281 | 7,337 | 7,403 |
| Existing Supply | 8,162 | 8,172 | 7,326 | 7,314 | 7,331 | 7,293 | 7,312 | 7,313 | 7,313 | 7,318 | 7,314 |
| New Capacity | 0 | 0 | 666 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve Margin | 1,341 | 1,312 | 1,089 | 1,025 | 987 | 882 | 834 | 767 | 699 | 648 | 577 |
| Reserve Margin % | 19.7% | 19.1% | 15.8% | 14.7% | 14.1% | 12.5% | 11.7% | 10.6% | 9.6% | 8.8% | 7.8% |
| Reserve Margin Need | -249 | -214 | 16 | 87 | 135 | 250 | 310 | 387 | 466 | 526 | 608 |
| <u>2014 Plan</u> | | | | | | | | | | | |
| Net Load | 6,786 | 6,838 | 6,892 | 6,948 | 7,004 | 7,062 | 7,120 | 7,178 | 7,237 | 7,296 | 7,350 |
| Existing Supply | 8,065 | 8,089 | 7,316 | 7,317 | 7,323 | 7,285 | 7,306 | 7,303 | 7,305 | 7,306 | 7,306 |
| New Capacity | 0 | 0 | 640 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve Margin | 1,280 | 1,251 | 1,064 | 1,009 | 958 | 863 | 826 | 765 | 709 | 650 | 595 |
| Reserve Margin % | 18.9% | 18.3% | 15.4% | 14.5% | 13.7% | 12.2% | 11.6% | 10.7% | 9.8% | 8.9% | 8.1% |
| Reserve Margin Need | -194 | -157 | 38 | 102 | 162 | 267 | 313 | 383 | 449 | 517 | 581 |



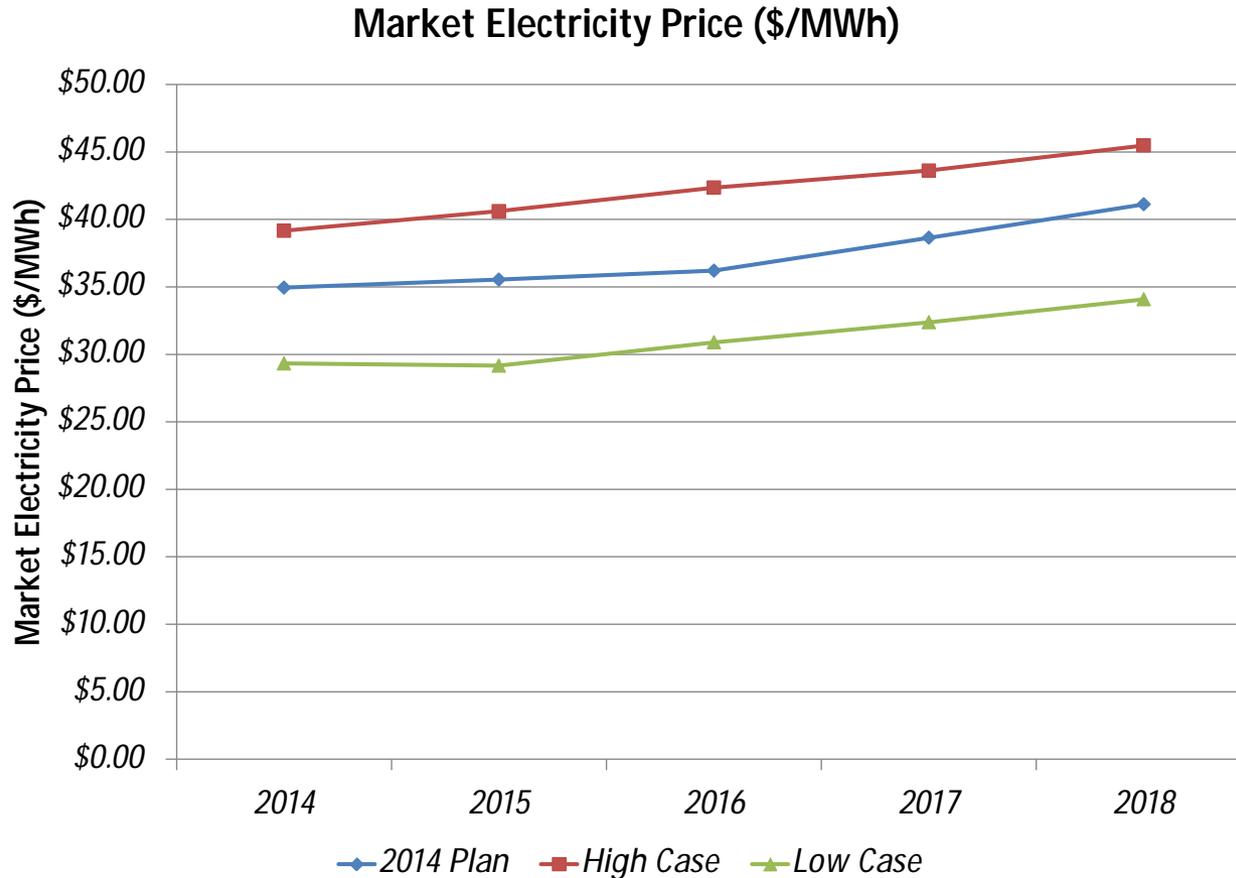
Natural Gas Price Scenarios



High and low gas price scenarios are from EIA.



Electricity Price Scenarios



High and low electricity price scenarios are from EIA.



Unit availability uncertainty

2104 EFORs Sensitivities

| Percentile | BR Sta | CR Sta | GR Sta | TC2 | GH/MC/TC1 |
|------------|--------|--------|--------|-------|-----------|
| 10% | 2.8% | 4.8% | 4.8% | 6.0% | 4.0% |
| Avg. | 5.6% | 7.8% | 7.8% | 6.0% | 5.6% |
| 90% | 7.0% | 11.7% | 11.7% | 12.0% | 6.2% |

2015 EFORs Sensitivities

| Percentile | BR Sta | CR Sta | GR Sta | TC2 | GH/MC/TC1 |
|------------|--------|--------|--------|-------|-----------|
| 10% | 2.8% | 5.1% | 5.1% | 6.0% | 4.0% |
| Avg. | 5.6% | 8.1% | 8.1% | 6.0% | 5.6% |
| 90% | 7.0% | 12.0% | 12.0% | 12.0% | 6.2% |

2016 EFORs Sensitivities

| Percentile | BR Sta | CR Sta | GR Sta | TC2 | GH/MC/TC1 |
|------------|--------|--------|--------|-------|-----------|
| 10% | 2.8% | 5.4% | 5.4% | 6.0% | 4.0% |
| Avg. | 5.6% | 8.4% | 8.4% | 6.0% | 5.6% |
| 90% | 7.0% | 12.3% | 12.3% | 12.0% | 6.2% |

Note: EFORs for GH, MC and TC1 are modeled as a group and therefore have less variability.



Production costs and OSS contribution are impacted by uncertainty in weather/load, electricity/gas prices, and unit availability

| Native Load Production Cost (\$/MWh) | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------------|-------------|-------------|-------------|-------------|
| <i>5th Percentile</i> | 28.33 | 27.65 | 29.89 | 30.79 | 31.84 |
| <i>2014 Plan</i> | 29.68 | 30.62 | 32.32 | 33.92 | 35.12 |
| <i>95th Percentile</i> | 30.36 | 31.75 | 33.70 | 34.89 | 35.96 |
| OSS Contribution (\$M) | 2014 | 2015 | 2016 | 2017 | 2018 |
| <i>5th Percentile</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>2014 Plan</i> | 2.1 | 1.3 | 0.9 | 1.2 | 1.8 |
| <i>95th Percentile</i> | 7.4 | 5.4 | 5.8 | 5.7 | 6.4 |

- *More upside exists in forecast of OSS contribution than downside.*

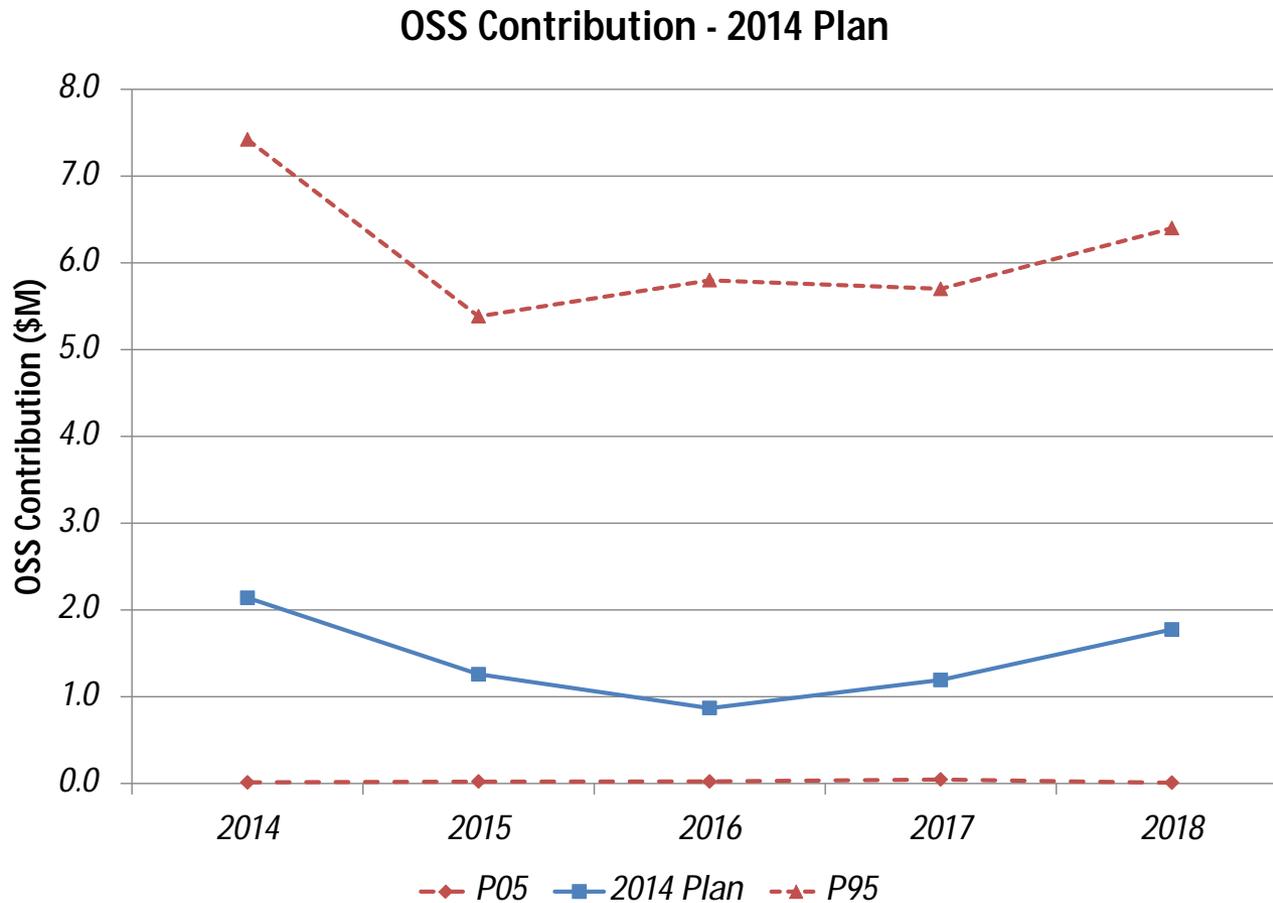
Gas price uncertainty increases variability in fuel burn after Cane Run 7 comes on line in 2015

| Gas Burn (GBtu) | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>5th Percentile</i> | 15,635 | 33,432 | 37,520 | 34,786 | 44,370 |
| <i>2014 Plan</i> | 18,165 | 40,977 | 45,293 | 45,233 | 58,941 |
| <i>95th Percentile</i> | 67,521 | 115,494 | 110,032 | 115,176 | 151,939 |

| Coal Burn (GBtu) | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>5th Percentile</i> | 286,073 | 222,855 | 226,083 | 223,516 | 206,112 |
| <i>2014 Plan</i> | 347,000 | 309,566 | 303,926 | 306,539 | 288,357 |
| <i>95th Percentile</i> | 358,518 | 329,244 | 325,286 | 332,436 | 312,534 |

- 5th and 95th percentile values are based on the results of 1,200+ simulations. Range of outcomes reflects the uncertainty in weather/load, market electricity/gas prices, and unit availability.*

OSS contribution is impacted by uncertainty in weather, electricity/gas prices, and unit availability





PPL companies

Project Engineering

2014 Business Plan

September 12, 2013

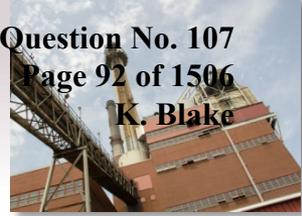


Table of Contents

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 - *Cost of Sales / Gross Margin (if applicable)*
 - *Capital*
 - *Headcount*
 - *Key Performance Indicators*
- Plan Risks
- Appendix



2014BP Highlights

- **Project Engineering's plan contains a net reduction of \$53M from 2014-2018 plan over plan.**
- **Reductions include:**
 - **The elimination of the BR 1 & 2 PJFF of \$235M.**
 - **CCR Ruling (pond closures) reduced by \$114M due to moving money into 2019.**
 - **The Black Start projects were reduced by \$22M due to only budgeting Cane Run and Trimble County while removing them at Paddys Run and Brown.**
- **Increases include:**
 - **Brown CCR of \$90M due to timing, an increase to the CCR transport estimate, and adding contingency back into the 2014BP.**
 - **Mill Creek CCR increased by \$58M due to the inclusion of the CCR Transport System not included in the 2013BP and adding contingency back into the 2014BP.**
 - **Trimble County CCR increased by \$107M due to refining estimates because of permitting delays and layout changes, as well as, adding contingency into the 2014BP that was removed from the 2013BP.**
 - **Mill Creek Air Compliance increased by \$26M due to a shift in the timing of the work and EPC trending above Target Cost.**
 - **The remaining \$37M increase is the cumulative amount of the remaining PE projects.**
- **While establishing the 2014BP, Project Engineering again undertook an effort to shift contingency to the later years of projects or to the latter stage of specific tasks in an effort to reduce budgeting of income from CAPEX spend that is not expected as base spend.**
- **Brown 3 PJFF is included in the 2014BP.**

Major Assumptions

1. Regulatory

1.1 *The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.*

1.2 *Target Reserve Margin of 16%, within a range of 15%-17%.*

- *Consistent with 2013 BP.*

1.3 Reserve sharing under the TVA Reserve Sharing Agreement is 253 MW's effective June 1, 2013 (the date at which EKPC joins PJM).

1.4 *LG&E and KU remain committed to burning higher sulfur fuels.*

2. Proposed or Expected New Environmental Regulations for Air and Water

2.1 *Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with the order being stayed on December 30, 2011, and completely struck down on August 21, 2012.*

- Existing Clean Air Interstate Rule (CAIR) stays in effect for all of the planning cycle.



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.2 Mercury and Air Toxics Standards (MATS) final rules were issued February 16, 2012.

- *Including a potential delay of up to one year that can be applied for, the compliance date will be April 16, 2016.*
- *A second, additional year of delay can be obtained in certain hardship cases, including retirements that could adversely impact transmission reliability. None of the LKE projects are counting on that second year of delay.*

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO₂. The final attainment designations for the short term NO_x standard have been delayed for up to three years due to inadequate monitoring. Based on the new short term SO₂ standards, compliance requirements must be in place by June 2017.

- *The Mill Creek Wet (WFGD) FGD project is expected to mitigate the area in Jefferson County that has been proposed as non-attainment.*

2.4 The EPA issued its proposal on PM NAAQS on December 14, 2012.

- *The current annual Particulate Matter standard for (PM)_{2.5} of 15 ug/M³ was lowered to 12ug/M³.*
- *EPA data indicates Jefferson and Bullitt Counties could be non-attainment.*
- *Implementation is expected between 2021 and 2025.*
- *The recent modifications at Gallagher Station, the shutting down of Cane Run 4, 5, and 6, and the baghouses, scrubbers, and dry sorbent injection systems at Mill Creek should mitigate concerns in Jefferson County.*
- *In general, on units adding baghouses, LKE should be compliant.*



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.5 The EPA is scheduled for a 2013 re-evaluation of the 8-hour ozone standard. Due to litigation, they were prepared to issue an early revision that would have been much lower with large impacts industry wide; however, they instead decided to re-instate the 2008 NAAQS Ozone 8-hour standard.

- *Non Quality Assured 2012 monitor data indicates Jefferson County as non-attainment with the 1997 and the 2008 standard.*
 - Likely Case: Shutdown of Cane Run 4, 5 and 6 mitigates the issue.
 - Worst Case: SCRs are needed at Mill Creek 1 and 2 to mitigate the issue, which are not accounted for in the 2014BP.

2.6 Cane Run Coal will be retired May 1, 2015.

- Combined cycle replacement available on that date.
- LMAPCD has granted a 6-month extension to continue coal operation if needed.
- There are 23 employees expected to retire or take the severance, and 48 will be placed elsewhere.



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.7 Green River Coal will be retired October 1, 2014.

- *This presumes that the one-year extension does not apply in situations where no environmental controls are being added.*
- *A Transmission Capital project (Matanzas) is slated to be completed in October, 2013 which will provide greater flexibility around running the Green River units.*
 - However, the impact from Big Rivers potentially shutting down Unit(s) is uncertain.
- *Of the 24 employees expected to be placed (with an additional 15 retiring/taking severance), they will be split between Customer Services Meter Reading (11) and Power Generation (13).*



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 On March 21, 2011 EPA published a final rule that identified non-hazardous secondary materials that are considered solid wastes when combusted.

- *Boiler cleaning waste affected and disposal by burning in the boiler will be prohibited unless we are permitted as a “commercial and industrial solid waste incinerator”.*
- *State is researching the need for SIP revision.*
 - If not needed, effective April 2016 (three years from rule).
 - If needed, up to three additional years (2019).
 - ❖ *This has O&M implications.*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.9 GHG New Source Performance Standards (NSPS) for new sources

- EPA announced proposed rule on 04/13/2012. On June 25, 2013 the President directed the EPA to re-propose the rule for new sources by September 20, 2013.
- EPA's initial rule proposed a CO2 limit of 1,000 lbs/MWh (gross).
- Affects new units only (Coal-Fired Units, Integrated Gas Combined Cycle (IGCC), Natural Gas Combined Cycle (NGCC)).
 - *Cane Run 7 NGCC is the only unit in the LKE fleet currently impacted.*
 - ❖ Cane Run 7 NGCC emission rate estimated at 800 lbs/MWh (gross) during full load operation.
 - *New simple cycle turbines not affected.*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.10 President Obama's "climate action plan" announced on June 25, 2013 will target CO₂ reductions to existing coal-fired power plants.

- Proposed standards to be announced June, 2014.
- EPA is still under a settlement agreement with environmental groups to pursue climate new source performance standards under Clean Air Act section 111 (d).
- A large amount of uncertainty exists, both on content and timing.

2.11 The 2011 ECR compliance plan settlement and CPCN were approved December 16, 2011 and included the following air quality controls:

- *A new Mill Creek 4 WFGD (December 2014).*
- *A new Mill Creek 3 WFGD (June 2016) as approved by the KPSC on February 15, 2013.*
- *A new Mill Creek 1 and 2 (combined) WFGD (May 2015).*
- *Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 3, and Trimble County 1.*
 - 2014 in-service: GH3 (May), GH4 (November), MC4 (December)
 - 2015 in-service: BR3 (April), GH1 (May), GH2 (November), MC1 (May), MC2 (May), TC1 (October)
 - ❖ *The existing precipitators on Brown 3, Ghent 1 and Ghent 2 will be removed.*
 - 2016 in-service: MC3 (June) in conjunction with the new PJFF tie-in outage.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- *2.12 Significant O&M and cost of sales (~\$50M per year) will be incurred as remaining units become operational for MATS Compliance.*
- *Costs will begin ramping up in 2014 as units are completed.*
 - Additional limestone usage at Mill Creek 1 and 2 WFGD.
 - Additional hydrated lime injection to protect bags at all baghouse installations.
 - Powdered Activated Carbon (PAC) Injection at all installations.
- *Prior to 180 days after the compliance date of April 16, 2015 (or April 16, 2016 for units that have been granted an extension), all units must have completed a boiler tune-up with specific documentation of improvements and procedures and effects on CO and NO_x.*
 - EPA has intent to allow for the boiler tune-up to occur prior to the compliance date, however, further clarification that is needed by the EPA should be forthcoming.



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.13 EPA has negotiated a delay in issuing the final regulations for 316(b).

- *The final rule now must be issued by November 4, 2013.*
- *A Five-Year implementation period is expected.*
- *Current capital estimate (pre-Level I) to comply is \$3M each for Mill Creek, Trimble County, Ghent, and Brown (½ in 2015, ½ in 2016).*
 - *Additional chemicals (as O&M) may also be required.*
- *Dollars could shift out further should there be any type of delays.*
- *There is no mandate for cooling towers at the current time (MC1 is a sensitivity in 2017).*

2.14 Effluent water guideline draft proposal was issued April 19, 2013, with the final rule targeted to be issued May 22, 2014 (though unlikely they will meet that date).

- *Timing expected to coincide with final rules on coal combustion residuals (CCR's).*
- *A Five-Year implementation period is expected.*
- *Separately, as a part of the Ghent KPDES permitting, a mercury discharge limit of 51 ppt was imposed by the State. This is anticipated to require accelerating the Ghent water treatment project from the current 2014BP.*
- *Ultimate implementation timing as well as scope are uncertain at this time.*
 - *Eight options being considered from very good to very bad on the industry, will likely end up in the middle.*
- *A placeholder per station is included (\$60M Ghent, \$60M Mill Creek, \$40M Brown, \$15M (Net) Trimble County, and \$10M Cane Run) until engineering estimates can be performed in 2014.*
- *Dollars are split in 2017 and 2018 equally, but likely will vary by facility based on permit renewal dates.*
 - *O&M for chemicals will also be needed.*



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.15 Internal Combustion Engine and Reciprocating Internal Combustion Engines (IC & RICE) regulation finalized in 2010.

- Non-certified engines purchased after 2005 must be tested for compliance and may need “tailpipe” controls for particulates, NO_x and Volatile Organic Compounds (VOC) emissions.
- Existing Emergency Compression engines <500HP require compliance with “work practice standards” including hour meter by May, 2013.
- Existing Emergency Spark engines <500HP require compliance with “work practice standards” including hour meter by October 2013.

2.16 Ghent Consent Decree negotiated SO₃ (H₂SO₄) permitted emission limits with EPA in 2012.

- Additional testing will be necessary and engineering studies may be required.
- Ghent 2 additional SO₃ control equipment (BACT) already installed.
- Permit includes operational monitoring of SO₃ control equipment.
- SIC Monitors will be required for each unit.
- *Additional emissions testing needed for correlation per the Compliance Assurance Monitoring (CAM) Plan.*

2.17 Cane Run Landfill Dust Suppressant.

- *Chemical suppressant is to be added during dry weather to the open landfill area to mitigate dust.*



Major Assumptions

3. Expansion/Capacity

3.1 A combined cycle unit (Cane Run 7) will be added May 1, 2015 at the Cane Run location.

- *2 x 1, 640 MW Summer Net (Ownership is 78% KU, 22% LG&E).*
- *Cane Run Coal retired on date CR7 meets Commercial Operation.*
- *CCN approved in September, 2012.*
- *Expense profile based on a Long-Term Services Agreement being in place.*

3.2 A second combined cycle unit will be added May 1, 2018 (ownership is 50% KU, 50% LG&E).

- *The location is still to be determined (Most likely either Brown or Green River).*
- *2 x 1, 640 MW Summer Net (similar to CR7) with other options for a comparable number of MW's being considered.*
- *Expense profile based on a Long-Term Services Agreement being in place.*

3.3 Some reserve margin purchases for 2016 and 2017 will likely still be needed (~165MW).

3.4 The third combined cycle will come on-line May 1, 2025.

3.5 Brown 1 and 2 are included through the planning period, but without fabric filters.

- *The Nalco product, to keep mercury emissions lower, will be utilized.*



Major Assumptions

3. Expansion/Capacity (Cont.)

3.6 *The four Ohio Falls units still to be rehabilitated (the other four are complete) have the following scheduled completion dates.*

Unit 1 (March 2014)

Units 2, 4 and 8 will be January, 2015, October, 2015, and July, 2016, but the order is uncertain and being implemented on worst conditioned unit at the time getting priority.

3.7 *Black start additions (for system restoration purposes) will take place in 2017 and 2018.*

- *Trimble County Site 2017 in-service.*
- *Cane Run Site 2018 in-service.*

Major Assumptions

3. Expansion/Capacity (Cont.)

3.8 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.

- *Group 3 consists of the older, smaller CT's.*
- *No Group 3 units are being retired in the plan.*

3.9 *Biomass co-firing projects for 2 units is a sensitivity, not included in the base Business Plan.*

3.10 *Landfill gas projects are a sensitivity and are not included in the base Business Plan.*

- *No activity currently taking place.*
- *Current natural gas prices do not support this type of project.*

3.11 *A carbon capture and sequestration (CCS) demonstration facility for 100 MW is a sensitivity.*

- *A small scale pilot project hosted by Brown Station and primarily funded through the UK CMRG and the DOE takes place in 2013-2016.*



Major Assumptions

4. Coal Combustion Residuals (CCR's)

4.1 *EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.*

- *Final rules are expected in April, 2014 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Ponds are expected to be eliminated for ash storage.*
- *EPA is looking to tie the timing of CCR's and effluent water (see 2.14) together.*
 - *Environmental groups are suing for an earlier release.*
 - *Congress is working on a bi-partisan effort.*
 - *Plan includes 2017 - 2020 to construct new process ponds followed by pond closures.*
 - *A designation of "Hazardous" vs. "Non-Hazardous" appears to be trending toward "Non-Hazardous".*
 - *While the scope would not change, a designation of "hazardous" would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard.*
 - *All landfill projects are based on a "non-hazardous" designation.*

4.2 *Trimble County Landfill and Transport.*

- *An alternative footprint is being pursued.*
- *The projected in-service date is 4Q, 2017 for the transport and treatment system, based on a landfill permit being issued by the Kentucky Division of Waste Management in November, 2014 (application submitted November, 2013, approved in 12 months).*
 - *Phase 1 of the landfill is planned for full operations in 2Q, 2018.*
- *This would allow for a 2.75 year construction schedule and would leave a 2 year operating buffer on the BAP at the current projected CCR generation rates from Generation Planning.*



Major Assumptions

4. Coal Combustion Residuals (CCR's) (Cont.)

- 4.3 *Brown Ash Pond is being converted to a landfill, with an expected in-service date of April 2015 for Phase 1.***
- ***KYDWM permit expected September/October 2013.***
 - ***Construction schedule is approximately 18 months.***
 - ***All three phases will be staged concurrently to meet permit requirements.***
 - ***Phase II and III authority will be sought in the next ECR filing.***
- 4.4 *Ghent Landfill Phase 1 construction will be substantially completed by 4Q 2013, with significant O&M starting in 1Q 2014.***
- ***The transport component will go into service in 2Q 2014.***
 - ***All permit approvals have been received, however, a new KPDES permit is still needed for water run-off.***
- 4.5 *A new Mill Creek landfill is forecasted to be in-service by December 31, 2019.***
- ***Landfill location assumption is 1.5 miles from Mill Creek with a 1.5 mile transport pipe conveyor.***
- 4.6 *The Cane Run MSE Wall will be completed in 3rd Quarter 2014.***
- 4.7 *The Cane Run Landfill will be closed in 2016 after coal generation has ceased.***
- 4.8 *The Cane Run Ash pond Cap & Closure project will be completed in 2017.***
- 4.9 *All CCR Capital Projects use an annual escalation rate of 4.0%.***



Major Assumptions

5. Operational and Other

5.1 Annual escalation rates for internal labor, contract labor and materials are as follows:

- *Internal labor: 3.0%.*
- *Contract/services labor: 3.0% for general, 3.5% for highly skilled (welders).*
- *Chemicals: 6.0% for specialty (Nalco), 5.0% for commodity (Brenntag)*
- *Fuels and additives 5.0%.*
- *All other non-labor 2.0%.*

5.2 Planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years, with the following exceptions:

- Brown units 1 and 3 over-lap by 2 weeks every other year.
- Cane Run units are 3 week outages one year with no outage the next year, with this cycle repeating.
- Trimble County 1 is 4 week outages one year with no outage the next year, with this cycle repeating.
- Trimble County 2 will have an annual outage until the unit becomes consistently reliable.



Major Assumptions

5. Operational and Other (Cont.)

5.3 The next turbine overhauls by unit are as follows:

- 2014 : Mill Creek 4, Ghent 4.
- 2015 : Ghent 1, Brown 1
- 2016 : None scheduled.
- 2017: Brown 2, Trimble 1
- 2018: Ghent 3, Trimble 2

5.4 The permanent burner replacements for TC2 are scheduled to be installed in the Spring, 2014.

5.5 Significant generator rewind/stator rewind dollars are included in the 2013-2017 timeframe.

- *Brown 2 generator (stator and rotor) rewind in 2017 (some dollars also in 2016).*
- *Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.*
 - The spare sets will be installed on MC4 in 2014, MC3 in 2019, MC2 in 2020, and MC1 in 2021.

5.6 The corrosion fatigue inspection schedule is as follows:

- 2014: Ghent 4
- 2015: Ghent 1, Mill Creek 1
- 2016: Brown 1, Mill Creek 2, Mill Creek 4
- 2017: Brown 2, Mill Creek 1, Mill Creek 4, TC1
- 2018: Brown 3, Ghent 1, Ghent 3, TC2

Major Assumptions

5. Operational and Other (Cont.)

5.7 The High Energy Piping (HEP) inspection schedule is as follows:

- 2014: Brown 1, Ghent 3, Ghent 4, Mill Creek 4, TC2
- 2015: Ghent 1, Ghent 2, Mill Creek 3
- 2016: Brown 3, Mill Creek 2, TC2
- 2017: Brown 2, Mill Creek 1, TC1
- 2018: Brown 1, Ghent 1, Ghent 3, Ghent 4, Mill Creek 2, Mill Creek 4

5.8 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- Permit changes may also be needed.

5.9 Targets for percentage of fuel hedged in the 2014 Business Plan are as follows:

- Year 1 90%-100%
- Year 2 80%-95%
- Year 3 40%-90%
- Year 4 30%-70%
- Year 5 10%-50%
- Year 6 0%-30%



Major Assumptions

5. Operational and Other (Cont.)

5.10 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 10%) vs. new parts (capital – approximately 90%).
- The first set of hot gas path inspections for Trimble CT's are complete as of the Spring, 2013. The cycle starts again with one unit in 2016, two units in 2017, two units in 2018, and one unit in 2019.
- Brown C inspections by unit are as follows:
 - ❖ Unit 9 in 2013
 - ❖ Unit 10 in 2015
 - ❖ Unit 6 in 2018
 - ❖ Unit 7 in 2019
 - ❖ Unit 11 in 2020
 - ❖ Unit 5 in 2023
 - ❖ Unit 8 in 2021
- The expiration date for the Brown 6 and 7 Long-Term Services Agreements (LTSA) is October 1, 2016 based on the 13-year criteria.
 - ❖ Replacement LTSA's are not expected.
- *The CT component outages for Cane Run 7 are a Combustion Inspection 2017, Hot Gas Path Inspection 2019, and Combustion Inspection 2022.*
 - ❖ Cane Run 7 CT's are covered under a signed LTSA.
 - ❖ The turbine/generator overhaul will be every seven years, with the first one in 2022.



Major Assumptions

5. Operational and Other (Cont.)

5.11 NERC Cyber Security Solution (all coal-fired stations plus Paddy's Run and Haefling) is included, along with Microsoft Upgrades for Ghent and Trimble County due to 2014 de-support of Windows XP.

5.12 CIP Version 4 will have an effective date of April 1, 2014, with CIP version 5 effective July 1, 2015.

5.13 Plan includes completing the demolition of Paddy's Run Coal Plant in 2015-2016, and complete demolition of Canal Station in 2017-2018. Paddy's chimneys were removed in 2013.

5.14 Cost of removal reserves at 12/31/15 are projected to be:

- Tyrone \$5M
- Green River \$12M
- Cane Run \$35M

5.15 Expected write-offs to expense include:

- Cane Run M&S \$8M (2015)
- Green River M&S \$2M (2015)
- Ghent Ash Handling M&S \$1M (2014)
- Mill Creek FGD M&S \$1.5M (2016)

5.16 A MAXIMO Upgrade (tied to Oracle Upgrade) will be completed in August, 2013.

5.17 The Proysm run dated August 14th is the official generation forecast for the 2014 Business Plan.



Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | \$270 | \$395 | \$300 | \$300 | \$300 | \$309 | \$318 |
| Non Labor | \$624 | \$405 | \$500 | \$500 | \$500 | \$510 | \$520 |
| Subtotal OPEX/Other expense | \$894 | \$800 | \$800 | \$800 | \$800 | \$819 | \$838 |
| Gross Margin Expenses ¹ | \$1,185 | | | | | | |
| Total Income Statement items | \$2,079 | \$800 | \$800 | \$800 | \$800 | \$819 | \$838 |

¹ \$1,183 of Cane Run Landfill charges were written off to Gross Margin Expense.

2014-2018 OPEX/Other Expense Reconciliation

(\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | \$800 | \$820 | \$841 | \$862 | \$884 |
| Drivers: | | | | | |
| Change in Escalation Methods | \$0 | (\$20) | (\$41) | (\$43) | (\$46) |
| Current Plan | <u>\$800</u> | <u>\$800</u> | <u>\$800</u> | <u>\$819</u> | <u>\$838</u> |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (x \$1M)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Environmental | | | | | | | |
| Brown CCR | \$7 | \$18 | \$43 | \$34 | \$10 | \$3 | \$13 |
| Cane Run CCR | (\$2) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ghent CCR | \$131 | \$82 | \$28 | \$2 | \$0 | \$0 | \$0 |
| TC CCR (Net) | \$16 | \$3 | \$3 | \$48 | \$113 | \$74 | \$9 |
| MC CCR | \$0 | \$0 | \$0 | \$1 | \$7 | \$7 | \$57 |
| Brown 3 SCR | \$35 | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 |
| FGD Program | \$2 | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Studies | (\$3) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Brown | \$5 | \$12 | \$37 | \$43 | \$4 | \$0 | \$0 |
| Env. Air - Ghent | \$61 | \$235 | \$202 | \$92 | \$4 | \$0 | \$0 |
| Env. Air - Mill Creek | \$66 | \$247 | \$248 | \$223 | \$117 | \$3 | \$0 |
| Env. Air - TC (Net) | \$4 | \$11 | \$39 | \$59 | \$5 | \$0 | \$0 |
| Env. Compliance - CCR Ruling | \$0 | \$0 | \$2 | \$5 | \$50 | \$133 | \$190 |
| Env. Compliance - Effluent Water | \$0 | \$1 | \$2 | \$1 | \$8 | \$98 | \$98 |
| Env. Compliance - Water Intake | \$0 | \$0 | \$1 | \$6 | \$6 | \$0 | \$0 |
| New Generation Capacity | | | | | | | |
| TC2 (Net) | \$14 | (\$1) | \$1 | \$3 | \$0 | \$0 | \$0 |
| Ohio Falls | \$19 | \$16 | \$17 | \$16 | \$10 | \$0 | \$0 |
| NGCC 2015 - CR7 | \$66 | \$319 | \$125 | \$36 | \$0 | \$0 | \$0 |
| NGCC 2018 | \$0 | \$2 | \$1 | \$85 | \$394 | \$155 | \$45 |
| Other | | | | | | | |
| CR & TC Black Start | \$0 | \$0 | \$0 | \$4 | \$18 | \$30 | \$18 |
| CR MSE Wall, Ash Pond & Landfill Closure | \$2 | \$6 | \$4 | \$3 | \$3 | \$1 | \$0 |
| Paddys Demolition | \$1 | \$0 | \$1 | \$8 | \$7 | \$0 | \$0 |
| Canal Demolition | \$0 | \$0 | \$1 | \$0 | \$0 | \$7 | \$6 |
| TC2 DSI System | \$0 | \$3 | \$3 | \$0 | \$0 | \$0 | \$0 |
| Other | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Capital and Cost of Removal | \$427 | \$957 | \$756 | \$668 | \$757 | \$511 | \$434 |



Capital Reconciliation (w COR) – Accrual Basis

(x \$1M)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|----------------------------------|----------------|--------------|--------------|--------------|--------------|
| Prior Plan | \$879 | \$674 | \$693 | \$461 | \$381 |
| Changes: | | | | | |
| Brown CCR | (\$38) | (\$34) | (\$10) | (\$3) | (\$6) |
| Cane Run CCR Closure | (\$0) | (\$1) | (\$3) | (\$1) | \$0 |
| Ghent CCR | (\$16) | (\$2) | \$1 | \$2 | \$9 |
| TC CCR (Net) | \$98 | (\$15) | (\$113) | (\$74) | (\$4) |
| MC CCR | \$12 | (\$1) | (\$7) | (\$6) | (\$56) |
| TC2 (Net) | (\$1) | (\$3) | \$0 | \$0 | \$0 |
| TC2 DSI System | (\$3) | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$2 | (\$0) | (\$9) | \$0 | \$0 |
| NGCC 2015 - CR7 | \$4 | (\$1) | \$0 | \$0 | \$0 |
| NGCC 2018 | \$1 | \$18 | (\$13) | \$5 | (\$2) |
| NGCC 2025 | \$0 | \$0 | \$0 | \$0 | \$3 |
| Paddys Demolition | (\$1) | (\$8) | (\$6) | \$3 | \$5 |
| Canal Demolition | (\$1) | \$0 | \$1 | (\$2) | (\$1) |
| TC & CR Black Start ¹ | \$0 | (\$4) | (\$18) | (\$30) | (\$18) |
| Env. Air - Brown | \$68 | \$97 | \$70 | \$0 | \$0 |
| Env. Air - Ghent | \$5 | (\$10) | (\$3) | \$0 | \$0 |
| Env. Air - Mill Creek | (\$15) | (\$58) | \$51 | (\$3) | \$0 |
| Env. Air - TC (Net) | \$3 | (\$1) | (\$0) | \$0 | \$0 |
| Env. Compliance - CCR Ruling | \$5 | \$29 | \$3 | \$61 | \$16 |
| Effluent Water | (\$1) | (\$1) | (\$8) | \$0 | \$0 |
| Water Intake | (\$1) | \$0 | \$0 | \$0 | \$0 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| Current Plan | <u>\$756</u> | <u>\$668</u> | <u>\$757</u> | <u>\$511</u> | <u>\$434</u> |

¹ Black Starts were part of Generation Services budget in 2013BP

Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-----------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Managers - Major Capital Projects | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Procurement Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| HR/IR Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Contract Administrator | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Project Planning Coordinator | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Lead | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Chemical | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Civil | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Electrical | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Mechanical | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Project Coordinators | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Safety Specialists | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Administrative Assistants | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Subtotal | 54 | 56 | 56 | 56 | 56 | 56 | 56 |
| Coop/Intern Students | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Total | 62 | 64 | 64 | 64 | 64 | 64 | 64 |
| From 2013 Business Plan | | 61 | 61 | 61 | | | |
| Variance to 2013 Business Plan | | 3 | 3 | 3 | | | |

Plan over Plan increases (decreases)

Increase Coops from 5 to 8



2014 Business Plan Risks

- Acceleration of compliance dates by EPA from assumed dates in 2014BP.
- Available craft labor resources.
- Execution of “no float” schedule on Mill Creek 3 WFGD & PJFF.
- Receiving permits on landfills at Trimble County and Brown within assumed timeframes.
- Performance of EPC contractors.
- Performance of equipment during commissioning, startup, and initial operation periods



Appendix



Capital Review – Brown CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Main Pond Phase I | \$38 | \$73 | \$73 | \$35 | \$35 |
| Aux Pond/Main Pond Phase II | \$20 | \$25 | \$25 | \$5 | \$5 |
| Landfill Phase I & Transport | \$109 | \$57 | \$59 | (\$52) | (\$50) |
| Landfill Phase II | \$28 | \$0 | \$0 | (\$28) | (\$28) |
| Total | \$195 | \$155 | \$157 | (\$40) | (\$38) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2013 BP | | | | | | | | | |
| Main Pond Phase I | \$38 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$38 |
| Aux Pond/Main Pond Phase II | \$17 | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$20 |
| Landfill Phase I & Transport | \$21 | \$37 | \$5 | \$0 | \$0 | \$0 | \$0 | \$0 | \$63 |
| Landfill Phase II | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$7 | \$19 | \$26 |
| Total 2013 BP | \$76 | \$40 | \$5 | \$0 | \$0 | \$0 | \$7 | \$19 | \$147 |
| 2014 BP | | | | | | | | | |
| Main Pond Phase I | \$38 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$38 |
| Aux Pond/Main Pond Phase II | \$17 | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$20 |
| Landfill Phase I & Transport | \$19 | \$15 | \$43 | \$32 | \$0 | \$0 | \$0 | \$0 | \$109 |
| Landfill Phase II | \$0 | \$0 | \$0 | \$2 | \$10 | \$3 | \$13 | \$0 | \$28 |
| Total 2014 BP | \$74 | \$18 | \$43 | \$34 | \$10 | \$3 | \$13 | \$0 | \$195 |
| Variance to 2013 BP | | | | | | | | | |
| Main Pond Phase I | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Aux Pond/Main Pond Phase II | \$0 | (\$0) | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$0) |
| Landfill Phase I & Transport | \$1 | \$22 | (\$37) | (\$32) | \$0 | \$0 | \$0 | \$0 | (\$46) |
| Landfill Phase II | \$0 | \$0 | \$0 | (\$2) | (\$10) | (\$3) | (\$6) | \$19 | (\$2) |
| Total Variance to 2013 BP | \$2 | \$22 | (\$38) | (\$34) | (\$10) | (\$3) | (\$6) | \$19 | (\$48) |

Key Messages

- The ECR Filing for Phase I of the Landfill and the Transport system was made in June 2011.
- \$16M was moved in 2011 from the Main Pond Phase I to the Aux Pond Phase II (\$4M) and the Landfill Phase I (\$12M).



Capital Review – Cane Run CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|--|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Cane Run MSE Wall | \$5 | \$5 | \$0 | \$0 | (\$5) |
| Cane Run Ash Pond and Landfill Closure | \$15 | \$15 | \$0 | \$0 | (\$15) |
| Total | \$20 | \$20 | \$0 | \$1 | (\$20) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2013 BP | | | | | | | | | |
| Cane Run MSE Wall | \$2 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 |
| Cane Run Ash Pond and Landfill Closure | \$0 | \$3 | \$3 | \$1 | \$0 | \$0 | \$0 | \$0 | \$8 |
| Total 2013 BP | \$3 | \$5 | \$3 | \$2 | \$0 | \$0 | \$0 | \$0 | \$13 |
| 2014 BP | | | | | | | | | |
| Cane Run MSE Wall | \$2 | \$2 | \$1 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 |
| Cane Run Ash Pond and Landfill Closure | \$0 | \$4 | \$3 | \$3 | \$3 | \$1 | \$0 | \$0 | \$15 |
| Total 2014 BP | \$2 | \$6 | \$4 | \$3 | \$3 | \$1 | \$0 | \$0 | \$20 |
| Variance to 2013 BP | | | | | | | | | |
| Cane Run MSE Wall | \$0 | (\$0) | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cane Run Ash Pond and Landfill Closure | \$0 | (\$1) | (\$0) | (\$2) | (\$3) | (\$1) | \$0 | \$0 | (\$7) |
| Total Variance to 2013 BP | \$0 | (\$1) | (\$0) | (\$1) | (\$3) | (\$1) | \$0 | \$0 | (\$7) |

Key Messages

- ECR Filing on MSE Wall and Cap & Closure projects have not yet been filed with PSC.
- Change in scope from New Landfill to an MSE Wall was made in 2012.



Capital Review – Ghent CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-------------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Landfill Phase I/Fines & Transport | \$323 | \$303 | \$205 | (\$19) | (\$118) |
| Landfill Phase II, III, Close & Cap | <u>\$135</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$135)</u> | <u>(\$135)</u> |
| Total | \$457 | \$303 | \$205 | (\$154) | (\$253) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|-------------------------------------|-----------------|---------------|---------------|--------------|-------------|-------------|-------------|----------------------|---------------|
| 2013 BP | | | | | | | | | |
| Landfill Phase I | \$44 | \$0 | \$10 | \$1 | \$1 | \$2 | \$0 | \$0 | \$56 |
| Fines & Transport | \$173 | \$54 | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 | \$230 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$112</u> | <u>\$112</u> |
| Total 2013 BP | \$217 | \$54 | \$12 | \$1 | \$1 | \$2 | \$0 | \$112 | \$398 |
| 2014 BP | | | | | | | | | |
| Landfill Phase I | \$43 | \$11 | \$8 | \$2 | \$0 | \$0 | \$0 | \$4 | \$68 |
| Fines & Transport | \$164 | \$71 | \$20 | \$0 | \$0 | \$0 | \$0 | \$0 | \$255 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$135</u> | <u>\$135</u> |
| Total 2014 BP | \$206 | \$82 | \$28 | \$2 | \$0 | \$0 | \$0 | \$138 | \$457 |
| Variance to 2013 BP | | | | | | | | | |
| Landfill Phase I | \$1 | (\$11) | \$2 | (\$2) | \$1 | \$2 | \$0 | (\$4) | (\$11) |
| Fines & Transport | \$10 | (\$17) | (\$18) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$25) |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$23)</u> | <u>(\$23)</u> |
| Total Variance to 2013 BP | \$10 | (\$28) | (\$16) | (\$2) | \$1 | \$2 | \$0 | (\$27) | (\$59) |

Key Messages

- The increase over the ECR Filing is due to the Transport System going from Preliminary to Level I engineering, unexpected underground interferences, excusable events with EPC, and final permit design against design.



Capital Review – Mill Creek CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Mill Creek Landfill Expansion | \$89 | \$0 | \$0 | (\$89) | (\$89) |
| Mill Creek CCRT - Transport | <u>\$82</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$82)</u> | <u>(\$82)</u> |
| Total | \$171 | \$0 | \$0 | (\$171) | (\$171) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|-------------------------------|-----------------|-------------|-------------|-------------|-------------|--------------|---------------|----------------------|---------------|
| 2013 BP | | | | | | | | | |
| Mill Creek Landfill Expansion | \$0 | \$0 | \$12 | \$0 | \$0 | \$1 | \$0 | \$36 | \$50 |
| Mill Creek CCRT - Transport | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total 2013 BP | \$0 | \$0 | \$12 | \$0 | \$0 | \$1 | \$0 | \$36 | \$50 |
| 2014 BP | | | | | | | | | |
| Mill Creek Landfill Expansion | \$0 | \$0 | \$0 | \$1 | \$7 | \$2 | \$14 | \$65 | \$89 |
| Mill Creek CCRT - Transport | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$5</u> | <u>\$43</u> | <u>\$34</u> | <u>\$82</u> |
| Total 2014 BP | \$0 | \$0 | \$0 | \$1 | \$7 | \$7 | \$57 | \$99 | \$171 |
| Variance to 2013 BP | | | | | | | | | |
| Mill Creek Landfill Expansion | \$0 | \$0 | \$12 | (\$1) | (\$7) | (\$1) | (\$13) | (\$29) | (\$38) |
| Mill Creek CCRT - Transport | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$5)</u> | <u>(\$43)</u> | <u>(\$34)</u> | <u>(\$82)</u> |
| Total Variance to 2013 BP | \$0 | \$0 | \$12 | (\$1) | (\$7) | (\$6) | (\$56) | (\$63) | (\$120) |

Key Messages

- Transport was not budgeted in the 2013BP.



Capital Review – Trimble County CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | Total Projection | Current Authority | ECR Filing | Variance to Authority | Variance to ECR Filing |
|--|---------------------|----------------------|---------------|--------------------------|---------------------------|
| BAP/GSP | \$29 | \$30 | \$25 | \$1 | (\$4) |
| Landfill Phase I/Treatment & Transport | \$277 | \$73 | \$73 | (\$205) | (\$205) |
| Landfill Phase II, III, & IV | \$148 | \$0 | \$0 | (\$148) | (\$148) |
| Holcim | \$9 | \$9 | \$8 | (\$0) | (\$1) |
| Total | \$463 | \$111 | \$106 | (\$352) | (\$358) |

Business Plan Comparison

| | Pre-2013 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Post 2018 | Total |
|-------------------------------------|----------|-------|-------|--------|---------|--------|-------|--------------|--------|
| 2013 BP | | | | | | | | | |
| BAP/GSP | \$29 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$29 |
| Landfill Phase I | \$9 | \$17 | \$55 | \$10 | \$1 | \$0 | \$0 | \$0 | \$92 |
| Treatment & Transport | \$6 | \$18 | \$46 | \$23 | \$0 | \$0 | \$0 | \$0 | \$93 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$174 | \$175 |
| Holcim | \$9 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9 |
| Total 2013 BP | \$53 | \$35 | \$101 | \$33 | \$1 | \$0 | \$0 | \$174 | \$397 |
| 2014 BP | | | | | | | | | |
| BAP/GSP | \$28 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$29 |
| Landfill Phase I | \$9 | \$2 | \$2 | \$19 | \$28 | \$32 | \$8 | \$12 | \$112 |
| Treatment & Transport | \$7 | \$1 | \$1 | \$29 | \$86 | \$42 | \$0 | \$0 | \$165 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$148 | \$148 |
| Holcim | \$9 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9 |
| Total 2014 BP | \$53 | \$3 | \$3 | \$48 | \$113 | \$74 | \$9 | \$160 | \$463 |
| Variance to 2013 BP | | | | | | | | | |
| BAP/GSP | \$1 | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Landfill Phase I | \$0 | \$16 | \$53 | (\$9) | (\$27) | (\$32) | (\$8) | (\$12) | (\$21) |
| Treatment & Transport | (\$1) | \$16 | \$46 | (\$6) | (\$86) | (\$42) | (\$0) | \$0 | (\$72) |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$26 | \$26 |
| Holcim | (\$0) | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$0) |
| Total Variance to 2013 BP | (\$0) | \$32 | \$98 | (\$15) | (\$113) | (\$74) | (\$8) | \$14 | (\$66) |

Key Messages

- All numbers are net of IMPA/IMEA reimbursement.
- The increase over the ECR Filing is due to refined engineering on the Transport System, permit delays, new landfill layout, and project contingencies added.
- Permitting issues have delayed Phase I at least 2 years.



Capital Review – Ohio Falls

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|------------|-----------------------------|------------------------------|-----------------|
| Ohio Falls | \$138 | \$130 | (\$7) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2013 BP | \$80 | \$19 | \$19 | \$16 | \$1 | \$0 | \$0 | \$0 | \$135 |
| 2014 BP | \$79 | \$16 | \$17 | \$16 | \$10 | \$0 | \$0 | \$0 | \$138 |
| Variance to 2013 BP | \$1 | \$3 | \$2 | (\$0) | (\$9) | \$0 | \$0 | \$0 | (\$3) |

Key Messages

- Above figures include removal costs of \$9.7M.
- 74% of this project has been negotiated into a lump sum contract with Voith.
- Variance driven by need to rewind all generators not originally included in scope.



Capital Review – Cane Run 7

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|--------------------|-----------------------------|------------------------------|-----------------|
| CCGT 2015 Cane Run | \$549 | \$559 | \$10 |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2013 BP | \$85 | \$309 | \$130 | \$35 | \$0 | \$0 | \$0 | \$0 | \$559 |
| 2014 BP | \$69 | \$319 | \$125 | \$36 | \$0 | \$0 | \$0 | \$0 | \$549 |
| Variance to 2013 BP | \$17 | (\$10) | \$4 | (\$1) | \$0 | \$0 | \$0 | \$0 | \$10 |

- The CCGT 2015 modeled on a 2 x 1, 640MW (summer, net) and assumes a 2nd quarter 2015 in-service date.



Capital Review – NGCC 2018

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|-----------|-----------------------------|------------------------------|-----------------|
| CCGT 2018 | \$683 | \$5 | (\$677) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2013 BP | \$1 | \$1 | \$2 | \$103 | \$382 | \$161 | \$43 | \$0 | \$692 |
| 2014 BP | \$0 | \$2 | \$1 | \$85 | \$394 | \$155 | \$45 | \$0 | \$683 |
| Variance to 2013 BP | \$1 | (\$1) | \$1 | \$18 | (\$12) | \$5 | (\$2) | \$0 | \$9 |

- The CCGT 2018 is modeled after CR7 with 10% added plus 4% escalation



Capital Review – Black Starts

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|-----------------------------|-----------------------------|------------------------------|-----------------|
| Blackstart - Trimble County | \$34 | \$0 | (\$34) |
| Black Start - Cane Run | <u>\$35</u> | <u>\$0</u> | <u>(\$35)</u> |
| Total | \$70 | \$0 | (\$70) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|------------------------------|-----------------|-------------|-------------|-------------|--------------|-------------|-------------|----------------------|--------------|
| 2013 BP | | | | | | | | | |
| Black Start - Trimble County | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 | \$22 | \$0 | \$34 |
| Black Start - Cane Run | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$18</u> | <u>\$35</u> | <u>\$0</u> | <u>\$52</u> |
| Total 2013 BP | \$0 | \$0 | \$0 | \$0 | \$0 | \$29 | \$57 | \$0 | \$86 |
| 2014 BP | | | | | | | | | |
| Black Start - Trimble County | \$0 | \$0 | \$0 | \$4 | \$14 | \$16 | \$0 | \$0 | \$34 |
| Black Start - Cane Run | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4</u> | <u>\$14</u> | <u>\$18</u> | <u>\$0</u> | <u>\$35</u> |
| Total 2014 BP | \$0 | \$0 | \$0 | \$4 | \$18 | \$30 | \$18 | \$0 | \$70 |
| Variance to 2013 BP | | | | | | | | | |
| Black Start - Trimble County | \$0 | \$0 | \$0 | (\$4) | (\$14) | (\$5) | \$22 | \$0 | (\$1) |
| Black Start - Cane Run | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$4)</u> | <u>\$4</u> | <u>\$17</u> | <u>\$0</u> | <u>\$17</u> |
| Total Variance to 2013 BP | \$0 | \$0 | \$0 | (\$4) | (\$18) | (\$1) | \$39 | \$0 | \$16 |

Key Messages

- 2013BP for Black Start was on Generation Services Budget.
- 2013BP amounts for Cane Run were actually for Paddys Run and Brown on the Gen Services budget.
- Project Engineering took the Gen Services budget and added 5% for non-PE Labor expenses and 5% contingency.



Capital Review – Paddys Run & Canal Demolition

Accrual Basis, \$Millions Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|------------------------|-----------------------------|------------------------------|-----------------|
| Paddy's Run Demolition | \$17 | \$2 | (\$15) |
| Canal Demolition | <u>\$13</u> | <u>\$0</u> | <u>(\$13)</u> |
| Total | \$30 | \$2 | (\$28) |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|----------------------------|-----------------|-------------|--------------|-------------|-------------|--------------|--------------|----------------------|--------------|
| 2013 BP | | | | | | | | | |
| Paddy's Run Demolition | \$2 | \$0 | \$0 | \$0 | \$1 | \$3 | \$5 | \$3 | \$15 |
| Canal Demolition | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>\$5</u> | <u>\$5</u> | <u>\$4</u> | <u>\$15</u> |
| Total 2013 BP | \$2 | \$0 | \$0 | \$0 | \$2 | \$8 | \$10 | \$8 | \$30 |
| 2014 BP | | | | | | | | | |
| Paddy's Run Demolition | \$1 | \$0 | \$1 | \$8 | \$7 | \$0 | \$0 | \$0 | \$17 |
| Canal Demolition | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>\$0</u> | <u>\$0</u> | <u>\$7</u> | <u>\$6</u> | <u>\$0</u> | <u>\$13</u> |
| Total 2014 BP | \$1 | \$0 | \$1 | \$8 | \$7 | \$7 | \$6 | \$0 | \$30 |
| Variance to 2013 BP | | | | | | | | | |
| Paddy's Run Demolition | \$1 | (\$0) | (\$1) | (\$8) | (\$6) | \$3 | \$5 | \$3 | (\$3) |
| Canal Demolition | <u>(\$0)</u> | <u>\$0</u> | <u>(\$1)</u> | <u>\$0</u> | <u>\$1</u> | <u>(\$2)</u> | <u>(\$1)</u> | <u>\$4</u> | <u>\$2</u> |
| Total Variance to 2013 BP | \$1 | (\$0) | (\$1) | (\$8) | (\$6) | \$1 | \$4 | \$8 | (\$1) |

Key Messages

- \$1.1M was spent in 2012 for the stack demolition on Paddy's Run. The remaining amounts were shifted out to 2014 through 2018.



Capital Review – Brown Air Compliance

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Brown 1 | \$5 | \$5 | \$109 | \$0 | \$104 |
| Brown 2 | \$5 | \$5 | \$118 | \$0 | \$113 |
| Brown 3 | <u>\$92</u> | <u>\$10</u> | <u>\$117</u> | <u>(\$82)</u> | <u>\$25</u> |
| Total | \$101 | \$20 | \$344 | (\$81) | \$242 |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|----------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|---------------|
| 2013 BP | | | | | | | | | |
| Brown 1 | \$0 | \$0 | \$30 | \$49 | \$36 | \$0 | \$0 | \$0 | \$115 |
| Brown 2 | \$0 | \$0 | \$32 | \$52 | \$38 | \$0 | \$0 | \$0 | \$122 |
| Brown 3 | <u>\$3</u> | <u>\$24</u> | <u>\$42</u> | <u>\$39</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$109</u> |
| Total 2013 BP | \$3 | \$24 | \$105 | \$140 | \$74 | \$0 | \$0 | \$0 | \$346 |
| 2014 BP | | | | | | | | | |
| Brown 1 | \$0 | (\$0) | \$1 | \$2 | \$2 | \$0 | \$0 | \$0 | \$4.9 |
| Brown 2 | \$0 | (\$0) | \$1 | \$2 | \$2 | \$0 | \$0 | \$0 | \$4.9 |
| Brown 3 | <u>\$5</u> | <u>\$13</u> | <u>\$36</u> | <u>\$38</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$91.7</u> |
| Total 2014 BP | \$5 | \$12 | \$37 | \$43 | \$4 | \$0 | \$0 | \$0 | \$101 |
| Variance to 2013 BP | | | | | | | | | |
| Brown 1 | (\$0) | \$0 | \$30 | \$46 | \$34 | \$0 | \$0 | \$0 | \$110 |
| Brown 2 | (\$0) | \$0 | \$32 | \$50 | \$36 | \$0 | \$0 | \$0 | \$117 |
| Brown 3 | <u>(\$2)</u> | <u>\$12</u> | <u>\$6</u> | <u>\$1</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$17</u> |
| Total Variance to 2013 BP | (\$2) | \$12 | \$68 | \$97 | \$70 | \$0 | \$0 | \$0 | \$245 |

Key Messages

- The ECR Filing excluded removal costs of \$2M.
- BR 1 & 2 Fabric Filter removed from 2014BP.
- BR 1 & 2 amounts is SAM Mitigation only.



Capital Review – Ghent Air Compliance

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Ghent 1 | \$145 | \$123 | \$164 | (\$21) | \$19 |
| Ghent 2 | \$129 | \$129 | \$165 | (\$0) | \$36 |
| Ghent 3 | \$169 | \$147 | \$198 | (\$23) | \$29 |
| Ghent 4 | <u>\$144</u> | <u>\$121</u> | <u>\$185</u> | <u>(\$23)</u> | <u>\$41</u> |
| Total | \$587 | \$519 | \$712 | (\$67) | \$125 |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|----------------------------|-----------------|--------------|--------------|--------------|-------------|-------------|-------------|----------------------|---------------|
| 2013 BP | | | | | | | | | |
| Ghent 1 | \$7 | \$29 | \$66 | \$21 | \$0 | \$0 | \$0 | \$0 | \$123 |
| Ghent 2 | \$7 | \$16 | \$46 | \$58 | \$1 | \$0 | \$0 | \$0 | \$129 |
| Ghent 3 | \$16 | \$83 | \$46 | \$1 | \$0 | \$0 | \$0 | \$0 | \$147 |
| Ghent 4 | <u>\$8</u> | <u>\$62</u> | <u>\$49</u> | <u>\$2</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$121</u> |
| Total 2013 BP | \$38 | \$191 | \$207 | \$83 | \$1 | \$0 | \$0 | \$0 | \$519 |
| 2014 BP | | | | | | | | | |
| Ghent 1 | \$10 | \$48 | \$60 | \$27 | \$0 | \$0 | \$0 | \$0 | \$145 |
| Ghent 2 | \$10 | \$23 | \$35 | \$58 | \$4 | \$0 | \$0 | \$0 | \$129 |
| Ghent 3 | \$24 | \$95 | \$50 | \$1 | \$0 | \$0 | \$0 | \$0 | \$169 |
| Ghent 4 | <u>\$10</u> | <u>\$69</u> | <u>\$58</u> | <u>\$7</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$144</u> |
| Total 2014 BP | \$54 | \$234 | \$202 | \$92 | \$4 | \$0 | \$0 | \$0 | \$587 |
| Variance to 2013 BP | | | | | | | | | |
| Ghent 1 | (\$3) | (\$19) | \$6 | (\$6) | \$0 | \$0 | \$0 | \$0 | (\$21) |
| Ghent 2 | (\$3) | (\$6) | \$11 | \$1 | (\$3) | \$0 | \$0 | \$0 | (\$0) |
| Ghent 3 | (\$7) | (\$12) | (\$4) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$23) |
| Ghent 4 | <u>(\$3)</u> | <u>(\$7)</u> | <u>(\$8)</u> | <u>(\$5)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$23)</u> |
| Total Variance to 2013 BP | (\$16) | (\$44) | \$5 | (\$10) | (\$3) | \$0 | \$0 | \$0 | (\$67) |

Key Messages

- \$100M was removed from GH Air Projects on the 2013BP.
- 2014BP reflects actual costs needed for project completion based on firm price EPC award.
- SCR Turn-Downs were removed in the amounts for units 1, 3 & 4.
- SAM Mitigation is not included in the amounts for all Ghent units.



Capital Review – Mill Creek Air Compliance

Accrual Basis, \$Millions

| <u>Authority/ECR Comparison</u> | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------------------------------|-------------------------|--------------------------|-------------------|------------------------------|-------------------------------|
| Mill Creek 1 | \$171 | \$191 | \$331 | \$20 | \$160 |
| Mill Creek 2 | \$168 | \$190 | \$328 | \$22 | \$160 |
| Mill Creek 3 | \$287 | \$287 | \$223 | (\$0) | (\$64) |
| Mill Creek 4 | \$272 | \$270 | \$386 | (\$3) | \$113 |
| Total | \$899 | \$938 | \$1,268 | \$39 | \$369 |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|----------------------------------|-----------------|--------------|---------------|---------------|--------------|--------------|-------------|------------------|--------------|
| 2013 BP | | | | | | | | | |
| Mill Creek 1 | \$17 | \$71 | \$57 | \$19 | \$27 | \$0 | \$0 | \$0 | \$191 |
| Mill Creek 2 | \$19 | \$68 | \$52 | \$21 | \$30 | \$0 | \$0 | \$0 | \$190 |
| Mill Creek 3 | \$10 | \$32 | \$54 | \$108 | \$84 | \$0 | \$0 | \$0 | \$287 |
| Mill Creek 4 | \$33 | \$123 | \$69 | \$18 | \$27 | \$0 | \$0 | \$0 | \$270 |
| Total 2013 BP | \$79 | \$294 | \$232 | \$165 | \$168 | \$0 | \$0 | \$0 | \$938 |
| 2014 BP | | | | | | | | | |
| Mill Creek 1 | \$14 | \$52 | \$60 | \$32 | \$13 | \$0 | \$0 | \$0 | \$171 |
| Mill Creek 2 | \$14 | \$51 | \$54 | \$36 | \$14 | \$0 | \$0 | \$0 | \$168 |
| Mill Creek 3 | \$9 | \$37 | \$35 | \$130 | \$73 | \$3 | \$0 | \$0 | \$287 |
| Mill Creek 4 | \$27 | \$105 | \$98 | \$25 | \$17 | \$0 | \$0 | \$0 | \$272 |
| Total 2014 BP | \$63 | \$245 | \$248 | \$223 | \$117 | \$3 | \$0 | \$0 | \$899 |
| Variance to 2013 BP | | | | | | | | | |
| Mill Creek 1 | \$3 | \$19 | (\$3) | (\$14) | \$14 | \$0 | \$0 | \$0 | \$20 |
| Mill Creek 2 | \$5 | \$17 | (\$2) | (\$15) | \$16 | \$0 | \$0 | \$0 | \$22 |
| Mill Creek 3 | \$1 | (\$5) | \$18 | (\$22) | \$11 | (\$3) | \$0 | \$0 | (\$0) |
| Mill Creek 4 | \$6 | \$18 | (\$29) | (\$8) | \$10 | (\$0) | \$0 | \$0 | (\$3) |
| Total Variance to 2013 BP | \$15 | \$49 | (\$15) | (\$58) | \$51 | (\$3) | \$0 | \$0 | \$39 |

Key Messages

- \$13M related to the MC 3 and 4 SAM are not included in the ECR filing as it was part of an earlier filing. The ECR filing does not include removal costs of \$8M.
- Variance is due to actual Target Price based EPC, FGD, Equipment, and Fabric Filter EPA contracts being less than the Level I Engineering Study performed by Black & Veatch. The ECR Filing was based on that Level I Study.
- 2013BP included \$21M per unit of G-Max Management Contingency



Capital Review – Trimble County Air Compliance

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-----------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Trimble 1 | \$118 | \$10 | \$124 | (\$108) | \$6 |

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2013 BP | \$4 | \$10 | \$42 | \$58 | \$5 | \$0 | \$0 | \$0 | \$118 |
| 2014 BP | \$4 | \$11 | \$39 | \$59 | \$5 | \$0 | \$0 | \$0 | \$118 |
| Variance to 2013 BP | (\$0) | (\$1) | \$3 | (\$1) | (\$0) | \$0 | \$0 | \$0 | \$0 |

Key Messages

- All numbers are net of IMPA/IMEA reimbursement.



Capital Review – CCR Ruling

Accrual Basis, \$Millions

There is no ECR Filing or Approved Authority Amount associated with the CCR Ruling Projects.

Business Plan Comparison

| | <u>Pre-2013</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Post 2018</u> | <u>Total</u> |
|----------------------------------|-----------------|-------------|-------------|-------------|-------------|--------------|--------------|------------------|---------------|
| 2013 BP | | | | | | | | | |
| Brown | \$0 | \$0 | \$1 | \$0 | \$1 | \$0 | \$0 | \$0 | \$2 |
| Ghent | \$0 | \$0 | \$3 | \$20 | \$22 | \$127 | \$128 | \$0 | \$300 |
| Green River | \$0 | \$0 | \$0 | \$0 | \$11 | \$0 | \$16 | \$17 | \$43 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$3 | \$2 | \$0 | \$0 | \$6 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$1 | \$0 | \$2 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1 |
| Mill Creek | \$0 | \$0 | \$2 | \$12 | \$15 | \$36 | \$33 | \$0 | \$98 |
| Trimble | \$0 | \$0 | \$1 | \$2 | \$2 | \$26 | \$27 | \$0 | \$58 |
| Total 2013 BP | \$0 | \$0 | \$8 | \$34 | \$53 | \$193 | \$206 | \$17 | \$511 |
| 2014 BP | | | | | | | | | |
| Brown | \$0 | \$0 | \$0 | \$0 | \$2 | \$2 | \$16 | \$14 | \$33 |
| Ghent | \$0 | \$0 | \$1 | \$3 | \$34 | \$97 | \$107 | \$80 | \$323 |
| Green River | \$0 | \$0 | \$1 | \$1 | \$6 | \$6 | \$0 | \$0 | \$13 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$2 | \$5 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$3 | \$2 | \$5 |
| Cane Run | \$0 | \$0 | \$0 | \$1 | \$1 | \$0 | \$0 | \$0 | \$1 |
| Mill Creek | \$0 | \$0 | \$1 | \$0 | \$5 | \$21 | \$17 | \$3 | \$47 |
| Trimble | \$0 | \$0 | \$0 | \$0 | \$1 | \$7 | \$46 | \$41 | \$95 |
| Total 2014 BP | \$0 | \$0 | \$2 | \$5 | \$50 | \$133 | \$190 | \$142 | \$522 |
| Variance to 2013 BP | | | | | | | | | |
| Brown | \$0 | \$0 | \$1 | \$0 | (\$1) | (\$1) | (\$16) | (\$14) | (\$31) |
| Ghent | \$0 | \$0 | \$2 | \$17 | (\$12) | \$29 | \$22 | (\$80) | (\$23) |
| Green River | \$0 | \$0 | (\$1) | (\$1) | \$4 | (\$6) | \$16 | \$17 | \$30 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$3 | \$2 | (\$2) | (\$2) | \$1 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | (\$0) | \$1 | (\$2) | (\$2) | (\$3) |
| Cane Run | \$0 | \$0 | (\$0) | (\$1) | (\$1) | \$0 | \$0 | \$0 | (\$0) |
| Mill Creek | \$0 | \$0 | \$2 | \$11 | \$9 | \$15 | \$16 | (\$3) | \$51 |
| Trimble | \$0 | \$0 | \$1 | \$2 | \$0 | \$19 | (\$18) | (\$41) | (\$37) |
| Total Variance to 2013 BP | \$0 | \$0 | \$5 | \$29 | \$3 | \$61 | \$16 | (\$126) | (\$12) |

Key Messages

- Majority of projects remained in 2015 through 2019 in the 2014 BP due to timing and uncertainty of ruling. Costs in 2014 in the 2014 BP are mainly engineering and development of construction packages.
- 2013BP contained an additional \$508M associated with plant closures outside the scope of the Business Plan Period.





PPL companies

Energy Supply and Analysis

2014 Business Plan

December 6, 2013

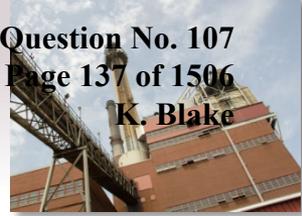


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Plan Highlights

Key Objectives

- Optimize the utilization of existing assets to provide reliable, low cost energy.
- Procure coal and gas necessary to cost-effectively operate generating plants.
- Provide high quality analysis to enhance decision-making.
- Implement processes required to meet reliability standards.
- Improve analysis capability and knowledge related to retail customer energy usage to support energy efficiency and resource planning efforts.



Major Assumptions

- Analysis needed to support major company initiatives (KPSC filings) and strategic planning can be met by existing staff levels.
- Municipal rate case and new generation CCN will require significant support in 2014.
- Retirement risk in Fuels department is growing over the planning period so a new position is temporarily planned for that area in mid-2014 to allow adequate time for training and development.

2014 Plan Summary

- Compared to 2013 Plan, native load production costs (\$/MWh) in 2014 Plan are lower.
 - *Lower coal prices drive reductions in native load production costs throughout planning period.*
- OSS contribution is slightly lower in 2014, mostly unchanged in 2015-16, and slightly higher in 2017+.
 - *Reporting of OSS contribution no longer includes opportunity costs for ECR expense and transmission losses.*

| Native Load Production Costs (\$/MWh) | 2014 | 2015 | 2016 | 2017 | 2018 | CAGR |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 2013 Plan | 30.18 | 31.97 | 34.72 | 36.43 | 37.22 | 5.4% |
| 2014 Plan | 29.68 | 30.62 | 32.32 | 33.92 | 35.12 | 4.3% |

| OSS Contribution (\$M) | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| 2013 Plan | 2.7 | 1.2 | 1.0 | 0.7 | 1.5 |
| 2014 Plan | 2.1 | 1.3 | 0.9 | 1.2 | 1.8 |



Headcount down slightly from 2013 BP

- Trading Manager Retirement in 2013 is not back-filled.
- Open Consumer Behavior Analyst Position, and open Sales Analyst positions are filled in 2013.
- An additional headcount in Fuels beginning in January 2015 prepares for future retirement.
- Generation Planning retirement in mid-2015.
- Fuels retirement complete in mid-2018 reduces staffing back to 2013 level.

| | <i>Fcst</i> | <i>2014 Business Plan</i> | | | | | <i>Change in Business Plans</i> | | | | | |
|------------------------------------|-------------|---------------------------|-------------|-------------|-------------|-------------|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| <i>VP Energy Supply</i> | 2 | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Power Supply</i> | 23 | 23 | 23 | 23 | 23 | 23 | -1 | -1 | -1 | -1 | -1 | -1 |
| <i>Director P & A</i> | 2 | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Economic Analysis</i> | 6 | 6 | 6 | 6 | 6 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Sales Analysis</i> | 6 | 6 | 6 | 6 | 6 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Generation Planning</i> | 8 | 8 | 7 | 7 | 7 | 7 | 0 | 0 | -1 | -1 | -1 | -1 |
| <i>Fuels Management</i> | 5 | 5 | 6 | 6 | 6 | 5 | 0 | 0 | 1 | 1 | 1 | 0 |
| <i>Fuels Risk Management</i> | 2 | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Fuels & By Products</i> | 10 | 10 | 10 | 10 | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Total Headcount w/o Interns</i> | 64 | 64 | 64 | 64 | 64 | 63 | -1 | -1 | -1 | -1 | -1 | -2 |

2013 Business Plan has been adjusted for Reorganizaton of Business Information Department.



Labor savings achieved each plan year

| | \$000's | | | | | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| <i>VP Energy Supply</i> | | | | | | | | | | |
| <i>Power Supply</i> | -1 | -1 | -1 | -1 | -1 | \$200 | \$206 | \$212 | \$219 | \$225 |
| <i>Director P & A</i> | | | | | | | | | | |
| <i>Business Information</i> | | | | | | | | | | |
| <i>Economic Analysis</i> | | | | | | | | | | |
| <i>Sales Analysis</i> | | | | | | | | | | |
| <i>Generation Planning</i> | | -1 | -1 | -1 | -1 | | \$75 | \$155 | \$159 | \$164 |
| <i>Fuels Management</i> | | 1 | 1 | 1 | 0 | | -\$155 | -\$159 | -\$164 | -\$84 |
| <i>Fuels Risk Management</i> | | | | | | | | | | |
| <i>Fuels & By Products</i> | | | | | | | | | | |
| <i>Total Headcount w/o Interns</i> | | | | | | \$200 | \$127 | \$208 | \$214 | \$305 |



Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---------------------------------|----------------|------------------|----------------|--------------|--------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 6,456 | 5,904 | 5,948 | 6,142 | 6,268 | 6,443 | 6,566 |
| Burdens | 1,808 | 1,653 | 1,641 | 1,695 | 1,729 | 1,778 | 1,812 |
| Non labor Regulated Trading | 209 | 403 | 340 | 338 | 345 | 389 | 395 |
| Non labor Business Information | 19 | 5 | - | - | - | - | - |
| Non labor Director Energy PF&A | 25 | 58 | 58 | 58 | 59 | 60 | 62 |
| Non labor Generation Planning | 129 | 294 | 261 | 264 | 270 | 277 | 283 |
| Non labor Economic Analysis | 84 | 219 | 196 | 196 | 200 | 207 | 212 |
| Non labor Sales Analysis | 75 | 128 | 121 | 123 | 125 | 129 | 131 |
| Non labor VP Energy Marketing | 38 | 39 | 36 | 37 | 38 | 53 | 55 |
| Non labor Allocated Support | - | - | - | - | - | - | - |
| Non-labor Fuels Management | 34 | 94 | 91 | 90 | 91 | 98 | 100 |
| Non-labor Fuels Admin | 407 | 463 | 576 | 574 | 586 | 620 | 632 |
| Non-labor Fuels Risk Management | 67 | 130 | 79 | 77 | 79 | 86 | 88 |
| Non-labor Other | 333 | - | - | - | - | - | - |
| Total OPEX for EBIT | <u>9,684</u> | <u>9,390</u> | <u>9,347</u> | <u>9,594</u> | <u>9,790</u> | <u>10,140</u> | <u>10,336</u> |



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|---------------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan - Adjusted | 10,003 | 10,282 | 10,570 | 10,865 | 11,169 |
| Drivers: | | | | | |
| No Backfill Mgr. Trading | (200) | (206) | (212) | (219) | (225) |
| Decrease in Non-labor | (456) | (562) | (572) | (511) | (528) |
| WFP Increase 1 Fuels in '15 | - | 155 | 159 | 164 | 169 |
| WFP Retirement 1/2 yr. Fuels in '18 | - | - | - | - | (85) |
| WFP Retirement 1/2 yr. Gen Pln in '15 | - | (75) | (155) | (159) | (164) |
| Current Plan | <u>9,347</u> | <u>9,594</u> | <u>9,790</u> | <u>10,140</u> | <u>10,336</u> |



Financial Performance

2012-2018 OSS Margin (\$000)

| | 2012 | 2013 | 7+5 2013 | 2013 MTP | 2014 Business Plan | | | | |
|--|--------------|--------------|--------------|--------------|--------------------|--------------|------------|--------------|--------------|
| | Actual | Budget | Forecast | 2014 | 2014 | 2015 | 2016 | 2017 | 2018 |
| OSS Margin before Transmission Expense | 4,082 | 4,565 | 4,616 | 3,888 | 2,988 | 1,972 | 1,626 | 2,048 | 3,313 |
| Transmission Expense (Internal) | 2,363 | 1,365 | 750 | 1,148 | 849 | 715 | 759 | 857 | 1,540 |
| Total OSS Margin | 1,719 | 3,200 | 3,866 | 2,740 | 2,139 | 1,257 | 867 | 1,191 | 1,773 |

Off-system Sales Volume-GWh

| | | | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| On-peak | 282 | 240 | 263 | 166 | 128 | 114 | 121 | 114 | 170 |
| Off-peak | 47 | 107 | 39 | 80 | 28 | 17 | 15 | 25 | 88 |
| Weekend | 89 | 118 | 126 | 139 | 115 | 67 | 51 | 69 | 112 |
| Total | 418 | 465 | 428 | 385 | 271 | 198 | 187 | 208 | 370 |



Financial Performance

2012-2018 Margin Expenses / Cost of Sales (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-----------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Internal Transmission Exp (OSS) | 2,363 | 956 | 849 | 715 | 759 | 857 | 1,540 |
| RSG Expense (OSS) | 729 | 1,084 | 478 | 350 | 292 | 402 | 785 |
| 3rd Party Transmission (OSS) | 22 | 7 | - | - | - | - | - |
| Internal Transmission Exp (NL) | - | - | 1,708 | 1,622 | 1,547 | 1,854 | 1,681 |
| RSG Expense (NL) | - | - | 351 | 406 | 372 | 392 | 284 |
| 3rd Party Transmission (NL) | - | - | 430 | 370 | 315 | 355 | 275 |
| EKPC NITS - Perm (NL) | - | - | 1,942 | 1,978 | 2,029 | 2,070 | 2,111 |
| Industrial Coal Sales (Fuels) | 806 | 821 | 831 | 832 | 832 | 849 | 866 |
| Total Margin/Cost of Sales | 3,920 | 2,868 | 6,589 | 6,273 | 6,146 | 6,778 | 7,541 |



2014-2018 Margin/Cost of Sales Reconciliation (\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Mechanism recoverable</u> | | | | | |
| Prior Plan | | | | | |
| Drivers | | | | | |
| Current Plan | | | | | |
| <u>Other</u> | | | | | |
| Prior Plan | 7,917 | 6,913 | 7,239 | 7,484 | 8,388 |
| <u>Drivers</u> | | | | | |
| RTO Fees for OSS | (122) | 58 | (2) | 188 | 213 |
| Internal Trans for OSS | (298) | 126 | 110 | 385 | 514 |
| RTO Fees for NL | (400) | (288) | (331) | (361) | (528) |
| Internal Trans for NL | (270) | (305) | (560) | (577) | (574) |
| EKPC NITS | (6) | (9) | 2 | 3 | 2 |
| 3rd Party Trans for NL | (242) | (216) | (290) | (321) | (451) |
| Industrial Coal Sales | 10 | (6) | (22) | (23) | (23) |
| Current Plan | <u>6,589</u> | <u>6,273</u> | <u>6,146</u> | <u>6,778</u> | <u>7,541</u> |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| TC Gas Meter Project | 8 | - | - | - | - | - | - |
| CTS/AFB Upgrade | 19 | 403 | 61 | - | - | - | - |
| Process Improvement Tools | 28 | 228 | 196 | 256 | 256 | 256 | 256 |
| Fuelworx/Aligne | - | 18 | - | - | - | - | - |
| Total Capital and COR | 55 | 649 | 257 | 256 | 256 | 256 | 256 |



2014-2018 Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--------------|----------------|--------------|--------------|--------------|--------------|
| Prior Plan | 250 | 250 | 250 | 250 | 250 |
| Changes: | | | | | |
| Burdens | 6 | 6 | 6 | 6 | 6 |
| Current Plan | <u>256</u> | <u>256</u> | <u>256</u> | <u>256</u> | <u>256</u> |



Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Regulated Trading | 24 | 23 | 23 | 23 | 23 | 23 | 23 |
| Business Information | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Director Planning & Analysis | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Economic Analysis | 7 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sales Analysis | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Generation Planning | 8 | 8 | 8 | 7 | 7 | 7 | 7 |
| VP Energy Marketing | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fuels Management | 5 | 5 | 5 | 6 | 6 | 6 | 5 |
| Fuels by Products | 8 | 10 | 10 | 10 | 10 | 10 | 10 |
| Fuels Risk Managemet | 4 | 2 | 2 | 2 | 2 | 2 | 2 |
| Subtotal | 69 | 64 | 64 | 64 | 64 | 64 | 63 |
| Co-ops | 0 | 2 | 2 | 2 | 2 | 2 | 2 |
| TOTAL w/ Co-op | 69 | 66 | 66 | 66 | 66 | 66 | 65 |
| From 2013 MTP (excl Bus Info) | | 66 | 66 | 66 | 66 | 66 | 66 |
| Variance to 2012 MTP | | 0 | 0 | 0 | 0 | 0 | -1 |

changes from prior plan:

| | | | | | | | |
|--------------------------------|--|--|----|----|----|----|----|
| Reg Trading - Manager Trading | | | -1 | -1 | -1 | -1 | -1 |
| Fuels Mgmt - Future Retirement | | | | 1 | 1 | 1 | |
| Gen Planning - Retirement | | | | -1 | -1 | -1 | -1 |
| Co-op Fuels Risk Mgmt. | | | 1 | 1 | 1 | 1 | 1 |



Plan Risks

- OSS margin impacts of native load variation due to weather, unit availability, and transmission system capacity
- TC2 performance post burner replacement
- CR7 testing and commissioning date
- CR7 performance after commissioning
- Coal unit performance in 2014 post installation of environmental retrofits
 - *GH3: Spring 2014 (baghouse)*
 - *GH4: Fall 2014 (baghouse/turbine overhaul)*
 - *MC4: Fall 2014 (baghouse/FGD/turbine overhaul)*
- Transition of system to fewer, larger units
- Workforce transition due to retirements



Appendix



Year over Year Walk Forward OPEX and Other Expense (\$000)

| | |
|------------------------------------|---------------|
| 2012 Actual | 9,684 |
| Bus Info Reorganization | (523) |
| Labor - 3% merit increase | 248 |
| Other | (19) |
| 2013 FC | 9,390 |
| Labor - merit increase | 226 |
| Other (including add'l reductions) | (269) |
| 2014 Budget | 9,347 |
| Labor merit increase - 3% | 231 |
| Other (including add'l reductions) | 16 |
| 2015 Plan | 9,594 |
| Labor merit increase - 3% | 237 |
| Other (including add'l reductions) | (41) |
| 2016 Plan | 9,790 |
| Labor merit increase - 3% | 242 |
| Other (including add'l reductions) | 108 |
| 2017 Plan | 10,140 |
| Labor merit increase - 3% | 246 |
| Other (including add'l reductions) | (50) |
| 2018 Plan | 10,336 |



2012-2018 Headcount progression

| | |
|---|----|
| 2012 Headcount | 69 |
| - Elim Bus Info | -4 |
| - Mgr Trading | -1 |
| - Co-op Students | 2 |
| | 66 |
| 2013 Headcount FC | 66 |
| -No Changes | |
| | 66 |
| 2014 Headcount Budget | 66 |
| - Early Hire Fuels Mgmt for future retirement | 1 |
| - Retirement Generation Planning | -1 |
| | 66 |
| 2015 Headcount Plan | 66 |
| - No Changes | |
| | 66 |
| 2016 Headcount Plan | 66 |
| - No Changes | |
| | 66 |
| 2017 Headcount Plan | 66 |
| - Fuels Management Retirement | -1 |
| | 65 |
| 2018 Headcount Plan | 65 |



2012-2018 Industrial Coal Sales

Gross Margin (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Revenue: | | | | | | | |
| ICS Revenue | 1,133 | 1,027 | 1,042 | 1,042 | 1,042 | 1,063 | 1,084 |
| Expense: | | | | | | | |
| ICS Cost of Sales | 806 | 823 | 831 | 831 | 831 | 849 | 865 |
| Gross Margin | <u>327</u> | <u>204</u> | <u>211</u> | <u>211</u> | <u>211</u> | <u>214</u> | <u>219</u> |





PPL companies

Power Generation 2014 Business Plan

Revised November 25, 2013

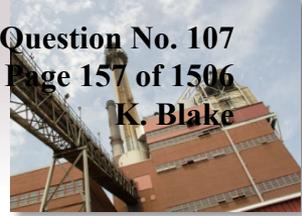


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Plan Highlights

- ***Addition of generation capacity - Cane Run Unit 7 CCGT scheduled for commercial operation May 1, 2015 and a second CCGT planned for May 1, 2018 (site not yet determined)***
- ***Planned retirements of coal generating units at Green River (October 2014) and Cane Run (April 2015)***
- ***Major investment and integration of environmental compliance control equipment***
- ***Generation forecast for the planning period assumes continued trend of more gas fired production based on current projections for gas prices***
- ***Expenses associated with environmental systems at Ghent, Brown and Trimble were previously in ECR mechanism have now shifted to base O&M expense starting in 2013***
- ***Required landfill expansion at Ghent, Brown and Trimble stations***
- ***Increased resource needs to meet and maintain compliance with incremental regulatory requirements***
- ***Trimble County Unit 2 resolution of existing issues and warranty claims***
- ***Brown 1 and 2 remain in the generation mix without baghouses (Nalco additive included)***



Major Assumptions

1. Regulatory

- 1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.
- 1.2 Target Reserve Margin of 16%, within a range of 15%-17%.
 - Consistent with 2013 BP.
- 1.3 Reserve sharing under the TVA Reserve Sharing Agreement is 253 MW's effective June 1, 2013 (the date at which EKPC joins PJM).
- 1.4 LG&E and KU remain committed to burning higher sulfur fuels.

2. Proposed or Expected New Environmental Regulations for Air and Water

- 2.1 Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with the order being stayed on December 30, 2011, and completely struck down on August 21, 2012.
 - Existing Clean Air Interstate Rule (CAIR) stays in effect for all of the planning cycle.



Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.2 Mercury and Air Toxics Standards (MATS) final rules were issued February 16, 2012.

- Including a potential delay of up to one year that can be applied for, the compliance date will be April 16, 2016.
- A second, additional year of delay can be obtained in certain hardship cases, including retirements that could adversely impact transmission reliability. None of the LKE projects are counting on that second year of delay.

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO₂. The final attainment designations for the short term NO_x standard have been delayed for up to three years due to inadequate monitoring. Based on the new short term SO₂ standards, compliance requirements must be in place by June 2017.

- The Mill Creek Wet (WFGD) FGD project is expected to mitigate the area in Jefferson County that has been proposed as non-attainment.

2.4 The EPA issued its proposal on PM NAAQS on December 14, 2012.

- The current annual Particulate Matter standard for (PM)_{2.5} of 15 ug/M³ was lowered to 12ug/M³.
 - This puts Jefferson and Bullitt Counties as non-attainment.
 - Implementation is expected between 2021 and 2025.
 - The recent modifications at Gallagher Station, the shutting down of Cane Run 4, 5, and 6, and the baghouses, scrubbers, and dry sorbent injection systems at Mill Creek should mitigate concerns in Jefferson County.
 - In general, on units adding baghouses, LKE should have no trouble being compliant.



Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.5 The EPA is scheduled for a 2013 re-evaluation of the 8-hour ozone standard. Due to litigation, they were prepared to issue an early revision that would have been much lower with large impacts industry wide; however, they instead decided to re-instate the 2008 NAAQS Ozone 8-hour standard.

- Non Quality Assured 2012 monitor data indicates Jefferson County as non-attainment with the 1997 and the 2008 standard.
 - Likely Case: Shutdown of Cane Run 4, 5, and 6 mitigates the issue.
 - Worst Case: SCRs are needed at Mill Creek 1 and 2 to mitigate the issue, which are accounted for in the 2014BP.

2.6 Cane Run Coal will be retired May 1, 2015.

- Combined cycle replacement available on that date.
- Should that date slip a few days, the coal can continue to run that same number of days.
- There are 23 employees expected to retire or take the severance, and 48 will be placed elsewhere.

2.7 Green River Coal will be retired October 1, 2014.

- This presumes that the one-year extension does not apply in situations where no environmental controls are being added.
- A Transmission Capital project (Matanzas) is slated to be completed in October, 2013 which will provide greater flexibility around running the Green River units.
 - However, the impact from Big Rivers potentially shutting down the Wilson Unit is uncertain.
- Of the 24 employees expected to be placed (with an additional 15 retiring/taking severance), they will be split between Customer Services Meter Reading (11) and Power Generation (13).



Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- 2.8 On March 21, 2011 EPA published a final rule that identified non-hazardous secondary materials that are considered solid wastes when combusted.
- Boiler cleaning waste affected and disposal by burning in the boiler will be prohibited unless we are permitted as a “commercial and industrial solid waste incinerator”.
 - State is researching the need for SIP revision.
 - If not needed, effective April 2016 (three years from rule).
 - If needed, up to three additional years (2019).
 - This has O&M implications.
- 2.9 GHG New Source Performance Standards (NSPS) for new sources
- EPA announced proposed rule on 04/13/2012.
 - Clean Air Act requires EPA to take final action on proposed rule within one year of publication, by April 13, 2013.
 - EPA did not meet deadline.
 - Only addresses CO₂ with limit of 1,000 lbs/MWh(gross).
 - Affects new units only (Coal-Fired Units, Integrated Gas Combined Cycle (IGCC), Natural Gas Combined Cycle (NGCC)).
 - Cane Run 7 NGCC is the only unit in the LKE fleet currently impacted.
 - Cane Run 7 NGCC emission rate estimated at 800 lbs/MWh (gross) during full load operation.
 - New simple cycle turbines not affected.

Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.10 President Obama's "climate action plan" announced on June 25, 2013 will target CO₂ reductions to existing coal-fired power plants.

- **Proposed standards to be announced June, 2014.**
- **EPA is still under a settlement agreement with environmental groups to pursue climate new source performance standards under Clean Air Act section 111 (d).**
- **A large amount of uncertainty exists, both on content and timing.**

2.11 The 2011 ECR compliance plan settlement and CPCN were approved December 16, 2011, and include the following air quality controls:

- **A new Mill Creek 4 WFGD (December 2014).**
- **A new Mill Creek 3 WFGD (June 2016).**
 - **this is a deviation to the plan that was approved, which was for a refurbishment.**
- **A new Mill Creek 1 and 2 (combined) WFGD (May 2015).**
- **Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 3, and Trimble County 1.**
 - **2014 in-service: GH3 (May), GH4 (November), MC4 (December)**
 - **2015 in-service: BR3 (April), GH1 (May), GH2 (November), MC1 (May), MC2 (May), TC1 (October)**
 - ❖ **The existing precipitators on Ghent 1 and 2 will be removed.**
 - **2016 in-service: MC3 (June) in conjunction with the new PJFF tie-in outage.**
- **The Brown 1-2 Fabric Filters were removed from the 2011 ECR plan as part of the settlement. The fabric filters are not included in the 2014 BP. Brown 1 and 2 do remain in the generation mix through the planning period, however.**
 - **With Nalco additive included for coal treatment and WFGD slurry Mercury absorbent.**
 - **Run times may be limited.**



Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.12 Significant O&M and cost of sales (~\$50M per year) will be incurred as remaining units become operational for MATS Compliance.

- Costs will begin ramping up in 2014 as units are completed.
 - Additional limestone usage at Mill Creek 1 and 2 WFGD.
 - Additional hydrated lime injection to protect bags at all baghouse installations.
 - Powdered Activated Carbon (PAC) Injection at all installations.
- Prior to 180 days after the compliance date of April 16, 2015 (or April 16, 2016 for units that have been granted an extension), all units must have completed a boiler tune-up with specific documentation of improvements and procedures and effects on CO and NO_x.
 - EPA has intent to allow for the boiler tune-up to occur prior to the compliance date, however, further clarification that is needed by the EPA should be forthcoming.

2.13 EPA has negotiated a delay in issuing the final regulations for 316(b).

- The final rule now must be issued by November 4, 2013.
- A Five-Year implementation period is expected.
- Current capital estimate to comply is \$3M each for Mill Creek, Trimble County, Ghent, and Brown (1/2 in 2015, 1/2 in 2016).
 - Additional chemicals (as O&M) may also be required.
- Dollars could shift out further should there be any type of delays.
- There is no mandate for cooling towers at the current time (Mill Creek 1 is a sensitivity in 2017).



Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- 2.14 Effluent water guideline draft proposal was issued April 19, 2013, with the final rule targeted to be issued May 22, 2014 (though unlikely they will meet that date).
- Timing expected to coincide with final rules on coal combustion residuals (CCR's).
 - A Five-Year implementation period is expected, however, a mercury discharge limit of 51 ppt for Ghent as part of its KPDES permit could move up the timing of the Ghent related expenditures.
 - Ultimate implementation timing as well as scope are uncertain at this time.
 - Eight options being considered from very good to very bad on the industry, will likely end up in the middle.
 - A placeholder per station is included (\$60M Ghent, \$60M Mill Creek, \$40M Brown, \$20M Trimble County, and \$10M Cane Run) until engineering estimates can be performed in 2014.
 - The dollars are split ½ in 2017 and ½ in 2018, however, they could vary by facility based on permit renewal dates.
 - O&M for chemicals will also be needed.
- 2.15 Internal Combustion Engine and Reciprocating Internal Combustion Engines (IC & RICE) regulation finalized in 2010.
- Non-certified engines purchased after 2005 must be tested for compliance and may need “tailpipe” controls for particulates, NOx and Volatile Organic Compounds (VOC) emissions.
 - Existing Emergency Compression engines <500HP require compliance with “work practice standards” including hour meter by May, 2013.
 - Existing Emergency Spark engines <500HP require compliance with “work practice standards” including hour meter by October 2013.



Major Assumptions (cont.)

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.16 Ghent Consent Decree negotiated SO₃ (H₂SO₄) permitted emission limits with EPA in 2012.

- Additional testing will be necessary and engineering studies may be required.
- Ghent 2 additional SO₃ control equipment (BACT) is complete.
- Permit includes operational monitoring of SO₃ control equipment.
- SIC Monitors will be required for each unit.
- Additional emissions testing needed for correlation per the Compliance Assurance Monitoring (CAM) Plan.

2.17 Cane Run Landfill Dust Suppressant.

- Chemical suppressant is to be added during dry weather to the open landfill area to mitigate dust.



Major Assumptions (cont.)

3. Expansion/Capacity

3.1 A combined cycle unit (Cane Run 7) will be added May 1, 2015 at the Cane Run location.

- 2 x 1, 640 MW Summer Net (Ownership is 78% KU, 22% LG&E).
- Replacing Cane Run Coal retired on that date.
- CCN approved in September, 2012.
- Expense profile based on a Long-Term Services Agreement being in place.

3.2 A second combined cycle unit will be added May 1, 2018 (ownership is 50% KU, 50% LG&E).

- The location is still to be determined (Most likely either Brown or Green River).
- 2 x 1, 640 MW Summer Net, with other options for a comparable number of MW's being considered (i.e. two 1 X 1's).
- Expense profile based on a Long-Term Services Agreement being in place.

3.3 Some reserve margin purchases for 2016 and 2017 will likely still be needed (~165MW).

3.4 The third combined cycle will come on-line May 1, 2025.

3.5 Brown 1 and 2 are included through the planning period, but without fabric filters.

- The Nalco product, to keep mercury emissions lower, will be utilized.

3.6 The four Ohio Falls units still to be rehabilitated (the other four are complete) have the following scheduled completion dates.

- Unit 1 (March 2014)
- Units 3, 4 and 8 will be January, 2015, October, 2015, and July, 2016, but the order is uncertain and being implemented on worst conditioned unit at the time getting priority



Major Assumptions (cont.)

3. Expansion/Capacity (Cont.)

- 3.7 Black start additions (for system restoration purposes) will take place in 2017 and 2018.
- Trimble County Site 2017 in-service.
 - Cane Run Site 2018 in-service.
- 3.8 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.
- Group 3 consists of the older, smaller CT's.
 - No Group 3 units are being retired in the plan.
- 3.9 Biomass co-firing projects for 2 units is a sensitivity, not included in the base Business Plan.
- 3.10 Landfill gas projects are a sensitivity, not included in the base Business Plan.
- No activity currently taking place.
 - The only scenario at current natural gas prices would be if a company is doing it for Corporate Social Responsibility purposes and LKE partnered with them in some capacity.
- 3.11 A carbon capture and sequestration (CCS) demonstration facility for 100 MW is a sensitivity.
- A much smaller scale demonstration project hosted by Brown Station and primarily funded through DOE takes place in 2013-2016.



Major Assumptions (cont.)

4. Coal Combustion Residuals (CCR's)

4.1 EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.

- Final rules are expected in April, 2014 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Ponds are expected to be eliminated for ash storage.
- EPA is looking to tie the timing of CCR's and effluent water (see 2.14) together.
 - Environmental groups are suing for an earlier release.
 - Congress is working on a bi-partisan effort.
 - Expected timeframe of 2018 - 2020 on pond closures and 2017-2018 on construction of new process ponds.
 - A designation of "Hazardous" vs. "Non-Hazardous" appears to be strongly trending toward "Non-Hazardous".
 - The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared "hazardous".

4.2 Trimble County Landfill and Transport.

- An alternative footprint is being pursued.
- The projected in-service date is September, 2017 for the transport and treatment system, based on a landfill permit being issued by the Kentucky Division of Waste Management in October, 2014 (application submitted November, 2013, approved in 12 months).
 - Phase 1 of the landfill is planned for full operations in April, 2018.
- This would allow for a 2.75 year construction schedule and would leave a 2.0 year buffer on the BAP at the current projected generation rates of CCR from Generation Planning.

4.3 Brown Ash Pond is being converted to a landfill, with an expected in-service date of April 2015 for Phase 1.

- KYDWM permit expected September/October 2013.
- Construction schedule is approximately 18 months.
- All three phases will be staged concurrently.



Major Assumptions (cont.)

4. Coal Combustion Residuals (CCR) (Cont.)

4.4 Ghent Landfill Phase 1 construction will be substantially completed by 4Q 2013, with significant O&M starting in 1Q 2013.

- **The transport component will not go into service until 2Q 2014.**
- **All permit approvals have been received, however, a new KPDES permit is still needed for water run-off.**

4.5 A new Mill Creek landfill will be in-service by December 31, 2019.

- **Landfill location assumption is 1.5 miles from Mill Creek with a 1.5 mile transport pipe conveyor.**

4.6 The Cane Run MSE Wall will be completed in 3rd Quarter 2014.

4.7 The Cane Run Landfill will be closed in 2016 after generation has ceased.

4.8 The Cane Run Ash pond Cap & Closure project will be completed in 2017.

4.9 All CCR Capital Projects use an annual escalation rate of 4.0%.



Major Assumptions (cont.)

•5. Operational and Other

5.1 Annual escalation rates for internal labor, contract labor and materials are as follows:

- Internal labor: 3.0%.
- Contract/services labor: 3.0% for general, 3.5% for highly skilled (welders).
- Chemicals: 6.0% for specialty (Nalco), 5.0% for commodity (Brenntag)
- Fuels and additives 5.0%.
- All other non-labor 2.0%.

5.2 Planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years, with the following exceptions:

- Brown units 1 and 3 over-lap by 2 weeks every other year.
- Cane Run units are 3 week outages one year with no outage the next year, with this cycle repeating.
- Trimble County 1 is 4 week outages one year with no outage the next year, with this cycle repeating.
- Trimble County 2 will have an annual outage until the unit becomes consistently reliable.



Major Assumptions (cont.)

5. Operational and Other (Cont.)

5.3 The next turbine overhauls by unit are as follows:

- 2014 : Mill Creek 4, Ghent 4.
- 2015 : Ghent 1, Brown 1
- 2016 : None scheduled.
- 2017: Brown 2, Trimble 1
- 2018: Ghent 3, Trimble 2

5.4 The permanent burner replacements for TC2 are scheduled to be installed in the Spring, 2014.

5.5 Significant generator rewind/stator rewind dollars are included in the 2013-2017 timeframe.

- Brown 2 generator (stator and rotor) rewind in 2017 (some dollars also in 2016).
- Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.
 - The spare sets will be installed on MC4 in 2014, MC3 in 2019, MC2 in 2020, and MC1 in 2021.

5.6 The corrosion fatigue inspection schedule is as follows:

- 2014: Ghent 4
- 2015: Ghent 1, Mill Creek 1
- 2016: Brown 1, Mill Creek 2, Mill Creek 4
- 2017: Brown 2, Mill Creek 1, Mill Creek 4, TC1
- 2018: Brown 3, Ghent 1, Ghent 3, TC2



Major Assumptions (cont.)

5. Operational and Other (Cont.)

5.7 The High Energy Piping (HEP) inspection schedule is as follows:

- 2014: Brown 1, Ghent 3, Ghent 4, Mill Creek 4, TC2
- 2015: Ghent 1, Ghent 2, Mill Creek 3
- 2016: Brown 3, Mill Creek 2, TC2
- 2017: Brown 2, Mill Creek 1, TC1
- 2018: Brown 1, Ghent 1, Ghent 3, Ghent 4, Mill Creek 2, Mill Creek 4

5.8 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- Permit changes may also be needed.

5.9 Targets for percentage of fuel hedged in the 2014 Business Plan are as follows:

- Year 1 90%-100%
- Year 2 80%-95%
- Year 3 40%-90%
- Year 4 30%-70%
- Year 5 10%-50%
- Year 6 0%-30%



Major Assumptions (cont.)

5. Operational and Other (Cont.)

5.10 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 10%) vs. new parts (capital – approximately 90%).
- The first set of hot gas path inspections for Trimble CT's are complete as of the Spring, 2013. The cycle starts again with one unit in 2016, two units in 2017, two units in 2018, and one unit in 2019.
- Brown C inspections by unit are as follows:
 - ❖ Unit 9 in 2013
 - ❖ Unit 10 in 2015
 - ❖ Unit 6 in 2018
 - ❖ Unit 7 in 2019
 - ❖ Unit 11 in 2020
 - ❖ Unit 5 in 2023
 - ❖ Unit 8 in 2021
- The expiration date for the Brown 6 and 7 Long-Term Services Agreements (LTSA) is October 1, 2016 based on the 13-year criteria.
 - ❖ Replacement LTSA's are not expected.
- The CT component outages for Cane Run 7 are a Combustion Inspection 2017, Hot Gas Path Inspection 2019, and Combustion Inspection 2022.
 - ❖ Cane Run 7 CT's are covered under a signed LTSC.
 - ❖ The turbine/generator overhaul will be every seven years, with the first one in 2022.

5.11 NERC Cyber Security Solution (all coal-fired stations plus Paddy's Run and Haefling) is included, along with Microsoft Upgrades for Ghent and Trimble County due to 2014 de-support of Windows XP.

5.12 CIP Version 4 will have an effective date of April 1, 2014, with CIP version 5 effective July 1, 2015.



Major Assumptions (cont.)

5. Operational and Other (Cont.)

5.13 Complete demolition of Paddy's Run Coal Plant will take place 2015-2016, and complete demolition of Canal Station 2017-2018. Paddy's stacks were removed in 2013.

5.14 Cost of removal reserves at 12/31/15 are projected to be:

- Tyrone \$5M
- Green River \$12M
- Cane Run \$35M

5.15 Expected write-offs to expense include:

- Cane Run M&S \$8M (2015)
- Green River M&S \$2M (2015)
- Ghent Ash Handling M&S \$1M (2014)
- Mill Creek FGD M&S \$1.5M (2016)

5.16 A MAXIMO Upgrade (tied to Oracle Upgrade) will be completed in August, 2013.

5.17 The proysm run dated August 14th is the official generation forecast for the 2014 Business Plan.



Financial Performance

2014-2018 Target Reconciliations – OPEX (\$000)

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | Plan | Plan | Plan | Plan | Plan |
| <u>OPEX 2013 BP to 2014 Target</u> | | | | | |
| Prior Plan | 254,286 | 255,773 | 235,636 | 240,422 | 269,425 |
| Changes: | | | | | |
| Feb 2013 Re-org | (2,205) | (2,270) | (2,337) | (2,406) | (2,477) |
| Remove COO expenses | (647) | (664) | (681) | (698) | (716) |
| IT O&M Commitment Transfer | (148) | (151) | (154) | (157) | (160) |
| Current Plan | <u>251,287</u> | <u>252,689</u> | <u>232,464</u> | <u>237,161</u> | <u>266,072</u> |

Financial Performance

Plan over Plan summary total costs (\$000)

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------------|--------------|----------------|----------------|----------------|
| | Plan | Plan | Plan | Plan | Plan |
| <u>Total Controllable Costs Compare to prior plan</u> | | | | | |
| <u>Prior Plan</u> | | | | | |
| OPEX | 251,287 | 252,689 | 232,464 | 237,161 | 266,072 |
| Non Mechanism COS | 47,467 | 38,519 | 35,080 | 36,234 | 37,774 |
| Total Non Mechanism Costs | 298,754 | 291,208 | 267,544 | 273,396 | 303,846 |
| ECR COS | 36,127 | 67,393 | 100,415 | 104,005 | 110,684 |
| Total Controllable Costs | 334,881 | 358,600 | 367,960 | 377,400 | 414,530 |
| <u>Current Plan</u> | | | | | |
| OPEX | 245,051 | 245,305 | 234,688 | 243,051 | 267,478 |
| Non Mechanism COS | 43,124 | 36,896 | 35,691 | 37,532 | 37,672 |
| Total Non Mechanism Costs | 288,174 | 282,201 | 270,379 | 280,582 | 305,150 |
| ECR COS | 27,158 | 44,800 | 59,098 | 66,123 | 67,220 |
| Total Controllable Costs | 315,332 | 327,001 | 329,477 | 346,705 | 372,370 |
| <u>Variance - Fav (Unfav)</u> | | | | | |
| OPEX | 6,236 | 7,384 | (2,223) | (5,889) | (1,406) |
| Non Mechanism COS | 4,344 | 1,623 | (611) | (1,298) | 103 |
| Total Non Mechanism Costs | 10,580 | 9,007 | (2,835) | (7,187) | (1,304) |
| ECR COS | 8,969 | 22,593 | 41,318 | 37,882 | 43,463 |
| Total Controllable Costs | 19,549 | 31,599 | 38,483 | 30,696 | 42,160 |

Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Company Labor | 87,233 | 90,436 | 97,774 | 98,148 | 94,349 | 94,952 | 101,680 |
| Resident Contractors | 22,898 | 23,981 | 24,473 | 20,702 | 19,554 | 19,766 | 20,755 |
| Maintenance | 56,131 | 64,516 | 65,211 | 69,000 | 66,048 | 68,144 | 69,285 |
| Outages | 40,974 | 21,724 | 34,637 | 35,993 | 31,996 | 33,958 | 41,240 |
| Operations | 22,703 | 22,453 | 22,956 | 21,462 | 22,741 | 26,230 | 34,519 |
| Subtotal OPEX/Other expense | 229,939 | 223,110 | 245,051 | 245,305 | 234,688 | 243,051 | 267,478 |
| Gross Margin Expenses * | 57,122 | 58,133 | 70,282 | 81,696 | 94,789 | 103,654 | 104,892 |
| * (see next slide for detail) | | | | | | | |
| Total Income Statement items | 287,061 | 281,242 | 315,332 | 327,001 | 329,477 | 346,705 | 372,370 |



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Adjusted Prior Plan | 251,287 | 252,689 | 232,464 | 237,161 | 266,072 |
| Drivers: | | | | | |
| Change in GR closure date (2015 to 2014) | (105) | (7,764) | | | |
| Inventory write offs - Ghent and Mill Creek | 878 | | 1,455 | | |
| Move BR1 outage from 2014 to 2015 | (4,176) | 5,293 | | | |
| Move MC3 outage from 2015 to 2016 | | (2,800) | 2,800 | | |
| Additional TC1 outage in 2017 | | | | 3,485 | |
| Outage schedule scope and timing updates | 262 | (33) | 288 | (2,107) | (2,640) |
| Labor | (2,362) | (2,332) | (4,551) | (2,370) | (1,716) |
| Changes in Maintenance and Operations expense | (565) | 388 | 2,480 | 7,032 | 5,771 |
| Other Small Various Puts and Takes | (169) | (136) | (249) | (150) | (8) |
| Current Plan | <u>245,051</u> | <u>245,305</u> | <u>234,688</u> | <u>243,051</u> | <u>267,478</u> |
| Plan To Plan Variance | <u>6,236</u> | <u>7,384</u> | <u>(2,223)</u> | <u>(5,889)</u> | <u>(1,406)</u> |



Financial Performance

2012-2018 Margin Expenses / Cost of Sales/ ECR (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Gross Margin Elements | | | | | | | |
| <u>ECR</u> | | | | | | | |
| Labor | 1,715 | 316 | 686 | 609 | 626 | 637 | 657 |
| Resident Contractors (primarily landfill) | 866 | 2,169 | 3,470 | 4,967 | 4,989 | 5,695 | 5,940 |
| Environmental Maint & Ops | 740 | 262 | 1,046 | 1,033 | 1,049 | 2,027 | 2,271 |
| ECR Maintenance SDRS | 4,956 | - | - | - | - | - | - |
| ECR Baghouse Maintenance | - | - | 122 | 2,282 | 4,004 | 4,084 | 4,166 |
| ECR Activated Carbon | 1,662 | - | 1,913 | 11,753 | 22,722 | 24,362 | 24,401 |
| ECR Landfill Operations | - | 1,873 | 3,838 | 3,926 | 4,033 | 5,870 | 5,937 |
| ECR Fly Ash Disposal | 194 | - | - | - | - | - | - |
| ECR Nox Emission Allowances | 3 | 0 | - | - | - | - | - |
| ECR Nox Reduction Reagent | 1,235 | 1,063 | 849 | 523 | 430 | 438 | 447 |
| ECR Other Waste Disposal | - | 227 | 1,350 | 1,350 | 1,350 | 1,377 | 1,405 |
| ECR Scrubber Reactant Ex | 6,910 | - | - | - | - | - | - |
| ECR Sorbent Injection Operation | 202 | 55 | 80 | 84 | 88 | 90 | 92 |
| ECR SO2 Emission Allowances | 89 | 112 | - | - | - | - | - |
| ECR Sorbent Reactant - Reagent Only | 11,242 | 14,098 | 13,804 | 18,273 | 19,808 | 21,542 | 21,905 |
| Total ECR | 29,814 | 20,175 | 27,158 | 44,800 | 59,098 | 66,123 | 67,220 |



Financial Performance

2012-2018 Margin Expenses / Cost of Sales/Non ECR (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---------------------------------|----------------|------------------|----------------|---------------|---------------|----------------|----------------|
| Gross Margin Elements | | | | | | | |
| <u>Non-ECR</u> | | | | | | | |
| Resident Contractors | 534 | 179 | 707 | 728 | 750 | 765 | 780 |
| Environmental Maint & Ops | - | 391 | - | - | - | - | - |
| Mercury Monitors Operations | - | 112 | 186 | 186 | 190 | 193 | 197 |
| Activated Carbon | - | 877 | 3,401 | 4,621 | 4,374 | 4,878 | 5,282 |
| Other Waste Disposal | 2,945 | 1,951 | 2,329 | 1,439 | 1,102 | 1,124 | 1,147 |
| NOx Emission Allowances | 60 | 64 | 54 | - | - | - | 0 |
| NOx Reduction Reagent | 8,201 | 9,365 | 10,307 | 10,471 | 10,242 | 10,407 | 10,493 |
| Scrubber Reactant Ex | 15,569 | 24,579 | 25,027 | 16,821 | 15,643 | 16,672 | 16,303 |
| SO2 Emission Allowances | 36 | 14 | 31 | 31 | 31 | 32 | 32 |
| Sorbent Injection Operation | (133) | 1 | - | - | - | - | - |
| Sorbent Reactant - Reagent Only | 96 | 425 | 1,082 | 2,599 | 3,359 | 3,460 | 3,438 |
| Total Non-ECR | 27,308 | 37,957 | 43,124 | 36,896 | 35,691 | 37,532 | 37,672 |
| Total Gross Margin | 57,122 | 58,133 | 70,282 | 81,696 | 94,789 | 103,654 | 104,892 |



| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|----------------|---------------|---------------|----------------|----------------|
| <u>ECR Prior Plan</u> | 36,127 | 67,393 | 100,415 | 104,005 | 110,684 |
| Drivers: | | | | | |
| Lower price of Activated Carbon | (2,426) | (22,994) | (42,275) | (42,824) | (48,676) |
| Change in SAM Mitigation (Sorbent Reagent costs) | (1,188) | 3,274 | 5,027 | 5,657 | 5,678 |
| Change in baghouse Mtce (BR3) | (237) | 1,346 | 3,055 | 3,257 | 3,322 |
| Lower Cost estimates for landfill maintenance | (3,138) | (4,140) | (6,925) | (3,769) | (3,580) |
| Change in Service date of Brown landfill (2015 from 2014) | (2,251) | | | | |
| Other Small Various Puts and Takes | 271 | (79) | (199) | (203) | (207) |
| <u>ECR Current Plan</u> | <u>27,158</u> | <u>44,800</u> | <u>59,098</u> | <u>66,123</u> | <u>67,220</u> |
| Plan To Plan Variance | 8,969 | 22,593 | 41,318 | 37,882 | 43,463 |
| <u>Non-ECR Prior Plan</u> | 47,467 | 38,519 | 35,080 | 36,234 | 37,774 |
| Drivers: | | | | | |
| Scrubber Reactant lower cost projections | (5,180) | (3,225) | (264) | 289 | (1,026) |
| NOX Reactant higher cost projections | 1,141 | 1,557 | 1,146 | 922 | 838 |
| Other Small Various Puts and Takes | (304) | 45 | (270) | 87 | 84 |
| <u>Non-ECR Current Plan</u> | <u>43,124</u> | <u>36,896</u> | <u>35,691</u> | <u>37,532</u> | <u>37,672</u> |
| Plan To Plan Variance | 4,344 | 1,623 | (611) | (1,298) | 103 |
| Grand Total Gross Margin Expense | 70,282 | 81,696 | 94,789 | 103,654 | 104,892 |

2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000)

| | 2012 | 2013 FC | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---------------------------------------|--------|---------|-------------|-----------|-----------|-----------|-----------|
| Environmental Mechanism (ECR) | | | | | | | |
| 133088 BR FGD Agitator Repl 16 | - | - | - | - | 595 | - | - |
| 140375 BR3 Spare HWRS Pump | - | 394 | - | 403 | - | - | - |
| 135122 MC1 PJFF BC 2018 | - | - | - | - | - | - | 1,626 |
| 135123 MC2 PJFF BC 2018 | - | - | - | - | - | - | 1,626 |
| 135102 BR3 PJFF BC 2018 | - | - | - | - | - | - | 1,839 |
| 137671LGE TC2 PJFF B&C | - | - | 1,929 | - | - | - | - |
| 135124 MC3 PJFF BC 2018 | - | - | - | - | - | - | 1,936 |
| 135245LGE TC2 PJFF B&C 2017 | - | - | - | - | - | - | 2,083 |
| 135120 MC4 PJFF BC 2017 | - | - | - | - | - | 2,253 | - |
| 133939 BR3 SCR Catalyst | - | - | 539 | 1,961 | - | - | - |
| 135281 GH3 PJFF BC 2017 | - | - | - | - | - | 2,704 | - |
| 135283 GH4 PJFF BC 2017 | - | - | - | - | - | 2,704 | - |
| 135279 GH2 PJFF BC 2018 | - | - | - | - | - | - | 2,758 |
| 135277 GH1 PJFF BC 2018 | - | - | - | - | - | - | 2,762 |
| 136640 GS RD Hg Contrl LGE | - | - | - | 4,000 | - | - | - |
| 117136 CR Landfill Vertical Expansior | (2) | - | - | - | - | - | - |
| | (2) | 394 | 2,468 | 6,363 | 595 | 7,661 | 14,630 |
| Required >\$3M | | | | | | | |
| 124288 BR3 Generator Rewind 11-12 | 9,991 | (92) | - | - | - | - | - |
| 137600 CR Plant Closure | - | - | - | 4,800 | 3,800 | - | - |
| 132921 MC3 Reheater | 1,486 | 4,585 | - | - | - | - | - |
| 137594 GR Plant Closure | - | - | - | 5,000 | - | - | - |
| 132804 MC3 BURNERS 2013 | 1,222 | 3,636 | - | - | - | - | - |
| 133468 GH3 SCR L1 Repl | - | - | - | 1,063 | 2,510 | - | - |
| 133470 GH4 SCR L1 Repl | - | - | - | 1,063 | 2,510 | - | - |
| 139669 BR1&2 Mercury Mitigation Sy: | - | 3,000 | 572 | - | - | - | - |
| 134111LGE TC2 SCR L2 REPLACEMENT | - | - | - | - | 3,207 | 84 | - |
| 112767 MC Landfill Expansion | - | 149 | 456 | 95 | 1,875 | 263 | 263 |
| All other less than \$3M | 26,697 | 19,218 | 7,458 | 5,109 | 3,536 | 7,007 | 5,089 |
| | 39,396 | 30,496 | 8,486 | 17,130 | 17,439 | 7,354 | 5,352 |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000) (cont.)

| | 2012 | 2013 FC | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------------------------|--------|---------|-------------|-----------|-----------|-----------|-----------|
| High Risk >\$3M | | | | | | | |
| 123906 BRCT6 C Inspection 13 | - | - | - | - | - | - | 19,000 |
| 123907 BRCT9 C Inspection 11 | 1,444 | 6,710 | 902 | 2,242 | - | - | - |
| 135234 CR7 CCGT CI (2017) | - | - | - | - | - | 10,333 | - |
| 139825 BR3 HP-IP Repl | - | - | - | - | - | - | 9,975 |
| 131974 GH 3 Burner Repl | - | - | - | - | 309 | 2,058 | 6,122 |
| 123910 BRCT10 C Inspection 12 | - | - | 1,532 | 6,743 | - | - | - |
| 131975 GH4 Burner Repl | - | 295 | 7,390 | 300 | - | - | - |
| 127642 MC4 Burners | - | 3,889 | 3,450 | - | - | - | - |
| 140105 CR7 CCGT INVENTORY | - | - | 2,000 | 5,000 | - | - | - |
| 132924 MC4 Reheater | - | 1,171 | 5,079 | - | - | - | - |
| 134561 PR13 Hot Gas Path Inspectio | - | - | - | - | - | - | 6,120 |
| 135645 GH3 RH Outlet Header Repl | - | - | - | - | - | 1,852 | 4,115 |
| 132002 TC CT HGP Insp #3 | - | - | - | - | - | 5,348 | - |
| 132000 TC CT HGP Insp #1 | - | - | - | - | 5,192 | - | - |
| 132001 TC CT HGP Insp #2 | - | - | - | - | - | 5,192 | - |
| 131116 GH Stacker Track Repl 1/2 E: | - | 4,950 | - | - | - | - | - |
| 132901 MC4 Cooling Tower Fill | - | - | 4,900 | - | - | - | - |
| 133741 GH3 Main Condenser Retube | - | - | - | - | - | 3,087 | 1,574 |
| 139718 MC4 Inter SH Pendants | - | - | - | - | - | 1,500 | 2,875 |
| 133971 BR2 Cooling Tower Rebuild | - | - | - | - | - | 4,206 | - |
| 126592LGE TC CT HGPI LGE #5 | 4,070 | (120) | - | - | - | - | - |
| 126593LGE TC CT HGPI # 6 | - | 3,919 | - | - | - | - | - |
| 136649 MC4 Final SH Pendants | - | 784 | 3,075 | - | - | - | - |
| 123911 BRCT10 Parts Recond 12 | - | - | - | - | 1,170 | 2,379 | - |
| 122086 DX1 OVERHAUL 09-10 | 2,924 | 570 | - | - | - | - | - |
| 133938 BR1 Cooling Tower Rebuild | - | - | 1,365 | 1,960 | - | - | - |
| 137024 GH 138kv Switchgear Upgrad | - | - | - | 360 | 2,478 | 463 | - |
| 140179 GH1 Air Heater Baskets | - | - | - | - | - | 1,543 | 1,543 |
| 136648 MC3 Final SH Pendants | - | 686 | 1,152 | - | 1,200 | - | - |
| All other less than \$3M | 3,009 | 27,115 | 31,882 | 28,562 | 18,236 | 17,423 | 21,278 |
| | 11,448 | 49,970 | 62,726 | 45,167 | 28,585 | 55,382 | 72,602 |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000) (cont.)

| | 2012 | 2013 FC | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-----------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|----------------|
| All Other >\$3M | | | | | | | |
| 131986 GH3 Turb Eff Upgr | - | - | - | - | 1,029 | 3,087 | 8,231 |
| 131955 BR2 Gen Rewind | - | - | - | - | 2,333 | 4,667 | - |
| 132961 MC2 DCS 2018 | - | - | - | - | - | 1,000 | 4,850 |
| 132965 MC4 DCS 2018 | - | - | - | - | - | 2,000 | 3,850 |
| 137473 GH3 Finishing SH Repl 2018 | - | - | - | - | - | 1,465 | 4,089 |
| 133102 GS GE 345kV Spr LGE | - | - | - | 1,303 | 3,040 | - | - |
| 123837 MC2 FGD Refurbishment | 3,636 | - | - | - | - | - | - |
| 132003 TC CT HGP Insp #4 | - | - | - | - | - | - | 3,529 |
| 132004 TC CT HGP Insp #5 | - | - | - | - | - | - | 3,529 |
| 137597 TY Plant Closure | - | 600 | - | 2,273 | 600 | - | - |
| 140597LGE TC GAS IGNITION FUEL | - | - | 306 | 3,134 | - | - | - |
| 134234 MC4 Generator Stator Bar | - | - | 3,000 | - | - | - | - |
| 135638 MC3 Stator Bars | - | 3,000 | - | - | - | - | - |
| 139722 MC2 Gen Stator Bar Purchas | - | 3,000 | - | - | - | - | - |
| All Other | 26,749 | 12,789 | 17,035 | 32,238 | 23,352 | 28,206 | 30,264 |
| | 30,385 | 19,389 | 20,341 | 38,946 | 30,353 | 40,424 | 58,342 |
| Total Capital | 81,227 | 100,249 | 94,021 | 107,606 | 76,973 | 110,822 | 150,926 |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

K. Blake

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|----------------|---------------|----------------|----------------|
| 2013 Capital BP | 94,568 | 106,263 | 75,131 | 184,496 | 221,285 |
| Changes < ± \$3.0m | | | | | |
| 112767 MC Landfill Expansion | (1,444) | (5) | 1,725 | (12) | (12) |
| 123827 BR1 Gen Rotor Rewind 08 | (799) | 1,606 | - | - | - |
| 123906 BRCT6 C Inspection 13 | - | - | - | - | (1,000) |
| 127579 MC1 ECONOMIZER | (1,000) | (4,000) | - | - | - |
| 131116 GH Stacker Track Repl 1/2 East | - | (1,200) | (1,229) | - | - |
| 131972 BRCT7 C Inspection | - | - | - | - | - |
| 131974 GH 3 Burner Repl | - | - | (1,431) | (4,587) | 6,122 |
| 131975 GH4 Burner Repl | 3,098 | (2,700) | - | - | - |
| 131986 GH3 Turb Eff Upgr | - | - | 1,029 | 3,087 | 8,231 |
| 131995 TC Generator Rewind | - | - | - | (6,953) | - |
| 131997 TC2 ID Fan Rotor Ovhl | - | - | (3,100) | - | (3,100) |
| 132000 TC CT HGP Insp #1 | - | - | 5,192 | (5,064) | - |
| 132002 TC CT HGP Insp #3 | - | - | - | 5,348 | (5,216) |
| 132003 TC CT HGP Insp #4 | - | - | - | - | 5,582 |
| 132005 TC CT HGP Insp #6 | - | - | - | - | (5,216) |
| 132925 MC4 Circ Water Line | - | - | - | - | (3,500) |
| 132957 MC3 SCR Catalyst Layer 3 | - | (2,200) | - | 1,900 | - |
| 132958 MC3 SCR Catalyst Layer 4 | - | 1,358 | - | (38) | (1,320) |
| 132960 MC1 DCS Hardware | - | - | (1,000) | (5,000) | - |
| 132965 MC4 DCS 2018 | - | - | - | 2,000 | (2,150) |
| 133000 MC3 Circ Water Line | - | - | - | (3,500) | - |
| 133401 GH1 Condensate Polisher | - | - | - | - | (5,105) |
| 133938 BR1 Cooling Tower Rebuild | (659) | 1,960 | - | - | - |
| 134234 MC4 Generator Stator Bar | (5,000) | - | - | - | - |
| 134372 GS PE PR BS - LGE | - | (6,100) | - | (10,000) | (20,000) |
| 134373 GS PE BR BS - LGE | - | - | - | (7,500) | (14,500) |
| 134374 GS PE TC BS - LGE | - | - | - | (11,400) | (22,100) |
| 134561 PR13 Hot Gas Path Inspection | - | - | - | (6,000) | 6,120 |
| 136097 DX Dam Leakage Rem Phase II | - | - | - | (4,841) | - |
| 136640 GS RD Hg Contrl LGE | (4,000) | 4,000 | - | - | - |
| 136642 MC2 Heater #3 | - | 513 | (1,600) | - | - |
| 136648 MC3 Final SH Pendants | 1,000 | - | 200 | (2,200) | - |
| 137024 GH 138kv Switchgear Upgrade | 1,152 | (140) | (1,022) | (1,062) | - |
| 137190 BR SW Lines Coating | - | - | (2,005) | - | - |
| 137265 GH1 Upper Slope Repl 2022 | 330 | 2,058 | - | - | - |
| 137600 CR Plant Closure | - | (3,800) | 3,800 | - | - |
| 139718 MC4 Inter SH Pendants | - | - | - | 1,500 | 2,875 |
| 139825 BR3 HP-IP Repl | - | - | - | - | 9,975 |
| 140105 CR7 CCGT INVENTORY | 2,000 | 5,000 | - | - | - |
| 140107 OF Station Gantry Crane | - | - | 2,000 | - | - |
| 140179 GH1 Air Heater Baskets | - | - | - | 1,543 | 1,543 |
| 140202 GH Stacker Reclaimer Recic | - | - | - | 2,572 | - |
| 140203 GH Barge Unloader Recir | - | - | 2,469 | - | - |
| 140655 GS GE TCCT Hrdng LGE | 465 | - | - | - | - |
| 131607LGE TC SDRS REACTANT TANK ROOF | 229 | 2,064 | - | (2,250) | - |
| 131638LGE TC CT INSTALL 345KV CI | - | (1,495) | 393 | 393 | 1,178 |
| 140657KU GS GE BRCT Hrdng KU | - | 615 | - | - | - |
| 140597LGE TC GAS IGNITION FUEL | 306 | 3,134 | - | - | - |
| LTPGENLG Other LTP Generation Projects | (50) | (1,550) | (4,550) | (9,550) | (9,550) |
| All Other Changes < ± \$3.0m | 3,824 | 2,227 | 971 | (12,060) | (19,217) |
| 2014 Capital BP | 94,021 | 107,606 | 76,973 | 110,822 | 150,926 |



Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Mill Creek | 215 | 220 | 225 | 226 | 226 | 226 | 227 |
| Trimble County/CTs | 152 | 161 | 173 | 175 | 176 | 173 | 178 |
| Cane Run/Ohio Falls | 116 | 122 | 123 | 57 | 56 | 54 | 53 |
| Ghent | 203 | 221 | 234 | 241 | 241 | 241 | 241 |
| Brown/Dix/Tyrone | 143 | 152 | 151 | 148 | 148 | 147 | 146 |
| Green River | 41 | 41 | 2 | 2 | 2 | 2 | 2 |
| Generation Services | 48 | 57 | 60 | 60 | 63 | 64 | 66 |
| Other Generation Support | 17 | 17 | 21 | 21 | 21 | 21 | 21 |
| Budgeting/HR move | 28 | | | | | | |
| 2018 CCGT | | | | | | | 48 |
| Stranded Employees | | | 11 | 31 | 23 | 9 | 0 |
| Interns/temps | 16 | 16 | 14 | 11 | 11 | 11 | 11 |
| TOTAL | 979 | 1,007 | 1,014 | 972 | 967 | 948 | 993 |
| From 2013 Business Plan | | 1,007 | 1,026 | 967 | | | |
| Variance to 2013 Business Plan | | 0 | -12 | 5 | | | |
| TOTAL without Interns/Temps | 963 | 991 | 1,000 | 961 | 956 | 937 | 982 |
| <u>Year to Year Increases (Decreases)</u> | | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| 1.) Maintenance /Operational* | | 28 | -12 | -43 | -7 | -20 | 42 |
| 2.) Compliance – NERC, FERC, CIP, etc. | | 3 | 0 | 0 | 0 | 0 | 0 |
| 3.) EPA/Environmental | | 11 | 11 | 0 | 0 | 0 | 0 |
| 4.) Admin/Engineering/Corporate/Interns** | | -14 | 8 | 1 | 2 | 1 | 3 |
| TOTAL | | 28 | 7 | -42 | -5 | -19 | 45 |

* Includes retirement of GR plant (net 28) in 2014; retirement of CR plant (net 51) in 2015 and addition of net 39 for CCGT in 2018

** Includes move of 28 employees to CFO and HR in 2013



Operational Performance

Key Performance Indicators

| KPI | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--------------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Generation (Twh) ¹ | 33.5 | 34.3 | 34.8 | 34.8 | 35.0 | 35.2 | 35.7 |
| EAF (Steam) | 79.4% | 86.2% | 82.6% | 85.8% | 86.6% | 86.8% | 87.3% |
| EFOR (Steam) | 7.1% | 5.6% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Controllable Cost (\$M) ² | \$287.1 | \$281.2 | \$325.3 | \$336.3 | \$338.9 | \$353.2 | \$378.8 |
| Controllable Cost/mwh ² | \$ 7.59 | \$ 8.20 | \$ 9.34 | \$ 9.66 | \$ 9.68 | \$ 10.03 | \$ 10.61 |
| Recordable Injuries ³ | 1.59 | 1.39 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Lost Workday Case Rate ⁴ | 0.34 | 0.00 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |

¹ Steam Generation includes 75% of Trimble County 1 and 2.

² Controllable Costs include Utility O&M, Other Cost of Sales, and Below-the-Line expenses.

³ The 2013 forecast for RIIR is the July YTD value

⁴ The 2013 forecast for Lost Workday Case Rate is the July YTD value.

** 2013 Forecast is from the 7&5 forecast.

*Red items still subject to change
before final version complete*



Plan Risks

- *Any subsequent changes to approved or proposed environmental regulations will impact the investment, construction and implementation of new systems in this plan*
- *Generation dispatch for the plan years is based on current view of regulations and assumptions on pricing for gas supply and allowances which is subject to significant changes to unit cost profiles and maintenance schedules if changes occur*
- *Integration of the major investment in new environmental compliance systems is tied to an extremely aggressive schedule that may impact normal operations of existing plants and could require changes to the outage planning schedule for tie in processes*
- *Availability of equipment and construction resources for major environmental compliance investment across the industry could lead to higher prices and impacts to planned schedule of completion*
- *Expansion of generating capacity and other generation changes consistent with approved integrated resource plan must be balanced with efforts to address transmission system load requirements. Additionally, the timing of retired coal and new CCGT availability will be critical.*
- *Reductions in this plan compared to the previous year's level could result in financial risk in the event of major equipment failure or unplanned events*



Appendix



Year over Year Walk Forward OPEX and Other Expense (\$000)

| | | | |
|-------------------------------------|----------|---------------------------|---------|
| 2012 Actual | 229,939 | 2015 Plan | 245,305 |
| 2013 Re-org | (1,724) | Labor | 2,640 |
| Labor | 4,853 | CR labor net of CR7 labor | (2,530) |
| Outages | (19,250) | CR severance | (3,909) |
| Maintenance | 8,385 | CR Resident Contractors | (1,560) |
| Other | 907 | CR 7 Maintenance | 3,118 |
| 2013 FC | 223,110 | Inventory Write offs (CR) | (8,000) |
| Labor | 5,946 | Inventory Write offs (MC) | 1,455 |
| GR severance | 2,297 | Outages | (3,998) |
| Inventory Write offs GR | 2,000 | Maintenance | 474 |
| GR retirement labor | (904) | Other | 1,692 |
| GR retirement non labor | (3,177) | 2016 Plan | 234,688 |
| Inventory Write offs Ghent | 895 | Labor | 603 |
| Outages | 13,953 | Inventory Write offs (MC) | (1,455) |
| Maintenance | (682) | Outages | 1,962 |
| Other | 1,613 | Maintenance | 3,551 |
| 2014 Budget | 245,051 | Other | 3,701 |
| Labor | 6,288 | 2017 Plan | 243,051 |
| GR severance | (2,297) | Labor | 3,332 |
| GR retirement labor | (3,046) | Outages | 7,282 |
| GR retirement non labor | (3,342) | 2018 CCGT | 11,037 |
| CR severance | 3,909 | Maintenance | 1,140 |
| CR labor net of CR7 labor | (4,480) | Other | 1,637 |
| CR Resident Contractors | (2,984) | 2018 Plan | 267,478 |
| Inventory Write offs (GR and Ghent) | (2,895) | | |
| Inventory Write offs (CR) | 8,000 | | |
| Outages | 1,659 | | |
| Maintenance | (554) | | |
| Other | (3) | | |
| 2015 Plan | 245,305 | | |



Year over Year Walk Forward GMEXP / Cost of Sales (\$000)

| <u>ECR</u> | | <u>Non Mechanism</u> | |
|---|----------|--|---------|
| 2012 Actual | 29,814 | 2012 Actual | 27,308 |
| Scrubber costs moved from ECR to non ECR | (11,866) | Scrubber costs moved from ECR to non ECR | 11,866 |
| Landfill Operations (Ghent) | 1,873 | Scrubber reactant | (2,857) |
| Other | 355 | Activated Carbon | 877 |
| 2013 FC | 20,175 | Other | 763 |
| Activated Carbon (MC and Ghent) | 1,913 | 2013 FC | 37,957 |
| Landfill Operations (Ghent) | 3,266 | Scrubber reactant | 448 |
| Other | 1,804 | Activated Carbon | 2,524 |
| 2014 Budget | 27,158 | NOX reduction reagent | 942 |
| Activated Carbon (MC, Ghent, Brown, TC) | 9,840 | Sorbent reactant | 658 |
| Sorbent reactant | 4,469 | Other | 595 |
| Baghouse Maintenance | 2,160 | 2014 Budget | 43,124 |
| Landfill Operations (Ghent and Brown) | 1,585 | Scrubber reactant | (8,205) |
| Other | (413) | Sorbent reactant | 1,517 |
| 2015 Plan | 44,800 | Other | 461 |
| Activated Carbon (MC, Ghent, Brown, TC) | 10,968 | 2015 Plan | 36,896 |
| Baghouse Maintenance | 1,722 | Scrubber reactant | (1,178) |
| Sorbent reactant | 1,534 | Sorbent reactant | 759 |
| Other | 73 | Other | (786) |
| 2016 Plan | 59,098 | 2016 Plan | 35,691 |
| Activated Carbon (MC, Ghent, Brown, TC) | 1,641 | Scrubber reactant | 1,029 |
| Landfill Operations (Ghent, Brown, Trimble) | 2,543 | Activated Carbon | 504 |
| Sorbent reactant | 1,735 | Other | 307 |
| Other | 1,106 | 2017 Plan | 37,532 |
| 2017 Plan | 66,123 | Scrubber reactant | (369) |
| Sorbent reactant | 363 | Activated Carbon | 403 |
| Landfill Operations (Ghent, Brown, Trimble) | 312 | Other | 105 |
| Other | 423 | 2018 Plan | 37,672 |
| 2018 Plan | 67,220 | | |



2012-2018 Headcount progression

| | | | |
|---|--------------|--|----------|
| 2012 Headcount (including interns) | 979 | 2015 Headcount Plan | 972 |
| Feb 2013 Re-org (move to CFO and HR) | (28) | Transferred from retired facilities (CR) | (8) |
| Plant Operations (all other plants) | 28 | Plant Operations | 1 |
| Environmental/Compliance (primarily Ghent) | 14 | Engineering Support | 2 |
| Commercial Operations (balance sheet) | 2 | Commercial Operations (O&M) | (1) |
| Commercial Operations (O&M) | 5 | Administrative Support | 1 |
| Engineering Support | 4 | | <u>1</u> |
| Administrative Support | 3 | 2016 Headcount Plan | 967 |
| | <u>1,007</u> | Transferred from retired facilities (CR) | (14) |
| 2013 Headcount FC | 1,007 | Plant Operations (retirements) | (6) |
| Green River Retirement | (39) | Engineering Support | 2 |
| Transferred from retired facilities | 11 | Administrative Support | (1) |
| Plant Operations (Trimble Co) | 9 | | <u>1</u> |
| Plant Operations (all other plants) | 7 | 2017 Headcount Plan | 948 |
| Environmental/Compliance (Ghent) | 11 | Transferred from retired facilities (CR - moved to CCGT) | (9) |
| Commercial Operations (O&M) | 5 | 2018 CCGT | 48 |
| Engineering Support | 2 | Plant Operations (retirements) | 3 |
| Administrative Support | 3 | Engineering Support | 2 |
| Intern | (2) | Commercial Operations (O&M) | 1 |
| | <u>1,014</u> | | <u>1</u> |
| 2014 Headcount Budget | 1,014 | 2018 Headcount Plan | 993 |
| Cane Run Retirement | (71) | | |
| Transferred from retired facilities (CR and GR net) | 20 | | |
| Plant Operations | 8 | | |
| Engineering Support | 1 | | |
| Administrative Support | 3 | | |
| Intern | (3) | | |
| | <u>972</u> | | |
| 2015 Headcount Plan | 972 | | |



Other Balance Sheet Costs (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Stores Expense | | | | | | | |
| Labor | 2,616 | 2,530 | 2,918 | 2,771 | 2,833 | 2,874 | 3,040 |
| Non labor | 959 | 252 | 405 | 416 | 427 | 435 | 444 |
| Total | <u>3,575</u> | <u>2,782</u> | <u>3,323</u> | <u>3,187</u> | <u>3,260</u> | <u>3,309</u> | <u>3,484</u> |
| Local Engineering | | | | | | | |
| Labor | 199 | 80 | 59 | 39 | - | - | - |
| Non labor | 201 | 118 | - | - | - | - | - |
| Total | <u>401</u> | <u>198</u> | <u>59</u> | <u>39</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Costs | <u><u>3,975</u></u> | <u><u>2,979</u></u> | <u><u>3,382</u></u> | <u><u>3,226</u></u> | <u><u>3,260</u></u> | <u><u>3,309</u></u> | <u><u>3,484</u></u> |

2014 Maintenance increases by 12 weeks

| | 2014 Plan | | | | | 2013 Plan | | | | | 2014 Plan - 2013 Plan | | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2014 | 2015 | 2016 | 2017 | 2018 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Brown 1 | 3 | 8 | 3 | 1 | 3 | 8 | 1 | 4 | 1 | 3 | (5) | 7 | (1) | - | - |
| Brown 2 | 4 | 1 | 3 | 8 | 1 | 1 | 1 | 4 | 8 | 1 | 3 | - | (1) | - | - |
| Brown 3 | 3 | 7 | 3 | 1 | 3 | 3 | 4 | 3 | 1 | 3 | - | 3 | - | - | - |
| Ghent 1 | 3 | 8 | 4 | 2 | 4 | 3 | 8 | 4 | 2 | 4 | - | - | - | - | - |
| Ghent 2 | 2 | 6 | 4 | 3 | 3 | 2 | 6 | 4 | 3 | 3 | - | - | - | - | - |
| Ghent 3 | 6 | 5 | 2 | 3 | 8 | 6 | 5 | 2 | 3 | 8 | - | - | - | - | - |
| Ghent 4 | 8 | - | 3 | 3 | 4 | 8 | 2 | 3 | 3 | 4 | - | (2) | - | - | - |
| Green River 3 | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | - | - |
| Green River 4 | 1 | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - |
| Cane Run 4 | 2 | - | - | - | - | 3 | - | - | - | - | (1) | - | - | - | - |
| Cane Run 5 | 1 | - | - | - | - | - | - | - | - | - | 1 | - | - | - | - |
| Cane Run 6 | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | - | - |
| Mill Creek 1 | 1 | 6 | 1 | 4 | 1 | 1 | 6 | 1 | 4 | 1 | - | - | - | - | - |
| Mill Creek 2 | 4 | 6 | 4 | 1 | 4 | 4 | 6 | 4 | 1 | 4 | - | - | - | - | - |
| Mill Creek 3 | 1 | 2 | 9 | 4 | 1 | 1 | 6 | 1 | 4 | 1 | - | (4) | 8 | - | - |
| Mill Creek 4 | 12 | 1 | 4 | 1 | 4 | 10 | 1 | 4 | 1 | 4 | 2 | - | - | - | - |
| Trimble County 1 | 2 | 5 | 2 | 9 | 2 | - | 4 | - | 8 | - | 2 | 1 | 2 | 1 | 2 |
| Trimble County 2 | 16 | 5 | 5 | 5 | 9 | 6 | - | 4 | - | 8 | 10 | 5 | 1 | 5 | 1 |
| Cane Run 7 | - | - | - | 2 | - | - | - | - | 2 | - | - | - | - | - | - |
| Totals | 75 | 60 | 47 | 45 | 47 | 63 | 50 | 38 | 39 | 44 | 12 | 10 | 9 | 6 | 3 |
| MW-Maint Wks * | 32,218 | 24,272 | 20,410 | 19,665 | 21,947 | 24,471 | 21,338 | 15,998 | 16,357 | 20,535 | 7,747 | 2,933 | 4,412 | 3,307 | 1,412 |

* Coal + CR7 Only

Notes:

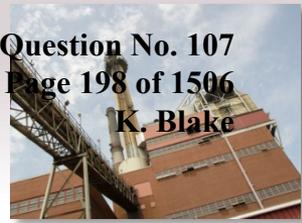
2014: Moved BR1 TO to 2015; TC2 burner replacement outage

2015: BR1 TO moved from 2014; BR3 increase due to baghouse installation; MC3 FGD/baghouse moved to 2016; TC outages per plant request

2016: MC3 outage from 2015



PPL companies



PPL companies

Transmission

2014 Business Plan

December 6, 2013

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- Plan Risks
- Appendix

Plan Highlights

- *The 2014-2018 Transmission Business Plan is designed to meet the overall goals of safety, regulatory compliance, system reliability, and operational performance.*
- *Significant Plan over Plan Changes:*
 - *Work force planning changes and associated headcount increases:*
 - *Compliance*
 - *Contractor/Employee Balance*
 - *Operational Improvement*
 - *Increased capital funding in major initiatives:*
 - *Additional projects driven by new generation supply*
 - *Additional projects identified in the Transmission Expansion Plan and through interconnection agreements driven by long term system planning requirements to reliably serve firm load*
 - *Additional work identified to complete line rating verifications associated with the 2010 NERC Alert*
 - *High reject rate from wood pole inspections driven by KPSC regulations, resulting in significantly larger volume of replacements*
 - *Modest O&M Funding Increase Primarily to Address Compliance Needs*
 - *Continuation of gross margin expenses associated with the MISO Exit Agreement*



Major Assumptions

1. Regulatory and Compliance

1.1 Cyber Security:

- 1.1.1 CIP Version 4 implements 17 criteria for identifying critical assets (known as Brightline Criteria) and compliance with V4 will be required starting October 1, 2014. FERC has issued a NOPR proposing to skip CIP V4 and implement CIP V5 on an accelerated schedule. It is assumed that the implementation timeframe for CIP v5 will be 24 months from FERC approval and require compliance by 2016.
- 1.1.2 It is assumed CIP V5 will require secure networks to the substations as well as increased physical security. It is also assumed that fewer than 30 substations will be impacted.
- 1.1.3 It is assumed that additional CIP versions beyond 5 will occur outside this 5 year plan.

1.2 2010 NERC Alert-Line Rating:

- 1.2.1 All lines over 100kV will be surveyed and the line rating verified by the end of 2014.
- 1.2.2 Beginning in 2015 all lines 100kV and above must be surveyed every 5 years. The survey data for some lines has already been gathered and will be analyzed in 2014 and 2015 (\$0.3m O&M in each year). Ongoing surveying and analyses of these lines is expected to cost \$1.2m annually (O&M) beginning in 2016.
- 1.2.3 Ongoing surveys are not expected to result in material capital expenditures.

1.3 The Plan does not include any capital funding for the following:

- 1.3.1 FERC Order 1000 Regional and Interregional Planning
- 1.3.2 Proposed Revisions to NERC Reliability Planning Standards
- 1.3.3 FERC Order 754 Single Point of Failure Data Request

1.4 Gross margin expenses related to the MISO Exit Agreement will continue.



Major Assumptions

2. Expansion Plan and Native Load

- 2.1 Reliability projects in the Business Plan are based on the 2013 annual Transmission Expansion Plan (TEP) which is the most current information known to the Companies; however, the Independent Transmission Organization (ITO) has not yet approved the 2013 TEP. It is assumed that the ITO will approve the TEP without significant revisions. Therefore, the Plan does not include any projects that could result from the ITO's proposed changes to the Companies' Transmission Planning Guidelines used in the TEP.
- 2.2 The Transmission work related to the addition of Cane Run 7 should be completed by the time the plant is operational with the exception of replacements of the 138kV Transformers which will be in service in 2018.
- 2.3 A Combined Cycle Gas Turbine will be in-service, at Green River, by May 1, 2018.
 - 2.3.1 This is a placeholder for the unknown Transmission costs. It is assumed that \$97m is needed throughout the plan period, with spending to begin in 2015.
- 2.4 The Plan assumes estimated costs for increased line ratings on certain 69kV lines as a result of the 2013 TEP. Detailed costs will be developed after surveying and subsequent analyses are completed.
- 2.5 The plan does not include capital for new customer requests for long-term transmission service. There are currently no long term transmission service requests that are expected to require material capital.
- 2.6 Connection costs for native load are coordinated with Distribution planning requirements and are estimated at \$20m over the 5 year plan.



Major Assumptions

3. Asset Management

- 3.1 Additional improvements to Cascade asset management software are delayed beyond the 5 year plan. Transmission PI historian will be implemented.
- 3.2 The Plan assumes one 138/69kV transformer failure per year at a cost of \$1.5m.
- 3.3 The Plan assumes other equipment failure rates based on a 5 year average.
- 3.4 The Plan includes funding for Storm Damage (Capital and O&M) based on a 5 year average.
- 3.5 The Plan includes funding for the targeted proactive breaker replacements based on risk criteria.
- 3.6 The Plan includes funding for targeted proactive protection and control replacements based on risk criteria.
- 3.7 The Plan does not include funding for a comprehensive program to proactively replace aging assets.
- 3.8 The new wood pole inspection cycle is six years and began in January 2013. It is assumed that the current rejection rate of 10.5% will continue throughout the 5 year plan. Funding in the Plan assumes a replacement wood pole cost of \$28k per pole and maintaining a 2 year backlog through the inspection cycle.
- 3.9 The steel pole inspection cycle is 12 years and began in January 2013. It is assumed that steel pole inspections will not result in material incremental costs throughout the Plan.
- 3.10 The Static wire upgrade program will resume in 2015
- 3.11 The Plan assumes O&M expenses for asset maintenance will be consistent with historical trends.



Major Assumptions

4. ITO & RC

- 4.1 Transerv will be retained as the ITO service provider to LGE/KU at escalated costs to the existing contract
- 4.2 TVA will be retained as the Reliability Coordinator (RC) at escalated costs to the existing contract



Major Assumptions

5. Operational and Other

5.1 The Plan assumes these material lead times:

6.1.1 Estimates – LiDAR (4 weeks on site) / (4 weeks to process the data)

6.1.2 Steel Poles – 40 weeks or more

6.1.3 Transformers – 45 weeks

6.1.4 Breakers – 16 weeks

5.2 The Plan assumes required outages will be obtained when needed to meet construction schedules.

5.3 The Plan assumes “finite” or “reasonable” lead times on all Right-of-Way (ROW) land acquisitions

5.4 Annual Escalation Rates

5.4.1. Internal labor: 3.0%

5.4.2 Contract labor: 3.0%

5.5 Project contingency is assumed at 5%



Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 8,723 | 9,115 | 9,029 | 9,586 | 9,699 | 10,063 | 10,562 |
| Burdens | 2,407 | 2,515 | 2,491 | 2,645 | 2,676 | 2,776 | 2,914 |
| Line Clearing | 5,521 | 5,875 | 5,908 | 6,677 | 7,314 | 7,963 | 8,616 |
| Aerial and Ground Inspections | 318 | 878 | 1,157 | 1,300 | 1,326 | 1,352 | 1,380 |
| Storms | 549 | 395 | 290 | 296 | 302 | 308 | 314 |
| NERC LiDAR Testing | 15 | 49 | 250 | 255 | 1,200 | 1,224 | 1,248 |
| EKPC Amortization | 499 | 504 | 84 | - | - | - | - |
| Other Non-labor | 10,040 | 9,992 | 9,600 | 10,338 | 10,406 | 11,214 | 11,448 |
| Subtotal OPEX/Other expense | 28,072 | 29,323 | 28,809 | 31,097 | 32,923 | 34,900 | 36,482 |
| Gross Margin Expenses * | 19,204 | 14,793 | 11,467 | 12,081 | 12,730 | 13,359 | 14,248 |
| * (see Margin slide for detail) | | | | | | | |
| Total Income Statement items | 47,276 | 44,116 | 40,276 | 43,178 | 45,653 | 48,259 | 50,730 |



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|---------------|---------------|---------------|---------------|
| Prior Plan | 30,485 | 33,037 | 34,319 | 35,606 | 36,971 |
| Drivers: | | | | | |
| Substation Maintenance | 470 | 585 | 609 | 633 | 478 |
| Aerial Patrol - Helicopter Service | 370 | 377 | 385 | 393 | 400 |
| Storms - 5 year average | 260 | 265 | 271 | 276 | 281 |
| EMS - Outside Services - Compliance | 300 | 306 | 312 | 318 | 325 |
| Protection - Outside Services Compliance | - | 245 | 250 | 255 | 260 |
| Labor Increases | 252 | 406 | 420 | 432 | 445 |
| Bulk Electric System LiDAR | 250 | (945) | (24) | (24) | (25) |
| Reduce IN BAT | (250) | (100) | (102) | (104) | (106) |
| Reduce Climbing Inspection 2014 only | (120) | - | - | - | - |
| Reduce Operations Outside Services | (300) | (306) | (312) | (318) | (325) |
| Timing of Back-up Control Center | (200) | (400) | (400) | (200) | - |
| Reduce FERC Order 1000 Expenses | (276) | (282) | (287) | (293) | (299) |
| Reduce Lines Vegetation LiDAR | (60) | (60) | (60) | (60) | (60) |
| Reduce Transerv Consulting | (320) | (326) | (333) | (340) | (346) |
| EMS Reorganization with IT | (1,302) | (1,334) | (1,368) | (1,402) | (1,437) |
| EMS Other Non-labor Reductions | (162) | (164) | (166) | (168) | (170) |
| Eliminate Lines Switch Maintenance | (131) | (134) | (136) | (139) | (142) |
| Reduce Tower Painting | (150) | (150) | (150) | - | - |
| Reduce Dir. Strat & Plan outside serv. | (172) | (172) | (217) | - | - |
| Other | (135) | 248 | (87) | 35 | 231 |
| Current Plan | <u>28,809</u> | <u>31,097</u> | <u>32,923</u> | <u>34,900</u> | <u>36,482</u> |



Financial Performance

2012-2018 Margin Expenses / Cost of Sales (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Margin Expenses | | | | | | | |
| <u>Mechanism Recoverable</u> | | | | | | | |
| Total | - | - | - | - | - | - | - |
| <u>All Other</u> | | | | | | | |
| Internal Transmission - NL | 1,930 | 933 | - | - | - | - | - |
| RSG Expense - NL | 206 | 462 | - | - | - | - | - |
| 3rd Party Transmission - NL | 772 | 491 | - | - | - | - | - |
| EKPC NITS - Perm - NL | 1,801 | 1,900 | - | - | - | - | - |
| TVA - Reliability | 1,944 | 2,067 | 2,117 | 2,191 | 2,268 | 2,346 | 2,429 |
| SPP/Transerv - ITO | 6,454 | 2,671 | 2,931 | 3,077 | 3,231 | 3,338 | 3,672 |
| OMU - Depancaking | 1,228 | 1,564 | 985 | 1,053 | 1,125 | 1,203 | 1,286 |
| KMPA - Depancaking | 4,869 | 4,705 | 5,434 | 5,760 | 6,106 | 6,472 | 6,861 |
| Total | 19,204 | 14,793 | 11,467 | 12,081 | 12,730 | 13,359 | 14,248 |



2014-2018 Margin/Cost of Sales Reconciliation (\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|--------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Mechanism recoverable</u> | | | | | |
| Prior Plan | | | | | |
| Drivers | | | | | |
| Current Plan | | | | | |
| <u>Other</u> | | | | | |
| Prior Plan | 5,174 | 5,277 | 5,383 | 5,491 | 5,600 |
| <u>Drivers</u> | | | | | |
| KMPA - not included in 2013 BP | 5,434 | 5,760 | 6,106 | 6,472 | 6,860 |
| OMU - not included in 2013 BP | 985 | 1,053 | 1,125 | 1,203 | 1,286 |
| TVA decrease in expenses | (126) | (96) | (66) | (34) | 3 |
| Transerv increase in expenses | - | 87 | 182 | 227 | 499 |
| Current Plan | <u>11,467</u> | <u>12,081</u> | <u>12,730</u> | <u>13,359</u> | <u>14,248</u> |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|------------------|----------------|---------------|---------------|----------------|---------------|
| Generation Expansion Plan (GEP) | | | | | | | |
| Green River 2018 CCGT - Transmission | - | - | - | 10,000 | 30,234 | 46,494 | 10,000 |
| Cane Run CCGT - Transmission | 1,167 | 16,728 | 13,563 | 4,908 | - | - | 4,369 |
| Ongoing Capital | | | | | | | |
| TEP/ITO | 4,557 | 6,703 | 3,142 | 15,343 | 2,726 | 13,143 | 13,784 |
| Pole Replacement | 13,782 | 12,081 | 12,000 | 14,958 | 16,741 | 17,082 | 19,195 |
| Lines Renewal/Rebuild | 3,922 | 1,110 | 1,569 | 976 | 6,023 | 17,852 | 3,609 |
| Breakers | 8,265 | 7,371 | 2,071 | 3,064 | 3,343 | 3,681 | 3,492 |
| Transformers | 3,206 | 6,979 | 2,311 | 1,425 | 1,425 | 1,425 | 1,425 |
| Control Houses | (0) | 811 | - | - | 3,741 | 2,706 | 1,947 |
| Hardware/Software | 2,469 | 1,864 | 1,035 | 1,081 | 1,218 | 4,201 | 610 |
| Relays | 385 | 626 | 627 | 1,121 | 1,178 | 1,197 | 1,215 |
| Relocations | (81) | 1,664 | 1,741 | 1,929 | 285 | 285 | 270 |
| RTUs | 277 | 449 | 713 | 1,462 | 1,565 | 1,711 | 1,745 |
| Storm Restoration | 1,931 | 868 | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 |
| Distribution Taps | 867 | 1,112 | - | 2,085 | 3,513 | 8,674 | 5,367 |
| Special Projects | | | | | | | |
| TC2 | 289 | - | - | - | - | - | - |
| Louisville Upgrades | 6,574 | 14,561 | 12,104 | - | - | - | - |
| Line Clearance NERC Alert | 10,943 | 13,298 | 19,382 | - | - | - | - |
| Line Clearance NESC - 69kV | 367 | 1,318 | - | - | 8,173 | - | - |
| Back-up Control Center | 121 | 108 | 475 | - | 7,514 | 3,122 | - |
| Cyber Security (CIP) | 334 | 1,363 | 1,624 | 1,140 | 1,141 | 1,140 | 1,140 |
| Matanzas | 7,602 | 5,703 | - | 320 | - | - | - |
| KMPA | 1,144 | - | - | - | - | - | - |
| Other | 8,084 | 7,841 | 3,510 | 3,344 | 3,302 | 3,497 | 3,693 |
| Total Capital | <u>76,205</u> | <u>102,558</u> | <u>76,888</u> | <u>64,178</u> | <u>93,146</u> | <u>127,232</u> | <u>72,884</u> |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--------------------------------------|----------------|---------------|---------------|----------------|---------------|
| Prior Plan | 67,545 | 58,619 | 56,088 | 77,342 | 52,363 |
| Changes: | | | | | |
| Green River 2018 CCGT - Transmission | - | (488) | 18,401 | 34,161 | 10,000 |
| Cane Run CCGT - Transmission | 1,308 | 968 | (4,000) | - | 4,369 |
| Line Clearance NERC Alert | 2,955 | - | - | - | - |
| Line Clearance NESC - 69kV | (3,000) | (3,000) | 4,501 | (4,000) | (3,181) |
| Louisville Area Upgrade | 2,328 | (6,464) | - | - | - |
| TEP/ITO | 2,992 | 14,868 | (1,974) | 4,843 | (1,262) |
| Transformers | 456 | (3,525) | 1,425 | (1,625) | 325 |
| Pole Replacements | 9,031 | 8,558 | 8,941 | 5,504 | 10,995 |
| Control Houses | (2,245) | (3,015) | 1,191 | 1,156 | 447 |
| Distribution Taps | (2,299) | (4,082) | 409 | 5,170 | 393 |
| Cyber Security (CIP) | (687) | 1,057 | 1,041 | 1,039 | 1,040 |
| Breakers | 61 | 1,039 | 1,018 | 1,006 | 1,017 |
| Back-Up Control Center | (3,157) | - | 7,514 | 3,122 | - |
| Other | 1,599 | (357) | (1,412) | (487) | (3,621) |
| Current Plan | <u>76,888</u> | <u>64,178</u> | <u>93,146</u> | <u>127,232</u> | <u>72,884</u> |

Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| VP Transmission | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Director Operations | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| System Operations | 27 | 31 | 32 | 32 | 32 | 32 | 32 |
| Balancing Authority | 11 | 9 | 9 | 9 | 9 | 9 | 9 |
| Energy Management System | 13 | 9 | 10 | 11 | 11 | 11 | 11 |
| Lines Construction | 28 | 29 | 30 | 30 | 30 | 30 | 30 |
| Substation Construction | 11 | 15 | 16 | 18 | 20 | 20 | 20 |
| Substation Protection | 17 | 20 | 21 | 22 | 22 | 22 | 22 |
| Director Strategy & Planning | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Strategy & Planning | 12 | 13 | 14 | 15 | 15 | 15 | 15 |
| Reliab Performance & Standards | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| Policy and Tariffs | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Reliability & Compliance | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| Interns / Temporary | 4 | 4 | 8 | 8 | 8 | 8 | 8 |
| TOTAL | 143 | 148 | 158 | 163 | 165 | 165 | 165 |
| From 2013 Business Plan | | 150 | 151 | 151 | | | |
| Variance to 2013 Business Plan | | -2 | 7 | 12 | | | |
| <u>Year to Year Increases (Decreases)</u> | | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| 1.) Maintenance /Operational | | 7 | 9 | 5 | 2 | | |
| 2.) Compliance – NERC, FERC, CIP, etc. | | -2 | 1 | | | | |
| 3.) EPA/Environmental | | | | | | | |
| 4.) Administrative/Corporate | | | | | | | |
| TOTAL | | 5 | 10 | 5 | 2 | 0 | 0 |

Note: Five individuals (4 FTE's and 1 Intern) were transferred from the EMS department to IT on September 16, 2013.



Operational Performance

Key Performance Indicators

| <u>KPI</u> | <u>2012 Year End</u> | <u>2013 Forecast</u> | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|---|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Recordable Injury Incident Rate - Employees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recordable Injury Incident Rate - Contractors | 1.7 | 0.4 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| SAIDI (minutes) | 10.7 | 11.6 | 11.6 | 11.6 | 11.6 | 11.6 | 11.6 |

The 2013 Recordable Injury Incident Rate forecast is from the 7+5 forecast and assumes no additional injuries in 2013.



Plan Risks

- Estimated costs for regulatory and compliance requirements could be materially higher.
- Transmission expansion costs related to new power supply expansion plans may be materially higher.
- Transmission expansion costs related to the annual transmission expansion plan could be materially higher.
 - *The risk of major changes to the existing regional power generation fleet exists which would impact power flows. This risk is primarily the result of environmental requirements on existing and the challenging economic environment for our neighboring entities (i.e., BREC, OMU, OVEC, etc.),. This could result in additional transmission expansion projects not known at this time.*
 - *Revisions to the Companies Transmission Planning Guidelines as recommended by the ITO could result in more expansion projects not known at this time.*
- Actual costs for work related to line clearance, equipment failures, pole replacements and storm restoration could exceed estimated costs.
- Project contingency costs could exceed 5%.
- Capital projects could be delayed if unable to get the necessary outages
- Future transmission requests related to the Bluegrass units could trigger the need for significant additional infrastructure upgrades (e.g. Clifty to CGE).



Appendix



2012-2018 Transmission Revenue (\$000)

| Item | 2013 BP 2014 Budget | 2014 Business Plan | | | | |
|------------------------------|---------------------------|--------------------|---------------|---------------|---------------|---------------|
| | | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
| OATT Revenue: | | | | | | |
| EKPC | 7,461 | 7,247 | 7,900 | 8,613 | 9,392 | 10,243 |
| TVA | 1,037 | 1,283 | 1,399 | 1,525 | 1,663 | 1,814 |
| OMU Network | 3,229 | 2,962 | 3,152 | 3,386 | 3,635 | 3,901 |
| OMU PTP | 3,898 | 3,959 | 4,230 | 4,522 | 4,010 | 2,597 |
| KMPA | 3,383 | 2,832 | 3,050 | 3,288 | 3,546 | 3,828 |
| BREC | 108 | 153 | 167 | 182 | 199 | 217 |
| Hoosier | 90 | 95 | 103 | 113 | 123 | 134 |
| Various SFP and NF | - | 1,200 | 1,284 | 1,374 | 1,470 | 1,573 |
| Subtotal OATT Revenue | 19,206 | 19,731 | 21,286 | 23,003 | 24,039 | 24,307 |
| Intercompany - OSS | 1,148 | 849 | 715 | 759 | 857 | 1,540 |
| Intercompany - NL | 1,978 | 1,708 | 1,622 | 1,547 | 1,854 | 1,681 |
| OATT - MUNI | 3,189 | 3,819 | 3,859 | 3,899 | 3,939 | 3,980 |
| Total Revenue | 25,521 | 26,107 | 27,482 | 29,208 | 30,688 | 31,508 |



Year over Year Walk Forward OPEX and Other Expense (\$000)

| | |
|-------------------------------------|---------------|
| 2012 Actual | 28,072 |
| Increase in Labor | 500 |
| Line Clearing | 354 |
| Aerial Patrol & Inspections | 560 |
| Other | (163) |
| 2013 FC | 29,323 |
| Increase in Labor | 530 |
| EMS Reorganization with IT | (1,302) |
| Substation Construction Maintenance | 545 |
| EMS Outside Services - Compliance | 300 |
| EKPC Amortization | (420) |
| Outside Consulting | 53 |
| Reduce Tower Painting | (150) |
| Other | (70) |
| 2014 Budget | 28,809 |
| Increase in Labor | 739 |
| Line Clearing | 500 |
| Line Inspections | 300 |
| Substation Protection - Compliance | 240 |
| Substation Maintenance | 115 |
| Other | 394 |
| 2015 Plan | 31,097 |
| Bulk Electric System LiDAR | 945 |
| Line Clearing | 500 |
| Other | 381 |
| 2016 Plan | 32,923 |
| Line Clearing | 500 |
| Increase in Labor | 491 |
| Back Up Control Center Maintenance | 200 |
| Increase Tower Painting | 150 |
| Increase Outside Services | 217 |
| Other | 419 |
| 2017 Plan | 34,900 |
| Line Clearing | 500 |
| Increase in Labor | 659 |
| Other | 423 |
| 2018 Plan | 36,482 |



Year over Year Walk Forward GMEXP / Cost of Sales (\$000)

| | |
|---|---------------|
| 2012 Actual | 19,204 |
| Lower Internal Transmission Expense | (997) |
| KMPA/OMU Depancaking | 172 |
| Lower ITO expense - change to Transerv 9/1/12 | (3,660) |
| Lower ITO expense - change to Transerv 9/1/12 | 74 |
| 2013 FC | 14,793 |
| Reclassification to Energy Supply & Analysis | (3,786) |
| KMPA/OMU | 150 |
| TVA/Transerv | 310 |
| 2014 Budget | 11,467 |
| KMPA/OMU | 394 |
| TVA/Transerv | 220 |
| 2015 Plan | 12,081 |
| KMPA/OMU | 418 |
| TVA/Transerv | 231 |
| 2016 Plan | 12,730 |
| KMPA/OMU | 444 |
| TVA/Transerv | 185 |
| 2017 Plan | 13,359 |
| KMPA/OMU | 472 |
| TVA/Transerv | 417 |
| 2018 Plan | 14,248 |



2012-2018 Headcount progression

| | |
|---|-----|
| 2012 Headcount | 143 |
| EMS positions moved to IT | -3 |
| CIP Compliance | 1 |
| System Operators / Analysts | 3 |
| Asset Management | 2 |
| Lines Construction | 2 |
| 2013 Headcount FC | 148 |
| Compliance - CIP V5 | 1 |
| Engineering | 1 |
| Project Management Support - Project Coordinator | 1 |
| Protection/Drafting Technicians | 3 |
| Interns / Temporary | 4 |
| 2014 Headcount Budget | 158 |
| Engineering | 1 |
| EMS System Administrator | 1 |
| Protection Tech | 1 |
| Internal CAD Services - Drafting Tech | 1 |
| Project Management Support - Substation Inspector | 1 |
| 2015 Headcount Plan | 163 |
| Internal CAD Services - Drafting Tech | 1 |
| Asset Management - Cascade Data Entry Coordinator | 1 |
| 2016 Headcount Plan | 165 |
| | |
| 2017 Headcount Plan | 165 |
| | |
| 2018 Headcount Plan | 165 |



Other Balance Sheet Costs (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Local Engineering | | | | | | | |
| Labor | 5,830 | 5,562 | 5,376 | 6,977 | 6,382 | 7,517 | 8,724 |
| Non labor | 1,107 | 595 | - | - | - | - | - |
| Total | 6,937 | 6,157 | 5,376 | 6,977 | 6,382 | 7,517 | 8,724 |
| Other Balance Sheet | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Total Other Costs | <u>6,937</u> | <u>6,157</u> | <u>5,376</u> | <u>6,977</u> | <u>6,382</u> | <u>7,517</u> | <u>8,724</u> |

Louisville Area Upgrades

(\$000)

| \$'000 | Pre 2013 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|--|--------------|---------------|---------------|----------|----------|----------|----------|---------------|
| | Actual | Forecast | Budget | Plan | Plan | Plan | Plan | |
| 1) Middletown 345kV Breakers | 2,718 | 0 | - | - | - | - | - | 2,718 |
| 2) Kenzig Substation (New Albany) - Build a new 345kV line connecting Paddys West and DEM's Speed 345kV stations: | | | | | | | | |
| Kenzig Road 345kV Line (New Albany) | 44 | 3,274 | 4,985 | - | - | - | - | 8,303 |
| Kenzig Substation (New Albany) | 63 | 6,493 | 3,890 | - | - | - | - | 10,446 |
| Total | 107 | 9,767 | 8,876 | - | - | - | - | 18,750 |
| 3) Add a 4th Transformer to the Middletown Substation | | | | | | | | |
| Middletown 4th Transformer | 3,862 | 4,121 | 3,228 | - | - | - | - | 11,211 |
| Middletown Line Tap | 580 | (68) | - | - | - | - | - | 513 |
| Rebuild the Middletown Control House | 1,439 | 740 | - | - | - | - | - | 2,179 |
| Total | 5,881 | 4,793 | 3,228 | - | - | - | - | 13,902 |
| 4) Other Planning Projects | | | | | | | | |
| Watterson-Jeffersontown 138kV CTs | - | - | - | - | - | - | - | - |
| Total | 8,706 | 14,561 | 12,104 | - | - | - | - | 35,370 |

Transmission reliability criteria has identified a significant need for upgrades within the Louisville Metro area (including system expansion in southern Indiana).



PPL companies

Cane Run 7 Transmission Upgrades

(\$000)

| \$'000s | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|--|---------|----------|--------|-------|------|------|-------|--------|
| | Actuals | Forecast | Budget | Plan | Plan | Plan | Plan | |
| Middletown to Watterson 138kV Line Upgrade | - | - | - | - | - | - | - | - |
| New 138kV CR SWYard-Network | - | 6,374 | 2,350 | - | - | - | - | 8,724 |
| New 138kV CR SWYard-Intrcn | - | 1,970 | 758 | - | - | - | - | 2,728 |
| New 345kV CR7 Line | - | 1,148 | 3,324 | 2,246 | - | - | - | 6,718 |
| Relocate 138kV CR7 Lines | - | 1,116 | 4,083 | 2,246 | - | - | - | 7,445 |
| Rpl 138/69kV CT at CRSW | - | - | - | - | - | - | - | - |
| Rpl 69kV Term Equip #1 at CRSW | - | - | - | 187 | - | - | - | 187 |
| Rpl 69kV Term Equip #2 at CRSW | - | - | - | 228 | - | - | - | 228 |
| Rpl 138/69kV Xfrmr #1 at CRSW | - | - | - | - | - | - | 2,213 | 2,213 |
| Rpl 138/69kV Xfrmr #2 at CRSW | - | - | - | - | - | - | 2,156 | 2,156 |
| Rpl 138kV Brks at CRS and PW | - | 1,995 | 2,000 | - | - | - | - | 3,995 |
| New 345kV CR Brks at Paddy's West | - | 302 | 1,048 | - | - | - | - | 1,350 |
| CR Contingency-Funding Proj | - | - | - | - | - | - | - | - |
| 138kV CR New Brks | - | - | - | - | - | - | - | - |
| Replace Bus at Waterson Substation | - | - | - | - | - | - | - | - |
| Replace Switches at Middletown Sub | - | - | - | - | - | - | - | - |
| Bluegrass | - | - | - | - | - | - | - | - |
| 345kV Transformer | 1,167 | 2,126 | - | - | - | - | - | 3,293 |
| Cane Run Control House | - | 1,697 | - | - | - | - | - | 1,697 |
| | 1,167 | 16,728 | 13,563 | 4,908 | - | - | 4,369 | 40,735 |

These costs represent the Transmission Upgrades that will accompany the combined cycle generating unit to be installed by May 1, 2015. The relocation of the existing line is included in the Project Engineering budget along with the costs of constructing the combined cycle unit.



NERC Alert Line Ratings Cost by Voltage**(\$000)**

\$'000

| | Pre 2013 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | Total |
|--------------|----------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|---------------|
| 138kV | 7,357 | 8,244 | 15,064 | - | - | - | - | 30,665 |
| 161kV | 5,649 | 5,040 | 4,317 | - | - | - | - | 15,006 |
| 345kV | 1,886 | 15 | - | - | - | - | - | 1,901 |
| Total | 14,891 | 13,299 | 19,382 | - | - | - | - | 47,572 |



Green River 2018 Combined Cycle - Transmission**(\$000)**

| \$'000 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|----------------------------------|---------|----------|--------|--------|--------|--------|--------|--------|
| | Actuals | Forecast | Budget | Plan | Plan | Plan | Plan | |
| Green River 2018 CCGT-Substation | - | - | - | 3,000 | 6,000 | 12,000 | 3,000 | 24,000 |
| Green River 2018 CCGT-Lines | - | - | - | 7,000 | 14,000 | 28,000 | 7,000 | 56,000 |
| PLN-Middletown to Midvalley | - | - | - | - | 6,273 | 3,567 | - | 9,840 |
| PLN-Midvalley to Finchville | - | - | - | - | 3,962 | 2,928 | - | 6,889 |
| | - | - | - | 10,000 | 30,234 | 46,494 | 10,000 | 96,729 |





PPL companies

Electric Distribution

2014 Business Plan

December 6, 2013

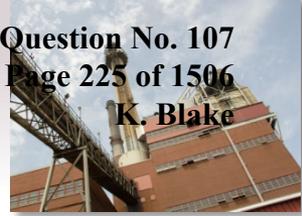


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Plan Highlights

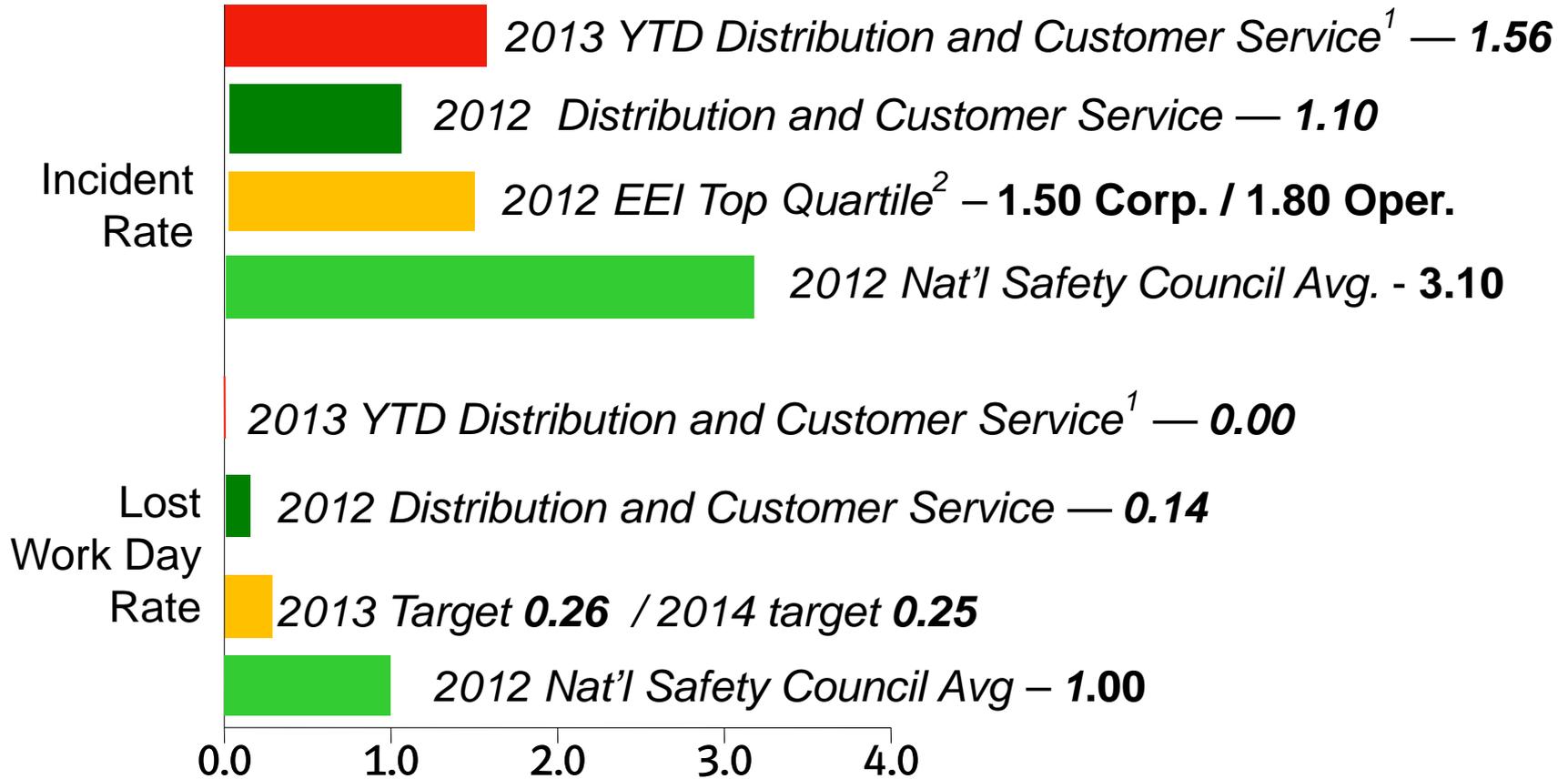
Electric Distribution's Business Plan provides for continued emphasis on the Company's core values of safety and customer satisfaction. Plan funding will continue to provide for safe, reliable and low cost electric service for customers, with priority given to the following:

- Employee and public safety including maintenance, inspections, and operations programs which assure regulatory compliance
- Electric system infrastructure construction to serve new customers and satisfy customer requested projects
- Electric system enhancements to meet existing and future customer loads and to improve contingency in critical areas of the system
- Technology improvements to enhance business processes and customer interfacing systems
- Asset replacements to address aging infrastructure
- Electric system hardening and protection to improve service reliability
- Continued provision of tools and equipment which enhance employee safety and assure operational efficiency



Plan Highlights

Safety Performance

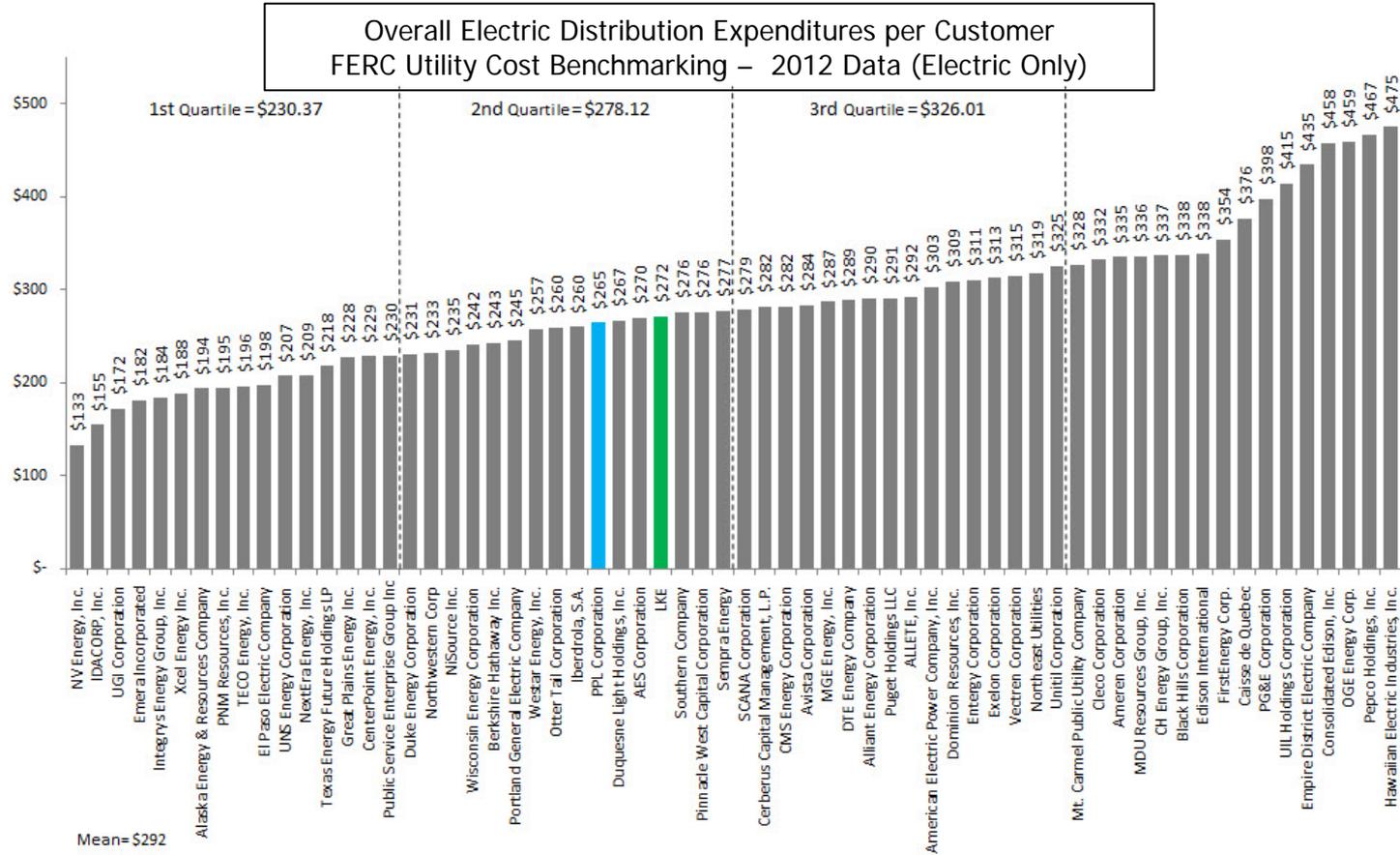


¹As of July end 2013

² 1.50 represents total EEI Corporate Rate, electric generation, T&D, Gas, w/no nuclear plants companies

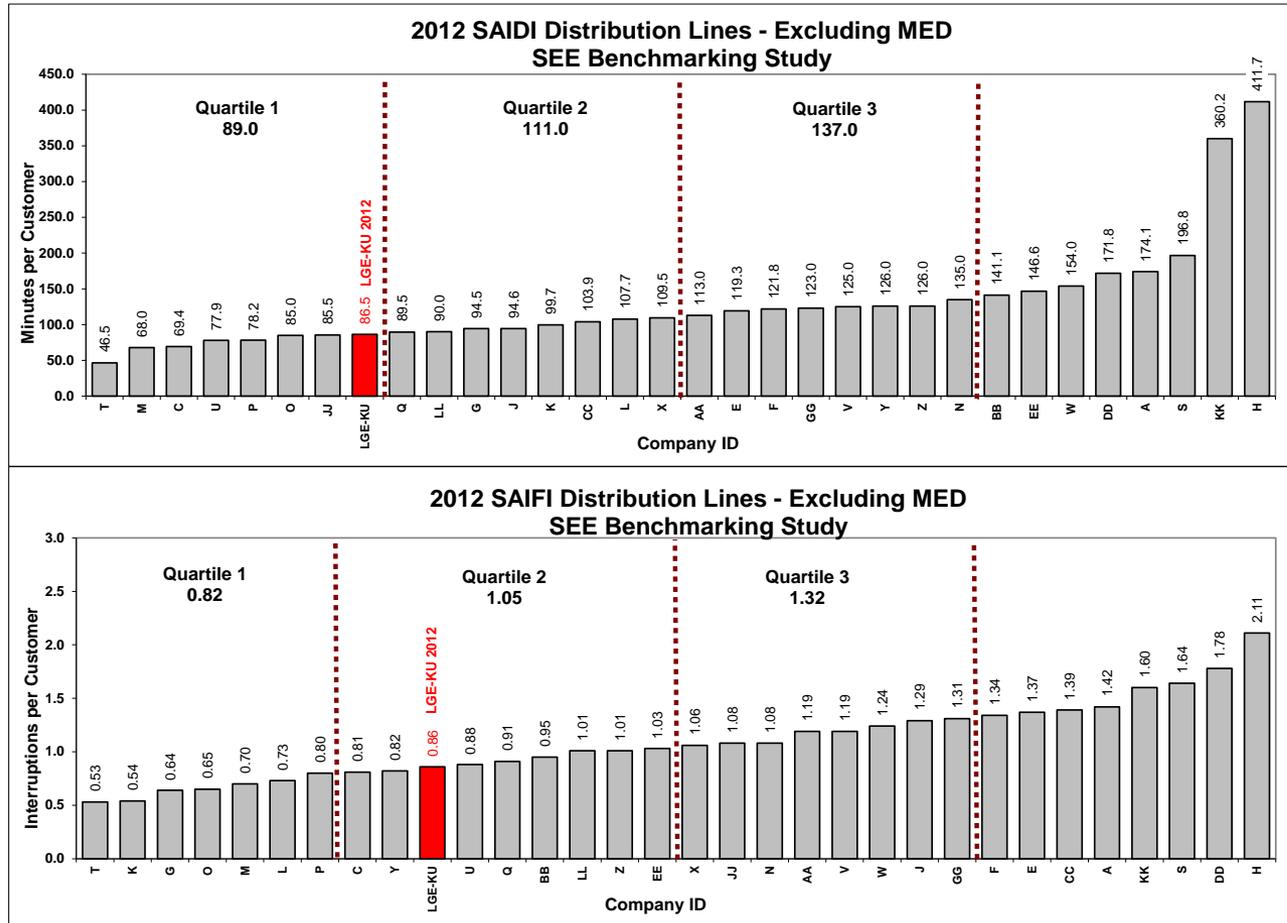
Plan Highlights

Total DO Electric Cash Cost per Customer Performance



Plan Highlights

Reliability Performance



Plan Highlights

- Safety and Wellness

- *Maintain industry leading performance*
- *Maintain synergies of a COO organization*
- *Continue efforts focusing on distracted driving and motor vehicle safety*
- *Continue commitment to workforce, business partners and public safety*
- *Continue identifying, sharing and capitalizing on industry best practices*
- *Support the Edumedics hypertension program*
- *Utilization of the Wellness Matching Grant by managers to fund departmental wellness initiatives with a physical exercise component*
- *Continue support of the Company Well Fairs*



Plan Highlights

- Customer Experience

- *Continue to be responsive to customer requests for new service or infrastructure relocations*
- *Continue to identify and respond to opportunities to improve reliability performance*
- *Invest in aging infrastructure replacement to continue long term service reliability*
- *Continue focus on portraying a professional and positive customer image*
- *Continue to respond to all outage events in an efficient and effective manner*
- *Satisfy customer capacity needs*
- *Continue to build on technology which enhances business processes, reduces cycle times, and enhances communications with customers*



Plan Highlights

- OPEX
 - *On target in 2013 to achieve 7&5 approved forecast.*
 - *Compounded Annual Growth Rate (CAGR) from 2013-2018 is 3.9%.*
 - *Major Initiatives:*
 - Line Clearance, Hazard Tree Program and Emerald Ash Borer removal
 - Regulatory Inspection and Maintenance Programs
 - Storm Response
 - *Major Financial Risks:*
 - Storm Restoration (activity in excess of 5 year average)



Plan Highlights

- Capital

- *On target in 2013 to achieve 7&5 approved forecast.*

- *Compounded Annual Growth Rate (CAGR) from 2013-2018 is 5.3%.*

- *Major Customer Initiatives:*

- Continue Investments in Electric Infrastructure to Meet Projected Demand
- Reliability Programs
- Pole Inspection and Treatment Program
- Downtown Network Initiatives: PILC Replacement Program, Manhole Replacement Program, Addition of Downtown Network Load Flow Model
- System Enhancements to Improve Contingency
- Aging Infrastructure Replacement
- Work Management System Replacement
- Heavy Duty Fleet Purchases



Major Assumptions

- Customer expectations regarding levels of service and availability of information will continue to increase.
- Incremental headcount is mostly offset by a reduction in contractors as critical skills are returned in-house.
- New Business:
 - *Assumes moderate volume and inflationary increases through the planning period.*
 - *Funding included for known major customer expansions/additions.*
- Storm budgets are based on 5 year average.
- Continued focus on reliability, meeting native load requirements, and aging infrastructure.

Major Assumptions

- Incremental expense of approximately \$3 million each year starting in April 2015 is due to additional tree removal caused by the emerald ash borer.
- KPSC order addressing reliability has minimal impact. The order creates the potential to drive further funding initiatives which are currently not included in the proposed EDO OPEX or Capital plan.
- Information Technology project funding is no longer included in the EDO Capital plan.

Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 24,219 | 22,731 | 25,223 | 25,815 | 26,787 | 27,563 | 28,398 |
| Non Labor | | | | | | | |
| Line Clearance ¹ | 21,515 | 22,629 | 22,773 | 25,371 | 26,731 | 27,784 | 28,535 |
| Storm Restoration ² | 5,542 | 5,511 | 4,301 | 4,274 | 4,405 | 5,164 | 5,267 |
| Outside Services | 8,147 | 7,667 | 10,129 | 10,199 | 10,288 | 10,494 | 10,705 |
| Materials | 4,108 | 4,224 | 4,192 | 4,448 | 4,542 | 4,633 | 4,725 |
| Transportation and Equipment | 4,747 | 5,227 | 5,085 | 5,033 | 5,135 | 5,238 | 5,342 |
| Other Non Labor | 2,890 | 1,616 | 1,095 | 1,191 | 1,210 | 1,234 | 1,261 |
| Total Non Labor | 46,949 | 46,874 | 47,575 | 50,516 | 52,311 | 54,547 | 55,835 |
| Subtotal OPEX/Other expense ³ | 71,168 | 69,605 | 72,798 | 76,331 | 79,098 | 82,110 | 84,233 |
| Gross Margin Expenses | - | - | - | - | - | - | - |
| Total Income Statement items | 71,168 | 69,605 | 72,798 | 76,331 | 79,098 | 82,110 | 84,233 |

¹ Total Line Clearance including labor is \$22.4M for 2012, \$23.5M for 2013, \$23.6M for 2014, \$26.3M for 2015, \$27.7M for 2016, \$28.8M for 2017, and \$29.5M for 2018.

² Total Storm Restoration including labor is \$8.7M 2012, \$7.9M for 2013, \$6.8M for 2014 and 2015, \$7M for 2016, \$7.8M for 2017, and \$8M for 2018.

³ 2012 actuals are not adjusted for re-organization transfers from/to GDO, IT, CFO, HR, and CS.



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|----------------|----------------|----------------|----------------|
| Prior Plan ¹ | 73,072 | 74,902 | 76,697 | 78,493 | 80,329 |
| Drivers: | | | | | |
| Line Clearance - Ash Borer | - | (2,134) | (2,922) | (3,001) | (3,082) |
| Line Clearance - 5 yr. Cycle | 400 | 400 | 400 | 300 | 300 |
| Line Clearance - Hazard Tree | 157 | 157 | 220 | - | - |
| Storm Restoration - To 5 yr. ave. | (299) | (141) | (162) | (843) | (865) |
| WFP, A&G Impacts, etc. | (94) | 179 | 180 | 181 | 184 |
| Other | 110 | 110 | (117) | (254) | (441) |
| Total Drivers (Increases)/Decreases | 274 | (1,429) | (2,401) | (3,617) | (3,904) |
| Current Plan | 72,798 | 76,331 | 79,098 | 82,110 | 84,233 |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Electric Distribution | | | | | | | |
| New Business | 54,192 | 54,417 | 54,274 | 59,434 | 62,005 | 65,062 | 68,269 |
| Enhance the Network | 25,602 | 33,814 | 30,134 | 35,283 | 34,546 | 42,727 | 50,117 |
| Maintain the Network | 38,380 | 45,964 | 46,263 | 52,147 | 51,541 | 56,081 | 57,607 |
| Repair the Network | 11,873 | 11,646 | 11,346 | 12,081 | 12,348 | 12,618 | 12,895 |
| Miscellaneous | 314 | 3,274 | 909 | 3,998 | 4,012 | 4,025 | 4,041 |
| Total Capital and Cost of Removal | <u>130,361</u> | <u>149,115</u> | <u>142,926</u> | <u>162,943</u> | <u>164,452</u> | <u>180,513</u> | <u>192,929</u> |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|----------------|----------------|----------------|----------------|
| Prior Plan | 141,865 | 159,128 | 159,229 | 198,761 | 217,520 |
| Changes: | | | | | |
| Network Initiatives - PILC | (731) | (1,727) | (1,724) | (1,712) | (1,705) |
| Network Initiatives - Network Load Flow Modeling | (675) | | | | |
| Network Initiatives - Manhole Cover Replacement | (450) | (449) | | | |
| Sys Enhancements - Portable/Spare Transformers | | | | (3,500) | (1,027) |
| Sys Enhancements - At Risk Transformers | | (2,568) | (2,637) | (2,708) | (2,781) |
| Sys Enhancements - Enhancements to Meet Demand | 316 | 576 | 487 | 13,384 | 22,338 |
| System Enhancements - Reliability Improvements | 428 | | | 5,000 | |
| Maintain - URD Cable Repl/Rejuv (Aging Infra) | (372) | (269) | (843) | (867) | (890) |
| Maintain - Aging Infrastructure | (282) | (1,024) | (4,405) | (729) | (648) |
| Storm Restoration - To 5 yr. Normalized Average | | (200) | (200) | (200) | (200) |
| Purchase of Vehicles | | 2,000 | 2,000 | 7,500 | 7,500 |
| New Business - Transformer Purchases | 1,000 | | 1,657 | 1,710 | 1,765 |
| Other | (295) | (154) | 442 | 370 | 239 |
| Total Changes (Increases)/Decreases | (1,061) | (3,815) | (5,223) | 18,248 | 24,591 |
| Current Plan | 142,926 | 162,943 | 164,452 | 180,513 | 192,929 |

Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---------------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| VP Electric Distribution | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| System Operations & LG&E Distribution | 184 | 186 | 201 | 210 | 210 | 210 | 210 |
| Electric Reliability | 13 | 14 | 14 | 14 | 14 | 14 | 14 |
| Electric Distribution (KU) | 293 | 298 | 299 | 299 | 299 | 299 | 299 |
| Safety & Security | 19 | 22 | 23 | 23 | 23 | 23 | 23 |
| Asset Management & Substations | 156 | 158 | 162 | 165 | 168 | 171 | 171 |
| Interns / Temporary Employees | 6 | 7 | 6 | 6 | 6 | 6 | 6 |
| TOTAL | 676 | 690 | 710 | 722 | 725 | 728 | 728 |
| From 2013 Business Plan | | 689 | 701 | 714 | | | |
| Variance to 2013 Business Plan * | | 1 | 9 | 8 | | | |

* 5 of the increased headcount in 2014 and 2015 are intern positions.

| Year to Year Increases (Decreases) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------|-----------|-----------|----------|----------|----------|
| 1.) Maintenance / Operational | 11 | 20 | 12 | 3 | 3 | |
| 2.) Compliance – NERC, FERC, CIP, etc. | 1 | | | | | |
| 3.) EPA / Environmental | | | | | | |
| 4.) Administrative / Corporate | 2 | | | | | |
| TOTAL | 14 | 20 | 12 | 3 | 3 | 0 |



Operational Performance

Key Performance Indicators

| <u>KPI</u> | <u>2012 Year End</u> | <u>2013 Forecast</u> | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|------------------------|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Safety | 1.10 | 1.80 | 1.73 | 1.73 | 1.73 | 1.73 | 1.73 |
| SAIFI | 0.99 | 0.88 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 |
| SAIDI | 97.24 | 81.85 | 96.00 | 96.00 | 95.00 | 95.00 | 95.00 |
| Cash Cost Per Customer | 271.50 | 267.56 | 257.51 | 280.61 | 282.65 | 299.47 | 310.79 |



Plan Risks

- Increased Capital and O&M Costs associated with Changing Regulations
- Economic Development and the Pace of the Economic Recovery
- Storm Restoration – Activity which Exceeds the 5 Year Average and Impacts the Ability to Execute Other Plan Items
- Unplanned Labor, Material, Equipment and Fuel Cost Price Increases
- Emerald Ash Borer Impact to Reliability



Appendix



Year over Year Walk Forward OPEX and Other Expense (\$000)

| | | | |
|---|----------------|----------------------------------|---------------|
| 2012 Actual | 71,168 | 2016 Plan | 79,098 |
| Labor Changes (Incl. re-org transfers) | (1,488) | Labor Changes | 776 |
| Line Clearance | 1,114 | Line Clearance (Incl. Ash Borer) | 1,053 |
| Non-Labor (Incl. IT Transfers) | <u>(1,189)</u> | Storm Restoration | 759 |
| | | Net Other Changes | <u>424</u> |
| 2013 FC | 69,605 | 2017 Plan | 82,110 |
| Labor Changes (Excl. Security Transfer) | 1,789 | Labor Changes | 836 |
| Line Clearance | 144 | Line Clearance (Incl. Ash Borer) | 751 |
| Storm Restoration | (1,210) | Storm Restoration | 103 |
| Transfer of Security from CS (L and NL) | 3,079 | Net Other Changes | <u>433</u> |
| Net Other Changes | <u>(609)</u> | | |
| 2014 Budget | 72,798 | 2018 Plan | 84,233 |
| Labor Changes | 595 | | |
| Line Clearance (Incl. Ash Borer) | 2,598 | | |
| Net Other Changes | <u>340</u> | | |
| 2015 Plan | 76,331 | | |
| Labor Changes | 972 | | |
| Line Clearance (Incl. Ash Borer) | 1,360 | | |
| Storm Restoration | 131 | | |
| Net Other Changes | <u>304</u> | | |
| 2016 Plan | 79,098 | | |

(Decreases)/Increases



Target Adjustments to Prior Plan OPEX and Other Expense (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|--------------|--------------|--------------|--------------|
| Net Target Adjustments | 282 | 51 | 31 | 11 | 645 |
| Adjustment Items: | | | | | |
| Gas Franchise Fees - To GDO | 578 | 590 | 590 | 590 | 590 |
| Safety - Employee transfer from GDO | (150) | (150) | (155) | (159) | (164) |
| Transfer To GDO - SVP's Budget (Cover Lonnie B.) | 262 | 265 | 265 | 265 | 265 |
| IT - Remaining Headcount in EDO | (419) | (432) | (444) | (456) | (468) |
| Security - From CS | (3,114) | (3,183) | (3,269) | (3,357) | (3,448) |
| Transfer To GDO - Admin Assistant | 50 | 52 | 53 | 55 | 56 |
| From 008810/018810: | | | | | |
| VP Retail - To CS | 43 | 44 | 45 | 47 | 48 |
| Dir - GC&S - To GDO | 403 | 412 | 424 | 437 | 450 |
| HR - To Corp HR | 711 | 733 | 755 | 778 | 801 |
| Budgeting - To CFO | 254 | 253 | 261 | 268 | 276 |
| IT - To Corp IT | 1,664 | 1,467 | 1,505 | 1,543 | 2,238 |
| Total Adjustments (Increases)/Decreases | 282 | 51 | 31 | 11 | 645 |

2012-2018 Headcount progression

| | | | |
|---------------------------------------|------------|---------------------------------------|-------------------|
| 2012 Headcount | 676 | 2014 Headcount Budget | 710 |
| System Operations & LG&E Distribution | 2 | System Operations & LG&E Distribution | 9 |
| Electric Reliability | 1 | Asset Management & Substations | <u>3</u> |
| Distribution Operations (KU) | 5 | | |
| Safety & Security | 3 | 2015 Headcount Plan | 722 |
| Asset Management & Substations | 2 | Asset Management & Substations | <u>3</u> |
| Interns & Temporary Employees | <u>1</u> | | |
| 2013 Headcount FC | 690 | 2016 Headcount Plan | 725 |
| System Operations & LG&E Distribution | 15 | Asset Management & Substations | <u>3</u> |
| Distribution Operations (KU) | 1 | | |
| Safety & Security | 1 | 2017 Headcount Plan | 728 |
| Asset Management & Substations | 4 | | |
| Interns & Temporary Employees | <u>-1</u> | 2018 Headcount Plan | <u>728</u> |
| 2014 Headcount Budget | 710 | | |

(Decreases)/Increases

Other Balance Sheet Costs (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Local Engineering | | | | | | | |
| Labor | 14,507 | 14,851 | 14,795 | 15,504 | 17,986 | 18,476 | 19,031 |
| Non labor | 3,331 | 2,867 | 4,159 | 4,383 | 2,588 | 2,639 | 2,692 |
| Total | 17,838 | 17,718 | 18,954 | 19,887 | 20,574 | 21,115 | 21,723 |
| Transportation | 21,449 | 22,432 | 22,308 | 23,086 | 23,548 | 24,019 | 24,499 |
| Total Other Costs | 39,287 | 40,150 | 41,262 | 42,973 | 44,122 | 45,134 | 46,222 |



PPL companies

Customer Services

2014 Business Plan

December 6, 2013

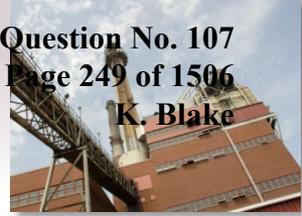


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Plan Highlights

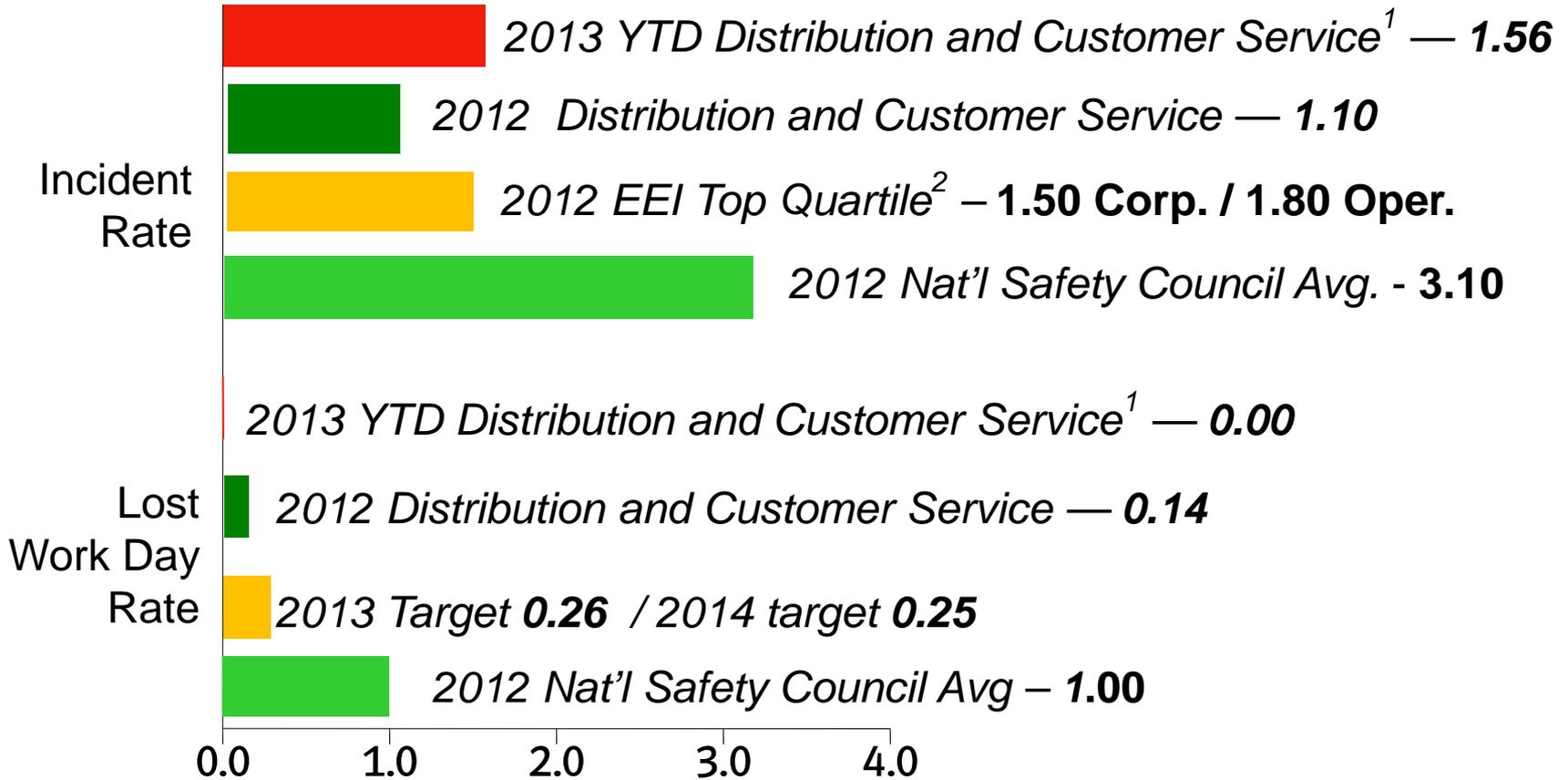
Customer focus is a core value at LG&E and KU. Customer Services strives to provide safe, reliable, and low cost service to our customers, enhancing the quality of life in the areas we serve. We are committed to enhancing our relationship with our customers by delivering positive experiences that create value and build trust.

- Funding levels within the proposed plan are established with the following priorities in mind:
 - Employee and public safety including compliance with industry regulatory requirements
 - Performance in customer facing areas
 - Facility improvements based on 2013 master facility study
 - Bad debt expense reduction from previous plan
 - Energy Efficiency program continuance aligned with a market potential study
 - Technology to enhance customer experience and operational efficiency



Plan Highlights

Safety Performance

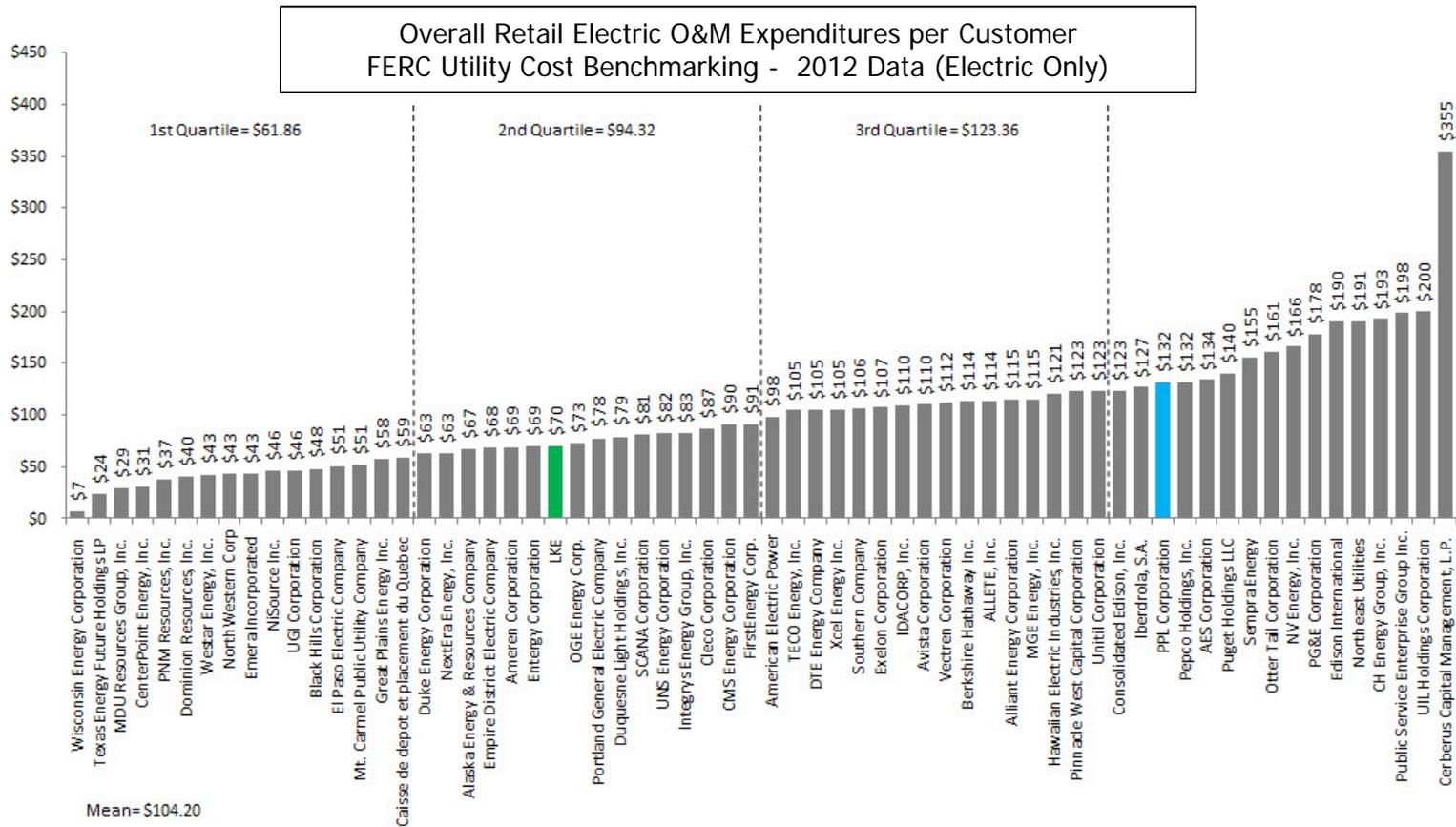


¹As of July end 2013

² 1.50 represents total EEI Corporate Rate, electric generation, T&D, Gas, w/no nuclear plants companies

Plan Highlights

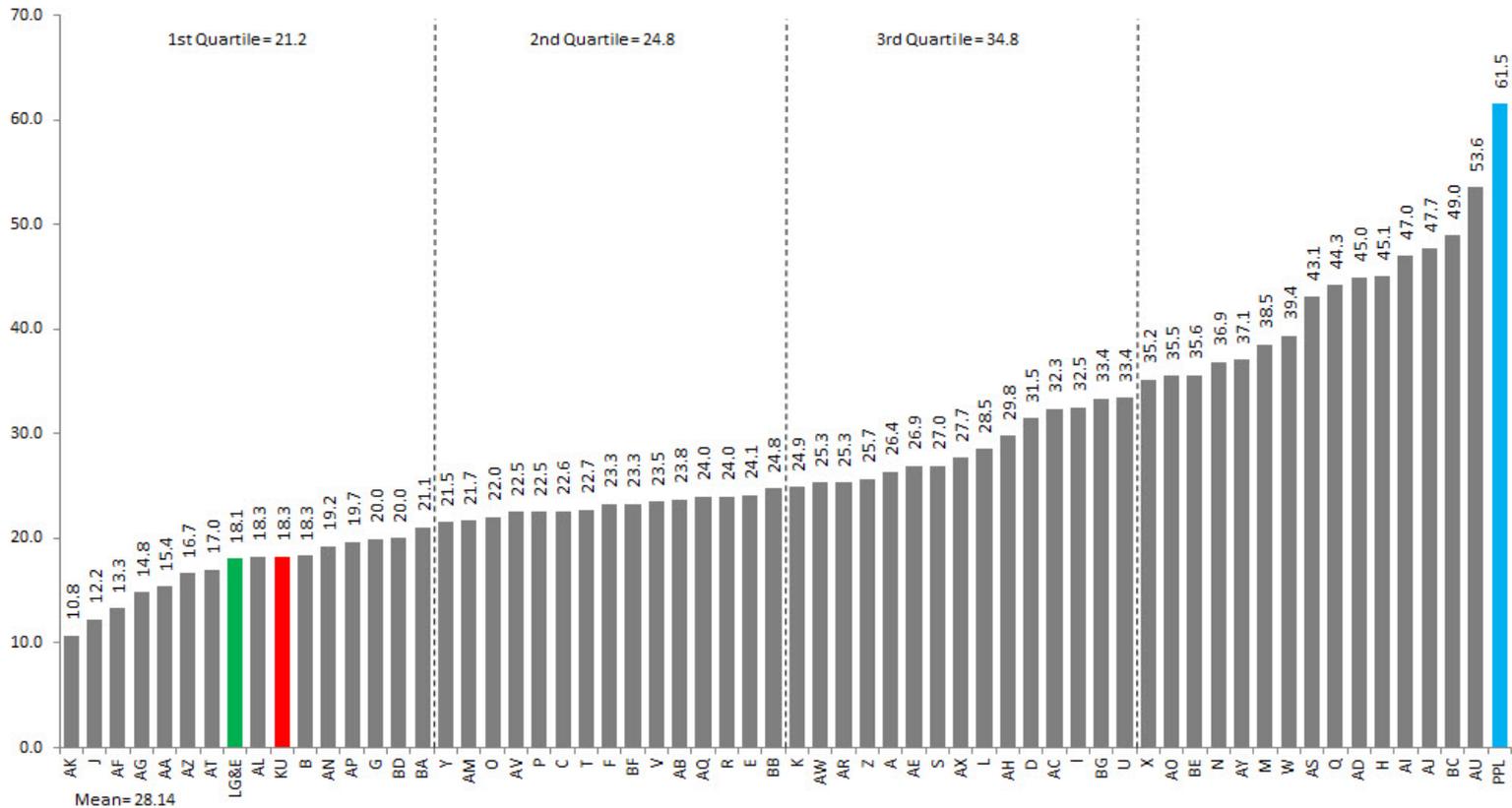
Total Retail Electric O&M Cost per Customer Performance



Plan Highlights

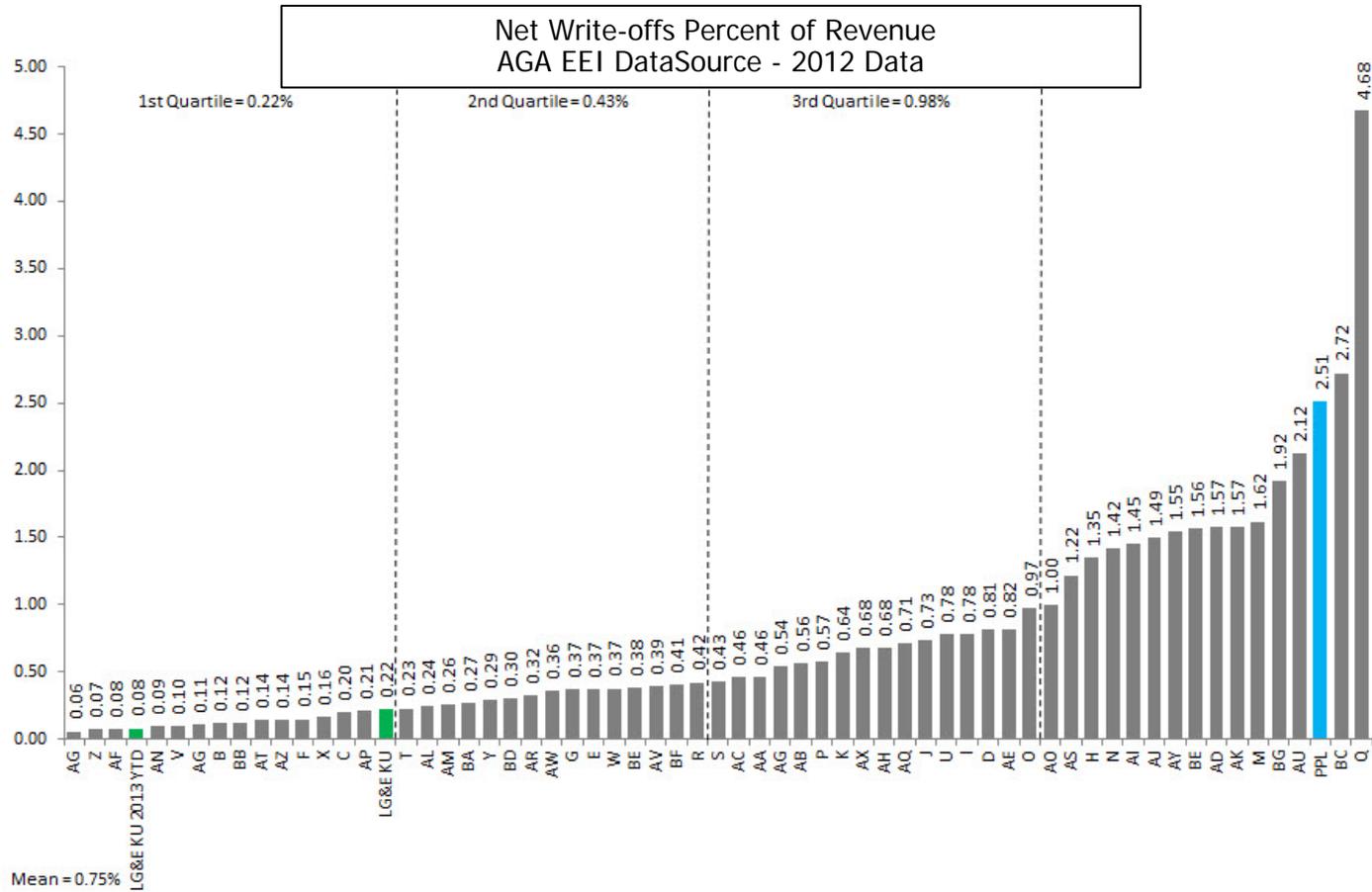
Estimated Number of Days of Revenue Outstanding (ENDRO)

ENDRO
AGA EEI DataSource - 2012 Data



Plan Highlights

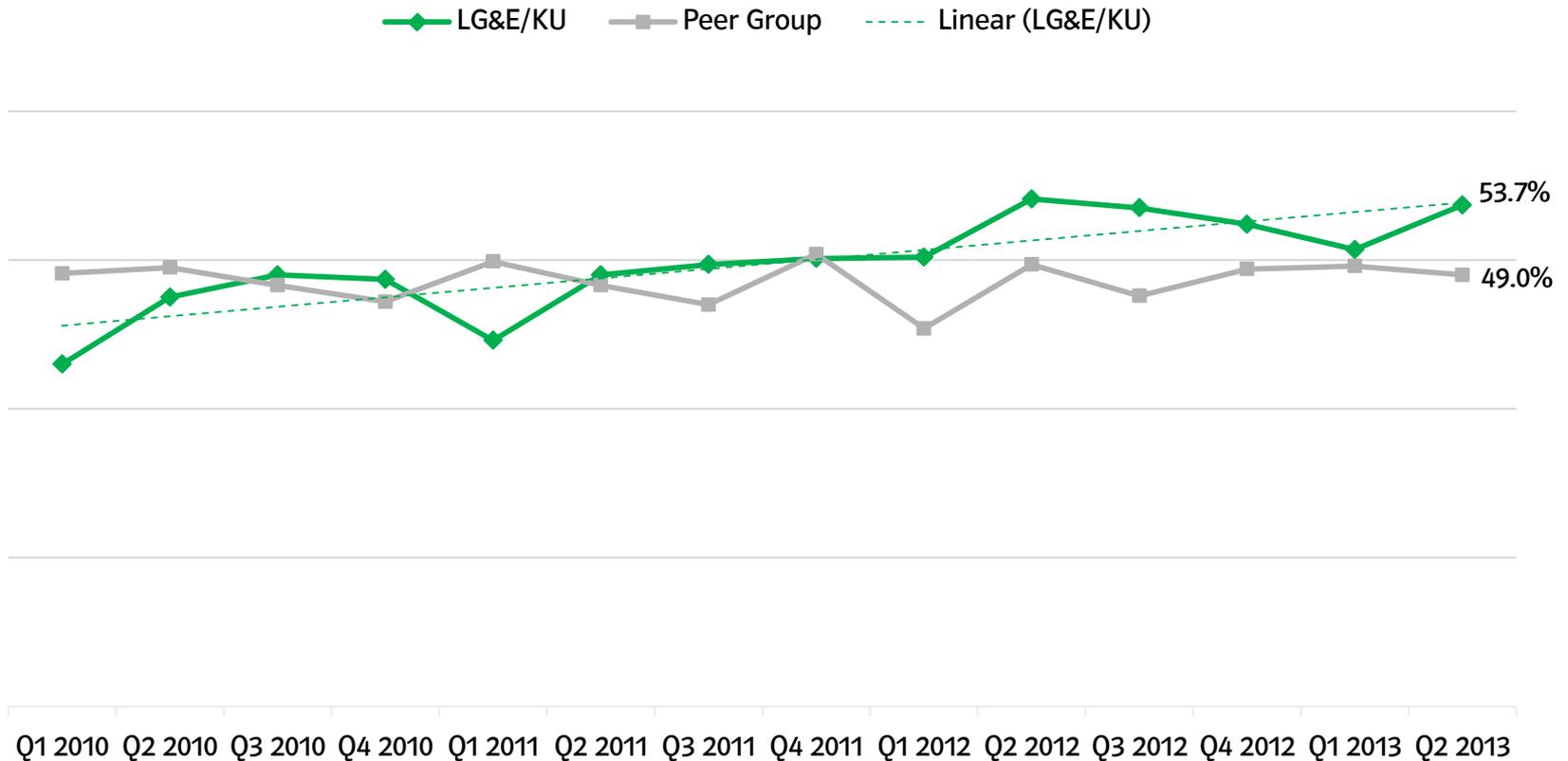
Net Write-Offs as a Percent of Revenues to Ultimate Customers



Plan Highlights

Residential Customers – Satisfaction Survey

Measured as “Top Two Box” (score of 9 or 10 on 10-point scale)



Plan Highlights

- Safety and Wellness

- *Maintain industry leading performance*
- *Maximize synergies in the COO organization*
- *Continue commitment to workforce, business partners and public safety*
- *Continue to focus on motor vehicle safety*
- *Continue sharing safety best practices throughout the industry*
- *Support the Edumedics hypertension program*
- *Utilization of the Wellness Matching Grant by managers to fund departmental wellness initiatives with a physical exercise component*
- *Continue support of the Company Well Fairs*



Plan Highlights

- Customer Experience
 - Continue efforts on the “Customer Experience” strategy/initiative
 - Continue tracking new Customer Satisfaction Index in parallel to Top Two Box score on Company’s residential satisfaction study
 - Continue investments in enhanced customer contact channels and the migration to a Corporate “Unified Communications” platform
 - Enhance our “Customer Advocacy” role through partnerships with customer focus groups
 - Continue commitment to corporate citizenship and community involvement
 - Continue to deliver the current portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency
 - Advance our understanding of customer behavior while gaining insight into customer needs



Plan Highlights

- OPEX
 - *On target in 2013 to achieve 7&5 approved forecast.*
 - *Compounded Annual Growth Rate (CAGR) from 2013-2018 is 1.9%.*
 - *Major Initiatives:*
 - Customer Experience Strategy
 - Rate Case Filings
 - Right of Way Document Preservation Program
 - *Major Financial Risks:*
 - Customer Hardship and Uncollectible Accounts
 - Industry Regulatory Uncertainty



Plan Highlights

- Cost of Sales

- *On target in 2013 to achieve 7&5 approved forecast.*
- *Compounded Annual Growth Rate (CAGR) from 2013-2018 is 2.9%.*
- *Major Initiatives:*
 - Energy Efficiency Continuance

- Capital

- *On target in 2013 to achieve 7&5 approved forecast.*
- *Compounded Annual Growth Rate (CAGR) from 2013-2018 is (5.1%).*
- *Major Capital Initiatives:*
 - Energy Efficiency Programs and Services
 - Master Facility Plan Implementation
 - Gas and Electric Meters



Major Assumptions

- Customer expectations regarding levels of service and availability of information will continue to increase.
- The “customer experience” will continue to be a significant focus across the Company.
- Rate case filings during the planning period will impact customers and internal workloads.
- Incremental headcount is mostly offset by a reduction in contractors as critical skill sets are returned in-house as well as needs to promote strategic direction and coordination of business functions within LG&E and KU.
- Bad debt expense is based on .23% of 2013 Business Plan revenues in 2014-2016 and .25% of revenue in 2017 and .30% in 2018.



Major Assumptions

- Incremental costs are included for facility improvements expected as an outcome of the master facility planning study being completed in 2013.
- Minimal regulatory and legislative action to mandate smart meter / smart grid occurs during the planning period.
- Energy Efficiency projects and education will continue to be an area of focus.
- Energy Efficiency Filing for program changes in 2015 is successful and results in approximately a \$3 million incremental program expense for each year 2015-2018 over previous Business Plan (Five existing programs expire December 2014).



Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual ¹ | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--------------------------------------|-----------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 34,574 | 36,727 | 38,631 | 41,438 | 43,714 | 45,079 | 46,465 |
| Non-Labor | | | | | | | |
| Bad Debt Expense | 5,692 | 5,366 | 7,007 | 7,703 | 8,082 | 9,047 | 11,399 |
| Contributions | 1,714 | 2,099 | 1,828 | 1,849 | 1,890 | 2,032 | 1,974 |
| Outside Services | 24,020 | 23,716 | 21,214 | 20,732 | 20,723 | 21,218 | 21,656 |
| Postage | 5,062 | 4,998 | 5,285 | 5,386 | 5,493 | 5,601 | 5,712 |
| Materials | 2,256 | 2,609 | 2,418 | 2,636 | 2,394 | 2,507 | 2,562 |
| Transportation | 1,877 | 1,804 | 1,826 | 1,850 | 1,838 | 1,874 | 1,911 |
| Other Non-Labor | 7,794 | 9,534 | 3,046 | 3,156 | 3,158 | 3,573 | 3,674 |
| Total Non-Labor | 48,415 | 50,126 | 42,624 | 43,312 | 43,578 | 45,852 | 48,888 |
| Subtotal OPEX / Other Expense | 82,989 | 86,853 | 81,255 | 84,750 | 87,292 | 90,931 | 95,353 |
| Gross Margin Expenses * | | | | | | | |
| * (see Margin slide for detail) | 26,910 | 36,806 | 35,875 | 37,245 | 38,629 | 40,411 | 42,260 |
| Total Income Statement items | 109,899 | 123,659 | 117,130 | 121,995 | 125,921 | 131,342 | 137,613 |

¹ Actual costs for 2012 are not adjusted for re-organization transfers to / from EDO, GDO, HR, IT, CFO & Operating Services clearing.



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|----------------|---------------|---------------|---------------|---------------|
| Prior Plan ¹ | 85,027 | 88,209 | 91,253 | 93,763 | 99,190 |
| Drivers: | | | | | |
| Bad Debt Expense | 3,103 | 3,293 | 3,819 | 3,330 | 3,833 |
| Work-Force Plan Adjustments | 66 | (431) | (506) | (569) | (615) |
| Postage | (558) | (558) | (569) | (579) | (589) |
| Contract Renewals | (555) | (743) | (764) | (785) | (806) |
| Contributions | (179) | (166) | (174) | (281) | (189) |
| LG&E Center Operating Expenses | (135) | (140) | (149) | (156) | (164) |
| Non-Labor Reductions & Other | 2,030 | 2,204 | 2,304 | 1,872 | 2,367 |
| Total Drivers (Incr) / Decr | 3,772 | 3,459 | 3,961 | 2,832 | 3,837 |
| Current Plan | 81,255 | 84,750 | 87,292 | 90,931 | 95,353 |

¹ Adjusted for re-organization and clearing transfers.



Financial Performance

2012-2018 Margin Expenses / Cost of Sales (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Margin Expenses | | | | | | | |
| Mechanism Recoverable | | | | | | | |
| DSM Costs | 26,910 | 36,806 | 35,875 | 37,245 | 38,629 | 40,411 | 42,260 |
| Total Margin / Cost of Sales | 26,910 | 36,806 | 35,875 | 37,245 | 38,629 | 40,411 | 42,260 |



2014-2018 Margin/Cost of Sales Reconciliation (\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Mechanism recoverable</u> | | | | | |
| Prior Plan | 35,366 | 34,245 | 35,629 | 37,411 | 39,260 |
| Drivers : (Incr) / Decr | | | | | |
| New or Expanded Programs | (509) | (3,000) | (3,000) | (3,000) | (3,000) |
| Current Plan | <u><u>35,875</u></u> | <u><u>37,245</u></u> | <u><u>38,629</u></u> | <u><u>40,411</u></u> | <u><u>42,260</u></u> |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|--------------|
| Retail | | | | | | | |
| DSM | 552 | 3,331 | 4,833 | 4,310 | 1,804 | 1,799 | 1,772 |
| Other | 682 | 125 | 425 | 425 | 428 | 431 | 435 |
| Total Retail | 1,234 | 3,456 | 5,258 | 4,735 | 2,232 | 2,230 | 2,207 |
| Metering | | | | | | | |
| Meter Purchases | 4,586 | 4,441 | 4,595 | 4,717 | 4,826 | 4,947 | 5,069 |
| Other | 380 | 251 | 556 | 532 | 550 | 553 | 560 |
| Total Metering | 4,966 | 4,692 | 5,151 | 5,249 | 5,376 | 5,500 | 5,629 |
| Operating Services | | | | | | | |
| Tenant Improvements (LG&E Center) | | 2,370 | 1,845 | 1,845 | 1,845 | | |
| Furniture & Office Equipment (LG&E Center) | | | 1,100 | 1,100 | 1,046 | 1,052 | |
| Business Office & Ops Ctr Consolidation | | | | 5,386 | | 5,529 | |
| Facility Improvements | 3,690 | 1,484 | 4,388 | 3,478 | 692 | 694 | 694 |
| Other | 1,342 | 519 | 2,270 | 1,817 | 1,988 | 1,044 | 1,113 |
| Total Operating Services | 5,032 | 4,373 | 9,603 | 13,626 | 5,571 | 8,319 | 1,807 |
| Total Capital and Cost of Removal | 11,232 | 12,521 | 20,012 | 23,610 | 13,179 | 16,049 | 9,643 |



Capital Reconciliation (w COR) – Accrual Basis (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|----------------|---------------|----------------|---------------|
| Prior Plan | 16,051 | 16,180 | 14,016 | 12,276 | 12,526 |
| Changes: | | | | | |
| Energy Efficiency | 1,036 | 2,361 | 2,453 | (38) | (23) |
| Tenant Improvements (LG&E Center) | (1,845) | (1,845) | (1,845) | | |
| Furniture & Equipment (primarily LG&E Center) | (1,161) | (1,360) | (1,139) | (1,047) | (55) |
| Meters & Equipment | (374) | (351) | (356) | (355) | (355) |
| Business Office & Ops Ctr Consolidation | | (5,386) | | (5,529) | |
| Facility Improvements | (1,649) | (58) | 2,217 | 2,610 | 2,692 |
| Wellness Center | | | (706) | | |
| Electrical & Lighting | 605 | (580) | 204 | 448 | 459 |
| Other | (573) | (211) | 9 | 138 | 165 |
| Total Changes : (Increases) / Decreases | (3,961) | (7,430) | 837 | (3,773) | 2,883 |
| Current Plan | 20,012 | 23,610 | 13,179 | 16,049 | 9,643 |

Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| VP Customer Services | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Operating Services | 31 | 38 | 38 | 42 | 43 | 43 | 43 |
| Revenue Collection | 208 | 217 | 225 | 227 | 227 | 227 | 227 |
| Customer Services & Marketing | 350 | 373 | 390 | 406 | 407 | 408 | 408 |
| Customer Energy Efficiency | 23 | 23 | 24 | 24 | 24 | 24 | 24 |
| Interns / Temporary Employees | 1 | 4 | 1 | 1 | 1 | 1 | 1 |
| TOTAL | 615 | 657 | 680 | 702 | 704 | 705 | 705 |
| From 2013 Business Plan | | 653 | 652 | 667 | | | |
| Variance to 2013 Business Plan | | 4 | 28 | 35 | | | |
| Year to Year Increases (Decreases) | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1.) Maintenance / Operational | | 39 | 26 | 22 | 2 | 1 | |
| 2.) Compliance – NERC, FERC, CIP, etc. | | | | | | | |
| 3.) EPA / Environmental | | | | | | | |
| 4.) Administrative / Corporate | | 3 | -3 | | | | |
| TOTAL | | 42 | 23 | 22 | 2 | 1 | 0 |



Operational Performance

Key Performance Indicators

| <u>KPI</u> | <u>2012 Year End</u> | <u>2013 Forecast</u> | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|--|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Overall Customer Experience | 9.02 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 |
| Safety | 1.10 | 1.80 | 1.73 | 1.73 | 1.73 | 1.73 | 1.73 |
| Overall Customer Satisfaction (TIA Points) | 25.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| O&M Cost per Customer - Retail Electric | 70.07 | 78.93 | 82.89 | 86.01 | 88.32 | 91.60 | 96.02 |



Plan Risks

- Increased Capital and O&M Costs due to Industry Regulatory Actions
- Customer Hardship and Uncollectible Accounts
- Fuel Prices
- Future Energy Efficiency Regulatory Approvals
- Customer Satisfaction Impacts Due to Ongoing Rate Case Filings
- Future Regulatory or Legislative Smart Meter/Grid Requirements



Appendix



Year over Year Walk Forward OPEX and Other Expense (\$000)

| | | | |
|--|---------------|---------------------|---------------|
| 2012 Actual | 82,989 | 2015 Plan | 84,750 |
| Labor Changes (Inc. Re-Org Transfers) | 2,153 | Labor Changes | 2,276 |
| Bad Debt Expense | (326) | Scanning Initiative | (125) |
| Other Non-Labor (Inc. 2% Inf.) | <u>2,037</u> | Bad Debt Expense | 379 |
| | | Net Other Changes | <u>12</u> |
| 2013 FC | 86,853 | 2016 Plan | 87,292 |
| Labor Changes (Exc. Security Transfer) | 2,590 | Labor Changes | 1,365 |
| Corporate Security & Business Continuity | (3,079) | Bad Debt Expense | 965 |
| Operating Services Clearing | (6,892) | Net Other Changes | <u>1,309</u> |
| Contract Renewals | 330 | | |
| Facilities Master Planning Study | (300) | 2017 Plan | 90,931 |
| Scanning Initiative (Real Estate & Right-of-Way) | 100 | Labor Changes | 1,386 |
| LG&E Center (HVAC, Fitness Center & Parking) | 135 | Bad Debt Expense | 2,352 |
| Bad Debt Expense | 1,641 | Net Other Changes | <u>684</u> |
| Net Other Changes | <u>(123)</u> | | |
| 2014 Budget | 81,255 | 2018 Plan | 95,353 |
| Labor Changes | 2,807 | | |
| Contract Renewals | 188 | | |
| Scanning Initiative | (125) | | |
| Bad Debt Expense | 696 | | |
| Net Other Changes | <u>(71)</u> | | |
| 2015 Plan | 84,750 | | |

Increases / (Decreases)



Target Adjustments to Prior Plan OPEX and Other Expense (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|---------------|---------------|---------------|---------------|
| Net Target Adjustments | 10,839 | 10,959 | 11,137 | 11,382 | 11,636 |
| Adjustment Items: | | | | | |
| IT : Transfer to CAO | 121 | 123 | 126 | 128 | 131 |
| SVP Retail : Transfer to GDO | 131 | 131 | 131 | 131 | 131 |
| Corporate Security & Business Continuity : Transfer to EDO | 3,114 | 3,183 | 3,269 | 3,357 | 3,448 |
| Energy Delivery Budgeting : Transfer to CFO | 116 | 119 | 123 | 126 | 130 |
| HR : Transfer to CAO | 409 | 421 | 433 | 445 | 458 |
| VP Customer Services : Transfer from EDO | (43) | (44) | (45) | (47) | (48) |
| Admin & Contract Services : Transfer to Clearing | 5,776 | 5,975 | 6,096 | 6,219 | 6,342 |
| Facilities Services : Transfer to Clearing | 1,215 | 1,051 | 1,004 | 1,023 | 1,044 |
| Total Adjustments (Increases)/Decreases | 10,839 | 10,959 | 11,137 | 11,382 | 11,636 |

Year over Year Walk Forward GMEXP / Cost of Sales (\$000)

| | |
|---|---------------|
| 2012 Actual | 26,910 |
| Additional Programs & Greater Customer Engagement | <u>9,896</u> |
| 2013 FC | 36,806 |
| Additional Programs & Greater Customer Engagement | <u>(931)</u> |
| 2014 Budget | 35,875 |
| Additional Programs & Greater Customer Engagement | <u>1,370</u> |
| 2015 Plan | 37,245 |
| Additional Programs & Greater Customer Engagement | <u>1,384</u> |
| 2016 Plan | 38,629 |
| Additional Programs & Greater Customer Engagement | <u>1,782</u> |
| 2017 Plan | 40,411 |
| Additional Programs & Greater Customer Engagement | <u>1,849</u> |
| 2018 Plan | <u>42,260</u> |

Increases / (Decreases)



2012-2018 Headcount progression

| | | | |
|--|------------|--|-------------------|
| 2012 Headcount | 615 | 2014 Headcount Budget | 680 |
| Operating Services & Business Process Mgmt | 7 | Operating Services & Business Process Mgmt | 4 |
| Revenue Collection & Metering | 9 | Revenue Collection & Metering | 2 |
| Customer Services & Marketing | 23 | Customer Services & Marketing | <u>16</u> |
| Energy Efficiency | 0 | | |
| Interns & Temporary Employees | <u>3</u> | 2015 Headcount Plan | 702 |
| | | Operating Services & Business Process Mgmt | 1 |
| 2013 Headcount FC | 657 | Customer Services & Marketing | <u>1</u> |
| Revenue Collection & Metering | 8 | | |
| Customer Services & Marketing | 17 | 2016 Headcount Plan | 704 |
| Energy Efficiency | 1 | Customer Services & Marketing | <u>1</u> |
| Interns & Temporary Employees | <u>-3</u> | | |
| | | 2017 Headcount Plan | 705 |
| 2014 Headcount Budget | 680 | | |
| | | 2018 Headcount Plan | <u>705</u> |

(Decreases) / Increases



Other Balance Sheet Costs (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget ¹ | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|------------------|-----------------------------|---------------|---------------|---------------|---------------|
| Operating Services Clearing | | | | | | | |
| Labor | 21 | | | | | | |
| Non labor | 3,125 | 3,456 | 10,348 | 10,538 | 10,658 | 10,869 | 11,087 |
| Total Operating Services Clearing | 3,146 | 3,456 | 10,348 | 10,538 | 10,658 | 10,869 | 11,087 |
| | | | | | | | |
| Total Other Costs | 3,146 | 3,456 | 10,348 | 10,538 | 10,658 | 10,869 | 11,087 |

¹ Beginning in 2014, rent and operating expenses for the LG&E Center, KU General Office, Simpsonville and Morganfield facilities will be charged through clearing. These costs were previously included in O&M.



PPL companies

Chief Administrative Officer

2014 Business Plan

December 2013

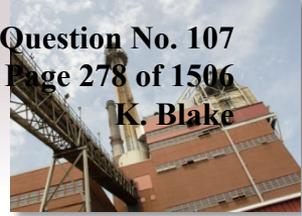


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Plan Highlights

- The 2014 Chief Administrative Officer O&M budget submitted for the 2014 Business Plan is \$104 million. The current business plan is \$1.6 million lower than the adjusted 2013 Business Plan due to overall CAO budget cuts.
- The 2014 CAO Capital budget is \$43.7 million and is \$8.5 million higher than the adjusted 2013 Business Plan. The increase is due primarily to the CCS upgrade.
 - *CCS Upgrade project increased \$7.4 million from the 2013 BP mainly as a result of timing. The 2014 CCS increase is largely offset by decreases in 2016 and 2018; the overall project increase is \$2.9 million over the 5-year period.*



Major Assumptions

Information Technology

- Safety & Regulatory
 - *Increased regulatory scrutiny at FERC, NERC and SERC as it relates to Critical Infrastructure Protection (CIP) and cyber security will drive the need for increased spending for both labor and information technology solutions to meet compliance requirements.*
- Customer Commitment
 - *As our primary interface with our customers, the CCS system will require additional upgrades and enhancements to continue to meet customer and business expectations. This will include release upgrades to the SAP applications and hardware refresh and expansion.*
 - *Enhancements to many of the other call center technologies such as the phone system will also be required.*
 - *Rate Case submissions will continue to occur on a regular basis requiring updates to the CCS system and customer billing.*

Major Assumptions

Information Technology

- Business Reliance on Technology
 - *Business reliance on information technology services to conduct day to day operations continues to expand. Large portions of everyone's job now requires automation.*
 - *Customers' expectations also continue to rise, creating the need for even greater levels of automation. Customer satisfaction can be impacted greatly by the use of technology to meet their needs.*
 - *This trend means that the reliability and availability of information technology services is critically important to the business. There is little tolerance for almost any kind of system outage.*
- Cyber Security Threats
 - *IT Security threats and data protection issues continue to increase. These threats are becoming even more sophisticated and difficult to overcome. Continued investment in protective and preventive measures to reduce these threats are required and included in the plan.*



Major Assumptions

Information Technology

- Major Initiatives
 - *Several new business initiatives are planned for deployment and included in the IT Business Plan.*
 - *A significant number of IT resources are tied to these capital projects.*
- Advances in New Technologies
 - *Technology continues to advance at an ever increasing pace. New technologies first introduced in the consumer space are making their way into the enterprise. This includes everything from smart phones to tablet PCs (iPads) to social media.*
 - *Leveraging these new technologies will be a major differentiator for productivity and customer satisfaction.*
 - *The current plans include the deployment of many of these new technologies such as Mobility, Virtual Desktop technology, Unified Communications and Collaboration tools, Business Intelligence and others.*
 - *Plans include working closely with the business to determine which of these technologies can deliver the greatest benefit.*



Major Assumptions

General Counsel

- Legal
 - *No contingent budgets have been proposed.*
 - *Hourly rates of outside providers will not materially increase.*
 - *No significant developments in existing litigation matters or new material litigation claims arise.*
- Corporate Communications
 - *Maintaining positive brand image in light of increased activities by national and local environmental activists will require additional education and communication measures with key stakeholders.*
 - *The large number of construction projects will continue to require increased communications.*
 - *Energy Efficiency programs will continue to grow and will require support through targeted advertising/marketing programs.*



Major Assumptions

General Counsel

- Corporate Responsibility
 - *Nonprofit organizations will continue to experience financial challenges.*
 - *Anticipate greater scrutiny of our community activities and heightened expectations for our role as a funding partner.*
 - *Increased criticism from environmental groups and other stakeholders will require strategic donations and new partnerships.*
- Compliance
 - *No material change in current role.*
 - *No new significant enforcement issues.*
 - *No significant increase in internal investigation obligations.*
 - *Increased emphasis on cyber security.*
 - *Implementation of CIP version four.*

Major Assumptions

General Counsel

- External Affairs
 - *Increased legislative and regulatory activity by local, state and federal governmental entities affecting the company's activities in the operational, regulatory and environmental areas.*
 - *Pressure by local, state and federal governmental entities upon the company to use its monopolistic status to enhance governmental revenues.*
 - *Public comparison of:*
 - *Levels of engagement and contributions with and to advocacy groups*
 - *PPL and LG&E/KU legislative and regulatory positions on various issues*
- Federal Regulation & Policy
 - *Uncertain implementation path of Order 1000 regional/interregional transmission planning and cost allocation rules.*



Major Assumptions

General Counsel

- State Regulation & Rates
 - *Filing of two base rate cases for LG&E and KU in KY.*
 - *Revise the formula rates for FERC wholesale municipal and OATT customers.*
 - *One or more CPCN proceedings for generation facilities.*
 - *Possible smart-grid and smart-meter projects.*
 - *Possible Federal climate change and renewable legislation passed.*
 - *Filing of Integrated Resource Plan.*
- Environmental
 - *Coal fired utilities will face tighter limits resulting in increased regulatory and PR burden.*
 - *New environmental regulations will require added controls, compliance monitoring and reporting.*



Major Assumptions

Human Resources

- Current and potential Federal legislative initiatives may significantly affect the existing landscape and costs associated with virtually every aspect of the workforce (benefits, compensation, union relations, safety, etc.)
- Wellness must continue to evolve as a means of containing healthcare costs
- The pace and complexity of regulatory compliance will continue to escalate
- Competition for talent will require more non-traditional sourcing
- Capital spend will be higher for 2014 given a pressing need to automate HR systems
- Staffing demands will continue at higher levels for the foreseeable future

Major Assumptions

Supply Chain

- Openings created via retirements will be filled by a combination of current internal resources and hiring
- Agreed upon direction of the SC Centers of Excellence, while not formally endorsed by the current PPL SC leadership, will not be replaced by a new direction
- Project Quest will result in efficiency improvements to the way paper invoices are being received and processed
- Active engagement with the UK and UL Schools of Business will continue



Financial Performance

2012-2018 OPEX and Other Expenses CAO Organization (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 40,235 | 43,549 | 49,992 | 51,999 | 53,822 | 55,767 | 57,687 |
| Software/Hardware Maintenance | 12,608 | 15,693 | 17,323 | 17,999 | 18,705 | 19,439 | 20,201 |
| Outside Counsel | 5,796 | 7,170 | 7,997 | 8,092 | 8,484 | 9,474 | 9,703 |
| Other Outside Services | 6,686 | 8,462 | 8,340 | 8,689 | 8,648 | 8,872 | 9,049 |
| Fees, Permits & Licenses | 2,808 | 3,512 | 3,477 | 3,285 | 3,284 | 3,350 | 3,417 |
| Dues & Subscriptions | 2,528 | 2,943 | 2,916 | 3,162 | 3,342 | 3,455 | 3,524 |
| Donations | 1,697 | 2,292 | 2,488 | 2,535 | 2,587 | 2,741 | 2,796 |
| Advertising | 1,488 | 1,599 | 1,639 | 1,672 | 1,705 | 1,739 | 1,774 |
| Rate Case Amortization | 1,246 | 1,681 | 1,032 | 2,226 | 1,193 | 2,853 | 1,660 |
| Training, Travel & Meals | 2,043 | 2,582 | 2,918 | 2,947 | 3,005 | 3,014 | 3,074 |
| Other Non Labor | 5,153 | 5,764 | 5,952 | 6,090 | 6,219 | 6,447 | 6,577 |
| Total Income Statement items | <u>82,288</u> | <u>95,247</u> | <u>104,075</u> | <u>108,696</u> | <u>110,995</u> | <u>117,150</u> | <u>119,463</u> |
| From 2013 Business Plan - Adjusted | | 101,033 | 106,967 | 110,471 | 112,442 | 116,797 | 118,823 |
| Variance to 2013 Business Plan | | 5,786 | 2,892 | 1,775 | 1,447 | (353) | (639) |



2014-2018 OPEX/Other Expense Reconciliation CAO Organization (\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|-----------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Prior Plan | 106,967 | 110,471 | 112,442 | 116,797 | 118,823 |
| Drivers: | | | | | |
| IT Labor Increases | (56) | (38) | 34 | 383 | 1,468 |
| IT Software Maintenance | 1,000 | 1,590 | 1,964 | 2,358 | 2,120 |
| IT Non-Labor Changes | (879) | (371) | (492) | (907) | (927) |
| SC Labor transfer from CFO | 187 | 194 | 198 | 203 | 209 |
| GC Outside Services Savings | (2,548) | (2,664) | (2,488) | (1,718) | (1,711) |
| Other GC, HR & SC | (596) | (486) | (663) | 34 | (519) |
| Current Plan | <u><u>104,075</u></u> | <u><u>108,695</u></u> | <u><u>110,995</u></u> | <u><u>117,150</u></u> | <u><u>119,463</u></u> |



2012-2018 Capital Breakdown (w COR) – Accrual Basis CAO Organization (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Information Technology | | | | | | | |
| SAP/CCS/AMI | - | 1,790 | 11,280 | 12,220 | 9,400 | 4,700 | 4,700 |
| Cisco UC&C | 1,426 | 3,670 | 2,700 | 1,233 | 300 | 779 | - |
| Tech Refresh of Desktops & Laptops | - | 1,925 | 2,128 | 2,275 | 2,363 | 2,490 | 3,073 |
| Lockout/Tagout (LOTO) Replacement Sys | - | - | 1,700 | 416 | - | - | 143 |
| PACS Replacement | - | - | 1,500 | - | - | - | - |
| Fiber Reach Nodes Replacement | - | 1,351 | 1,289 | 949 | - | - | - |
| VDI | - | - | 1,200 | 285 | - | 2,185 | - |
| Mobile Dispatch/Infrastructure/Radio System | 2,462 | 2,054 | 1,187 | 2,445 | 4,500 | 1,150 | 1,400 |
| Call Center - Call Routing and Reporting | - | - | 1,186 | 237 | 237 | - | - |
| SE KY Transport Buildout | - | - | 950 | 1,900 | 475 | - | - |
| STORMS Work Management System Upgrade | - | - | 800 | - | - | - | - |
| CIP Compliance Infrastructure/Tools | 417 | 1,080 | 750 | 750 | 750 | 750 | 750 |
| Ventyx Field Services Enhancements | - | - | 713 | 237 | 190 | 190 | 190 |
| SDE Replacement | - | - | 665 | 665 | - | - | - |
| IPM Replacement (Open Text) | 934 | 1,090 | 657 | 142 | - | - | - |
| San Switch Refresh/San Capacity Expansion | - | 1,225 | 645 | 1,057 | 952 | 255 | 967 |
| Access Switch Rotation | - | - | 500 | 500 | 500 | 500 | 500 |
| Customer Communication - texting, mobile | - | - | 475 | 475 | 475 | 261 | 261 |
| Server Hardware Refresh | - | - | 450 | 575 | 510 | 480 | 510 |
| Simpsonville Electrical/Cooling/UPS Modification | - | - | 380 | - | - | - | 1,092 |
| IRAS Enhancements | - | - | 285 | 950 | - | - | 475 |
| Analog Sunset | - | - | 218 | 618 | 713 | - | - |
| Peoplesoft Upgrade/Enhancements | - | - | 214 | 818 | 863 | 214 | 818 |



2012-2018 Capital Breakdown (w COR) – Accrual Basis CAO Organization (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Information Technology cont. | | | | | | | |
| Oracle NMS | - | - | 100 | 190 | 500 | 500 | 1,425 |
| CFO Systems Capital/Oracle Upgrade | - | - | 95 | 190 | 7,030 | 475 | 475 |
| GIS/Smallworld GIS Migration | - | - | 29 | 504 | - | 3,325 | 4,750 |
| TOE enhancement/replacement | - | - | - | 950 | - | 119 | 119 |
| Gas Nomination System (GTS) | - | - | - | 1,140 | 285 | - | 237 |
| Design Tool Enhance/Replace | - | - | - | 1,900 | - | 95 | 475 |
| Security Event Management - Refresh | - | - | - | 560 | - | - | 560 |
| Quantar Repeaters Replacement | - | - | - | - | - | 475 | 950 |
| NE KY Transport Buildout | - | - | - | - | - | 1,425 | 1,425 |
| Megastar & DVM MW Replacement | - | - | - | - | 713 | 712 | - |
| Isilon NAS Refresh (BOC/SDC) | - | - | - | - | - | 1,938 | - |
| Enterprise Storage System Refresh | - | - | - | - | - | 3,952 | - |
| Enterprise Storage System Refresh | - | - | - | - | - | 3,952 | - |
| IVR - Major upgrades/changes | - | - | - | - | 1,425 | - | - |
| Electric OMS Replace/Upg-LGE | 1,297 | 59 | - | - | - | - | - |
| Storage Area Network Refresh | 1,988 | 271 | - | - | - | - | - |
| Server HW Refresh | 897 | 740 | - | - | - | - | - |
| Call Recording Replace-LGE13 | - | 945 | - | - | - | - | - |
| Enterprise Information Mgmt-LGE12 | 934 | 1,090 | - | - | - | - | - |
| KU MW Backbone Renovation | 3,036 | 1,845 | - | - | - | - | - |
| Work Mgmt System | 781 | 3,548 | - | - | - | - | - |
| Oracle Licenses - LGE13 | - | 3,959 | - | - | - | - | - |
| TierC Rotation | 2,670 | - | - | - | - | - | - |
| EMS Transfer to IT | - | - | 1,624 | 705 | 102 | 732 | 603 |
| Other | 15,701 | 9,939 | 9,256 | 10,415 | 9,686 | 8,676 | 13,521 |



2012-2018 Capital Breakdown (w COR) – Accrual Basis CAO Organization (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-----------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Supply Chain | | | | | | | |
| Pole Racks | 133 | 385 | 470 | 390 | 320 | 310 | 137 |
| Other | 58 | - | 110 | 210 | 210 | 35 | 35 |
| Human Resources | | | | | | | |
| People Soft Upgrades/Enhancements | 973 | 225 | - | - | - | - | - |
| General Counsel | | | | | | | |
| Corporate Website | - | 1,000 | - | - | - | - | - |
| Environmental Equipment | - | - | 100 | 100 | 100 | 100 | 100 |
| Total Capital and Cost of Removal | <u>33,708</u> | <u>38,191</u> | <u>43,655</u> | <u>46,002</u> | <u>42,598</u> | <u>40,775</u> | <u>39,692</u> |



Capital Reconciliation (w COR) –Accrual Basis CAO Organization (\$000)

| | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------|----------------|---------------|---------------|---------------|---------------|
| Prior Plan | 35,114 | 37,888 | 36,329 | 34,624 | 47,349 |
| Changes: | | | | | |
| CCS Upgrade | 11,280 | 10,340 | 3,760 | 4,700 | 4,700 |
| CCS Enhancements | (3,838) | (4,000) | (7,407) | (3,900) | (12,744) |
| SAP AMI Implementation | - | 1,880 | 5,640 | - | - |
| Lockout/Tagout Replace | 1,200 | 416 | - | - | 143 |
| CFO Systems Capital | - | - | 6,347 | - | - |
| GIS/Smallword | - | - | - | 950 | 2,375 |
| Customer Services | - | - | - | 4,185 | - |
| Other IT | 89 | (177) | (1,871) | 231 | (2,289) |
| Supply Chain Total | (190) | (345) | (200) | (15) | 158 |
| Current Plan | <u>43,655</u> | <u>46,002</u> | <u>42,598</u> | <u>40,775</u> | <u>39,692</u> |

Financial Performance

CAO Organization

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Information Technology | 278 | 309 | 318 | 325 | 327 | 330 | 333 |
| General Counsel CAO | 92 | 101 | 105 | 106 | 106 | 106 | 106 |
| Human Resources | 35 | 56 | 56 | 56 | 56 | 56 | 56 |
| Supply Chain | 50 | 50 | 51 | 51 | 51 | 51 | 51 |
| TOTAL | 455 | 516 | 530 | 538 | 540 | 543 | 546 |
| From 2013 Business Plan | | 503 | 509 | 514 | | | |
| Variance to 2013 Business Plan | | 13 | 21 | 24 | | | |
| <u>Year to Year Increases (Decreases)</u> | | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| IT | | 16 | 9 | 7 | 2 | 3 | 3 |
| Transfer of LOB's into IT | | 15 | - | - | - | - | - |
| Transfer of HR into Corporate | | 19 | - | - | - | - | - |
| HR Staffing Associate | | 1 | - | - | - | - | - |
| HRIS Business Analyst | | 1 | - | - | - | - | - |
| Supply Chain Storeroom Analyst | | - | 1 | - | - | - | - |
| Communications | | 4 | 1 | - | - | - | - |
| Environmental | | 1 | 1 | 1 | - | - | - |
| Legal Attorney | | 1 | 1 | - | - | - | - |
| Corporate Responsibility | | 1 | 1 | - | - | - | - |
| Compliance Manager | | 1 | - | - | - | - | - |
| Rates & Regulatory Analyst | | 1 | - | - | - | - | - |
| TOTAL | | 61 | 14 | 8 | 2 | 3 | 3 |



Plan Risks

Information Technology

- CIP version 5 compliance
- Potential reduction in system availability due to declining service level agreements with vendors based on our current versions
- Introduction of unified communication and collaboration technologies could pose change management challenges
- Acquiring skilled IT resources will continue to be a challenge for us and the rest of the industry
- Approximately 40 employees at risk to capital labor; CCS and UC&C are the most at risk projects in 2014 with nearly \$1.5 million allocated between them



Plan Risks

General Counsel

- Legal
 - *New environmental regulations will continue to require extraordinary legal review and input.*
 - *The Company becomes embroiled in a significant legal dispute, including class action.*
- Corporate Communications
 - *Given increased ECR spending, planned rate cases and cost associated with the new EPA regulations, customer bills will continue to increase, potentially resulting in lower customer satisfaction levels.*
 - *National and local environmental activists will continue to threaten the Company's brand.*
- Corporate Responsibility
 - *Environmental groups will likely increase their activities and scrutiny requiring more community outreach.*



Plan Risks

General Counsel

- Compliance
 - *NERC Reliability Standards, including Cyber Security Standards, are likely to be revised and affect resources.*
 - *PPL expectations regarding compliance programs, investigations and reporting may affect responsibilities and roles of the Compliance Department.*
 - *Extraordinary workload anticipated due to efforts to address open enforcement matters and expanding compliance programs.*
- Federal Regulation & Policy
 - *Unreasonable requirements for acceptance of FERC 1000 compliance filings.*
 - *Greater socialization of transmission costs across the entire region.*
 - *Increased pressure between state and federal regulators with respect to cost recovery.*
 - *Volatile and deteriorating regulatory climate in EPA.*



Plan Risks

General Counsel

- External Affairs
 - *Upward pressure on customers electric rates due to increased capital expenditures for pollution control and base load generation construction. Environmental, energy efficiency and renewable portfolio standards legislation and Federal EPA regulations place substantial compliance costs on the company and its customers.*
 - *Local, State and Federal Budget shortfalls result in increased efforts to raise revenue through surcharges on the customer electric bill and increased corporate fees and taxes.*
 - *Political environment at the federal and state level becomes increasingly more challenging.*
 - *Push by industrials for limited wheeling.*



Plan Risks

General Counsel

- State Regulation & Rates
 - *Growing rate base and operating expenses, coupled with regulatory lag, could make target returns difficult to achieve.*
 - *Commission and intervenor sensitivity to rising costs could result in punitive actions beyond law and precedent – prudence could be challenged more often particularly where actual costs exceed estimates.*
 - *Failure to get timely regulatory approvals for generation and transmission investment could put customer service and utility economics at risk.*
 - *Legislation that changes the regulatory structure (e.g. limited wheeling for industrials).*
 - *Increased scope and diversity of intervenors in proceedings.*



Plan Risks

General Counsel

- Environmental
 - *Sharp increase in new environmental regulations and regulatory initiatives requiring additional EA staff and training.*
 - *Significant increase in the number of environmental permits and permit conditions required for daily company operations which necessitate outside contractors for specialized modeling, monitoring and testing.*
 - *Designation of coal combustion residuals as hazardous.*

Plan Risks

Human Resources

- Economic pressures and impact on Human Resource management
- Effects of possible Federal legislation relating to benefits, compensation, labor, safety and taxation

Plan Risks

Supply Chain

- Incremental PPL driven initiatives or new mandates will distract our internal business focus
- Workforce demographics will continue to challenge both our short and long term staffing strategies
- Incremental work not included in the existing Procurement Plans could require temporary sourcing resources



Appendix



Financial Performance

2012-2018 OPEX and Other Expenses Information Technology (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 21,521 | 23,658 | 28,439 | 29,800 | 30,991 | 32,291 | 33,534 |
| Software/Hardware Maintenance | 12,552 | 15,385 | 16,877 | 17,547 | 18,244 | 18,968 | 19,722 |
| Outside Services | 3,833 | 4,604 | 4,358 | 4,445 | 4,534 | 4,625 | 4,718 |
| Training, Travel & Meals | 818 | 945 | 1,028 | 1,049 | 1,071 | 1,122 | 1,145 |
| Fees, Permits & Licenses | 1 | 491 | 200 | 204 | 208 | 212 | 216 |
| Dues & Subscriptions | 168 | 119 | 66 | 67 | 69 | 70 | 72 |
| Other Non Labor | 3,600 | 3,942 | 4,229 | 4,313 | 4,400 | 4,488 | 4,577 |
| Total Income Statement items | <u>42,493</u> | <u>49,144</u> | <u>55,197</u> | <u>57,426</u> | <u>59,516</u> | <u>61,777</u> | <u>63,984</u> |
| From 2013 Business Plan - Adjusted | | 50,394 | 55,131 | 56,245 | 58,010 | 59,943 | 61,323 |
| Variance to 2013 Business Plan | | 1,250 | (66) | (1,181) | (1,506) | (1,834) | (2,661) |



Year over Year Walk Forward OPEX and Other Expense Information Technology

| | |
|-----------------------------|---------------|
| 2012 Actual | 42,493 |
| Labor | 2,137 |
| IT Software/Hardware Maint. | 2,833 |
| Non-Labor | 1,681 |
| 2013 FC | 49,144 |
| Labor | 4,781 |
| IT Software/Hardware Maint. | 1,492 |
| Non-Labor | (220) |
| 2014 Budget | 55,197 |
| Labor | 1,361 |
| IT Software/Hardware Maint. | 670 |
| Non-Labor | 198 |
| 2015 Plan | 57,426 |
| Labor | 1,191 |
| IT Software/Hardware Maint. | 697 |
| Non-Labor | 202 |
| 2016 Plan | 59,516 |
| Labor | 1,300 |
| IT Software/Hardware Maint. | 724 |
| Non-Labor | 236 |
| 2017 Plan | 61,777 |
| Labor | 1,244 |
| IT Software/Hardware Maint. | 753 |
| Non-Labor | 210 |
| 2018 Plan | 63,984 |



Financial Performance

2012-2018 OPEX and Other Expenses General Counsel & CAO (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 12,030 | 11,412 | 12,233 | 12,616 | 12,971 | 13,395 | 13,772 |
| Outside Counsel | 5,796 | 7,170 | 7,997 | 8,092 | 8,484 | 9,474 | 9,703 |
| Other Outside Services | 2,515 | 3,272 | 3,086 | 3,312 | 3,163 | 3,277 | 3,343 |
| Fees, Permits & Licenses | 2,803 | 3,022 | 3,277 | 3,081 | 3,076 | 3,138 | 3,201 |
| Dues & Subscriptions | 2,282 | 2,715 | 2,781 | 3,021 | 3,198 | 3,283 | 3,348 |
| Donations | 1,667 | 2,196 | 2,363 | 2,407 | 2,457 | 2,608 | 2,660 |
| Advertising | 1,487 | 1,586 | 1,618 | 1,650 | 1,683 | 1,717 | 1,751 |
| Rate Case Amortization | 1,246 | 1,681 | 1,032 | 2,226 | 1,193 | 2,853 | 1,660 |
| Training, Travel & Meals | 973 | 1,145 | 1,359 | 1,383 | 1,409 | 1,335 | 1,362 |
| Other Non Labor | 1,096 | 1,286 | 1,269 | 1,290 | 1,316 | 1,342 | 1,369 |
| Total Income Statement items | <u>31,895</u> | <u>35,485</u> | <u>37,015</u> | <u>39,078</u> | <u>38,950</u> | <u>42,421</u> | <u>42,169</u> |
| From 2013 Business Plan - Adjusted | | 39,216 | 40,005 | 42,068 | 41,939 | 44,019 | 44,294 |
| Variance to 2013 Business Plan | | 3,731 | 2,990 | 2,990 | 2,990 | 1,597 | 2,126 |



Year over Year Walk Forward OPEX and Other Expense General Counsel & CAO

| | |
|------------------------|---------------|
| 2012 Actual | 31,895 |
| Outside Counsel | 1,373 |
| Other Outside Services | 757 |
| Donations | 530 |
| Rate Case Amortization | 430 |
| Other | 500 |
| 2013 FC | <u>35,485</u> |
| Outside Counsel | 827 |
| Labor | 821 |
| Rate Case Amortization | 648 |
| Other | (766) |
| 2014 Budget | <u>37,015</u> |
| Rate Case Amortization | 1,193 |
| Labor Increases | 384 |
| Outside Services | 320 |
| Other Non Labor | 166 |
| 2015 Plan | <u>39,078</u> |
| Rate Case Amortization | (1,032) |
| Labor Increases | 355 |
| Outside Services | 243 |
| Other Non Labor | 306 |
| 2016 Plan | <u>38,950</u> |
| Rate Case Amortization | 1,660 |
| Labor Increases | 424 |
| Outside Services | 1,104 |
| Other Non Labor | 283 |
| 2017 Plan | <u>42,421</u> |
| Rate Case Amortization | (1,193) |
| Labor Increases | 377 |
| Outside Services | 295 |
| Other Non Labor | 269 |
| 2018 Plan | <u>42,169</u> |



Financial Performance

2012-2018 OPEX and Other Expenses Human Resources (\$000)

| Item | 2012 Actual* | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|-----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 3,721 | 5,371 | 5,988 | 6,173 | 6,355 | 6,482 | 6,675 |
| Outside Services | 307 | 560 | 866 | 901 | 919 | 937 | 956 |
| Training, Travel & Meals | 176 | 363 | 413 | 392 | 400 | 408 | 416 |
| Software/Hardware Maint. | 48 | 65 | 250 | 255 | 260 | 266 | 271 |
| Donations | 11 | 69 | 99 | 100 | 102 | 104 | 107 |
| Dues & Subscriptions | 37 | 64 | 45 | 46 | 47 | 48 | 49 |
| Advertising | - | 11 | 19 | 20 | 20 | 21 | 21 |
| Other Non Labor | 382 | 638 | 537 | 553 | 565 | 637 | 650 |
| Total Income Statement items | <u>4,682</u> | <u>7,141</u> | <u>8,218</u> | <u>8,439</u> | <u>8,667</u> | <u>8,902</u> | <u>9,143</u> |
| From 2013 Business Plan - Adjusted | | 7,924 | 8,112 | 8,331 | 8,556 | 8,786 | 9,040 |
| Variance to 2013 Business Plan | | 783 | (107) | (108) | (111) | (116) | (103) |

*2012 Actuals are prior to re-org



Year over Year Walk Forward OPEX and Other Expense Human Resources

| | |
|----------------------------------|--------------|
| 2012 Actual | 4,682 |
| Line of Business Transfers to HR | 1,991 |
| Outside Services | 254 |
| Other Non Labor Items | 214 |
| 2013 FC | <u>7,141</u> |
| Labor & Burden Increases | 618 |
| Outside Services | 306 |
| Software/Hardware | 186 |
| Other Non Labor Items | (33) |
| 2014 Budget | <u>8,218</u> |
| Labor & Burden Increases | 184 |
| Other Non Labor Items | 37 |
| 2015 Plan | <u>8,439</u> |
| Labor & Burden Increases | 182 |
| Other Non Labor Items | 46 |
| 2016 Plan | <u>8,667</u> |
| Labor & Burden Increases | 127 |
| Other Non Labor Items | 107 |
| 2017 Plan | <u>8,902</u> |
| Labor & Burden Increases | 193 |
| Other Non Labor Items | 48 |
| 2018 Plan | <u>9,143</u> |



Financial Performance

2012-2018 OPEX and Other Expenses Supply Chain (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 2,963 | 3,109 | 3,332 | 3,411 | 3,506 | 3,599 | 3,706 |
| Training, Travel & Meals | 76 | 130 | 118 | 123 | 126 | 149 | 152 |
| Dues & Subscriptions | 41 | 45 | 24 | 27 | 28 | 54 | 55 |
| Outside Services | 31 | 25 | 29 | 32 | 32 | 33 | 34 |
| Donations | 18 | 26 | 27 | 27 | 28 | 28 | 29 |
| Software/Hardware Maint. | 6 | 59 | 11 | 12 | 12 | 12 | 13 |
| Other Non Labor | 83 | 83 | 103 | 121 | 129 | 174 | 179 |
| Total Income Statement items | <u>3,218</u> | <u>3,477</u> | <u>3,645</u> | <u>3,753</u> | <u>3,862</u> | <u>4,050</u> | <u>4,167</u> |
| From 2013 Business Plan - Adjusted | | 3,498 | 3,719 | 3,827 | 3,936 | 4,049 | 4,166 |
| Variance to 2013 Business Plan | | 21 | 74 | 74 | 74 | (1) | (1) |



Year over Year Walk Forward OPEX and Other Expense Supply Chain

| | |
|-----------------------|--------------|
| 2012 Actual | 3,218 |
| Labor Increases | 146 |
| Other Non Labor Items | 113 |
| 2013 FC | <u>3,477</u> |
| Transfer from CFO | 185 |
| Labor Increases | 38 |
| Other Non Labor Items | <u>(56)</u> |
| 2014 Budget | <u>3,645</u> |
| Labor Increases | 79 |
| Other Non Labor Items | 29 |
| 2015 Plan | <u>3,752</u> |
| Labor Increases | 95 |
| Other Non Labor Items | 14 |
| 2016 Plan | <u>3,862</u> |
| Labor Increases | 93 |
| Other Non Labor Items | 95 |
| 2017 Plan | <u>4,050</u> |
| Labor Increases | 107 |
| Other Non Labor Items | 10 |
| 2018 Plan | <u>4,167</u> |



Other Balance Sheet Costs CAO Organization (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Stores Expense | | | | | | | |
| Labor | 1,319 | 1,359 | 1,383 | 1,377 | 1,402 | 1,425 | 1,470 |
| Non labor | 712 | 675 | 695 | 709 | 723 | 737 | 752 |
| Total | <u>2,031</u> | <u>2,034</u> | <u>2,078</u> | <u>2,085</u> | <u>2,125</u> | <u>2,162</u> | <u>2,222</u> |
| Regulatory Assets | | | | | | | |
| Non labor | 2,833 | - | 3,580 | 1,400 | 3,580 | 1,400 | 3,580 |
| Total | <u>2,833</u> | <u>-</u> | <u>3,580</u> | <u>1,400</u> | <u>3,580</u> | <u>1,400</u> | <u>3,580</u> |
| WKE | | | | | | | |
| Labor | 9 | - | - | - | - | - | - |
| Non labor | 1,176 | 972 | 250 | 150 | - | - | - |
| Total | <u>1,185</u> | <u>972</u> | <u>250</u> | <u>150</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Costs | <u><u>6,050</u></u> | <u><u>3,006</u></u> | <u><u>5,908</u></u> | <u><u>3,635</u></u> | <u><u>5,705</u></u> | <u><u>3,562</u></u> | <u><u>5,802</u></u> |

Headcount Progression Information Technology

| | |
|---|------------|
| 2012 Headcount | 278 |
| WFP Additions | 12 |
| LOB Transfers | 15 |
| IT Business Relationship Mgr - Corporate Services-CAO | 1 |
| IT Business Relationship Mgr - Corporate Services-CFO | 1 |
| Middle are (Web Logic) | 1 |
| IT Compliance Analyst | 1 |
| 2013 Headcount FC | 309 |
| Telecom | 4 |
| Security Analyst | 2 |
| Network Systems Engineer | 1 |
| BI Support | 1 |
| Service Desk Analyst | 1 |
| 2014 Headcount Budget | 318 |
| Telecom | 2 |
| Network Systems Engineer | 2 |
| BI Support | 1 |
| Tester | 1 |
| Middle are (Web Logic) | 1 |
| 2015 Headcount Plan | 325 |
| Network Systems Engineer | 1 |
| Workstation Technician for Mobile Support | 1 |
| 2016 Headcount Plan | 327 |
| Network Systems Engineer | 2 |
| Telecom | 1 |
| 2017 Headcount Plan | 330 |
| Network Systems Engineer | 1 |
| Workstation Technician for Mobile Support | 1 |
| Data Base Administrator | 1 |
| 2018 Headcount Plan | 333 |



Headcount Progression General Counsel & CAO

| | |
|---|------------|
| 2012 Headcount | 92 |
| Open Attorney Position filled in 2013 | 1 |
| Rates & Regulatory Analyst | 1 |
| Compliance Manager | 1 |
| Corporate Responsibility Specialist | 1 |
| VP Communications Position filled in 2013 | 1 |
| Communications - Director Media Relations Positon added | 1 |
| Communications - Brand and Advertising Specialist added | 1 |
| Communications - Social Media Specialist added | 1 |
| Communications - Web Specialist added | 1 |
| Communications - Administrative Assistant eliminated | -1 |
| Environmental Scientist | 1 |
| 2013 Headcount FC | <u>101</u> |
| Legal Corporate Attorney | 1 |
| Corporate Responsibility Manager | 1 |
| Environmental Scientist/Engineer | 1 |
| Communications - Intern | 1 |
| 2014 Headcount Budget | <u>105</u> |
| Environmental Scientist/Engineer | 1 |
| 2015 Headcount Plan | <u>106</u> |
| 2016 Headcount Plan | <u>106</u> |
| 2017 Headcount Plan | <u>106</u> |
| 2018 Headcount Plan | <u>106</u> |



Headcount Progression Human Resources

| | |
|---|-----------|
| 2012 Headcount | 35 |
| Transfer of 19 Headcount into Corporate HR for Re-org | 19 |
| HRIS Business Analyst | 1 |
| Staffing Associate | 1 |
| 2013 Headcount FC | <u>56</u> |
| 2014 Headcount Budget | <u>56</u> |
| 2015 Headcount Plan | <u>56</u> |
| 2016 Headcount Plan | <u>56</u> |
| 2017 Headcount Plan | <u>56</u> |
| 2018 Headcount Plan | <u>56</u> |

Headcount Progression Supply Chain

| | |
|------------------------------|-----------|
| 2012 Headcount | 50 |
| 2013 Headcount FC | <u>50</u> |
| Storeroom Specialist London | 1 |
| 2014 Headcount Budget | <u>51</u> |
| 2015 Headcount Plan | <u>51</u> |
| 2016 Headcount Plan | <u>51</u> |
| 2017 Headcount Plan | <u>51</u> |
| 2018 Headcount Plan | <u>51</u> |



PPL companies

CFO Organization 2014 Business Plan

12/12/2013

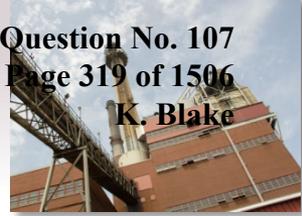


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Plan Highlights

- Operating expenses in all years are below the 2013 plan
- CFO budget is primarily labor costs (~75% of total annual budget)
- Audit, bank and insurance fees comprise approximately 20% of total annual costs.
 - *These costs have been reduced by \$0.6m from the prior plan.*
- All labor is budgeted to O&M.
- Continued focus on employee development and inter-departmental coordination following fall 2012 Employee Opinion Survey initiative



Major Assumptions

- The 2014 Plan assumes fully staffed for all years with escalations of 3% for 2016 - 2023. With the exception of an intern employed for one year in 2014, headcount remains flat throughout the plan period.
- Non-labor expenditure types were escalated by 2% for 2016 - 2023.



Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 11,124 | 13,121 | 14,146 | 14,514 | 14,904 | 15,269 | 15,687 |
| Audit Fees | 1,601 | 1,804 | 1,665 | 1,744 | 1,779 | 1,815 | 1,851 |
| Bank Fees | 985 | 1,162 | 1,248 | 1,276 | 1,298 | 1,450 | 1,479 |
| Insurance Mgmt Fee | 876 | 749 | 787 | 807 | 823 | 839 | 856 |
| Training, Travel and Meals | 208 | 436 | 468 | 460 | 470 | 479 | 489 |
| Other Outside Services | 1,201 | 230 | 273 | 187 | 150 | 153 | 156 |
| Other | 490 | 633 | 485 | 464 | 446 | 512 | 522 |
| Subtotal OPEX/Other expense | 16,485 | 18,135 | 19,072 | 19,452 | 19,870 | 20,517 | 21,040 |



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| | <u>2014 Budget</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> | <u>2018 Plan</u> |
|---------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 19,838 | 20,371 | 20,937 | 21,509 | 22,098 |
| Drivers: | | | | | |
| Insurance Mgmt Fees | (291) | (293) | (299) | (305) | (311) |
| Audit Fees | (160) | (118) | (120) | (122) | (125) |
| Bank Fees | (219) | (221) | (228) | (107) | (110) |
| Labor | (256) | (310) | (374) | (467) | (521) |
| Outside Services | 150 | 61 | 22 | 22 | 23 |
| Other | 10 | (38) | (68) | (13) | (14) |
| | <u>(766)</u> | <u>(919)</u> | <u>(1,067)</u> | <u>(992)</u> | <u>(1,058)</u> |
| Current Plan | <u><u>19,072</u></u> | <u><u>19,452</u></u> | <u><u>19,870</u></u> | <u><u>20,517</u></u> | <u><u>21,040</u></u> |



2012-2018 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Other | | | | | | | |
| Oracle R12 | 2,448 | 4,941 | | | | | |
| PeopleSoft Time and Labor | 443 | 1,202 | 278 | | | | |
| Wallstreet Suites | - | 708 | 78 | | | | |
| PowerPlant Prop Tax and Lease | 236 | 222 | | | | | |
| PowerPlant Budget | 151 | | | | | | |
| Other | 12 | 40 | | | | | |
| Total Capital and Cost of Removal | <u>3,290</u> | <u>7,113</u> | <u>356</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

NOTE: Does not include approximately \$0.2m per year for CFO Systems Capital included in the I.T. Enterprise Technology Plan



Financial Performance

2012-2018 Headcount

| Department | 2012 Year End | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| CFO | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| CONTROLLER | 57 | 57 | 54 | 54 | 54 | 54 | 54 |
| OPS BUD & FC | 24 | 25 | 26 | 26 | 26 | 26 | 26 |
| AUDIT | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| TREASURER | 18 | 17 | 16 | 16 | 16 | 16 | 16 |
| TAX | 15 | 15 | 16 | 16 | 16 | 16 | 16 |
| FIN. PLAN AND ANALYSIS | 15 | 15 | 16 | 16 | 16 | 16 | 16 |
| INTERNS/TEMPORARY | 8 | 10 | 11 | 10 | 10 | 10 | 10 |
| TOTAL | 153 | 155 | 155 | 154 | 154 | 154 | 154 |
| From 2013 Business Plan | | 153 | 153 | 153 | | | |
| Variance to 2013 Business Plan | | 2 | 2 | 1 | | | |
| <u>Year to Year Increases (Decreases)</u> | | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| 4.) Administrative/Corporate | | 2 | 0 | -1 | | | |
| TOTAL | | 2 | 0 | -1 | 0 | 0 | 0 |



Plan Risks

- Integration of primary system changes and their impact on existing processes (Oracle R12, PeopleSoft Time and Labor, etc.)
- Limited resources available for special projects (i.e., future rate cases)
- Planned employee retirements in next few years place greater emphasis on knowledge transfer and effective timing of staffing changes

Appendix



Year over Year Walk Forward OPEX and Other Expense

| | |
|---|---------------|
| Ops Bud/FC | 2,100 |
| Audit and Bank Fees | 378 |
| Training, Travel and Meals | 228 |
| Outside Services (primarily Oracle Archive Assessment Fees) | (971) |
| Other | (85) |
| 2013 FC | 18,135 |
| Labor and burdens | 1,024 |
| Bank, insurance and audit Fees | 145 |
| Software MTCE transfer to IT | (77) |
| Other | (155) |
| 2014 Budget | 19,072 |
| Labor and burdens | 369 |
| Audit Fees | 79 |
| Outside Services | (85) |
| Other | 17 |
| 2015 Plan | 19,452 |
| Labor and burdens | 390 |
| Audit Fees | 35 |
| Other | (7) |
| 2016 Plan | 19,870 |
| Labor and burdens | 365 |
| Audit and Bank Fees | 187 |
| Other | 95 |
| 2017 Plan | 20,517 |
| Labor and burdens | 418 |
| Audit Fees | 36 |
| Other | 69 |
| 2018 Plan | 21,040 |



2012-2018 Headcount progression

| | |
|--|-------------------|
| 2012 Headcount | 153 |
| Ops Bud/FC Intern & Proj. Eng. Analyst | 2 |
| Controller Group Intern | 1 |
| Payroll Clerk | <u>(1)</u> |
| 2013 Headcount FC | 155 |
| Dist./Customer Services Budget Analyst | 1 |
| Audit Intern | 1 |
| Payroll Clerk | 1 |
| Financial Systems | <u>-3</u> |
| 2014 Headcount Budget | 155 |
| Audit Intern | (1) |
| 2015 Headcount Plan | 154 |
| 2016 Headcount Plan | 154 |
| 2017 Headcount Plan | 154 |
| 2018 Headcount Plan | <u>154</u> |



Other Balance Sheet Costs (\$000)

| Item | 2012 Actual | 2013 Forecast | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|-------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Local Engineering | | | | | | | |
| Labor | 387 | 109 | - | - | - | - | - |
| Non labor | 51 | 4 | - | - | - | - | - |
| Total | <u>438</u> | <u>113</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Note: Operations Budgeting & Forecast team previously charged local engineering prior to the 2013 departmental re-organization.



PPL companies

Corporate

2014 Business Plan

January 13, 2014

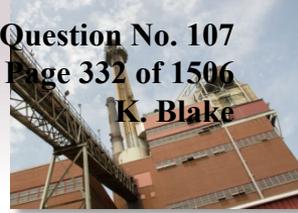


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 - *Operating Expense*

Major Assumptions

- *Pension based on actuarial calculations and assumptions:*
 - *Increases from previous plan driven by change to BB mortality scale, slight lowering of EROA rate, lump sum payouts in 2013 & 2014 and lower asset returns in 2013*
 - *Increases above offset favorable change in discount rate*
- *Medical expense based on experience for 2013 and national average increases of 7.5% annually for 2014-2018*
- *Property insurance increases driven by growth of assets in 2015*
- *Assumed amortization of regulatory assets will continue through plan periods based on rate case activity*
- *Allocation of PPL expenses received 0/13/2014*



Financial Performance

2012-2018 OPEX and Other Expenses (\$000)

| Operating Expenses | 2012 Actual | 2013 Actual | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|---|----------------|----------------|----------------|--------------|--------------|--------------|--------------|
| Pension/Post Retirement | 39 | 41 | 35 | 36 | 34 | 33 | 32 |
| Medical/Dental | 21 | 27 | 29 | 31 | 34 | 36 | 39 |
| Payroll taxes | 17 | 18 | 22 | 22 | 23 | 24 | 24 |
| 401k Drop In | 9 | 10 | 11 | 11 | 12 | 12 | 13 |
| Other Benefits | 4 | 7 | 7 | 8 | 8 | 8 | 9 |
| PPL Expense Allocation | 14 | 13 | 14 | 14 | 14 | 14 | 14 |
| Incentive Compensation | 15 | 14 | 13 | 13 | 13 | 13 | 14 |
| Insurance Expense | 11 | 13 | 12 | 15 | 17 | 18 | 20 |
| Amortization of Storm expense | 14 | 15 | 15 | 15 | 15 | 14 | 13 |
| LGE Center and Other Facilities Expense | 3 | 3 | 10 | 10 | 10 | 10 | 10 |
| | | | | | | | |
| A&G Transfer Credit | (6) | (8) | (9) | (9) | (9) | (9) | (9) |
| IMEA/IMPA billings | (13) | (13) | (15) | (15) | (16) | (16) | (16) |
| Other | 6 | 6 | 5 | 4 | 5 | 5 | 6 |
| Totals | 135 | 146 | 150 | 157 | 161 | 165 | 169 |
| | | | | | | | |
| Other (Income) and Expense | | | | | | | |
| Other Income | (5) | (3) | (4) | (3) | (4) | (4) | (3) |
| PPL Expenses - External Affairs | 1 | - | - | - | - | - | - |
| Other Expenses | 1 | 1 | 2 | 2 | 2 | 2 | 1 |
| Totals | (2) | (2) | (2) | (2) | (2) | (2) | (2) |



2014-2018 OPEX/Other Expense Reconciliation (\$000)

| <u>Operating Expenses</u> | 2014 Budget | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan |
|--|----------------|--------------|--------------|--------------|--------------|
| Prior Plan | 151 | 142 | 143 | 149 | 152 |
| Drivers: | | | | | |
| Pension/Post Retirement | 0 | 8 | 11 | 11 | 10 |
| Payroll Taxes | 2 | 2 | 2 | 3 | 3 |
| A&G Transfer Credit | (1) | (1) | (1) | - | - |
| IMEA/IMPA billings | (1) | (1) | (2) | - | - |
| LGE Center and Other Facilities Expense | - | - | (1) | (1) | (1) |
| Contingency | - | 4 | 7 | 1 | 2 |
| PPL Expense Allocation | 1 | 1 | 1 | 1 | 1 |
| Other | (2) | 1 | 1 | 2 | 2 |
| Current Plan | <u>150</u> | <u>157</u> | <u>161</u> | <u>165</u> | <u>169</u> |
| <u>Other (Income) and Expense</u> | | | | | |
| Prior Plan | (0) | (0) | (0) | 0 | 0 |
| Drivers: | | | | | |
| PPL Expenses - External Affairs | (1) | (1) | (1) | (1) | (1) |
| Other | (1) | (1) | (1) | (1) | (1) |
| Current Plan | <u>(2)</u> | <u>(2)</u> | <u>(2)</u> | <u>(2)</u> | <u>(2)</u> |



2014 Plan Assumptions

- Rate case filings:
 - KPSC and Virginia rate cases, ECR and GLT.
 - File in KY every two years with rate relief effective January 2015 and January 2017.
 - File in Virginia every two years with rate relief effective January 2014 and January 2016.
 - Maintain demand side management.
 - Maintain FERC formulary rates for KY municipals with rates reset each July 1
- ECR Future Filing:
 - July 1, 2014 [Mill Creek & Brown Landfills, Brown 1&2 Mercury Mitigation Injection System, CCRs, Water Intake 316b and Effluent Water Guidelines].
- Load forecasts reflect lower energy volumes and demand charges from previous plan amounts for the 2014 - 2018 period consistent with 2013 results
- 5-year CAGR retail electric load growth under 1.0 percent [weather-normalized]; retail gas load decline of -0.7 percent [weather-normalized].
- Utility capital structure maintained at 53 percent equity; Utility dividend policy equal to 65 percent of net income with LKE dividends to PPL factoring in the cash position of the LG&E and KU holding company.
- Combined cycle plant of 640 MW commercial operation May 1, 2015 [\$550 million].
- Combined cycle plant of 670 MW commercial operation May 1, 2018 [\$682 million].
- LIBOR rate assumptions in planning period.

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------|-------------|-------------|-------------|-------------|-------------|
| 3 Mo LIBOR | 0.38% | 0.79% | 1.70% | 2.61% | 3.30% |

- Three sources of short-term debt ("STD")

| <u>Source of STD</u> | <u>Assumed STD rate</u> |
|---|-------------------------|
| Commercial Paper Program | LIBOR plus 20 bps |
| \$75 Million LKE local and regional bank facility | LIBOR plus 150 bps |
| \$300 Million PPL Line | LIBOR plus 150 bps |

- Long-term interest rates of 10-Year Treasury plus 0.95 percent.

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| 10 Yr Treasury | 3.75% | 4.25% | 4.50% | 4.75% | 5.00% |

- Newly issued long-term debt rates for Utilities [five basis points for issuance costs included].

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Rate on New Issues | 4.70% | 5.20% | 5.45% | 5.70% | 5.95% |
| Issuance costs | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| Total | <u>4.75%</u> | <u>5.25%</u> | <u>5.50%</u> | <u>5.75%</u> | <u>6.00%</u> |

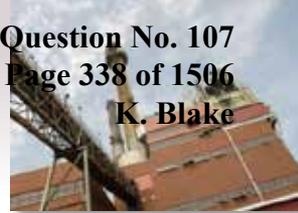
- Pension expense based on Towers Watson actuarial analysis.
- CO₂ / Renewable Portfolio Standard legislation not effective for the Plan period.



PPL companies

2013 Business Plan Electric Sales Forecast

July 11, 2012



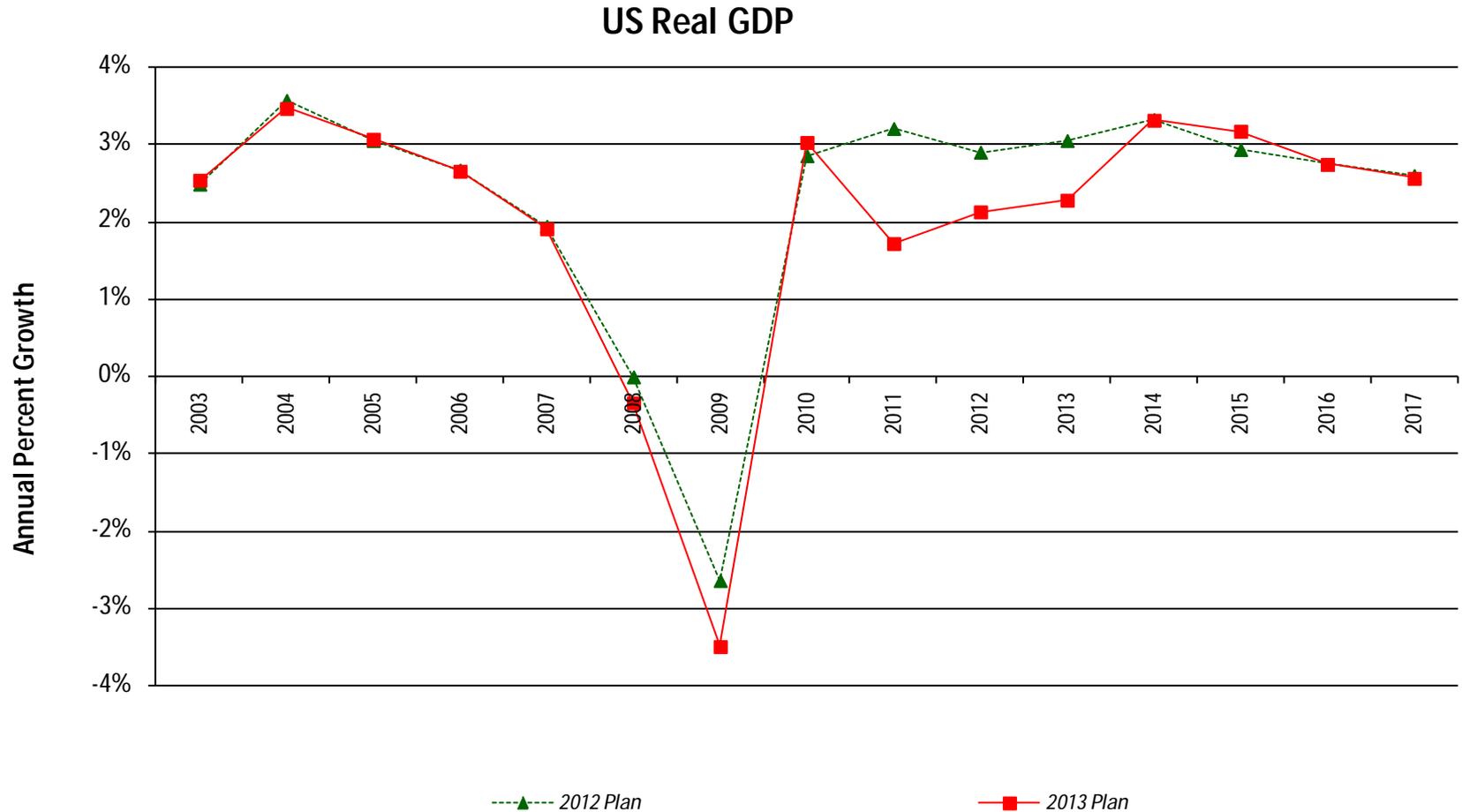
Key observations in 2012 – Industrials still stronger than commercial sector

- *Compared to the first five months of 2011, total industrial sales are 6.5% (241 GWh) in January – May 2012*
- *North American Stainless showed strong production through June 2012 with expectation to stay at current levels through the forecast period.*
- *Carbide returns to full load in 2012 after explosion and shutdown in 2011*
- *Commercial sales continue to struggle. The recovery that was expected in 2011 has not been realized.*

Global, National and State economy still have not reached stable footing

- *Destabilization in the Eurozone, including a Greek exit, contributes to dampened US GDP predictions.*
- *US is not currently expected to imitate European recession, but the threat of a recession in late 2012 or early 2013 is still considered a possibility by some forecasters.*
- *Kentucky has gained 70,000 jobs in the last two years, but needs to gain 50,000 more jobs to reach December 2007 levels.*
 - *Many of the new manufacturing jobs pay less than the jobs that were lost.*
- *The lending outlook has worsened in the last year. Small business lending is area of greatest concern.*
- *Personal Income for Kentucky residents did not grow in 2011 despite growth in GSP*

US GDP forecast is lower in 2013 Plan



Manufacturing and employment growth are bright spots for Kentucky economy

- *In April 2012, Kentucky unemployment declined to 8.3% from 10.4% in February 2011.*
 - *Unemployment was not expected to fall to this level until 2014.*
 - *The unemployment figure is bolstered by a decrease in labor force participation.*
- *Manufacturing employment grew consistently over the past 12 months*
- *Kentucky's Industrial Production Index increased by 4.9% from 2011Q2 to 2012Q2 which is stronger growth than the average year-over-year growth over the last two years*
- *Lower vacancy rates, increased housing permits, point towards a possible uptick in construction demand in forthcoming years*

Balance of 2012 expected to be in line with 2012 Plan

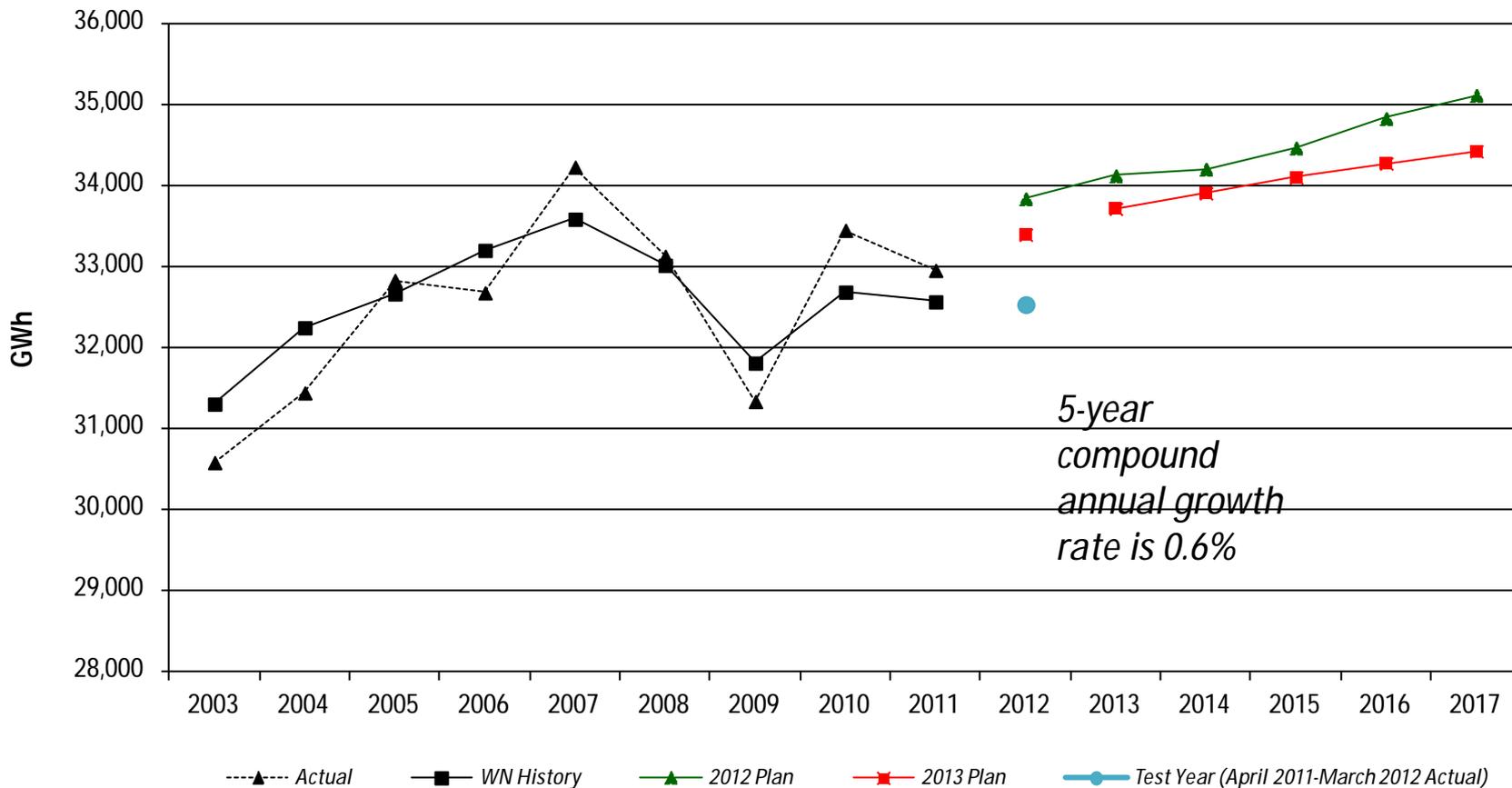
| Class | May - Dec 2012 | | | |
|----------------------------|--------------------|--------------------|-------------------|--------------|
| | 2013 Plan (GWh) | 2012 Plan (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 7,083 | 6,827 | 256 | 3.7% |
| <i>Commercial</i> | 7,261 | 7,516 | (256) | -3.4% |
| <i>Industrial</i> | 6,891 | 6,610 | 281 | 4.3% |
| <i>Municipals/Lighting</i> | 1,224 | 1,548 | (324) | -20.9% |
| Total | 22,458 | 22,502 | (43) | -0.2% |

| Company | May - Dec 2012 | | | |
|-----------------|--------------------|--------------------|-------------------|--------------|
| | 2013 Plan (GWh) | 2012 Plan (GWh) | Variance (GWh) | Pct Var |
| <i>KU/ODP</i> | 14,097 | 14,368 | (271) | -1.9% |
| <i>LG&E</i> | 8,361 | 8,133 | 228 | 2.8% |
| Total | 22,458 | 22,502 | (43) | -0.2% |



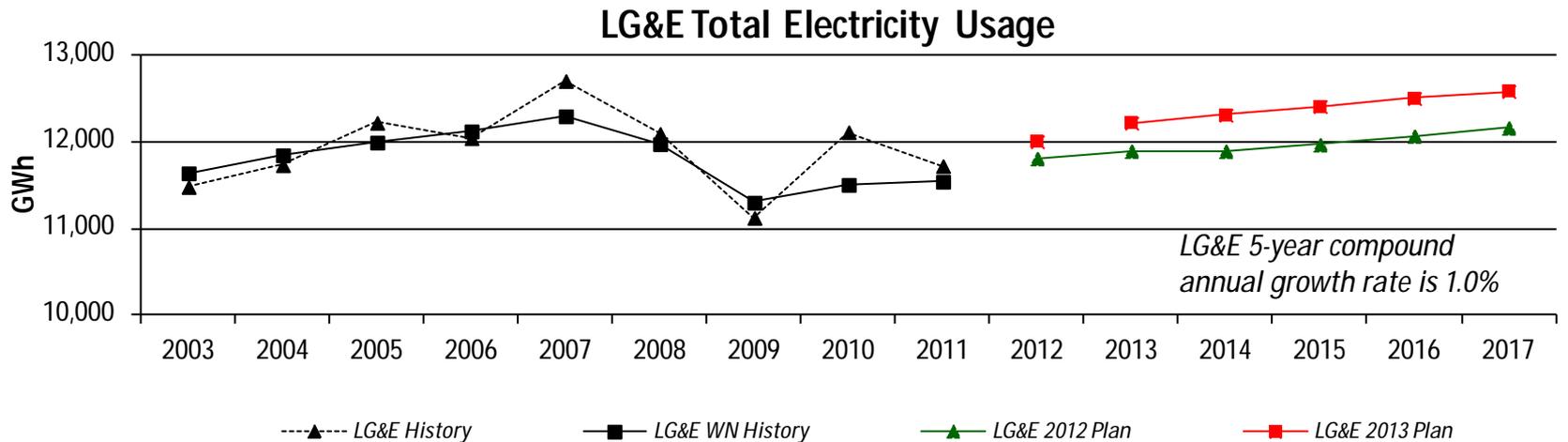
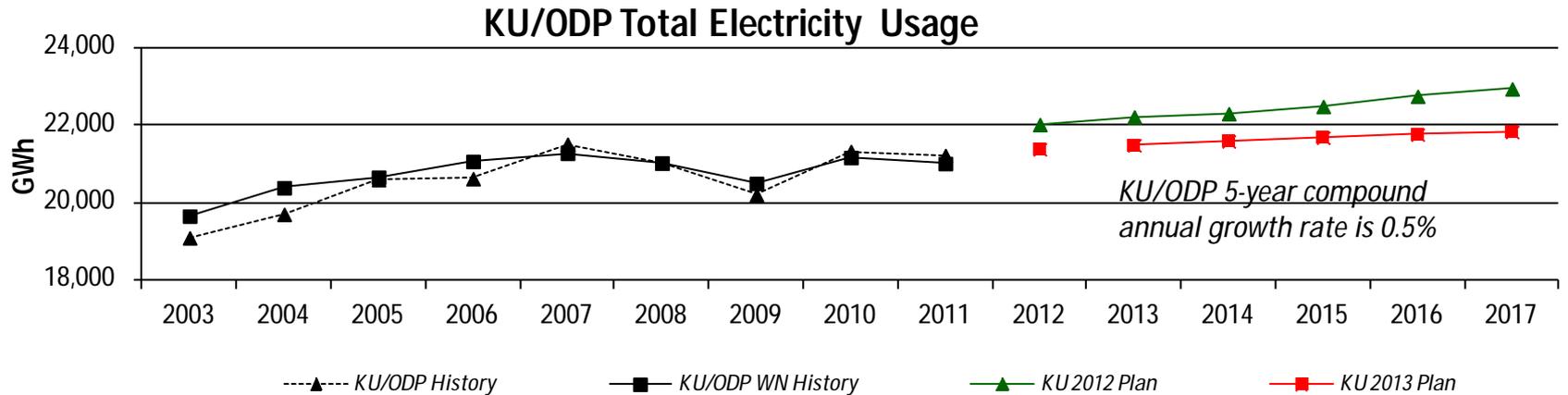
2013 Business Plan impacted by lower economic and commercial growth

Combined Company Total Electricity Usage



* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast

KU decline driven by commercial sector; LG&E growth in industrial class

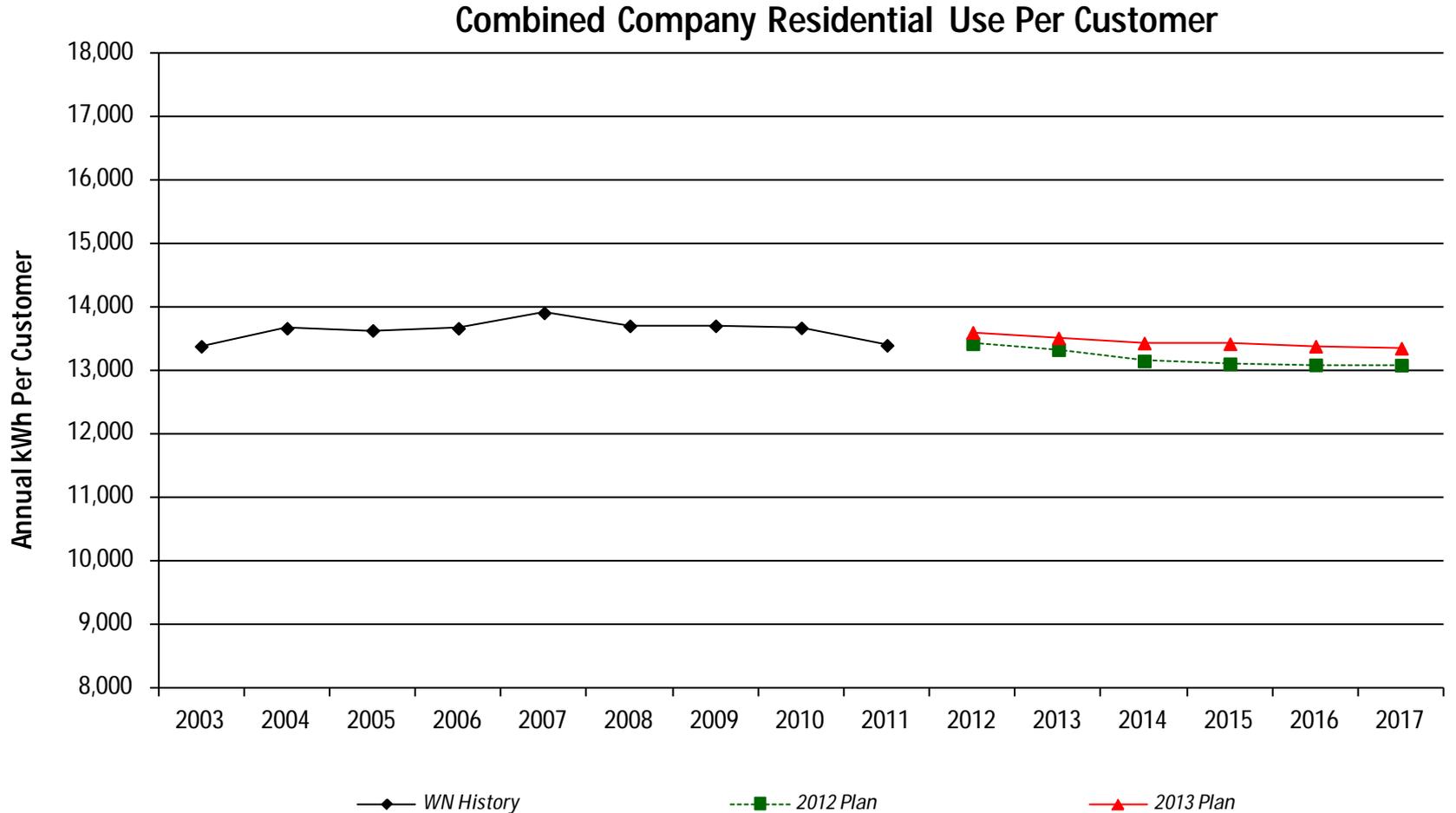


* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

RS Customer growth rate largely consistent with 2012 plan but starting at a lower level

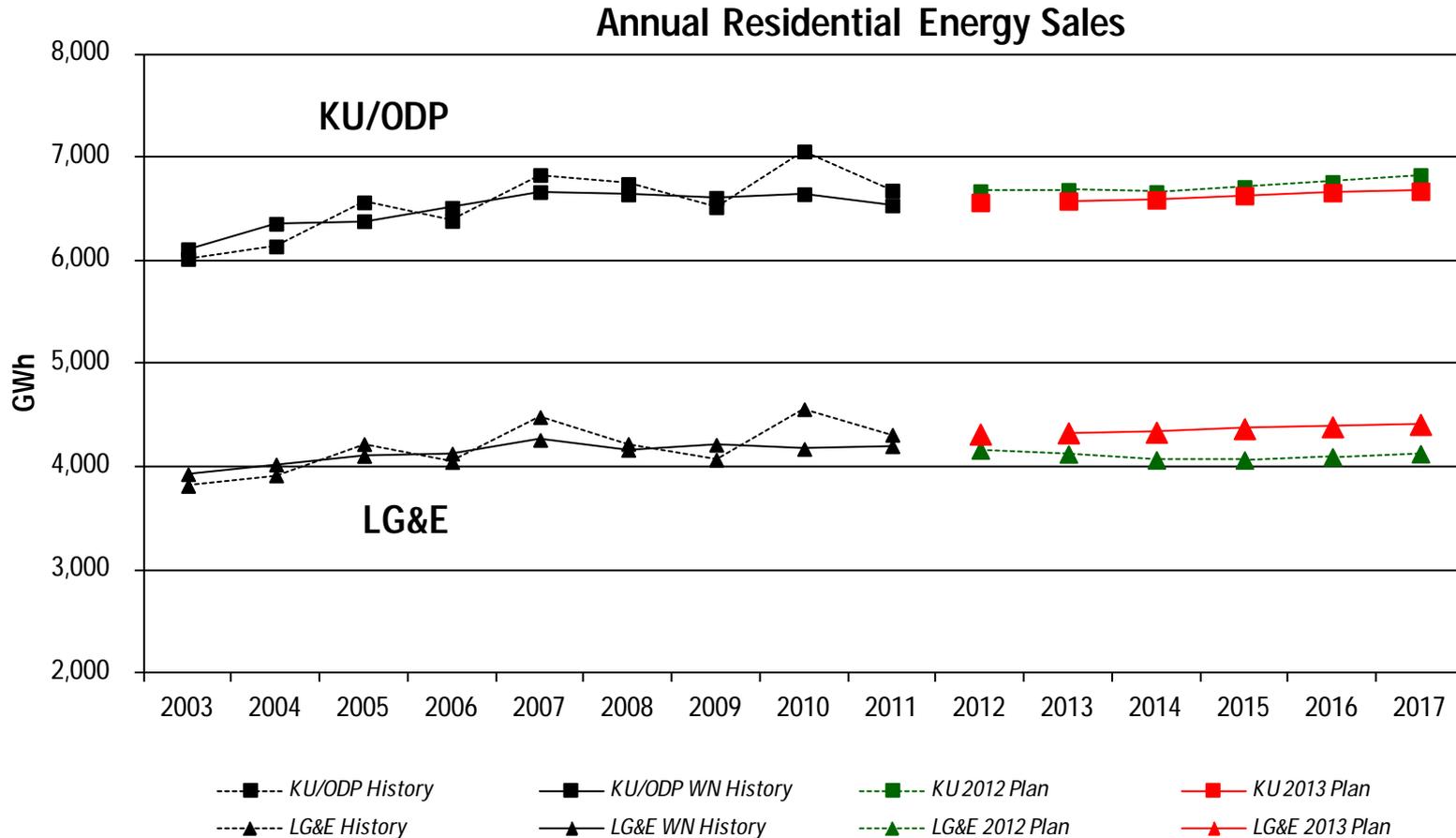


Residential Use Per Customer slightly higher than 2012 Plan



* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

LG&E residential forecast slightly higher than prior plan



* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

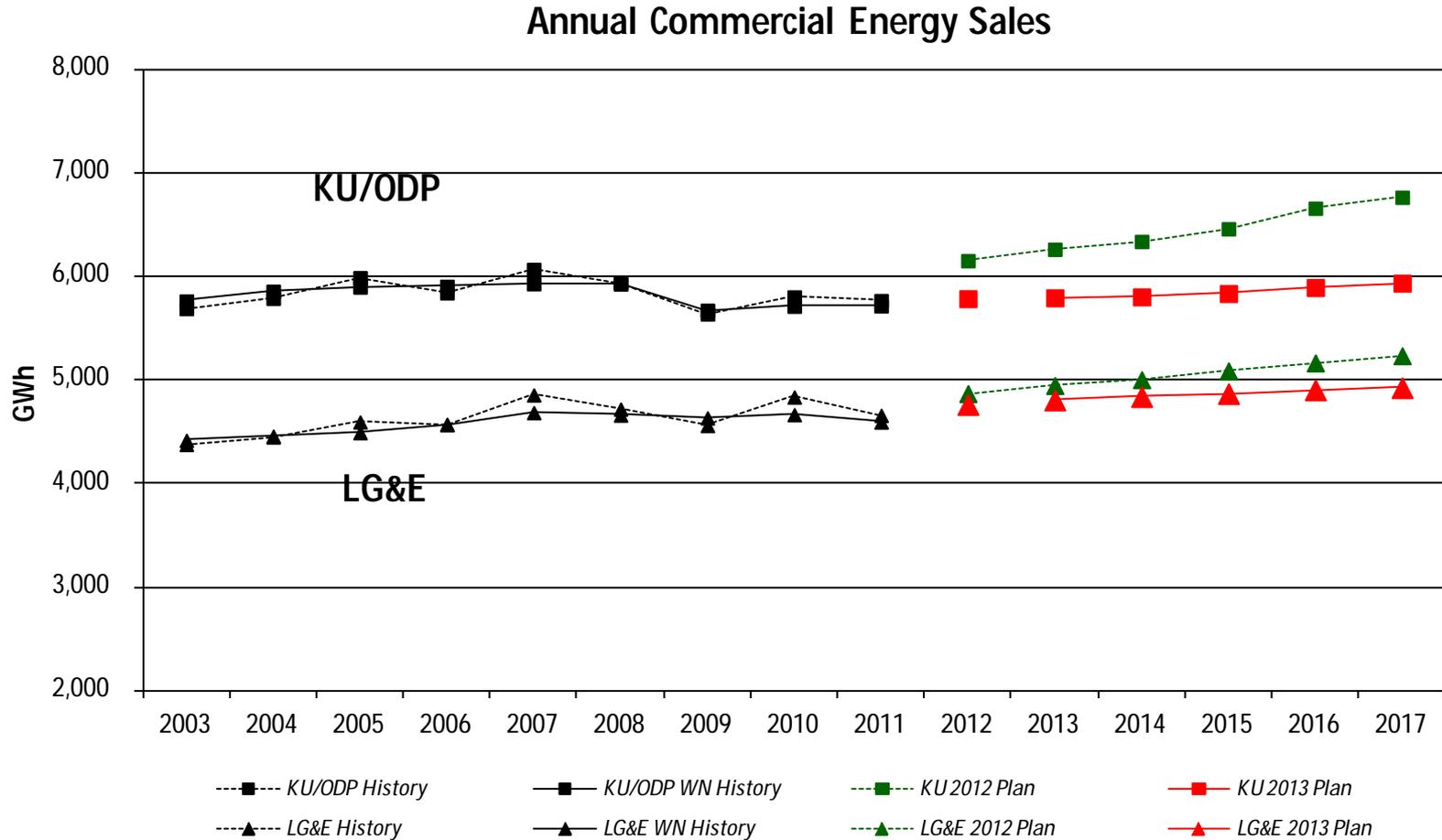
Economic inputs continue to be a drag on residential outlook

| KU Residential Variance (Plan to Plan) | | | | | |
|--|-------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| 2012 Plan (GWh) | 6,687 | 6,667 | 6,715 | 6,764 | 6,831 |
| <i>Customer usage and modeled efficiencies</i> | 52 | 67 | 31 | 31 | 8 |
| <i>Economic inputs</i> | (135) | (126) | (94) | (104) | (110) |
| <i>Customer count</i> | (26) | (19) | (21) | (31) | (56) |
| 2013 Plan (GWh) | 6,579 | 6,589 | 6,631 | 6,660 | 6,674 |

| LG&E Residential Variance (Plan to Plan) | | | | | |
|--|-------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| 2012 Plan (GWh) | 4,125 | 4,068 | 4,067 | 4,098 | 4,127 |
| <i>Customer usage and modeled efficiencies</i> | 251 | 312 | 352 | 354 | 369 |
| <i>Economic inputs</i> | (22) | (28) | (33) | (40) | (46) |
| <i>Customer count</i> | (24) | (17) | (15) | (23) | (39) |
| 2013 Plan (GWh) | 4,331 | 4,336 | 4,371 | 4,389 | 4,412 |



Reduction in KU large commercial outlook is key driver of lower commercial forecast



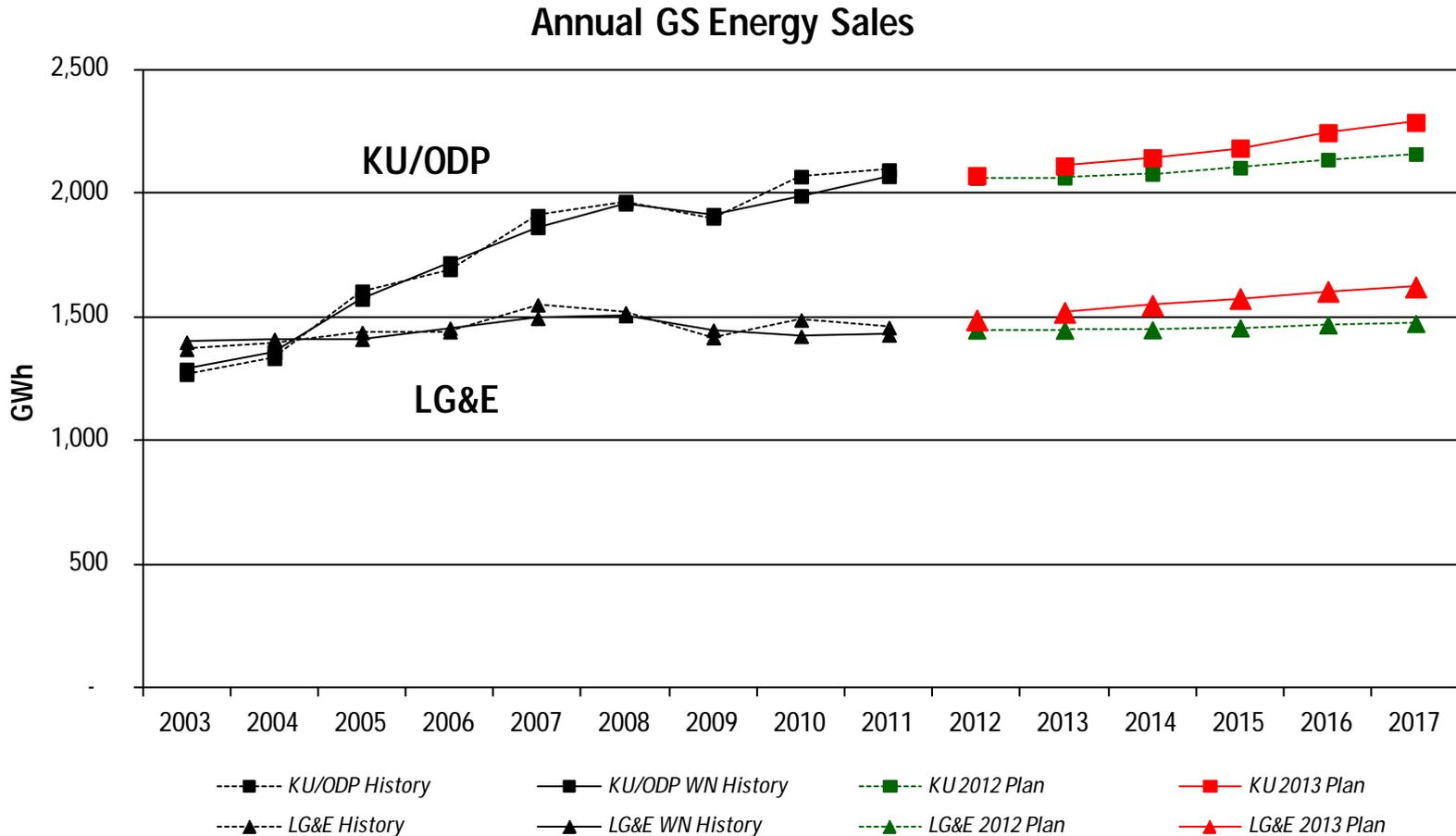
* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast

Employment indices driving KU large commercial usage lower

| KU Commercial Variance (Plan to Plan) | | | | | |
|--|-------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| 2012 Plan (GWh) | 6,262 | 6,338 | 6,460 | 6,659 | 6,764 |
| <i>Customer usage and modeled efficiencies</i> | (15) | 21 | 75 | 128 | 182 |
| <i>Economic inputs</i> | (362) | (437) | (544) | (714) | (823) |
| <i>Customer count</i> | (91) | (118) | (154) | (180) | (188) |
| 2013 Plan (GWh) | 5,794 | 5,803 | 5,836 | 5,894 | 5,935 |

| LG&E Commercial Variance (Plan to Plan) | | | | | |
|--|-------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| 2012 Plan (GWh) | 4,947 | 5,004 | 5,089 | 5,165 | 5,235 |
| <i>Customer usage and modeled efficiencies</i> | 22 | 48 | 64 | 94 | 107 |
| <i>Economic inputs</i> | (157) | (205) | (272) | (347) | (413) |
| <i>Customer count</i> | (6) | (7) | (11) | (7) | (3) |
| 2013 Plan (GWh) | 4,807 | 4,839 | 4,869 | 4,905 | 4,926 |

Small commercial growth higher than prior plan

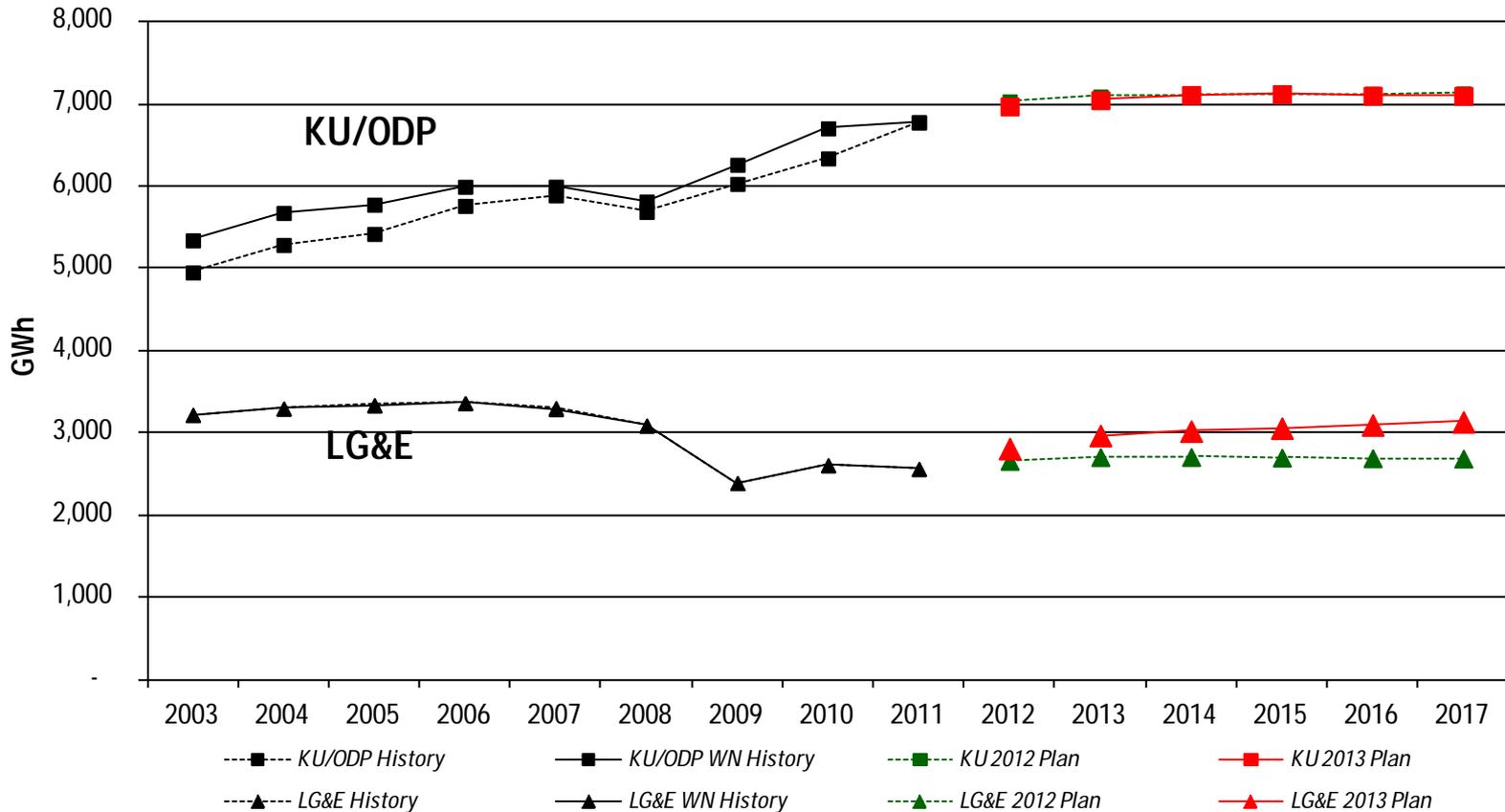


* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast



LG&E industrial growth driven by return of Carbide and growth at Ford and GE

Annual Industrial Energy Sales



* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

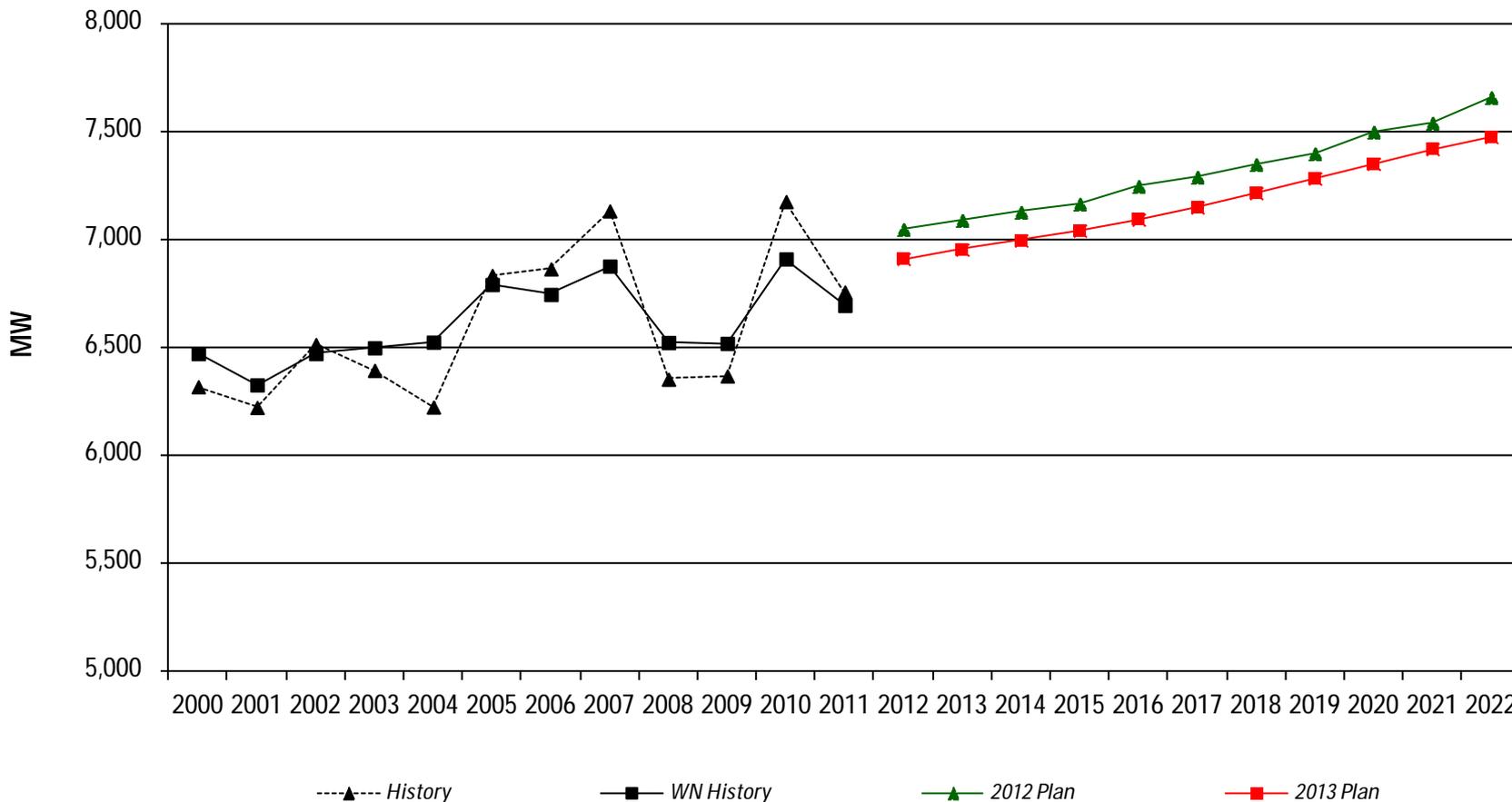
Carbide and other major accounts driving LG&E industrials higher

| | LG&E Industrial Variance (Plan to Plan) | | | | |
|--|---|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| 2012 Plan (GWh) | 2,708 | 2,709 | 2,702 | 2,695 | 2,690 |
| <i>Economic inputs - Manufacturing</i> | 37 | 78 | 115 | 157 | 196 |
| <i>Carbide</i> | 166 | 168 | 171 | 174 | 177 |
| <i>Other Major Accounts</i> | 59 | 69 | 72 | 73 | 73 |
| 2013 Plan (GWh) | 2,970 | 3,024 | 3,060 | 3,098 | 3,136 |



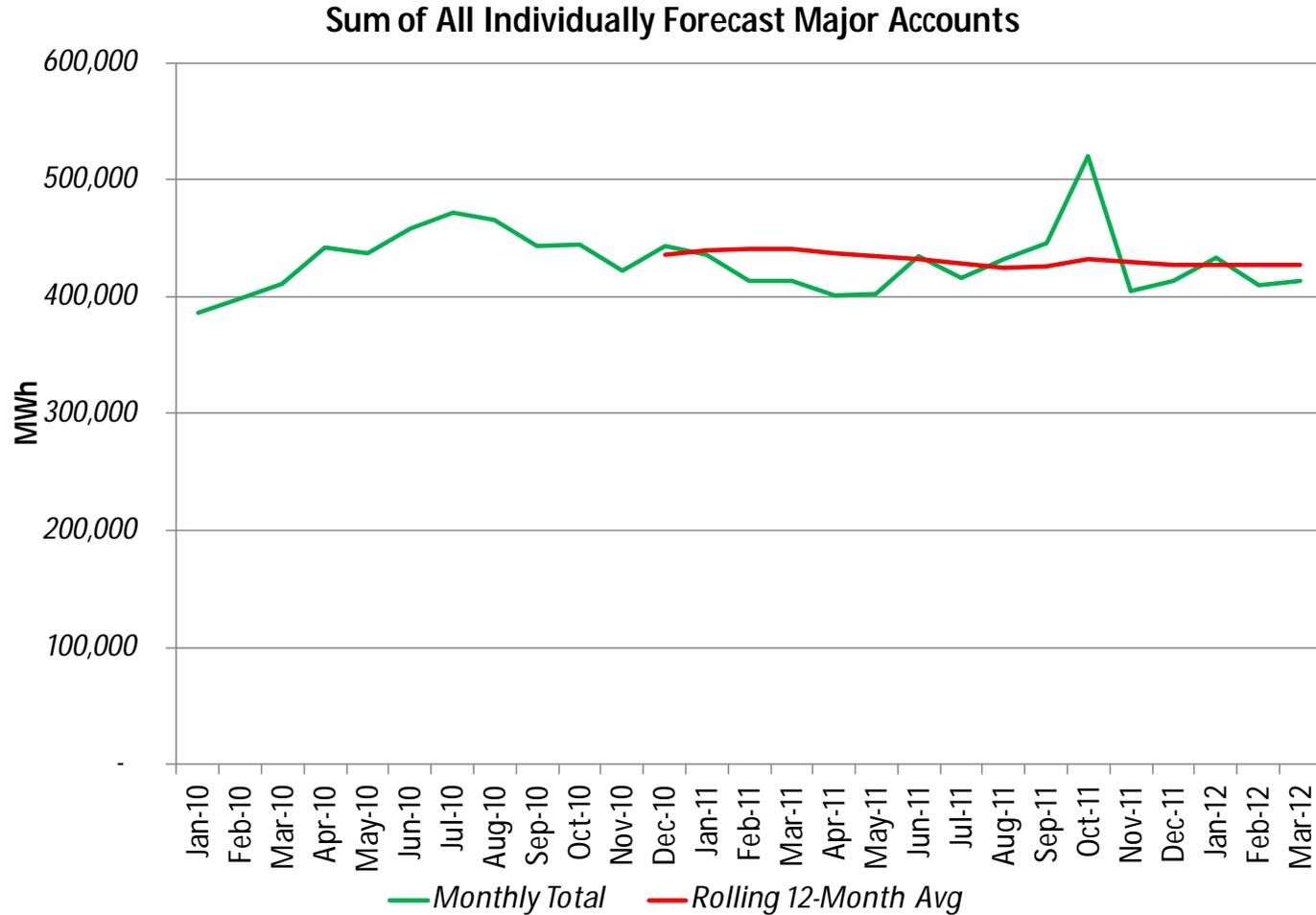
Lower peak demand in 2013 Plan consistent with lower energy forecasts

Combined Company Summer Peak Demand - 10 Year View



Appendix





7/11/2012



PPL companies

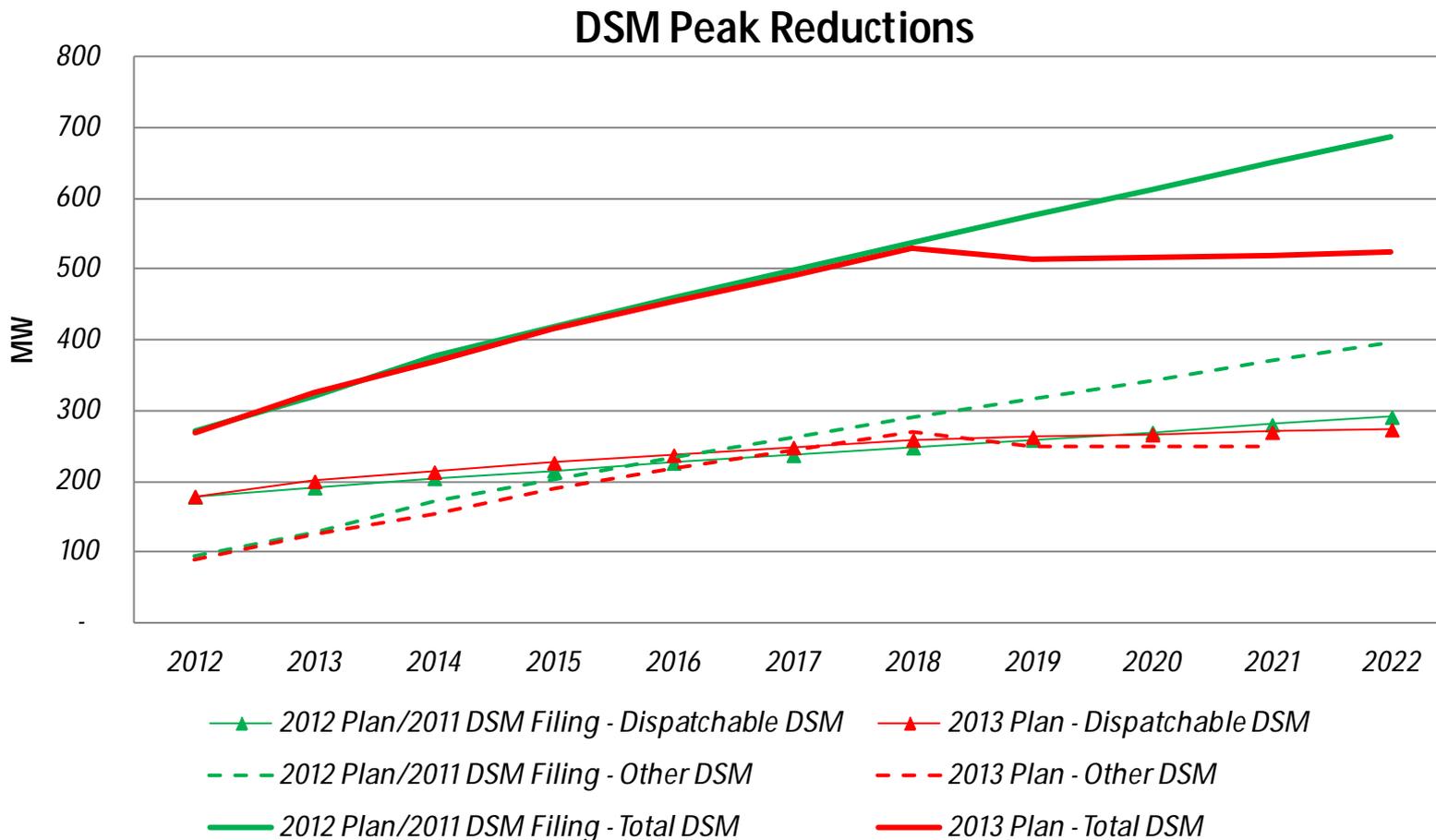
Notable Changes in Major Account Forecasts for 2013

- *The 2013 BP is expecting higher usage from Carbide, Ford, Toyota, and GE*
- *19 of 26 individually forecasted major accounts have remained relatively flat from 2011 usage*
- *0 of 26 are expected to have a double-digit percentage decrease in usage; the 2012 MTP included below normal usage from Carbide and Ford LAP*
- *Recent completion of retooling is resulting in high output of Escapes from Ford LAP; Toyota also expects increase in demand as the auto industry recovers*
- *New product lines at GE means a boost in electricity usage; Expansion plans underway at Corning will result in increased usage in 2013 and beyond*

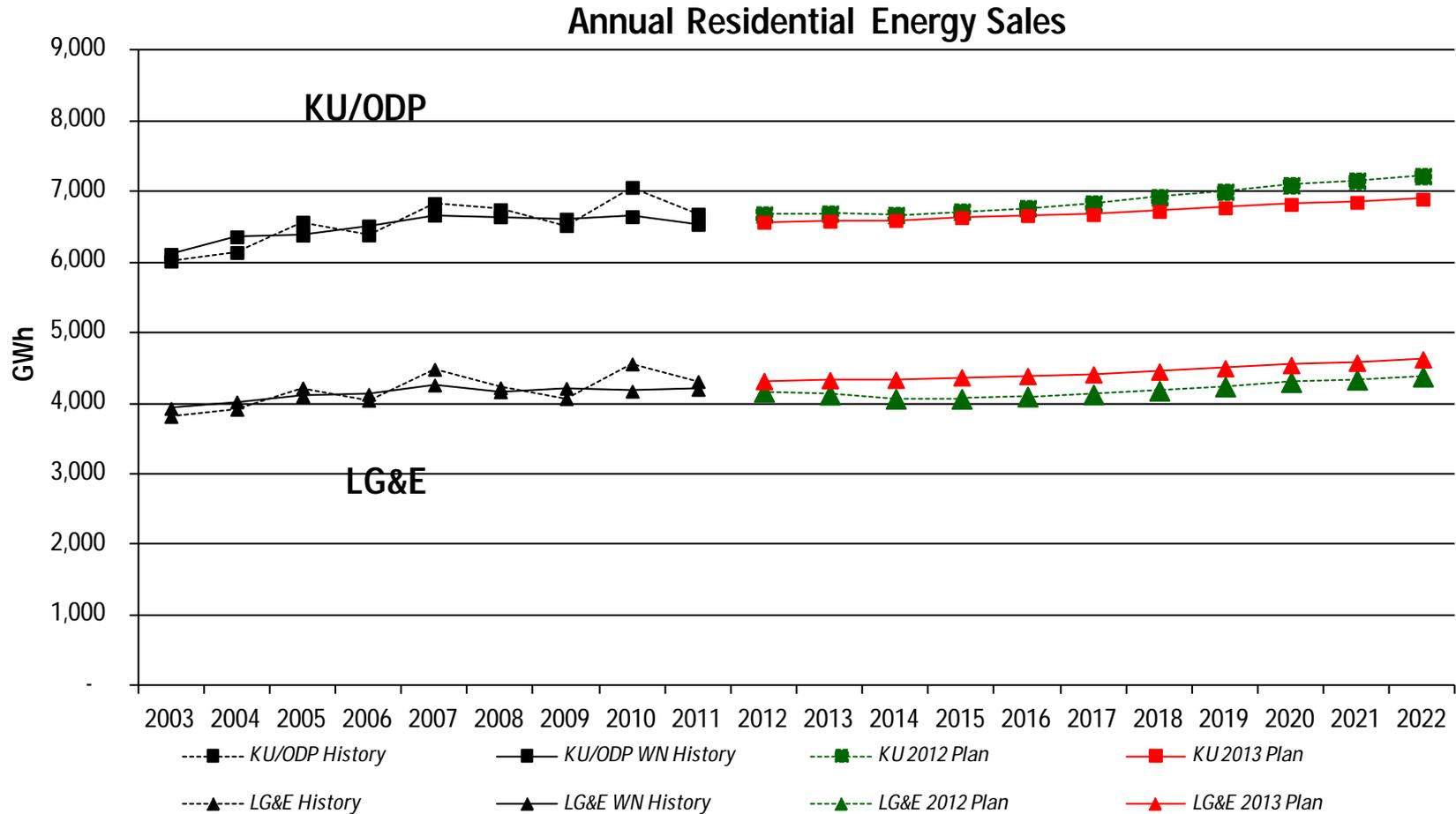
| Biggest Gainers (GWh) | 2011 Usage | 2013 BP | Delta |
|------------------------------|-------------------|----------------|--------------|
| <i>Carbide</i> | <i>75</i> | <i>277</i> | <i>202</i> |
| <i>Ford LAP</i> | <i>54</i> | <i>130</i> | <i>76</i> |
| <i>Toyota</i> | <i>395</i> | <i>445</i> | <i>49</i> |
| <i>General Electric</i> | <i>163</i> | <i>198</i> | <i>35</i> |
| <i>Corning</i> | <i>74</i> | <i>106</i> | <i>32</i> |



DSM assumptions for 2013 Plan consistent with 2011 DSM filing

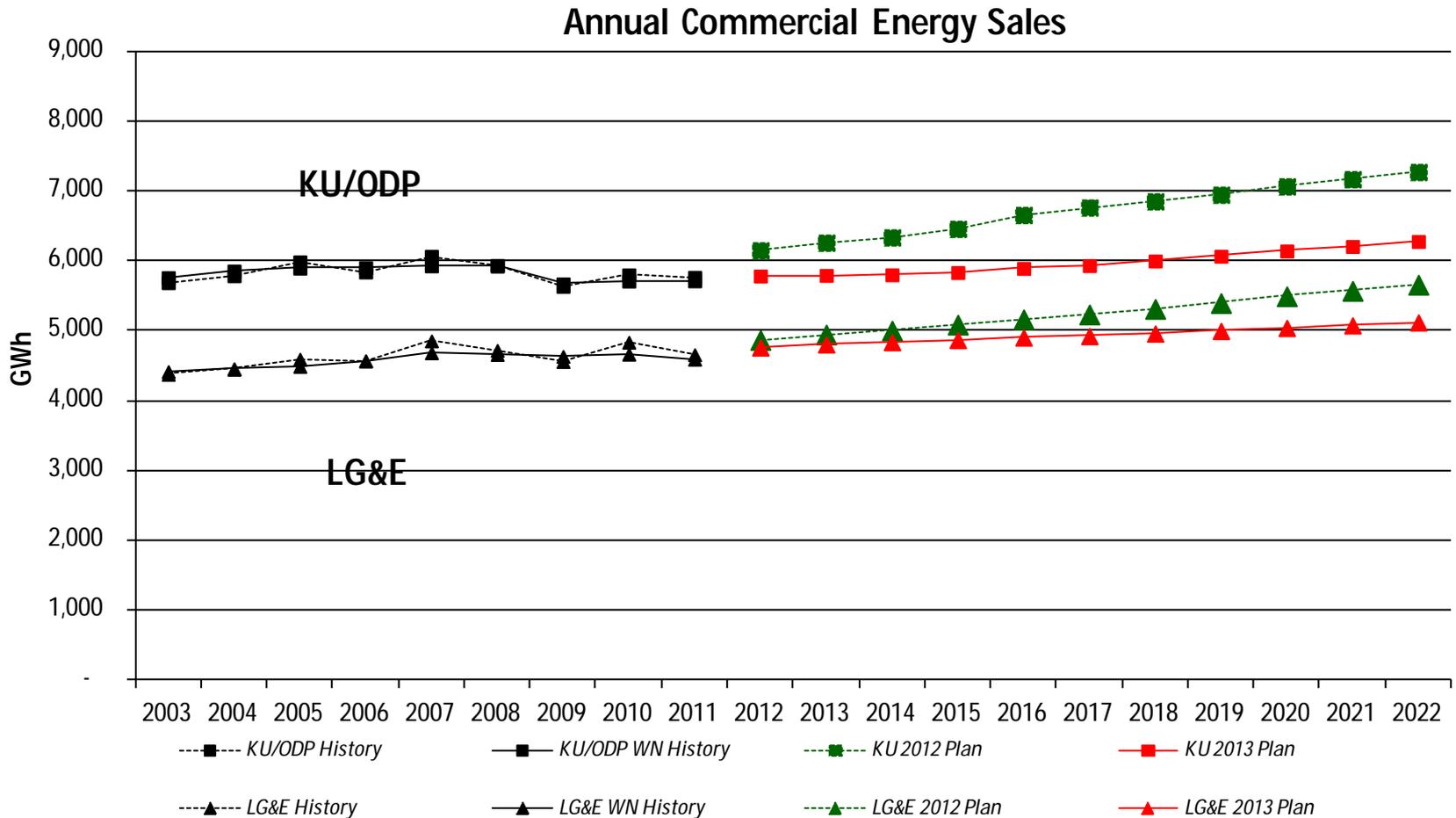


Residential growth – 10 year view



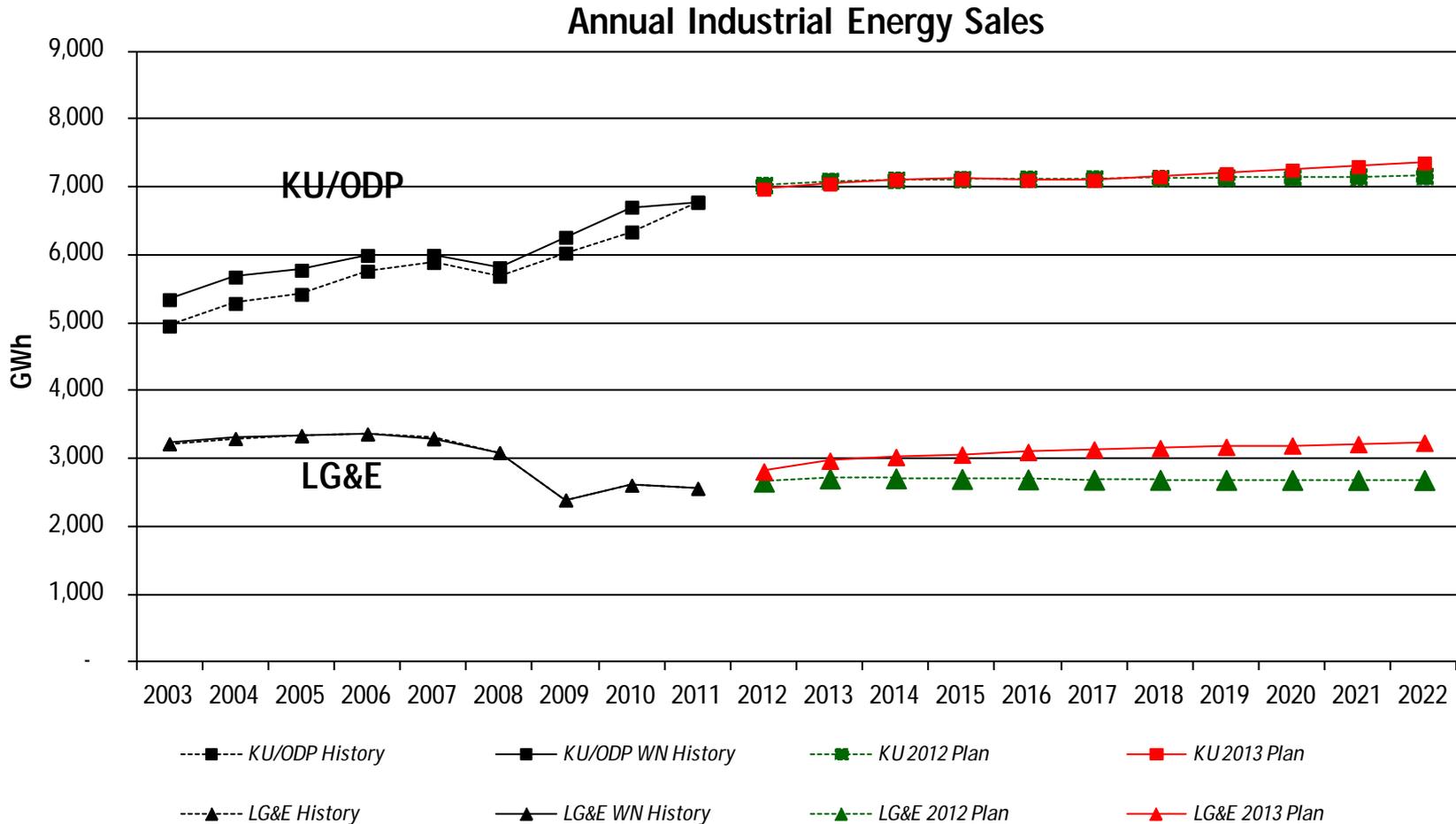
* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

Commercial growth lower in 2013 Plan



* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

LG&E industrial growth driven by Major Accounts



* In 2013 Plan forecast, 2012 value is a weather-normalized 4+8 forecast.

Balance of Year and 2013 Variance by Company

| June - Dec 2012 | | | | | |
|-----------------|---------------|---------------|----------------|-------------|--|
| Company | 2013 BP (GWh) | 2012 BP (GWh) | Variance (GWh) | Pct Var | |
| <i>KU/ODP</i> | 12,603 | 12,781 | (178) | -1.4% | |
| <i>LG&E</i> | 7,494 | 7,267 | 227 | 3.1% | |
| Total | 20,097 | 20,048 | 49 | 0.2% | |

| Billed Energy Use in 2013 | | | | | |
|---------------------------|---------------|---------------|----------------|--------------|--|
| Company | 2013 BP (GWh) | 2012 BP (GWh) | Variance (GWh) | Pct Var | |
| <i>KU/ODP</i> | 21,491 | 22,223 | (732) | -3.3% | |
| <i>LG&E</i> | 12,219 | 11,897 | 322 | 2.7% | |
| Total | 33,710 | 34,120 | (410) | -1.2% | |

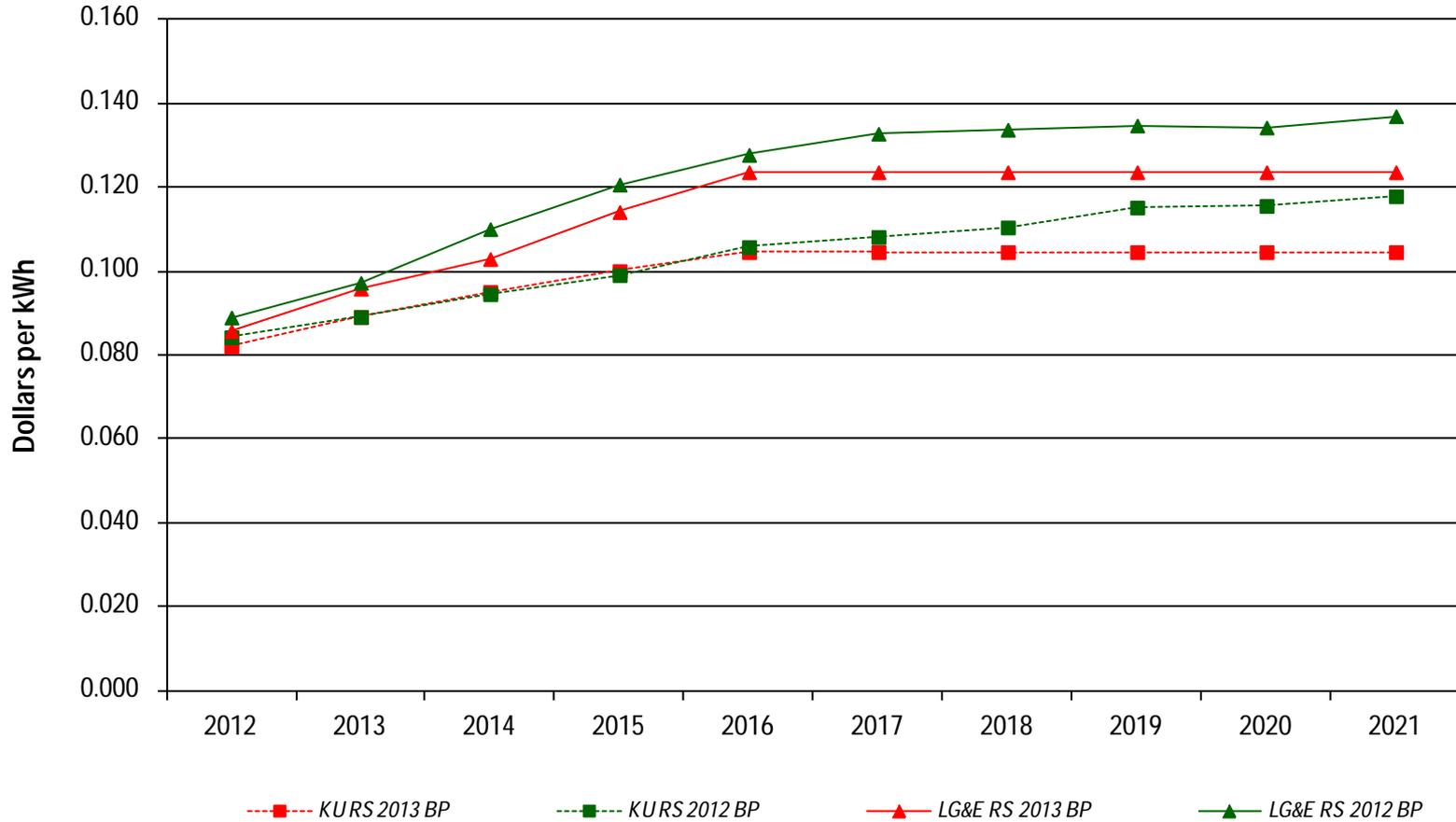
Customers by Rate

| | | 2012 | Prediction for 2013 | | | 2012 | Prediction for 2013 |
|----|----------|----------------|---------------------|------|----------|----------------|---------------------|
| KU | AES | 715 | 638 | LG&E | CPS-Pri | 53 | 59 |
| | GS | 84,597 | 85,513 | | CPS-Sec | 2,574 | 2,464 |
| | LTOD-Pri | 53 | 56 | | CTOD-Pri | 29 | 31 |
| | PS-Pri | 319 | 291 | | CTOD-Sec | 116 | 148 |
| | PS-Sec | 5,641 | 5,204 | | GS | 43,615 | 44,507 |
| | RS | 444,369 | 450,837 | | IPS-Pri | 27 | 24 |
| | RTS | 46 | 46 | | IPS-Sec | 284 | 242 |
| | SQF | 2 | 2 | | ITOD-Pri | 61 | 76 |
| | TES | 721 | 443 | | ITOD-Sec | 47 | 64 |
| | TOD-Pri | 120 | 142 | | LES | 163 | 167 |
| | TOD-Sec | 148 | 191 | | LEV | 3 | 8 |
| | | <u>536,731</u> | <u>543,362</u> | | RS | 352,304 | 355,770 |
| | | | | | RTS | 11 | 11 |
| | | | | | TES | 897 | 910 |
| | | | | | | <u>400,188</u> | <u>404,479</u> |

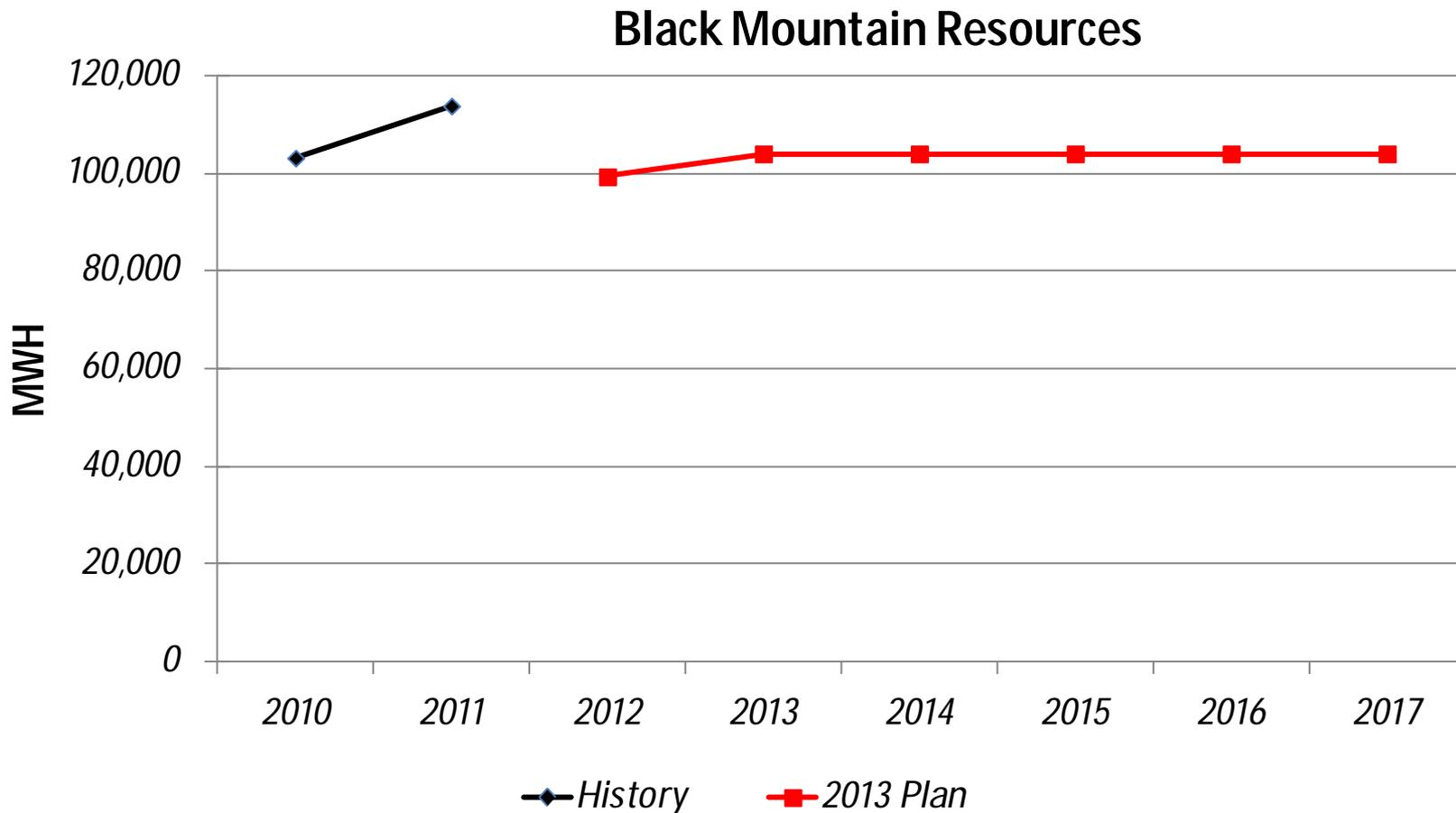


Residential Rates slightly lower in 2013 Plan

Residential Rates by Company



Black Mountain Resources' decline typical of mining customers

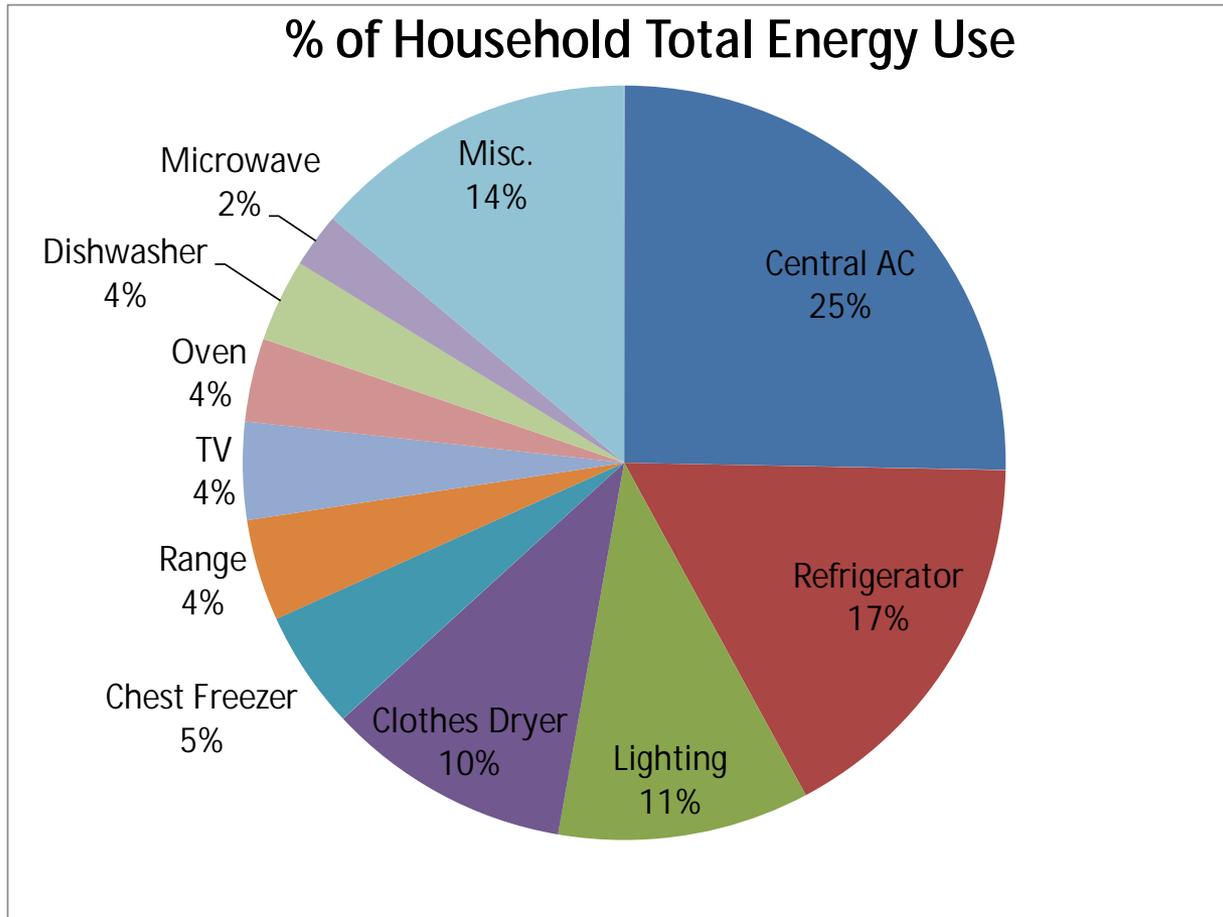


Year-Over-Year change in SAE model inputs

| Employment, Total Nonfarm | | Households, Total | | Population | | Real Gross State Product (GSP) | | Real Per Capita Personal Income | | Real Personal Income | | |
|----------------------------|-----------------|----------------------------|-----------------|----------------------------|-----------------|--------------------------------|-----------------|---------------------------------|-----------------|----------------------------|-----------------|---------|
| % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | |
| -0.21% | | -0.33% | | -0.18% | | 1.49% | | -3.77% | | -3.94% | | |
| 2012 Prediction | 2011 Prediction | 2012 Prediction | 2011 Prediction | 2012 Prediction | 2011 Prediction | 2012 Prediction | 2011 Prediction | 2012 Prediction | 2011 Prediction | 2012 Prediction | 2011 Prediction | |
| 2011 Q2 | 1,788 | 1,799 | 1,730 | 1,732 | 4,369 | 4,373 | 146,958 | 144,066 | 29.5 | 30.6 | 128,939 | 133,723 |
| 2012 Q2 | 1,829 | 1,833 | 1,742 | 1,748 | 4,394 | 4,402 | 150,072 | 147,865 | 29.7 | 30.9 | 130,559 | 135,917 |
| 2013 Q2 | 1,862 | 1,862 | 1,754 | 1,764 | 4,422 | 4,432 | 153,466 | 151,684 | 30.4 | 31.3 | 134,266 | 138,811 |
| 2014 Q2 | 1,894 | 1,894 | 1,767 | 1,782 | 4,452 | 4,464 | 158,257 | 156,048 | 31.0 | 32.1 | 138,182 | 143,226 |
| 2015 Q2 | 1,925 | 1,921 | 1,782 | 1,801 | 4,484 | 4,497 | 163,219 | 160,249 | 31.7 | 32.9 | 141,925 | 148,018 |
| 2016 Q2 | 1,954 | 1,947 | 1,797 | 1,820 | 4,517 | 4,529 | 167,640 | 164,365 | 32.3 | 33.8 | 145,805 | 153,056 |
| 2017 Q2 | 1,978 | 1,961 | 1,810 | 1,826 | 4,551 | 4,562 | 171,381 | 168,018 | 32.8 | 34.6 | 149,166 | 157,635 |

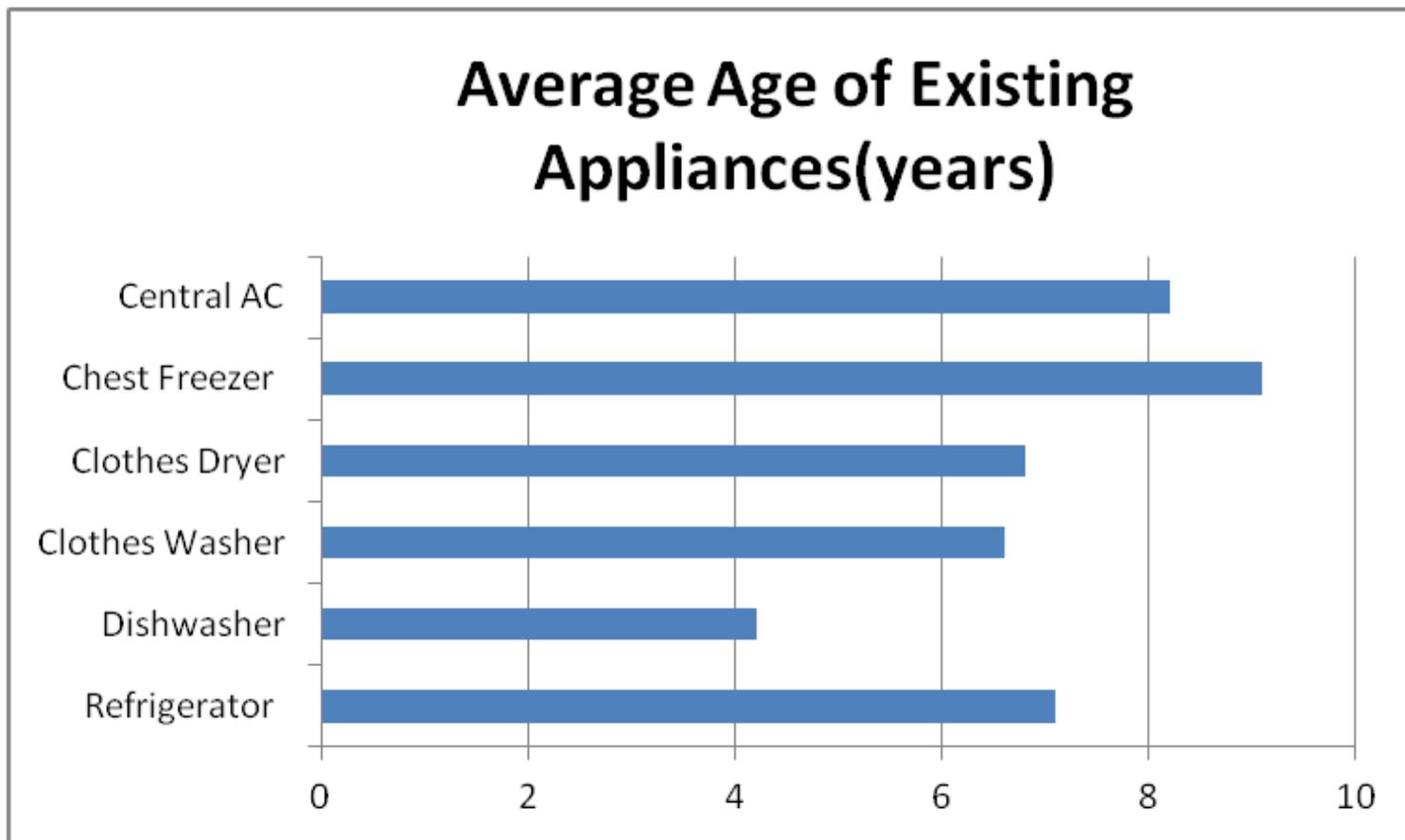
*All Estimates are expressed in thousands except for Real Personal Income and Real GSP which are expressed in terms of Millions 2005 USD

Central A/C, refrigerator big electricity users in typical territory household



* Household assumed to have gas heat and a % chance of having a gas clothes dryer.

Average major appliance in service territory is less than ten years old

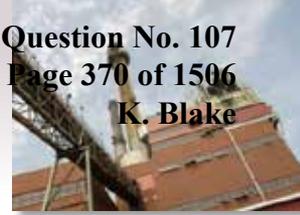




PPL companies

2013 Business Plan Generation & OSS Forecast

*Generation Planning & Analysis
September 7, 2012*



2013 Plan Summary

- Compared to CSAPR Stay (Jan 2012) forecast, native load production costs in 2013 Plan are lower; OSS contribution is mostly unchanged in 2013 and slightly higher in 2014-2017.
- With CSAPR vacatur and retirement of coal units, the need to bank SO₂ allowances prior to 2016 is eliminated.
- Plan assumes Brown 1 and 2 are retrofitted with baghouses in 2016 and continue operation beyond long-term planning period.

| Native Load Production Costs (\$/MWh) | 2013 | 2014 | 2015 | 2016 | 2017 | CAGR |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 2012 Plan | 29.55 | 31.54 | 34.14 | 37.58 | 38.90 | 7.1% |
| CSAPR Stay (Jan 2012) | 28.96 | 30.83 | 33.54 | 37.28 | 38.77 | 7.6% |
| 2013 Plan | 28.83 | 30.18 | 31.97 | 34.72 | 36.43 | 6.0% |

| OSS Contribution (\$M) | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| 2012 Plan | 11 | 5 | 1 | 0 | 0 |
| CSAPR Stay (Jan 2012) | 4 | 1 | 0 | 0 | 0 |
| 2013 Plan | 3 | 3 | 1 | 1 | 1 |



Background

- *2012 Plan was updated in January to reflect CSAPR stay and new gas/electricity prices.*
- *'CSAPR Stay' forecast assumed CSAPR timeline would be delayed by 1 year (CSAPR Phase I begins 1/1/2013).*
 - *Lessened need to reduce SO₂ emissions prior to 2016.*
 - *Increased generation at Green River to be consistent with 2011 levels.*
 - *As a result, production costs in CSAPR Stay forecast were lower.*
- *Compared to 2012 Plan, electricity prices in CSAPR Stay forecast were 18% lower on average (gas prices 33% lower).*

Key Changes in Planning Assumptions & Inputs

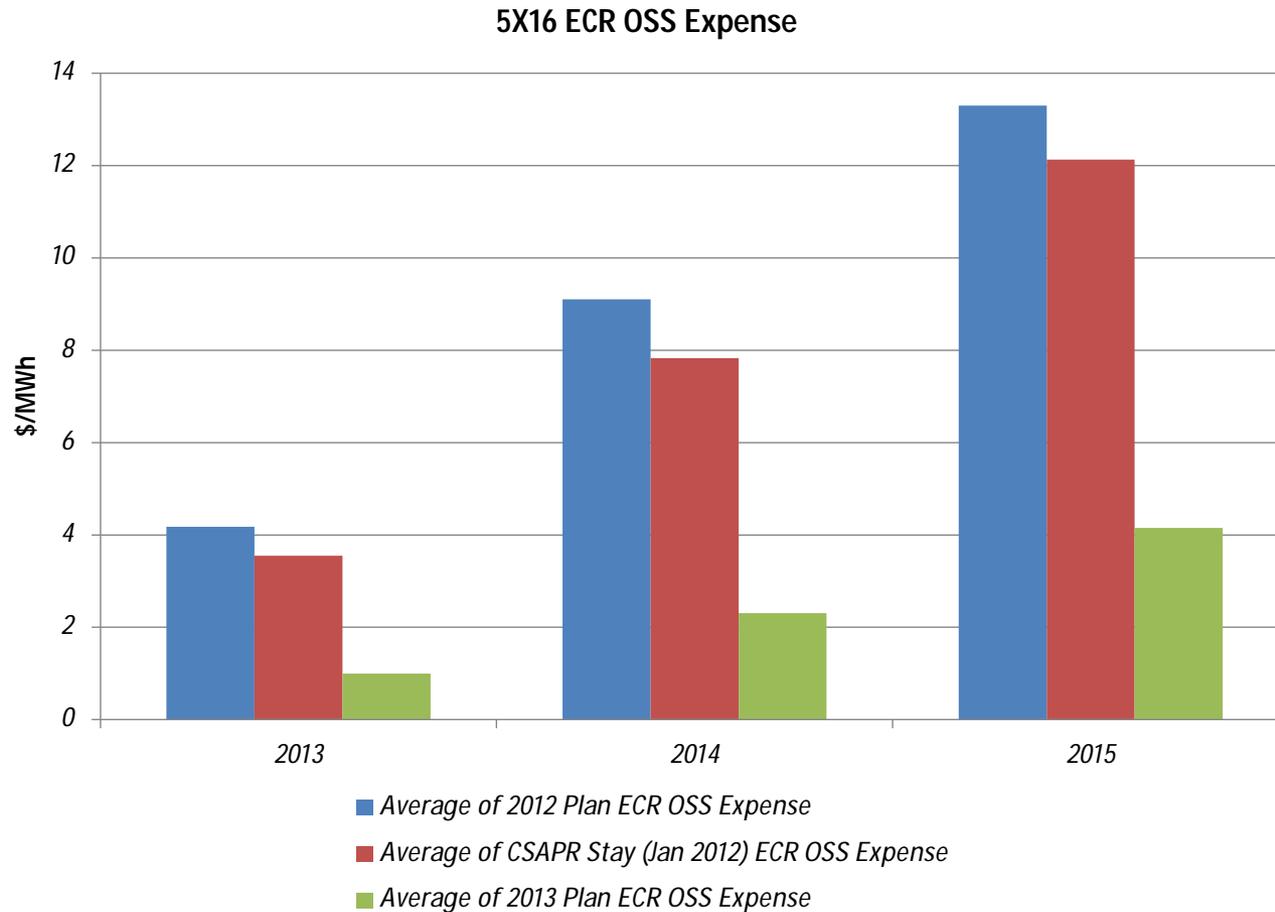
- *CAIR replaces CSAPR*
- *Electricity/gas prices are lower (see slides 38-41)*
 - *2013 5x16 electricity prices decreased by 5% compared to Jan-2012 prices (19% compared to July-2012 prices)*
 - *2013 gas prices decreased by 10% compared to Jan-2012 prices (31% compared to July-2012 prices)*
- *Coal prices are lower (see slides 34-36, 42)*
- *Expansion plan excludes Bluegrass units (495 MW)*
 - *Reserve Margin purchase in 2016-17 to meet 87 and 135 MW reserve margin need*
 - *165 MW PPA in 2016-17*
 - *Estimated \$9.56 million annual fixed capacity cost*
 - *2018 2X1 NGCC (June 1 start date) to meet 250 MW reserve margin need*
 - *If Brown 1 and 2 are retired, 2018 reserve margin need is 519 MW (see slide 54)*
 - *RFP planned for September 2012*
- *EFOR assumptions are slightly higher*
 - *Plan EFOR assumptions are based on historical EFOR values. However, 'target' EFORs will continue to be the basis for KPI reporting.*



Key Changes in Planning Assumptions & Inputs

- *ECR OSS expense is lower*
 - *Reflects termination of 2005/06 ECR Plans.*
- *Timing of coal retirements and CR7 commissioning accelerated from 1/1/2016*
 - *4/16/2015 retirement date for TY3, GR3-4*
 - *TY3 unavailable throughout planning period*
 - *5/1/2015 retirement date for CR4-6*
 - *CR6 unavailable beginning 10/1/2014*
 - *5/1/2015 commercial operation date for CR7*
- *Revised modeled transmission constraints*
 - *At least one Brown coal unit (versus 3) must operate at all times (if available).*
 - *At least two Cane Run coal units must operate during June-August and at least one must operate during other months. Previously, assumed the need for two units during the week and one unit on the weekend.*
 - *Note: Continue to assume that at least one Green River unit must operate until transmission upgrades are completed.*

ECR OSS expense in 2013 Plan is notably lower compared to prior plans



EFOR assumptions in 2013 generation and O&M forecast are based on 'historical' EFORs

- *For the system, historical EFORs are 1.3% higher than the 'target' EFORs used in the 2012 Plan.*
- *EFOR assumptions are based on 5-10 years of historical data.*
- *Companies' fuel procurement methods were considered in developing EFOR assumptions.*
 - *For example, EFOR for units burning high sulfur coal were developed as a group.*

| | EFOR Assumptions for 2013 | |
|--------------|---------------------------|-----------|
| | 2012 Plan | 2013 Plan |
| BR1 | 5.0% | 5.6% |
| BR2 | 5.0% | 5.6% |
| BR3 | 5.0% | 5.6% |
| CR4 | 5.9% | 7.0% |
| CR5 | 5.9% | 7.0% |
| CR6 | 5.9% | 7.0% |
| GH1 | 4.4% | 5.6% |
| GH2 | 4.4% | 5.6% |
| GH3 | 4.4% | 5.6% |
| GH4 | 4.4% | 5.6% |
| GR3 | 7.0% | 7.0% |
| GR4 | 7.0% | 7.0% |
| MC1 | 4.4% | 5.6% |
| MC2 | 4.4% | 5.6% |
| MC3 | 4.4% | 5.6% |
| MC4 | 4.4% | 5.6% |
| TC1 | 3.5% | 5.1% |
| TC2 | 3.3% | 6.0% |
| LGE/KU Steam | 4.5% | 5.8% |



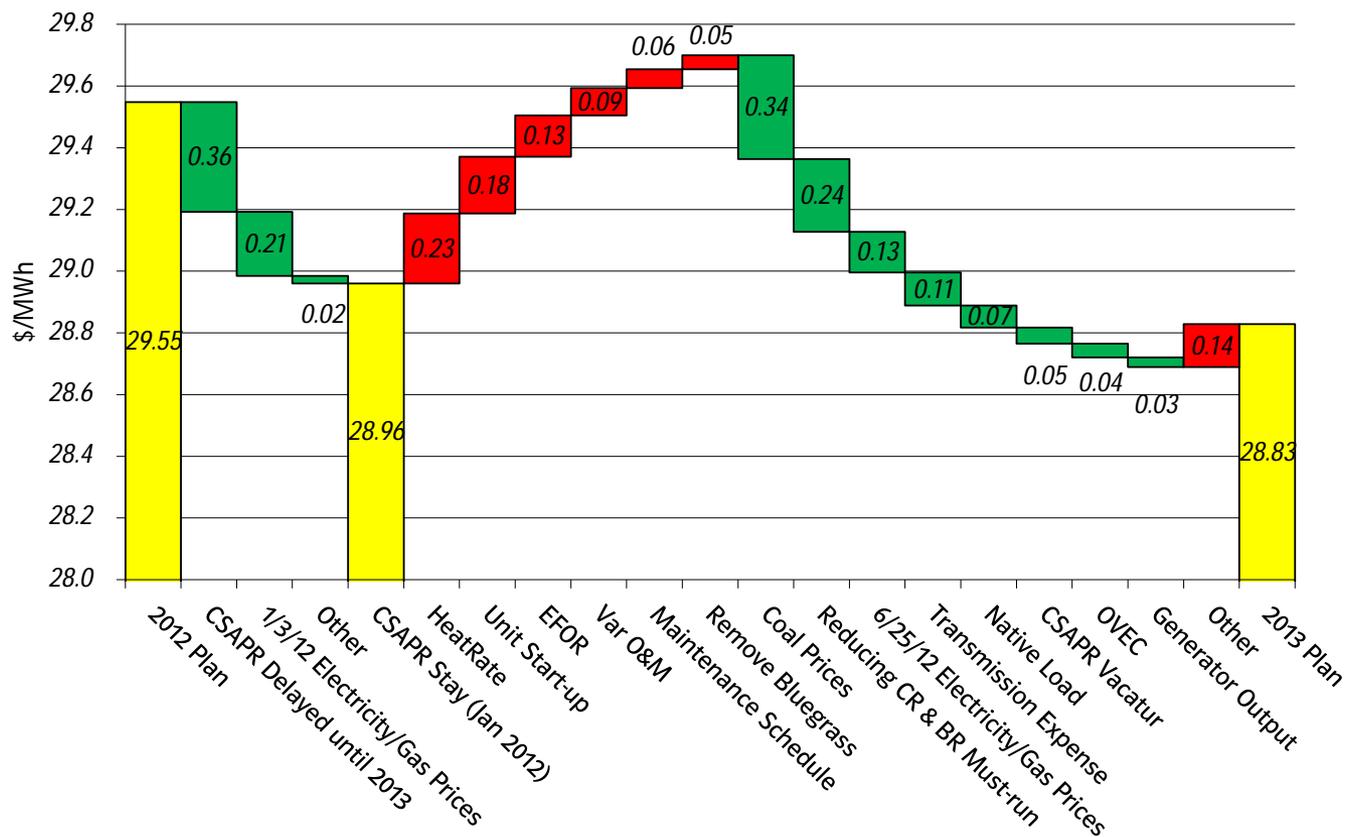
Power Production is proposing to change EFOR 'targets' for 2013 KPI reporting

- *EFOR targets remain below industry top quartile levels.*
- *In the past 10 years, LG&E and KU have met the new 5% target on a system-wide basis 2 times.*

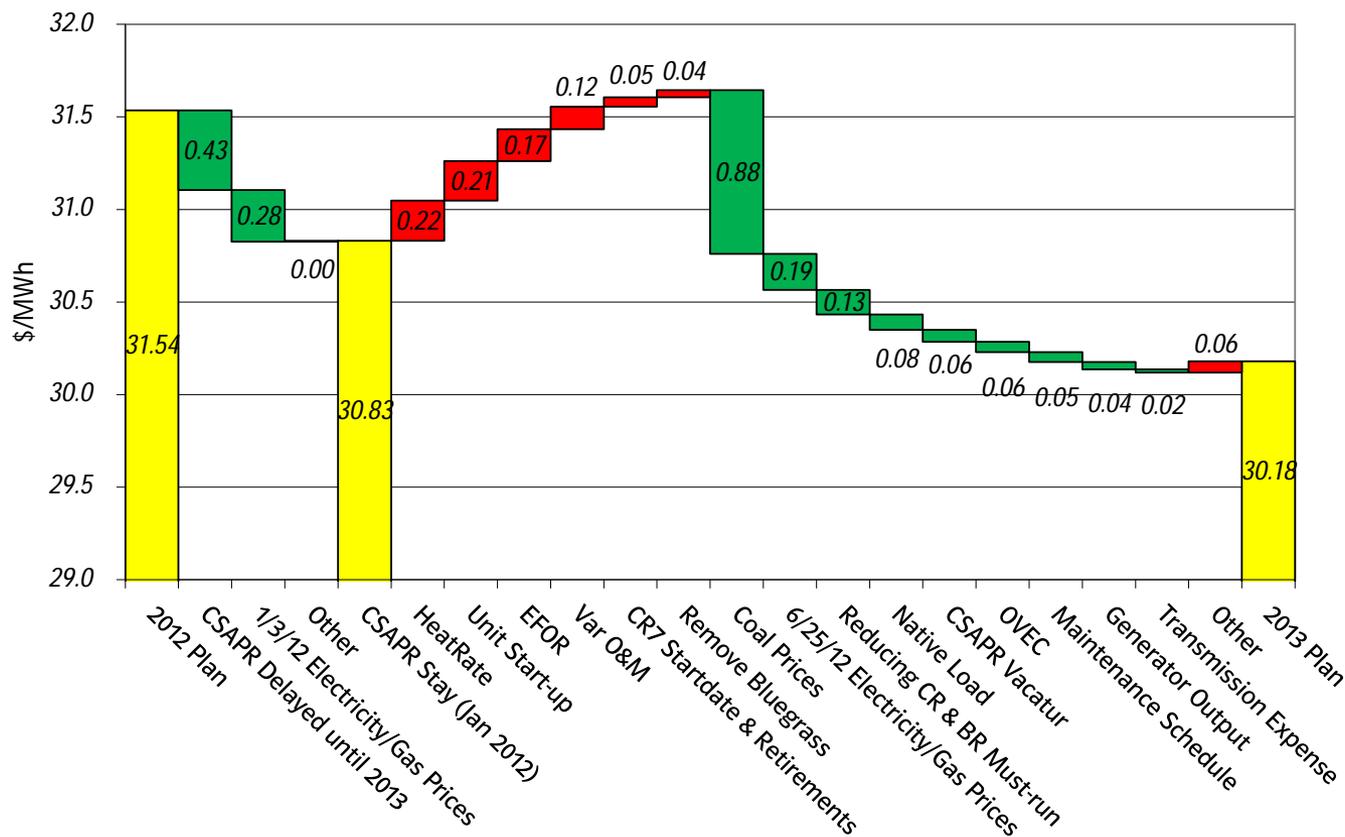
| | EFOR Targets for 2013 | |
|--------------|-----------------------|-------------|
| | 2012 Plan | 2013 Plan |
| BR1 | 5.0% | 5.6% |
| BR2 | 5.0% | 5.6% |
| BR3 | 5.0% | 5.6% |
| CR4 | 5.9% | 6.8% |
| CR5 | 5.9% | 6.8% |
| CR6 | 5.9% | 6.8% |
| GH1 | 4.4% | 5.0% |
| GH2 | 4.4% | 5.0% |
| GH3 | 4.4% | 5.0% |
| GH4 | 4.4% | 5.0% |
| GR3 | 7.0% | 7.0% |
| GR4 | 7.0% | 7.0% |
| MC1 | 4.4% | 5.0% |
| MC2 | 4.4% | 5.0% |
| MC3 | 4.4% | 5.0% |
| MC4 | 4.4% | 5.0% |
| TC1 | 3.5% | 4.0% |
| TC2 | <u>3.3%</u> | <u>3.8%</u> |
| LGE/KU Steam | 4.5% | 5.0% |



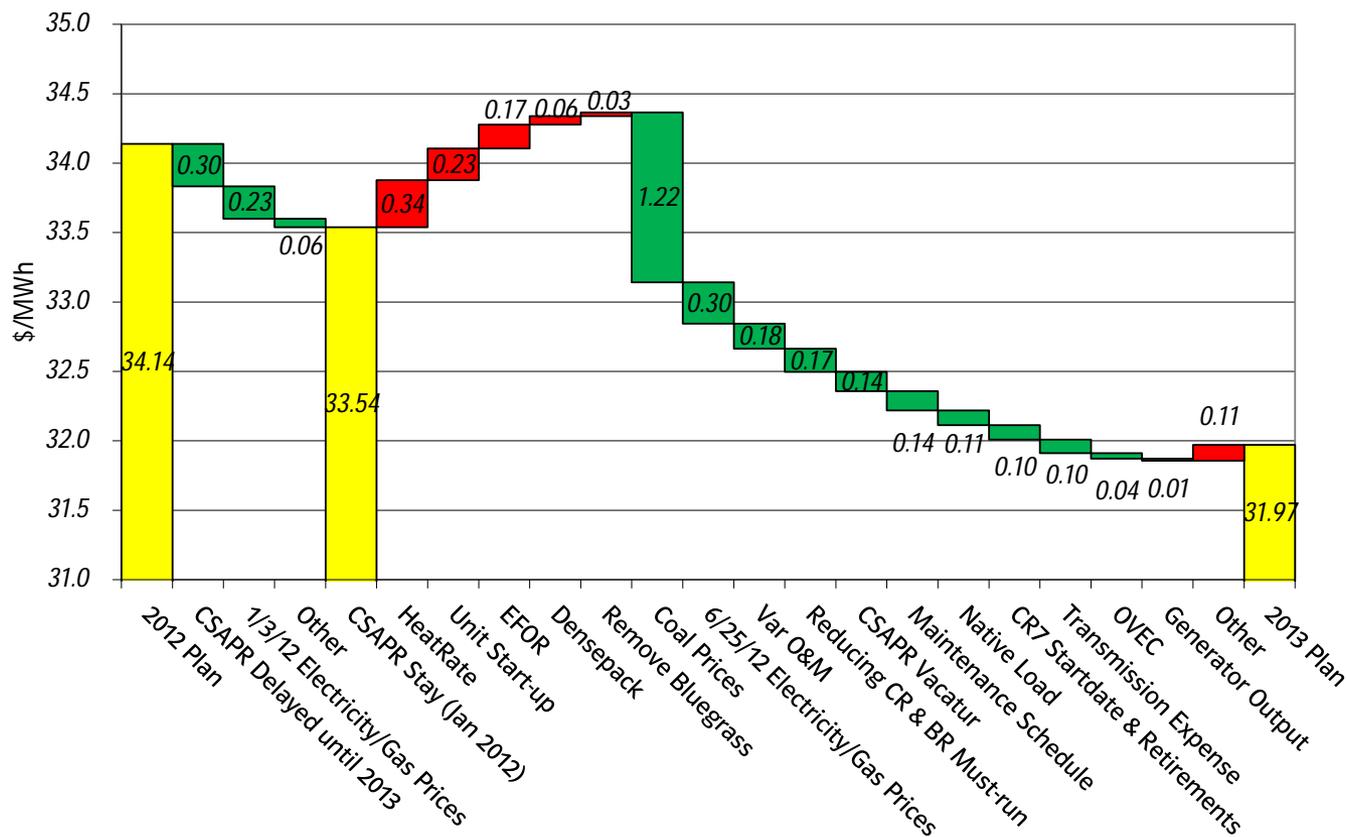
Decreases in coal prices lower native load production costs in 2013



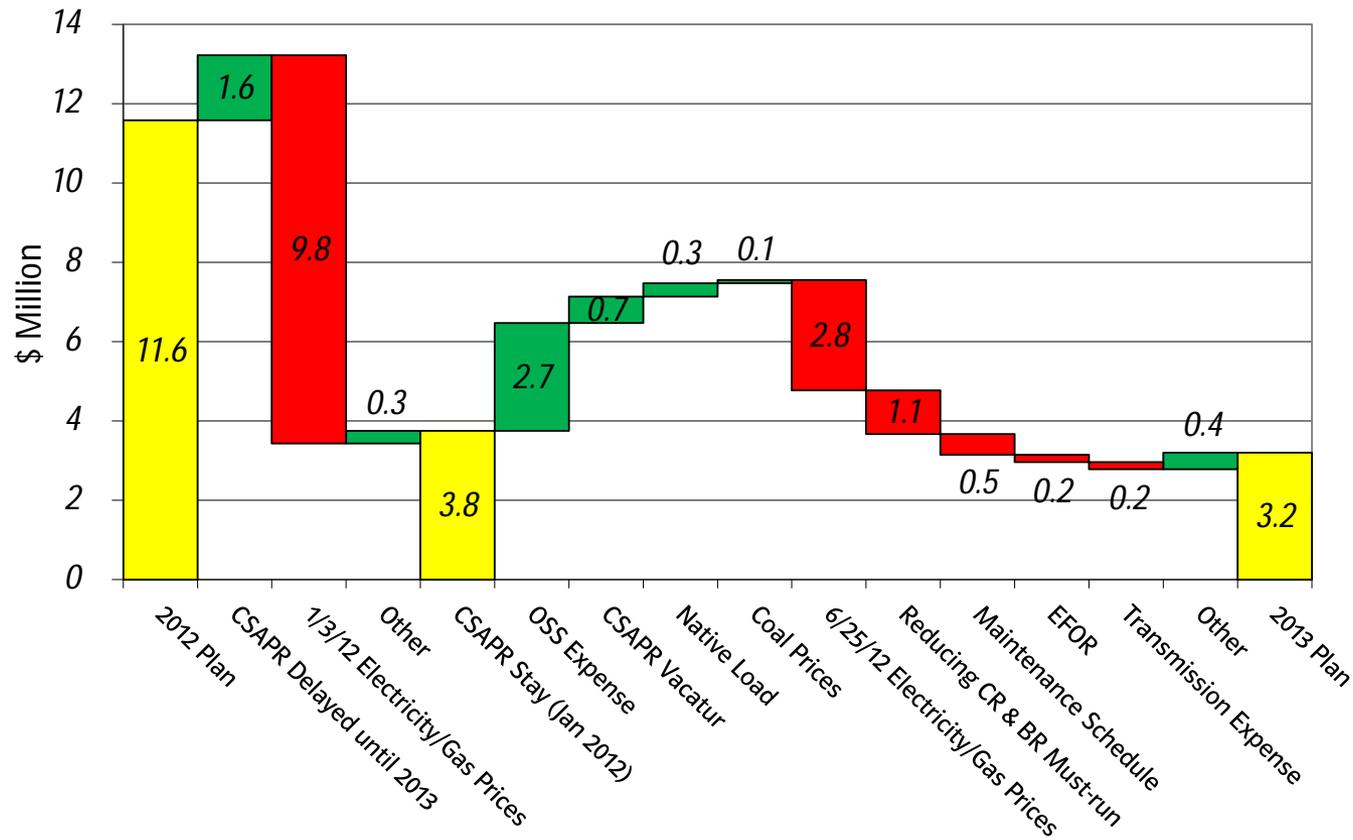
Decreases in coal prices lower native load production costs in 2014



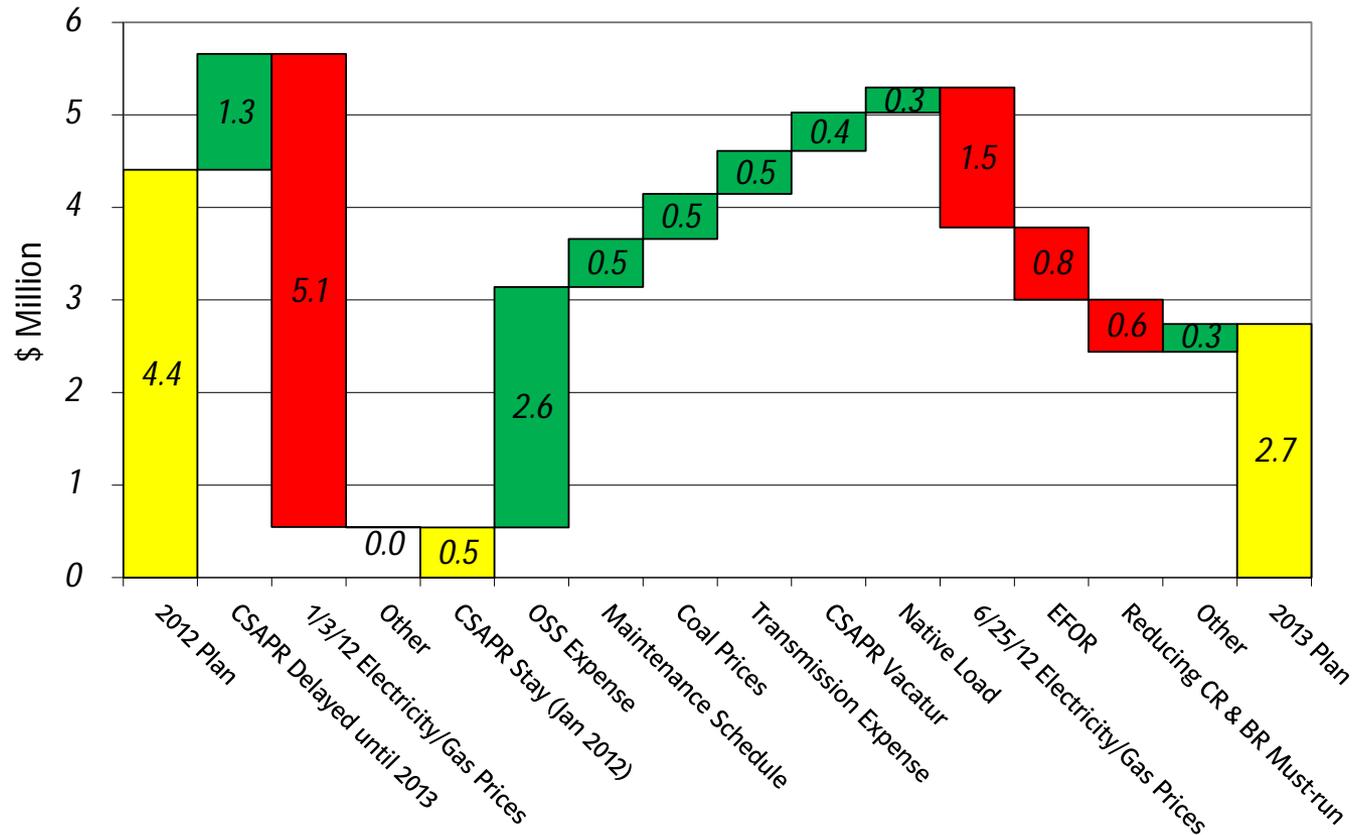
Decreases in coal prices lower native load production costs in 2015



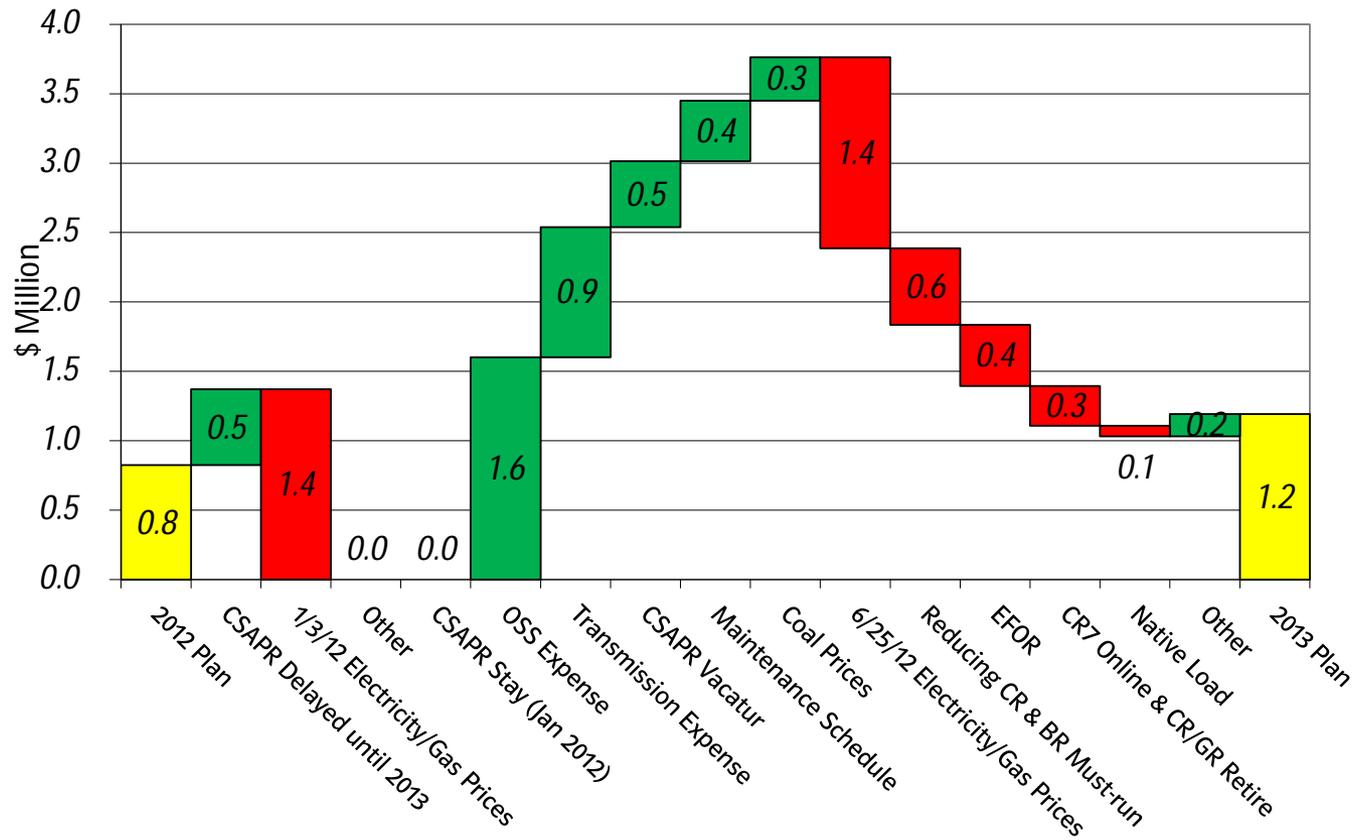
OSS contribution in 2013 is mostly unchanged



OSS contribution increases in 2014 primarily due to decreases in the OSS expense



OSS contribution increases in 2015 primarily due to reductions in OSS and transmission expenses



Gas price uncertainty increases variability in fuel burn after Cane Run 7 comes on line

| Gas Burn (GBtu) | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|--------|--------|--------|--------|---------|
| 5 th Percentile | 7,349 | 10,281 | 31,842 | 39,438 | 39,079 |
| 2013 Plan | 10,356 | 12,940 | 38,238 | 47,108 | 46,231 |
| 95 th Percentile | 20,388 | 32,824 | 63,235 | 93,554 | 103,613 |

| Coal Burn (GBtu) | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|---------|---------|---------|---------|---------|
| 5 th Percentile | 338,720 | 324,029 | 276,424 | 230,495 | 219,920 |
| 2013 Plan | 356,348 | 353,594 | 312,679 | 298,647 | 299,788 |
| 95 th Percentile | 372,955 | 368,293 | 330,824 | 321,356 | 322,003 |

- *5th and 95th percentile values are based on the results of 1,200+ simulations. Range of outcomes reflects the uncertainty in weather/load, market electricity/gas prices, and unit availability.*

Production costs and OSS contribution are impacted by uncertainty in weather/load, electricity/gas prices, and unit availability

| Native Load Production Cost (\$/MWh) | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| <i>5th Percentile</i> | 28.39 | 29.48 | 30.28 | 31.92 | 33.17 |
| <i>2013 Plan</i> | 28.83 | 30.18 | 31.97 | 34.72 | 36.43 |
| <i>95th Percentile</i> | 29.10 | 30.57 | 32.67 | 35.36 | 37.11 |

| OSS Contribution (\$M) | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>5th Percentile</i> | 2 | 1 | 0 | 0 | 0 |
| <i>2013 Plan</i> | 3 | 3 | 1 | 1 | 1 |
| <i>95th Percentile</i> | 12 | 11 | 5 | 4 | 3 |

- *Gas price uncertainty increases variability in production costs after Cane Run 7 comes on line.*
- *More upside exists in forecast of OSS contribution than downside.*

Appendix



2013 Plan – Assumptions

- *Plan EFOR assumptions will be based on historical EFOR values. 'Target' EFORs will continue to be the basis for KPI reporting.*
- *For the purposes of computing production costs, the following will be assumed:*
 - *TY3 unavailable throughout planning period*
 - *CR6 unavailable 10/1/2014*
 - *4/16/2015 retirement date for TY3, GR3-4*
 - *5/1/2015 commercial date for CR7*
 - *5/1/2015 retirement date for CR4-6*
- *TC2 will be available at full load (732 MW summer; 760 MW winter) and on control throughout the planning period.*
- *At least one Brown coal unit must be operating at all times.*
- *At least two Cane Run coal units must be operating during June-August; at least one Cane Run coal unit must be operating during rest of year.*
- *At least one Green River unit must be committed until XM concerns are addressed.*
- *PR11-13 unavailable from November through March (gas pressure)*
- *FGDs will continue to operate at normal levels.*

2013 Plan – Assumptions

- *Expansion plan includes only 2011 IRP capacity expansion alternatives:*
 - *Target reserve margin of 16% (within range 15-17%)*
 - *2016-17: 165 MW Reserve Margin Purchase (Jan-Dec)*
 - *2018: 2X1 CC*
- *Spinning reserve requirements:*
 - *Contingency: Spinning 230 MW, (100 MW of 230 MW is supplemental - supplied by quick-start units)*
 - *75 MW regulating*
 - *75 MW NAS*
- *Sales cannot be generated by CTs (same assumption in 2012 Plan)*
- *Baghouse installation schedule:*
 - *2014: GH3, GH4, MC4*
 - *2015: BR3, GH1, GH2, MC1, MC2, MC3, TC1*
 - *2016: BR1, BR2 (pending analysis and decision by mid-2013)*
- *FGD installation schedule:*
 - *2014: MC4*
 - *2015: New/Refurbished MC1-3 FGD*



2013 Plan – Assumptions

- *No turbine upgrades*
- *CAIR replaces CSAPR*

Emission Allowance Prices (\$/allowance)

| <i>Year</i> | <i>Annual NOx</i> | | <i>Seasonal NOx</i> | | <i>SO₂</i> | |
|-------------|-------------------|-------------|---------------------|-------------|-----------------------|-------------|
| | <i>CSAPR</i> | <i>CAIR</i> | <i>CSAPR</i> | <i>CAIR</i> | <i>CSAPR</i> | <i>CAIR</i> |
| <i>2013</i> | <i>N/A</i> | <i>50</i> | <i>N/A</i> | <i>20</i> | <i>N/A</i> | <i>1</i> |
| <i>2014</i> | <i>50</i> | <i>50</i> | <i>75</i> | <i>20</i> | <i>50</i> | <i>1</i> |
| <i>2015</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2016</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2017</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2018</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2019</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2020</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2021</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |
| <i>2022</i> | <i>0</i> | <i>50</i> | <i>0</i> | <i>20</i> | <i>0</i> | <i>1</i> |

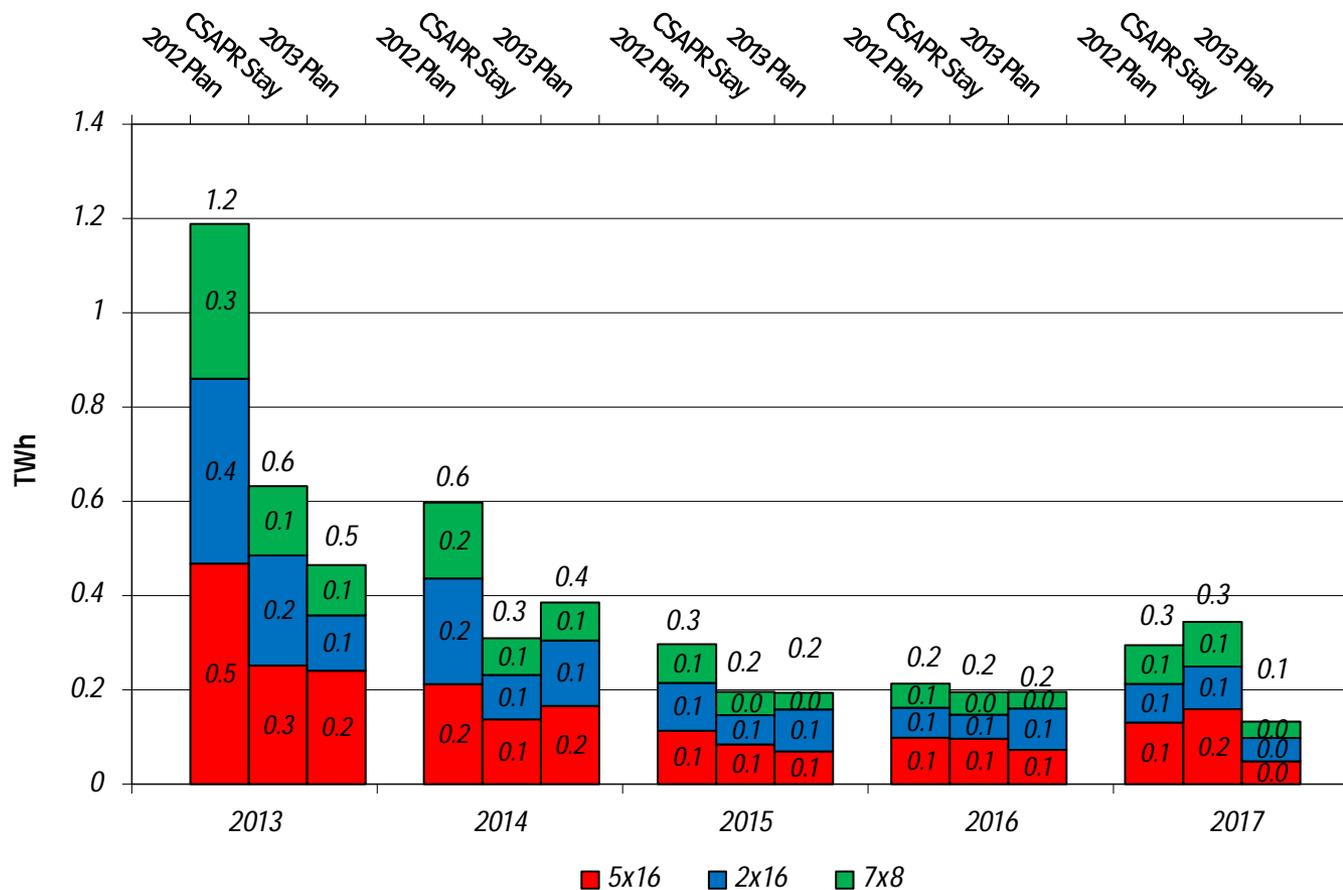
2013 Plan – Assumptions

- *Turbine Overhaul schedule:*
 - 2012: GH2, BR3, CR4, MC2
 - 2013: MC1
 - 2014: BR1, MC4, GH4
 - 2015: GH1
 - 2016: None
 - 2017: BR2, TC1

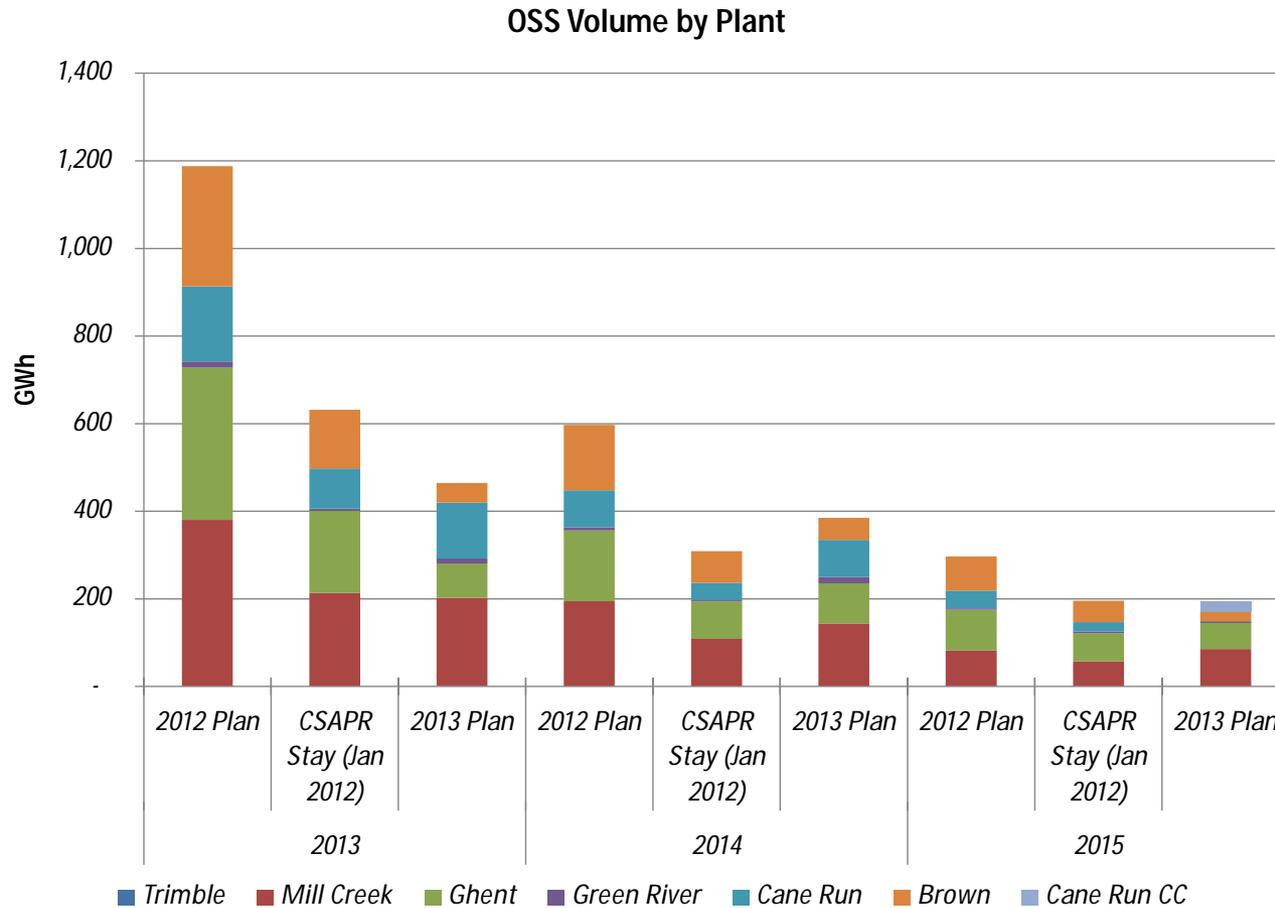
- *Market Volume Limits:*
 - *Hourly sales limited to 600 MW in all months*
 - *Hourly purchases (same as 2012 Plan)*
 - *5x16 limited to 400 MW*
 - *2x16 limited to 450 MW*
 - *7x8 limited to 200 MW*

- *Market Electricity Prices*
 - *Consistent with July-approved prices*
 - *Hourly pricing shaped to correspond with historical load shape*

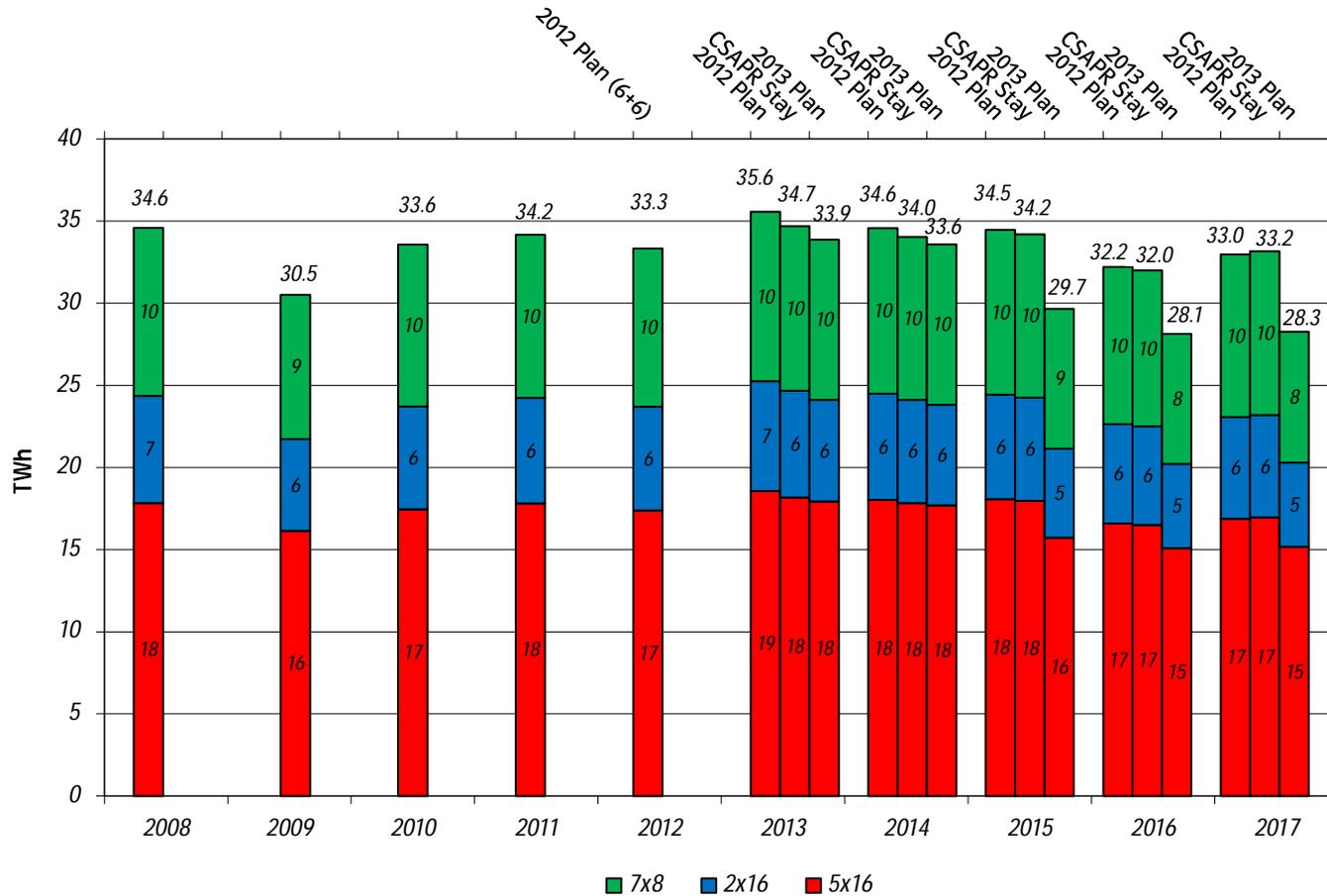
Lower electricity prices decrease OSS volumes in 2013



OSS from Brown and Ghent drop more in relation to other plants



Steam Generation drops due to lower load forecast and lower gas prices

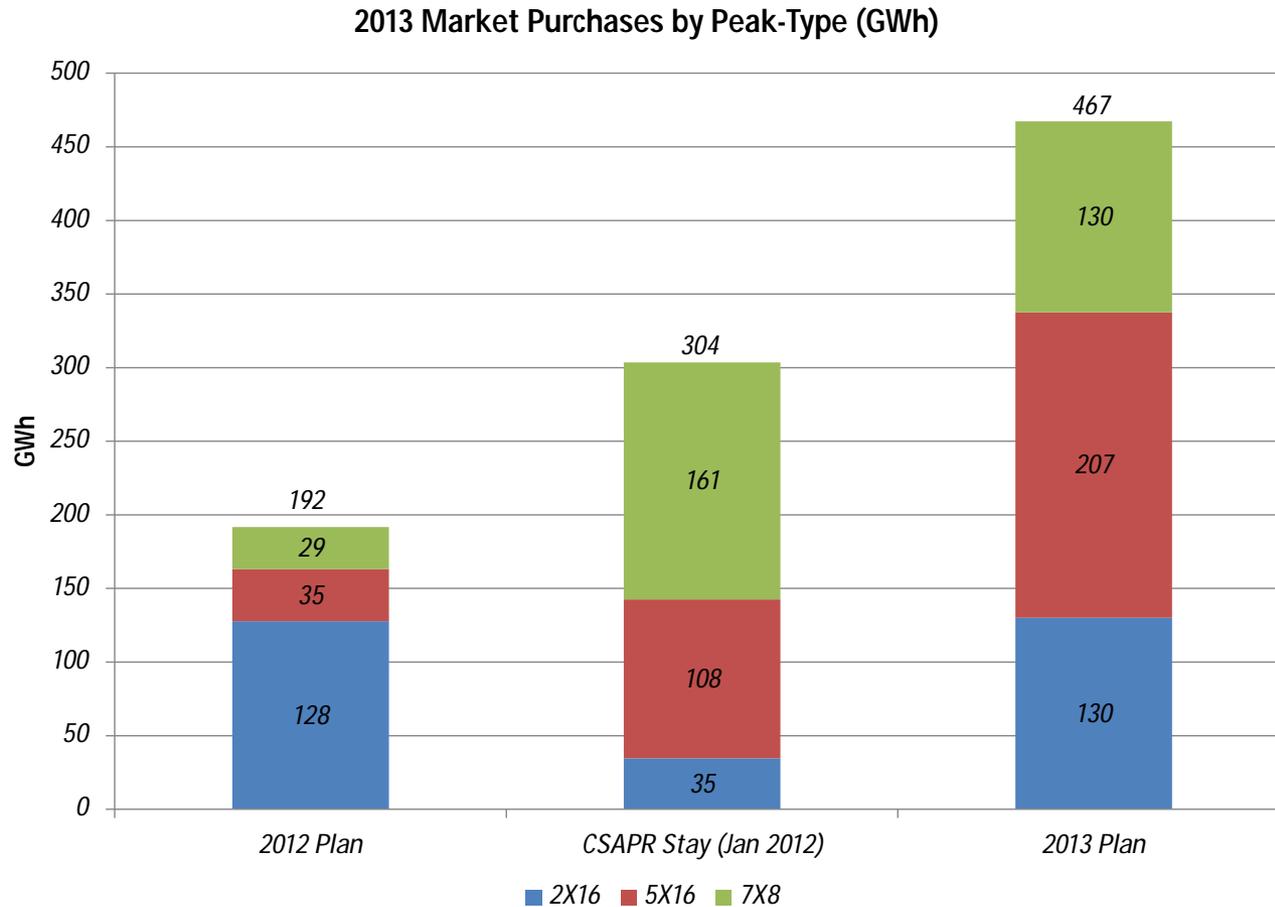


Note: TC1 & 2 at 75%

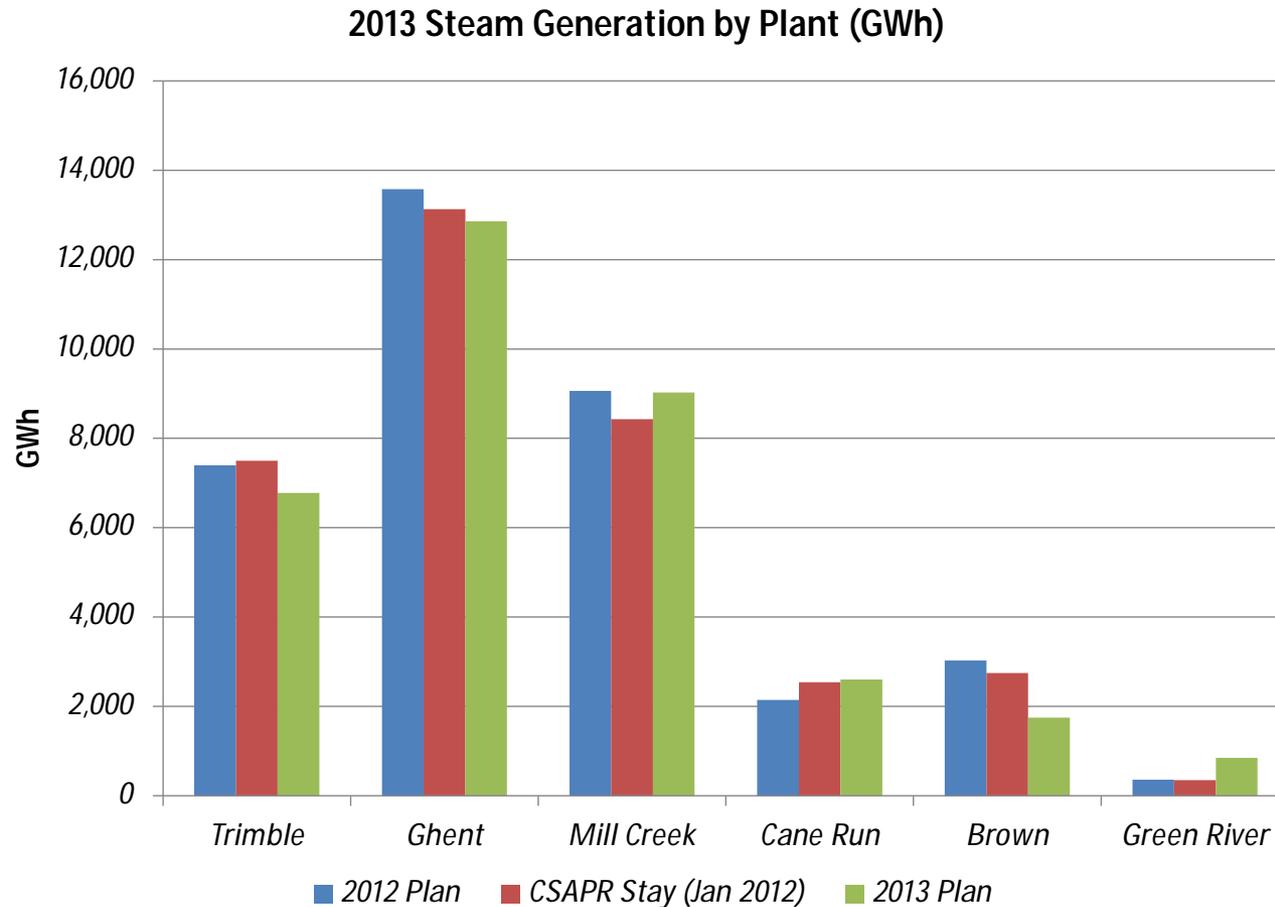


PPL companies

Lower electricity prices increases economy purchases



Generation drops significantly at Brown; increases at Cane Run, Mill Creek, and Green River



Lower gas prices increase CT Usage

CT Generation (GWh)

| | | | | (6+6) | <u>2013 Plan</u> | | | | |
|---------|------------|------------|------------|--------------|------------------|--------------|--------------|------------|--------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| BR5 | 2 | 8 | 4 | 17 | 4 | 4 | 6 | 5 | 7 |
| BR6 | 37 | 48 | 28 | 126 | 49 | 48 | 60 | 48 | 50 |
| BR7 | 27 | 47 | 34 | 124 | 59 | 59 | 80 | 55 | 63 |
| BR8, 11 | 12 | 17 | 6 | 21 | 10 | 12 | 14 | 10 | 11 |
| BR9, 10 | 4 | 10 | 6 | 15 | 5 | 6 | 9 | 7 | 6 |
| PR13 | 1 | 15 | 31 | 146 | 116 | 141 | 137 | 113 | 132 |
| TC5-10 | 195 | 682 | 376 | 1,466 | 724 | 928 | 1,005 | 752 | 799 |
| | 278 | 826 | 485 | 1,914 | 966 | 1,199 | 1,311 | 990 | 1,068 |

2012 Plan

588 755 795 572 631

CSAPR Stay (Jan 2012)

744 840 764 547 596

CT Starts (# starts)

| | | | | (6+6) | <u>2013 Plan</u> | | | | |
|---------|------------|--------------|------------|--------------|------------------|--------------|--------------|--------------|--------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| BR5 | 18 | 22 | 15 | 41 | 24 | 26 | 31 | 26 | 27 |
| BR6 | 61 | 59 | 56 | 92 | 57 | 68 | 70 | 53 | 64 |
| BR7 | 39 | 80 | 54 | 100 | 71 | 79 | 90 | 63 | 77 |
| BR8, 11 | 63 | 60 | 35 | 90 | 55 | 68 | 69 | 52 | 58 |
| BR9, 10 | 31 | 55 | 38 | 67 | 33 | 42 | 48 | 41 | 43 |
| PR13 | 2 | 18 | 49 | 120 | 160 | 164 | 152 | 144 | 156 |
| TC5-10 | 292 | 779 | 504 | 687 | 706 | 840 | 848 | 697 | 734 |
| | 506 | 1,073 | 751 | 1,198 | 1,105 | 1,286 | 1,309 | 1,075 | 1,158 |

2012 Plan

824 996 987 731 824

CSAPR Stay (Jan 2012)

871 940 933 697 808

CT Generation (GWh)/Start

| | | | | (6+6) | <u>2013 Plan</u> | | | | |
|---------|------------|------------|------------|------------|------------------|------------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| BR5 | 0.1 | 0.3 | 0.2 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| BR6 | 0.6 | 0.8 | 0.5 | 1.4 | 0.9 | 0.7 | 0.9 | 0.9 | 0.8 |
| BR7 | 0.7 | 0.6 | 0.6 | 1.2 | 0.8 | 0.8 | 0.9 | 0.9 | 0.8 |
| BR8, 11 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| BR9, 10 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 |
| PR13 | 0.6 | 0.8 | 0.6 | 1.2 | 0.7 | 0.9 | 0.9 | 0.8 | 0.8 |
| TC5-10 | 0.7 | 0.9 | 0.7 | 2.1 | 1.0 | 1.1 | 1.2 | 1.1 | 1.1 |
| | 0.6 | 0.8 | 0.6 | 1.6 | 0.9 | 0.9 | 1.0 | 0.9 | 0.9 |

2012 Plan

0.7 0.8 0.8 0.8 0.8

CSAPR Stay (Jan 2012)

0.9 0.9 0.8 0.8 0.7

CT Run Hours/Start

| | | | | (6+6) | <u>2013 Plan</u> | | | | |
|---------|------------|------------|------------|-------------|------------------|------------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| BR5 | 3.8 | 6.1 | 5.6 | 4.7 | 3.5 | 3.1 | 3.3 | 3.5 | 3.9 |
| BR6 | 8.3 | 9.5 | 7.6 | 10.5 | 7.5 | 6.9 | 7.9 | 7.8 | 6.6 |
| BR7 | 6.9 | 8.1 | 6.4 | 9.3 | 7.3 | 7.0 | 7.9 | 7.6 | 7.0 |
| BR8, 11 | 3.5 | 4.8 | 4.0 | 4.0 | 3.6 | 3.4 | 4.2 | 3.9 | 4.0 |
| BR9, 10 | 2.8 | 3.8 | 4.1 | 3.7 | 3.5 | 2.8 | 4.1 | 3.5 | 3.1 |
| PR13 | 4.7 | 5.9 | 5.4 | 10.5 | 8.5 | 10.0 | 10.5 | 9.2 | 9.9 |
| TC5-10 | 5.8 | 7.8 | 7.3 | 13.7 | 6.9 | 7.8 | 8.1 | 7.2 | 7.3 |
| | 5.6 | 7.4 | 6.8 | 11.2 | 6.8 | 7.5 | 7.9 | 7.1 | 7.2 |

2012 Plan

6.3 6.5 6.7 6.5 6.5

CSAPR Stay (Jan 2012)

6.5 7.1 6.6 6.6 6.3



Load Factor increases across the CTs, GR; decreases at BR1-3, TC1-2

Load Factor (%)

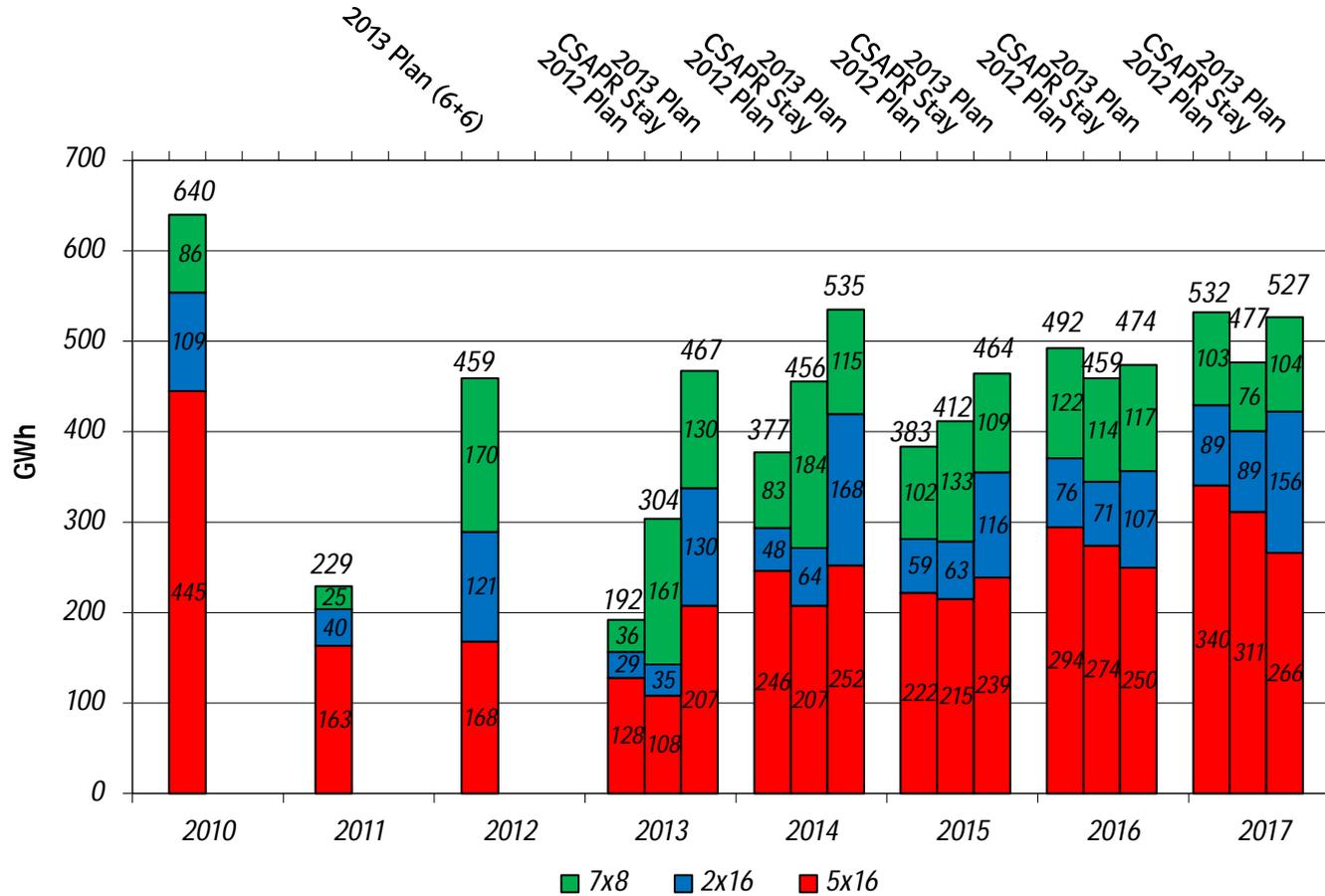
| | 2013 | | | 2016 | | |
|------------------|-----------|------|-----------|-----------|------|-----------|
| | CSAPR | | | CSAPR | | |
| | 2012 Plan | Stay | 2013 Plan | 2012 Plan | Stay | 2013 Plan |
| Brown 1 | 49% | 48% | 28% | 44% | 47% | 38% |
| Brown 2 | 65% | 63% | 48% | 55% | 59% | 62% |
| Brown 3 | 54% | 46% | 30% | 53% | 49% | 29% |
| Cane Run 4 | 44% | 48% | 68% | N/A | N/A | N/A |
| Cane Run 5 | 58% | 73% | 69% | N/A | N/A | N/A |
| Cane Run 6 | 46% | 54% | 52% | N/A | N/A | N/A |
| Ghent 1 | 90% | 87% | 84% | 90% | 89% | 81% |
| Ghent 2 | 87% | 94% | 91% | 91% | 98% | 87% |
| Ghent 3 | 95% | 86% | 87% | 87% | 83% | 77% |
| Ghent 4 | 82% | 76% | 83% | 75% | 74% | 77% |
| Green River 3 | 15% | 13% | 45% | N/A | N/A | N/A |
| Green River 4 | 38% | 38% | 84% | N/A | N/A | N/A |
| Mill Creek 1 | 86% | 91% | 83% | 87% | 93% | 77% |
| Mill Creek 2 | 81% | 86% | 88% | 78% | 85% | 80% |
| Mill Creek 3 | 77% | 62% | 83% | 75% | 67% | 57% |
| Mill Creek 4 | 82% | 71% | 80% | 89% | 83% | 64% |
| Trimble County 1 | 98% | 99% | 93% | 99% | 99% | 95% |
| Trimble County 2 | 98% | 99% | 95% | 100% | 100% | 96% |

Load Factor (%)

| | 2013 | | | 2016 | | |
|---------------|-----------|------|-----------|-----------|------|-----------|
| | CSAPR | | | CSAPR | | |
| | 2012 Plan | Stay | 2013 Plan | 2012 Plan | Stay | 2013 Plan |
| Trimble Co 05 | 10% | 15% | 18% | 11% | 11% | 19% |
| Trimble Co 06 | 11% | 14% | 14% | 10% | 10% | 16% |
| Trimble Co 07 | 9% | 10% | 12% | 9% | 8% | 14% |
| Trimble Co 08 | 8% | 8% | 10% | 7% | 7% | 6% |
| Trimble Co 09 | 7% | 9% | 9% | 6% | 6% | 10% |
| Trimble Co 10 | 5% | 6% | 7% | 7% | 7% | 7% |
| Paddys Run 13 | 4% | 1% | 19% | 4% | 3% | 18% |
| Brown 5 | 2% | 3% | 4% | 2% | 1% | 5% |
| Brown 6 | 4% | 4% | 8% | 2% | 2% | 6% |
| Brown 7 | 5% | 5% | 7% | 3% | 3% | 7% |
| Brown 8 | 2% | 3% | 3% | 1% | 1% | 3% |
| Brown 9 | 1% | 1% | 4% | 1% | 1% | 4% |
| Brown 10 | 1% | 1% | 2% | 1% | 1% | 3% |
| Brown 11 | 1% | 1% | 3% | 1% | 1% | 2% |
| Cane Run 7 | N/A | N/A | N/A | 48% | 48% | 100% |



Lower electricity prices increase economy purchases in 2013-2015



2013 Maintenance increases by 7 weeks

| | Maintenance-Weeks | | | | | | | | | | | | | | |
|------------------------|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|--------------|------------|--------------|--------------|
| | 2013 Plan | | | | | 2012 Plan | | | | | 2013 Plan - 2012 Plan | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Brown 1 | 1 | 8 | 1 | 4 | 1 | 1 | 8 | 1 | 3 | 1 | - | - | - | 1 | - |
| Brown 2 | 3 | 1 | 1 | 4 | 8 | 3 | 4 | 1 | 1 | 8 | - | (3) | - | 3 | - |
| Brown 3 | 1 | 3 | 4 | 3 | 1 | 1 | 3 | 4 | 3 | 1 | - | - | - | - | - |
| Ghent 1 | 2 | 3 | 8 | 4 | 2 | 1 | 3 | 8 | 4 | 1 | 1 | - | - | - | 1 |
| Ghent 2 | 2 | 2 | 6 | 4 | 3 | 1 | 1 | 5 | 4 | 2 | 1 | 1 | 1 | - | 1 |
| Ghent 3 | 3 | 6 | 5 | 2 | 3 | 3 | 7 | 5 | 1 | 3 | - | (1) | - | 1 | - |
| Ghent 4 | 2 | 8 | 2 | 3 | 3 | 1 | 8 | 1 | 3 | 1 | 1 | - | 1 | - | 2 |
| Green River 3 | 1 | 3 | - | - | - | 1 | 3 | 1 | - | - | - | - | (1) | - | - |
| Green River 4 | 3 | 1 | - | - | - | 3 | 1 | 3 | - | - | - | - | (3) | - | - |
| Tyrone 3* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cane Run 4 | - | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | - |
| Cane Run 5 | 4 | - | - | - | - | 3 | - | - | - | - | 1 | - | - | - | - |
| Cane Run 6 | 1 | 3 | - | - | - | - | 3 | - | - | - | 1 | - | - | - | - |
| Mill Creek 1 | 8 | 1 | 6 | 1 | 4 | 8 | 1 | 6 | 1 | 4 | - | - | - | - | - |
| Mill Creek 2 | 1 | 4 | 6 | 4 | 1 | 1 | 4 | 6 | 4 | 1 | - | - | - | - | - |
| Mill Creek 3 | 7 | 1 | 6 | 1 | 4 | 6 | 1 | 6 | 1 | 4 | 1 | - | - | - | - |
| Mill Creek 4 | 1 | 10 | 1 | 4 | 1 | 2 | 8 | 1 | 4 | 1 | (1) | 2 | - | - | - |
| Trimble County 1 | 4 | - | 4 | - | 8 | 4 | - | 4 | - | 8 | - | - | - | - | - |
| Trimble County 2 | 2 | 6 | - | 4 | - | - | 4 | - | 4 | - | 2 | 2 | - | - | - |
| Totals | 46 | 63 | 50 | 38 | 39 | 39 | 62 | 52 | 33 | 35 | 7 | 1 | (2) | 5 | 4 |
| MW-Maint Wks ** | 16,863 | 24,471 | 21,338 | 15,998 | 15,077 | 13,766 | 22,923 | 20,805 | 14,923 | 13,173 | 3,097 | 1,549 | 534 | 1,075 | 1,904 |

* Inactive Reserve

** Coal Only

Notes:

2013: 2 wks added to CR5 & 6 for Transmission, 2 wks to TC2 for Project Engineering warranty inspection, & 3 wks at Ghent for turbine cleans

2014: 2 wks added to TC2 for warranty inspection

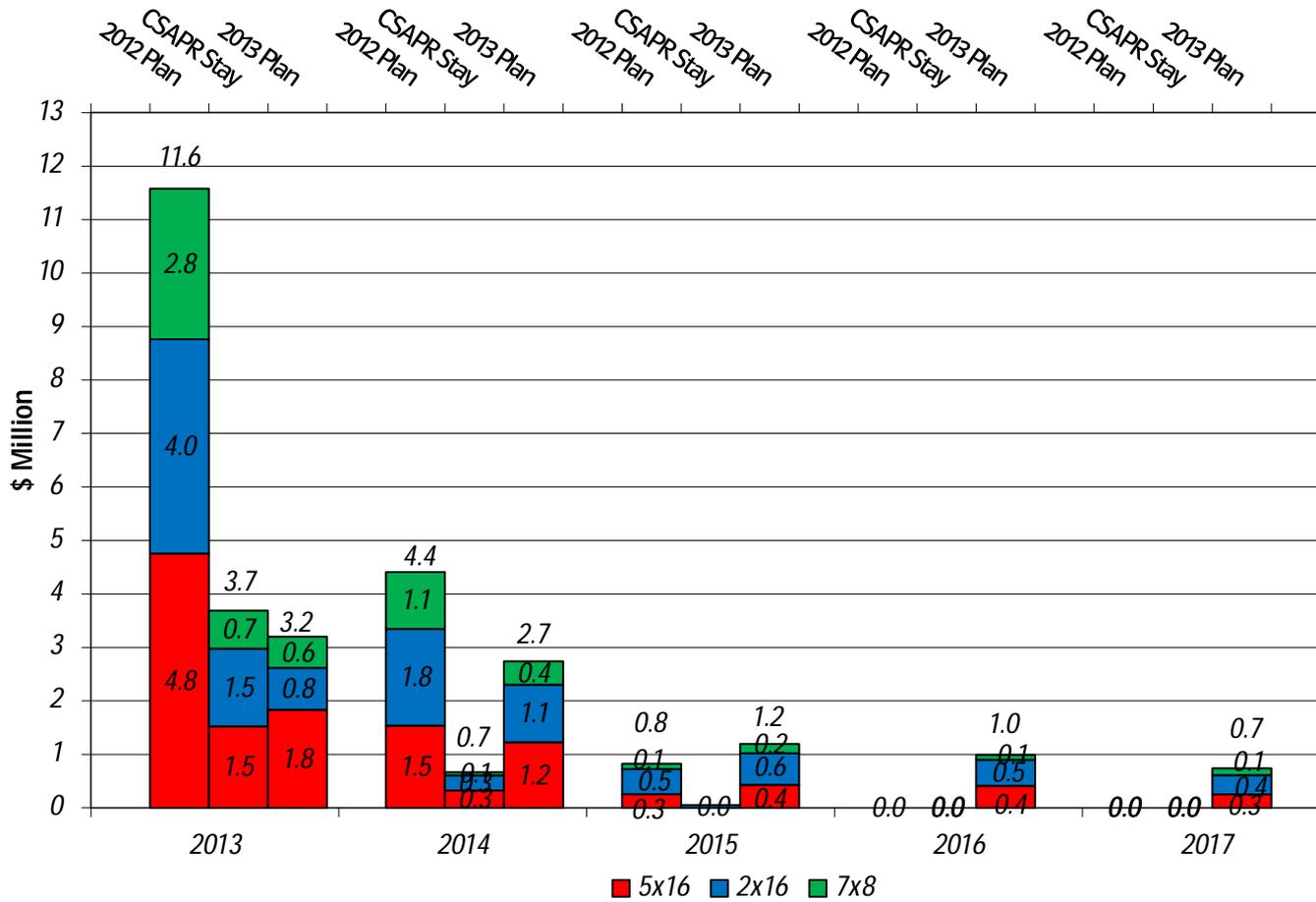
2016: wks added for BR1 & 2 for baghouse installation

Extra wks at Ghent for 2015+ are for turbine cleans



PPL companies

Compared to CSAPR Stay forecast, OSS contribution is mostly unchanged in 2013 and slightly higher in 2014-2017



Unit-by-unit and plant-by-plant EFOR changes from year-to-year

| Unit | Historial EFORs (%) | | | | | | | | | | | |
|--------|---------------------|-------------|-------------|-------------|------------|-------------|------------|-------------|-------------|-------------|------------|-------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| GH 1 | 2.4 | 2.5 | 12.9 | 3.8 | 3.0 | 4.6 | 8.1 | 7.9 | 6.3 | 12.0 | 2.6 | 4.3 |
| GH 2 | 2.7 | 0.7 | 6.4 | 0.5 | 1.3 | 3.9 | 2.3 | 3.8 | 12.4 | 3.9 | 1.2 | 2.3 |
| GH 3 | 1.6 | 1.7 | 2.0 | 4.4 | 1.6 | 1.7 | 1.2 | 14.9 | 8.3 | 4.3 | 7.4 | 3.1 |
| GH 4 | <u>2.2</u> | <u>2.0</u> | <u>3.4</u> | <u>2.0</u> | <u>0.3</u> | <u>1.5</u> | <u>2.9</u> | <u>0.8</u> | <u>4.0</u> | <u>3.8</u> | <u>3.2</u> | <u>3.6</u> |
| GH Sta | 2.2 | 1.8 | 6.4 | 2.6 | 1.5 | 2.9 | 3.6 | 6.3 | 7.8 | 6.0 | 3.7 | 3.3 |
| BR 1 | 5.4 | 4.5 | 3.6 | 2.2 | 3.8 | 3.2 | 2.4 | 5.4 | 16.4 | 13.5 | 2.6 | 4.5 |
| BR 2 | 6.2 | 21.5 | 10.6 | 3.9 | 2.7 | 2.5 | 1.2 | 2.0 | 3.5 | 5.5 | 7.9 | 6.7 |
| BR 3 | <u>0.3</u> | <u>2.2</u> | <u>17.8</u> | <u>4.0</u> | <u>1.2</u> | <u>32.3</u> | <u>7.6</u> | <u>2.9</u> | <u>6.3</u> | <u>6.6</u> | <u>1.1</u> | <u>5.8</u> |
| BR Sta | 2.5 | 7.5 | 14.0 | 3.7 | 2.0 | 19.7 | 5.2 | 3.0 | 7.1 | 7.0 | 3.1 | 5.8 |
| GR 3 | 1.1 | 2.1 | 19.7 | 29.6 | 5.5 | 8.4 | 8.0 | 3.6 | 7.0 | 14.5 | 12.8 | 2.9 |
| GR 4 | <u>6.7</u> | <u>1.4</u> | <u>17.4</u> | <u>30.7</u> | <u>6.7</u> | <u>45.3</u> | <u>3.5</u> | <u>4.8</u> | <u>7.1</u> | <u>15.4</u> | <u>4.6</u> | <u>11.8</u> |
| GR Sta | 4.5 | 1.7 | 18.1 | 30.2 | 6.2 | 31.1 | 5.1 | 4.3 | 7.0 | 15.1 | 7.9 | 8.1 |
| CR 4 | 2.6 | 3.4 | 1.2 | 2.2 | 5.9 | 7.3 | 3.6 | 2.7 | 4.0 | 4.4 | 16.3 | 3.9 |
| CR 5 | 7.8 | 4.8 | 12.0 | 4.7 | 7.9 | 3.2 | 4.4 | 8.4 | 14.5 | 3.8 | 3.9 | 4.9 |
| CR 6 | <u>4.2</u> | <u>7.9</u> | <u>38.9</u> | <u>4.1</u> | <u>4.0</u> | <u>7.4</u> | <u>3.6</u> | <u>13.2</u> | <u>12.5</u> | <u>10.3</u> | <u>9.3</u> | <u>7.2</u> |
| CR Sta | 4.8 | 5.8 | 20.6 | 3.7 | 5.6 | 6.1 | 3.9 | 8.7 | 10.7 | 6.8 | 9.7 | 5.6 |
| MC 1 | 3.6 | 11.9 | 9.6 | 2.3 | 5.6 | 3.7 | 5.7 | 3.7 | 6.0 | 4.7 | 4.9 | 4.7 |
| MC 2 | 8.0 | 5.0 | 9.3 | 6.1 | 4.3 | 6.8 | 5.5 | 3.9 | 4.6 | 5.3 | 2.1 | 7.0 |
| MC 3 | 2.3 | 7.3 | 8.0 | 4.7 | 3.7 | 6.0 | 6.0 | 3.7 | 3.0 | 5.1 | 5.8 | 8.7 |
| MC 4 | <u>11.5</u> | <u>13.9</u> | <u>13.1</u> | <u>9.2</u> | <u>3.7</u> | <u>17.6</u> | <u>5.5</u> | <u>4.4</u> | <u>6.2</u> | <u>3.0</u> | <u>5.0</u> | <u>10.5</u> |
| MC Sta | 6.8 | 9.8 | 10.3 | 5.9 | 4.2 | 9.5 | 5.7 | 4.0 | 4.9 | 4.3 | 4.6 | 8.1 |
| TC 1 | 3.1 | 2.9 | 5.4 | 3.3 | 0.5 | 3.0 | 1.9 | 4.0 | 2.7 | 8.7 | 11.8 | 7.5 |
| TC 2 | | | | | | | | | | | | <u>10.3</u> |
| TC Sta | 3.1 | 2.9 | 5.4 | 3.3 | 0.5 | 3.0 | 1.9 | 4.0 | 2.7 | 8.7 | 11.8 | 9.1 |



2013 generation and OSS forecast is based on 'historical' EFORs

| (%) | 2013 Plan | | | | | 2012 Plan | | | | | 2013 Plan - 2012 Plan | | | | |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|------------|------------|-------------|-------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Brown 1 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Brown 2 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Brown 3 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Ghent 1 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Ghent 2 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Ghent 3 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Ghent 4 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Green River 3 | 7.0 | 7.3 | 7.6 | N/A | N/A | 7.0 | 7.3 | 7.6 | N/A | N/A | 0.0 | 0.0 | 0.0 | N/A | N/A |
| Green River 4 | 7.0 | 7.3 | 7.6 | N/A | N/A | 7.0 | 7.3 | 7.6 | N/A | N/A | 0.0 | 0.0 | 0.0 | N/A | N/A |
| Tyrone 3 | N/A | N/A | N/A | N/A | N/A |
| Cane Run 4 | 7.0 | 7.3 | 7.6 | N/A | N/A | 5.6 | 5.9 | 6.2 | N/A | N/A | 1.4 | 1.4 | 1.4 | N/A | N/A |
| Cane Run 5 | 7.0 | 7.3 | 7.6 | N/A | N/A | 5.6 | 5.9 | 6.2 | N/A | N/A | 1.4 | 1.4 | 1.4 | N/A | N/A |
| Cane Run 6 | 7.0 | 7.3 | 7.6 | N/A | N/A | 5.6 | 5.9 | 6.2 | N/A | N/A | 1.4 | 1.4 | 1.4 | N/A | N/A |
| Mill Creek 1 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Mill Creek 2 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Mill Creek 3 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Mill Creek 4 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Trimble County 1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Trimble County 2 | 6.0 | 5.6 | 5.1 | 5.1 | 5.1 | 3.8 | 3.3 | 3.3 | 3.3 | 3.3 | 2.2 | 2.3 | 1.8 | 1.8 | 1.8 |
| Cane Run 7 | N/A | N/A | 7.0 | 7.0 | 7.0 | N/A | N/A | 7.6 | 6.2 | 6.2 | N/A | N/A | -0.6 | 0.8 | 0.8 |
| Total EFOR | 5.8 | 5.8 | 5.9 | 5.7 | 5.6 | 4.5 | 4.5 | 4.8 | 4.5 | 4.5 | 1.3 | 1.3 | 1.0 | 1.2 | 1.1 |
| Total MOR | 2.4 | 2.4 | 2.4 | 2.3 | 2.3 | 2.4 | 2.4 | 2.2 | 2.3 | 2.3 | 0.0 | 0.0 | 0.1 | -0.1 | -0.1 |
| Total EUOR | 8.2 | 8.2 | 8.2 | 7.9 | 7.9 | 6.9 | 6.9 | 7.1 | 6.8 | 6.8 | 1.3 | 1.3 | 1.1 | 1.1 | 1.1 |



2013 Fuel Cost Comparison - Annual Averages

| Fuel Expense (¢/mmBTU) | | | | | | Delta | | | |
|------------------------|----------|---------------|-----------|-----------------------|-----------|---|----------|---------------------------------|----------|
| | | 2012 Forecast | 2013 Plan | CSAPR Stay (Jan 2012) | 2012 Plan | 2013 Plan 2013 - CSAPR Stay (Jan 2012) 2013 | % Change | 2013 Plan 2013 - 2012 Plan 2013 | % Change |
| | | (6+6) | 2013 | 2013 | 2013 | | | | |
| COAL | BR | 310 | 314 | 302 | 306 | 12 | 4% | 7 | 2% |
| | GH | 230 | 228 | 233 | 235 | (5) | -2% | (7) | -3% |
| | GR | 254 | 258 | 288 | 284 | (31) | -11% | (27) | -9% |
| | CR | 228 | 237 | 236 | 260 | 0 | 0% | (24) | -9% |
| | MC | 233 | 248 | 248 | 243 | 0 | 0% | 5 | 2% |
| | TC | 230 | 222 | 223 | 223 | (1) | 0% | (0) | 0% |
| | TC PRB | 267 | 258 | 296 | 298 | (37) | -13% | (39) | -13% |
| GAS | Gas BR | 295 | 398 | 442 | 569 | (44) | -10% | (171) | -30% |
| | Gas LGE | 280 | 373 | 411 | 537 | (38) | -9% | (165) | -31% |
| | Gas PR | 287 | 367 | 446 | 573 | (80) | -18% | (207) | -36% |
| | Gas Haef | 781 | 883 | 842 | 841 | 41 | 5% | 42 | 5% |
| OIL | Oil | 1742 | 1940 | 2299 | 2299 | (358) | -16% | (358) | -16% |



2014 Fuel Cost Comparison - Annual Averages

| Fuel Expense (¢/mmBTU) | | | | | Delta | | | |
|------------------------|----------|-----------|-----------------------|-----------|---|----------|---------------------------------|----------|
| | | 2013 Plan | CSAPR Stay (Jan 2012) | 2012 Plan | 2013 Plan 2014 - CSAPR Stay (Jan 2012) 2014 | % Change | 2013 Plan 2014 - 2012 Plan 2014 | % Change |
| | | 2014 | 2014 | 2014 | | | | |
| COAL | BR | 320 | 310 | 324 | 9 | 3% | (4) | -1% |
| | GH | 234 | 245 | 249 | (11) | -5% | (16) | -6% |
| | GR | 264 | 302 | 307 | (38) | -12% | (43) | -14% |
| | CR | 240 | 241 | 270 | (1) | 0% | (30) | -11% |
| | MC | 259 | 262 | 252 | (3) | -1% | 7 | 3% |
| | TC | 231 | 245 | 246 | (14) | -6% | (15) | -6% |
| | TC PRB | 255 | 307 | 307 | (52) | -17% | (52) | -17% |
| GAS | Gas BR | 433 | 484 | 601 | (51) | -11% | (167) | -28% |
| | Gas LGE | 409 | 453 | 569 | (44) | -10% | (160) | -28% |
| | Gas PR | 402 | 489 | 604 | (87) | -18% | (202) | -33% |
| | Gas Haef | 918 | 884 | 873 | 34 | 4% | 46 | 5% |
| OIL | Oil | 2148 | 2354 | 2354 | (206) | -9% | (206) | -9% |



2015 Fuel Cost Comparison - Annual Averages

| Fuel Expense (¢/mmBTU) | | | | | Delta | | | |
|------------------------|----------|-----------|-----------------------|-----------|---|----------|---------------------------------|----------|
| | | 2013 Plan | CSAPR Stay (Jan 2012) | 2012 Plan | 2013 Plan 2015 - CSAPR Stay (Jan 2012) 2015 | % Change | 2013 Plan 2015 - 2012 Plan 2015 | % Change |
| | | 2015 | 2015 | 2015 | | | | |
| COAL | BR | 320 | 337 | 341 | (17) | -5% | (20) | -6% |
| | GH | 245 | 255 | 260 | (10) | -4% | (15) | -6% |
| | GR | 269 | 309 | 334 | (40) | -13% | (65) | -19% |
| | CR | 246 | 269 | 277 | (23) | -9% | (32) | -12% |
| | MC | 275 | 276 | 271 | (0) | 0% | 5 | 2% |
| | TC | 234 | 248 | 250 | (15) | -6% | (16) | -6% |
| | TC PRB | 260 | 307 | 307 | (47) | -15% | (47) | -15% |
| GAS | Gas BR | 451 | 563 | 620 | (112) | -20% | (169) | -27% |
| | Gas LGE | 427 | 531 | 588 | (104) | -20% | (161) | -27% |
| | Gas PR | 420 | 567 | 624 | (147) | -26% | (204) | -33% |
| | Gas Haef | 936 | 963 | 892 | (27) | -3% | 44 | 5% |
| OIL | Oil | 2224 | 2436 | 2436 | (211) | -9% | (211) | -9% |



Peak and Energy Comparison

Peak Delta (2013 Plan - 2012 Plan)

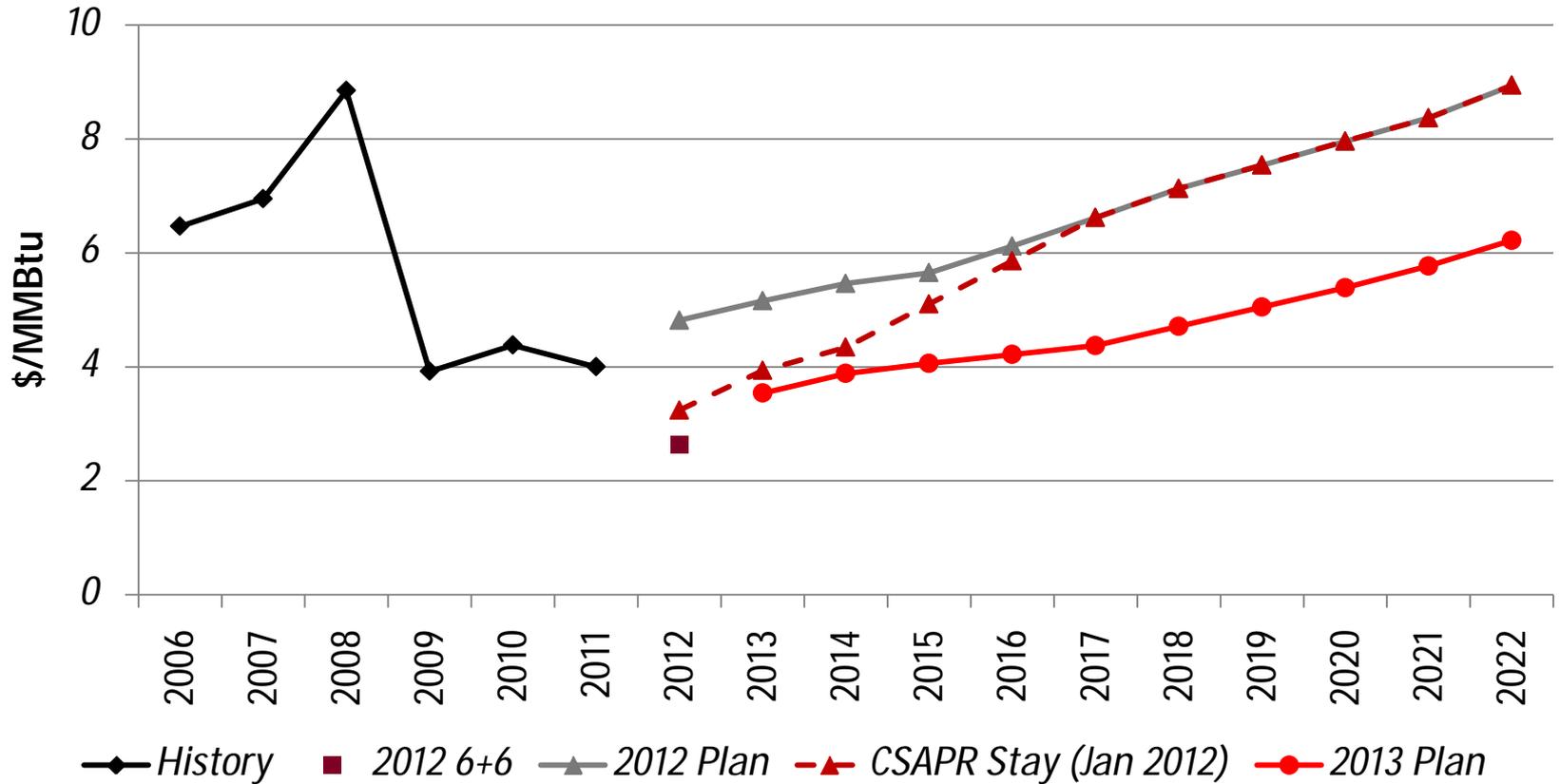
| <i>MW</i> | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------|--------------|--------------|--------------|--------------|--------------|
| <i>Jan</i> | (488) | (439) | (452) | (494) | (502) |
| <i>Feb</i> | (635) | (618) | (632) | (681) | (701) |
| <i>March</i> | (792) | (784) | (758) | (701) | (791) |
| <i>April</i> | (481) | (461) | (464) | (514) | (515) |
| <i>May</i> | (421) | (401) | (420) | (438) | (444) |
| <i>June</i> | (301) | (270) | (221) | (333) | (345) |
| <i>July</i> | (361) | (167) | (156) | (376) | (231) |
| <i>August</i> | (137) | (132) | (124) | (81) | (142) |
| <i>Sept</i> | (348) | (291) | (334) | (316) | (352) |
| <i>Oct</i> | (532) | (497) | (511) | (551) | (565) |
| <i>Nov</i> | (481) | (462) | (465) | (486) | (508) |
| <i>Dec</i> | (1,024) | (1,017) | (1,041) | (1,145) | (1,156) |
| Peak | (137) | (132) | (124) | (155) | (142) |

Energy Delta (2013 Plan - 2012 Plan)

| <i>GWh</i> | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------|--------------|--------------|--------------|--------------|--------------|
| <i>Jan</i> | 6 | 15 | 8 | (11) | (25) |
| <i>Feb</i> | (58) | (50) | (56) | (70) | (86) |
| <i>March</i> | (60) | (52) | (59) | (79) | (89) |
| <i>April</i> | (56) | (50) | (52) | (69) | (76) |
| <i>May</i> | (23) | (17) | (23) | (40) | (51) |
| <i>June</i> | (17) | (6) | (14) | (27) | (39) |
| <i>July</i> | 27 | 34 | 28 | 13 | (3) |
| <i>August</i> | 10 | 23 | 16 | (11) | (17) |
| <i>Sept</i> | 14 | 24 | 22 | 5 | (4) |
| <i>Oct</i> | (72) | (69) | (75) | (91) | (102) |
| <i>Nov</i> | (10) | (3) | (8) | (24) | (34) |
| <i>Dec</i> | (207) | (198) | (206) | (222) | (240) |
| Total | (447) | (347) | (420) | (626) | (764) |



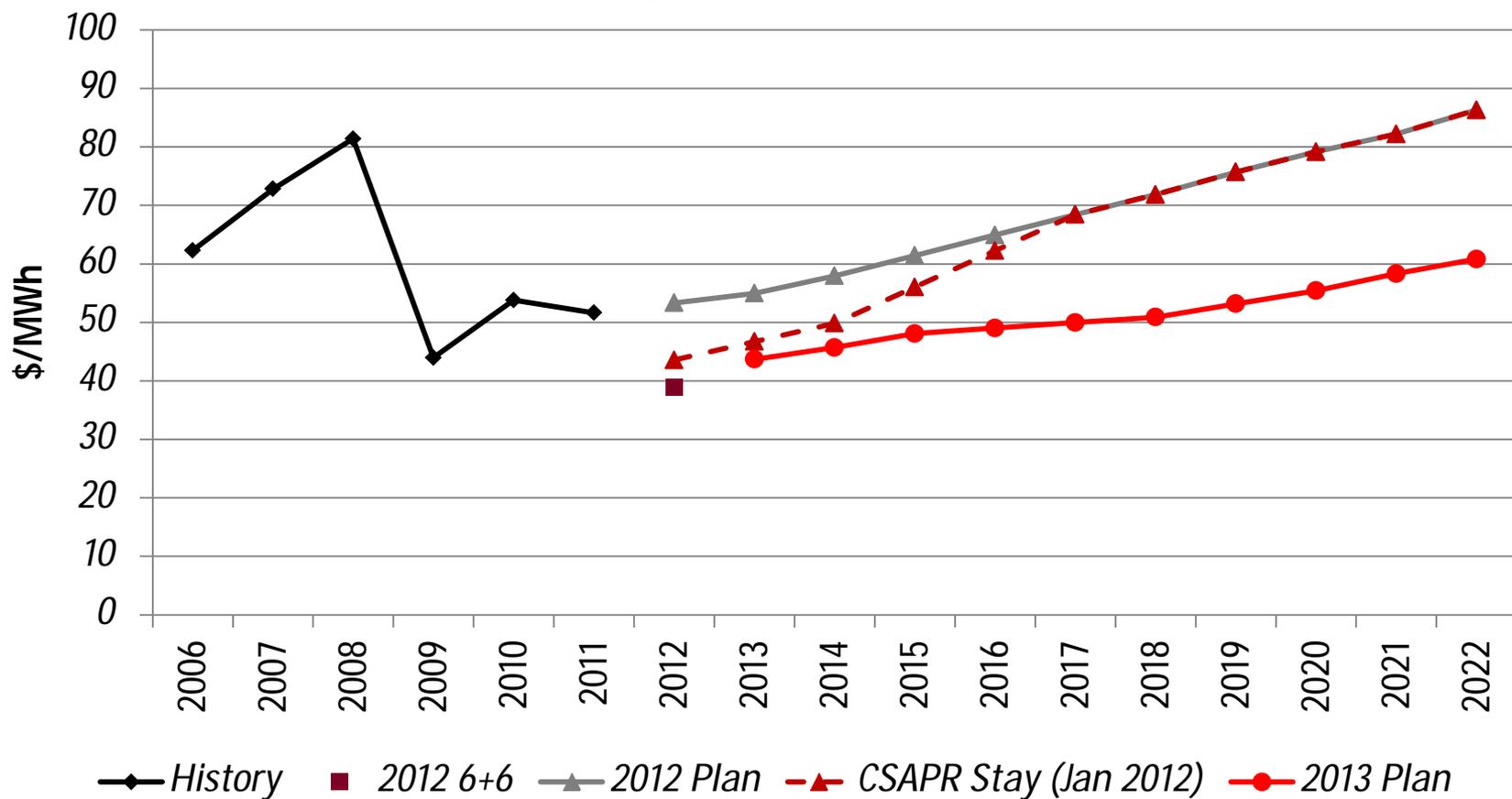
Henry Hub Natural Gas Outlook Falls on Increased Supply

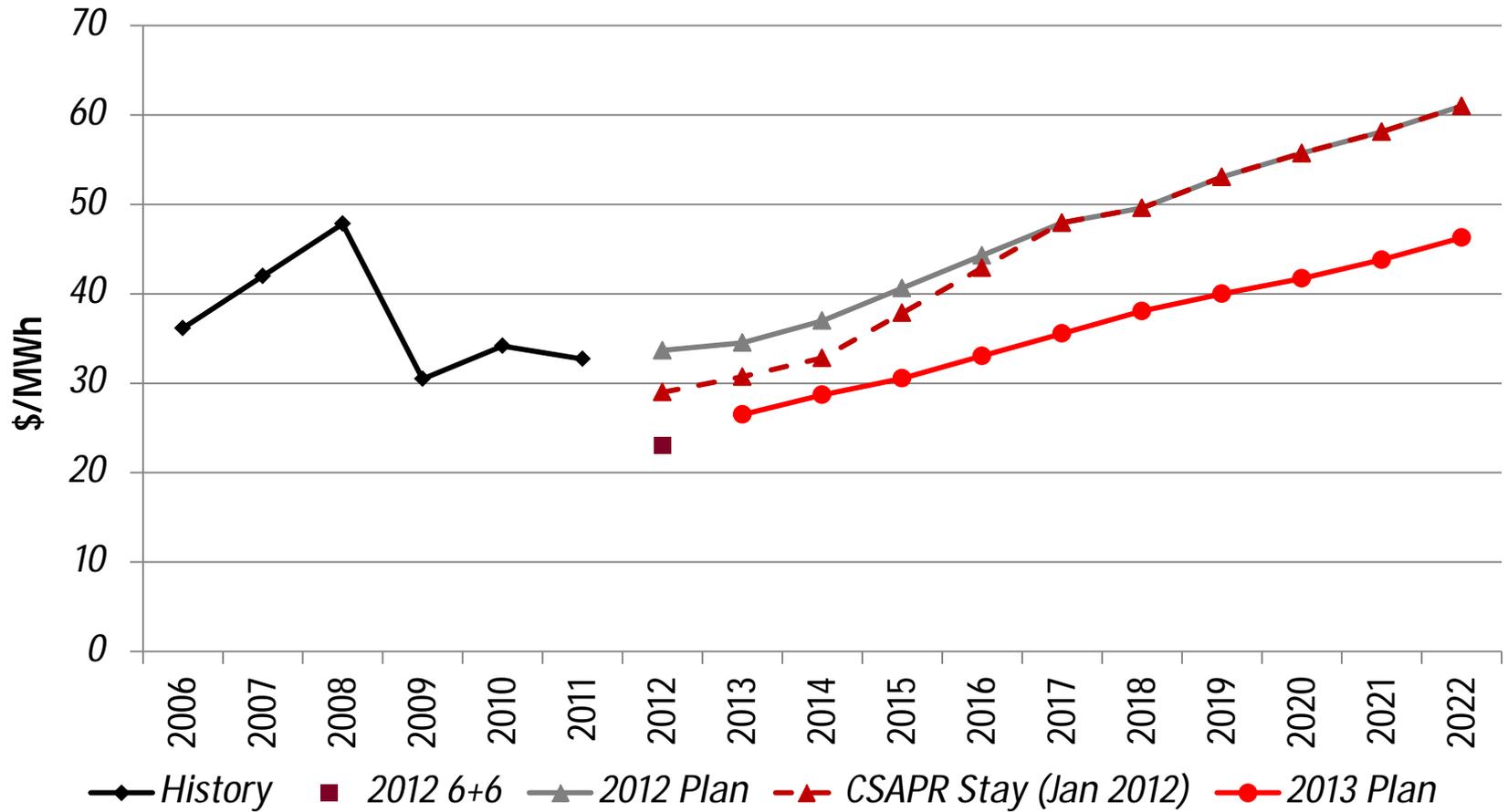


- Market view is NYMEX forward prices (Jan 2013 – Dec 2017) as of June 25, 2012.
- Long-term prices after 2019 are EIA's Annual Energy Outlook Reference Case, June 2012.
- 2017-2018 prices are interpolated.

Electricity prices in 2013 Plan are lower compared to previous plans

Electricity: PJM-W Peak (5x16)

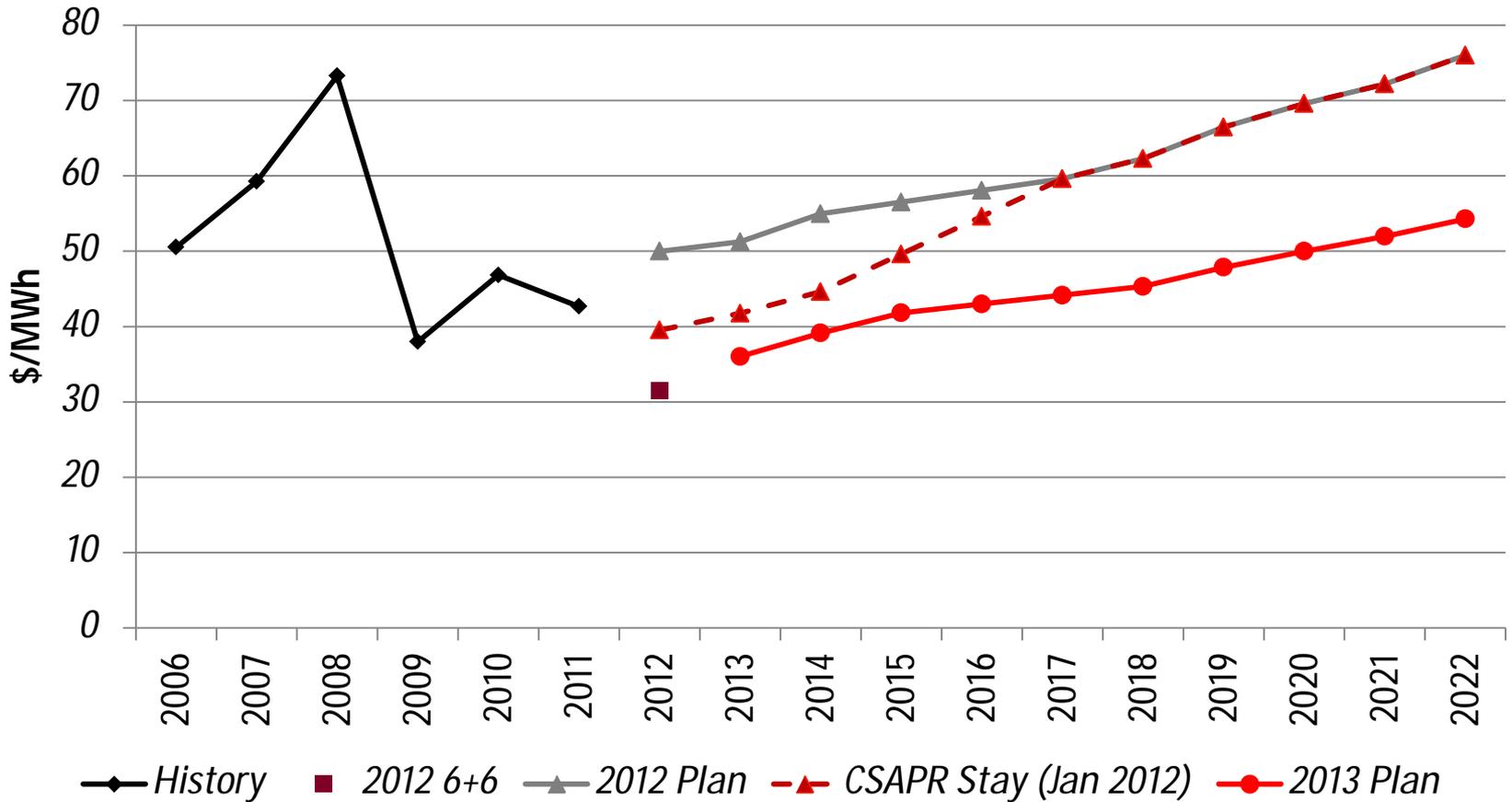




9/7/2012



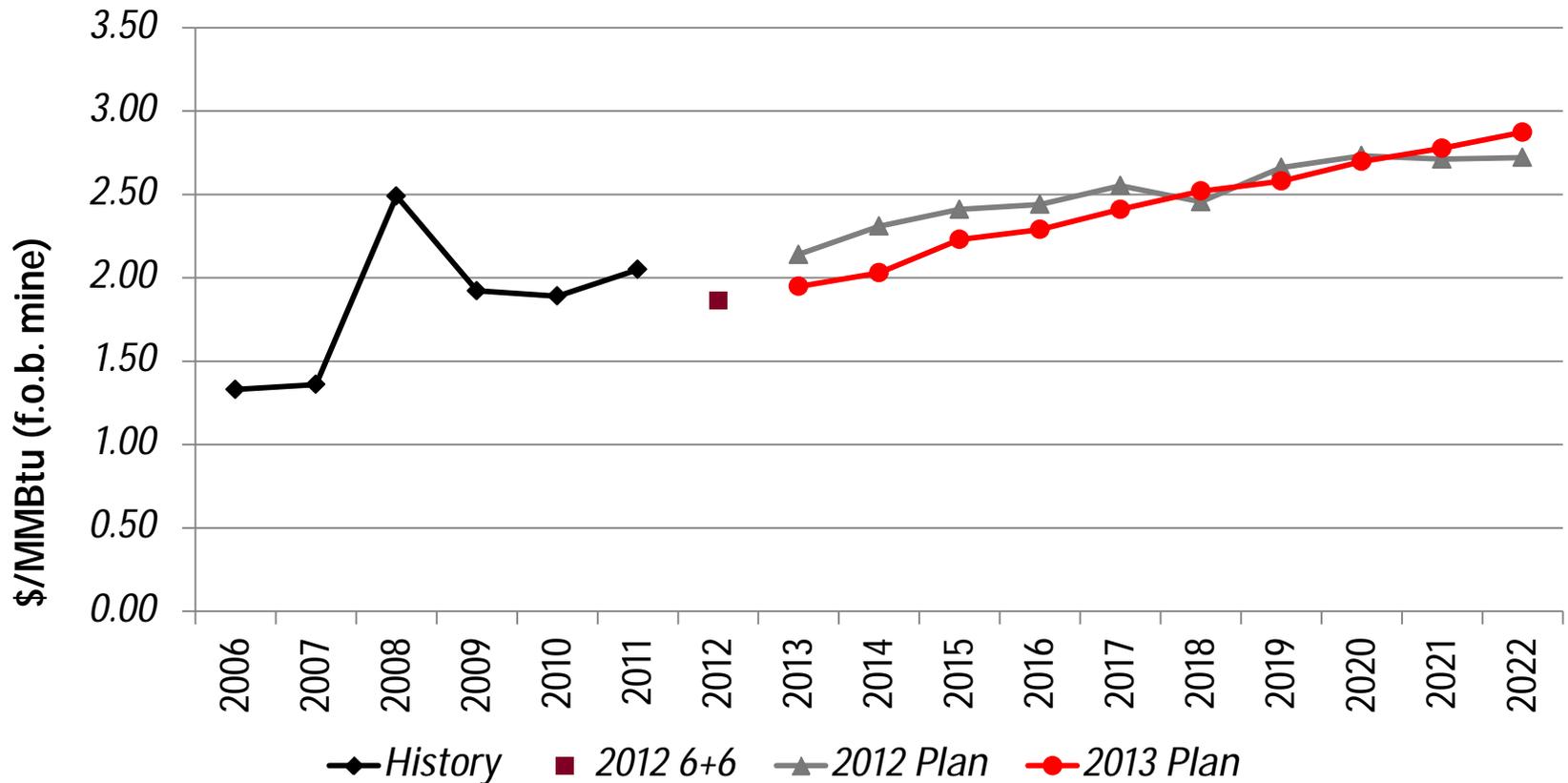
PPL companies



9/7/2012

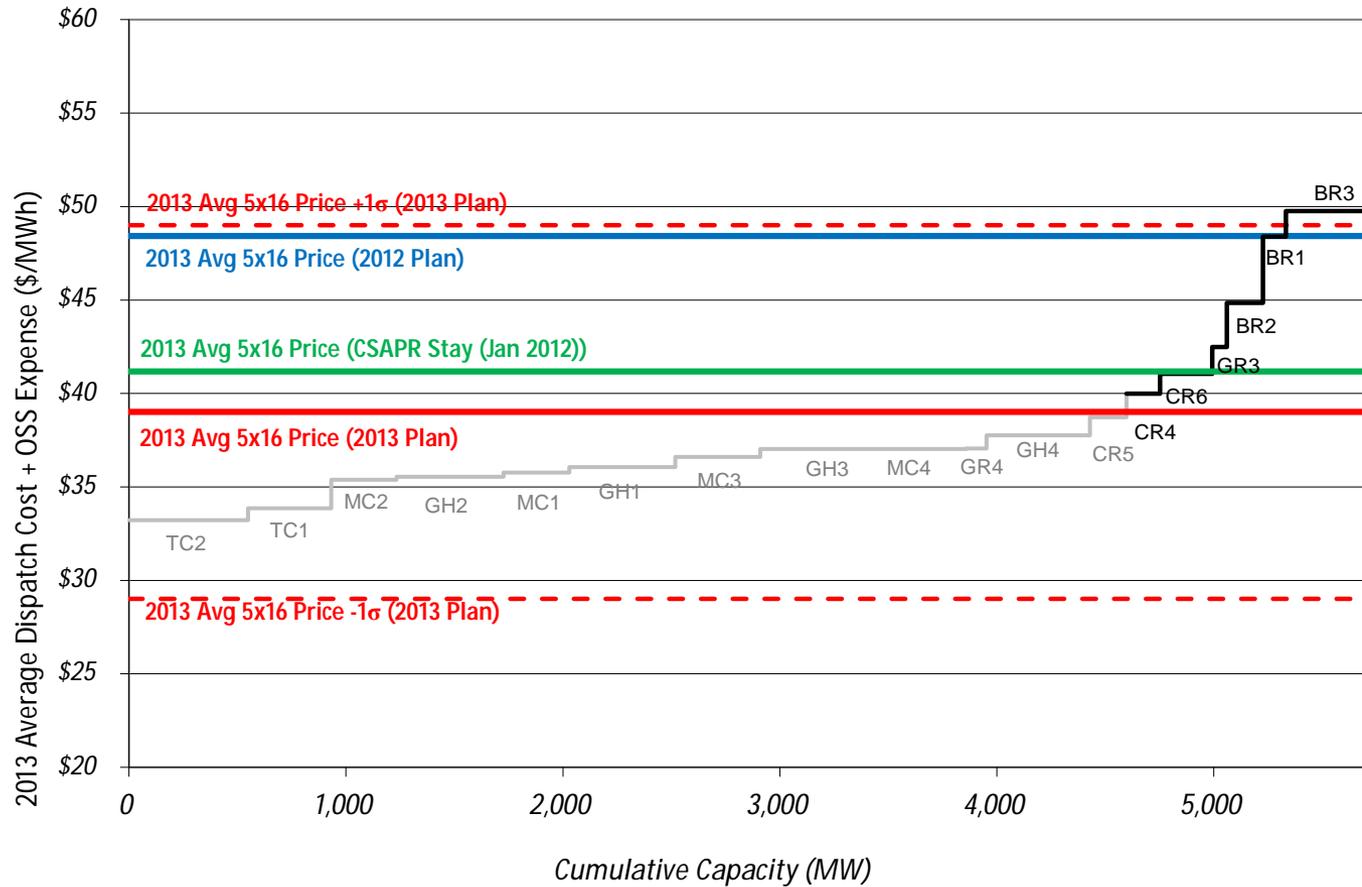


Illinois Basin High Sulfur Coal Prices Slightly Lower in Near Term

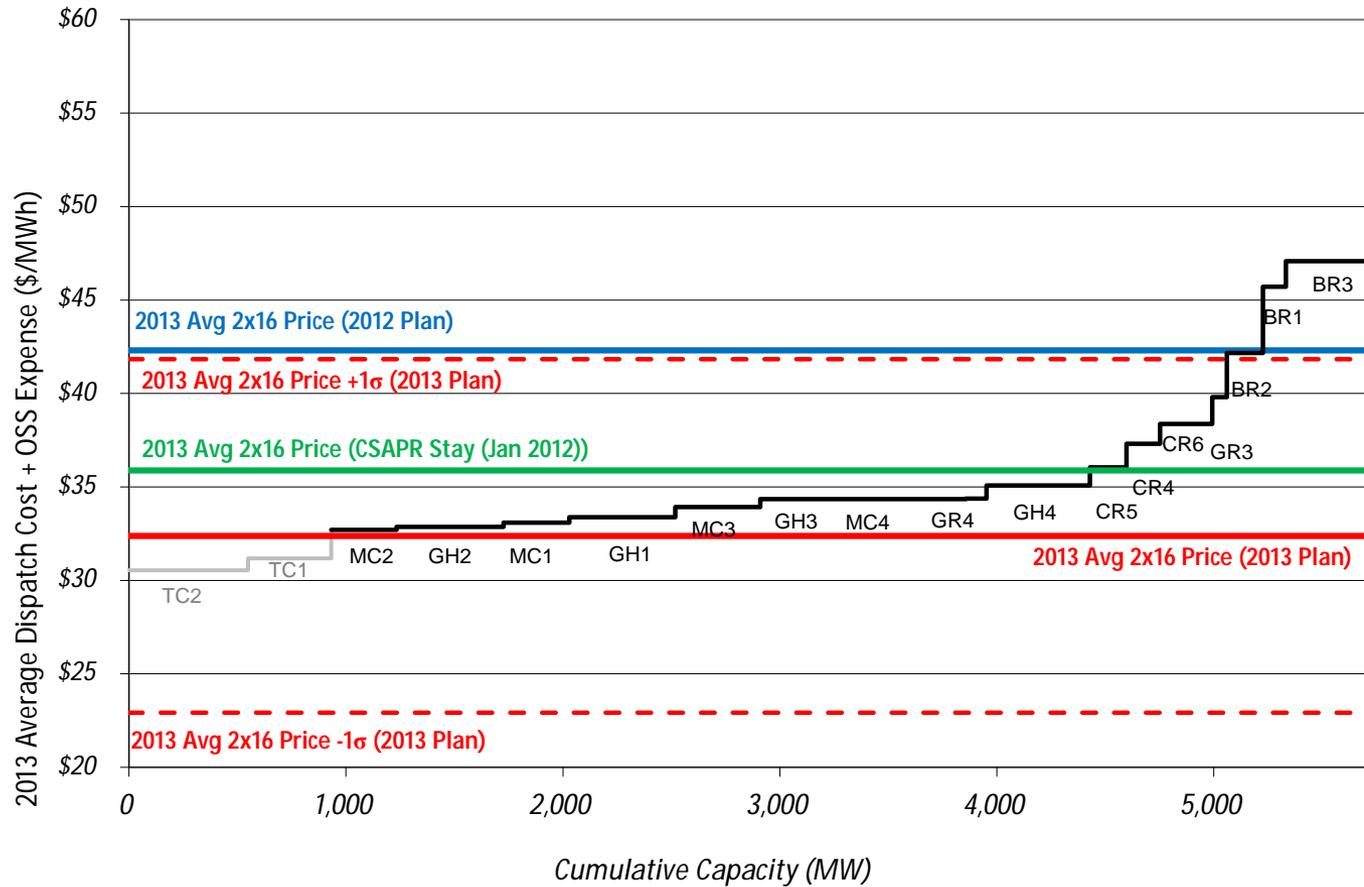


- Coal prices represent blend of bid information and Wood Mackenzie's Spring 2012 outlook.

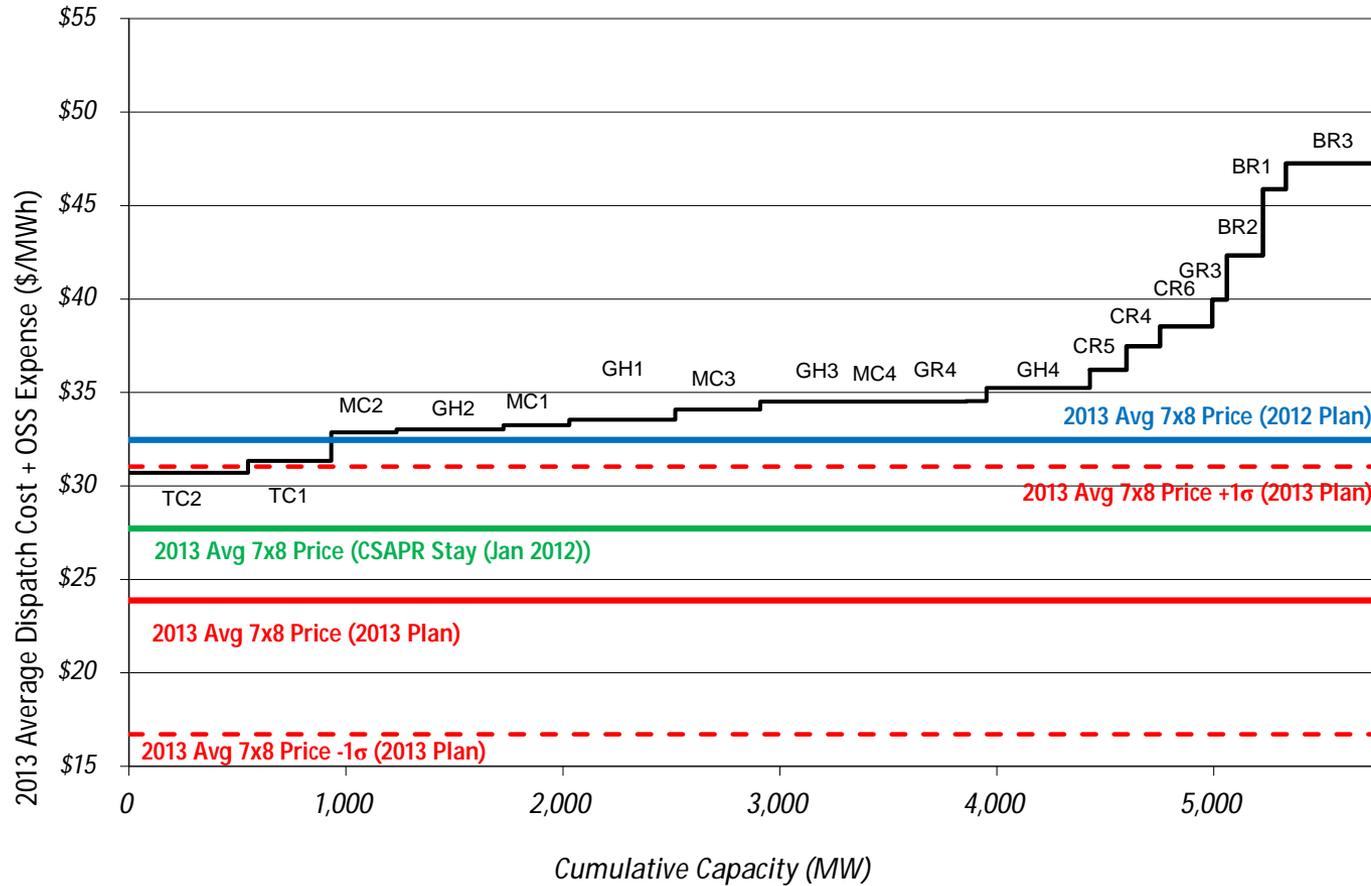
2013 5x16 Average Dispatch Cost (OSS)



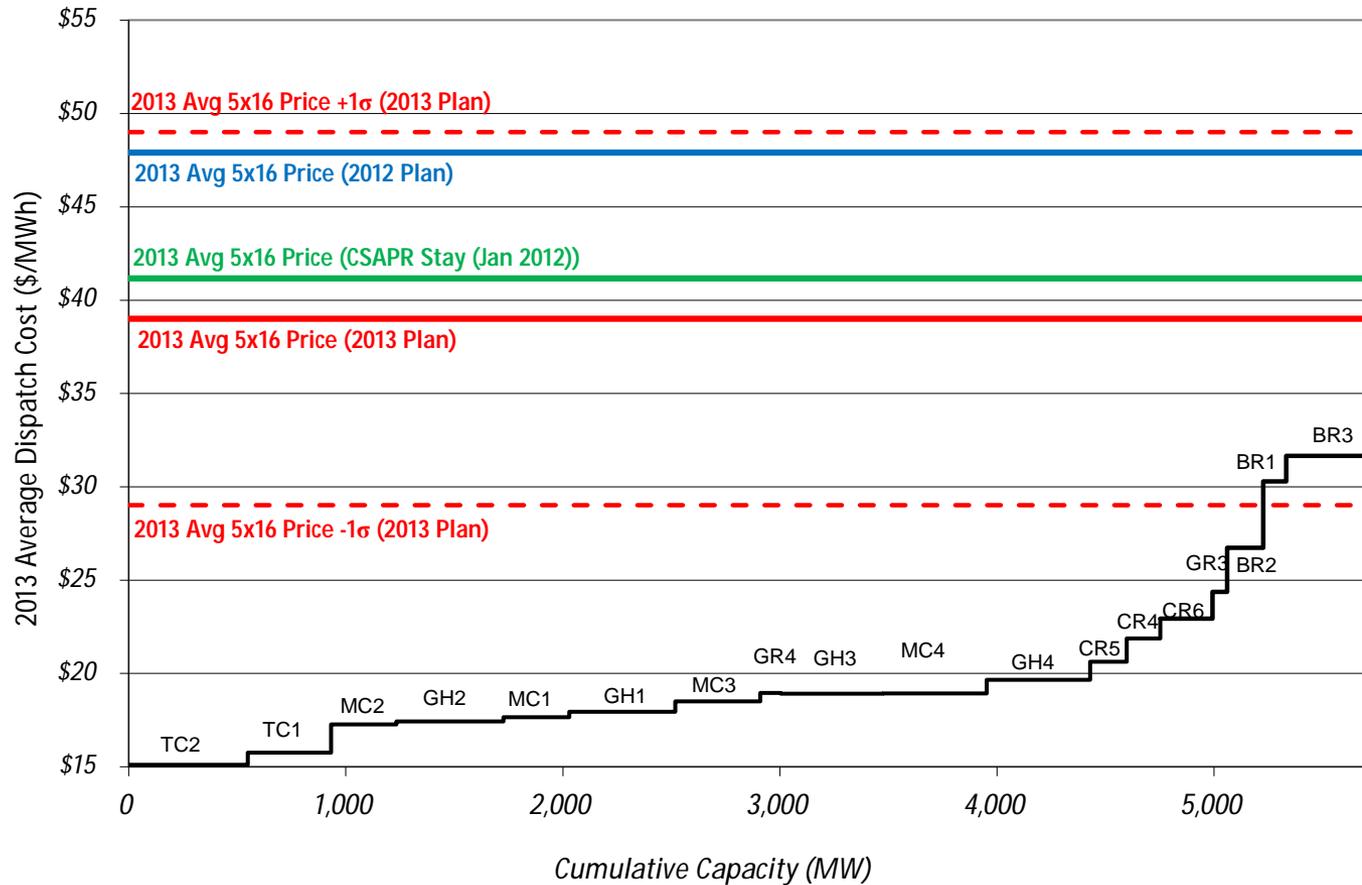
2013 2x16 Average Dispatch Cost (OSS)



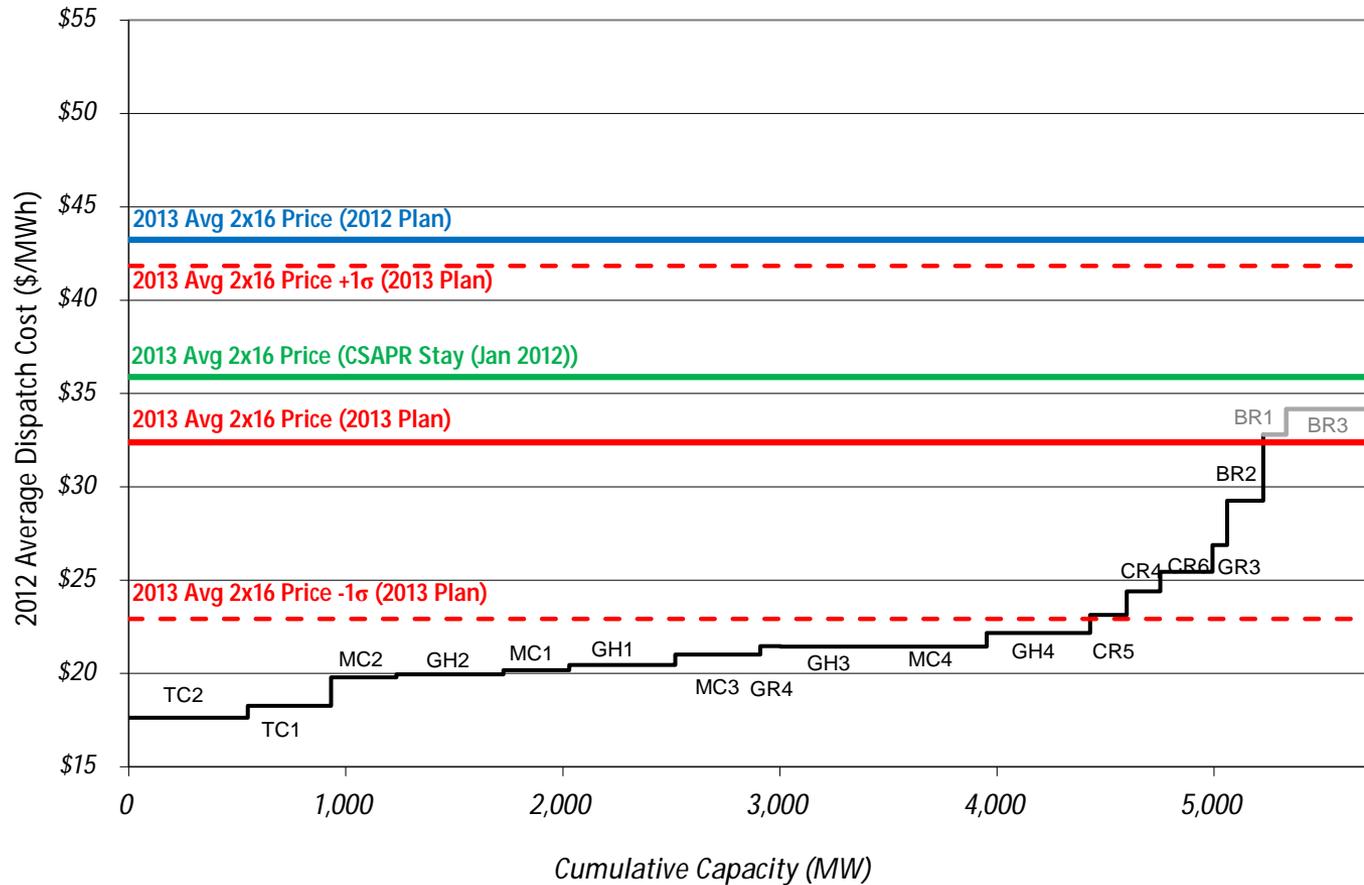
2013 7x8 Average Dispatch Cost (OSS)



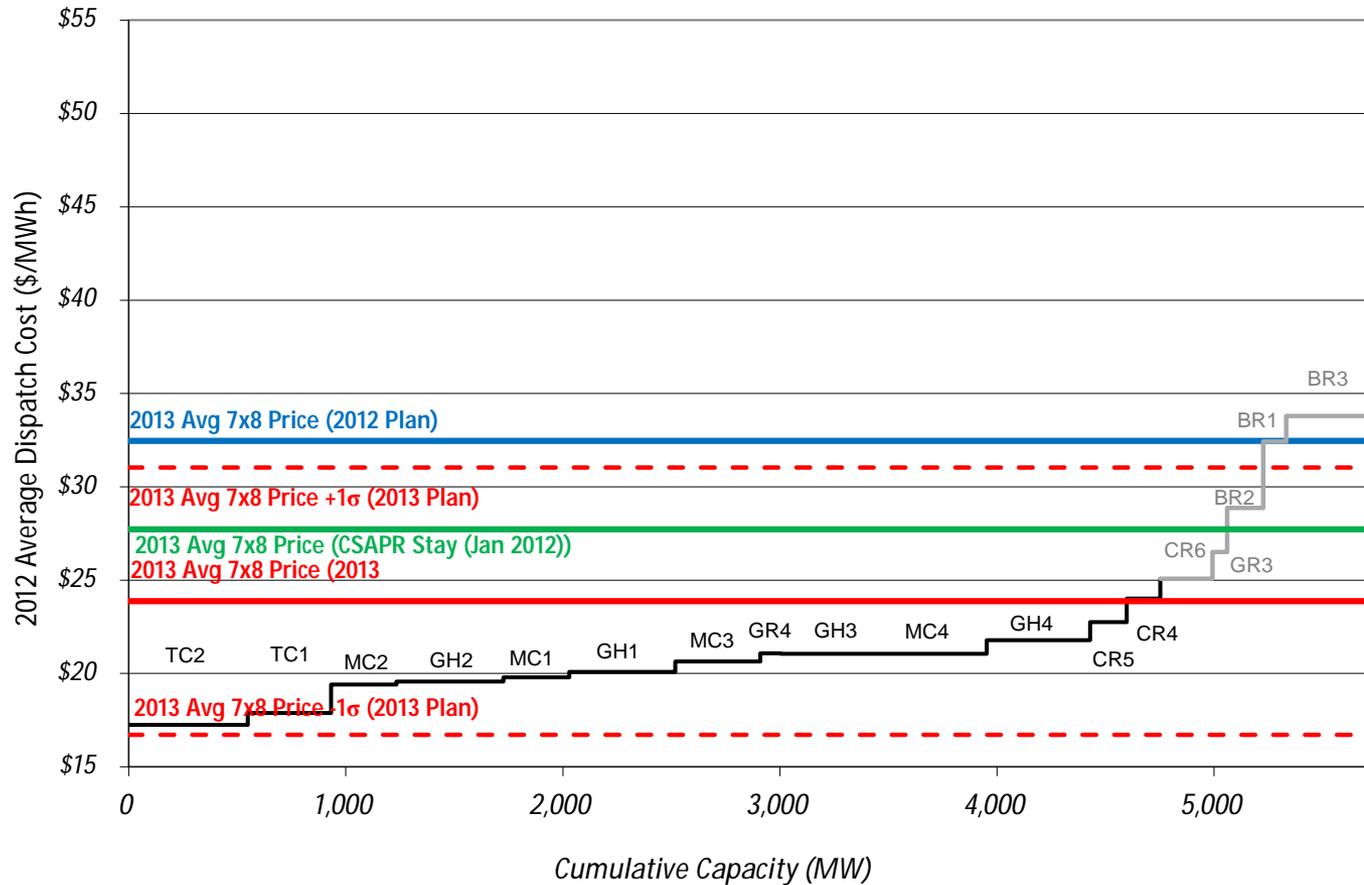
2013 5x16 Average Dispatch Cost (Purch)



2013 2x16 Average Dispatch Cost (Purch)



2013 7x8 Average Dispatch Cost (Purch)



2013 Maintenance Schedule Changes

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|---------|---------|-----|-------|---------|-----|-------|-----|-----------|-----|-----|---------|---------|-----------|-----------|-----|-------|---------|-----------|
| 1/7 | | | | | | | | | | | | | Removed | | | | | | |
| 1/14 | | | | | | | | | | | | | | | | | | | |
| 1/21 | | | | | | | | | | | | Added | | | | | | | |
| 1/28 | | | | | | | | | | | | | | | | | | | |
| 2/4 | | | | | | | | | | | | | | | | | | | |
| 2/11 | | | | | | | | | | | | | | | | | | | |
| 2/18 | | | | | | | | | | | | | | | | | | | |
| 2/25 | | | | | | | | | | | | | Removed | Removed | | | | | |
| 3/4 | | | | | | | | | | | | Added | Added | Added | | | Added | Added | |
| 3/11 | | | | | | | | | | | | Removed | Removed | Removed | | | Added | Added | |
| 3/18 | | | | | | | | | | | | Removed | Removed | Removed | | | | | |
| 3/25 | | | | | | | | | | | | Removed | Removed | Removed | | | | | Added |
| 4/1 | | | | | | | | | Unchanged | | | Added | Added | Unchanged | | | | | Added |
| 4/8 | Added | | | | | | Added | | Unchanged | | | Added | Added | Unchanged | | | | | |
| 4/15 | Added | | | | | | | | Unchanged | | | Added | Added | Unchanged | | | | | |
| 4/22 | | Removed | | | | | | | | | | Added | Added | Unchanged | Unchanged | | | | |
| 4/29 | | Added | | | Added | | | | | | | Added | Added | Unchanged | Unchanged | | | | |
| 5/6 | Removed | Added | | | | | | | | | | Added | Added | Unchanged | Unchanged | | | | |
| 5/13 | | | | | | | | | | | | | | | | | | Removed | |
| 5/20 | | | | | Removed | | | | | | | | | | | | | | |
| 5/27 | | | | | | | | | | | | | | | | | | | |
| 6/3 | | | | | | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 9/2 | | | | | | | | | | | | | | | | | | | |
| 9/9 | | | | | | | | | | | | | | | | | | | |
| 9/16 | | | | | | | | | | | | | | | | | | | |
| 9/23 | | | | | | | | | | | | | | | | | | | |
| 9/30 | | | | | | | | | | | | | | | | | | | |
| 10/7 | | | | Added | | | | | | | | | | | | | | | Added |
| 10/14 | | | | | | | | | Unchanged | | | | | | | | | | Unchanged |
| 10/21 | | | | | | | | | | | | | | | | | | | Unchanged |
| 10/28 | | | | | | | | | | | | | | | | | | | Unchanged |
| 11/4 | | | | | | | | | | | | | | | | | | | Unchanged |
| 11/11 | | | | | | | | | | | | | | | | | | Removed | Unchanged |
| 11/18 | | | | | | | | | | | | | | | | | | | Unchanged |
| 11/25 | | | | | | | | | | | | | | | | | | | Unchanged |
| 12/2 | | | | | | | | | | | | | | | | | | | Unchanged |
| 12/9 | | | | | | | | | | | | | | | | | | | Unchanged |
| 12/16 | | | | | | | | | | | | | | | | | | | Unchanged |
| 12/23 | | | | | | | | | | | | | | | | | | | Unchanged |

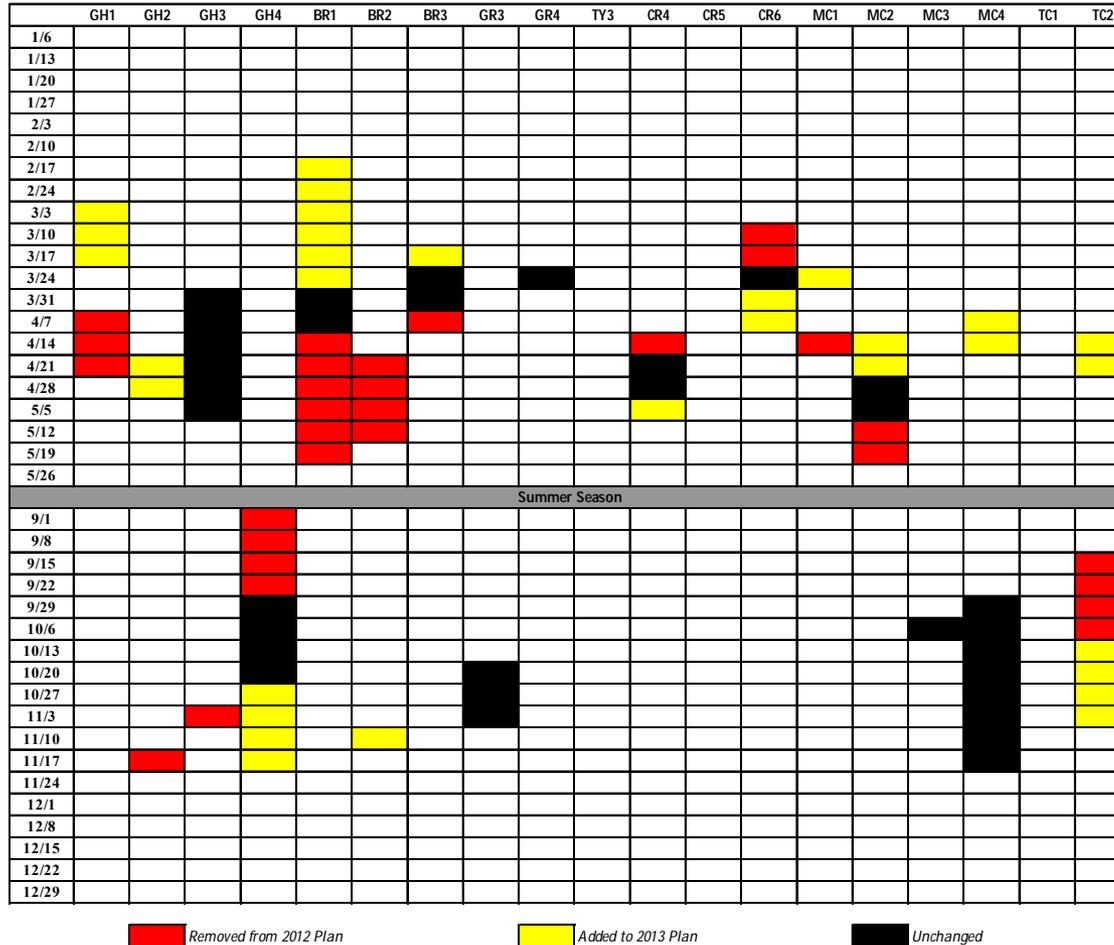
 Removed from 2012 Plan

 Added to 2013 Plan

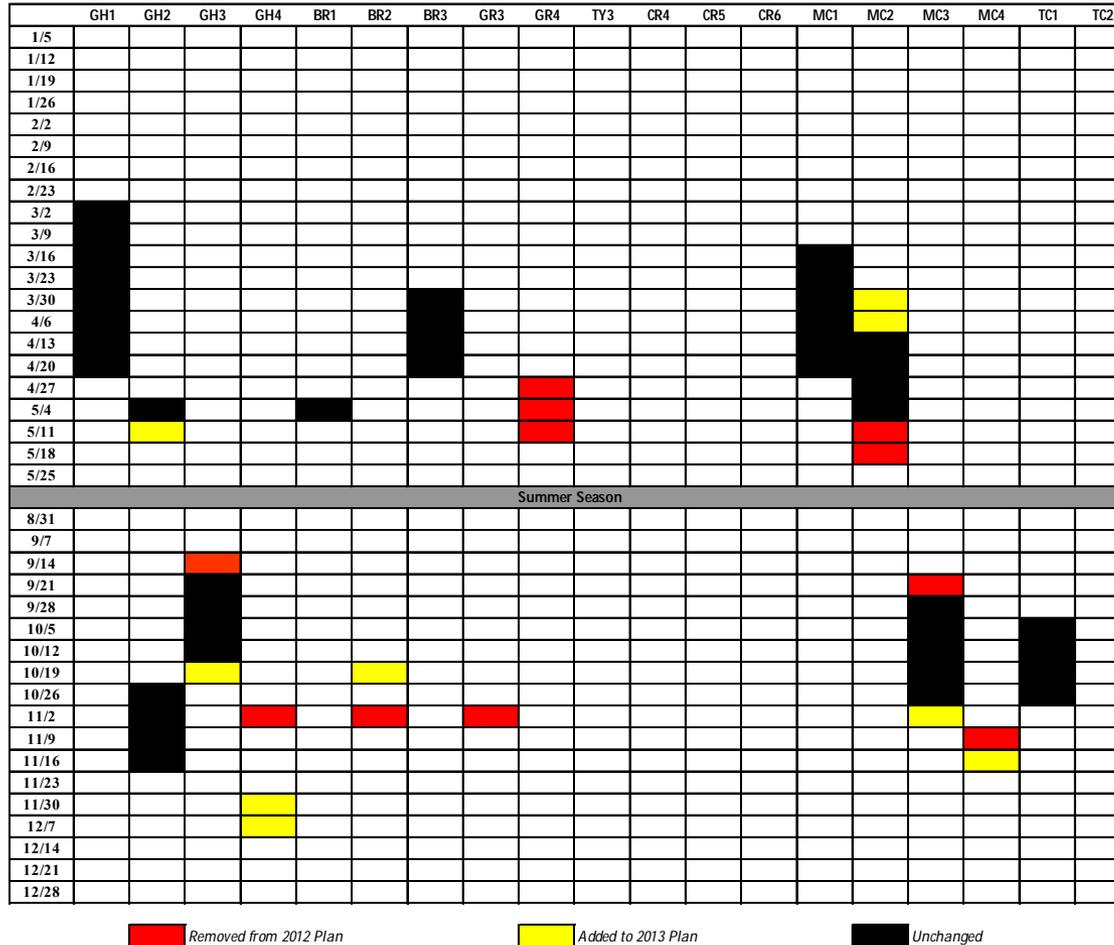
 Unchanged



2014 Maintenance Schedule Changes



2015 Maintenance Schedule Changes



2016 Maintenance Schedule Changes

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/4 | | | | | | | | | | | | | | | | | | | |
| 1/11 | | | | | | | | | | | | | | | | | | | |
| 1/18 | | | | | | | | | | | | | | | | | | | |
| 1/25 | | | | | | | | | | | | | | | | | | | |
| 2/1 | | | | | | | | | | | | | | | | | | | |
| 2/8 | | | | | | | | | | | | | | | | | | | |
| 2/15 | | | | | | | | | | | | | | | | | | | |
| 2/22 | | | | | | | | | | | | | | | | | | | |
| 2/29 | | | | | | | | | | | | | | | | | | | |
| 3/7 | | ■ | | | | | | | | | | | | | | | | | |
| 3/14 | | ■ | | | | | | | | | | | | | | | | | |
| 3/21 | | ■ | | | | | | | | | | | | | | | | | |
| 3/28 | | ■ | | | ■ | ■ | ■ | | | | | | | | | | | | |
| 4/4 | | | | | ■ | ■ | ■ | | | | | | | ■ | | | | | |
| 4/11 | ■ | | | | ■ | ■ | ■ | | | | | | | | | | | | |
| 4/18 | ■ | | | | | ■ | ■ | | | | | | | | ■ | | | | |
| 4/25 | ■ | | | | | | ■ | | | | | | | | ■ | | | | |
| 5/2 | | | | | ■ | | ■ | | | | | | | | | | | | |
| 5/9 | | | | | ■ | | ■ | | | | | | | | | | | | |
| 5/16 | | | | | ■ | | ■ | | | | | | | | | | | | |
| 5/23 | | | | | ■ | | ■ | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 8/29 | | | | | | | | | | | | | | | | | | | |
| 9/5 | | | | | | | | | | | | | | | | | | | |
| 9/12 | | | | | | | | | | | | | | | | ■ | | | |
| 9/19 | | | | | | | | | | | | | | | | | ■ | | |
| 9/26 | | | | | | | | | | | | | | | | | ■ | | ■ |
| 10/3 | | | | | | | | | | | | | | | | | ■ | | ■ |
| 10/10 | | | ■ | | | | | | | | | | | | | | ■ | | ■ |
| 10/17 | | | ■ | | | | | | | | | | | | | | ■ | | ■ |
| 10/24 | | | ■ | | | | | | | | | | | | | | ■ | | ■ |
| 10/31 | | | | | | | | | | | | | | | | | ■ | | ■ |
| 11/7 | | | | | | | | | | | | | | | | | ■ | | ■ |
| 11/14 | | | | | | | | | | | | | | | | ■ | | | ■ |
| 11/21 | | | | | | | | | | | | | | | | | | | ■ |
| 11/28 | | | | | | | | | | | | | | | | | | | ■ |
| 12/5 | | | | | | | | | | | | | | | | | | | ■ |
| 12/12 | | | | | | | | | | | | | | | | | | | ■ |
| 12/19 | | | | | | | | | | | | | | | | | | | ■ |
| 12/26 | | | | | | | | | | | | | | | | | | | ■ |

■ Removed from 2012 Plan

■ Added to 2013 Plan

■ Unchanged



2017 Maintenance Schedule Changes

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|--------|--------|--------|--------|--------|-------|-----|-----|-----|-----|-----|-----|-----|-------|-------|-----|-----|-----|-----|
| 1/2 | | | | | | | | | | | | | | | | | | | |
| 1/9 | | | | | | | | | | | | | | | | | | | |
| 1/16 | | | | | | | | | | | | | | | | | | | |
| 1/23 | | | | | | | | | | | | | | | | | | | |
| 1/30 | | | | | | | | | | | | | | | | | | | |
| 2/6 | | | | | | | | | | | | | | | | | | | |
| 2/13 | | | | | | | | | | | | | | | | | | | |
| 2/20 | | | | | | | | | | | | | | | | | | | |
| 2/27 | | | | | | | | | | | | | | | | | | | |
| 3/6 | | | | | | | | | | | | | | | | | | | |
| 3/13 | Yellow | | | | | Black | | | | | | | | | | | | | |
| 3/20 | Yellow | | | | | Black | | | | | | | | | | | | | |
| 3/27 | | | | | | | | | | | | | | | Black | | | | |
| 4/3 | | Yellow | Yellow | | Yellow | | | | | | | | | | | | | | |
| 4/10 | Red | Yellow | Yellow | | | Black | | | | | | | | Black | | | | | |
| 4/17 | Red | Yellow | Yellow | | | Black | | | | | | | | Black | | | | | |
| 4/24 | | | | | | Black | | | | | | | | | | | | | |
| 5/1 | | | | Yellow | | | | | | | | | | | | | | | |
| 5/8 | | | | Yellow | | | | | | | | | | | | | | | |
| 5/15 | | | | Yellow | | | | | | | | | | | | | | | |
| 5/22 | | | | | Red | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 8/28 | | | | | | | | | | | | | | | | | | | |
| 9/4 | | | | | | | | | | | | | | | | | | | |
| 9/11 | | | | Red | | | | | | | | | | | | | | | |
| 9/18 | | | | | | | | | | | | | | | | | | | |
| 9/25 | | | | | | | | | | | | | | | | | | | |
| 10/2 | | | | | | | | | | | | | | | | | | | |
| 10/9 | | | | | | | | | | | | | | | | | | | |
| 10/16 | | Red | Red | | | | | | | | | | | | | | | | |
| 10/23 | | Red | Red | | | | | | | | | | | | | | | | |
| 10/30 | | | | | | | | | | | | | | | | | | | |
| 11/6 | | | | | | | | | | | | | | | | | | | |
| 11/13 | | | | | | | | | | | | | | | | | | | |
| 11/20 | | | | | | | | | | | | | | | | | | | |
| 11/27 | | | | | | | | | | | | | | | | | | | |
| 12/4 | | | | | | | | | | | | | | | | | | | |
| 12/11 | | | | | | | | | | | | | | | | | | | |
| 12/18 | | | | | | | | | | | | | | | | | | | |
| 12/25 | | | | | | | | | | | | | | | | | | | |

■ Removed from 2012 Plan

■ Added to 2013 Plan

■ Unchanged

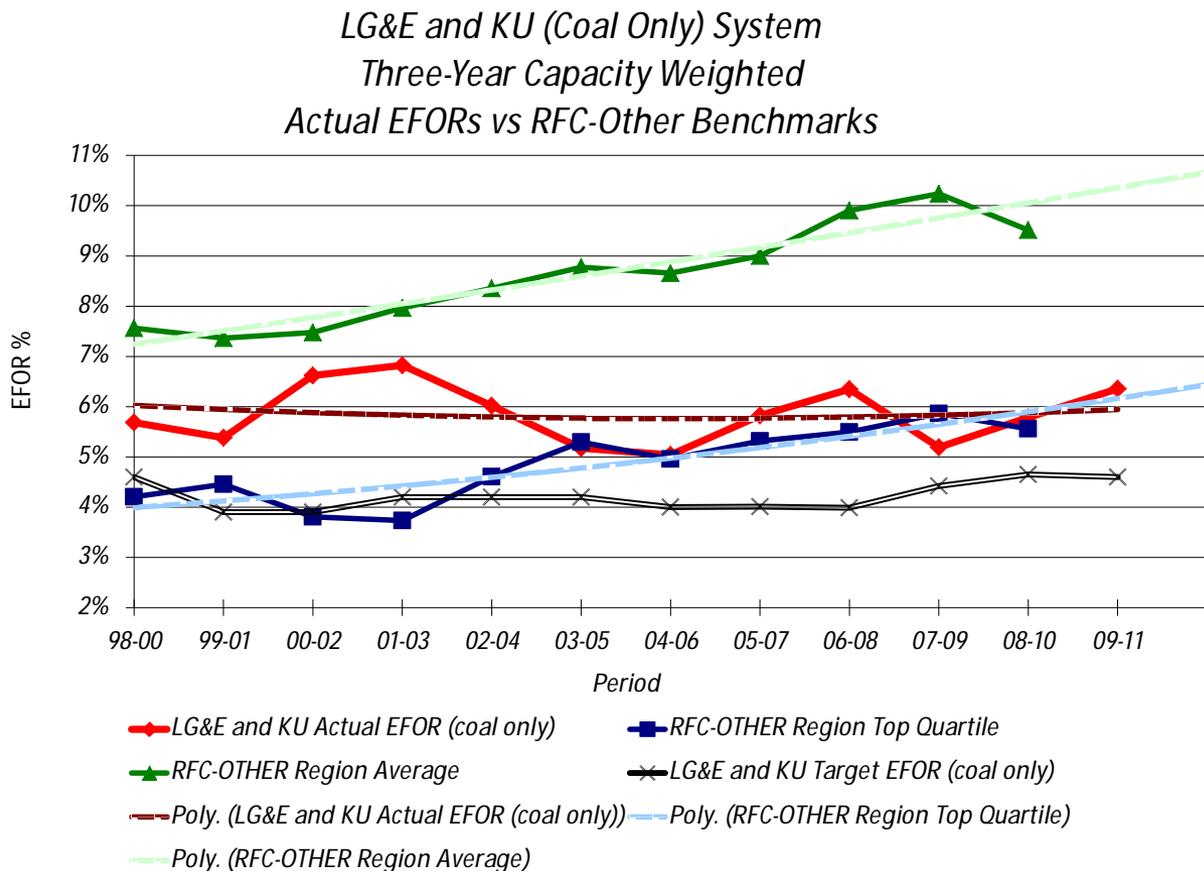


Reserve Margin Need without 2016-17 Reserve Margin Purchase or 2018 NGCC

| (MW) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2012 Plan | | | | | | | | | | |
| Net Load | 6,979 | 7,015 | 7,051 | 7,132 | 7,175 | 7,234 | 7,284 | 7,384 | 7,426 | 7,544 |
| Existing Supply | 8,079 | 8,051 | 8,053 | 7,305 | 7,305 | 7,305 | 7,305 | 7,305 | 7,305 | 7,305 |
| New Capacity | 495 | 0 | 0 | 640 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve Margin | 1,595 | 1,531 | 1,497 | 1,308 | 1,265 | 1,206 | 1,156 | 1,056 | 1,014 | 896 |
| Reserve Margin % | 22.8% | 21.8% | 21.2% | 18.3% | 17.6% | 16.7% | 15.9% | 14.3% | 13.7% | 11.9% |
| Reserve Margin Need | -478 | -408 | -369 | -167 | -117 | -48 | 9 | 126 | 174 | 311 |
| 2013 Plan | | | | | | | | | | |
| Net Load | 6,821 | 6,860 | 6,903 | 6,954 | 7,010 | 7,077 | 7,144 | 7,212 | 7,281 | 7,337 |
| Existing Supply | 8,162 | 8,172 | 7,326 | 7,314 | 7,331 | 7,293 | 7,312 | 7,313 | 7,313 | 7,318 |
| New Capacity | 0 | 0 | 666 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve Margin | 1,341 | 1,312 | 1,089 | 1,025 | 987 | 882 | 834 | 767 | 699 | 648 |
| Reserve Margin % | 19.7% | 19.1% | 15.8% | 14.7% | 14.1% | 12.5% | 11.7% | 10.6% | 9.6% | 8.8% |
| Reserve Margin Need | -249 | -214 | 16 | 87 | 135 | 250 | 310 | 387 | 466 | 526 |
| 2013 Plan Without Brown 1-2 | | | | | | | | | | |
| Net Load | 6,821 | 6,860 | 6,903 | 6,954 | 7,010 | 7,077 | 7,144 | 7,212 | 7,281 | 7,337 |
| Existing Supply | 8,162 | 8,172 | 7,054 | 7,045 | 7,062 | 7,024 | 7,043 | 7,044 | 7,044 | 7,049 |
| New Capacity | 0 | 0 | 666 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserve Margin | 1,341 | 1,312 | 817 | 756 | 718 | 613 | 565 | 498 | 430 | 379 |
| Reserve Margin % | 19.7% | 19.1% | 11.8% | 10.9% | 10.2% | 8.7% | 7.9% | 6.9% | 5.9% | 5.2% |
| Reserve Margin Need | -249 | -214 | 288 | 356 | 404 | 519 | 579 | 656 | 735 | 795 |



LG&E/KU EFOR is favorable to the benchmark average over the past 10+ years

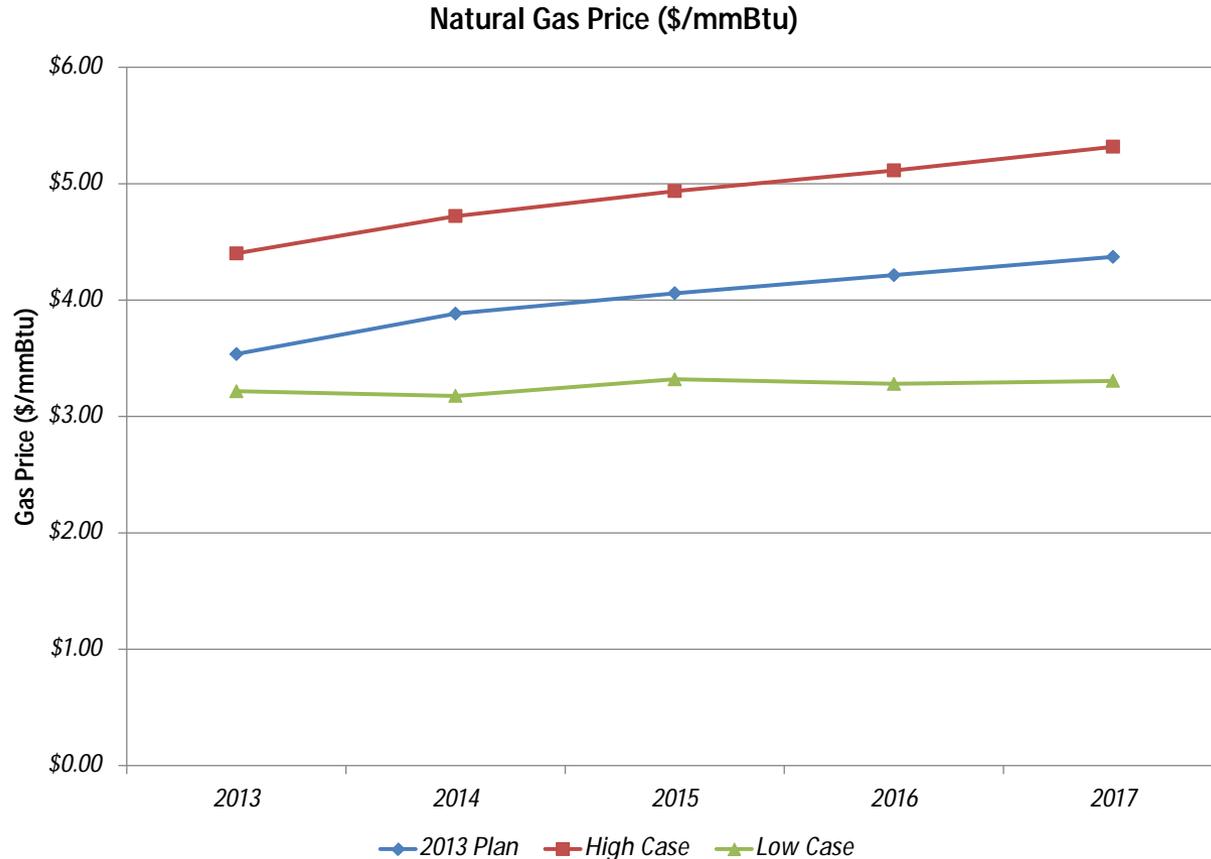


Despite the relative improvement in EFOR (versus the benchmark), actual results have exceeded the companies' targets for the past 5+ years.

EFOR assumptions significantly impact fuel budgets/forecasts and reliability decisions

- *1% increase in EFOR assumption reduces forecasted coal burn by 285,000 tons.*
- *1% increase in EFOR assumption increases optimal reserve margin by approximate 1%.*
- *EFOR assumptions also impact forecasts of fuel expense, purchased power, off-system sales, and FAC disallowances.*

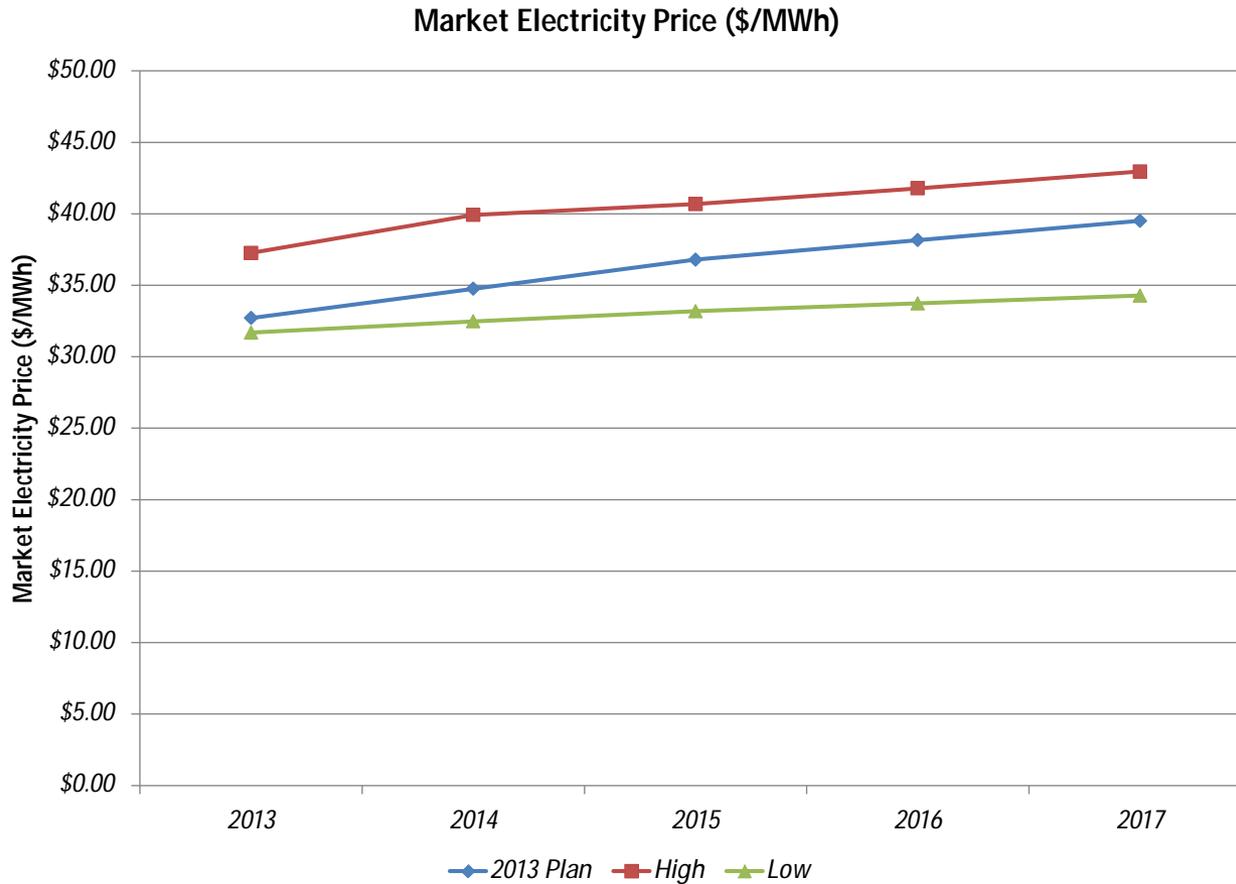
Natural Gas Price Scenarios



High and low gas price scenarios are from EIA.



Electricity Price Scenarios



High and low electricity price scenarios are from EIA.



PPL companies

Unit availability uncertainty

2013 EFORs Sensitivities

| Percentile | CR Sta | GH Sta | GR Sta | MC Sta | TC 1 | TC 2 | BR Sta |
|------------|--------|--------|--------|--------|------|-------|--------|
| 10% | 4.5% | 4.0% | 4.5% | 4.0% | 35% | 6.0% | 2.8% |
| 50% | 7.0% | 5.6% | 7.0% | 5.6% | 5.1% | 8.0% | 5.6% |
| 90% | 11.4% | 6.0% | 11.4% | 6.0% | 5.5% | 12.0% | 6.9% |

2014 EFORs Sensitivities

| Percentile | CR Sta | GH Sta | GR Sta | MC Sta | TC 1 | TC 2 | BR Sta |
|------------|--------|--------|--------|--------|------|------|--------|
| 10% | 4.8% | 4.0% | 4.8% | 4.0% | 35% | 4.5% | 2.8% |
| 50% | 7.3% | 5.6% | 7.3% | 5.6% | 5.1% | 6.5% | 5.6% |
| 90% | 11.7% | 6.0% | 11.7% | 6.0% | 5.5% | 8.5% | 6.9% |

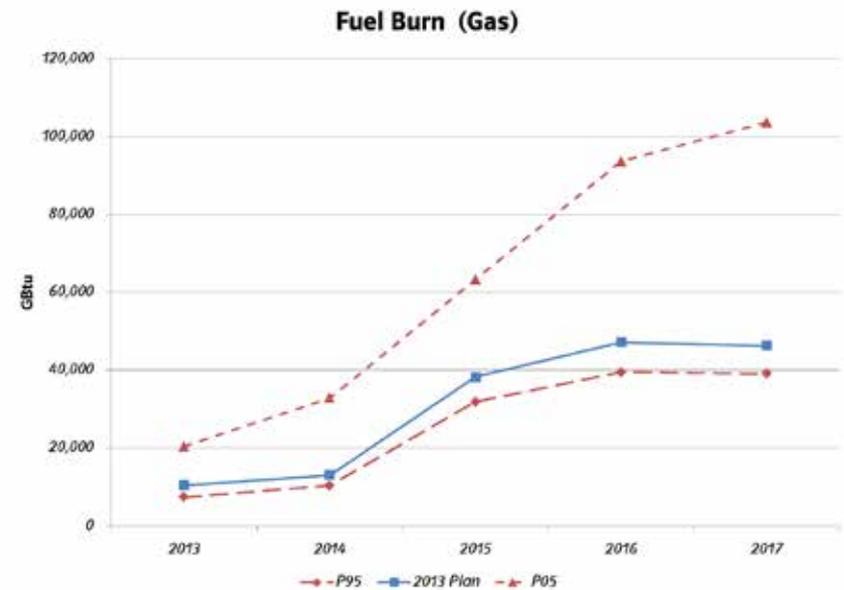
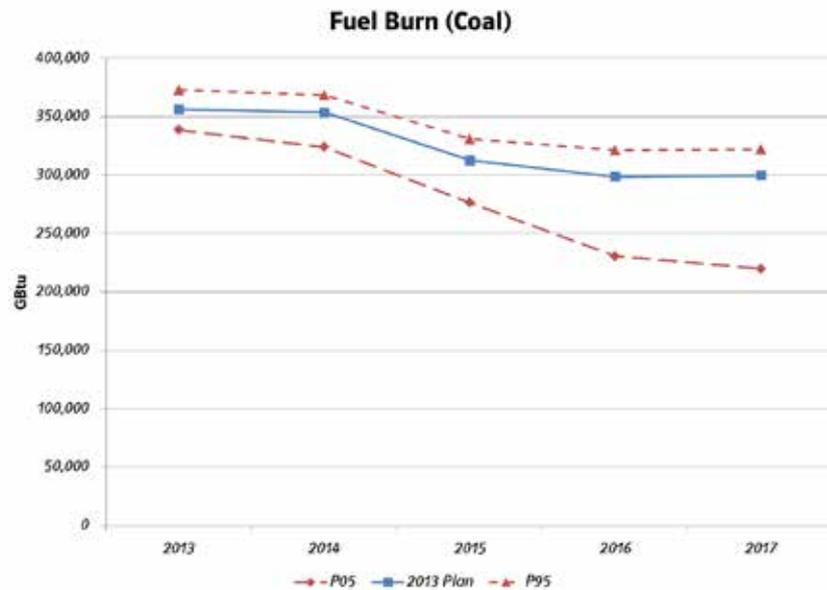
2015 EFORs Sensitivities

| Percentile | CR Sta | GH Sta | GR Sta | MC Sta | TC 1 | TC 2 | BR Sta |
|------------|--------|--------|--------|--------|------|------|--------|
| 10% | 5.1% | 4.0% | 5.1% | 4.0% | 35% | 3.1% | 2.8% |
| 50% | 7.6% | 5.6% | 7.6% | 5.6% | 5.1% | 5.1% | 5.6% |
| 90% | 12.0% | 6.0% | 12.0% | 6.0% | 5.5% | 5.5% | 6.9% |

Note: EFORs for GH, MC and TC1 are modeled as a group and therefore have less variability. C1 is m

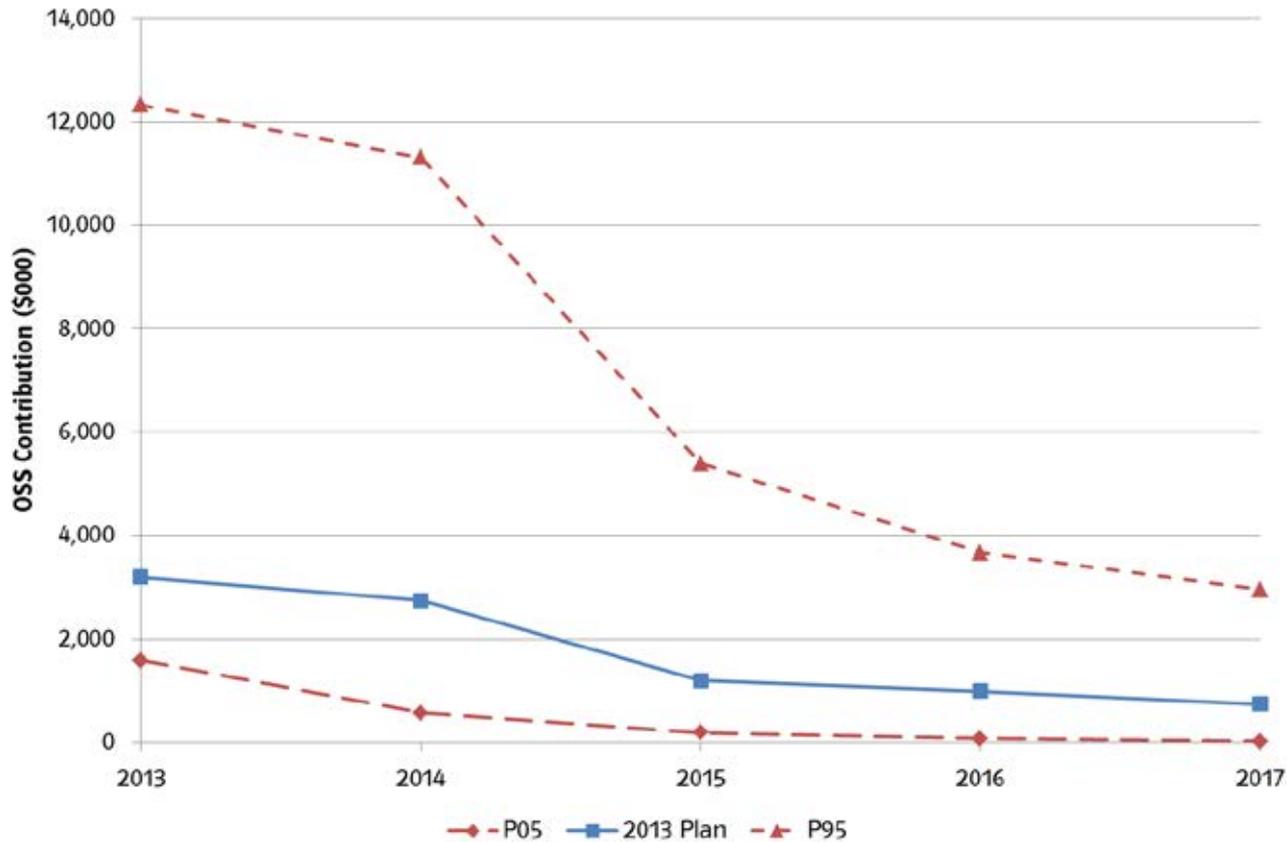


Gas price uncertainty increases variability in fuel burn after Cane Run 7 comes on line

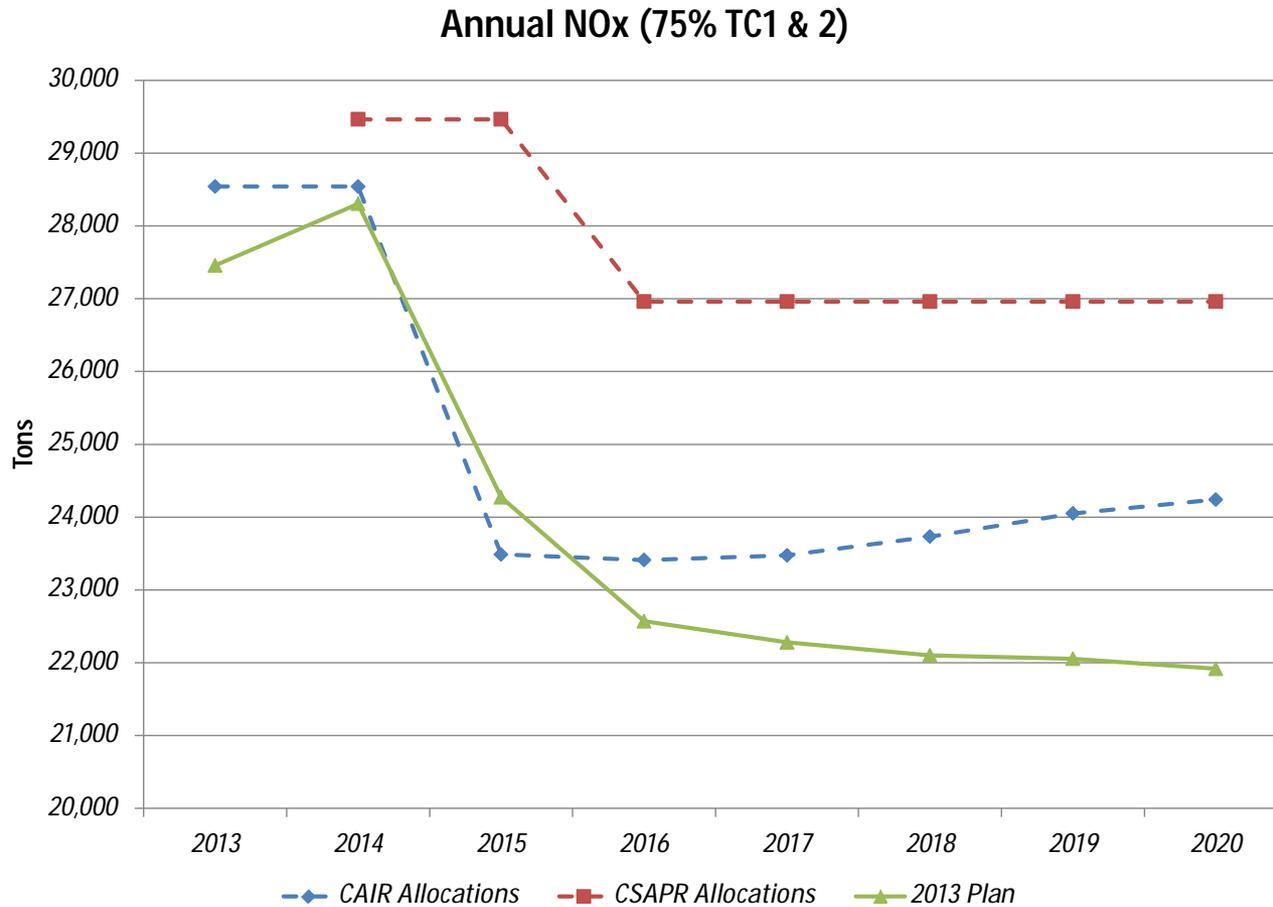


OSS contribution is impacted by uncertainty in weather, electricity/gas prices, and unit availability

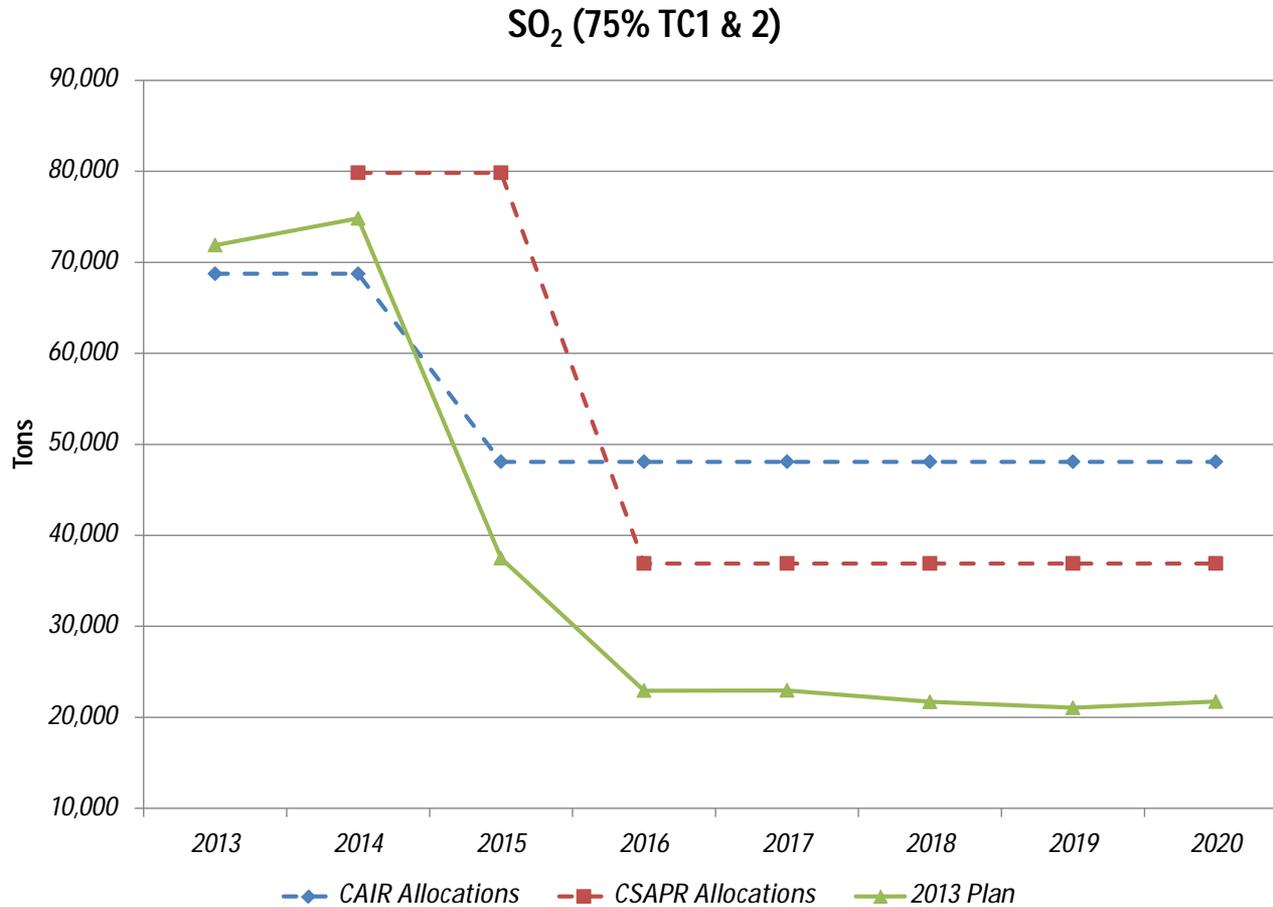
OSS Contribution - 2013 Plan



NOx emissions will be compliant with CAIR allocations



SO₂ emissions will be compliant with CAIR allocations



Note: Current CAIR SO₂ bank contains 90,000+ allowances



PPL companies

Project Engineering

2013 Business Plan

September 19, 2012



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- Major Assumptions
- Financial Performance
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- Appendix

Plan Highlights

- Key Items
- Project Engineering's plan contains a net increase of \$283M from 2013 to 2017 over the prior plan. This is driven in large part due to an increase of \$629M by moving up the second NGCC to 2018 from 2021. Other increases include Brown CCR of \$13M and Trimble County CCR of \$49M due to pushing more money out of 2012 to later years. Reductions from the prior plan include \$300M to Environmental Air Projects due to contracts being lower than budgeted. Other decreases include Cane Run 7 lower by \$65M and Ghent CCR lower by \$34M due to moving more money into 2012. The remaining \$9M decrease is the cumulative amount of the remaining PE Projects.
- While establishing the 2013 BP, Project Engineering again undertook an effort to shift project contingency to the later years of projects or to the latter stage of specific tasks in an effort to reduce the budgeting of income from CAPEX spend that is not expected as base spend.



Major Assumptions

1. Regulatory

1.1 *The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.*

1.2 *Target Reserve Margin of 16%, within a range of 15%-17%.*

- *Consistent with 2012 MTP/LTP.*
- *Reserve margin purchases are needed for summers of 2015 and 2016.*
 - *However, shortfall is <100 MW and could be covered in other ways.*

1.3 *Reserve sharing remains under the TVA/EKPC Reserve Sharing Agreement (~ 242 MW).*

1.4 *LG&E and KU remain committed to burning higher sulfur fuels.*

1.5 *The earliest that the next ECR filing can take place is July 1, 2013 (per the Settlement Agreement from the 2011 case).*

2. Proposed or Expected New Environmental Regulations for Air and Water

2.1 *Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with the order being stayed on December 30, 2011, and completely struck down on August 21, 2012.*

- *Existing CAIR stays in effect for all of the planning cycle.*



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.2 Mercury and Air Toxics Standards (MATS) final rules were issued February 16, 2012.

- *Including a potential one year delay that can be applied for, the compliance date will be April 16, 2016.*
- A second, additional, year of delay can be obtained in certain hardship cases, including retirements that could adversely impact transmission reliability. None of the LKE projects are counting on that second year of delay.

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO₂. The final attainment designations for the short term NO_x standard have been delayed for up to three years due to inadequate monitoring. Based on the new short term SO₂ standards, compliance requirements must be in place by June 2017.

- *The Mill Creek FGD project is expected to mitigate the area in Jefferson County that has been proposed as non-attainment.*

2.4 *The EPA issued its proposal on PM NAAQS on June 14, 2012.*

- *Indications are that the current annual Particulate Matter standard for (PM)_{2.5} of 15 ug/M³ will be lowered, but not specifically by how much.*
- A range of 12 to 13 ug/M³ was indicated, however EPA requested comment on dropping it to 11. A standard of 12 would put Jefferson County and Northern Kentucky in non-attainment, and 11 would put the entire state of Kentucky in non-attainment.
- Implementation is expected by 2018.
- The recent modifications at Gallagher Station, the shutting down of Cane Run 4, 5, and 6, and the baghouses at Mill Creek should mitigate concerns in Jefferson County.
- In general, on units with baghouses LKE should have no trouble with compliance.



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- 2.5 The EPA is scheduled for a 2013 re-evaluation of the 8-hour ozone standard. Due to litigation, they were prepared to issue an early revision that would have been much lower with large impacts industry wide; however, they instead decided to re-instate the 2008 NAAQS Ozone 8-hour standard.
- *Non Quality Assured 2011 data indicates Jefferson County as non-attainment.*
 - Best Case: Quality Assured data shows attainment.
 - OK Case: Quality Assured data shows non-attainment, however shutdown of Cane Run 4, 5, and 6 mitigates the issue.
 - Worst Case: Quality Assured data shows non-attainment. SCRs are needed at Mill Creek 1 and 2 to mitigate the issue.
- 2.6 Cane Run Coal will be retired May 1, 2015.
- Combined cycle replacement available on that date.
 - This is eight months sooner than the IRP.
 - Of the employees remaining in excess of what is needed for combined cycle, approximately ½ will backfill retirements at other plants, and ½ will backfill contractors at other plants.
- 2.7 Tyrone Coal will be retired April 16, 2015.
- This aligns to the IRP.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 Green River Coal will be retired April 16, 2015.

- *This presumes that the one-year extension does not apply in situations where no environmental controls are being added.*
- *A Transmission Capital project (Matanzas) is slated to be completed by June 30, 2013 which will provide greater flexibility around running the Green River units.*
- *Of the employees electing to be placed (and not taking severance), they will be split between Energy Delivery Meter Reading and Energy Services.*

2.9 On March 21, 2011 EPA published a final rule that identified non-hazardous secondary materials that are considered solid wastes when combusted.

- *Boiler cleaning waste affected and disposal by burning in the boiler will be prohibited unless we are permitted as a "commercial and industrial solid waste incinerator".*
- *On December 23, 2011 EPA proposed amendments.*
- *Kentucky currently has provisions in place to adopt the rule after amendments become final.*
- *Kentucky will allow 3 years to become effective (2015)*



Major Assumptions

- ✓ Current GHG BACT is increased operational efficiency, however, carbon capture and storage (CCS) is on the horizon.

- ✓ Includes Carbon Dioxide, Methane, and Nitrous Oxide.

- ✓ Can mitigate by either a permit condition to limit emissions (i.e. limit on MWh) or apply BACT

Major Assumptions

- Cane Run NGCC affected if proposed rule is published in the Federal Register prior to having a final permit.
 - ✓ Cane Run NGCC emission rate estimated at 800 lbs/MWh(gross) during full load operation.
- New simple cycle turbines not affected.

Major Assumptions

- 2014 in-service: GH3, GH4, MC4
- 2015 in-service: BR 3, GH1, GH2, MC1, MC2, MC3, TC1

Major Assumptions

- Additional limestone usage at Mill Creek 1 and 2 FGD.
- Additional hydrated lime injection to protect bags at all baghouse installations.
- Powdered Activated Carbon (PAC) Injection at all installations.

- EPA has intent to allow for the boiler tune-up to occur prior to the compliance date, however, further clarification that is needed by the EPA should be forthcoming.

Major Assumptions

Major Assumptions

Major Assumptions

- Additional emissions testing for correlation per the Compliance Assurance Monitoring (CAM) Plan.

Major Assumptions

Major Assumptions

Major Assumptions

Major Assumptions

- EPA's decision has been delayed until December 2012 at the earliest.
- The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared "hazardous".

Major Assumptions

- Material will be taken from the landfill and stored at the ash pond to begin the process of closing the existing ash pond.

Major Assumptions

Major Assumptions

Major Assumptions

- The spare sets will be installed on MC4 in 2014, MC3 in 2019, MC2 in 2020, and MC1 in 2021.

Major Assumptions

Major Assumptions

- Cane Run 7 will be under an LTSA.

Major Assumptions

Financial Performance

2011-2017 OPEX and Other Expenses (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | \$257 | \$645 | \$375 | \$375 | \$384 | \$394 | \$404 |
| Non Labor | \$262 | \$430 | \$425 | \$425 | \$436 | \$447 | \$458 |
| Subtotal OPEX/Other expense | \$519 | \$1,075 | \$800 | \$800 | \$820 | \$841 | \$862 |
| Gross Margin Expenses ¹ | | \$1,183 | | | | | |
| Total Income Statement items | \$519 | \$2,258 | \$800 | \$800 | \$820 | \$841 | \$862 |

¹ \$1,183 of Cane Run landfill charges were written off to Gross Margin Expense.



2011-2017 Capital Breakdown (w COR) Attachment to Response to AG- Question No. 107

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K. Blake

Accrual Basis (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Environmental | | | | | | | |
| Brown CCR | \$11 | \$9 | \$40 | \$5 | \$0 | \$0 | \$0 |
| Cane Run CCR | \$1 | \$0 | \$5 | \$3 | \$2 | \$0 | \$0 |
| Ghent CCR | \$60 | \$142 | \$54 | \$12 | \$1 | \$1 | \$2 |
| TC CCR (Net) | \$13 | \$16 | \$35 | \$101 | \$33 | \$1 | \$0 |
| MC CCR | \$0 | \$0 | \$0 | \$12 | \$0 | \$0 | \$1 |
| Brown 3 SCR | \$35 | \$38 | \$5 | \$0 | \$0 | \$0 | \$0 |
| FGD Program | \$7 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Studies | \$2 | (\$3) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Brown | \$0 | \$3 | \$24 | \$105 | \$140 | \$74 | \$0 |
| Env. Air - Ghent | \$5 | \$46 | \$231 | \$249 | \$100 | \$1 | \$0 |
| Env. Air - Mill Creek | \$1 | \$82 | \$296 | \$232 | \$165 | \$68 | \$0 |
| Env. Air - TC (Net) | \$0 | \$4 | \$10 | \$42 | \$58 | \$5 | \$0 |
| Env. Compliance - CCR Ruling | \$0 | \$0 | \$0 | \$8 | \$34 | \$53 | \$193 |
| Env. Compliance - Effluent Water | \$0 | \$0 | \$1 | \$1 | \$0 | \$0 | \$98 |
| Env. Compliance - Water Intake | \$0 | \$0 | \$0 | \$0 | \$6 | \$6 | \$0 |
| New Generation Capacity | | | | | | | |
| TC2 (Net) | \$6 | \$15 | \$7 | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$17 | \$20 | \$19 | \$19 | \$16 | \$1 | \$0 |
| NGCC 2015 - CR7 | \$2 | \$83 | \$309 | \$130 | \$35 | \$0 | \$0 |
| NGCC 2018 | \$0 | \$1 | \$1 | \$2 | \$103 | \$382 | \$161 |
| Other | | | | | | | |
| Mill Creek Limestone Mill | \$5 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Paddys Demolition | \$0 | \$2 | \$0 | \$0 | \$0 | \$1 | \$3 |
| Canal Demolition | \$0 | \$0 | \$0 | \$0 | \$0 | \$1 | \$5 |
| Other | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Capital and Cost of Removal | \$166 | \$461 | \$1,037 | \$921 | \$691 | \$593 | \$461 |



2013-2017 Capital Reconciliation (w COR) – Accrual Basis (\$000)

| | 2013 <u>Budget</u> | 2014 <u>Plan</u> | 2015 <u>Plan</u> | 2016 <u>Plan</u> | 2017 <u>Plan</u> |
|------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Prior Plan | \$1,057 | \$1,090 | \$822 | \$104 | \$347 |
| Changes: | | | | | |
| Brown CCR | (\$9) | (\$4) | \$0 | \$0 | \$0 |
| Cane Run CCR | (\$2) | \$1 | \$3 | \$1 | \$0 |
| Ghent CCR | \$29 | \$5 | \$0 | \$0 | (\$0) |
| TC CCR (Net) | \$43 | (\$64) | (\$33) | (\$0) | \$5 |
| MC CCR | (\$0) | (\$12) | \$12 | \$0 | (\$0) |
| TC2 (Net) | (\$7) | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$2 | \$1 | (\$14) | (\$1) | \$0 |
| NGCC 2015 - CR7 | (\$146) | \$93 | \$104 | \$15 | \$0 |
| NGCC 2018 | (\$1) | (\$2) | (\$103) | (\$382) | (\$141) |
| Paddys Demolition | (\$0) | \$0 | \$0 | \$0 | \$0 |
| Canal Demolition | (\$0) | \$0 | \$0 | (\$1) | \$0 |
| Env. Air - Brown | \$86 | \$18 | (\$95) | (\$74) | \$0 |
| Env. Air - Ghent | (\$50) | (\$1) | \$62 | \$3 | \$0 |
| Env. Air - Mill Creek | \$57 | \$147 | \$190 | (\$54) | \$0 |
| Env. Air - TC (Net) | \$11 | (\$8) | \$5 | \$1 | \$0 |
| Env. Compliance - CCR Ruling | \$5 | (\$6) | \$0 | \$1 | \$23 |
| Other | | | | | |
| Current Plan | <u>\$1,037</u> | <u>\$921</u> | <u>\$691</u> | <u>\$593</u> | <u>\$461</u> |

Notes:

Negative numbers represent an increase to the 2013 BP

Positive numbers represent a decrease to the 2013 BP

Numbers are rounded to the nearest Million



Financial Performance

2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Managers - Major Capital Projects | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Procurement Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| HR/IR Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Contract Administrator | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Project Planning Coordinator | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Lead | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Chemical | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Civil | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Engineers - Electrical | 2 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Mechanical | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Project Coordinators | 15 | 20 | 20 | 20 | 20 | 20 | 20 |
| Safety Specialists | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Administrative Assistants | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Subtotal | 43 | 55 | 55 | 55 | 55 | 55 | 55 |
| Coop/Intern Students | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Total | 48 | 61 | 61 | 61 | 61 | 61 | 61 |
| From 2012 MTP | | 61 | 61 | 61 | | | |
| Variance to 2012 Business Plan | | 0 | 0 | 0 | | | |



Plan Risks

- Risk associated with cost estimates have been reduced since all known equipment and construction contracts have been rolled into the Plan; however, cost estimates for the remaining scopes not under contract remain based on conceptual and/or Level I Engineering.
- Project cash flows are based on projected regulatory approvals, aggressive procurement by Project Engineering, and having sufficient legal support. In addition, it is assumed consideration will be given to modifying authority limits and LKE approval processes where needed to expedite approvals of invoice payments and smaller contracts.
- Mill Creek's target based EPC could be impacted on the Environmental Air Projects due to potential increased market demand on labor and materials as utilities across the country are pressed to comply with regulations in the same time frame.



Appendix



Capital Review – Brown CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Main Pond Phase I | \$38 | \$73 | \$73 | \$35 | \$35 |
| Aux Pond/Main Pond Phase II | \$20 | \$25 | \$25 | \$5 | \$5 |
| Landfill Phase I & Transport | \$63 | \$57 | \$59 | (\$6) | (\$5) |
| Landfill Phase II | <u>\$26</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$26)</u> | <u>(\$26)</u> |
| Total | \$147 | \$155 | \$157 | \$8 | \$9 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| Main Pond Phase I | \$38 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$38 |
| Aux Pond/Main Pond Phase II | \$15 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$15 |
| Landfill Phase I & Transport | \$15 | \$21 | \$32 | \$1 | \$0 | \$0 | \$0 | \$0 | \$69 |
| Landfill Phase II | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$33</u> | <u>\$33</u> |
| Total 2012 BP | \$68 | \$21 | \$32 | \$1 | \$0 | \$0 | \$0 | \$33 | \$154 |
| 2013 BP | | | | | | | | | |
| Main Pond Phase I | \$38 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$38 |
| Aux Pond/Main Pond Phase II | \$15 | \$2 | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 | \$20 |
| Landfill Phase I & Transport | \$14 | \$6 | \$38 | \$5 | \$0 | \$0 | \$0 | \$0 | \$63 |
| Landfill Phase II | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$26</u> | <u>\$26</u> |
| Total 2013 BP | \$67 | \$9 | \$41 | \$5 | \$0 | \$0 | \$0 | \$26 | \$147 |
| Variance to 2012 BP | | | | | | | | | |
| Main Pond Phase I | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Aux Pond/Main Pond Phase II | (\$0) | (\$2) | (\$3) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$5) |
| Landfill Phase I & Transport | \$1 | \$15 | (\$6) | (\$4) | \$0 | \$0 | \$0 | \$0 | \$6 |
| Landfill Phase II | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$7</u> | <u>\$7</u> |
| Total Variance to 2012 BP | \$1 | \$13 | (\$9) | (\$4) | \$0 | \$0 | \$0 | \$7 | \$7 |

Key Messages

- The ECR Filing for Phase I of the Landfill and the Transport system was made in June 2011.
- \$16M was moved in 2011 from the Main Pond Phase I to the Aux Pond Phase II (\$4M) and the Landfill Phase I (\$12M).



Capital Review – Cane Run CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Cane Run Landfill Phase I | \$0 | \$19 | \$19 | \$19 | \$19 |
| Cane Run MSE Wall | \$5 | \$5 | \$0 | \$0 | (\$5) |
| Cane Run Ash Pond Cap & Closure | <u>\$8</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$7)</u> | <u>(\$8)</u> |
| Total | \$13 | \$24 | \$19 | \$11 | \$6 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|----------------------------------|-----------------|--------------|--------------|--------------|--------------|-------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| Cane Run Landfill Phase I | \$3 | \$1 | \$3 | \$4 | \$5 | \$2 | \$0 | \$0 | \$17 |
| Cane Run MSE Wall | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cane Run Ash Pond Cap & Closure | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total 2012 BP | \$3 | \$1 | \$3 | \$4 | \$5 | \$2 | \$0 | \$0 | \$17 |
| 2013 BP | | | | | | | | | |
| Cane Run Landfill Phase I | \$2 | (\$2) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cane Run MSE Wall | \$0 | \$2 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 |
| Cane Run Ash Pond Cap & Closure | <u>\$0</u> | <u>\$0</u> | <u>\$3</u> | <u>\$3</u> | <u>\$1</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$8</u> |
| Total 2013 BP | \$2 | \$0 | \$5 | \$3 | \$2 | \$0 | \$0 | \$0 | \$13 |
| Variance to 2012 BP | | | | | | | | | |
| Cane Run Landfill Phase I | \$1 | \$3 | \$3 | \$4 | \$5 | \$2 | \$0 | \$0 | \$17 |
| Cane Run MSE Wall | \$0 | (\$2) | (\$2) | (\$0) | (\$0) | (\$0) | \$0 | \$0 | (\$5) |
| Cane Run Ash Pond Cap & Closure | <u>\$0</u> | <u>(\$0)</u> | <u>(\$3)</u> | <u>(\$3)</u> | <u>(\$1)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$8)</u> |
| Total Variance to 2012 BP | \$1 | \$0 | (\$2) | \$1 | \$3 | \$1 | \$0 | \$0 | \$5 |

Key Messages

- ECR Filing on MSE Wall and Cap & Closure projects have not yet been filed with PSC.
- Change in scope from New Landfill to an MSE Wall was made in 2012.
- Landfill Charges were moved to CR7 or written off to ECR Gross Margin Expense.



Capital Review – Ghent CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-------------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Landfill Phase I/Fines & Transport | \$286 | \$205 | \$205 | (\$82) | (\$82) |
| Landfill Phase II, III, Close & Cap | <u>\$112</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$112)</u> | <u>(\$112)</u> |
| Total | \$398 | \$205 | \$205 | (\$194) | (\$194) |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|-------------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| Landfill Phase I | \$31 | \$18 | \$11 | \$11 | \$1 | \$1 | \$1 | \$0 | \$74 |
| Fines & Transport | \$48 | \$102 | \$73 | \$6 | \$0 | \$0 | \$0 | \$0 | \$229 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$132</u> | <u>\$132</u> |
| Total 2012 BP | \$79 | \$121 | \$84 | \$17 | \$1 | \$1 | \$1 | \$132 | \$434 |
| 2013 BP | | | | | | | | | |
| Landfill Phase I | \$31 | \$13 | \$0 | \$10 | \$1 | \$1 | \$2 | \$0 | \$56 |
| Fines & Transport | \$44 | \$130 | \$54 | \$3 | \$0 | \$0 | \$0 | \$0 | \$230 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$112</u> | <u>\$112</u> |
| Total 2013 BP | \$75 | \$142 | \$54 | \$12 | \$1 | \$1 | \$2 | \$112 | \$398 |
| Variance to 2012 BP | | | | | | | | | |
| Landfill Phase I | \$0 | \$6 | \$11 | \$2 | \$0 | \$0 | (\$0) | \$0 | \$18 |
| Fines & Transport | \$4 | (\$27) | \$19 | \$4 | \$0 | \$0 | \$0 | \$0 | (\$1) |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$20</u> | <u>\$20</u> |
| Total Variance to 2012 BP | \$4 | (\$22) | \$29 | \$5 | \$0 | \$0 | (\$0) | \$20 | \$36 |

Key Messages

- The increase over the ECR Filing is due to the Transport System going from Preliminary to Level I engineering.
- The increase on the Landfill is driven by the scope adder of a composite liner.
- The decrease in the Fines & Transport is due to savings on equipment bids to date.
- Lowered escalation from 6% to 4%.
- Removed contingency that was not marked for use.



Capital Review – Trimble County CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|------------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| BAP/GSP | \$29 | \$30 | \$25 | \$1 | (\$4) |
| Landfill Phase I/Fines & Transport | \$185 | \$73 | \$73 | (\$112) | (\$112) |
| Landfill Phase II, III, & IV | \$175 | \$0 | \$0 | (\$175) | (\$175) |
| Holcim | \$9 | \$9 | \$8 | \$0 | (\$1) |
| Total | \$397 | \$111 | \$106 | (\$286) | (\$292) |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|-------------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| BAP/GSP | \$30 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$30 |
| Landfill Phase I | \$6 | \$46 | \$20 | \$10 | \$0 | \$0 | \$0 | \$0 | \$84 |
| Fines & Transport | \$4 | \$37 | \$58 | \$28 | \$0 | \$0 | \$0 | \$0 | \$126 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6 | \$180 | \$186 |
| Holcim | \$3 | \$8 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 |
| Total 2012 BP | \$43 | \$92 | \$78 | \$37 | \$0 | \$0 | \$6 | \$180 | \$436 |
| 2013 BP | | | | | | | | | |
| BAP/GSP | \$28 | \$1 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$29 |
| Landfill Phase I | \$6 | \$3 | \$17 | \$55 | \$10 | \$1 | \$0 | \$0 | \$92 |
| Fines & Transport | \$0 | \$6 | \$18 | \$46 | \$23 | \$0 | \$0 | \$0 | \$93 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6 | \$169 | \$175 |
| Holcim | \$2 | \$7 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9 |
| Total 2013 BP | \$37 | \$16 | \$35 | \$101 | \$33 | \$1 | \$6 | \$169 | \$397 |
| Variance to 2012 BP | | | | | | | | | |
| BAP/GSP | \$2 | (\$1) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1 |
| Landfill Phase I | \$1 | \$43 | \$3 | (\$45) | (\$10) | (\$0) | \$0 | \$0 | (\$8) |
| Fines & Transport | \$3 | \$31 | \$40 | (\$19) | (\$23) | \$0 | \$0 | \$0 | \$33 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 | \$11 |
| Holcim | \$1 | \$1 | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 |
| Total Variance to 2012 BP | \$6 | \$76 | \$43 | (\$64) | (\$33) | (\$0) | \$0 | \$11 | \$39 |

Key Messages

- All numbers are net of IMPA/IMEA reimbursement.
- The increase over the ECR Filing is due to refined engineering on the Transport System.
- Permitting issues have delayed Phase I until at least mid-2013.
- Removed all contingecny relating to Phase I and Transport.



Capital Review – Brown SCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-----------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Brown SCR | \$102 | \$185 | \$185 | \$83 | \$83 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | Post <u>2017</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|
| 2012 BP | \$65 | \$38 | \$5 | \$0 | \$0 | \$0 | \$0 | \$0 | \$107 |
| 2013 BP | <u>\$60</u> | <u>\$38</u> | <u>\$5</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$102</u> |
| Variance to 2012 BP | \$5 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 |

Key Messages

- Variance driven by reductions on Balance of Plant items and release of unused contingency.
- The SCR will be in-service November 30th, 2012.



Capital Review – Ohio Falls

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|------------|-----------------------------|------------------------------|-----------------|
| Ohio Falls | \$135 | \$130 | (\$4) |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | Post <u>2017</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|
| 2012 BP | \$63 | \$24 | \$21 | \$20 | \$2 | \$0 | \$0 | \$0 | \$131 |
| 2013 BP | \$60 | \$20 | \$19 | \$19 | \$16 | \$1 | \$0 | \$0 | \$135 |
| Variance to 2012 BP | \$3 | \$4 | \$2 | \$1 | (\$14) | (\$1) | \$0 | \$0 | (\$4) |

Key Messages

- Above figures include removal costs of \$6.6M.
- 74% of this project has been negotiated into a lump sum contract with Voith.



Capital Review – Cane Run 7

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|----------------------|-----------------------------|------------------------------|-----------------|
| CCGT 2015 Cane Run 7 | \$559 | \$559 | \$0 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | Post <u>2017</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|
| 2012 BP | \$3 | \$37 | \$163 | \$223 | \$139 | \$15 | \$0 | \$0 | \$579 |
| 2013 BP | \$2 | \$83 | \$309 | \$130 | \$35 | \$0 | \$0 | \$0 | \$559 |
| Variance to 2012 BP | \$1 | (\$46) | (\$146) | \$93 | \$104 | \$15 | \$0 | \$0 | \$20 |

- The CCGT 2015 modeled on a 2 x 1, 640MW (summer, net) and assumes a 2nd quarter 2015 in-service date.



Capital Review – NGCC 2018

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|-----------|-----------------------------|------------------------------|-----------------|
| CCGT 2018 | \$692 | \$1 | (\$691) |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | Post <u>2017</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|
| 2012 BP | \$3 | \$0 | \$0 | \$0 | \$0 | \$0 | \$19 | \$768 | \$790 |
| 2013 BP | \$0 | \$1 | \$1 | \$2 | \$103 | \$382 | \$161 | \$43 | \$692 |
| Variance to 2012 BP | \$3 | (\$1) | (\$1) | (\$2) | (\$103) | (\$382) | (\$141) | \$725 | \$98 |

- The CCGT 2018 is modeled after CR7 with 10% added plus 4% escalation



Capital Review – Paddy’s Run & Canal Demolition

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|------------------------|-----------------------------|------------------------------|-----------------|
| Paddy's Run Demolition | \$15 | \$2 | (\$13) |
| Canal Demolition | <u>\$15</u> | <u>\$0</u> | <u>(\$15)</u> |
| Total | \$30 | \$2 | (\$27) |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|----------------------------|-----------------|-------------|--------------|-------------|-------------|--------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| Paddy's Run Demolition | \$0 | \$3 | \$0 | \$0 | \$0 | \$1 | \$3 | \$9 | \$15 |
| Canal Demolition | <u>\$0</u> | <u>\$2</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$5</u> | <u>\$9</u> | <u>\$15</u> |
| Total 2012 BP | \$0 | \$4 | \$0 | \$0 | \$0 | \$1 | \$8 | \$17 | \$30 |
| 2013 BP | | | | | | | | | |
| Paddy's Run Demolition | \$0 | \$2 | \$0 | \$0 | \$0 | \$1 | \$3 | \$8 | \$15 |
| Canal Demolition | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>\$5</u> | <u>\$9</u> | <u>\$15</u> |
| Total 2013 BP | \$0 | \$2 | \$0 | \$0 | \$0 | \$2 | \$8 | \$18 | \$30 |
| Variance to 2012 BP | | | | | | | | | |
| Paddy's Run Demolition | \$0 | \$1 | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | \$1 |
| Canal Demolition | <u>\$0</u> | <u>\$2</u> | <u>(\$0)</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$1)</u> | <u>\$0</u> | <u>(\$1)</u> | <u>(\$0)</u> |
| Total Variance to 2012 BP | \$0 | \$2 | (\$0) | \$0 | \$0 | (\$1) | \$0 | (\$1) | \$0 |

Key Messages

- \$2.0M has been placed in 2012 for the stack demolition on Paddy's Run. The remaining amounts were shifted out to 2016 through 2019.



Capital Review – Brown Air Compliance

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Brown 1 | \$115 | \$5 | \$109 | (\$110) | (\$6) |
| Brown 2 | \$122 | \$5 | \$118 | (\$117) | (\$5) |
| Brown 3 | <u>\$109</u> | <u>\$5</u> | <u>\$117</u> | <u>(\$104)</u> | <u>\$8</u> |
| Total | \$346 | \$15 | \$344 | (\$331) | (\$2) |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|----------------------------|-----------------|--------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| Brown 1 | \$3 | \$29 | \$41 | \$37 | \$0 | \$0 | \$0 | \$0 | \$110 |
| Brown 2 | \$3 | \$31 | \$44 | \$40 | \$0 | \$0 | \$0 | \$0 | \$118 |
| Brown 3 | <u>\$0</u> | <u>\$2</u> | <u>\$25</u> | <u>\$46</u> | <u>\$45</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$118</u> |
| Total 2012 BP | \$5 | \$62 | \$111 | \$123 | \$45 | \$0 | \$0 | \$0 | \$346 |
| 2013 BP | | | | | | | | | |
| Brown 1 | \$0 | \$0 | \$0 | \$30 | \$49 | \$36 | \$0 | \$0 | \$115 |
| Brown 2 | \$0 | \$0 | \$0 | \$32 | \$52 | \$38 | \$0 | \$0 | \$122 |
| Brown 3 | <u>\$0</u> | <u>\$3</u> | <u>\$24</u> | <u>\$42</u> | <u>\$39</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$109</u> |
| Total 2013 BP | \$0 | \$3 | \$24 | \$105 | \$140 | \$74 | \$0 | \$0 | \$346 |
| Variance to 2012 BP | | | | | | | | | |
| Brown 1 | \$3 | \$29 | \$41 | \$7 | (\$49) | (\$36) | \$0 | \$0 | (\$6) |
| Brown 2 | \$3 | \$31 | \$44 | \$8 | (\$52) | (\$38) | \$0 | \$0 | (\$4) |
| Brown 3 | <u>(\$0)</u> | <u>(\$1)</u> | <u>\$1</u> | <u>\$4</u> | <u>\$6</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$9</u> |
| Total Variance to 2012 BP | \$5 | \$59 | \$86 | \$18 | (\$95) | (\$74) | \$0 | \$0 | (\$0) |

Key Messages

- The ECR Filing excluded removal costs of \$2M.
- BR 1 & 2 are budgeted but currently on hold per PSC Ruling.
- BR 1 & 2 were moved out 1 year and escalated at 4%.
- SAM Mitigation is included in the BR 1 & 2 amounts.



Capital Review – Ghent Air Compliance

Accrual Basis, \$Millions

| <u>Authority/ECR Comparison</u> | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Ghent 1 | \$150 | \$5 | \$164 | (\$145) | \$14 |
| Ghent 2 | \$162 | \$5 | \$165 | (\$157) | \$2 |
| Ghent 3 | \$173 | \$5 | \$198 | (\$168) | \$25 |
| Ghent 4 | \$147 | \$5 | \$185 | (\$142) | \$38 |
| Total | \$632 | \$20 | \$712 | (\$612) | \$79 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|----------------------------------|-----------------|-------------|---------------|--------------|--------------|-------------|-------------|----------------------|--------------|
| 2012 BP | | | | | | | | | |
| Ghent 1 | \$2 | \$8 | \$39 | \$48 | \$68 | \$0 | \$0 | \$0 | \$164 |
| Ghent 2 | \$4 | \$5 | \$29 | \$43 | \$86 | \$4 | \$0 | \$0 | \$171 |
| Ghent 3 | \$2 | \$48 | \$70 | \$64 | \$0 | \$0 | \$0 | \$0 | \$184 |
| Ghent 4 | \$2 | \$28 | \$43 | \$92 | \$8 | \$0 | \$0 | \$0 | \$173 |
| Total 2012 BP | \$9 | \$88 | \$182 | \$247 | \$162 | \$4 | \$0 | \$0 | \$692 |
| 2013 BP | | | | | | | | | |
| Ghent 1 | \$2 | \$7 | \$35 | \$81 | \$25 | \$0 | \$0 | \$0 | \$150 |
| Ghent 2 | \$1 | \$14 | \$20 | \$55 | \$71 | \$1 | \$0 | \$0 | \$162 |
| Ghent 3 | \$1 | \$16 | \$100 | \$54 | \$1 | \$0 | \$0 | \$0 | \$173 |
| Ghent 4 | \$1 | \$8 | \$76 | \$59 | \$2 | \$0 | \$0 | \$0 | \$147 |
| Total 2013 BP | \$5 | \$46 | \$231 | \$249 | \$100 | \$1 | \$0 | \$0 | \$632 |
| Variance to 2012 BP | | | | | | | | | |
| Ghent 1 | \$0 | \$0 | \$3 | (\$32) | \$42 | \$0 | \$0 | \$0 | \$14 |
| Ghent 2 | \$2 | (\$10) | \$10 | (\$12) | \$15 | \$3 | \$0 | \$0 | \$9 |
| Ghent 3 | \$1 | \$31 | (\$30) | \$10 | (\$1) | \$0 | \$0 | \$0 | \$11 |
| Ghent 4 | \$0 | \$20 | (\$33) | \$33 | \$6 | \$0 | \$0 | \$0 | \$26 |
| Total Variance to 2012 BP | \$4 | \$42 | (\$50) | (\$1) | \$62 | \$3 | \$0 | \$0 | \$60 |

Key Messages

- The variance is due to comparing EPC bids and Fabric Filter equipment contracts to the estimates from 2012.
- \$25M kept in for needed Aux Power/Electrical issues at Ghent.
- SCR Turn-Downs were removed in the amounts for units 1, 3 & 4.
- SAM Mitigation is included in the amounts for all Ghent units.



Capital Review – Mill Creek Air Compliance

Accrual Basis, \$Millions

| <u>Authority/ECR Comparison</u> | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------------------------------|-------------------------|--------------------------|-------------------|------------------------------|-------------------------------|
| Mill Creek 1 | \$174 | \$200 | \$331 | \$26 | \$158 |
| Mill Creek 2 | \$169 | \$194 | \$328 | \$25 | \$159 |
| Mill Creek 3 | \$250 | \$153 | \$223 | (\$97) | (\$27) |
| Mill Creek 4 | \$251 | \$289 | \$386 | \$38 | \$135 |
| Total | \$844 | \$837 | \$1,268 | (\$7) | \$424 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|----------------------------------|-----------------|--------------|--------------|--------------|--------------|---------------|-------------|------------------|----------------|
| 2012 BP | | | | | | | | | |
| Mill Creek 1 | \$0 | \$35 | \$86 | \$94 | \$120 | \$0 | \$0 | \$0 | \$334 |
| Mill Creek 2 | \$0 | \$34 | \$84 | \$93 | \$119 | \$0 | \$0 | \$0 | \$331 |
| Mill Creek 3 | \$0 | \$1 | \$49 | \$77 | \$93 | \$14 | \$0 | \$0 | \$235 |
| Mill Creek 4 | \$9 | \$113 | \$134 | \$115 | \$22 | \$0 | \$0 | \$0 | \$393 |
| Total 2012 BP | \$10 | \$183 | \$353 | \$380 | \$354 | \$14 | \$0 | \$0 | \$1,294 |
| 2013 BP | | | | | | | | | |
| Mill Creek 1 | \$0 | \$19 | \$73 | \$57 | \$19 | \$6 | \$0 | \$0 | \$174 |
| Mill Creek 2 | \$0 | \$19 | \$68 | \$52 | \$21 | \$9 | \$0 | \$0 | \$169 |
| Mill Creek 3 | \$0 | \$9 | \$32 | \$54 | \$108 | \$47 | \$0 | \$0 | \$250 |
| Mill Creek 4 | \$1 | \$35 | \$123 | \$69 | \$18 | \$6 | \$0 | \$0 | \$251 |
| Total 2013 BP | \$1 | \$82 | \$296 | \$232 | \$165 | \$68 | \$0 | \$0 | \$844 |
| Variance to 2012 BP | | | | | | | | | |
| Mill Creek 1 | (\$0) | \$16 | \$13 | \$36 | \$102 | (\$6) | \$0 | \$0 | \$160 |
| Mill Creek 2 | (\$0) | \$15 | \$16 | \$41 | \$99 | (\$9) | \$0 | \$0 | \$163 |
| Mill Creek 3 | (\$0) | (\$9) | \$18 | \$24 | (\$15) | (\$33) | \$0 | \$0 | (\$15) |
| Mill Creek 4 | \$9 | \$78 | \$11 | \$46 | \$4 | (\$6) | \$0 | \$0 | \$142 |
| Total Variance to 2012 BP | \$9 | \$101 | \$57 | \$147 | \$190 | (\$54) | \$0 | \$0 | \$450 |

Key Messages

- \$13M related to the MC 3 and 4 SAM are not included in the ECR filing as it was part of an earlier filing. The ECR filing does not include removal costs of \$8M.
- Variance is due to actual EPC, FGD, Equipment, and Fabric Filter contracts being less than the Level I Engineering Study performed by Black & Veatch. The ECR Filing and 2012 BP were based on that Level I Study.
- MC 3 & 4 SCR Turndowns were removed from plan.



Capital Review – Trimble 1 Air Compliance

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-----------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Trimble 1 | \$118 | \$124 | \$124 | \$6 | \$6 |

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|---------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2012 BP | \$0 | \$0 | \$21 | \$34 | \$63 | \$6 | \$0 | \$0 | \$124 |
| 2013 BP | <u>\$0</u> | <u>\$4</u> | <u>\$10</u> | <u>\$42</u> | <u>\$58</u> | <u>\$5</u> | <u>\$0</u> | <u>\$0</u> | <u>\$118</u> |
| Variance to 2012 BP | (\$0) | (\$4) | \$11 | (\$8) | \$5 | \$1 | \$0 | \$0 | \$6 |

Key Messages

- Black & Veatch was not commissioned to due a Level I engineering study on Trimble 1, so the 2012 MTP figures are still Pre-Level 1 engineering.
- Variance is due to removal of contingency.



Capital Review – Environmental air Business Plan Variance Summary

Accrual Basis, \$Millions
Business Plan Comparison

2012 BP to 2013 BP Variance Breakdown by System

| | <u>2012 BP</u> | <u>2013 BP</u> | <u>Variance</u> | <u>FF</u> | <u>FGD</u> | <u>SAM</u> | <u>SCR Turn- Down</u> | <u>SCR Upgrade</u> | <u>Total Variance</u> |
|------------------|--------------------|--------------------|-----------------|--------------|--------------|-------------|---------------------------|------------------------|---------------------------|
| Brown 1 | \$110 | \$115 | (\$6) | (\$5) | \$0 | (\$0) | \$0 | \$0 | (\$6) |
| Brown 2 | \$118 | \$122 | (\$4) | (\$4) | \$0 | (\$0) | \$0 | \$0 | (\$4) |
| Brown 3 | \$118 | \$109 | \$9 | \$9 | \$0 | \$0 | \$0 | \$0 | \$9 |
| Ghent 1 | \$164 | \$150 | \$14 | \$5 | \$0 | \$1 | \$8 | \$0 | \$14 |
| Ghent 2 | \$171 | \$162 | \$9 | \$9 | \$0 | (\$0) | \$0 | \$0 | \$9 |
| Ghent 3 | \$184 | \$173 | \$11 | \$2 | \$0 | \$1 | \$8 | \$0 | \$11 |
| Ghent 4 | \$173 | \$147 | \$26 | \$16 | \$0 | \$1 | \$8 | \$0 | \$26 |
| Mill Creek 1 | \$334 | \$174 | \$160 | \$80 | \$80 | \$0 | \$0 | \$0 | \$160 |
| Mill Creek 2 | \$331 | \$169 | \$163 | \$82 | \$81 | \$0 | \$0 | \$0 | \$163 |
| Mill Creek 3 | \$235 | \$250 | (\$15) | \$11 | (\$43) | \$10 | \$8 | \$0 | (\$15) |
| Mill Creek 4 | \$393 | \$251 | \$142 | \$47 | \$74 | \$9 | \$8 | \$3 | \$142 |
| Trimble County 1 | <u>\$124</u> | <u>\$118</u> | <u>\$6</u> | <u>\$6</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$6</u> |
| Total | \$2,455 | \$1,940 | \$515 | \$258 | \$192 | \$21 | \$41 | \$3 | \$515 |



Capital Review – CCR Ruling

Accrual Basis, \$Millions

There is no ECR Filing or Approved Authority Amount associated with the CCR Ruling Projects.

Business Plan Comparison

| | <u>Pre-2012</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Post 2017</u> | <u>Total</u> |
|----------------------------------|-----------------|-------------|-------------|--------------|-------------|-------------|--------------|------------------|--------------|
| 2012 BP | | | | | | | | | |
| Brown | \$0 | \$0 | \$0 | \$1 | \$0 | \$1 | \$0 | \$1 | \$3 |
| Ghent | \$0 | \$0 | \$3 | \$1 | \$20 | \$22 | \$132 | \$167 | \$344 |
| Green River | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 | \$0 | \$40 | \$51 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$0 | \$4 | \$3 | \$0 | \$6 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$1 | \$3 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$15 | \$19 | \$34 |
| Mill Creek | \$0 | \$0 | \$2 | \$0 | \$12 | \$15 | \$37 | \$45 | \$111 |
| Trimble | \$0 | \$0 | \$1 | \$0 | \$2 | \$2 | \$27 | \$35 | \$67 |
| Total 2012 BP | \$0 | \$0 | \$5 | \$2 | \$34 | \$54 | \$216 | \$307 | \$619 |
| 2013 BP | | | | | | | | | |
| Brown | \$0 | \$0 | \$0 | \$1 | \$0 | \$1 | \$0 | \$0 | \$2 |
| Ghent | \$0 | \$0 | \$0 | \$3 | \$20 | \$22 | \$127 | \$128 | \$300 |
| Green River | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 | \$0 | \$33 | \$43 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$3 | \$2 | \$6 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$1 | \$2 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1 |
| Mill Creek | \$0 | \$0 | \$0 | \$2 | \$12 | \$15 | \$36 | \$33 | \$98 |
| Trimble | \$0 | \$0 | \$0 | \$1 | \$2 | \$2 | \$26 | \$27 | \$58 |
| Total 2013 BP | \$0 | \$0 | \$0 | \$8 | \$34 | \$50 | \$194 | \$225 | \$511 |
| Variance to 2012 BP | | | | | | | | | |
| Brown | \$0 | \$0 | \$0 | (\$0) | \$0 | (\$0) | \$0 | \$0 | \$0 |
| Ghent | \$0 | \$0 | \$3 | (\$3) | \$0 | \$0 | \$5 | \$39 | \$44 |
| Green River | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$7 | \$7 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$0 | \$4 | (\$1) | (\$2) | \$1 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$0 | (\$0) | \$15 | \$19 | \$33 |
| Mill Creek | \$0 | \$0 | \$2 | (\$2) | (\$0) | \$0 | \$1 | \$12 | \$14 |
| Trimble | \$0 | \$0 | \$1 | (\$1) | \$0 | \$0 | \$1 | \$8 | \$9 |
| Total Variance to 2012 BP | \$0 | \$0 | \$5 | (\$6) | \$0 | \$4 | \$21 | \$83 | \$108 |

Key Messages

- Majority of projects remained in 2015 through 2019 in the 2013 BP due to timing and uncertainty of ruling. Costs in 2013 and 2014 in the 2013 BP are mainly engineering and development of construction packages.
- Variance is due to reducing escalation from 6% in the 2012 BP to 4% in the 2013 BP.
- Compliance Closure of Ponds is \$433M of the \$511M in the 2012 plan. There will be additional costs of \$508M associated with plant closure outside the scope of the LTP period.



Capital Review – Contingency Analysis

\$ in Millions

| Project | Total | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------|--------------|------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| BR Ash Pond II | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| CR MSE Wall | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| CR Cap & Closure | \$1 | \$0 | \$0 | \$1 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| GH Landfill | \$8 | \$3 | \$4 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| GH Lanfill II | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$0 | \$0 | \$0 |
| MC Landfill Expansion | \$5 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 | \$0 | \$0 |
| TC Landfill | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TC Landfill II | \$6 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 | \$0 | \$0 |
| BR SCR | \$2 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NGCC 2015 - CR7 | \$22 | \$0 | \$18 | \$4 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NGCC 2018 | \$28 | \$0 | \$0 | \$0 | \$14 | \$14 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NGCC 2022 | \$32 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$16 | \$16 |
| Env. Air - Brown | \$25 | \$0 | \$0 | \$5 | \$21 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Ghent | \$46 | \$0 | \$17 | \$28 | \$1 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Mill Creek | \$30 | \$0 | \$0 | \$21 | \$10 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - TC (Net) | \$6 | \$0 | \$0 | \$5 | \$1 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Compl. - CCR Ruling | \$47 | \$0 | \$0 | \$0 | \$3 | \$5 | \$35 | \$4 | \$0 | \$0 | \$0 |
| Total Contingency | \$259 | \$5 | \$39 | \$63 | \$50 | \$20 | \$35 | \$6 | \$10 | \$16 | \$17 |





PPL companies

Energy Marketing

2013 Business Plan

September 11, 2012

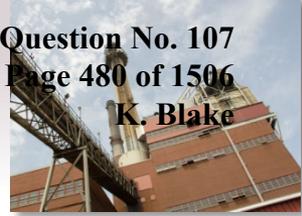


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Plan Highlights

Key Objectives

- Optimize the utilization of existing assets to provide reliable, low cost energy.
- Procure coal and gas necessary to cost-effectively operate generating plants.
- Provide high quality analysis to enhance decision-making.
- Improve business processes by identifying opportunities to deploy information technologies and enabling business information projects.
- Implement processes required to meet reliability standards.
- Improve analysis capability and knowledge related to retail customer energy usage to support energy efficiency and resource planning efforts.



Major Assumptions

- Analysis needed to support major company initiatives (KPSC filings) and strategic planning can be met by existing staff levels.
- Regulated Trading and Dispatch will meet future needs for more power and gas purchases by redeploying and training existing staff.
- Load forecast, commodity prices, and generation as approved by RCG.
- Coal inventory will be reduced to target levels via reduced purchases in 2013.



2013 Plan Summary

- *Compared to CSAPR Stay (Jan 2012) forecast, native load production costs in 2013 Plan are lower; OSS contribution is mostly unchanged in 2013 and slightly higher in 2014-2017.*
- *With CSAPR vacatur and retirement of coal units, the need to bank SO₂ allowances prior to 2016 is eliminated.*
- *Plan assumes Brown 1 and 2 are retrofitted with baghouses in 2016 and continue operation beyond long-term planning period.*

| Native Load Production Costs (\$/MWh) | 2013 | 2014 | 2015 | 2016 | 2017 | CAGR |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 2012 Plan | 29.55 | 31.54 | 34.14 | 37.58 | 38.90 | 7.1% |
| CSAPR Stay (Jan 2012) | 28.96 | 30.83 | 33.54 | 37.28 | 38.77 | 7.6% |
| 2013 Plan | 28.83 | 30.18 | 31.97 | 34.72 | 36.43 | 6.0% |

| OSS Contribution (\$M) | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| 2012 Plan | 11 | 5 | 1 | 0 | 0 |
| CSAPR Stay (Jan 2012) | 4 | 1 | 0 | 0 | 0 |
| 2013 Plan | 3 | 3 | 1 | 1 | 1 |



2013 Plan Summary

Lower gas prices and earlier CR7 increase gas burn in 2013 Plan compared to previous plans

| Gas Burn Volume (Gbtu) | 2011 ** | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2012 Plan | 5,833 | 8,529 | 6,707 | 8,528 | 8,871 | 24,185 | 22,934 |
| CSAPR Stay (Jan 2012) * | 5,833 | 15,786 | 8,106 | 9,231 | 8,460 | 24,102 | 20,638 |
| 2013 Plan * | 5,833 | 18,139 | 10,355 | 12,940 | 38,238 | 47,108 | 46,231 |

| Gas Burn Total Dollars (\$M) | 2011 ** | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2012 Plan | 47 | 43 | 36 | 48 | 52 | 153 | 158 |
| CSAPR Stay (Jan 2012) * | 47 | 56 | 33 | 42 | 45 | 147 | 142 |
| 2013 Plan * | 47 | 61 | 39 | 53 | 162 | 209 | 212 |

* 2013 Plan & CSAPR Stay (Jan 2012) reflect 7 + 5 in 2012

** 2011 represents actual values

Note: Generation only; does not include start-up/stabilization gas burn



2013 Plan Summary

Economy purchases are somewhat higher in 2013 Plan due to lower electricity prices

| Economy Purchase Volume (GWh) | 2011 ** | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>2012 Plan</i> | 236 | 292 | 192 | 377 | 383 | 492 | 532 |
| <i>CSAPR Stay (Jan 2012) *</i> | 236 | 388 | 304 | 456 | 412 | 459 | 477 |
| <i>2013 Plan *</i> | 236 | 487 | 467 | 535 | 464 | 474 | 527 |

| Economy Purchase Total Dollars (\$M) | 2011 ** | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>2012 Plan</i> | 11 | 12 | 9 | 17 | 16 | 25 | 29 |
| <i>CSAPR Stay (Jan 2012) *</i> | 11 | 14 | 8 | 14 | 15 | 22 | 26 |
| <i>2013 Plan *</i> | 11 | 16 | 14 | 17 | 17 | 17 | 19 |

* 2013 Plan & CSAPR Stay (Jan 2012) reflect 7 + 5 in 2012

** 2011 represents actual values



2013 Plan Summary

Coal Consumption

| | 2011 | 2012 MTP | 2012 FCAST | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------|-------|----------|------------|-------|-------|-------|-------|-------|
| TONS (Millions) | 16.8 | 17.4 | 16.0 | 17.0 | 16.9 | 15.1 | 14.6 | 14.6 |
| DOLLARS (\$M) | \$847 | \$919 | \$847 | \$898 | \$926 | \$861 | \$881 | \$924 |



Financial Performance

2011-2017 OPEX and Other Expenses (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 6,406 | 6,299 | 6,529 | 6,725 | 6,927 | 7,134 | 7,348 |
| Burdens | 1,891 | 1,831 | 1,824 | 1,873 | 1,929 | 1,987 | 2,047 |
| Non labor Regulated Trading | 211 | 357 | 402 | 410 | 419 | 426 | 436 |
| Non labor Business Information | 6 | 80 | 154 | 157 | 161 | 164 | 167 |
| Non labor Director Energy PF&A | 56 | 52 | 59 | 59 | 61 | 61 | 63 |
| Non labor Generation Planning | 171 | 308 | 421 | 430 | 438 | 446 | 456 |
| Non labor Economic Analysis | 101 | 388 | 219 | 224 | 228 | 232 | 238 |
| Non labor Sales Analysis | 63 | 72 | 128 | 131 | 133 | 136 | 139 |
| Non labor Operations Analysis | 1 | 14 | - | - | - | - | - |
| Non labor VP Energy Marketing | 35 | 52 | 39 | 40 | 41 | 43 | 43 |
| Non labor Allocated Support | 2 | 5 | 5 | 5 | 5 | 5 | 5 |
| Non-labor Fuels | 730 | 620 | 792 | 807 | 822 | 842 | 856 |
| Non-labor Other | 175 | 124 | 82 | 82 | 84 | 86 | 86 |
| Total OPEX for EBIT | <u>9,848</u> | <u>10,202</u> | <u>10,654</u> | <u>10,943</u> | <u>11,248</u> | <u>11,562</u> | <u>11,884</u> |



2013-2017 OPEX/Other Expense Reconciliation (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 11,087 | 11,414 | 11,735 | 12,066 | 12,407 |
| Drivers: | | | | | |
| Reduce Headcount by 3 | (449) | (463) | (477) | (492) | (506) |
| Gen. Planning-IRP Supply Side Study | 104 | 106 | 108 | 110 | 113 |
| Economic Analysis - Lower Subscriptions | (89) | (91) | (93) | (94) | (96) |
| Other Miscellaneous | <u>1</u> | <u>(23)</u> | <u>(25)</u> | <u>(28)</u> | <u>(34)</u> |
| Current Plan | <u><u>10,654</u></u> | <u><u>10,943</u></u> | <u><u>11,248</u></u> | <u><u>11,562</u></u> | <u><u>11,884</u></u> |



Financial Performance

2011-2017 OSS Margin (\$000)

| | 2011 | 2012 | 7+5 2012 | 2012 MTP | 2013 Business Plan | | | | |
|--|--------------|---------------|--------------|---------------|--------------------|--------------|--------------|------------|------------|
| | Actual | Budget | Forecast | 2013 | 2013 | 2014 | 2015 | 2016 | 2017 |
| OSS Margin before Transmission Expense | 12,877 | 16,657 | 4,503 | 15,227 | 4,565 | 3,888 | 1,782 | 1,639 | 1,210 |
| Transmission Expense (Internal) | 5,052 | 3,633 | 2,615 | 3,647 | 1,365 | 1,148 | 589 | 649 | 272 |
| Total OSS Margin | <u>7,825</u> | <u>13,024</u> | <u>1,888</u> | <u>11,580</u> | <u>3,200</u> | <u>2,740</u> | <u>1,193</u> | <u>990</u> | <u>938</u> |

Off-system Sales Volume-GWh

| | | | | | | | | | |
|----------|--------------|--------------|------------|--------------|------------|------------|------------|------------|------------|
| On-peak | 864 | 453 | 148 | 467 | 240 | 166 | 69 | 73 | 48 |
| Off-peak | 373 | 357 | 43 | 328 | 107 | 80 | 35 | 35 | 35 |
| Weekend | <u>397</u> | <u>399</u> | <u>80</u> | <u>392</u> | <u>118</u> | <u>139</u> | <u>89</u> | <u>88</u> | <u>49</u> |
| Total | <u>1,634</u> | <u>1,209</u> | <u>271</u> | <u>1,187</u> | <u>465</u> | <u>385</u> | <u>193</u> | <u>196</u> | <u>132</u> |



Financial Performance

2011-2017 Margin Expenses / Cost of Sales (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Internal Transmission Exp (OSS) | 5,051 | 2,614 | 1,365 | 1,148 | 589 | 649 | 471 |
| RSG Expense (OSS) | 2,080 | 1,678 | 721 | 601 | 293 | 294 | 214 |
| Industrial Coal Sales (Fuels) | 345 | 797 | 821 | 821 | 838 | 854 | 872 |
| Total Margin/Cost of Sales | <u>7,476</u> | <u>5,089</u> | <u>2,907</u> | <u>2,570</u> | <u>1,720</u> | <u>1,797</u> | <u>1,557</u> |



2013-2017 Margin/Cost of Sales Reconciliation (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Mechanism recoverable</u> | | | | | |
| Prior Plan | | | | | |
| Drivers | | | | | |
| Current Plan | | | | | |
| <u>Other</u> | | | | | |
| Prior Plan | 6,034 | 4,245 | 4,330 | 4,417 | |
| Drivers | | | | | |
| RTO Fees | (868) | (235) | (559) | (576) | |
| Internal Transmission | (2,282) | (1,463) | (2,075) | (2,068) | |
| Industrial Coal Sales | 23 | 23 | 24 | 24 | |
| Current Plan | <u>2,907</u> | <u>2,570</u> | <u>1,720</u> | <u>1,797</u> | <u>1,557</u> |



2011-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Environmental | - | - | - | - | - | - | - |
| New Generation Capacity | - | - | - | - | - | - | - |
| Generation | - | - | - | - | - | - | - |
| Distribution and Metering | - | - | - | - | - | - | - |
| Transmission | - | - | - | - | - | - | - |
| Other | | | | | | | |
| TC Gas Meter Project | - | 8 | - | | | | |
| CTS/AFB Upgrade | - | 40 | 491 | | | | |
| Process Improvement Tools | (40) | 202 | 250 | 250 | 250 | 250 | 250 |
| Total Capital and Cost of Removal | <u>(40)</u> | <u>250</u> | <u>741</u> | <u>250</u> | <u>250</u> | <u>250</u> | <u>250</u> |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|-----------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 250 | 250 | 250 | 250 | 250 |
| Changes: | | | | | |
| CTS/AFB Upgrade | 491 | | | | |
| Current Plan | <u><u>741</u></u> | <u><u>250</u></u> | <u><u>250</u></u> | <u><u>250</u></u> | <u><u>250</u></u> |

Financial Performance

2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|----------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Regulated Trading | 25 | 24 | 24 | 24 | 24 | 24 | 24 |
| Business Information | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Director Planning & Analysis | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Economic Analysis | 4 | 7 | 6 | 6 | 6 | 6 | 6 |
| Sales Analysis | 5 | 5 | 6 | 6 | 6 | 6 | 6 |
| Operations Analysis | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Generation Planning | 7 | 8 | 8 | 8 | 8 | 8 | 8 |
| VP Energy Marketing | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Subtotal | 51 | 52 | 52 | 52 | 52 | 52 | 52 |
| Fuels Management | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Fuels by Products | 9 | 8 | 10 | 10 | 10 | 10 | 10 |
| Fuels Risk Managemet | 2 | 4 | 2 | 2 | 2 | 2 | 2 |
| Subtotal | 16 | 17 | 17 | 17 | 17 | 17 | 17 |
| Co-ops | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| TOTAL w/ Co-op | 68 | 70 | 70 | 70 | 70 | 70 | 70 |
| From 2012 MTP | | 72 | 73 | 73 | 73 | 73 | |
| Variance to 2012 MTP | | -2 | -3 | -3 | -3 | -3 | |
| Manager Operations Analysis | | | -1 | -1 | -1 | -1 | |
| Reg Trading - Compliance Analyst | | | -1 | -1 | -1 | -1 | |
| Reg Trading - Gas Scheduler | | | -1 | -1 | -1 | -1 | |



Plan Risks

- Higher than forecast native load due to weather cannibalizes off-system sales, increases power and gas purchases, and increases coal burn.
- Higher than planned generating outages, lower native load (due to weather or the economy), or extremely low gas prices decreases coal burn and put upward pressure on coal inventory.
- Availability of transmission capacity to make sales and purchase power.

Appendix



Year over Year Walk Forward OPEX and Other Expense

| | |
|----------------------------------|---------------|
| 2011 Actual | 9,848 |
| Labor | (167) |
| Non-labor | 521 |
| 2012 FC | 10,202 |
| Labor - primarily open positions | 223 |
| Other non-labor savings in 2012 | 229 |
| 2013 Budget | 10,654 |
| Labor increase - 3% | 196 |
| Burden increase - 3% | 49 |
| Non-labor increase - 2% | 44 |
| 2014 Plan | 10,943 |
| Labor increase - 3% | 202 |
| Burden increase - 3% | 56 |
| Non-labor increase - 2% | 47 |
| 2015 Plan | 11,248 |
| Labor increase - 3% | 207 |
| Burden increase - 3% | 58 |
| Non-labor increase - 2% | 49 |
| 2016 Plan | 11,562 |
| Labor increase - 3% | 214 |
| Burden increase - 3% | 60 |
| Non-labor increase - 2% | 48 |
| 2017 Plan | 11,884 |



2011-2017 Headcount progression

| | |
|-----------------------|-------|
| 2011 Headcount | 68 |
| -Analysts | 2 |
| | <hr/> |
| 2012 Headcount FC | 70 |
| -No Changes | |
| | <hr/> |
| 2013 Headcount Budget | 70 |
| -No Changes | |
| | <hr/> |
| 2014 Headcount Plan | 70 |
| -No Changes | |
| | <hr/> |
| 2015 Headcount Plan | 70 |
| -No Changes | |
| | <hr/> |
| 2016 Headcount Plan | 70 |
| -No Changes | |
| | <hr/> |
| 2017 Headcount Plan | 70 |

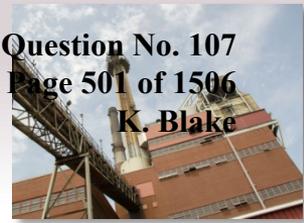


Other Balance Sheet Costs

(\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Local Engineering | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Other Balance Sheet | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| | | | | | | | |
| Total Other Costs | - | - | - | - | - | - | - |





PPL companies

Power Generation Department 2013 Business Plan

September 19, 2012

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Plan Highlights

- ***Addition of generation capacity - Cane Run Unit 7 CCGT scheduled for commercial operation May 1, 2015***
- ***Planned retirements of coal generating units at Cane Run, Green River and Tyrone stations***
- ***Major investment and integration of environmental compliance control equipment***
- ***Generation forecast for the planning period assumes continued trend of more gas fired production based on current projections for gas prices***
- ***Expenses associated with environmental systems at Ghent, Brown and Trimble were previously in ECR mechanism have now shifted to base O&M expense starting in 2013***
- ***Required landfill expansion at Ghent, Brown and Trimble stations***
- ***Increased resource needs to meet and maintain compliance with incremental regulatory requirements***
- ***Trimble County Unit 2 resolution of existing issues and warranty claims***
- ***Base Capital and OPEX plans are lower than comparable 2012 levels for this period which leads to expectations of maintaining current levels of operational performance***



Major Assumptions

1. Regulatory

1.1 *The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.*

1.2 *Target Reserve Margin of 16%, within a range of 15%-17%.*

- *Consistent with 2012 MTP/LTP.*
- *Reserve margin purchases are needed for summers of 2015 and 2016.*
 - *However, shortfall is <100 MW and could be covered in other ways.*

1.3 *Reserve sharing remains under the TVA/EKPC Reserve Sharing Agreement (~ 242 MW).*

1.4 *LG&E and KU remain committed to burning higher sulfur fuels.*

1.5 *The earliest that the next ECR filing can take place is July 1, 2013 (per the Settlement Agreement from the 2011 case).*

2. Proposed or Expected New Environmental Regulations for Air and Water

2.1 *Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with the order being stayed on December 30, 2011, and completely struck down on August 21, 2012.*

- *Existing CAIR stays in effect for all of the planning cycle.*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.2 Mercury and Air Toxics Standards (MATS) final rules were issued February 16, 2012.

- *Including a potential one year delay that can be applied for, the compliance date will be April 16, 2016.*
- *A second, additional, year of delay can be obtained in certain hardship cases, including retirements that could adversely impact transmission reliability. None of the LKE projects are counting on that second year of delay.*

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO₂. The final attainment designations for the short term NO_x standard have been delayed for up to three years due to inadequate monitoring. Based on the new short term SO₂ standards, compliance requirements must be in place by June 2017.

- *The Mill Creek FGD project is expected to mitigate the area in Jefferson County that has been proposed as non-attainment.*

2.4 The EPA issued its proposal on PM NAAQS on June 14, 2012.

- *Indications are that the current annual Particulate Matter standard for (PM)_{2.5} of 15 ug/M³ will be lowered, but not specifically by how much.*
- *A range of 12 to 13 ug/M³ was indicated, however EPA requested comment on dropping it to 11. A standard of 12 would put Jefferson County and Northern Kentucky in non-attainment, and 11 would put the entire state of Kentucky in non-attainment.*
- *Implementation is expected by 2018.*
- *The recent modifications at Gallagher Station, the shutting down of Cane Run 4, 5, and 6, and the baghouses at Mill Creek should mitigate concerns in Jefferson County.*
- *In general, on units with baghouses LKE should have no trouble with compliance.*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.5 The EPA is scheduled for a 2013 re-evaluation of the 8-hour ozone standard. Due to litigation, they were prepared to issue an early revision that would have been much lower with large impacts industry wide; however, they instead decided to re-instate the 2008 NAAQS Ozone 8-hour standard.

- ***Non Quality Assured 2011 data indicates Jefferson County as non-attainment.***
 - **Best Case: Quality Assured data shows attainment.**
 - **OK Case: Quality Assured data shows non-attainment, however shutdown of Cane Run 4, 5, and 6 mitigates the issue.**
 - **Worst Case: Quality Assured data shows non-attainment. SCRs are needed at Mill Creek 1 and 2 to mitigate the issue.**

2.6 Cane Run Coal will be retired May 1, 2015.

- **Combined cycle replacement available on that date.**
- **This is eight months sooner than the IRP.**
- **Of the employees remaining in excess of what is needed for combined cycle, approximately ½ will backfill retirements at other plants, and ½ will backfill contractors at other plants.**

2.7 Tyrone Coal will be retired April 16, 2015.

- **This aligns to the IRP.**

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 Green River Coal will be retired April 16, 2015.

- *This presumes that the one-year extension does not apply in situations where no environmental controls are being added.*
- *A Transmission Capital project (Matanzas) is slated to be completed by June 30, 2013 which will provide greater flexibility around running the Green River units.*
- *Of the employees electing to be placed (and not taking severance), they will be split between Energy Delivery Meter Reading and Energy Services.*

2.9 On March 21, 2011 EPA published a final rule that identified non-hazardous secondary materials that are considered solid wastes when combusted.

- *Boiler cleaning waste affected and disposal by burning in the boiler will be prohibited unless we are permitted as a "commercial and industrial solid waste incinerator".*
- *On December 23, 2011 EPA proposed amendments.*
- *Kentucky currently has provisions in place to adopt the rule after amendments become final.*
- *Kentucky will allow 3 years to become effective (2015)*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.10 Greenhouse Gases (GHG) tailoring rule requirements began January 2011.

- **GHG Best Available Control Technology (BACT) will be required for permitting new units.**
 - ❖ *Current GHG BACT is increased operational efficiency, however, carbon capture and storage (CCS) is on the horizon.*
- **For modifications that will increase GHG emissions greater than the PSD threshold limit of 75,000 tons**
 - ❖ *Includes Carbon Dioxide, Methane, and Nitrous Oxide.*
 - ❖ *Can mitigate by either a permit condition to limit emissions (i.e. limit on MWh) or apply BACT.*

2.11 GHG New Source Performance Standards (NSPS)

- **EPA announced proposed rule on 03/27/2012.**
- **Only addresses CO₂ with limit of 1,000 lbs/MWh(gross).**
- **Affects new units only (Coal-Fired Units, Integrated Gas Combined Cycle (IGCC), Natural Gas Combined Cycle (NGCC)).**
 - *Cane Run NGCC affected if proposed rule is published in the Federal Register prior to having a final permit.*
 - ❖ *Cane Run NGCC emission rate estimated at 800 lbs/MWh(gross) during full load operation.*
 - *New simple cycle turbines not affected.*
- **Existing units to be addressed in a later ruling.**

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.12 The 2011 ECR compliance plan settlement and CCN were approved December 16, 2011, and will include the following air quality controls:

- *A new Mill Creek 4 FGD (2014)*
- *A new Mill Creek 3 FGD (2015)*
- *A new Mill Creek 1 and 2 (combined) FGD (2015).*
- *Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 3, and Trimble County 1.*
 - 2014 in-service: Gh3, Gh4, MC4
 - 2015 in-service: Br. 3, Gh1, Gh2, MC1, MC2, MC3, TC1
- *An SCR upgrade on Mill Creek 4.*
- *The Brown 1-2 Fabric Filters were removed from the 2011 ECR plan as part of the settlement. They are still in the 2013 Business Plan but have been pushed further out to 2016.*
 - The analysis by Generation Planning to determine their need will be completed in the first half of 2013.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.13 *Significant O&M and cost of sales (~\$70M per year) will be incurred as remaining units become operational for MATS Compliance.*

- *Costs will begin ramping up in 2014 as units are completed.*
 - *Additional limestone usage at Mill Creek 1 and 2 FGD.*
 - *Additional hydrated lime injection to protect bags at all baghouse installations.*
 - *Powdered Activated Carbon (PAC) Injection at all installations.*
- *Prior to 180 days after the compliance date of April 16, 2015 (or April 16, 2016 for units that have been granted an extension), all units must have completed a boiler tune-up with specific documentation of improvements and procedures and effects on CO and NO_x.*
 - *EPA has intent to allow for the boiler tune-up to occur prior to the compliance date, however, further clarification that is needed by the EPA should be forthcoming.*

2.14 EPA has negotiated a delay in issuing the final regulations for 316(b).

- *The final rule now must be issued by June 27, 2013.*
- *A Five-Year implementation period is expected.*
- *Current estimate to comply is \$3M each for Mill Creek, Trimble County, Ghent, and Brown (½ in 2015, ½ in 2016).*
- *Dollars could shift out further should there be any type of delays.*
- *There is no mandate for cooling towers at the current time (Mill Creek 1 is a sensitivity in 2017).*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.15 Effluent water guideline draft proposal is expected November 20, 2012, with the final rule issued April 28, 2014.

- *A Five-Year implementation period is expected.*
- *Ultimate implementation timing as well as scope are uncertain at this time.*
- *A placeholder per station is included (\$60M Ghent, \$60M Mill Creek, \$40M Brown, \$20M Trimble County, \$10M Cane Run, and \$10M Green River).*
- *The dollars are split ½ in 2017 and ½ in 2018, however, they could vary by facility based on permit renewal dates.*
- *Dollars could shift out further, should there be any type of delays.*

2.16 Internal Combustion Engine and Reciprocating Internal Combustion Engines (IC & RICE) regulation finalized in 2010.

- **Non-certified engines purchased after 2005 must be tested for compliance and may need "tailpipe" controls for particulates, NO_x and Volatile Organic Compounds (VOC) emissions.**
- **Existing Emergency Compression engines <500HP require compliance with "work practice standards" including hour meter by May, 2013.**
- **Existing Emergency Spark engines <500HP require compliance with "work practice standards" including hour meter by October 2013.**

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.17 Ghent will negotiate SO₃ (H₂SO₄) permitted emission limits with EPA in 2012.

- Additional testing will be necessary and engineering studies may be required.
- Ghent 2 will require additional SO₃ control equipment (BACT).
- Permit will include operational monitoring of SO₃ control equipment.
- Acid Dew Point Monitors (Breen Probe) or SIC Monitors will be required for each unit.
- *Additional emissions testing for correlation per the Compliance Assurance Monitoring (CAM) Plan.*

2.18 Cane Run Landfill Dust Suppressant.

- *Chemical suppressant is to be added during dry weather to the open landfill area to mitigate dust.*

3. Expansion/Capacity

3.1 The simple cycle capacity of 495MW (Bluegrass site) is not acquired due to the adverse ruling by FERC.

- A two year Power Purchase Agreement is in place for approximately 165MW for 2016 and 2017, prior to the second combined cycle in service in 2018 (see 3.3).

Major Assumptions

3. Expansion/Capacity (Cont.)

3.2 *A combined cycle unit (Cane Run 7) will be added May 1, 2015 at the Cane Run location.*

- *2 x 1, 640 MW Summer Net (Ownership is 78% KU, 22% LG&E).*
- *Replacing Cane Run Coal retired on that date.*
- *CCN approval date of September, 2012.*
- *Expense profile based on a Long-Term Services Agreement being in place.*

3.3 *A second combined cycle unit will be added June 1, 2018 (ownership is 50% KU, 50% LG&E).*

- *The location is still to be determined.*
- *It had been 2021 when Bluegrass was to be acquired.*
- *2 x 1, 640 MW Summer Net.*
- *Generation Planning will study other sized options.*
- *Expense profile based on a Long-Term Services Agreement being in place.*

3.4 *The third combined cycle will come on-line June 1, 2022.*

- *It had been 2028 when Bluegrass was to be acquired.*

3.5 *Tyrone 3 will remain on inactive reserve, and then retired on April 16, 2015.*

3.6 *Brown 1 and 2 are still included long-term. A study to be completed first quarter 2013 will help determine if that is the case for the 2014 BP.*

3.7 *The five Ohio Falls units still to be rehabilitated (the other three are complete) have the following scheduled completion dates::*

Unit 2 (January 2013)

Unit 8 (October 2013)

Unit 4 (July 2014)

Unit 3 (March 2015)

Unit 1 (December 2015)

Major Assumptions

3. Expansion/Capacity (Cont.)

3.8 *Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2015 and runs through 2018.*

- *Engineering to be done in 2013.*
- *The Paddy's Unit is 2018 in-service, Brown is 2017 in-service and Trimble is 2018 in-service.*

3.9 *Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.*

- *Group 3 consists of the older, smaller CT's.*
- *No Group 3 units are being retired in the plan.*

3.10 *Biomass co-firing projects for 2 units is a sensitivity, not included in the base Business Plan.*

3.11 *Landfill gas projects are a sensitivity, not included in the base Business Plan.*

- *No activity currently taking place.*
- *The only scenario at current natural gas prices would be if a company is doing it for Corporate Social Responsibility purposes and LKE partnered with them in some capacity.*

3.12 *A carbon capture and sequestration (CCS) demonstration facility for 100 MW is a sensitivity.*

- *A much smaller scale demonstration project hosted by Brown Station and primarily funded through DOE takes place in 2013-2016.*

Major Assumptions

4. Coal Combustion Residuals (CCR's)

4.1 EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.

- ***Final rules are expected in late 2012 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Ponds are expected to be eliminated for ash storage.***
- ***Expected timeframe of 2017-2019 on pond closures and 2016-2017 on construction of new process ponds.***
- ***A stay due to litigation is probable.***
- ***A designation of "Hazardous" vs. "Non-Hazardous" appears to be trending toward "Non-Hazardous".***
 - ***EPA's decision has been delayed until December 2012 at the earliest.***
- ***The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared "hazardous".***

4.2 The Trimble County Fly Ash Loading Facility will be operational in November 2012.

- ***A temporary agreement with Charah (started February, 2012) provides for barge load-outs to Holcim until the permanent system is in place.***

4.3 Permit issues have delayed the Trimble County Landfill Phase I.

- ***In-service date is scheduled for January 1, 2016, based on a landfill permit being issued by the Kentucky Division of Waste Management in late 2014.***
- ***The date remains highly in-flux until permit approvals are received.***

4.4 Brown Ash Pond is being converted to a landfill, with an expected in-service date of January, 2014.

Major Assumptions

4. Coal Combustion Residuals (CCR) (Cont.)

- 4.5 Ghent Landfill Phase 1 will be substantially completed by 6/30/2013, with significant O&M starting in mid-2013.**
- **All permit approvals have been received, however, a new KPSD permit is still needed for water run-off.**
- 4.6 The existing Cane Run Landfill Mechanically Stabilized Earth (MSE) Wall Foundation will be complete by June 30, 2013.**
- **Build-up of the wall will take place on an as-needed basis depending on CCR production rates.**
 - **Material will be taken from the landfill and stored at the ash pond to begin the process of closing the existing ash pond.**
- 4.7 Extension of the Mill Creek Landfill will be in the back part of the 10-year window. (Earliest timeframe it would need to be operational would be 2021.)**
- 4.8 All CCR Capital Projects use an annual escalation rate of 4.0%.**

5. Other Environmental (in addition to MATS and CCR's) Resulting in Significant Capital Additions

- 5.1 The Brown 3 SCR will be in-service in the fourth quarter of 2012.**
- **Operating parameters under the consent decree will be very tight for Brown 3.**
 - **Dispatch related turndown on Unit 3 must be tracked.**
 - **SO₃ (H₂SO₄) emissions controls must be BACT and will include operational monitoring.**
 - **Becomes effective upon operation of SCR, however, with SCR installation running behind original schedule, we are complying with the H₂SO₄ 12-month cap in 2012.**
 - **Test results indicate hydrated lime injection not needed until SCR operation begins, however, a re-confirmation test could potentially indicate needed mitigation prior to SCR operation and could include Units 1 and 2 as well as Unit 3.**

Major Assumptions

6. Operational and Other

6.1 *Annual escalation rates for internal labor, contract labor and materials are as follows:*

- *Internal labor: 3.0%.*
- *Contract/services labor: 3.0% for general, 3.5% for highly skilled (welders).*
- *Chemicals: 6.0% for specialty (Nalco), 5.0% for commodity (Brenntag)*
- *Fuels and additives 5.0%*

6.2 *By the end of 2012, planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years, with the following exceptions:*

- *Brown units 1 and 3 over-lap by 2 weeks every other year.*
- *Cane Run units are 3 week outages one year with no outage the next year, with this cycle repeating.*
- *Trimble County units are 4 week outages one year with no outage the next year, with this cycle repeating.*

Major Assumptions

6. Operational and Other (Cont.)

6.3 The next turbine overhauls by unit are as follows:

- **2012 : Ghent 2, Brown 3, Cane Run 4, Mill Creek 2.**
- **2013 : Mill Creek 1.**
- **2014 : Brown 1, Mill Creek 4, Ghent 4.**
- **2015 : Ghent 1.**
- **2016 : None scheduled.**
- **2017: Brown 2, Trimble 1**
- **2018: Ghent 3, Trimble 2**

6.4 Significant generator rewind/stator rewind dollars are included in the 2012-2016 timeframe.

- **Brown 3 generator (stator and rotor) rewind in 2012.**
- **Brown 2 generator (stator and rotor) rewind in 2017 (some dollars also in 2016).**
- **Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.**
 - **The spare sets will be installed on MC3 in 2019, MC2 in 2020, MC1 in 2021, and MC4 in 2022.**

6.5 Corrosion fatigue inspection schedule is as follows:

- **2013: Mill Creek 1, Mill Creek 3**
- **2014: Ghent 4, Mill Creek 4**
- **2015: Ghent 1**
- **2016: None scheduled.**
- **2017: Brown 2, TC1**
- **2018: Ghent 3, TC2**

Major Assumptions

6. Operational and Other (Cont.)

6.6 High Energy Piping (HEP) inspection schedule is as follows:

- **2013: Mill Creek 1, Mill Creek 3, Trimble County 1**
- **2014: Brown 1, Brown 2, Ghent 3, Ghent 4, Mill Creek 4, Trimble County 2**
- **2015: Brown 3, Ghent 2, Mill Creek 1, Mill Creek 3**
- **2016: Ghent 1, Mill Creek 2, Trimble County 2**
- **2017: Brown 2, Ghent 3, Mill Creek 1, TC1**
- **2018: Brown 1, Brown 3, Ghent 1, Ghent 4, Mill Creek 2, Mill Creek 4**

6.7 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- **Permit changes may also be needed.**

6.8 Targets for percentage of fuel hedged in the 2013 Business Plan are as follows:

- **Year 1 90%-100%**
- **Year 2 80%-95%**
- **Year 3 40%-90%**
- **Year 4 10%-50%**
- **Year 5 0%-30%**

Major Assumptions

6. Operational and Other (Cont.)

6.9 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 15%) vs. new parts (capital – approximately 85%).
- The first set of hot gas path inspections for Trimble CT's are complete with the exception of unit 9 in Fall 2012 and Unit 10 in Spring 2013. The cycle starts again with two units in 2017, two units in 2018, and two units in 2019.
- Brown C inspections by unit are as follows:
 - ❖ Unit 9 in 2013
 - ❖ Unit 10 in 2015
 - ❖ Unit 6 in 2018
 - ❖ Unit 7 in 2019
 - ❖ Unit 11 in 2020
 - ❖ Unit 5 in 2021
 - ❖ Unit 8 in 2022
- The expiration date for the Brown 6 and 7 Long-Term Services Agreements (LTSA) is October 1, 2016 based on the 13-year criteria.
 - ❖ Replacement LTSA's are not expected.
- *The outages for Cane Run 7 are a Combustion Inspection 2017, Hot Gas Path Inspection 2019, and Combustion Inspection 2021.*

6.10 NERC Cyber Security Solution (all coal-fired stations plus Paddy's Run and Haefling) is included, along with Microsoft Upgrades for Ghent and Trimble County due to 2014 de-support of Windows XP.

6.11 CIP Version 4 will have an effective date of April 1, 2014.

- The effective date for version 5 is still uncertain.

Major Assumptions

6. Operational and Other (Cont.)

- 6.11 CIP Version 4 will have an effective date of April 1, 2014.
- The effective date for version 5 is still uncertain.
- 6.12 Demolition (cost of removal) for Canal and Paddy's Run are as follows:
- 2012 \$2.0M
 - 2013-2014 \$0.0M
 - 2015 \$0.3M
 - 2016 \$1.8M
 - 2017 \$7.5M
 - 2018 \$10.0M
 - 2019 \$8.0M
 - Order of events will be demolition of Paddy's Run stacks, complete demolition of Paddy's Run Station (2015-2019), and complete demolition of Canal (2017-2019).
- 6.13 Demolition (cost of removal) for Pineville are \$250k in 2013 to address the Stack issues.
- 6.14 Cost of removal reserves at 12/31/15 are projected to be:
- Tyrone \$5M
 - Green River \$12M
 - Cane Run \$35M
- 6.15 A MAXIMO Upgrade (tied to Oracle Upgrade) will start in August, 2012 and end in August, 2013.
- 6.16 The prosym run from August 31, 2012 is the official generation forecast for the 2013 Business Plan.

Target Reconciliations – OPEX and GMEXP (\$000)

| | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <u>OPEX 2012 MTP to 2013 Target</u> | | | | | |
| Prior Plan | 233,968 | 256,097 | 268,444 | 253,839 | 253,651 |
| Changes: | | | | | |
| ECR 2005 & 2006 Plan Shift | 7,176 | 7,742 | 7,906 | 8,074 | 8,246 |
| Plant Closure to CAPEX | | | | (15,416) | (1,169) |
| Earlier Plant Retirements | | | (11,100) | | |
| Remove Bluegrass CT OPEX | (7,260) | (3,082) | (3,216) | (3,994) | (4,074) |
| IT O&M Commitment Transfer | (72) | (72) | (72) | (72) | (72) |
| Current Plan | <u>233,812</u> | <u>260,685</u> | <u>261,962</u> | <u>242,431</u> | <u>256,582</u> |
| <hr/> | | | | | |
| | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
| <u>GMEXP 2012 MTP to 2013 Target</u> | | | | | |
| Prior Plan | 83,299 | 106,908 | 167,186 | 201,041 | 205,242 |
| Changes: | | | | | |
| ECR 2005 & 2006 Plan Shift | (7,176) | (7,742) | (7,906) | (8,074) | (8,246) |
| Earlier Plant Retirements | | | (5,861) | | |
| Current Plan | <u>76,123</u> | <u>99,166</u> | <u>153,419</u> | <u>192,967</u> | <u>196,996</u> |

Financial Performance

2011-2017 OPEX and Other Expenses (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Company Labor | 89,628 | 87,994 | 96,563 | 101,336 | 106,766 | 101,522 | 100,255 |
| Resident Contractors | 20,296 | 23,213 | 24,692 | 25,715 | 22,194 | 20,352 | 20,793 |
| Maintenance | 53,410 | 56,011 | 58,878 | 61,255 | 70,664 | 62,434 | 64,479 |
| Outages | 31,183 | 42,971 | 24,285 | 39,541 | 33,533 | 28,908 | 32,036 |
| Operations | 20,660 | 24,351 | 25,396 | 26,439 | 22,617 | 22,420 | 22,862 |
| Subtotal OPEX/Other expense | 215,178 | 234,540 | 229,813 | 254,286 | 255,773 | 235,636 | 240,426 |
| Gross Margin Expenses * | 49,606 | 56,617 | 72,081 | 83,594 | 105,866 | 135,468 | 140,225 |
| * (see next slide for detail) | | | | | | | |
| Total Income Statement items | 264,783 | 291,157 | 301,894 | 337,880 | 361,639 | 371,104 | 380,651 |



Financial Performance

2011-2017 Margin Expenses / Cost of Sales (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-------------------------------------|----------------|------------------|----------------|---------------|----------------|----------------|----------------|
| Gross Margin Elements | | | | | | | |
| <u>ECR</u> | | | | | | | |
| Labor | - | 1,600 | - | - | - | - | - |
| Resident Contractors | 568 | 612 | 2,730 | 5,694 | 5,836 | 6,756 | 6,929 |
| Environmental Maint & Ops | 17 | 5,304 | 670 | 1,201 | 4,946 | 7,293 | 7,444 |
| ECR Activated Carbon | 1,474 | 2,320 | - | 4,339 | 25,185 | 46,945 | 47,887 |
| ECR Landfill Operations | - | - | 3,565 | 7,396 | 7,544 | 10,309 | 10,541 |
| ECR Mercury Monitors Operations | 46 | - | - | - | - | - | - |
| ECR Nox Emission Allowances | - | 2 | - | - | - | - | - |
| ECR Nox Reduction Reagent | 166 | 1,285 | 1,258 | 1,177 | 1,195 | 1,249 | 1,320 |
| ECR Other Waste Disposal | - | 203 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 |
| ECR Scrubber Reactant Ex | 8,000 | 6,780 | - | - | - | - | - |
| ECR SO2 Emission Allowances | - | 60 | - | - | - | - | - |
| ECR Sorbent Reactant - Reagent Only | 12,260 | 12,010 | 15,183 | 15,169 | 21,537 | 26,714 | 28,735 |
| Total ECR | <u>22,531</u> | <u>30,176</u> | <u>24,556</u> | <u>36,127</u> | <u>67,393</u> | <u>100,415</u> | <u>104,005</u> |
| <u>Non-ECR</u> | | | | | | | |
| Resident Contractors | 318 | 591 | 500 | 517 | 527 | 538 | 548 |
| Activated Carbon | 87 | 24 | 3,558 | 3,401 | 4,211 | 4,075 | 4,613 |
| Emissions | - | - | - | - | - | - | - |
| Other Waste Disposal | 3,247 | 2,771 | 2,799 | 2,897 | 1,696 | 1,331 | 1,367 |
| Mercury Monitors Operations | - | - | 174 | 179 | 183 | 186 | 190 |
| NOx Emission Allowances | 84 | 12 | 70 | 71 | 30 | 0 | 0 |
| NOx Reduction Reagent | 7,930 | 7,903 | 9,874 | 9,166 | 9,195 | 9,394 | 9,487 |
| Scrubber Reactant Ex | 15,300 | 14,966 | 29,806 | 30,514 | 21,738 | 18,665 | 19,032 |
| SO2 Emission Allowances | 109 | 69 | 31 | 31 | 32 | 32 | 33 |
| Sorbent Injection Operation | - | 10 | - | - | - | - | - |
| Sorbent Reactant - Reagent Only | - | 96 | 713 | 692 | 861 | 830 | 950 |
| Total Non-ECR | <u>27,075</u> | <u>26,442</u> | <u>47,525</u> | <u>47,467</u> | <u>38,473</u> | <u>35,052</u> | <u>36,220</u> |
| Total Gross Margin | <u>49,606</u> | <u>56,617</u> | <u>72,081</u> | <u>83,594</u> | <u>105,866</u> | <u>135,468</u> | <u>140,225</u> |



2013-2017 OPEX/Other Expense Reconciliation (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|
| Prior Plan | 233,968 | 256,097 | 268,444 | 253,839 | 253,651 |
| Target Adjustments: | | | | | |
| Retired ECR 2005 and 2006 Plans (Now an OPEX Expense) | 7,176 | 7,742 | 7,906 | 8,074 | 8,246 |
| Early Plant Retirement for GR and CR | - | - | (11,100) | - | - |
| Plant Closure Expense moved to COR (CR, GR & TY) | - | - | - | (15,416) | (1,169) |
| Purchase of Bluegrass CTs withdrawn | (7,260) | (3,082) | (3,216) | (3,994) | (4,074) |
| IT O&M Commitment Transfer | (72) | (72) | (72) | (72) | (72) |
| Adjusted Prior Plan | <u>233,812</u> | <u>260,685</u> | <u>261,962</u> | <u>242,431</u> | <u>256,582</u> |
| Drivers: | | | | | |
| CR7 in service 6 months earlier & Reduced ongoing maintenance | - | - | | (6,960) | (7,046) |
| Outage schedule scope and timing updates | (1,488) | (3,414) | (1,033) | 1,458 | (4,451) |
| Stranded Labor after plant closures | - | - | 2,653 | 4,105 | - |
| Labor | (78) | (7) | 2,532 | 3,396 | 3,415 |
| Maint & Ops Reductions for Recovery Effort | (4,912) | (5,857) | (8,823) | (7,933) | (4,855) |
| Other Small Various Puts and Takes | 2,479 | 2,880 | (1,519) | (861) | (3,219) |
| Current Plan | <u>229,813</u> | <u>254,286</u> | <u>255,773</u> | <u>235,636</u> | <u>240,426</u> |
| Plan To Plan Variance | <u>4,000</u> | <u>6,399</u> | <u>6,190</u> | <u>6,795</u> | <u>16,156</u> |



2013-2017 Margin/Cost of Sales Reconciliation (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| <u>ECR Prior Plan</u> | 52,474 | 75,336 | 133,643 | 182,683 | 188,550 |
| Target Adjustments: | | | | | |
| ECR 2005 & 2006 Plan Shift (moved to NonECR) | (15,965) | (15,584) | (15,697) | (16,662) | (15,649) |
| ECR 2005 & 2006 Plan Shift (moved to OPEX) | (7,176) | (7,742) | (7,906) | (8,074) | (8,246) |
| Adjusted ECR Prior Plan | <u>29,333</u> | <u>52,010</u> | <u>110,039</u> | <u>157,947</u> | <u>164,655</u> |
| Drivers: | | | | | |
| CR7 will not need an SCR | - | - | - | (2,411) | (2,459) |
| Lower price of Activated Carbon (Net of other changes) | (3,781) | (9,708) | (33,192) | (49,378) | (50,362) |
| Lower SAM Mitigation (Sorbent Reagent Hyd Lime over Trona) | (2,215) | (7,842) | (9,087) | (6,591) | (6,820) |
| Change in service dates of new landfills | (2,057) | (858) | (875) | 1,721 | 1,782 |
| Other Small Various Puts and Takes | 3,276 | 2,526 | 507 | (873) | (2,790) |
| ECR Current Plan | <u>24,556</u> | <u>36,127</u> | <u>67,393</u> | <u>100,415</u> | <u>104,005</u> |
| | - | - | - | - | - |
| <u>Non-ECR Prior Plan</u> | 30,824 | 31,572 | 33,544 | 18,358 | 16,692 |
| Target Adjustments: | | | | | |
| ECR 2005 & 2006 Plan Shift (moved from ECR) | 15,965 | 15,584 | 15,697 | 16,662 | 15,649 |
| Earlier Plant Retirements | - | - | (8,581) | - | - |
| Adjusted Non-ECR Prior Plan | <u>46,790</u> | <u>47,156</u> | <u>40,660</u> | <u>35,021</u> | <u>32,341</u> |
| Drivers: | | | | | |
| CR Scrubber Reactant update with Generation | 3,701 | 2,938 | - | - | - |
| Other Small Various Puts and Takes | (2,965) | (2,626) | (2,187) | 32 | 3,879 |
| Non-ECR Current Plan | <u>47,525</u> | <u>47,467</u> | <u>38,473</u> | <u>35,052</u> | <u>36,220</u> |
| | - | - | - | - | - |
| Grand Total Gross Margin Expense | <u>72,081</u> | <u>83,594</u> | <u>105,866</u> | <u>135,468</u> | <u>140,225</u> |



Power Generation RAC Summary

(\$000)

| | | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----|--|---------------|---------------|----------------|---------------|----------------|
| 1 | Required | 24,092 | 11,414 | 23,073 | 9,446 | 4,772 |
| 2 | Not Required but high risk in next 0-3 years | 47,542 | 56,429 | 48,468 | 34,368 | 115,117 |
| | Project is not required but is recommended due to: | | | | | |
| 3A | Prudent Utility Practice. | 5,818 | 13,518 | 16,060 | 21,967 | 43,886 |
| 3B | Economic benefit. | 612 | 1,425 | 418 | 476 | 333 |
| 3C | New Generation. | - | - | - | - | - |
| 3D | Not Required Improvements to Existing Assets | 4,596 | 2,623 | 10,974 | 6,805 | 8,414 |
| 3E | Regulatory considerations. | 767 | 250 | 3,250 | 100 | - |
| 3F | Acquisition of tools / equipment / vehicles. | 874 | 525 | 980 | 969 | 2,728 |
| 3G | Acquisition of Land / buildings / structures. | 456 | - | 425 | - | - |
| 3H | Community relations benefit. | 214 | 208 | 216 | 224 | - |
| | Mechanism Investments | | | | | |
| 4A | ECR | 280 | 8,676 | 2,400 | 777 | 9,245 |
| 4B | DSM | - | - | - | - | - |
| 4C | Gas tracker | - | - | - | - | - |
| | Total RAC Summary | <u>85,251</u> | <u>95,068</u> | <u>106,263</u> | <u>75,131</u> | <u>184,496</u> |



2012-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| <u>Required & Continuing Projects > \$2.5m</u> | | | | | | |
| 121594 GH4 SCR CATALYST ADDITION | 850 | 2,303 | - | - | - | - |
| 124288 BR3 Generator Rewind 11-12 | 9,375 | - | - | - | - | - |
| 132804 MC3 BURNERS 2013 | 1,228 | 3,740 | - | - | - | - |
| 132921 MC3 Reheater | 1,373 | 4,627 | - | - | - | - |
| 133466 GH1 SCR L3 Rplcmt | - | 976 | 2,267 | - | - | - |
| 133468 GH3 SCR L1 Repl | - | - | - | 1,033 | 2,440 | - |
| 133470 GH4 SCR L1 Repl | - | - | - | 1,033 | 2,440 | - |
| 137594 GR Plant Closure | - | - | - | 5,000 | - | - |
| 137600 CR Plant Closure | - | - | - | 8,600 | - | - |
| Other Required | 28,759 | 12,446 | 9,112 | 7,407 | 4,566 | 4,772 |
| Total Required & Continuing | <u>41,585</u> | <u>24,092</u> | <u>11,379</u> | <u>23,073</u> | <u>9,446</u> | <u>4,772</u> |
| <u>System Stability & Performance > \$6.0m</u> | | | | | | |
| 123907 BRCT9 C Inspection 11 | 1,455 | 6,715 | - | - | - | - |
| 123910 BRCT10 C Inspection 12 | - | - | 1,527 | 6,900 | - | - |
| 127642 MC4 Burners | - | 1,700 | 5,800 | - | - | - |
| 131974 GH 3 Burner Repl | - | - | - | - | 1,740 | 6,645 |
| 131975 GH4 Burner Repl | - | 300 | 4,292 | 3,000 | - | - |
| 131995 TC Generator Rewind | - | - | - | - | - | 6,953 |
| 131997 TC2 ID Fan Rotor Ovhl | - | - | - | - | 3,100 | - |
| 132924 MC4 Reheater | - | 1,600 | 6,900 | - | - | - |
| 133102 GS GE 345kV Spr LGE | - | - | - | 1,350 | 3,150 | - |
| 134372 GS PE PR BS - LGE | - | 1,000 | - | 6,100 | - | 10,000 |
| 134373 GS PE BR BS - LGE | - | - | - | - | - | 7,500 |
| 134374 GS PE TC BS - LGE | - | - | - | - | - | 11,400 |
| 135234 CR CCGT HGPI | - | - | - | - | - | 11,535 |
| Other Stability & Performance | 8,962 | 36,227 | 37,899 | 31,118 | 26,378 | 61,084 |
| Total Stability & Performance | <u>10,417</u> | <u>47,542</u> | <u>56,419</u> | <u>48,468</u> | <u>34,368</u> | <u>115,117</u> |



2012-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|--------------|--------------|---------------|---------------|---------------|---------------|
| <u>Prudent Utility Practice > \$3.0m</u> | | | | | | |
| 131201 GH1 4 KV Breaker Upgrade | - | - | - | - | 116 | - |
| 131955 BR2 Gen Rewind | - | - | - | - | 5,250 | 10,500 |
| 132960 MC1 DCS Hardware | - | - | - | - | 1,000 | 5,000 |
| 132961 MC2 DCS 2018 | - | - | - | - | - | 1,000 |
| 133102 GS GE 345kV Spr LGE | - | - | - | 1,350 | 3,150 | - |
| 134234 MC4 Generator Stator Bar | - | - | 8,000 | - | - | - |
| 136097 DX Dam Leakage Rem Phase II | 99 | - | - | - | - | 7,691 |
| 137241 GH3 Upper Econ Repl 2018 | - | - | - | - | - | 1,000 |
| 137473 GH3 Finishing SH Repl 2018 | - | - | - | - | - | 1,424 |
| Other Prudent Utility Practice | 1,888 | 5,818 | 5,518 | 14,710 | 12,451 | 17,271 |
| Total Prudent Utility Practice | <u>1,988</u> | <u>5,818</u> | <u>13,518</u> | <u>16,060</u> | <u>21,967</u> | <u>43,886</u> |
| Economic Benefit & Enhancement | 35 | 612 | 1,425 | 418 | 1,103 | 333 |
| <u>Environmental Mechanism (ECR)</u> | | | | | | |
| 133939 BR3 SCR Catalyst | - | - | 852 | 2,300 | - | - |
| 135281 GH3 PJFF BC 2017 | - | - | - | - | - | 2,704 |
| 135283 GH4 PJFF BC 2017 | - | - | - | - | - | 2,704 |
| 136640 GS RD Hg Contrl LGE | - | - | 4,000 | - | - | - |
| Other Environmental Mechanism | 413 | 280 | 3,823 | 100 | 777 | 3,837 |
| Total Environmental Mechanism | <u>413</u> | <u>280</u> | <u>8,676</u> | <u>2,400</u> | <u>777</u> | <u>9,245</u> |



2012-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---------------------------------------|---------------|---------------|---------------|----------------|---------------|----------------|
| <u>All Other Projects > \$1.0m</u> | | | | | | |
| 123837 MC2 FGD Refurbishment | 3,524 | - | - | - | - | - |
| 124607 GH2 ECONOMIZER REPL | 2,008 | - | - | - | - | - |
| 134293 OF Trash Rakes | - | - | - | - | - | 2,000 |
| 136480 GS GE PdM Budget LGE | - | 200 | 200 | 200 | 200 | 200 |
| 137336 GH 657 Scraper Repl | - | - | - | - | - | 1,900 |
| 137597 TY Plant Closure | - | - | - | 3,000 | - | - |
| 138357 BRCT GT24 Fuel Flexibility KU | - | 2,500 | - | - | - | - |
| 131638LGE TC CT INSTALL 345KV CI | - | - | - | 1,888 | - | - |
| Other | <u>23,353</u> | <u>4,207</u> | <u>3,451</u> | <u>10,758</u> | <u>7,271</u> | <u>7,042</u> |
| Total All Other | <u>28,883</u> | <u>6,907</u> | <u>3,651</u> | <u>15,846</u> | <u>7,471</u> | <u>11,142</u> |
| Total Capital | <u>83,320</u> | <u>85,251</u> | <u>95,068</u> | <u>106,263</u> | <u>75,131</u> | <u>184,496</u> |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

K. Blake

| | 2013 <u>Budget</u> | 2014 <u>Plan</u> | 2015 <u>Plan</u> | 2016 <u>Plan</u> | 2017 <u>Plan</u> |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Prior Plan | 95,133 | 106,293 | 155,545 | 104,676 | 292,103 |
| Changes + \$3.5m | | | | | |
| 123906 BRCT6 C Inspection 13 | - | - | - | - | 28,009 |
| 123910 BRCT10 C Inspection 12 | - | (4) | 3,619 | - | - |
| 126591 TC CT HGPI LGE#5 | - | 4,246 | - | - | - |
| 126592 TC CT HGPI Spare Parts LGE | 4,252 | - | - | - | - |
| 126647 GS-LGE-CEMS Shltr Rplt | - | 2,700 | 8,250 | - | - |
| 127590 MC4 Condenser | 500 | 4,000 | - | - | - |
| 131956 BRCT 11N2s C Insp & Parts | - | - | - | 2,500 | 10,300 |
| 131986 GH3 Turb Eff Upgr | - | - | 700 | 6,000 | 8,500 |
| 131987 MC Coal Barge Unloading System | - | - | - | - | 14,000 |
| 131991 TC1 Major Boiler Component Repl | - | - | - | - | 3,863 |
| 131992 TC1 SDRS Rebuild | - | - | - | - | 43,673 |
| 131993 TC! ESP Rebuild 2017 | - | - | - | - | 14,436 |
| 131994 TC1 Bot Ash Drag Chain | - | - | - | - | 3,637 |
| 131996 TC1 Turbine Dense Pack | - | - | - | - | 13,086 |
| 132000 TC CT HGP Insp #1 | - | - | - | - | (5,064) |
| 132001 TC CT HGP Insp #2 | - | - | - | - | (5,064) |
| 132970 MC4 Turbine Dense Pack | - | - | - | 1,000 | 6,500 |
| 134372 GS PE PR BS - LGE | (1,000) | 12,200 | 18,500 | - | (10,000) |
| 135234 CR CCGT HGPI | - | - | - | - | (11,535) |
| 135368 BG Ongoing Capital | 1,098 | 815 | 9,083 | 110 | 113 |
| 135369 BG Purchase | - | - | - | - | - |
| 136097 DX Dam Leakage Rem Phase II | 7,105 | - | - | - | (7,691) |
| 136640 GS RD Hg Contrl LGE | - | (4,000) | - | - | - |
| 136649 MC4 Final SH Pendants | (1,400) | (2,600) | - | - | - |
| 137024 GH 138kv Switchgear Upgrade | - | - | (500) | (3,500) | (1,525) |
| 137594 GR Plant Closure | - | - | (5,000) | - | - |
| 137600 CR Plant Closure | - | - | (8,600) | - | - |
| 126593LGE TC CT HGPI # 6 | (3,875) | - | - | - | - |
| All Other Changes | (16,561) | (28,582) | (75,334) | (35,656) | (212,845) |
| Current Plan | <u>85,251</u> | <u>95,068</u> | <u>106,263</u> | <u>75,131</u> | <u>184,496</u> |



2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Mill Creek | 215 | 222 | 223 | 223 | 223 | 223 | 223 |
| Trimble County/CTs | 139 | 157 | 162 | 167 | 167 | 169 | 166 |
| Cane Run/Ohio Falls | 124 | 123 | 126 | 125 | 45 | 45 | 45 |
| Ghent | 202 | 210 | 222 | 228 | 239 | 241 | 238 |
| Brown/Dix/Tyrone | 151 | 154 | 155 | 160 | 160 | 160 | 160 |
| Green River | 48 | 41 | 41 | 41 | 2 | 2 | 2 |
| Generation Services | 48 | 54 | 59 | 63 | 65 | 67 | 71 |
| Other Generation Support | 44 | 46 | 49 | 49 | 49 | 49 | 49 |
| Stranded Employees | | | | | 47 | 47 | 0 |
| TOTAL | <u>971</u> | <u>1,007</u> | <u>1,037</u> | <u>1,056</u> | <u>997</u> | <u>1,003</u> | <u>954</u> |
| From 2012 MTP | | <u>1,023</u> | <u>1,045</u> | <u>1,059</u> | | | |
| Variance to 2012 MTP | | <u>-16</u> | <u>-8</u> | <u>-3</u> | | | |
| Co-Ops/Interns Included above | | | 15 | 15 | 15 | 15 | 15 |
| Regular Full Time Employees w/o Co-Ops/Interns | | | <u>1,022</u> | <u>1,041</u> | <u>982</u> | <u>988</u> | <u>939</u> |
| MC - 4 incremental Station Helper Positions | | | 4 | 4 | 4 | 4 | 4 |
| Energy Services Work Force Planning | | | <u>1,026</u> | <u>1,045</u> | <u>986</u> | <u>992</u> | <u>943</u> |



Operational Performance

Key Performance Indicators

| KPI | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--------------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Generation (Twh) ¹ | 34.5 | 39.1 | 35.1 | 35.1 | 35.0 | 35.0 | 35.0 |
| EAF (Steam) | 84.0% | 86.2% | 85.7% | 86.3% | 89.3% | 86.4% | 87.8% |
| EFOR (Steam) | 6.1% | 5.6% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Controllable Cost (\$M) ² | \$ 310.91 | \$ 291.16 | \$304.32 | \$342.24 | \$365.41 | \$373.01 | \$392.18 |
| Controllable Cost/mwh ² | \$ 9.01 | \$ 7.45 | \$ 8.66 | \$ 9.75 | \$ 10.45 | \$ 10.65 | \$ 11.22 |
| Recordable Injuries ³ | 1.59 | 1.36 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| Lost Workday Case Rate ⁴ | 0.34 | 1.57 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |

¹ Steam Generation includes 75% of Trimble County 1 and 2.

² Controllable Costs include Utility O&M, Other Cost of Sales, and Below-the-Line expenses.

³ The 2012 forecast for RIIR is the July YTD value, hearing tests currently underway.

⁴ The 2012 forecast for Lost Workday Case Rate is the July YTD value.

** 2012 Forecast is from the 7&5 forecast.

*Red items still subject to change
before final version complete*



Plan Risks

- *Any subsequent changes to approved or proposed environmental regulations will impact the investment, construction and implementation of new systems in this plan*
- *Generation dispatch for the plan years is based on current view of regulations and assumptions on pricing for gas supply and allowances which is subject to significant changes to unit cost profiles and maintenance schedules if changes occur*
- *Integration of the major investment in new environmental compliance systems is tied to an extremely aggressive schedule that may impact normal operations of existing plants and could require changes to the outage planning schedule for tie in processes*
- *Availability of equipment and construction resources for major environmental compliance investment across the industry could lead to higher prices and impacts to planned schedule of completion*
- *Expansion of generating capacity and other generation changes consistent with approved integrated resource plan must be balanced with efforts to address transmission system load requirements*
- *Reductions in this plan compared to the previous year's level could result in financial risk in the event of major equipment failure or unplanned events*



Appendix



Year over Year Walk Forward OPEX and Other Expense

| | | | |
|----------------------------|----------------|----------------------------------|----------------|
| 2011 Actual | 215,178 | 2014 Plan | 254,286 |
| Headcount Change | 3,129 | Headcount Change | (10,026) |
| Wage & Merit Increase | 2,563 | Wage & Merit Increase | 3,110 |
| Outages work scope changes | 11,788 | Outages work scope changes | (6,008) |
| Maintenance | 2,601 | Maintenance | (591) |
| | | Inventory Write off - CR & GR | 10,000 |
| Other Puts and Takes | <u>(719)</u> | Other Puts and Takes | <u>1,487</u> |
| 2012 Forecast | 234,540 | 2015 Plan | 255,773 |
| Headcount Change | 2,544 | Headcount Change | 615 |
| Wage & Merit Increase | 2,813 | Wage & Merit Increase | 2,957 |
| Outages work scope changes | (18,687) | Outages work scope changes | (4,625) |
| Maintenance | 2,866 | Maintenance | 4,467 |
| | | Inventory Write off - CR & GR | (10,000) |
| Other Puts and Takes | <u>5,737</u> | CR & GR Unit retirements in 2015 | (12,697) |
| | | Other Puts and Takes | <u>(853)</u> |
| 2013 Budget | 229,813 | 2016 Plan | 235,636 |
| Headcount Change | 1,755 | Headcount Change | (5,112) |
| Wage & Merit Increase | 2,952 | Wage & Merit Increase | 2,920 |
| Outages work scope changes | 15,257 | Outages work scope changes | 3,129 |
| Maintenance | 2,377 | Maintenance | 2,046 |
| | | Other Puts and Takes | <u>1,808</u> |
| Other Puts and Takes | <u>2,133</u> | | |
| 2014 Plan | 254,286 | 2017 Plan | 240,426 |



2011-2017 Headcount progression

| | | | |
|---|--------------|--|--------------|
| 2011 Actual | 971 | 2014 Plan | 1,056 |
| Trimble County 2 Support | 18 | Workers displaced or moved to other | |
| Ghent Maintenance & Operations | 8 | LOBs after CR & GR retirement | (72) |
| Staff positions to support generating plants | 10 | Support for Fabric Filters | 6 |
| | - | Incremental increase for aging work force | 5 |
| | | Performance and Electrical Engineers to support generating plants | 2 |
| 2012 Forecast | 1,007 | 2015 Plan | 997 |
| Compliance Requirements | 2 | Maintenance and Planner hired in anticipation of retirements in 2017 | 4 |
| Trimble County 2 Support | 5 | Staff positions to support generating plants | 2 |
| General & Administrative Support | 3 | | |
| Satisfy operation & compliance of relays at generating stations | 2 | | |
| New requirements Coal Combustion Products | 5 | | |
| Incremental increase for aging work force | 5 | | |
| Staff positions to support generating plants & field | 8 | | |
| 2013 Budget | 1,037 | 2016 Plan | 1,003 |
| Operators | 12 | Satisfy operation & compliance of relays at generating stations | 2 |
| Incremental increase for aging work force | 3 | Workers displaced to other LOBs after CR & GR retirement | (47) |
| Research Support | 1 | Permanent Retirements (replacements hired last year) | (6) |
| Lab Analysis | 2 | Performance and Mechanical Engineers to support generating | 2 |
| Staff positions to support generating plants | 2 | | |
| Retirement not replaced | (1) | 2017 Plan | 954 |
| 2014 Plan | 1,056 | | |



Other Balance Sheet Costs (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor ¹ | 2,727 | 2,780 | 2,530 | 2,586 | 2,664 | 2,744 | 2,826 |
| Non labor ² | 943 | 246 | 252 | 258 | 263 | 268 | 274 |
| Total | <u>3,670</u> | <u>3,026</u> | <u>2,782</u> | <u>2,844</u> | <u>2,927</u> | <u>3,012</u> | <u>3,100</u> |
| Local Engineering | | | | | | | |
| Labor | 589 | 216 | 80 | 62 | 64 | 66 | 68 |
| Non labor | 213 | 145 | 118 | 81 | 82 | 84 | 86 |
| Total | <u>802</u> | <u>361</u> | <u>198</u> | <u>143</u> | <u>146</u> | <u>150</u> | <u>154</u> |
| Other Balance Sheet | | | | | | | |
| Labor | | | | | | | |
| Non labor | | | | | | | |
| Total | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Costs | <u>4,472</u> | <u>3,387</u> | <u>2,979</u> | <u>2,987</u> | <u>3,074</u> | <u>3,162</u> | <u>3,254</u> |

Note 1: 2015-2017 manually escalated 3%. PowerPlant does not escalate.

Note 2: 2015-2017 manually escalated 2%. PowerPlant does not escalate.





PPL companies

Transmission

2013 Business Plan

September 19, 2012

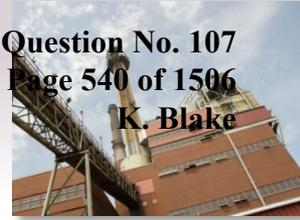


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Plan Highlights

- **The 2013-2017 Transmission Business Plan is designed to meet the overall goals of safety, regulatory compliance, system reliability, and financial/budget performance.**
- **Plan challenges and considerations:**
 - *Increasing scrutiny and on-going development of federal regulatory policies (FERC, NERC, SERC) continue to impact the transmission business planning, operations, and human resources.*
 - *The plan reflects the transmission organization challenges of meeting escalating regulatory compliance requirements and associated Lines and Substation system reliability projects while maintaining high levels of system performance and customer satisfaction.*
- **To meet these challenges, the plan includes:**
 - *Work force planning changes and associated headcount.*
 - *Capital funding to address Louisville area study projects , Cane Run CCGT, line rating verifications, retirement of Green River units 3 and 4, as well as CIP security requirements.*
 - *O&M funding increases over the 2012-2016 MTP primarily to address compliance and vegetation clearance needs.*
- **The plan includes resources to continue to deploy "Smart Grid" technologies for substation protection and control systems and "system hardening" through static wire replacement.**
- **The Plan includes continuing to verify all lines ratings for the Bulk Electric System (100kV lines and above) as recommended by NERC in 2010. Verification of all facility ratings based on actual field conditions will be complete by the end of 2014.**



Major Assumptions

1. Regulatory

- 1.1 The current regulatory environment, which includes continual escalating scrutiny and oversight in FERC, NERC, SERC policy and requirements will continue. FERC has directed NERC to change the definition of the bulk electric system to include all facilities 100kV and above, as well as blackstart resources in the Transmission Operator (TO) restoration plan.
 - 1.1.1 Vegetation Management is not expected to be included in this definition change.
- 1.2 Maintaining current compliance levels will require increased training and additional personnel (1 person hired in 2012) to assist in the training effort (PER-005 requirements add a significant burden in documentation, evaluation, and simulation).
- 1.3 As “smart” technologies are developed and deployed, CIP standards implications (currently 100kV and above) must be a consideration, because they will be networked to gain full functionality and fall within CIP scope.
- 1.4 Cyber Security:
 - 1.4.1 FERC Issued Order 761, April 19, 2012, approving the NERC CIP Version 4 standards. CIP Version 4 implements 17 criteria for identifying critical assets (known as Brightline Criteria) and compliance with V4 will be required starting in April 1, 2014.
 - 1.4.2 Secure networks to the substations (pre-cursor to smart grid) as well as increased physical security would be required for implementation of the full capability and efficiencies of new substation relaying and metering equipment, network capability and associated increased cyber security.
 - 1.4.3 CIP version 5 could be implemented as early as July 2015.
 - 1.4.4 The 2013 BP includes \$3.6m for NERC Cyber Security driven by new CIP standards (2013-2017), including a test environment in preparation of Version 5.



Major Assumptions

1. Regulatory (cont.)

- 1.5 Vegetation management standard will continue to focus on 200 kV and above. If a 100kV vegetation threshold is adopted, it is estimated to cost an incremental \$30.0m to achieve compliance and \$7.5m annually to remain compliant.
- 1.6 Beginning 2013, KYPSC regulations include additional wood pole and steel tower inspections. The cost is estimated to be \$350k. / year.
- 1.7 The cost to comply with the NERC Line Rating Recommendation (R-2010-10-07-01) from October 2010 has had a significant impact on capital spending in 2012-2014. All work must be completed by the end of 2014. The updated capital estimate of \$47.5m is \$12m lower than the 2012 Plan.
 - 1.7.1 All lines over 100kV will be surveyed and upgraded if necessary to meet the listed line rating, 33% of all lines will be completed by the end of 2012 (on target).
 - 1.7.2 Ongoing surveying of these lines is expected to cost \$1.8m annually (O&M) beginning in 2015. All lines, 100kV and above, must be verified every 5 years. No change from the 2012 MTP.
 - 1.7.3 The Plan includes implementing a ten year 69kV line verification program at an annual capital cost of \$3m.
- 1.8 FERC and the industry are still evaluating Order 754, regarding the requirements in the transmission planning reliability standards and whether or not they adequately address the analysis and discovery of a protection system failure in order to develop plans to meet the performance requirements for the Bulk Electric System. This could potentially impact Transmission Planning (TPL) standards TPL-001, 002, 003, and 004.



Major Assumptions

1. Regulatory (cont.)

- 1.9 The industry is still interpreting Order 1000, which would require transmission providers to participate in a regional planning process that satisfies Order 890 principles and produces a regional transmission plan. The planning process must consider transmission needs driven by public policy requirements and include cost allocation methodologies. It is too early to know what impact this Order will have on the Transmission organization during the BP period. The BP includes \$375k annually for estimated costs associated with Order 1000 compliance.
- 1.10 The plan does not include costs to comply with CIP version 5 or future CIP versions if those versions bring the current serial communication to substation RTUs into scope. This is still being debated but indications are that the current intent of regulators is to include this in scope.

2. Expansion Plan

- 2.1 Reliability projects in the Business Plan are based on the annual transmission expansion plan (2011 TEP).
- 2.2 A combined cycle generating unit (CR7) will be installed by May 1, 2015 at Cane Run (replacing the current coal generation). It is assumed that \$46.1m is needed to upgrade transmission facilities for this unit (see slide 26). The new Cane Run injects about 100 MW more than existing generation.
- 2.2.1 The \$46.1m is comprised of \$32.0m for projects originally identified for the CR7, \$9.9m is an estimate for work that was expected to be completed along with the Bluegrass CT purchase in the 2012 Plan, and \$4.2m is for transformer replacements beyond the 2013 Business Plan.
- 2.2.3 Relocation of the existing line at Cane Run is included in the budget for the combined cycle (Project Engineering budget).



Major Assumptions

2. Expansion Plan cont.

2.3 Green River plant will be retired April 16, 2015.

2.3.1 Capital of \$17m is included in the 2013 BP for Transmission upgrades needed at the Matanzas substation, for system reliability, due to the loss of the Green River generation.

2.4 A Combined Cycle unit will be installed by June 1, 2018 at the location of existing Brown Generation site.

2.4.1 This is a placeholder location, as a final site will not be known for some time. It is assumed that \$35m is needed to upgrade transmission facilities for this new unit.

2.5 A combined cycle unit will be installed in-service in 2022 (unknown site).

2.5.1 Capital of \$80m is estimated as a placeholder and included in the 2013 LTP for Transmission upgrades associated with a new combined cycle unit.

2.6 The plan does not assume any cost for changes to FERC Transmission Planning (TPL) standards.

2.7 The plan does not include a capital forecast for long-term transmission service across our system. There are currently no long term transmission service requests that are expected to require material capital.

2.8 The Plan does not include any projects that could come from FERC 890 required Economic Planning Studies.

2.9 *No significant economic development projects requiring transmission system upgrades.*

2.10 The Plan does not anticipate a renewable standard in Kentucky.



Major Assumptions

3. Asset Management

- 3.1 Phase II of the Cascade asset management software will be implemented during 2012 and Phase III during 2013. LOAD (Facility Rating Program) was implemented in July 2012.
 - 3.1.1 Cascade Phase III is relying on implementation of an EMS PI system planned for 2013. Schedules are interdependent.
- 3.2 The Plan includes the creation of a critical spare inventory of transformers, that is continually replenished - see attached table in the appendix for planned purchases of spare transformers.
 - 3.2.1 FERC/NERC have increased the emphasis on utilities' inventory of spare transformers in assessing the transmission system's readiness for High Impact Low Frequency (HILF) events, such as Geomagnetic Disturbances, Physical Attack, and Cyber Attack.
 - 3.2.2 LG&E/KU will continue to participate in the Edison Electric Institutes' (EEI) Spare Transformer Equipment Program (STEP) at the 345/138kV voltage class. Participation requires replacement transformer purchases within 18 months of a spare being put into service.
- 3.3 The Static wire upgrade program will continue for equipment that is over 50 years old.
- 3.4 The Plan includes the continuation of a Breaker Replacement program that was started in 2012.
- 3.5 The Control House Replacement program will continue with a goal of replacing 2 control houses per year. (see schedule on slide 30)



Major Assumptions

4. ITO & RC

- 4.1 Effective September 1, 2012, TranServ became the ITO service provider to LG&E/KU.
- 4.2 TVA will be retained as the Reliability Coordinator (RC) consistent with the 2012 MTP.
- 4.3 KU will reimburse KMPA, Hoosier, and OMU for their MISO drive-out charges through 2013, no reimbursements are assumed after 2013.
 - 4.3.1 The Plan assumes a filing with FERC regarding MISO exit obligations will occur in 2013. Expenses will be higher than the current plan if unsuccessful (estimated at \$25.4 over the 2014-2017 Business Plan years).

5 Headcount

- 5.1 Distribution SCADA Operations continue to be evaluated whether they belong in Transmission, but for planning purposes are expected to remain a function in Transmission in the near term.
- 5.2 Anticipated approval of PRC-005 Version 2 will require additional monitoring of relays, carriers, and fiber within the Transmission department and result in a 50% increase to current resource workload. Approval could occur by March 31, 2013 with compliance required by April 2015.
- 5.3 Additional work associated with EMS CIP compliance could result in augmenting staff with contract labor where possible.

Major Assumptions

6 Operational and Other

- 6.1 Customer sensitivity and awareness to reliability and power quality will continue to elevate.
- 6.2 No Federal or State mandated Smart Grid initiatives beyond our current asset renewals.
- 6.3 Material lead times continue to lengthen construction lead times.
 - 6.3.1 Estimates – LiDAR (4 weeks on site) / (4 weeks process data)
 - 6.3.2 Steel Poles – 40 weeks or more
 - 6.3.3 Transformers – 45 weeks
 - 6.3.4 Breakers – 16 weeks
- 6.4 The ability to obtain outages for capital projects will continue to be difficult, but is currently manageable.
- 6.5 The Plan does assume “finite” or “reasonable” lead times on all ROW land acquisitions.
- 6.6 The TCC EMS Switchover is nearing completion (expected 1st quarter of 2013). This was a recommendation made by KEMA following their review of August 2010 events and the revised EOP 008-1 standard and has resulted in two major changes:
 - 6.7.1 Enable switching of all RTU's to either EMS system as appropriate, EOP-008-1 requires full functionality of the backup control center effective July 1, 2013.
 - 6.7.2 Move the EMS System from Dix Dam to the BOC Data Center in Louisville

Major Assumptions

6 Operational and Other (cont.)

6.8 Engineering of a new backup control center has begun with completion expected in May 2014. Benefits include:

6.8.1 Provides an alternate control center within reasonable distances to Simpsonville Control Center

6.8.2 Addresses facility deficiencies identified at Dix Control Center in the KEMA report.

6.8.3 Vacating the Dix Dam facility will require significant man hours to comply with CIP 007 R7 for disposal and redeployment. The physical security perimeter (PSP) must remain intact at Dix Dam until all CCA equipment located there has followed and evidenced the disposal and redeployment processes.

7 Annual Escalation Rates

7.1 Internal labor: 3.0%.

7.2 Contract labor: 3.0%

Financial Performance

2011-2017 OPEX and Other Expenses (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|----------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 7,888 | 8,602 | 9,057 | 9,519 | 9,805 | 10,099 | 10,401 |
| Burdens | 2,224 | 2,455 | 2,524 | 2,646 | 2,725 | 2,806 | 2,890 |
| Right of Way | 5,085 | 4,606 | 4,936 | 5,539 | 6,150 | 6,773 | 7,409 |
| Aerial and Ground Inspections | 856 | 1,144 | 1,506 | 1,536 | 1,566 | 1,598 | 1,630 |
| Storms | 350 | 343 | 31 | 31 | 32 | 33 | 33 |
| NERC Lidar Testing | - | - | - | - | 1,200 | 1,224 | 1,248 |
| Nonlabor Alloc from Distribution | 2,778 | 2,648 | 2,867 | 2,873 | 2,930 | 2,989 | 3,049 |
| EKPC Amortization | 499 | 504 | 504 | 84 | - | - | - |
| Other Non-labor | 6,235 | 7,324 | 8,387 | 8,783 | 9,167 | 9,347 | 9,507 |
| KMPA (moved to COS in 2012) | 4,709 | - | - | - | - | - | - |
| Subtotal OPEX/Other expense | <u>30,624</u> | <u>27,626</u> | <u>29,812</u> | <u>31,011</u> | <u>33,575</u> | <u>34,869</u> | <u>36,168</u> |
| Gross Margin Expenses * | 13,253 | 15,667 | 16,703 | 10,521 | 10,471 | 10,825 | 11,419 |
| * (see Margin slide for detail) | | | | | | | |
| Total Income Statement items | <u>43,877</u> | <u>43,293</u> | <u>46,515</u> | <u>41,532</u> | <u>44,046</u> | <u>45,694</u> | <u>47,587</u> |



2013-2017 OPEX/Other Expense Reconciliation (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 32,084 | 32,113 | 32,870 | 33,290 | 34,081 |
| Drivers: | | | | | |
| JAD Coal | (500) | (250) | (250) | - | - |
| FERC Order 1000 | 375 | 383 | 390 | 398 | 406 |
| KSPC Ground Line Reg | 350 | 357 | 364 | 371 | 379 |
| Incremental ROW | 500 | 1,000 | 1,500 | 2,000 | 2,500 |
| NERC Lidar Testing | - | (1,800) | (600) | (600) | (600) |
| KMPA Remapped to COS | (3,029) | - | - | - | - |
| Target Adjust - O&M Letters | (133) | (133) | (133) | (133) | (133) |
| Target Adjust - 34.5 KV | (153) | (157) | (161) | (165) | (169) |
| D.Boone and Norfolk Easement | 100 | 102 | 104 | 106 | 108 |
| Change in Labor | (260) | (921) | (642) | (654) | (666) |
| EPRI | 141 | 155 | 157 | 161 | 163 |
| Other | 337 | 163 | (24) | 95 | 99 |
| Current Plan | <u>29,812</u> | <u>31,011</u> | <u>33,575</u> | <u>34,869</u> | <u>36,168</u> |



Financial Performance

2011-2017 Margin Expenses / Cost of Sales (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Margin Expenses | | | | | | | |
| <u>Mechanism Recoverable</u> | | | | | | | |
| xxx | | | | | | | |
| xxx | | | | | | | |
| Total | - | - | - | - | - | - | - |
| <u>All Other</u> | | | | | | | |
| TVA - Reliability | 1,703 | 1,952 | 2,173 | 2,243 | 2,288 | 2,334 | 2,380 |
| SPP/Transerv - ITO | 8,069 | 6,681 | 2,791 | 2,931 | 2,990 | 3,049 | 3,110 |
| RTO Admin Fees | 366 | 252 | 732 | 750 | 693 | 703 | 753 |
| Hoosier - Depancaking | - | - | 202 | - | - | - | - |
| OMU - Depancaking | - | - | 1,804 | - | - | - | - |
| KMPA - Depancaking | - | 2,520 | 4,842 | - | - | - | - |
| EKPC - NITS | 1,920 | 1,893 | 1,932 | 1,948 | 1,987 | 2,027 | 2,067 |
| Intercompany Transmission Exp | 1,035 | 1,577 | 1,643 | 1,978 | 1,927 | 2,107 | 2,431 |
| 3rd Party Transmission Exp | 160 | 802 | 584 | 671 | 586 | 605 | 676 |
| Total | 13,253 | 15,677 | 16,703 | 10,521 | 10,471 | 10,825 | 11,419 |
| Total Margin/Cost of Sales | 13,253 | 15,677 | 16,703 | 10,521 | 10,471 | 10,825 | 11,419 |



2013-2017 Margin/Cost of Sales Reconciliation (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|--|------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Mechanism recoverable</u> | | | | | |
| Prior Plan | | | | | |
| Drivers | | | | | |
| Current Plan | | | | | |
| <u>Other</u> | | | | | |
| Prior Plan | 8,684 | 10,143 | 10,346 | 10,553 | 12,885 |
| <u>Drivers</u> | | | | | |
| KMPA Payments remapped to COS | 3,029 | - | - | - | - |
| TVA - Reliability | 123 | 126 | 129 | 131 | 134 |
| 3rd Party Transmission | 35 | (402) | (508) | (511) | (1,327) |
| RTO Expenses | 475 | 270 | 203 | 204 | (234) |
| NL Intercompany Transmission | 787 | 619 | 541 | 693 | 210 |
| EKPC Perm for Serving KU Customers | (151) | (135) | (137) | (140) | (143) |
| FERC Order 620 & 726 | (100) | (100) | (102) | (104) | (106) |
| Depancaking Exp. (previously netted against revenue) | 3,820 | - | - | - | - |
| Other | 1 | - | (1) | (2) | (1) |
| Current Plan | <u>16,703</u> | <u>10,521</u> | <u>10,471</u> | <u>10,824</u> | <u>11,418</u> |

•Assumes depancaking expenses are eliminated beginning in 2014



2011-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Expansion Plan | | | | | | | |
| Cane Run CCGT - Transmission | - | 1,338 | 20,378 | 12,255 | 3,940 | 4,000 | - |
| 2018 CCGT - Transmission | - | - | - | - | 10,488 | 11,833 | 12,333 |
| Green River Retirement | 5 | 9,985 | 5,967 | - | - | - | - |
| Ongoing Capital | | | | | | | |
| Smart Grid Enabling (Control House Upgrades) | 217 | (0) | 1,500 | 2,245 | 3,015 | 2,550 | 1,550 |
| Parameter/Thermal Upgrades | 8,167 | 4,082 | 1,099 | 500 | 888 | 5,300 | 21,538 |
| Pole Replacements | 9,298 | 9,178 | 4,721 | 2,969 | 6,400 | 7,800 | 12,050 |
| Breakers | 6,029 | 8,107 | 4,483 | 2,160 | 2,025 | 2,325 | 2,675 |
| Static Replacements | 502 | 3,010 | - | 550 | 1,027 | 2,200 | 2,500 |
| Transformer Replacements | 1,823 | 1,001 | 5,539 | - | - | - | 4,000 |
| Line Relocations | 495 | 780 | 3,744 | 275 | 870 | 957 | 1,000 |
| New Facilities | 532 | 1,309 | 1,538 | 501 | 933 | 1,026 | 1,100 |
| Storms | 1,548 | 2,216 | 500 | 768 | 806 | 886 | 960 |
| Distribution Taps | 659 | 1,186 | 5,120 | 2,299 | 6,167 | 4,424 | 4,934 |
| Hardware/Software | 3,718 | 3,384 | 2,589 | 715 | 1,948 | 248 | 550 |
| Special Projects | | | | | | | |
| Line Clearance NERC Alert | 3,949 | 13,700 | 13,406 | 16,427 | - | - | - |
| Cyber Security (CIP) | 63 | 703 | 1,038 | 2,311 | 83 | 100 | 101 |
| Spare Transformers | 3,321 | 2,289 | 3,067 | 1,855 | 4,950 | - | 1,550 |
| Louisville Area Upgrade | 2,130 | 6,679 | 16,348 | 9,775 | 6,464 | - | - |
| KMPA | 3,438 | 1,282 | - | - | 800 | 2,100 | 2,100 |
| EMS Switchover | 2,278 | 1,987 | 66 | - | - | - | - |
| Back-up Control Center | - | 601 | 7,768 | 3,632 | - | - | - |
| Other | 10,364 | 7,722 | 8,602 | 8,403 | 7,815 | 10,339 | 8,401 |
| Total Capital | <u>58,535</u> | <u>80,539</u> | <u>107,472</u> | <u>67,640</u> | <u>58,619</u> | <u>56,088</u> | <u>77,342</u> |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|----------------------------|----------------|---------------|---------------|---------------|---------------|
| Prior Plan | 106,558 | 88,306 | 73,918 | 65,150 | 94,184 |
| Changes: | | | | | |
| Bluegrass Transmission | (4,830) | (10,920) | (10,920) | (10,920) | (10,920) |
| Cane Run CCGT - Transmi | 13,423 | 901 | (6,451) | 4,000 | - |
| 2018 CCGT - Transmissior | - | - | 10,488 | 11,833 | 12,333 |
| Green River Retirement | 2,267 | - | - | - | - |
| Line Clearance NERC Aler | (3,606) | 1,463 | (2,724) | - | - |
| 69kV Line Ratings | 3,000 | 3,000 | 3,000 | 3,672 | 4,000 |
| Louisville Area Upgrade | (3,521) | 7,134 | 6,464 | - | - |
| Parameter/Thermal Upgrad | 365 | (3,300) | (10,428) | (2,600) | (13,462) |
| Transformers | 2,433 | (4,344) | 350 | (2,700) | 1,145 |
| Pole Replacements | (993) | (816) | (236) | 1,362 | 12,050 |
| Smart Grid Enabling (Conti | (2,000) | (2,356) | (335) | 250 | (7,250) |
| Distribution Taps | (5,285) | (9,918) | 5,726 | 294 | 1,004 |
| Cyber Security (CIP) | (1,031) | 2,214 | (14) | 3 | 101 |
| Breakers | (402) | (1,425) | (570) | 180 | 2,675 |
| Back-Up Control Center | 3,768 | 3,632 | - | - | - |
| LTP Base Project (zeroed | 280 | - | (3,000) | (12,000) | (30,894) |
| Other | (2,954) | (5,930) | (6,649) | (2,437) | 12,376 |
| Current Plan | <u>107,472</u> | <u>67,640</u> | <u>58,619</u> | <u>56,088</u> | <u>77,342</u> |

Financial Performance

2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---|------------------|------------------|----------------|--------------|-----------------------------------|--------------|--------------|
| VP Transmission | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Reliability & Compliance | 3 | 5 | 4 | 4 | 4 | 4 | 4 |
| Director Operations | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| System Operations | 30 | 28 | 29 | 30 | 30 | 30 | 30 |
| Balancing Authority | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Energy Management System | 12 | 13 | 14 | 14 | 14 | 14 | 14 |
| Lines Construction | 28 | 29 | 29 | 29 | 29 | 29 | 29 |
| Substation Construction | 9 | 12 | 11 | 11 | 11 | 11 | 11 |
| Substation Protection | 15 | 17 | 20 | 20 | 20 | 20 | 20 |
| Director Strategy & Planning | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Strategy & Planning | 12 | 13 | 13 | 13 | 13 | 13 | 13 |
| Reliab Performance & Standard | 5 | 5 | 6 | 6 | 6 | 6 | 6 |
| Policy and Tariffs | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Co-Ops/Interns/Temp | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| TOTAL | 138 | 146 | 150 | 151 | 151 | 151 | 151 |
| From 2012 Business Plan | | 147 | 148 | 149 | | | |
| Variance to 2012 Business Plan | | -1 | 2 | 2 | | | |
| <u>Plan over Plan increases (decreases)</u> | | | | | | | |
| Budget Analyst | | -1 | -1 | -1 | Moved to Finance & Budgeting, ES | | |
| Coop/Intern/Temporary | | -1 | | | Geswein hired on Part-time | | |
| Subs Construction - Manager | | 1 | 1 | 1 | New manager hire | | |
| Subs Protection - Engineer backfill | | -1 | | | 1st Quarter 2013 hire | | |
| Strategy & Planning - Planning Engineer | | 1 | 1 | 1 | New Plan addition, hiring in 2012 | | |
| Rel. Perf & Standards - Eng/Analyst | | | 1 | 1 | New Plan addition, hiring in 2013 | | |
| Total | | -1 | 2 | 2 | | | |



Operational Performance

Key Performance Indicators

| <u>KPI</u> | <u>2011 Year End</u> | <u>2012 Forecast</u> | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|---|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Recordable Injury Incident Rate - Employees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recordable Injury Incident Rate - Contractors | 2.4 | 1.8 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| SAIDI (minutes) | 17.6 | 13.6 | 12.7 | 12.4 | 12.0 | 11.7 | 11.5 |

The 2012 RIIR forecast is assumes no additional injuries in 2012.

SAIDI minutes are based on a 5 year average, with reductions assumed due to increased vegetation management spending.



Plan Risks

- *Newly proposed TPL Reliability Standard may require additional headcount and capital expenditures.*
- *Order 1000 compliance filings are due February 2013 (Regional) and April 2013 (Inter-regional). Unknown capital and O&M costs could result above the O&M estimate included in the Plan.*
- *New TEP will be based on updated information for generation which has changed significantly from the current TEP. New reliability projects may surface.*
- *If future generation assumptions change, major impacts to transmission plans would be expected.*
- *New transmission service requests and generator interconnects will impact the plan.*
- *NERC reliability standards will continue to drive Transmission through stricter interpretation of existing standards and the addition of new standards, penalty and fine assessment, and increasing audit scrutiny (SERC audits for both CIP and Reliability Standards scheduled in 2012).*
- *ITO Analysis of system requirements needed for network integration of CR7 could impact capital.*
- *Cyber Security will be an expanding area of compliance standards and scrutiny.*
- *The increasing development of federal regulatory policies (FERC, NERC, SERC) will further impact human resources and the challenges to remain compliant.*
- *System protection asset replacement (Remote Terminal Unit's (RTU), relays, station control houses).*
- *Key Asset failure – transformer/breakers.*
- *Knowledge transfer and retention as employees retire.*
- *Federal and State policy driving Smart Grid initiatives.*
- *KYPSC mandated system hardening investment.*



Appendix



Year over Year Walk Forward OPEX and Other Expense

| | |
|--|---------|
| 2011 Actual (KMPA removed, with adjusted burdens) | 30,624 |
| KMPA moved to Cost of Sales | (4,907) |
| Labor and Burdens | 1,109 |
| Other | 800 |
| | <hr/> |
| 2012 FC (adjusted without KMPA) | 27,626 |
| 2012 ITO transition expenses | (500) |
| Ground Line Inspection Regulation | 350 |
| FERC Order 1000 | 375 |
| Vegetation Management | 500 |
| Lines Easement D.Boone & Norfolk So. | 100 |
| Labor and Burdens | 524 |
| Lower Storms Expenses | (312) |
| NERC Fees \$230, Switch Maintenance \$300, Substations Non-labor \$275 | 805 |
| Other | 344 |
| | <hr/> |
| 2013 Budget | 29,812 |
| Vegetation Management | 500 |
| Change in O&M Labor (mostly EMS capital vs. O&M split) | 583 |
| Other Miscellaneous | 116 |
| | <hr/> |
| 2014 Plan | 31,011 |
| Vegetation Management | 500 |
| Back-up Control Center (7 mo) | 235 |
| NERC Lidar Testing | 1,200 |
| Change in O&M Labor | 365 |
| Other Miscellaneous | 349 |
| | <hr/> |
| 2015 Plan | 33,660 |
| Vegetation Management | 500 |
| Back-up Control Center (5 mo) | 170 |
| Change in O&M Labor | 375 |
| Other Miscellaneous | 252 |
| | <hr/> |
| 2016 Plan | 34,957 |
| Vegetation Management | 500 |
| Change in O&M Labor | 387 |
| Other Miscellaneous | 414 |
| | <hr/> |
| 2017 Plan | 36,258 |
| | <hr/> |



2011-2017 Headcount progression

| | | |
|-----------------------|--|-----|
| 2011 Headcount | | 138 |
| CIP/Compliance | | 7 |
| Other | | 1 |
| 2012 Headcount FC | | 146 |
| CIP/Compliance | | 3 |
| Other | | 1 |
| 2013 Headcount Budget | | 150 |
| compliance | | 1 |
| 2014 Headcount Plan | | 151 |
| 2015 Headcount Plan | | 151 |
| 2016 Headcount Plan | | 151 |
| 2017 Headcount Plan | | 151 |



Other Balance Sheet Costs (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Local Engineering | | | | | | | |
| Labor | 5,107 | 4,617 | 4,978 | 4,680 | 4,820 | 4,965 | 5,114 |
| Non labor | 1,097 | 619 | - | - | - | - | - |
| Total | 6,204 | 5,236 | 4,978 | 4,680 | 4,820 | 4,965 | 5,114 |
| Other Balance Sheet | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Total Other Costs | <u>6,204</u> | <u>5,236</u> | <u>4,978</u> | <u>4,680</u> | <u>4,820</u> | <u>4,965</u> | <u>5,114</u> |

Louisville Area Upgrades

| | Pre 2012 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan | Total |
|--|--------------------|------------------|----------------|--------------|--------------|--------------|--------------|---------------|
| 1) Middletown 345kV Breakers | 2,132 | 572 | - | - | - | - | - | 2,704 |
| 2) Build a new 345kV line connecting Paddy's West and DEM's Speed 345kV stations: | | | | | | | | |
| 345kV Paddy's West to Speed Line | - | 14 | 2,260 | 5,876 | 2,015 | - | - | 10,165 |
| Duke Clifty Substation Work | - | - | - | - | - | - | - | - |
| Paddy's West Substation | - | 279 | 5,953 | 1,711 | 3,309 | - | - | 11,252 |
| Total | - | 293 | 8,213 | 7,587 | 5,324 | - | - | 21,416 |
| 3) Add a 4th Transformer to the Middletown Substation | | | | | | | | |
| Middletown 4th Transformer | - | 4,027 | 5,072 | 2,189 | 1,140 | - | - | 12,427 |
| Middletown Line Tap | - | 815 | 1,739 | - | - | - | - | 2,554 |
| Rebuild the Middletown Control House | - | 973 | 1,324 | - | - | - | - | 2,297 |
| Total | - | 5,815 | 8,135 | 2,189 | 1,140 | - | - | 17,278 |
| 4) Other Planning Projects | | | | | | | | |
| Watterson-Jeffersontown 138kV CTs | - | - | - | - | - | - | - | - |
| | 2,132 | 6,679 | 16,348 | 9,775 | 6,464 | - | - | 41,399 |

Transmission reliability criteria has identified a significant need for upgrades within the Louisville Metro area (including system expansion in southern Indiana). Previous mitigation was to shed load to prevent cascading outages. The FERC has emphasized through various documentation against load shedding as a means of mitigation.



Cane Run 7 Transmission Upgrades

| \$'000 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018+ | Total |
|---|----------|--------|--------|-------|-------|------|-------|--------|
| | Forecast | Budget | Plan | Plan | Plan | Plan | | |
| 1) Middletown to Watterson 138kV Line Upgrade | - | - | - | - | - | - | - | - |
| 2) Reterminate 138kV Line (6 circuits) | - | 1,191 | 1,192 | - | - | - | - | 2,384 |
| 3) 345kV Interconnect | - | 4,121 | 4,122 | - | - | - | - | 8,244 |
| 4) Breaker Connections at CR Switching Station | - | 2,314 | 2,314 | - | - | - | - | 4,628 |
| 5) Replace CT 138/69kV at CR Switching Station | - | - | - | 36 | - | - | - | 36 |
| 6) Replace 69kV Terminal Equip at CR Switching Station | - | - | - | 182 | - | - | - | 182 |
| 7) Replace Bus at Watterson Substation | - | - | 122 | - | - | - | - | 122 |
| 8) Replace 69kV Terminal Equip at CR Switching Station #2 | - | - | - | 222 | - | - | - | 222 |
| 9) Replace Switches at Middletown Sub | - | - | 70 | - | - | - | - | 70 |
| 10) 4 Breaker Replacements | 400 | 400 | - | - | - | - | - | 800 |
| 11) 345kV Transformer | 938 | 3,072 | - | - | - | - | - | 4,009 |
| 12) Switchyard Construction (Generation Costs) | - | 9,279 | - | - | - | - | - | 9,279 |
| 13) Yard/Breaker | - | - | 2,029 | - | - | - | - | 2,029 |
| 14) Work moving from Bluegrass | - | - | 2,405 | 3,500 | 4,000 | - | - | 9,905 |
| 15) Replace CR Switching Station 138/69kV Transformer #1 | - | - | - | - | - | - | 2,121 | 2,121 |
| 16) Replace CR Switching Station 138/69kV Transformer #2 | - | - | - | - | - | - | 2,062 | 2,062 |
| | 1,338 | 20,378 | 12,255 | 3,940 | 4,000 | - | 4,183 | 46,094 |

These costs represent the Transmission Upgrades that will accompany the combined cycle generating unit to be installed by May 1, 2015. The relocation of the existing line is included in the Project Engineering budget along with the costs of constructing the combined cycle unit.



NERC Alert Line Ratings Cost by Voltage

\$'000

| | Pre 2012 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|--------------|--------------|---------------|---------------|---------------|----------|----------|----------|---------------|
| | Actual | Forecast | Budget | Plan | Plan | Plan | Plan | |
| 138kV | 513 | 8,441 | 9,089 | 10,632 | - | - | - | 28,676 |
| 161kV | 2,509 | 4,300 | 4,317 | 5,795 | - | - | - | 16,921 |
| 345kV | 926 | 959 | - | - | - | - | - | 1,885 |
| Total | 3,949 | 13,700 | 13,406 | 16,427 | - | - | - | 47,482 |

The total estimated cost of the NERC Alert line rating projects is \$12 million lower than the 2012 Plan.

Sensitivities

| \$ millions | Favorable / (Unfavorable) | | | | |
|----------------------------------|---------------------------|----------|----------|---------|---------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Margin | | | | | |
| MISO Exit Expenses | | (\$7.1) | (\$6.2) | (\$6.1) | (\$6.0) |
| Capital | | | | | |
| Cyber Security (CIP) | | (\$6.0) | | | |
| Graphic Information System (GIS) | | (\$5.0) | | | |
| Lexington Underground | | (\$10.0) | (\$10.0) | (\$5.0) | |

Other sensitivities not currently quantified include the elimination of analog communication circuits and the location of the 2018 Combined Cycle unit.



Spare Transformer Inventory

| Size of Transformer | In Service | Current # of Spares | 2013 BP Additions | | | | | Assumed | | Actual Failures | | |
|--|------------|---------------------|-------------------|------|------|------|------|---------|----------|-----------------|----------|----------|
| | | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Failures | Inven. | 2007-'12 | 2003-'12 |
| 138/69/34.5kV 1 | 1 | 0 | | 1 | | | | | -1 | 0 | 1 | 1 |
| 138/69kV; <93MVA 2 | 20 | 2 | | | | | | | | 2 | 0 | 0 |
| 138/69kV; >93 MVA | 55 | 1 | 1 | 1 | | 1 | | 1 | -3 | 2 | 4 | 6 |
| 161/69kV | 25 | 1 | | | 1 | | | | -1 | 1 | 1 | 1 |
| 161/138kV | 5 | 0 | | 1 | | | | | 0 | 1 | 1 | 1 |
| 345/138kV | 18 | 0 | | | | | | | 0 | 0 | 1 | 1 |
| 345/161kV 3 | 3 | 0 | 1 | | | 1 | | | 0 | 2 | 0 | 0 |
| 500/161kV4 | 1 | 0 | | | | | | | 0 | 0 | 0 | 0 |
| 500/345kV4 | 1 | 0 | | | | | | | 0 | 0 | 0 | 0 |
| Capital Cost, \$ millions | | | 2.3 | 3.1 | 1.9 | 5 | 0 | 1.6 | | | | |
| Rebuilds/Upgrades in the Plan, \$ millions | | | | | | | | 1.5 | | | | |

Notes:

1. The existing Tip Top transformer (mfd. 1978) will be used as a 138/69 kV 50 MVA system spare after its replacement is installed.
2. The two current 138/69 kV <93 MVA spare transformers are early 1950's vintage transformers (33.3 MVA and 65 MVA). This is well past the industry-accepted 45 year asset life of transmission power transformers.
3. 345/161 kV transformers in the plan are are dual winding transformers that could also be used to replace a 345/138 kV transformer.



Control House Replacements (\$000)

| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| KU Park | # & Yr Installed | | 1 | | | | | | | | | | 1 |
| | \$ millions | | \$1.5 | | | | | | | | | | \$1.5 |
| Ghent 345 | # & Yr Installed | | | | | 1 | | | | | | | 1 |
| | \$ millions | | | \$0.2 | \$2.0 | \$0.3 | \$0.1 | | | | | | \$2.6 |
| Tyrone | # & Yr Installed | | | | 1 | | | | | | | | 1 |
| | \$ millions | | | \$1.0 | \$0.5 | | | | | | | | \$1.5 |
| Arnold | # & Yr Installed | | | | 1 | | | | | | | | 1 |
| | \$ millions | | | \$1.0 | \$0.5 | | | | | | | | \$1.5 |
| Middletown | # & Yr Installed | | 1 | | | | | | | | | | 1 |
| | \$ millions | \$1.0 | \$1.3 | | | | | | | | | | \$2.4 |
| Matanzas | # & Yr Installed | | 1 | | | | | | | | | | 1 |
| | \$ millions | \$0.3 | \$0.8 | | | | | | | | | | \$1.1 |
| New Albany | # & Yr Installed | | 1 | | | | | | | | | | 1 |
| | \$ millions | | \$0.8 | | | | | | | | | | \$0.8 |
| LG&E | # & Yr Installed | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 8 |
| | \$ millions | | | | \$1.0 | \$0.8 | \$0.5 | \$0.5 | \$0.5 | \$0.5 | \$0.5 | \$0.5 | \$5.0 |
| KU | # & Yr Installed | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 8 |
| | \$ millions | | | | \$1.8 | \$1.5 | \$1.0 | \$1.0 | \$1.0 | \$1.0 | \$1.0 | \$1.0 | \$9.2 |
| Total | # & Yr Installed | 0 | 4 | 0 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 23 |
| | \$ millions | \$1.3 | \$4.4 | \$2.2 | \$5.8 | \$2.6 | \$1.6 | \$1.5 | \$1.5 | \$1.5 | \$1.5 | \$1.5 | \$25.4 |

On average, over the next ten years, installing 2 Control Houses per year at a cost of \$1.1 million per Control House





PPL companies

Energy Delivery

2013 Business Plan

September 25, 2012



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- Plan Highlights
- Major Assumptions
- Financial Performance
 - *Operating Expense*
 - *Cost of Sales / Gross Margin*
 - *Capital*
 - *Headcount*
 - *Key Performance Indicators*
- Plan Risks
- Appendix

Plan Highlights

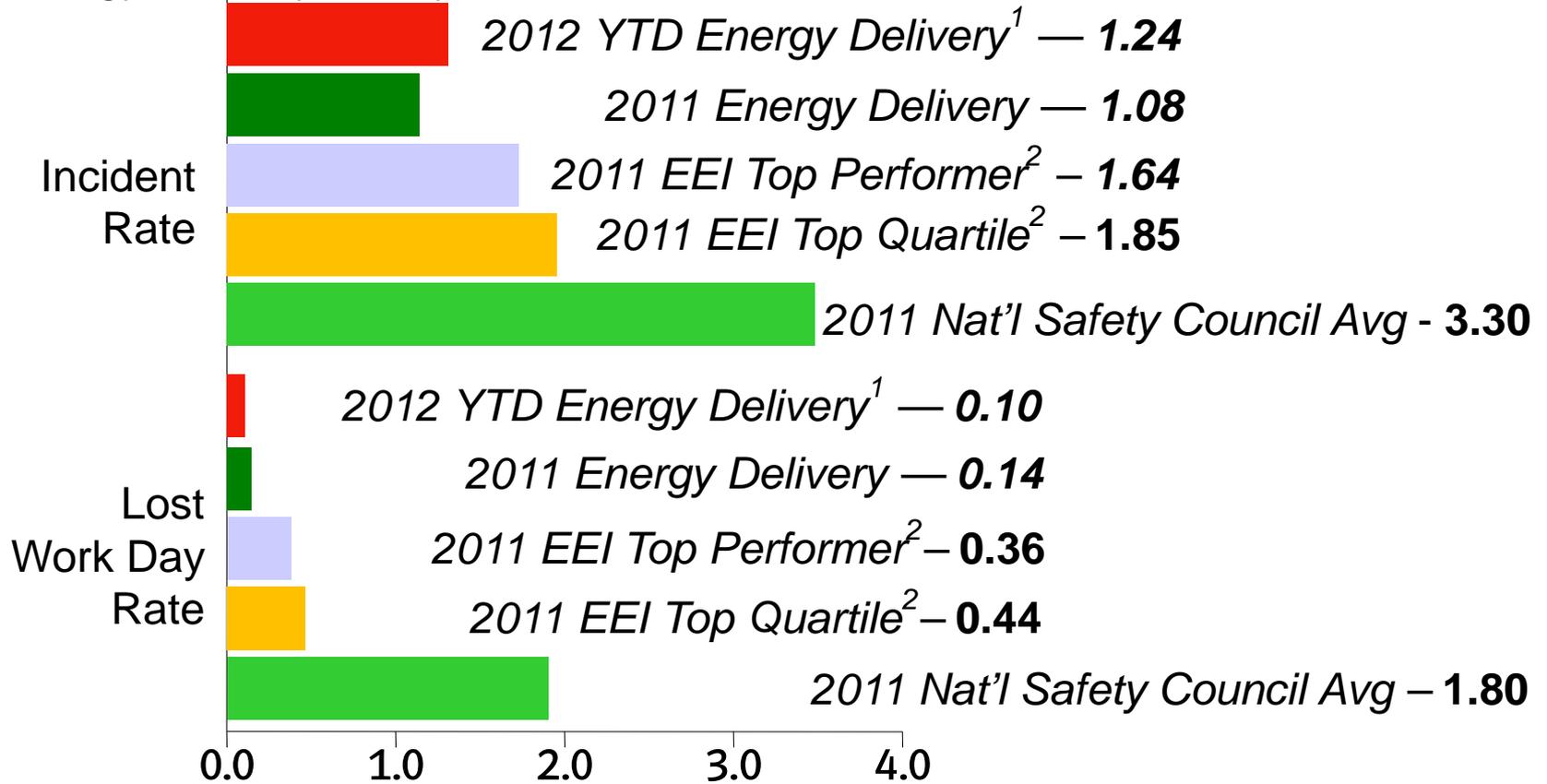
Customer satisfaction is a core value at LG&E and KU. Energy Delivery strives to provide safe, reliable, and low cost service to our customers, enhancing the quality of life in the areas we serve. We are committed to enhancing our relationship with our customers by delivering positive experiences that create value and build trust.

- Funding levels within the proposed plan are established with the following priorities in mind:
 - Employee and public safety including compliance with industry regulatory requirements
 - Performance in customer facing areas
 - Gas and electric system service reliability
 - Asset replacement to address aging infrastructure
 - System capacity to meet forecasted customer demand
 - Technology to enhance customer experience
- Significant increases in capital investments beginning in 2013 for gas riser and service line ownership (subject to PSC approval)



Plan Highlights

Energy Delivery Safety Performance



¹As of August 2012

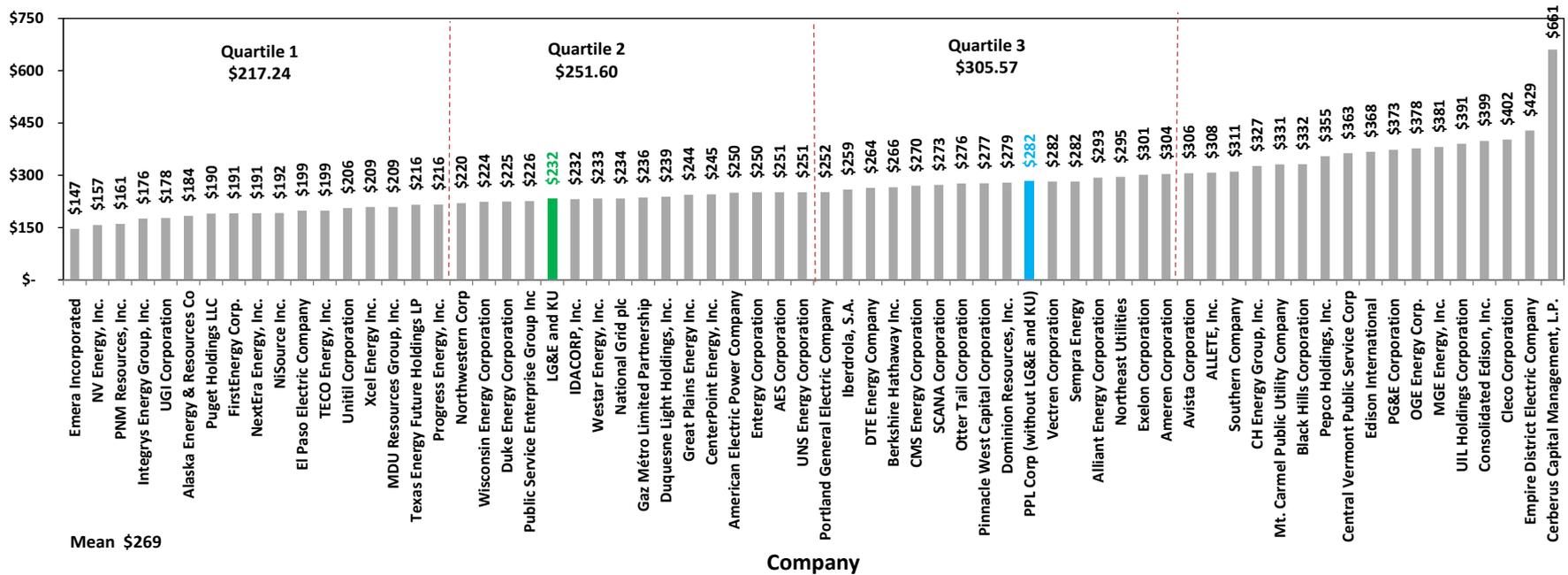
²EEI combination electric/gas w/no nuclear plants companies



Plan Highlights

Total DO Electric Cash Cost per Customer Performance

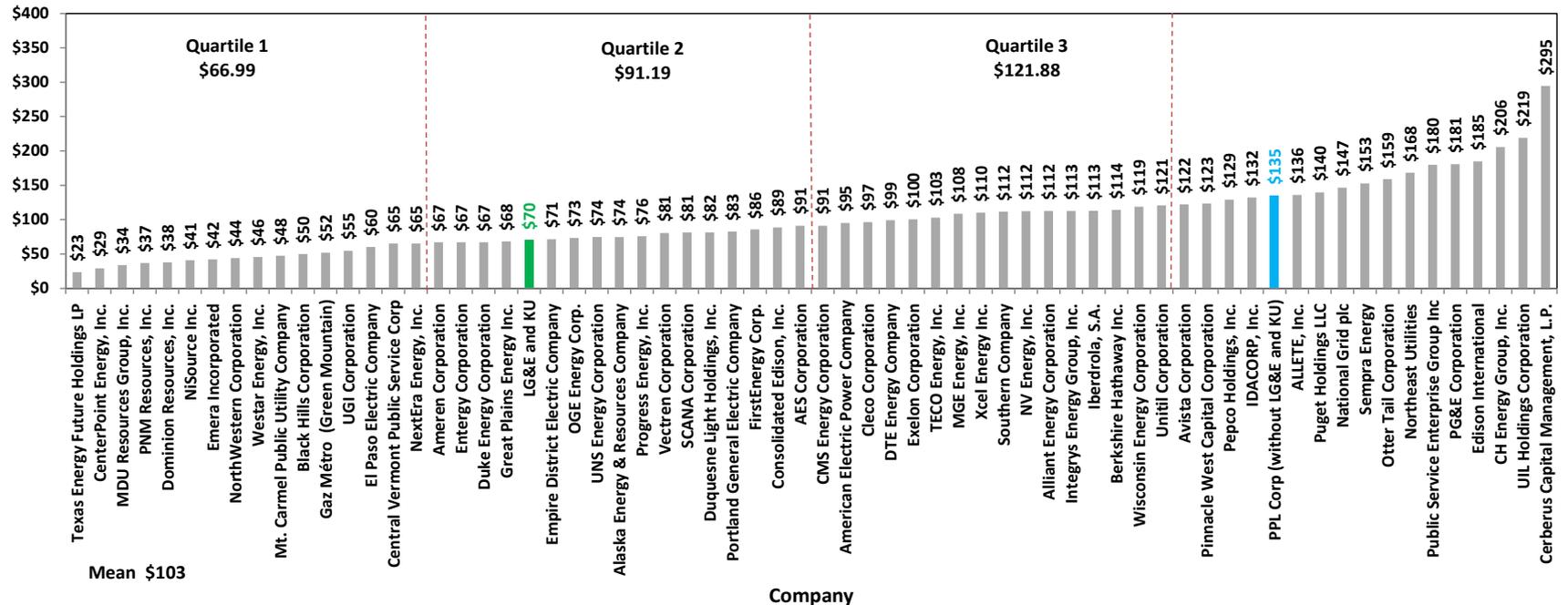
Overall Electric Distribution Expenditures per Customer
 FERC Utility Cost Benchmarking – 2011 Data
 (Electric Only)



Plan Highlights

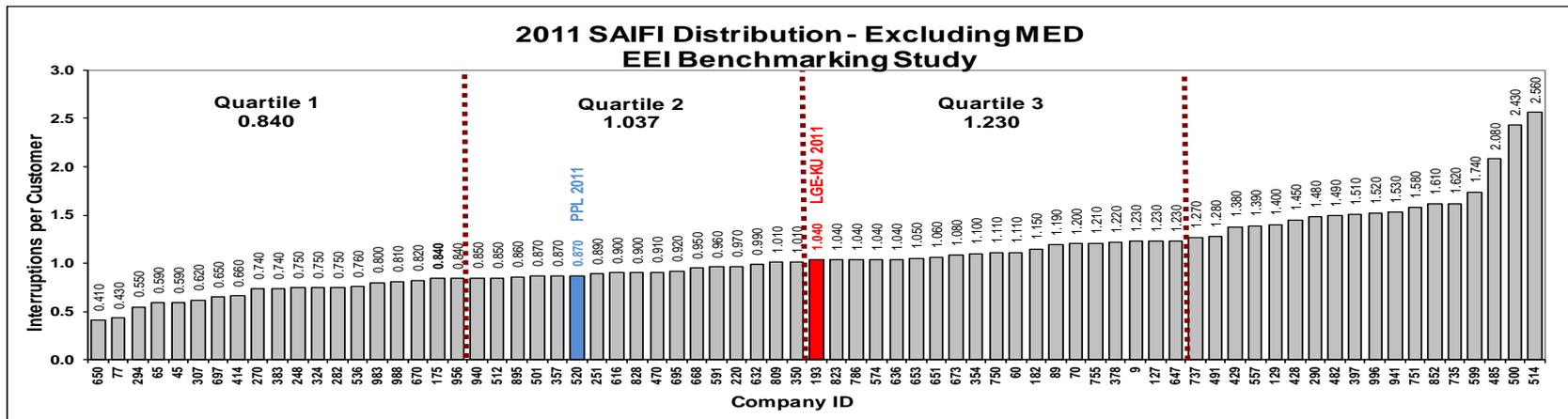
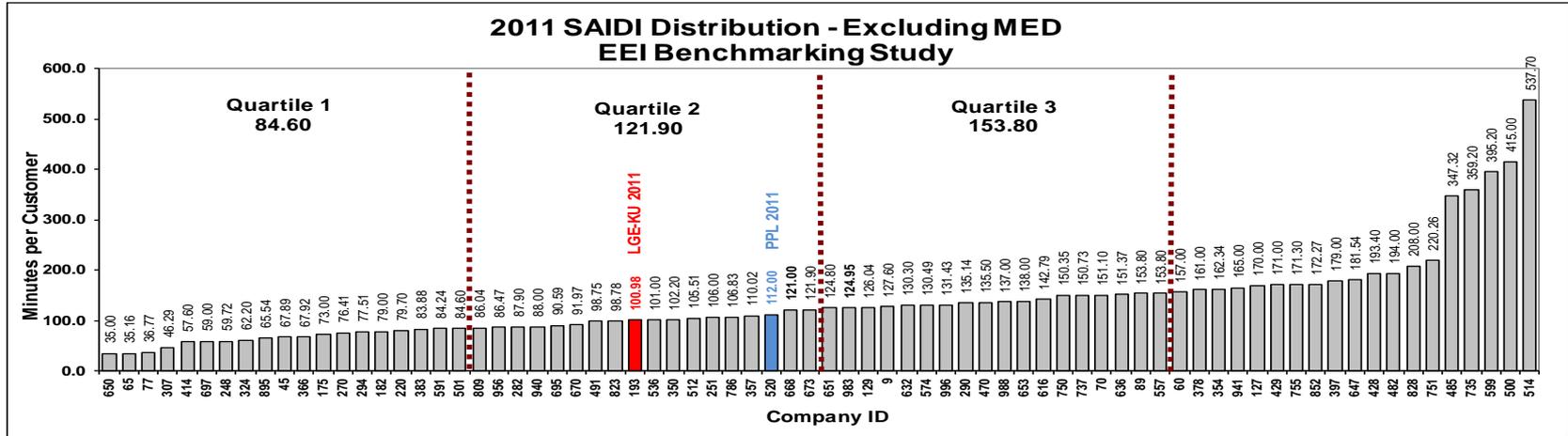
Total Retail Electric O&M Cost per Customer Performance

Overall Retail Electric O&M Expenditures per Customer
FERC Utility Cost Benchmarking - 2011 Data
(Electric Only)



Plan Highlights

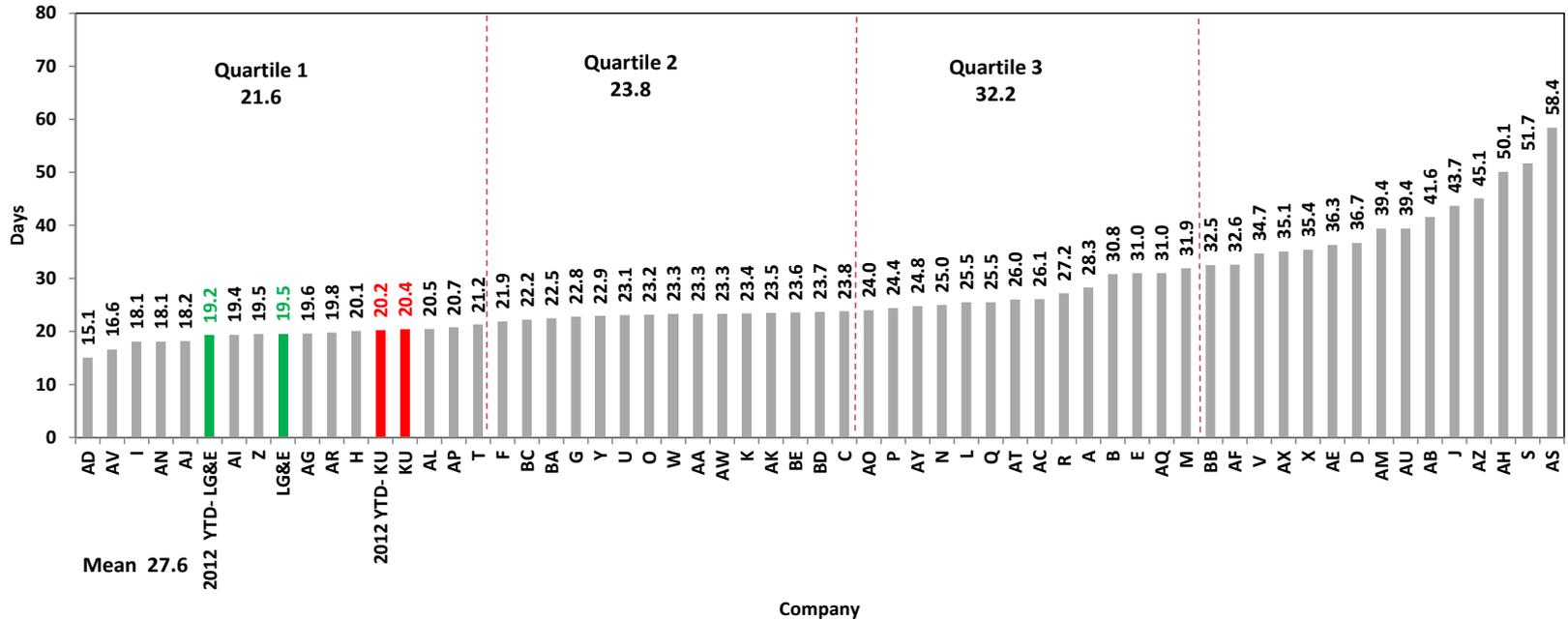
Reliability Performance



Plan Highlights

Estimated Number of Days of Revenue Outstanding (ENDRO)

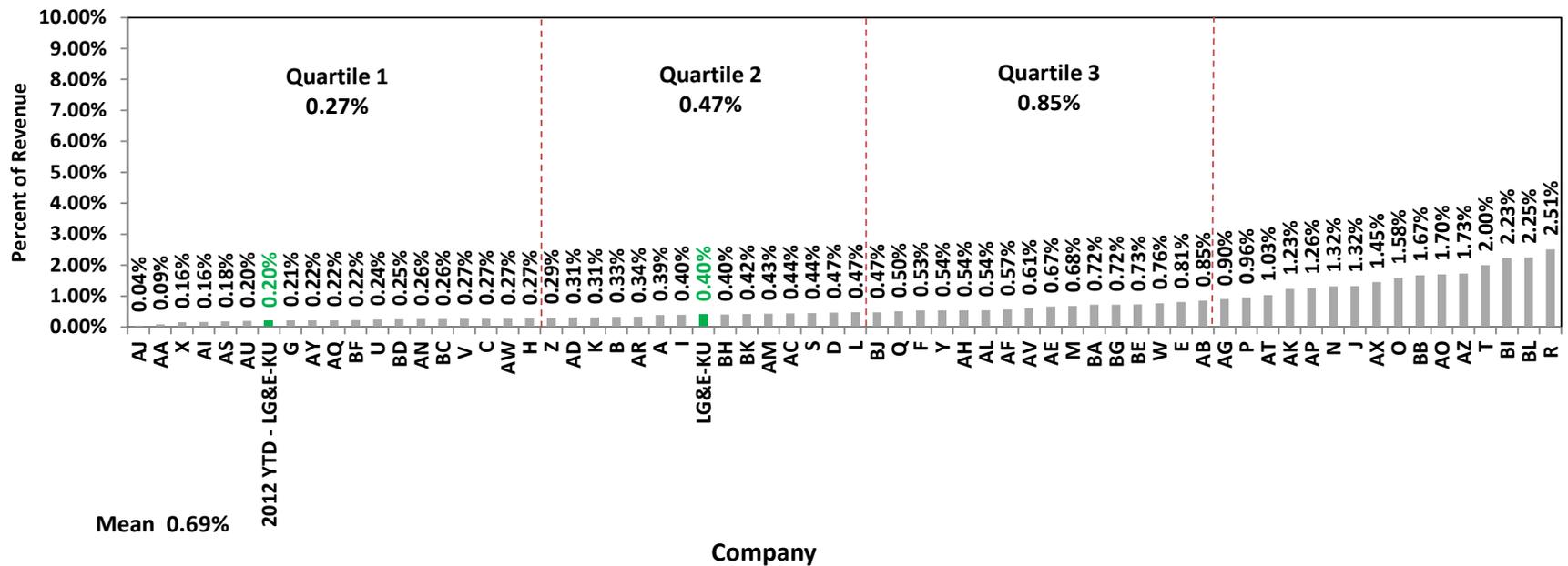
ENDRO
AGA EEI DataSource - 2011 Data



Plan Highlights

Net Write-Offs as a Percent of Revenues to Ultimate Customers

Net Write-offs Percent of Revenue
AGA EEI DataSource - 2011 Data

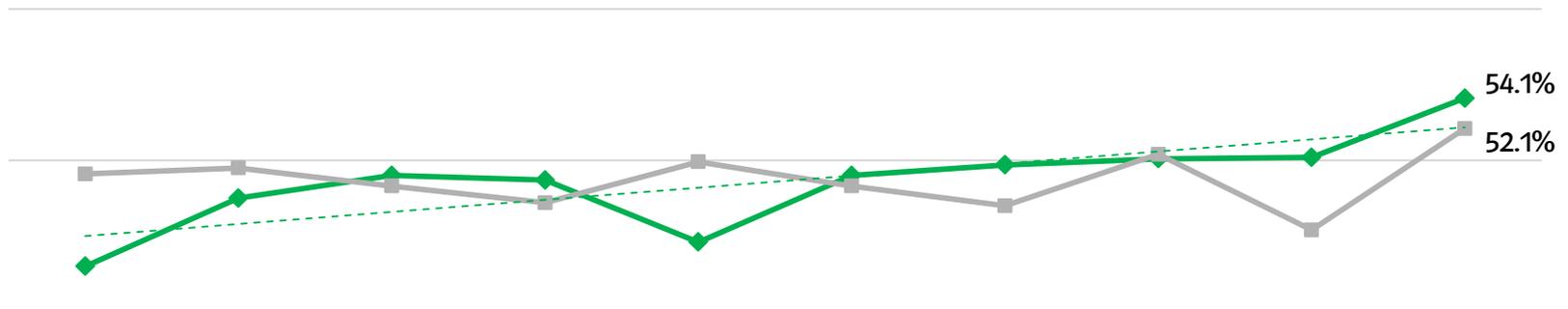


Plan Highlights

Residential Customers – Satisfaction Survey

Measured as “Top Two Box” (score of 9 or 10 on 10-point scale)

◆ LG&E/KU
 ■ Peer Group
 - - - Linear (LG&E/KU)



Customers are asked: *“On a scale of 1 to 10 where 10 means ‘**completely satisfied**’ and 1 means ‘not satisfied at all,’ overall how satisfied are you with the service provided by [LG&E] [KU]?”*

Q1 2010 Q2 2010 Q3 2010 Q4 2010 Q1 2011 Q2 2011 Q3 2011 Q4 2011 Q1 2012 Q2 2012



PPL companies

Plan Highlights

- Safety and Wellness
 - *Maintain industry leading performance*
 - *Maintain our partnership with Energy Services to build on safety synergies*
 - *Continue commitment to workforce and public safety*
 - *Continue to focus on motor vehicle safety*
 - *Continue sharing safety best practices throughout the industry*
 - *Certify 100+ Crane operators to comply with the OSHA Crane standard to meet the 2014 deadline; The initial rigging and signaling requirement have been completed.*
 - *Support the Edumedics hypertension program*
 - *Support wellness through employee initiatives and communications on fitness, nutrition and highlighting “Wellness Warriors”*



Plan Highlights

- Customer Experience
 - Continue efforts on the “Customer Experience” strategy/initiative
 - Continue tracking new Customer Satisfaction Index in parallel to Top Two Box score on Company’s satisfaction study (“RCCS”)
 - Continue investments in enhanced customer contact channels and the migration to a Corporate “Unified Communications” platform
 - Enhance our “Customer Advocacy” role through partnerships with customer focus groups
 - Continue commitment to corporate citizenship and community involvement
 - Continue to deliver the current portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency
 - Advance our understanding of customer behavior while gaining insight into customer needs



Plan Highlights

- Reliability and Infrastructure
 - *Continue investments in electric and gas system infrastructure to meet projected demand and regulatory requirements*
 - *Invest in electric and gas infrastructure replacement to address the aging system and improve system performance*
 - *Continue investments in both infrastructure and technology to improve electric system reliability and storm restoration processes*
 - *Invest in additional gas compression, equipment upgrades, pipelines and new gas wells to improve overall reliability, mitigate risk and maintain storage field deliverability*



Plan Highlights

- OPEX
 - *On target in 2012 to achieve 7&5 approved forecast.*
 - *Compounded Annual Growth Rate (CAGR) from 2012-2017 is 2.7%.*
 - *Major Initiatives:*
 - Customer Experience Strategy
 - Reliability - Hazard Tree Program
 - Industry Regulatory Compliance
 - *Major Financial Risks:*
 - Storm Restoration
 - Customer Hardship and Uncollectible Accounts
 - Industry Regulatory Uncertainty



Plan Highlights

- Capital

- *On target in 2012 to achieve 7&5 approved forecast.*

- *Compounded Annual Growth Rate (CAGR) from 2012-2017 is 5.9%.*

- *Major Customer Initiatives:*

- Energy Efficiency Programs and Services
- Reliability / Asset Replacement
- Pole Inspection and Treatment Program
- Substation Enhancements
- Mobile Technology / Work Management Replacement
- Gas Leak Mitigation
- Customer Gas Service Ownership and Service Riser Replacement Programs
- Magnolia Gas Compressor Addition
- Gas Compressor Station and System Enhancements
- Gas Transmission/Distribution Integrity Management Programs
- Vehicle Purchases (starting in 2015)



Major Assumptions

- Customer expectations regarding levels of service and availability of information will continue to increase.
- Energy Efficiency projects and education will continue to be an area of focus.
- Incremental headcount will be mostly offset by existing contractors as critical skill sets are returned in-house.
- Gas Line Tracker will be approved by the KPSC to include:
 - *Gas Service Riser Replacement Program over 5 years.*
 - *New Gas Services to the Meter.*
 - *Replacement of Services and Ownership as needed.*
 - *Leak Mitigation Program Costs.*

Major Assumptions

- New Business:
 - *Assumes moderate volume and inflationary increases through the planning period.*
 - *Funding included for known major customer expansions/additions.*
 - *Includes 25% increases starting in 2016 for pole and padmount transformers, driven by DOE proposed revision of efficiency standards.*
- Continued focus on reliability initiatives.
- Storm budgets are based on 5 year average.
- New gas safety regulatory requirements will require gas transmission pipeline testing.

Financial Performance

2011-2017 OPEX and Other Expenses (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-------------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 70,769 | 73,799 | 77,980 | 80,943 | 83,316 | 85,870 | 88,516 |
| Non Labor | | | | | | | |
| Vegetation Management | 19,836 | 21,753 | 22,879 | 23,340 | 23,807 | 24,283 | 24,768 |
| Bad Debt | 10,275 | 9,500 | 9,422 | 10,110 | 10,996 | 11,901 | 12,377 |
| Storm Restoration ¹ | 13,146 | 4,861 | 4,141 | 3,718 | 3,792 | 3,868 | 3,945 |
| Contributions | 1,556 | 1,633 | 1,509 | 1,667 | 1,701 | 1,735 | 1,769 |
| Outside Services | 41,750 | 42,082 | 44,828 | 46,223 | 47,003 | 45,909 | 44,849 |
| Other Non Labor | 32,046 | 35,036 | 37,137 | 38,187 | 39,226 | 39,757 | 39,711 |
| Total Non Labor | 118,609 | 114,865 | 119,916 | 123,245 | 126,525 | 127,453 | 127,419 |
| Subtotal OPEX/Other expense | 189,378 | 188,664 | 197,896 | 204,188 | 209,841 | 213,323 | 215,935 |
| Gross Margin Expenses * | 27,516 | 30,737 | 38,983 | 40,443 | 39,106 | 40,263 | 41,807 |
| Total Income Statement items | 216,894 | 219,401 | 236,879 | 244,631 | 248,947 | 253,586 | 257,742 |

¹ Total Storm Restoration including labor is \$17.8M (new burdens) for 2011, \$6.9M for 2012, \$6.5M for 2013 and 2014, \$6.7M for 2015, \$6.8M for 2016, and \$7M for 2017.

* (see Margin slide for detail)



2013-2017 OPEX/Other Expense Reconciliation (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|----------------|----------------|----------------|----------------|
| Prior Plan | 203,102 | 208,326 | 213,220 | 214,738 | 218,377 |
| Drivers: | | | | | |
| Gas Tracker to COS | 1,318 | 1,362 | 1,396 | 1,431 | 1,466 |
| Vegetation Management | (1,239) | (1,250) | (1,275) | (1,301) | (1,327) |
| GC&S - MAOP Pressure Testing | 1,168 | | | (1,213) | |
| Storm Restoration - To 5 yr. average | 400 | 400 | 408 | 416 | 424 |
| WFP Incremental Impact ¹ | 682 | 820 | 723 | 607 | 623 |
| Gas Distribution | (473) | (496) | (506) | (516) | (526) |
| Energy Efficiency VA Program | 561 | 584 | 599 | 614 | 630 |
| Bad Debt Expense | 2,578 | 2,360 | 1,713 | 1,051 | 823 |
| Metering Contract | (344) | (172) | (175) | (179) | (183) |
| Other (Increases)/Decreases | 555 | 530 | 496 | 505 | 512 |
| Total Drivers (Increases)/Decreases | 5,206 | 4,138 | 3,379 | 1,415 | 2,442 |
| Current Plan | 197,896 | 204,188 | 209,841 | 213,323 | 215,935 |

Note 1: Includes transfer of 13 Meter Readers from Green River - (\$252K) in 2015, (\$388K) in 2016, and (\$397K) in 2017.



Financial Performance

2011-2017 Margin Expenses / Cost of Sales (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Margin Expenses | | | | | | | |
| Mechanism Recoverable | | | | | | | |
| Retail - DSM | 24,657 | 27,180 | 32,076 | 35,366 | 34,245 | 35,629 | 37,411 |
| Distribution - Gas Tracker | - | - | 4,147 | 2,156 | 1,882 | 1,595 | 1,296 |
| Distribution - Fuel Gas | 2,859 | 3,557 | 2,760 | 2,921 | 2,979 | 3,039 | 3,100 |
| Total Margin/Cost of Sales | 27,516 | 30,737 | 38,983 | 40,443 | 39,106 | 40,263 | 41,807 |

Note: The DSM amounts are consistent with the 2011 DSM filing (approved by the PSC in November 2011).



2013-2017 Margin/Cost of Sales Reconciliation (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|---------------|---------------|---------------|---------------|
| <u>Mechanism recoverable</u> | | | | | |
| Prior Plan | 36,468 | 39,846 | 38,211 | 39,554 | 41,293 |
| Drivers | | | | | |
| Fuel Gas Price | 997 | 921 | 940 | 958 | 977 |
| Gas Tracker ¹ | (4,147) | (2,156) | (1,882) | (1,595) | (1,296) |
| Change in DSM | 635 | 638 | 47 | (72) | (195) |
| Total Drivers (Increases)/Decreases | (2,515) | (597) | (895) | (709) | (514) |
| Current Plan | 38,983 | 40,443 | 39,106 | 40,263 | 41,807 |

¹ Gas Tracker was included in OPEX in the 2012 MTP.



2011-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| Distribution | | | | | | | |
| New Business | 59,483 | 57,171 | 60,707 | 60,936 | 65,317 | 69,694 | 73,003 |
| Enhance the Network | 45,910 | 50,922 | 61,174 | 56,880 | 64,574 | 61,776 | 65,607 |
| Maintain the Network | 62,108 | 80,774 | 86,649 | 87,725 | 101,423 | 100,282 | 108,232 |
| Repair the Network | 13,773 | 11,141 | 11,174 | 11,413 | 11,765 | 12,083 | 12,408 |
| Miscellaneous | 7,744 | 6,833 | 8,813 | 4,523 | 14,952 | 8,453 | 17,030 |
| Total Distribution | 189,018 | 206,841 | 228,517 | 221,477 | 258,031 | 252,288 | 276,280 |
| Metering | 4,735 | 4,758 | 4,634 | 5,577 | 5,348 | 5,020 | 5,145 |
| Subtotal - Distribution/Metering | 193,753 | 211,599 | 233,151 | 227,054 | 263,379 | 257,308 | 281,425 |
| Retail | 822 | 2,530 | 6,640 | 8,344 | 9,096 | 6,785 | 4,417 |
| Operating Services | 7,925 | 4,613 | 1,906 | 5,280 | 4,486 | 4,611 | 5,238 |
| Total Capital and COR | 202,500 | 218,742 | 241,697 | 240,678 | 276,961 | 268,704 | 291,080 |



2013-2017

Attachment to Response to AG-1 Question No. 107

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Capital Reconciliation (w COR) –Accrual Basis (\$000)

K. Blake

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|----------------|----------------|----------------|----------------|
| Prior Plan | 268,521 | 253,587 | 297,317 | 281,723 | 295,201 |
| Changes: | | | | | |
| Gas Tracker (Gas Leak Mitigation and Risers) | 6,623 | 521 | 813 | 1,057 | 2,629 |
| DSM - Energy Efficiency | 2,336 | 1,799 | 2,037 | 1,424 | 1,992 |
| New Business (Excl. Gas Risers) | (854) | 3,587 | 2,072 | 1,010 | 1,183 |
| Major Gas System Enhancements | - | 1,200 | 1,800 | - | (1,500) |
| Electric System Enhancements/Reliability | 18,458 | 8,509 | 11,668 | 17,114 | 10,502 |
| Gas Control and Storage | 196 | (3,343) | 5,913 | (3,080) | (6,644) |
| Maintain - 34kv (Transfer from Transmission) | (217) | (223) | (229) | (235) | (242) |
| Repair/Replace and Sys Enhance Blankets | (3,915) | (3,842) | (5,843) | (5,998) | (6,158) |
| IT | (6) | (434) | 1,872 | 1,628 | 2,259 |
| Vehicle Purchases | 4,040 | 5,000 | - | - | - |
| All Other | 163 | 135 | 253 | 99 | 100 |
| Total Changes (Increases)/Decreases | 26,824 | 12,909 | 20,356 | 13,019 | 4,121 |
| Current Plan | 241,697 | 240,678 | 276,961 | 268,704 | 291,080 |



PPL companies

Financial Performance

2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Distribution | 885 | 916 | 934 | 947 | 960 | 963 | 966 |
| Retail | 424 | 480 | 483 | 483 | 483 | 483 | 484 |
| Metering | 128 | 133 | 136 | 135 | 150 | 150 | 150 |
| Operating Services | 30 | 33 | 35 | 35 | 35 | 35 | 35 |
| TOTAL | <u>1,467</u> | <u>1,562</u> | <u>1,588</u> | <u>1,600</u> | <u>1,628</u> | <u>1,631</u> | <u>1,635</u> |
| From 2012 Business Plan | | <u>1,582</u> | <u>1,605</u> | <u>1,614</u> | | | |
| Variance to 2012 Business Plan | | <u>20</u> | <u>17</u> | <u>14</u> | | | |
| <u>Plan over Plan (Increases)/Decreases</u> | | | | | | | |
| Distribution | | 9 | 3 | -4 | | | |
| Retail | | 6 | 6 | 6 | | | |
| Metering | | 6 | 11 | 15 | | | |
| Operating Services | | <u>-1</u> | <u>-3</u> | <u>-3</u> | | | |
| Variance to 2012 Business Plan | | <u>20</u> | <u>17</u> | <u>14</u> | | | |



Operational Performance

Key Performance Indicators

| KPI | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Safety | 1.08 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 | 1.80 |
| SAIFI | 1.04 | 1.04 | 1.03 | 1.01 | 1.01 | 1.00 | 1.00 |
| SAIDI | 100.98 | 99.64 | 98.00 | 96.00 | 96.00 | 95.00 | 95.00 |
| Overall Customer Satisfaction (points) | 12.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| Overall Customer Experience | NA | 9.00 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 |
| Cash Cost Per Customer - Dist Electric | 231.55 | 246.52 | 266.66 | 260.09 | 286.80 | 280.20 | 323.78 |
| O&M Cost Per Customer - Retail Electric | 69.63 | 75.79 | 79.35 | 83.34 | 83.87 | 86.56 | 89.27 |



Plan Risks

- Increased Capital and O&M Costs due to Industry Regulatory Actions
- Additional Mitigation from Gas Transmission Line Inspections
- Customer Hardship and Uncollectible Accounts
- Economic Development and the Pace of the Economic Recovery
- Storm Restoration
- Future Energy Efficiency Regulatory Approvals
- Material and Equipment Price Increases
- Fuel Prices



Appendix



Year over Year Walk Forward OPEX and Other Expense

| | |
|--------------------------------|----------------|
| 2011 Actual | 189,378 |
| Labor/WFP Increases | 5,615 |
| Bad Debt | (775) |
| Vegetation Management | 1,917 |
| Storm Restoration (L and NL) | (10,870) |
| Non-Labor (Inc. 2% Inf.) | 1,960 |
| Other Non-labor - Adj. In 2011 | 1,439 |
| | <hr/> |

| | |
|------------------------------|----------------|
| 2012 FC | 188,664 |
| Labor/WFP Increases | 3,861 |
| Bad Debt | (78) |
| Vegetation Management | 1,126 |
| Storm Restoration (L and NL) | (400) |
| Non-Labor (Inc. 2% Inf.) | 891 |
| MAOP Pressure Testing | 3,832 |
| | <hr/> |

| | |
|--------------------------|----------------|
| 2013 Budget | 197,896 |
| Labor/WFP Increases | 2,540 |
| Bad Debt | 688 |
| Vegetation Management | 461 |
| Non-Labor (Inc. 2% Inf.) | 1,416 |
| MAOP Pressure Testing | 1,187 |
| | <hr/> |

2014 Plan 204,188

| | |
|------------------------------|----------------|
| 2014 Plan | 204,188 |
| Labor/WFP Increases | 2,247 |
| Bad Debt | 886 |
| Vegetation Management | 467 |
| Storm Restoration (L and NL) | 200 |
| Non-Labor (Inc. 2% Inf.) | 1,853 |
| | <hr/> |

| | |
|------------------------------|----------------|
| 2015 Plan | 209,841 |
| Labor/WFP Increases | 2,530 |
| Bad Debt | 905 |
| Vegetation Management | 476 |
| Storm Restoration (L and NL) | 100 |
| Non-Labor (Inc. 2% Inf.) | 1,758 |
| MAOP Pressure Testing | (2,287) |
| | <hr/> |

| | |
|------------------------------|----------------|
| 2016 Plan | 213,323 |
| Labor/WFP Increases | 2,523 |
| Bad Debt | 476 |
| Vegetation Management | 485 |
| Storm Restoration (L and NL) | 200 |
| Non-Labor (Inc. 2% Inf.) | 1,641 |
| MAOP Pressure Testing | (2,713) |
| | <hr/> |

2017 Plan 215,935

(Decreases)/Increases



2011-2017 Headcount progression

| | |
|--|--------------|
| 2011 Headcount | 1,467 |
| Support Functions (Asset Management, Safety, Security and Retail Strategy) | 4 |
| Electric Operations | 16 |
| Billing Integrity | 6 |
| Field Services & Meter Assets | 6 |
| Customer Service & Marketing | 64 |
| All Other Increases / (Decreases) | (1) |
| 2012 Headcount FC | 1,562 |
| Support Functions (Asset Management, Safety, Security and Retail Strategy) | 5 |
| Electric Operations | 9 |
| Gas Control, and Storage | 5 |
| Field Services & Meter Assets | 3 |
| All Other Increases / (Decreases) | 4 |
| 2013 Headcount Budget | 1,588 |
| Support Functions (Asset Management, Safety, Security and Retail Strategy) | 2 |
| Electric Operations | 11 |
| All Other Increases / (Decreases) | (1) |
| 2014 Headcount Plan | 1,600 |
| Support Functions (Asset Management, Safety, Security and Retail Strategy) | 2 |
| Electric Operations | 11 |
| Meter Readers (transfers from Green River) | 13 |
| All Other Increases / (Decreases) | 2 |
| 2015 Headcount Plan | 1,628 |
| Support Functions (Asset Management, Safety, Security and Retail Strategy) | 3 |
| 2016 Headcount Plan | 1,631 |
| Support Functions (Asset Management, Safety, Security and Retail Strategy) | 3 |
| All Other Increases / (Decreases) | 1 |
| 2017 Headcount Plan | 1,635 |



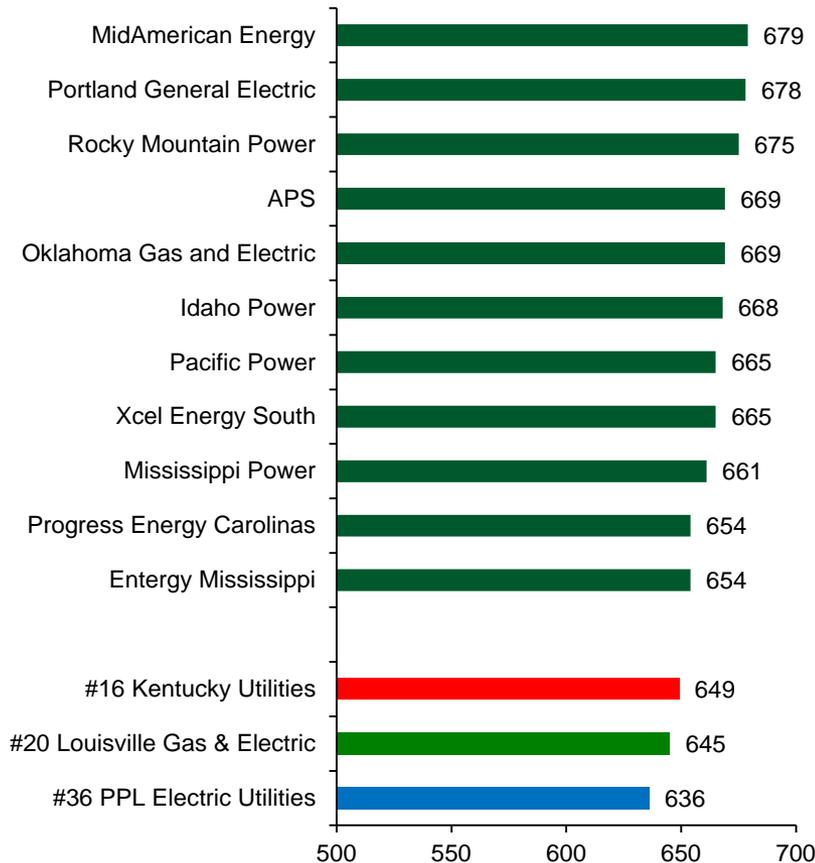
Other Balance Sheet Costs (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Local Engineering | | | | | | | |
| Labor | 16,353 | 15,769 | 17,113 | 17,062 | 17,573 | 18,101 | 18,643 |
| Non labor | 3,712 | 3,362 | 3,265 | 3,045 | 3,107 | 3,169 | 3,232 |
| Total | 20,065 | 19,131 | 20,378 | 20,107 | 20,680 | 21,270 | 21,875 |
| Transportation | 21,819 | 21,597 | 22,742 | 23,208 | 23,676 | 24,154 | 24,641 |
| Operating Services Clearing (Non Labor) | 3,220 | 3,371 | 3,456 | 3,531 | 3,601 | 3,674 | 3,746 |
| Preliminary Engineering - Gas Riser Sampling | - | 350 | - | - | - | - | - |
| Total Other Costs | 45,104 | 44,449 | 46,576 | 46,846 | 47,957 | 49,098 | 50,262 |

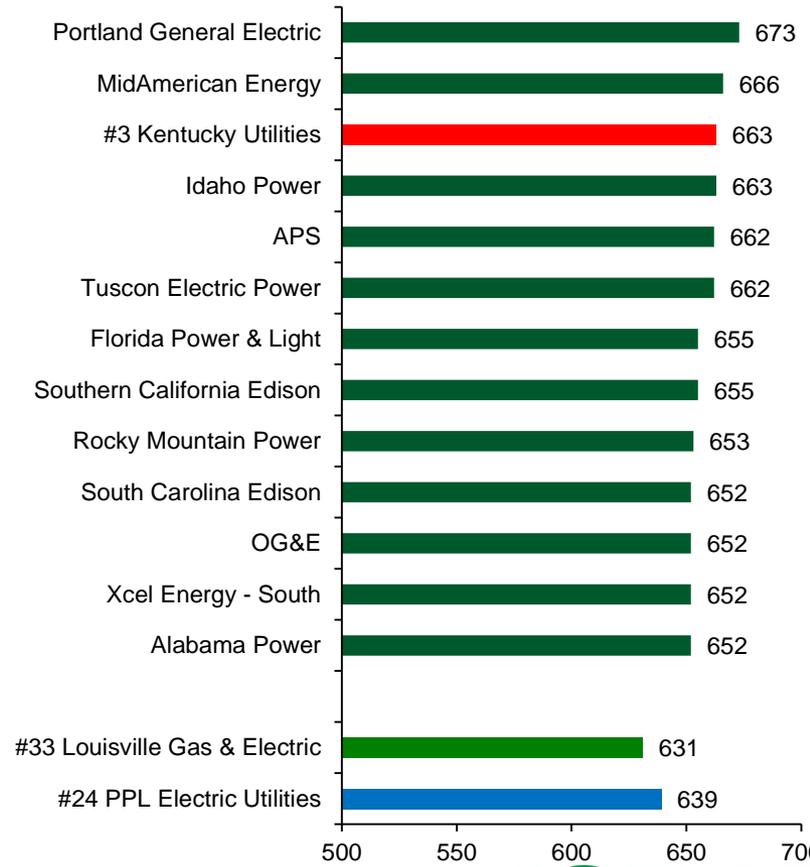
Additional Plan Highlights

J.D. Power & Associates Electric Residential Study – IOUs Rankings

2011



2012



PPL companies



PPL companies

General Counsel

2013 Business Plan

September 25, 2012

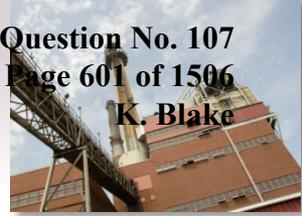


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Major Assumptions

- **Legal**

- *No contingent budgets have been proposed*
- *Hourly rates of outside providers will not materially increase*
- *No significant developments in existing litigation matters or new material litigation claims arise*

- **Corporate Communications**

- *Maintaining positive brand image in light of increased outside pressures and rising costs will require additional education and communication measures with key stakeholders.*
- *The large number of construction projects will require increased communications.*
- *Will need to advance website to meet the changing communications needs.*
- *Energy Efficiency programs will continue to grow and will require support through targeted advertising/marketing programs.*

Major Assumptions

- **Corporate Responsibility**

- *Nonprofit organizations will continue to experience financial challenges.*
- *Anticipate greater scrutiny of our community activities and heightened expectations for our role as a funding partner.*
- *Increased criticism from environmental groups and other stakeholders will require strategic donations and new partnerships.*
- *Shifting demographics in the workforce will require the development of new employee engagement programs.*

- **Compliance**

- *No material change in current role.*
- *No new enforcement issues which are significant.*



Major Assumptions

- **External Affairs**

- *Increased legislative and regulatory activity by local, state and federal governmental entities affecting the company's activities in the operational, regulatory and environmental areas.*
- *Pressure by local, state and federal governmental entities upon the company to use its monopolistic status to enhance governmental revenue.*
- *Public comparison of:*
 - *Political contributions between PPL and LG&E/KU*
 - *Levels of engagement and contributions with and to advocacy groups*
 - *PPL and LG&E/KU legislative and regulatory positions on various issues*
 - *DSM activities and level of revenue*



Major Assumptions

- **State Regulation & Rates**

- *Filing of two base rate cases for LG&E and KU in KY*
- *Filing of three base rate cases for KU/ODP in VA*
- *Revise the formula rates for FERC wholesale municipal and OATT customers*
- *Number of CPCN proceedings for generation and transmission facilities*
- *Significant ECR filings related to proposed environmental regulations*
- *Possible smart-grid and smart-meter projects*
- *Possible Federal climate change and renewable legislation passed*
- *Possible state reporting goals for energy efficiency*
- *Increase in energy efficiency programs*
- *KPSC Management Audit of Company functions*
- *Filing of Integrated Resource Plans with KPSC and VSCC*



Major Assumptions

- **Federal Regulation & Policy**

- *Uncertain and disproportionate implementation of regional transmission planning and cost allocation rules.*
- *Expanded FERC authority over transmission siting and certificate authority, expansion of the definition of Bulk Electric System, and increased pressure on traditional federal state relationship.*

- **Environmental**

- *Coal fired utilities will face tighter limits resulting in increased regulatory and PR burden.*
- *New environmental regulations will require added controls, compliance monitoring and reporting.*
- *Increased volume and complexity of environmental issues will require additional internal and external resources.*
- *Analysis of environmental risk will require more robust comprehensive environmental audits/assessments*



Financial Performance

2011-2017 OPEX and Other Expenses General Counsel (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 9,884 | 10,757 | 11,010 | 11,331 | 11,671 | 12,021 | 12,382 |
| Outside Counsel | 6,287 | 7,256 | 10,070 | 10,545 | 10,756 | 10,971 | 11,191 |
| Other Outside Services | 2,488 | 2,923 | 3,707 | 3,620 | 3,892 | 3,766 | 4,041 |
| Fees, Permits & Licenses | 2,360 | 3,408 | 3,022 | 3,172 | 3,235 | 3,300 | 3,366 |
| Dues & Subscriptions | 2,186 | 2,578 | 2,629 | 2,780 | 2,915 | 2,973 | 3,033 |
| Donations | 1,680 | 1,757 | 1,920 | 1,958 | 1,998 | 2,037 | 2,078 |
| Advertising | 1,545 | 1,335 | 1,586 | 1,618 | 1,650 | 1,683 | 1,717 |
| Rate Case Amortization | 1,905 | 1,243 | 1,903 | 1,553 | 2,448 | 1,608 | 2,555 |
| Training Travel & Meals | 1,045 | 844 | 901 | 919 | 937 | 956 | 975 |
| Other Non Labor | 1,114 | 803 | 863 | 876 | 894 | 912 | 930 |
| Total Income Statement items | <u>30,494</u> | <u>32,906</u> | <u>37,611</u> | <u>38,372</u> | <u>40,396</u> | <u>40,228</u> | <u>42,267</u> |



Financial Performance

2011-2017 OPEX and Other Expenses General Counsel by dept (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| General Counsel | 2,594 | 1,991 | 1,603 | 1,642 | 1,759 | 1,798 | 1,838 |
| Communication | 5,088 | 4,968 | 5,575 | 5,701 | 5,832 | 5,966 | 6,103 |
| Compliance | 700 | 950 | 970 | 994 | 1,022 | 1,051 | 1,080 |
| Corp Responsibility | 1,596 | 1,619 | 1,691 | 1,730 | 1,770 | 1,812 | 1,854 |
| Environmental | 5,458 | 7,583 | 8,002 | 8,414 | 8,604 | 8,798 | 8,996 |
| External Affairs | 739 | 742 | 765 | 785 | 805 | 827 | 849 |
| Legal | 9,782 | 11,319 | 14,217 | 14,799 | 15,124 | 15,456 | 15,798 |
| Regulatory (State and Federal) | 4,537 | 3,734 | 4,788 | 4,307 | 5,480 | 4,520 | 5,749 |
| Total Income Statement items | <u>30,494</u> | <u>32,906</u> | <u>37,611</u> | <u>38,372</u> | <u>40,396</u> | <u>40,228</u> | <u>42,267</u> |



2013-2017 OPEX/Other Expense Reconciliation General Counsel (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---------------------------|----------------|---------------|---------------|---------------|---------------|
| Prior Plan | 38,744 | 39,279 | 41,383 | 41,388 | 43,721 |
| Drivers: | | | | | |
| Labor Savings | (425) | (446) | (460) | (473) | (488) |
| Outside Counsel Savings | (500) | (500) | (484) | (470) | (453) |
| Donations | (544) | (554) | (563) | (575) | (805) |
| Advertising | 306 | 312 | 318 | 325 | 331 |
| Environmental third party | (8) | 178 | 182 | 185 | 189 |
| Other Non Labor Changes | 38 | 103 | 20 | (152) | (228) |
| Current Plan | <u>37,611</u> | <u>38,372</u> | <u>40,396</u> | <u>40,228</u> | <u>42,267</u> |



2011-2017 Capital Breakdown (w COR) – Accrual Basis General Counsel (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Corporate Communications | | | | | | | |
| Corporate Website* | - | - | 1,000 | - | - | - | - |
| Total Capital and Cost of Removal | <u>-</u> | <u>-</u> | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

* Joint effort between Corporate Communications and Retail - not included in 2012 Business Plan



Financial Performance

2011-2017 Headcount

General Counsel

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| General Counsel | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Communication | 16 | 17 | 17 | 17 | 17 | 17 | 17 |
| Compliance | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Corp Responsibility | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Environmental | 17 | 19 | 21 | 20 | 20 | 20 | 20 |
| External Affairs | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Legal | 24 | 25 | 25 | 25 | 25 | 25 | 25 |
| Regulatory (State and Federal) | 17 | 18 | 18 | 18 | 18 | 18 | 18 |
| TOTAL | 91 | 97 | 99 | 98 | 98 | 98 | 98 |
| From 2012 Business Plan | | 97 | 98 | 98 | | | |
| Variance to 2012 Business Plan | | 0 | 1 | 0 | | | |
| <u>Plan over Plan increases (decreases)</u> | | | | | | | |
| New Environmental Position | | | 1 | | | | |
| | | 0 | 1 | 0 | | | |



Plan Risks

- **Legal**

- *New environmental regulations will continue to require extraordinary legal review and input.*
- *The Company becomes embroiled in a significant legal dispute.*

- **Corporate Communications**

- *Given increased ECR, pending rate cases, and pending EPA regulations, customer bills will continue to increase, potentially resulting in lower customer satisfaction levels.*
- *With growing concern regarding the environment, the public will expect a strong partnership between energy producers and energy consumers to provide additional energy efficiency programs and address and resolve environmental quality issues.*



Plan Risks

- **Corporate Responsibility**

- *Growing public cynicism may mean public dissatisfaction with our CR efforts.*
- *Environmental groups will likely increase their activities and scrutiny requiring more community outreach.*
- *There will be closer scrutiny from regulators and public officials requiring the development of new response strategies.*

- **Compliance**

- *NERC Reliability Standards, including the Cyber Security Standards, are likely to be revised and affect resources.*
- *PPL expectations regarding compliance programs, investigations, and reporting may affect responsibilities and roles of the Compliance Department.*
- *Extraordinary workload anticipated due to efforts to address open enforcement matters.*

Plan Risks

- **External Affairs**

- *Previously unseen upward pressure on customers electric rates due to increased capital expenditures for pollution control and base load generation construction. Environmental, energy efficiency, and renewable portfolio standards legislation and Federal EPA regulations place substantial compliance costs on the company and its customers.*
- *Local, State and Federal Budget shortfalls result in increased efforts to raise revenue through surcharges on the customer electric bill and increased corporate fees and taxes.*
- *Asset ownership by outside-of-the-state entity.*
- *Political environment at the federal and state level becomes increasingly more challenging*

Plan Risks

- **State Regulation & Rates**

- *Growing rate base and operating expenses, coupled with regulatory lag could make target returns difficult to achieve.*
- *Commission and intervenor sensitivity to rising costs could result in punitive actions beyond law and precedent – prudence could be challenged more often particularly where actual costs exceed estimates.*
- *Changes to and uncertainty in Environmental regulations could put significant pressure on Environmental Cost Recovery mechanism.*
- *Failure to get timely regulatory approvals for generation and transmission investment could put reliability, customer service and utility economics at risk.*
- *Legal challenges to KPSC's authority to develop rate mechanisms could have broad reaching impacts to existing and potential recovery mechanisms.*
- *Legislation that changes the regulatory structure.*
- *Increased scope and diversity of intervenors in proceedings.*



Plan Risks

- **Environmental**

- *Sharp increase in new environmental regulations and regulatory initiatives requiring additional EA staff and training.*
- *Significant increase in the number of environmental permits and permit conditions required for daily company operations which necessitate outside contractors for specialized modeling, monitoring and testing.*
- *Increased annual operation fees for Title V air permits, STAR permits, KPDES water permits, KY River Authority and special waste landfills.*
- *Increased costs for disposal of hazardous wastes, PCB wastes and spill clean-up materials.*

Plan Risks

- **Federal Regulation & Policy**

- *Further loss of control over transmission planning and construction decisions*
- *Greater socialization of transmission costs across the entire region*
- *Increased pressure between state and federal regulators with respect to cost recovery*
- *Volatile and deteriorating regulatory climate in EPA*

Appendix



Year over Year Walk Forward OPEX and Other Expense General Counsel

| | |
|---|---------------|
| 2011 Actual | 30,494 |
| Labor Increases | 873 |
| Environmental Title V Fees | 1,050 |
| Outside Counsel Expenses | 969 |
| Other Non Labor Items | 182 |
| Rate Case Amortization | <u>(662)</u> |
| 2012 FC | 32,906 |
| Outside Counsel Expenses | 2,814 |
| Outside Services - Environmental Compliance | 498 |
| Labor Increases | 253 |
| Outside Services - Virginia Rate Case | 200 |
| Rate Case Amortization | 660 |
| Other Non Labor Items | <u>280</u> |
| 2013 Budget | 37,611 |
| Outside Counsel Expenses | 475 |
| Labor Increases | 321 |
| Other Non Labor Items | 315 |
| Rate Case Amortization | <u>(350)</u> |
| 2014 Plan | 38,372 |
| Rate Case Amortization | 895 |
| Labor Increases | 340 |
| Outside Counsel Expenses | 211 |
| Outside Services - Virginia Rate Case | 200 |
| Other Non Labor Items | <u>378</u> |
| 2015 Plan | 40,396 |
| Labor Increases | 350 |
| Other Non Labor Items | 107 |
| Outside Counsel Expenses | 215 |
| Rate Case Amortization | <u>(840)</u> |
| 2016 Plan | 40,228 |
| Rate Case Amortization | 947 |
| Labor Increases | 361 |
| Outside Counsel Expenses | 220 |
| Other Non Labor Items | 311 |
| Outside Services - Virginia Rate Case | <u>200</u> |
| 2017 Plan | <u>42,267</u> |



Headcount Progression General Counsel

| | |
|--|-----------|
| 2011 Headcount | 91 |
| New Position for Environmental Auditor | 1 |
| Environmental Auditor Position Filled | 1 |
| Open Corporate Responsibility Position | (1) |
| Open Attorney Position (year end hire date) | 1 |
| New Position - Communications Marketing Specialist (year end) | 1 |
| New Position - State Reg & Rates Regulatory Analyst (year end) | 1 |
| Open Corporate Responsibility Position (year end) | 1 |
| New Position - Corporate Responsibility Specialist (year end) | 1 |
| 2012 Headcount FC | <u>97</u> |
| New Position for Environmental Analyst | 1 |
| Environmental Intern added | 1 |
| 2013 Headcount Budget | <u>99</u> |
| Environmental Intern assignment ends | (1) |
| 2014-2017 Headcount Plan | <u>98</u> |



Other Balance Sheet Costs General Counsel (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------|------------------|------------------|----------------|------------------|--------------|------------------|------------------|
| Regulatory Assets | | | | | | | |
| Non Labor | 264 | 3,500 | - | 4,980 | - | 3,580 | 1,400 |
| Total | <u>264</u> | <u>3,500</u> | <u>-</u> | <u>4,980</u> | <u>-</u> | <u>3,580</u> | <u>1,400</u> |
| WKE | | | | | | | |
| Labor | 100 | - | - | - | - | - | - |
| Non labor | 3,176 | 910 | 972 | - | - | - | - |
| Total | <u>3,276</u> | <u>910</u> | <u>972</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Costs | <u>3,540</u> | <u>4,410</u> | <u>972</u> | <u>4,980</u> | <u>-</u> | <u>3,580</u> | <u>1,400</u> |



PPL companies

Information Technology

2013 Business Plan

September 25, 2012

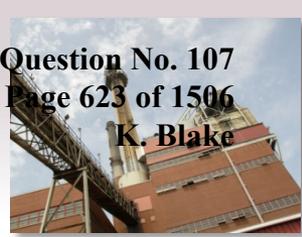


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Plan Highlights

- The 2013 Information Technology O&M budget submitted for the 2013 Business Plan is \$49.1 million. The current business plan is \$0.9 million unfavorable to the 2012 Business Plan for 2013, due to O&M Commitment Letters transferred from other lines of business.
- The 2013 IT Capital budget is \$26 million and is \$4.1 million favorable to the 2013 budget submitted for the 2012 BP as a result of the 10% reductions.



Major Assumptions

- **Business reliance on Technology**
 - *Encompasses employees as well as customer demand; little tolerance for system outages*
- **Regulatory**
 - *Expanded regulatory requirements will increase spending on CIP*
- **Cyber Security Threats**
 - *Daily increase in threats and their level of sophistication will continue to require new methods and technologies to minimize the threats*
- **Customer Care**
 - *Increased efforts to meet customer demand through numerous enhancements.*
 - *Rate cases frequency will create additional system changes*
- **Business Applications**
 - *LOB business applications (Storms Replacement, Mobile Workforce Management, etc.)*
- **New Technologies**
 - *Continued effort to leverage the most productive technologies, oftentimes relatively recent technologies which will require continued spend*
- **Operations and Infrastructure**
 - *Continued efforts to refresh as well as enhance our network infrastructure and storage*



Financial Performance

2011-2017 OPEX and Other Expenses Information Technology (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 20,759 | 22,409 | 25,219 | 26,991 | 28,290 | 29,362 | 30,269 |
| Software/Hardware Maint. | 11,262 | 12,835 | 14,522 | 15,017 | 15,317 | 15,623 | 15,936 |
| Outside Services | 3,743 | 3,575 | 3,764 | 3,516 | 3,586 | 3,658 | 3,731 |
| Training, Travel & Meals | 708 | 917 | 1,129 | 1,152 | 1,175 | 1,198 | 1,222 |
| Dues & Subscriptions | 148 | 301 | 115 | 118 | 120 | 122 | 125 |
| Other Non Labor | 3,665 | 4,442 | 4,357 | 4,316 | 3,875 | 4,065 | 4,581 |
| Total Income Statement items | <u>40,286</u> | <u>44,479</u> | <u>49,107</u> | <u>51,110</u> | <u>52,363</u> | <u>54,029</u> | <u>55,864</u> |



2013-2017 OPEX/Other Expense Reconciliation IT Organization (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|-----------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 48,233 | 50,236 | 51,489 | 53,155 | 54,989 |
| Drivers: | | | | | |
| IT Commitment Letters | 874 | 874 | 874 | 874 | 874 |
| IT Labor | (9) | (7) | 493 | 716 | 780 |
| Other IT | 9 | 7 | (493) | (716) | (779) |
| Current Plan | <u>49,107</u> | <u>51,110</u> | <u>52,363</u> | <u>54,029</u> | <u>55,864</u> |



2011-2017 Capital Breakdown (w COR) – Accrual Basis IT Organization (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| CCS | | | 7,031 | 2,500 | 4,000 | 6,907 | 3,900 |
| Cisco UC&C | | 2,000 | 3,382 | 750 | | | |
| SouthEast KY Microwave | | | | 1,000 | 2,000 | 500 | |
| ERP | | | | | 750 | 7,250 | 2,500 |
| Desktop Operations | 3,239 | 3,038 | 2,739 | 2,804 | 2,551 | 2,554 | 2,720 |
| Replace Sonet Nodes | | | | | | 1,500 | 4,000 |
| West KY Sonet Microwave | 2,008 | 3,021 | 1,845 | | | | |
| Other | 16,187 | 18,230 | 10,982 | 18,226 | 14,777 | 10,936 | 11,842 |
| Total Capital and Cost of Removal | <u>21,434</u> | <u>26,289</u> | <u>25,979</u> | <u>25,280</u> | <u>24,078</u> | <u>29,647</u> | <u>24,962</u> |



Capital Reconciliation (w COR) – Accrual Basis IT Organization (\$000)

| | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------|----------------|---------------|---------------|---------------|---------------|
| Prior Plan | 30,116 | 28,839 | 40,254 | 39,696 | 41,235 |
| Changes: | | | | | |
| CCS Upgrade | (707) | | 4,000 | 6,907 | 3,900 |
| Desktop Operations | 2 | (165) | (1,873) | (2,216) | (4,654) |
| ERP | (250) | (750) | (13,500) | (6,750) | (13,500) |
| Replace Sonet Nodes | | | | 1,500 | 4,000 |
| Wide Area Network SE | | | 2,000 | 500 | |
| Mobile Radio Replace. | | (1,016) | 2,000 | | |
| LTP Hardware | | (850) | (6,088) | (6,334) | 2,522 |
| LTP Software | | | (4,801) | (5,055) | (8,541) |
| Other | (3,182) | (778) | 2,086 | 1,399 | |
| Current Plan | <u>25,979</u> | <u>25,280</u> | <u>24,078</u> | <u>29,647</u> | <u>24,962</u> |

IT Financial Performance

2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| IT Bus Apps | 76 | 81 | 84 | 85 | 86 | 86 | 86 |
| IT Infrastructure | 95 | 103 | 109 | 113 | 116 | 117 | 117 |
| IT Client Services | 68 | 77 | 81 | 83 | 84 | 85 | 84 |
| IT Security | 13 | 13 | 14 | 14 | 14 | 14 | 14 |
| IT VP | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| TOTAL | 254 | 276 | 290 | 297 | 302 | 304 | 303 |
| From 2012 MTP | | 278 | 287 | 288 | | | |
| Variance to prior plan | | -2 | 3 | 9 | | | |

Differences

| | | | | | | | |
|----------------------------------|----|---|---|---|--|--|--|
| CCS positions | -2 | 1 | | | | | |
| BI addition | | | 1 | 1 | | | |
| GIS analyst | | | | 1 | | | |
| CIP compliance | | | 1 | 3 | | | |
| Security | | | | 2 | | | |
| Analyst for Finance/Supply Chain | | | | 1 | | | |
| Telecom project manager | | | | 1 | | | |



Plan Risks

- Information Technology
 - CIP version 4 and version 5 compliance
 - Potential reduction in system availability due to declining service level agreements with vendors based on our current versions
 - Introduction of unified communication and collaboration technologies could pose change management challenges
 - Acquiring skilled IT resources will continue to be a challenge for us and the rest of the industry

Appendix



2011-2017 Year over Year Walk Forward OPEX and Other Expense Information Technology

| | |
|-----------------------------|--------|
| 2011 Actual | 40,286 |
| Labor | 1,650 |
| IT Software/Hardware Maint. | 1,538 |
| Telecom | 306 |
| Other Nonlabor | 700 |
| 2012 FC | 44,480 |
| Labor | 2,811 |
| IT Software/Hardware Maint. | 1,687 |
| Other Nonlabor | 130 |
| 2013 Budget | 49,108 |
| Labor | 1,772 |
| Other Nonlabor | 230 |
| 2014 Plan | 51,110 |
| Labor | 1,299 |
| Other Nonlabor | (6) |
| 2015 Plan | 52,403 |
| Labor | 1,072 |
| Other Nonlabor | 254 |
| 2016 Plan | 53,729 |
| Labor | 907 |
| Other Nonlabor | 453 |
| 2017 Plan | 55,089 |



Headcount Progression Information Technology

| | |
|--|-----|
| 2011 Headcount | 254 |
| IT Bus Apps | 2 |
| IT Infrastructure | 4 |
| IT Client Services | 7 |
| To be filled | 9 |
| 2012 Headcount FC | 276 |
| Mobile Support | 1 |
| Telecom (CIP) | 2 |
| BI Support | 2 |
| CCS Programmers/Analysts | 2 |
| Network System Engineers | 1 |
| Network System Engineer Unified Communications | 1 |
| IPM, Web apps support (Shared Services) | 1 |
| IT Change Manager (PMO Group) | 1 |
| IT security | 2 |
| Distibution Operations Support | 1 |
| 2013 Headcount Budget | 290 |
| Modules for Fin/Supply Chain | 1 |
| Distibution Operations Support | 1 |
| BI Support | 1 |
| Telecom | 4 |
| 2014 Headcount Plan | 297 |
| Telecom (CIP) | 1 |
| Telecom Unified Communications | 1 |
| Network Systems Engineer | 1 |
| BI Support | 2 |
| 2015 Headcount Plan | 302 |
| BI Support | 1 |
| DBA | 1 |
| 2016 Headcount Plan | 304 |
| Offset for SOA via attrition | -1 |
| 2017 Headcount Plan | 303 |





PPL companies

Human Resources

2013 Business Plan

September 25, 2012

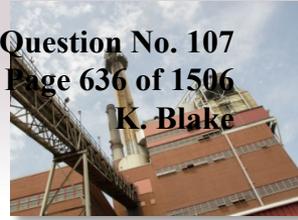


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Major Assumptions

- *Current and potential Federal legislative initiatives may significantly affect the existing landscape and costs associated with virtually every aspect of the workforce (benefits, compensation, union relations, safety, etc.).*
- *Wellness must continue to evolve as a means of containing healthcare costs.*
- *The pace and complexity of regulatory compliance will continue to escalate.*
- *Competition for talent will require more non-traditional sourcing.*
- *Headcount will remain flat at 35 employees throughout the plan period*
- *Capital spend same as 2012 Business Plan – primarily tied to PeopleSoft upgrades/enhancements*



Financial Performance

2011-2017 OPEX and Other Expenses Human Resources (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses * | | | | | | | |
| Labor | 3,677 | 3,811 | 3,825 | 3,950 | 4,069 | 4,191 | 4,317 |
| Outside Services | 435 | 641 | 868 | 950 | 969 | 988 | 1,008 |
| Employee Services Awards | 207 | 310 | 360 | 435 | 444 | 453 | 462 |
| Training Travel & Meals | 133 | 244 | 299 | 365 | 372 | 379 | 387 |
| Donations | 24 | 67 | 104 | 106 | 108 | 110 | 112 |
| Other Non Labor | 227 | 378 | 476 | 282 | 287 | 292 | 295 |
| Total Income Statement items | <u>4,703</u> | <u>5,452</u> | <u>5,933</u> | <u>6,088</u> | <u>6,248</u> | <u>6,413</u> | <u>6,580</u> |

* Agrees with 2012 Business Plan



2011-2017 Capital Breakdown (w COR) – Accrual Basis Human Resources (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| PeopleSoft Upgrades | 307 | 930 | - | - | 400 | 575 | - |
| Peoplesoft Enhancements | - | - | 225 | 225 | 225 | 225 | 225 |
| Total Capital and Cost of Removal | <u>307</u> | <u>930</u> | <u>225</u> | <u>225</u> | <u>625</u> | <u>800</u> | <u>225</u> |



Plan Risks

- *Economic pressures and impact on Human Resource management*
- *Effects of possible Federal legislation relating to benefits, compensation, labor, safety, and taxation*

Appendix



Attachment to Response to AG-1 Question No. 107
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K. Blake

2011-2017 Year over Year Walk Forward OPEX and Other Expense Human Resources

| | |
|-------------------------|--------------|
| 2011 Actual | 4,703 |
| Outside Services | 206 |
| Employee Service Awards | 103 |
| Labor Increases | 134 |
| Other Non Labor Items | <u>306</u> |
| 2012 FC | 5,452 |
| Outside Services | 227 |
| Employee Service Awards | 50 |
| Labor Increases | 14 |
| Other Non Labor Items | <u>199</u> |
| 2013 Budget | 5,942 |
| Labor Increases | 125 |
| Employee Service Awards | 75 |
| Other Non Labor Items | <u>(44)</u> |
| 2014 Plan | 6,098 |
| Labor Increases | 119 |
| Other Non Labor Items | <u>42</u> |
| 2015 Plan | 6,259 |
| Labor Increases | 122 |
| Other Non Labor Items | <u>44</u> |
| 2016 Plan | 6,425 |
| Labor Increases | 126 |
| Other Non Labor Items | <u>44</u> |
| 2017 Plan | <u>6,595</u> |





PPL companies

Supply Chain

2013 Business Plan

September 25, 2012

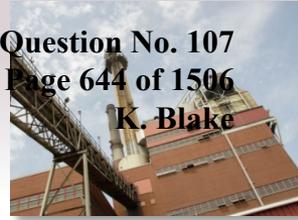


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Major Assumptions

- Progression of new sourcing leaders and internal allocation of resources will offset key 2013 retirement
- Agreed upon direction of the Supply Chain Centers of Excellence (COE) will not change from current plan
- Select IT projects will result in efficiency improvements

Financial Performance

2011-2017 OPEX and Other Expenses Supply Chain (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 2,847 | 3,064 | 3,109 | 3,136 | 3,230 | 3,327 | 3,427 |
| Outside Services | 53 | 31 | 30 | 31 | 32 | 32 | 33 |
| Training Travel & Meals | 102 | 113 | 130 | 133 | 135 | 138 | 141 |
| Donations | 21 | 26 | 26 | 27 | 27 | 28 | 28 |
| Other Non Labor | 122 | 196 | 202 | 205 | 209 | 213 | 217 |
| Total Income Statement items | <u>3,146</u> | <u>3,430</u> | <u>3,498</u> | <u>3,532</u> | <u>3,634</u> | <u>3,739</u> | <u>3,847</u> |



2013-2017 OPEX/Other Expense Reconciliation Supply Chain (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|--------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 3,562 | 3,639 | 3,744 | 3,852 | 3,963 |
| Drivers: | | | | | |
| Labor | <u>(64)</u> | <u>(107)</u> | <u>(110)</u> | <u>(113)</u> | <u>(116)</u> |
| Current Plan | <u><u>3,498</u></u> | <u><u>3,532</u></u> | <u><u>3,634</u></u> | <u><u>3,739</u></u> | <u><u>3,847</u></u> |



2011-2017 Capital Breakdown (w COR) – Accrual Basis Supply Chain(\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Storeroom Building | 204 | 200 | - | - | 120 | - | - |
| Pole Racks | 104 | - | 200 | 230 | 60 | 30 | - |
| Other | 384 | 124 | 185 | 210 | 125 | 300 | 330 |
| Total Capital and Cost of Removal | <u>692</u> | <u>324</u> | <u>385</u> | <u>440</u> | <u>305</u> | <u>330</u> | <u>330</u> |



Financial Performance

2011-2017 Headcount

Supply Chain

| <u>Department</u> | <u>2011 Year End</u> | <u>2012 Forecast</u> | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|---|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Supply Chain | 49 | 49 | 49 | 49 | 49 | 49 | 49 |
| From 2012 Business Plan | | <u>48</u> | <u>48</u> | <u>48</u> | | | |
| Variance to 2012 Business Plan | | <u><u>1</u></u> | <u><u>1</u></u> | <u><u>1</u></u> | | | |
| <u>Plan over Plan increases (decreases)</u> | | | | | | | |
| Supply Chain Intern Added | | 1 | 1 | 1 | | | |



Plan Risks

- Supply Chain
 - Incremental PPL Initiatives
 - Overall group demographics in key functions; Succession Planning Below Manager Level
 - Incremental work outside of the existing Procurement Plans could require temporary sourcing resources

Appendix



2011-2017 Attachment to Response to AG-1 Question No. 107
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K. Blake

Year over Year Walk Forward OPEX and Other Expense Supply Chain

| | |
|-----------------------|--------------|
| 2011 Actual | 3,147 |
| Labor Increases | 217 |
| Other Non Labor Items | 66 |
| 2012 FC | <u>3,430</u> |
| Labor Increases | 45 |
| Other Non Labor Items | 23 |
| 2013 Budget | <u>3,498</u> |
| Labor Increases | 27 |
| Other Non Labor Items | 7 |
| 2014 Plan | <u>3,532</u> |
| Labor Increases | 94 |
| Other Non Labor Items | 8 |
| 2015 Plan | <u>3,634</u> |
| Labor Increases | 97 |
| Other Non Labor Items | 8 |
| 2016 Plan | <u>3,739</u> |
| Labor Increases | 100 |
| Other Non Labor Items | 8 |
| 2017 Plan | <u>3,847</u> |

Headcount Progression Supply Chain

| | |
|-----------------------------------|-----------|
| 2011 Headcount | 49 |
| 2012 Headcount FC | <u>49</u> |
| Position Absorbed with Retirement | (1) |
| Intern Added | <u>1</u> |
| 2013-2017 Headcount Budget | 49 |

Other Balance Sheet Costs Supply Chain (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|----------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | 1,373 | 1,472 | 1,359 | 1,422 | 1,465 | 1,509 | 1,554 |
| Non labor | 643 | 464 | 675 | 695 | 709 | 723 | 737 |
| Total | <u>2,016</u> | <u>1,936</u> | <u>2,034</u> | <u>2,117</u> | <u>2,173</u> | <u>2,232</u> | <u>2,291</u> |



PPL companies

CFO Organization

2013 Business Plan

9-25-2012

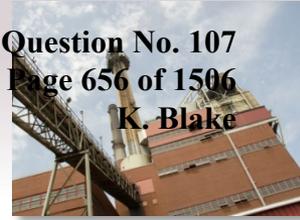


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Plan Highlights

- Operating expenses in all MTP years are below the 2012 plan
- Technology initiatives include Oracle R12, Hyperion, PeopleSoft Time and Labor, Wall Street Suites, PowerPlant - Property Tax and Capital Lease modules
- CFO budget is primarily labor costs (~70% of total annual budget)
- Audit, bank and insurance fees comprise approximately 25% of total annual costs

Major Assumptions

- Headcount remains flat throughout the plan period with 3% wage inflation.
- Non-labor expenditure types were escalated by 2% for 2015 - 2017.
- In 2013, labor and burdens are reduced by \$538k due to labor being charged to the Oracle project.
- \$210k increase in audit fees for 2013 due to the pre- or post-implementation review of Oracle R-12 (\$150k) and Hyperion (\$60k).



Operating Costs

2011-2017 OPEX and Other Expenses (\$000)

| Item | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|-----------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 11,427 | 11,322 | 11,269 | 12,110 | 12,474 | 12,848 | 13,233 |
| Audit Fees | 1,285 | 1,614 | 1,950 | 1,825 | 1,861 | 1,899 | 1,937 |
| Bank Fees | 1,177 | 1,174 | 1,425 | 1,468 | 1,497 | 1,527 | 1,557 |
| Insurance Mgmt Fee | 626 | 971 | 1,049 | 1,079 | 1,100 | 1,122 | 1,145 |
| Training, Travel and Meals | 273 | 293 | 431 | 445 | 454 | 463 | 472 |
| Other Outside Services | 688 | 646 | 267 | 123 | 125 | 128 | 130 |
| Other | 490 | 480 | 533 | 506 | 518 | 529 | 542 |
| Subtotal OPEX/Other expense | <u>15,966</u> | <u>16,500</u> | <u>16,924</u> | <u>17,556</u> | <u>18,029</u> | <u>18,516</u> | <u>19,016</u> |



2013-2017 OPEX/Other Expense Reconciliation (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|-------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 17,126 | 17,618 | 18,091 | 18,578 | 19,078 |
| Drivers: | | | | | |
| Labor and Burdens | (661) | (178) | (183) | (189) | (195) |
| Audit Fees | 210 | - | - | - | - |
| Bank Service Fees | 149 | 166 | 169 | 173 | 176 |
| Other | 100 | (50) | (48) | (46) | (43) |
| Current Plan | <u>16,924</u> | <u>17,556</u> | <u>18,029</u> | <u>18,516</u> | <u>19,016</u> |



2011-2017 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2011 Actual | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Other | | | | | | | |
| Oracle Upgrade | - | 2,778 | 4,612 | - | - | - | - |
| Peoplsoft Time and Labor | - | 451 | 800 | - | - | - | - |
| Wallstreet Suite | - | 194 | 346 | - | - | - | - |
| Powerplant Property Tax | - | - | 220 | - | - | - | - |
| Powerplant Memory | 33 | - | 40 | - | - | - | - |
| Powerplant Lease | - | - | 72 | - | - | - | - |
| Powerplant Budget | 187 | 148 | - | - | - | - | - |
| UI Planner | 392 | 13 | | | | | |
| Other | - | 10 | 10 | 500 | 500 | 750 | 500 |
| Total Capital and Cost of Removal | 612 | 3,594 | 6,100 | 500 | 500 | 750 | 500 |



Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | <u>2013 Budget</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> | <u>2017 Plan</u> |
|---------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Prior Plan | 8,448 | 500 | 500 | 500 | 500 |
| Changes: | | | | | |
| Oracle R12 | (2,888) | - | - | - | - |
| Peoplesoft Time | 700 | - | - | - | - |
| Powerplant Projects | (160) | - | - | - | - |
| Current Plan | <u>6,100</u> | <u>500</u> | <u>500</u> | <u>500</u> | <u>500</u> |

Headcount

2011-2017 Headcount

| Department | 2011 Year End | 2012 Forecast | 2013 Budget | 2014 Plan | 2015 Plan | 2016 Plan | 2017 Plan |
|--------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| CFO | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| CONTROLLER | 52 | 50 | 51 | 51 | 51 | 51 | 51 |
| AUDIT | 10 | 14 | 14 | 14 | 14 | 14 | 14 |
| TREASURER | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| TAX | 15 | 16 | 16 | 16 | 16 | 16 | 16 |
| FIN. PLAN AND CONTL | 26 | 26 | 25 | 25 | 25 | 25 | 25 |
| TOTAL | <u>124</u> | <u>127</u> | <u>127</u> | <u>127</u> | <u>127</u> | <u>127</u> | <u>127</u> |
| From 2012 Business Plan | | <u>131</u> | <u>131</u> | <u>131</u> | | | |
| Variance to 2012 Business Plan | | <u>-4</u> | <u>-4</u> | <u>-4</u> | | | |

Plan over Plan increases (decreases)

Elimination of Corp Planning and Development Dept. (-2 positions)

Position removed from Finance and Budgeting Corporate (Financial Planning and Controlling)

Position removed from Financial Accounting and Analysis (Controller)



Plan Risks

- Cost and schedule for capital projects
- Limited resources available for special projects

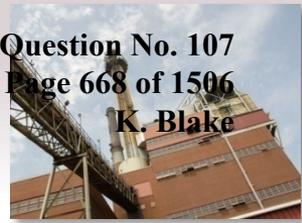
Appendix



Year over Year Walk Forward OPEX and Other Expense

| | |
|---|---------------|
| 2011 Actual | 15,966 |
| Oracle Assessment Fees | 491 |
| Contractors in 2011 to supplement work force | (496) |
| Audit Fees | 330 |
| Insurance Fees | 335 |
| Labor charged to Oracle project | (280) |
| Other | 154 |
| 2012 FC | <u>16,500</u> |
| Labor charged to Oracle project | (538) |
| Labor and burden increases | 359 |
| Labor vacancies in 2011 | 232 |
| No Oracle Assessment Fees | (491) |
| Audit Fees | 336 |
| Bank Fees | 251 |
| Training, Travel and Meals | 138 |
| Contractors backfilling during Oracle R12 project | 138 |
| Other | (1) |
| 2013 Budget | <u>16,924</u> |
| Labor and burdens increases | 287 |
| Return of Oracle labor to O&M | 554 |
| Audit Fees (net) | (125) |
| Contractors - Oracle project will be over | (138) |
| Other | 54 |
| 2014 Plan | <u>17,556</u> |
| Labor and burdens increases | 363 |
| Other non-labor items | 110 |
| 2015 Plan | <u>18,029</u> |
| Labor and burdens increases | 374 |
| Other non-labor items | 112 |
| 2016 Plan | <u>18,515</u> |
| Labor and burdens increases | 385 |
| Other non-labor items | 115 |
| 2017 Plan | <u>19,015</u> |





PPL companies

Corporate

2013 Business Plan

September 25, 2012

Corporate Expense Assumptions

- *Pension based on actuarial calculations – discount rate continues to be depressed in 2013*
- *For 2013, medical expense based on experience and national average increases of 7.5% annually for 2014 and beyond*
- *Continued savings from employee spousal surcharge for medical*
- *Property taxes for terminated 2005-2006 ECR plans rolled into normal operating taxes from cost of sales*
- *Allocation of PPL expenses consistent with the 2012 business plan*
- *Property insurance increases driven by recent appraisals and continued growth of assets*
- *Assumed amortization of regulatory assets will continue through plan periods based on rate case activity*
- *Assumed inventory write offs at Cane Run and Green River due to plant retirement will be moved to regulatory asset and amortized over five years*



Corporate Expense Details

| <u>(\$Millions)</u> | <u>2011 Act</u> | <u>2012FC</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--------------------------------------|-----------------|---------------|-------------|-------------|-------------|-------------|-------------|
| <i>Pension/Post Retirement</i> | 47 | 40 | 43 | 35 | 28 | 24 | 22 |
| <i>Medical/Dental</i> | 22 | 25 | 27 | 29 | 31 | 34 | 36 |
| <i>Payroll taxes</i> | 16 | 17 | 18 | 19 | 20 | 20 | 21 |
| <i>401k Drop In</i> | 8 | 10 | 10 | 11 | 11 | 12 | 12 |
| <i>Other Benefits</i> | 5 | 6 | 7 | 7 | 7 | 7 | 7 |
| <i>Property and Other Taxes</i> | 39 | 43 | 48 | 51 | 54 | 56 | 58 |
| <i>PPL Management Fee</i> | 15 | 13 | 13 | 13 | 13 | 13 | 14 |
| <i>Incentive Compensation</i> | 12 | 15 | 13 | 13 | 11 | 17 | 14 |
| <i>Insurance Expense</i> | 9 | 10 | 13 | 14 | 15 | 17 | 18 |
| <i>Amortization of Storm expense</i> | (1) | 14 | 15 | 15 | 15 | 15 | 14 |
| <i>IMEA/IMPA billings</i> | (11) | (11) | (11) | (12) | (12) | (13) | (14) |
| <i>Other</i> | 4 | 2 | (2) | 2 | (5) | (11) | (3) |
| Totals | 165 | 185 | 194 | 198 | 189 | 192 | 200 |

Corporate Expense Details – Plan over Plan

| <u>(\$Millions)</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|-------------|-------------|-------------|-------------|
| 2012 Business Plan | 182 | 184 | 178 | 177 |
| Pension | (6) | (6) | (6) | (6) |
| June Forecast - Q2 Planning Guidance | 176 | 178 | 172 | 171 |
| <i>PPL Stretch</i> | 6 | 7 | 8 | 9 |
| <i>Pension/post retirement</i> | 5 | 1 | (5) | (7) |
| <i>Property Insurance</i> | 3 | 4 | 4 | 5 |
| <i>ECR plan termination -prop tax</i> | 2 | 2 | 2 | 2 |
| <i>Property and Other Taxes</i> | 2 | 1 | 2 | 4 |
| <i>Medical savings (ESP)</i> | (4) | (4) | (6) | (7) |
| <i>Plant retirements</i> | - | - | 10 | 13 |
| <i>Other</i> | 4 | 9 | 2 | 2 |
| Current Plan | 194 | 198 | 189 | 192 |

2013 Plan Assumptions

- Rate Case authorized in KY and VA
 - File in KY every two years with rate relief effective January 2013, January 2015 and January 2017.
 - File in VA every two years with rate relief effective January 2014 and January 2016.
- ECR Future Filings.
 - July 1, 2013 (Brown 1,2 Fabric Filters and Mill Creek Landfill Expansion).
 - July 1, 2014 (CCP & Effluent Water).
- ECR 2005 and 2006 Compliance Plans terminated into base rates via the 2012 KY rate case.
- Maintain FERC formulary rates for KY municipals with rates reset each July 1
- Utility capitalization is comprised of 53% equity.
- Combined cycle plant of 640 MW commercial operation 5/1/2016 (\$559 million).
- Combined cycle plant of 640 MW commercial operation 6/1/2018 (\$692 million).
- Implementation of a gas leak mitigation cost recovery tracker in 2013 via the 2012 KY rate case.
- 5-year CAGR retail electric load growth of 0.9% (weather-normalized); retail gas load growth of 0.2% (weather-normalized).
- Short-term interest rates of LIBOR plus 20 bps.

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| 3 - Month LIBOR | 0.500% | 1.000% | 1.500% | 2.000% | 2.000% |
| 10 Yr - Treasury | 2.500% | 2.750% | 3.000% | 3.250% | 3.250% |

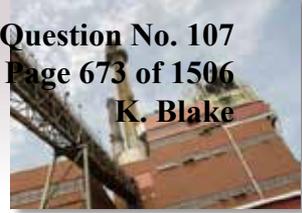
- Newly issued long-term debt rates for Utilities of 4.65% - 5.0% (65 basis points for issuance costs included).
- Pension discount rates increasing from 4.25% - 4.96%.
- Dividend policy equal to 65% of net income for the Utilities plus net cash excess/ (needs) of LKE.
- CO₂ / Renewable Portfolio Standard (RPS) legislation not effective for the Plan.
- No significant “smart grid” deployment in the Plan.



PPL companies

2012 MTP Electric Sales Forecast

June 24, 2011



Key observations in 2011 – Industrials leading growth while commercials lag

- *Compared to the first five months of 2010, total industrial sales have increased 2.1% (77 GWh) in January – May 2011*
- *North American Stainless showing strong production through May 2011 – up 5.2% over 2010*
- *Lower volumes from major industrials Cemex, Toyota, and Carbide Industries*
- *Commercial sales have been slower to recover compared to Industrial sales*

Optimism for local growth . . .

- *U.S. GDP is expected to grow by 2.7% in 2011 and 2.9% in 2012, versus 3.1% in 2012 in prior plan.*
- *In 2010, Kentucky Real Personal Income grew 1.5%, 0.5% higher than predicted by IHS Global Insight. Real Personal Income is expected to grow by another 2.8% in 2011.*
- *The number of 2012 Kentucky households estimated by Global Insight is 0.8% lower than last year's forecast. 2012 households are still expected to increase in comparison to the 2011 actual figure.*
- *Potential for future growth in Louisville—Downtown Development Corporation renovation projects and lending program.*
- *Discussion with Louisville small business owners reveal optimism about growth in the next two years.*



. . . but risks remain for state and national economy

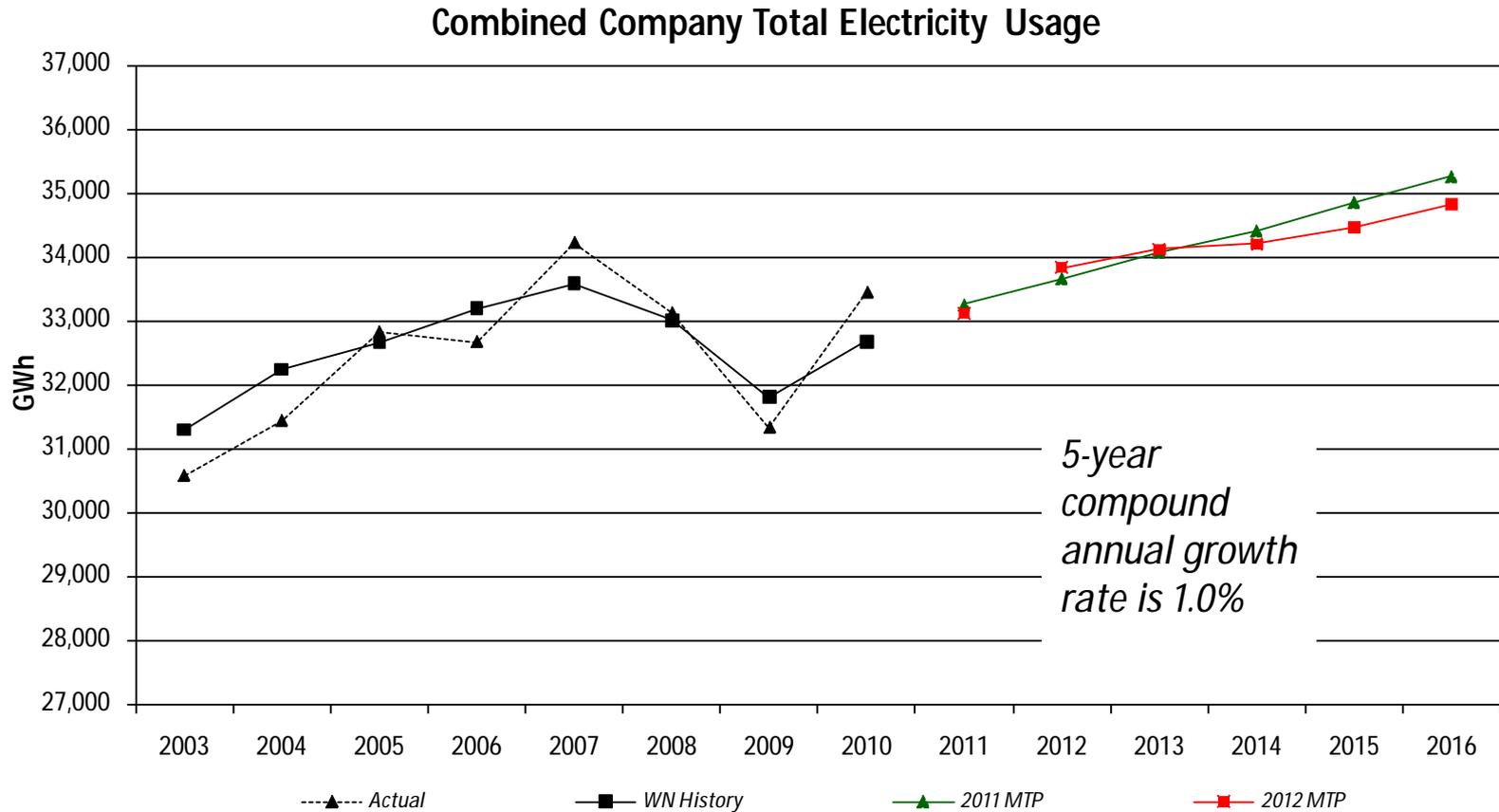
- *Federal Reserve announced on June 7th that the national economy was recovering more slowly than expected.*
- *Office space vacancy rate in the Louisville MSA is 15.2%. In good years, vacancy rate is half of that figure, even while construction creates new spaces.*
- *Expansion of new and current business is limited due to tight lending practices.*
- *Kentucky unemployment remains high at 10% but is expected to continue to drop over the remainder of 2011 and through 2012.*
- *Population expected to grow at 0.6-0.7% per year in Kentucky, less than the 1% historical growth over the last 20 years.*

Balance of 2011 expected to be in line with 2011 MTP

| Apr - Dec 2011 | | | | |
|----------------------------|----------------|----------------|----------------|-------------|
| Revenue Class | Forecast (GWh) | 2011 MTP (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 7,635 | 7,744 | (108) | -1.4% |
| <i>Commercial</i> | 8,175 | 8,263 | (88) | -1.1% |
| <i>Industrial</i> | 7,119 | 6,927 | 192 | 2.8% |
| <i>Municipals/Lighting</i> | 1,696 | 1,654 | 42 | 2.5% |
| Total | 24,625 | 24,588 | 37 | 0.1% |

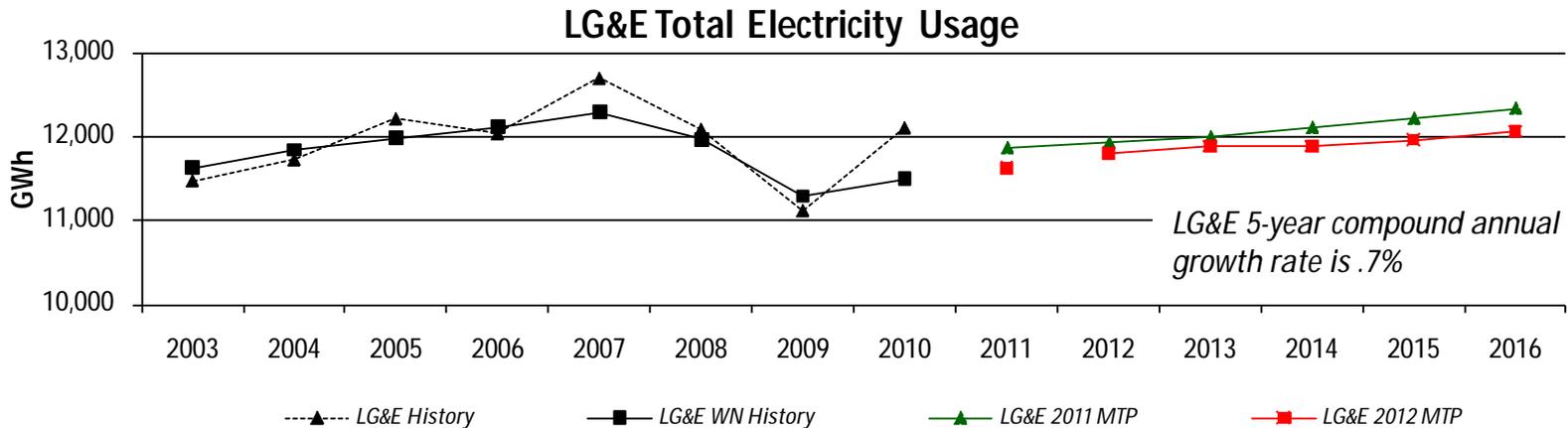
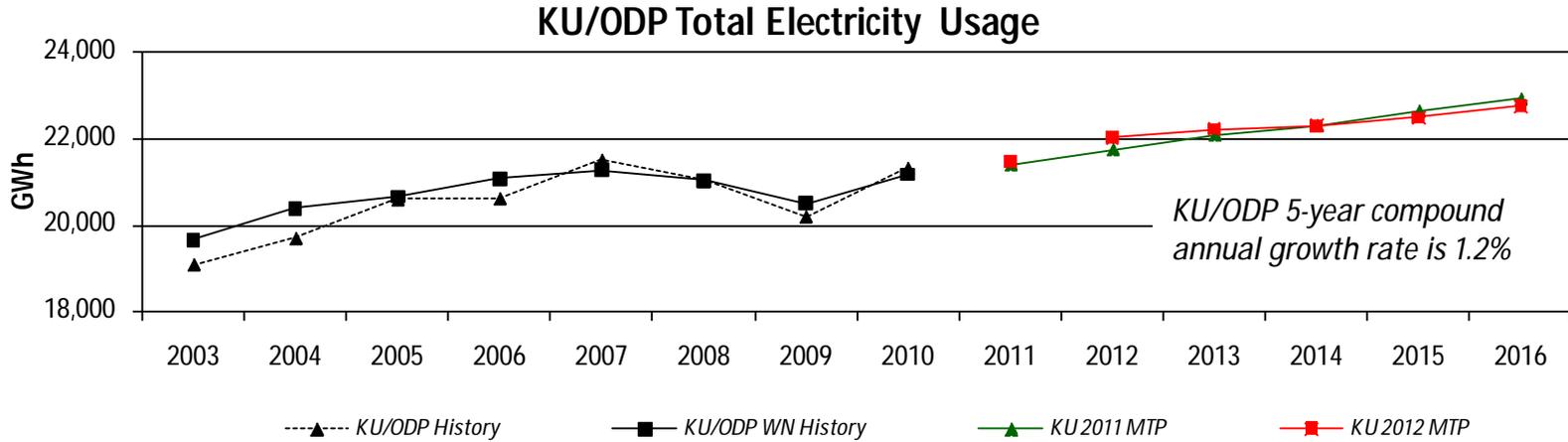
| Apr - Dec 2011 | | | | |
|-----------------|----------------|----------------|----------------|-------------|
| Company | Forecast (GWh) | 2011 MTP (GWh) | Variance (GWh) | Pct Var |
| <i>KU/ODP</i> | 15,811 | 15,599 | 212 | 1.4% |
| <i>LG&E</i> | 8,814 | 8,989 | (175) | -2.0% |
| Total | 24,625 | 24,588 | 37 | 0.1% |

2012 MTP: Combined company energy sales are largely consistent with 2011 MTP



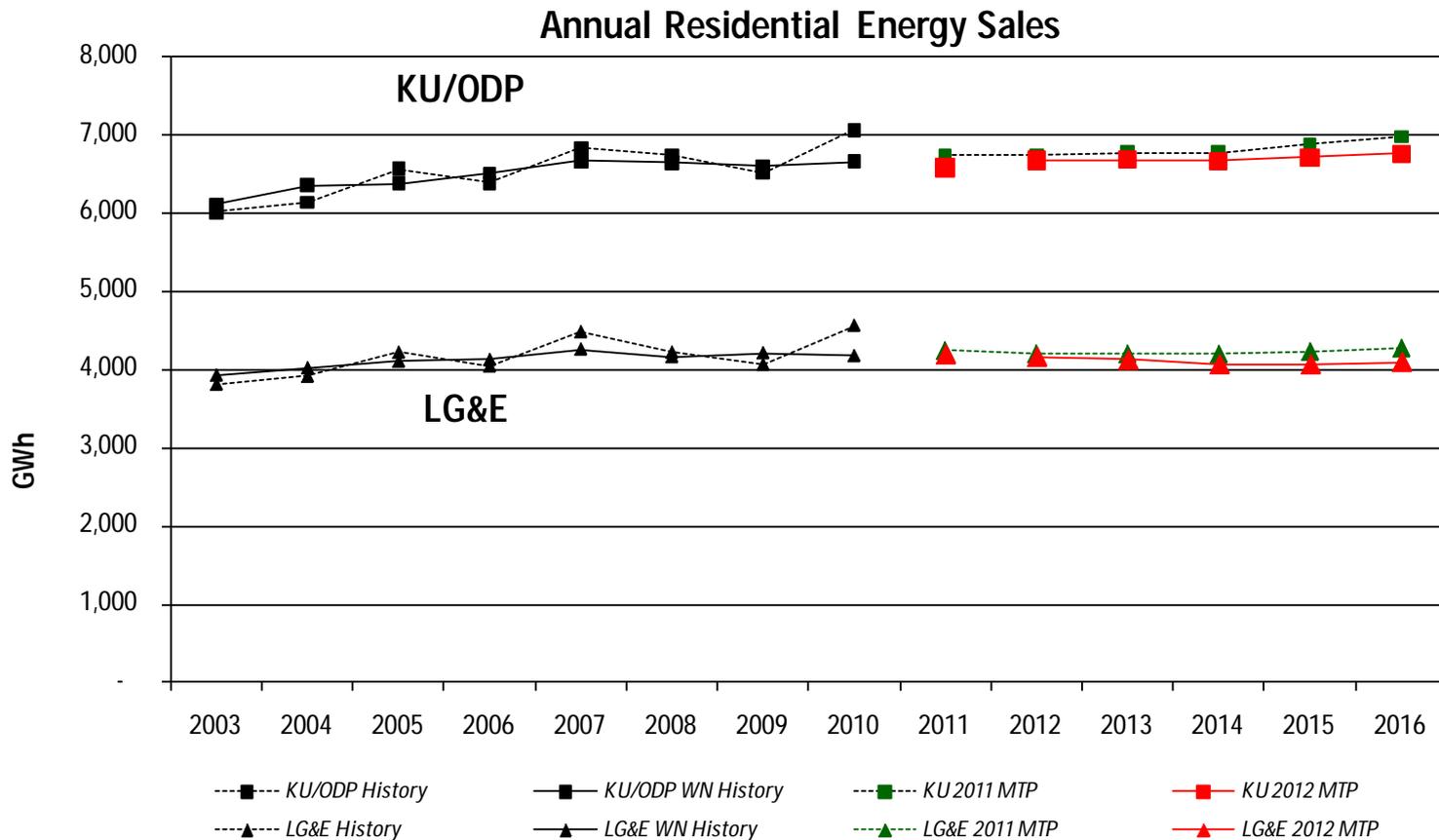
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

Total sales by utility largely consistent with 2011 MTP



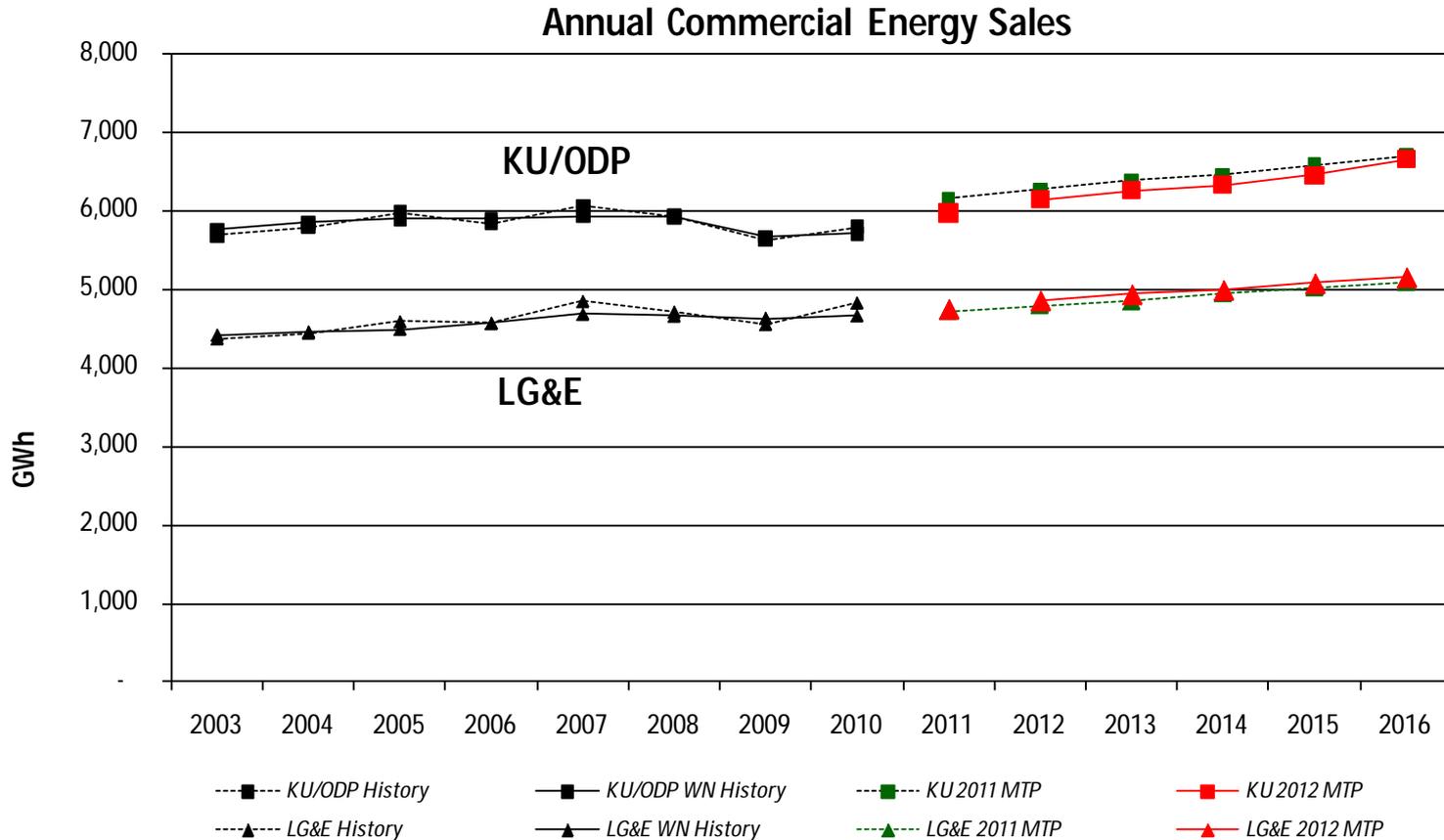
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

Slower customer growth driving residential sales below 2011 MTP



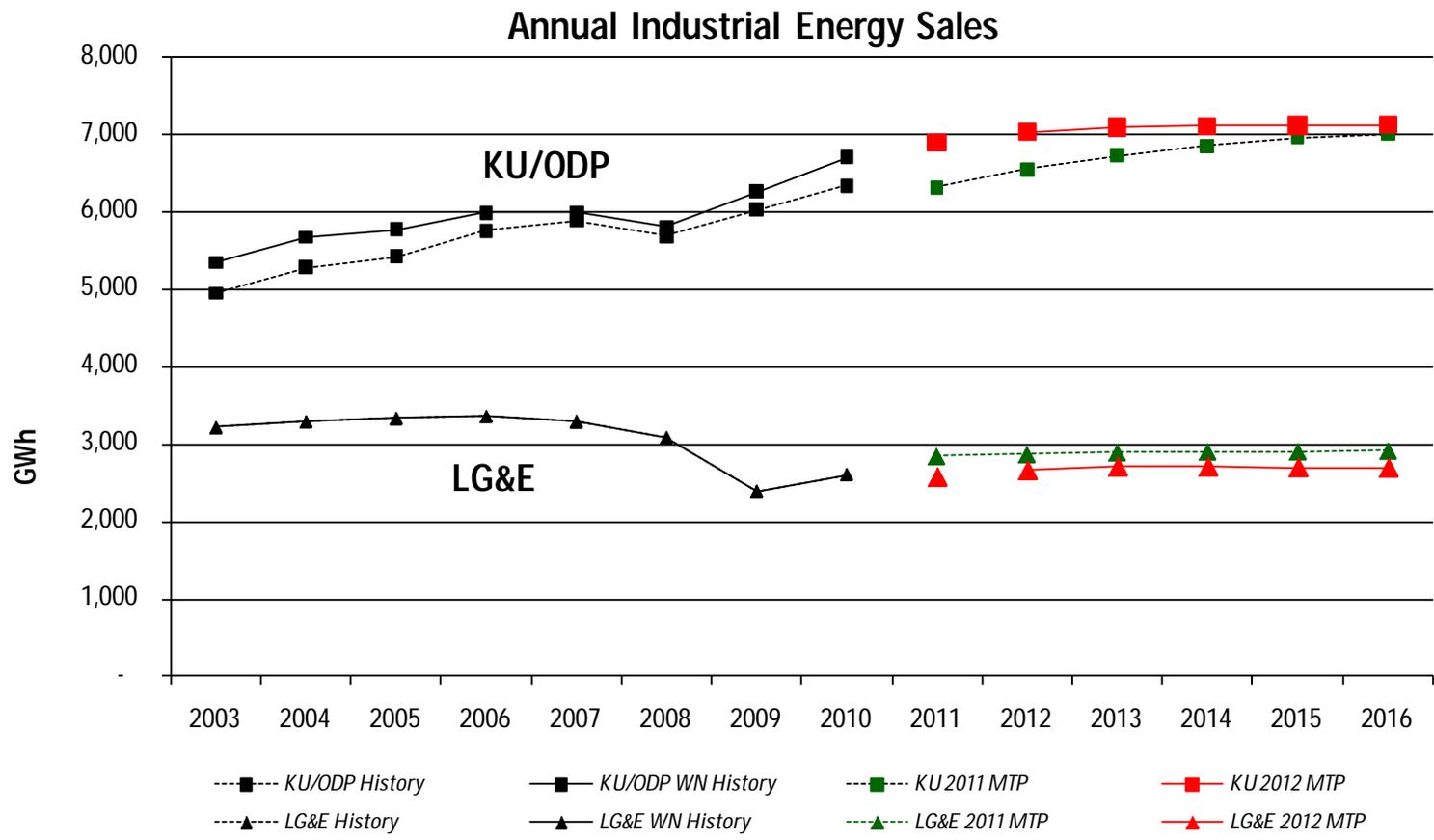
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

KU small commercial sales expected to have slower growth rate



* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

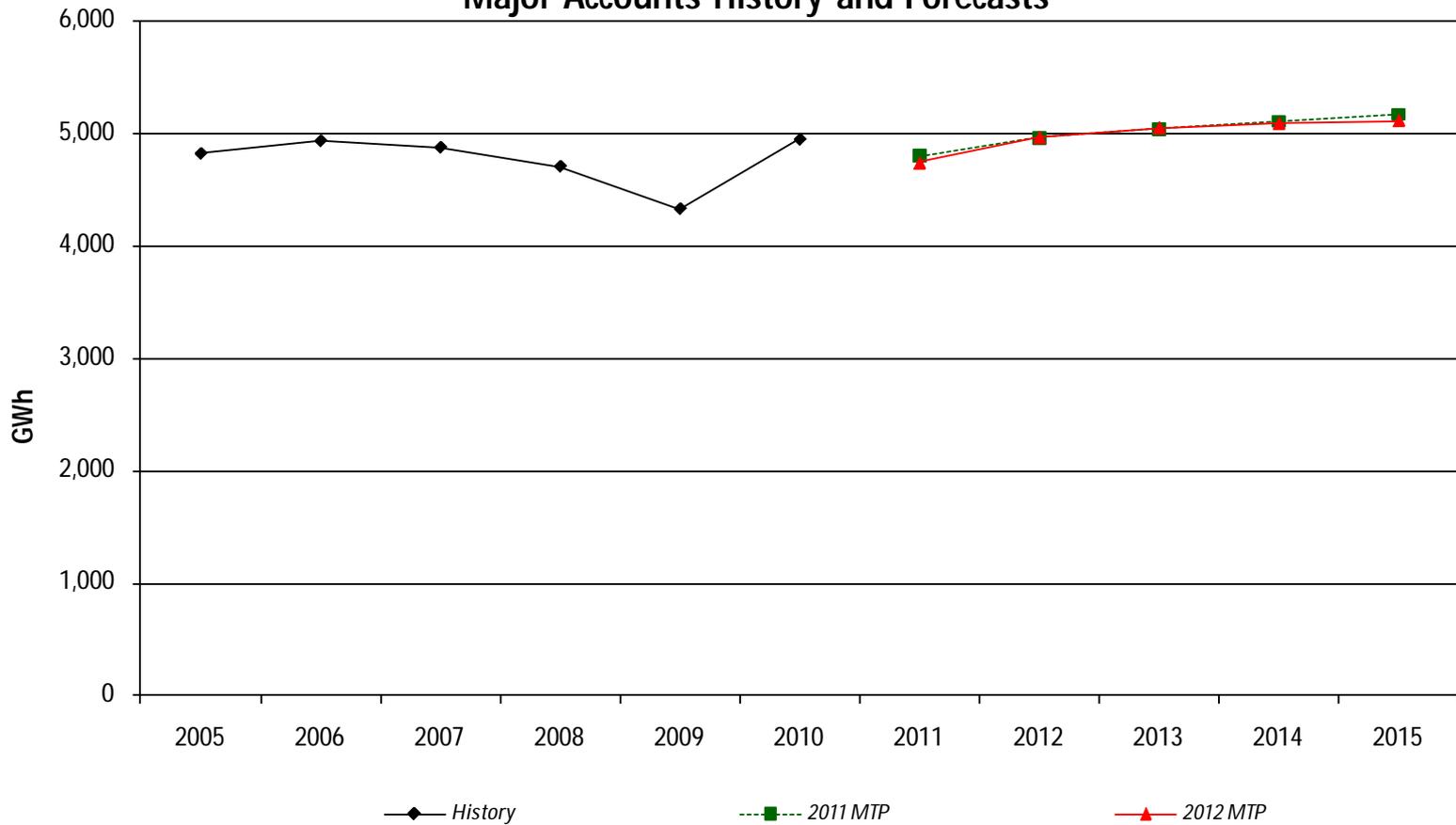
Industrial Sales: NAS and non-major accounts drive KU growth; Carbide driving LG&E sales lower



* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.



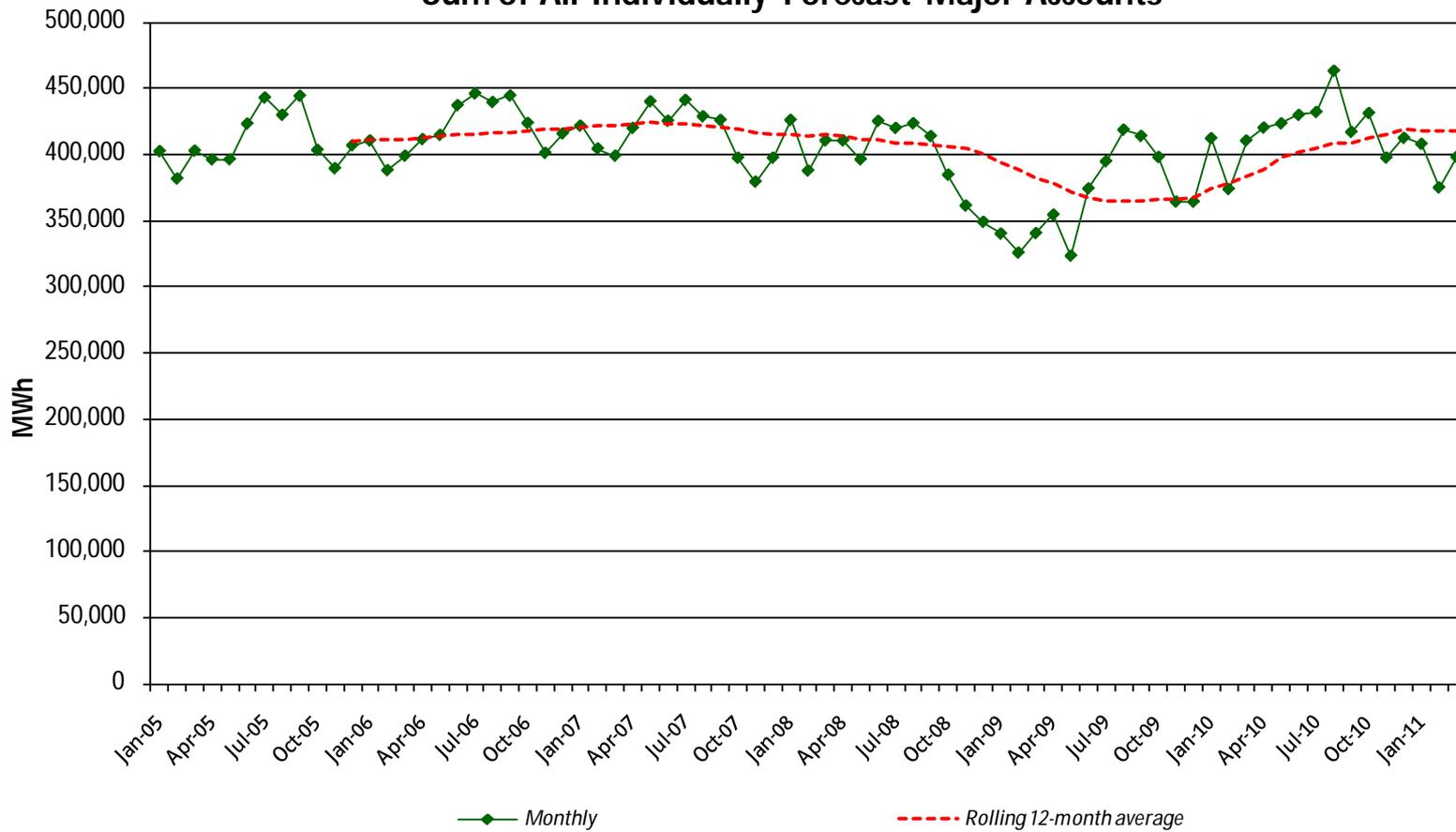
Major Accounts History and Forecasts



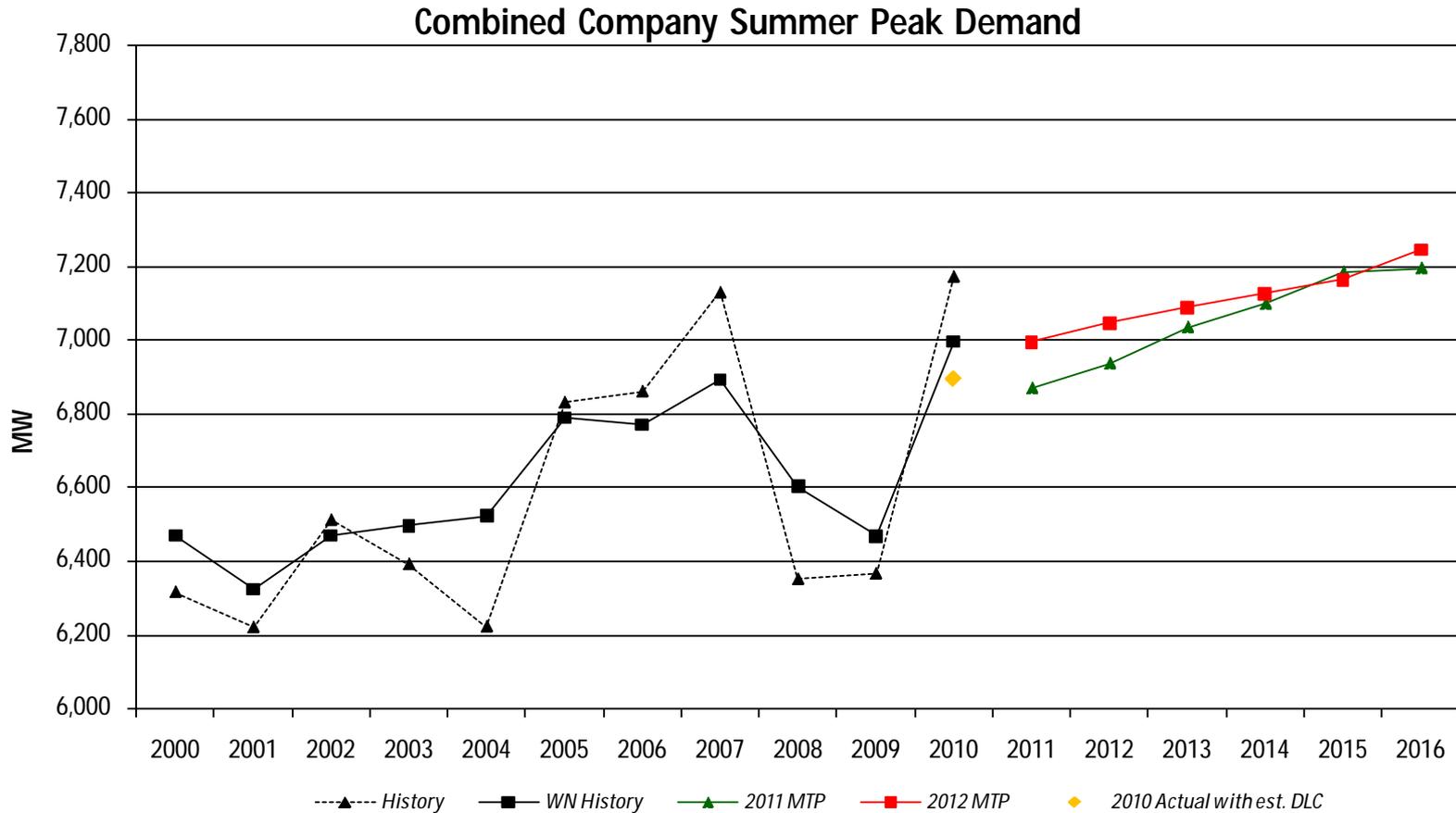
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

Major Accounts have leveled-off in recent months after strong growth in 2010

Sum of All Individually Forecast Major Accounts



Combined Company Peak Demand is flatter than previous forecasts, but starts at a higher level



* In 2012 MTP uncurtailed forecast, 2011 value is a weather-normalized 3+9 forecast.

Appendix



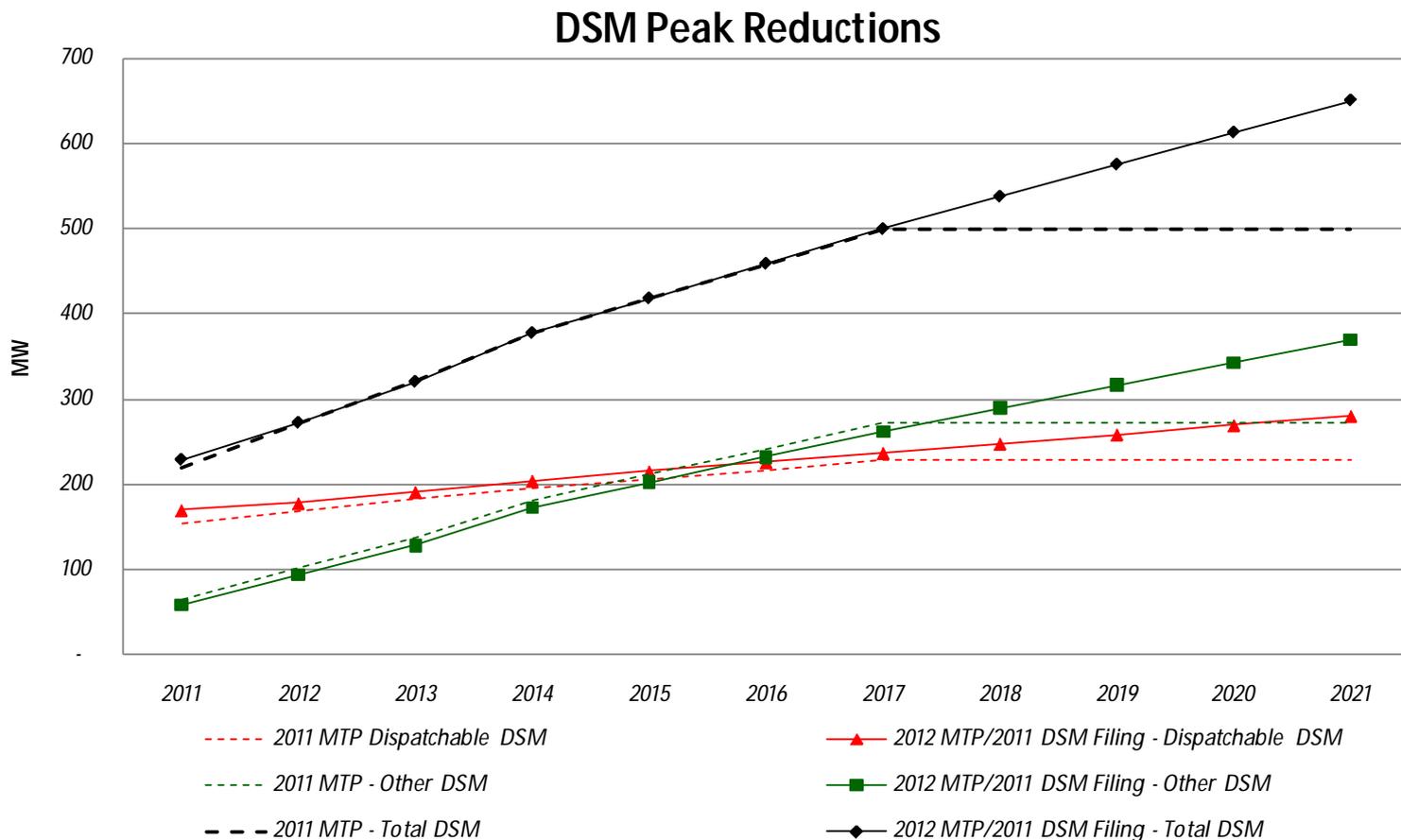
PPL companies

Notable Changes in Major Account Forecasts for 2012

- *The 2012 MTP is more optimistic for NAS and Dow Corning, but less optimistic for Fort Knox and Carbide*
- *The majority of major accounts have remained relatively flat from the 2011 MTP*
- *The 2012 MTP assumes a 50% probability of Carbide returning to a lower load of 27 MW*
- *Usage at the recently opened HR Center at Fort Knox has been below original expectations*
- *The 2012 MTP adds Corning (100+ GWh annual load) to the individually forecasted major accounts*

| Biggest Movers (GWh) | 2011 MTP | 2012 MTP | Delta |
|----------------------|----------|----------|-------|
| NAS | 1,003 | 1,221 | 218 |
| Dow Corning | 189 | 240 | 51 |
| Fort Knox | 292 | 253 | -38 |
| Carbide | 303 | 81 | -222 |

DSM assumptions for 2012 MTP consistent with 2011 DSM filing

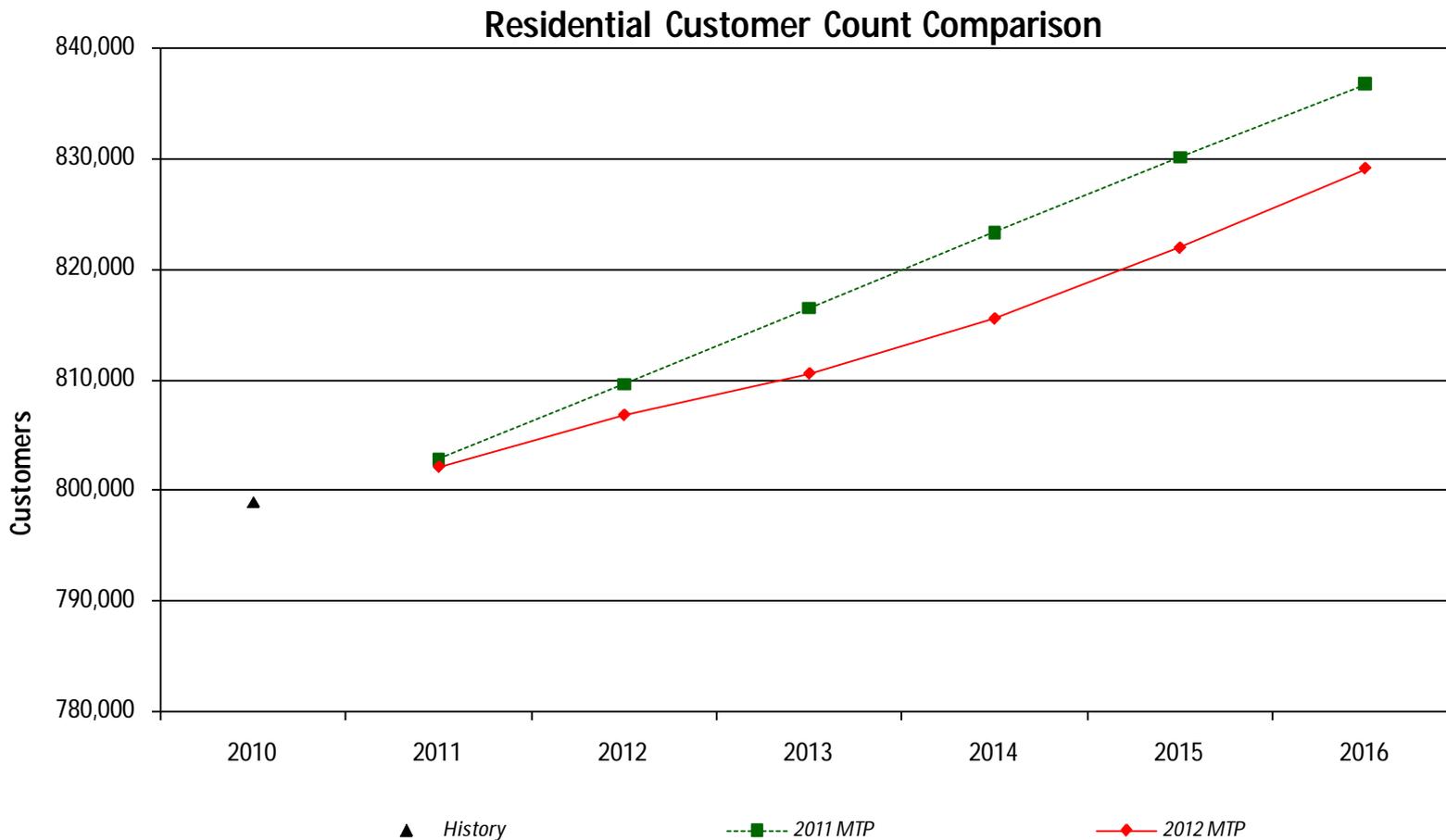


Contract Count by Rate

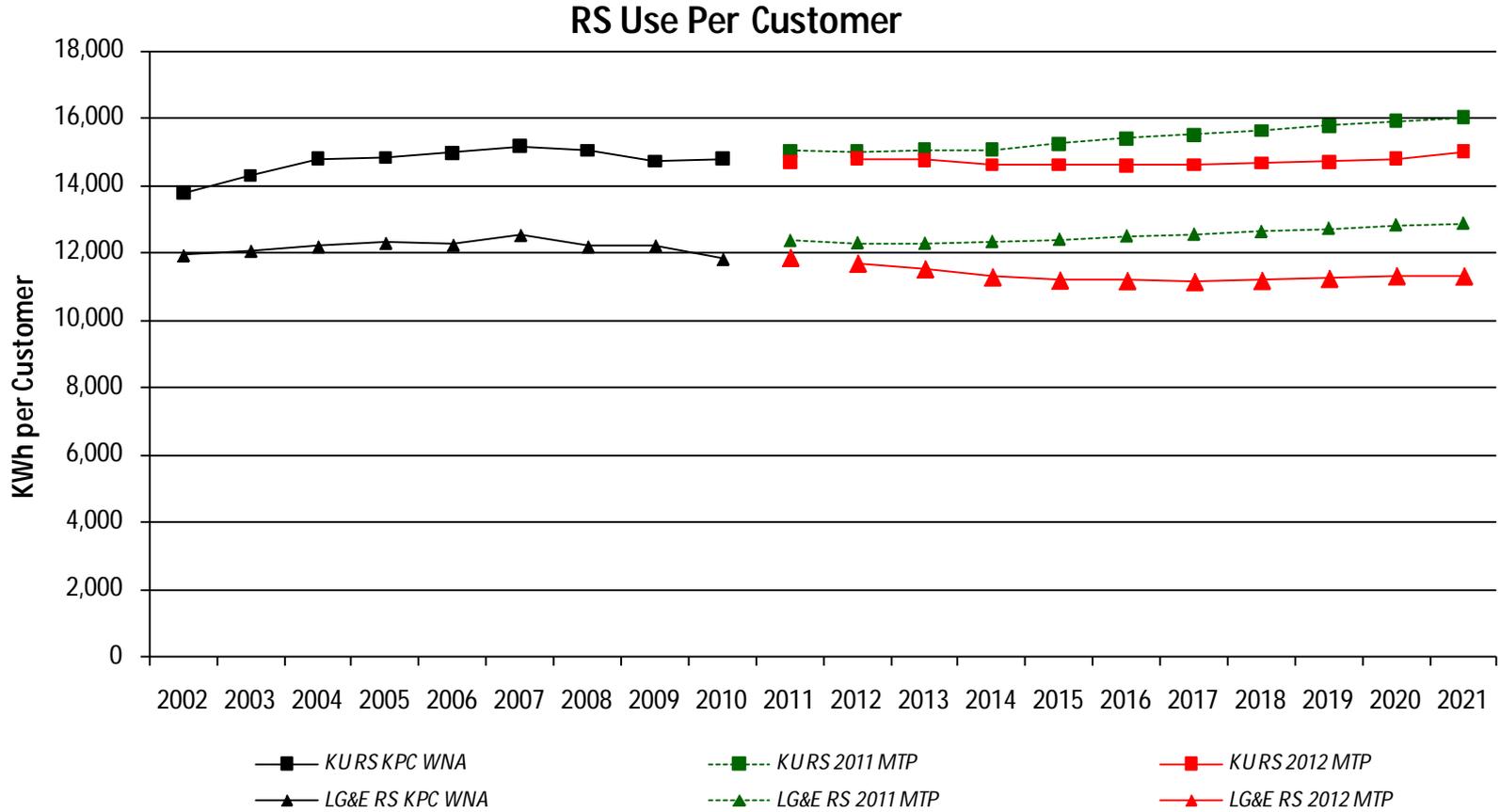
| Company | Rate | Current Contract Count | Estimated 2012 Contract Count | |
|---------|----------|---------------------------|----------------------------------|---------|
| KU/ODP | AES | 628 | 633 | |
| | FWP | 11 | 11 | |
| | Total GS | 85,652 | 86,338 | |
| | IST | 1 | 1 | |
| | LTODP | 50 | 50 | |
| | PSP | 364 | 364 | |
| | PSS | 6,258 | 6,258 | |
| | Total RS | 446,525 | 450,837 | |
| | RTS | 45 | 45 | |
| | SS | 169 | 169 | |
| | TN-RS | 5 | 5 | |
| | TODP | 80 | 81 | |
| | TODS | 105 | 108 | |
| | WPS | 12 | 12 | |
| | | | <hr/> | <hr/> |
| | | 540,340 | 545,349 | |
| LGE | CSP | 57 | 57 | |
| | CSS | 2,671 | 2,671 | |
| | CTODP | 26 | 28 | |
| | CTODS | 93 | 96 | |
| | Total GS | 43,873 | 44,221 | |
| | IPP | 30 | 30 | |
| | IPS | 313 | 313 | |
| | ITODP | 54 | 55 | |
| | ITODS | 29 | 30 | |
| | LE | 114 | 116 | |
| | Total RS | 352,532 | 356,027 | |
| | RTS | 11 | 11 | |
| | TE | 889 | 889 | |
| | | | <hr/> | <hr/> |
| | | | 400,691 | 404,544 |



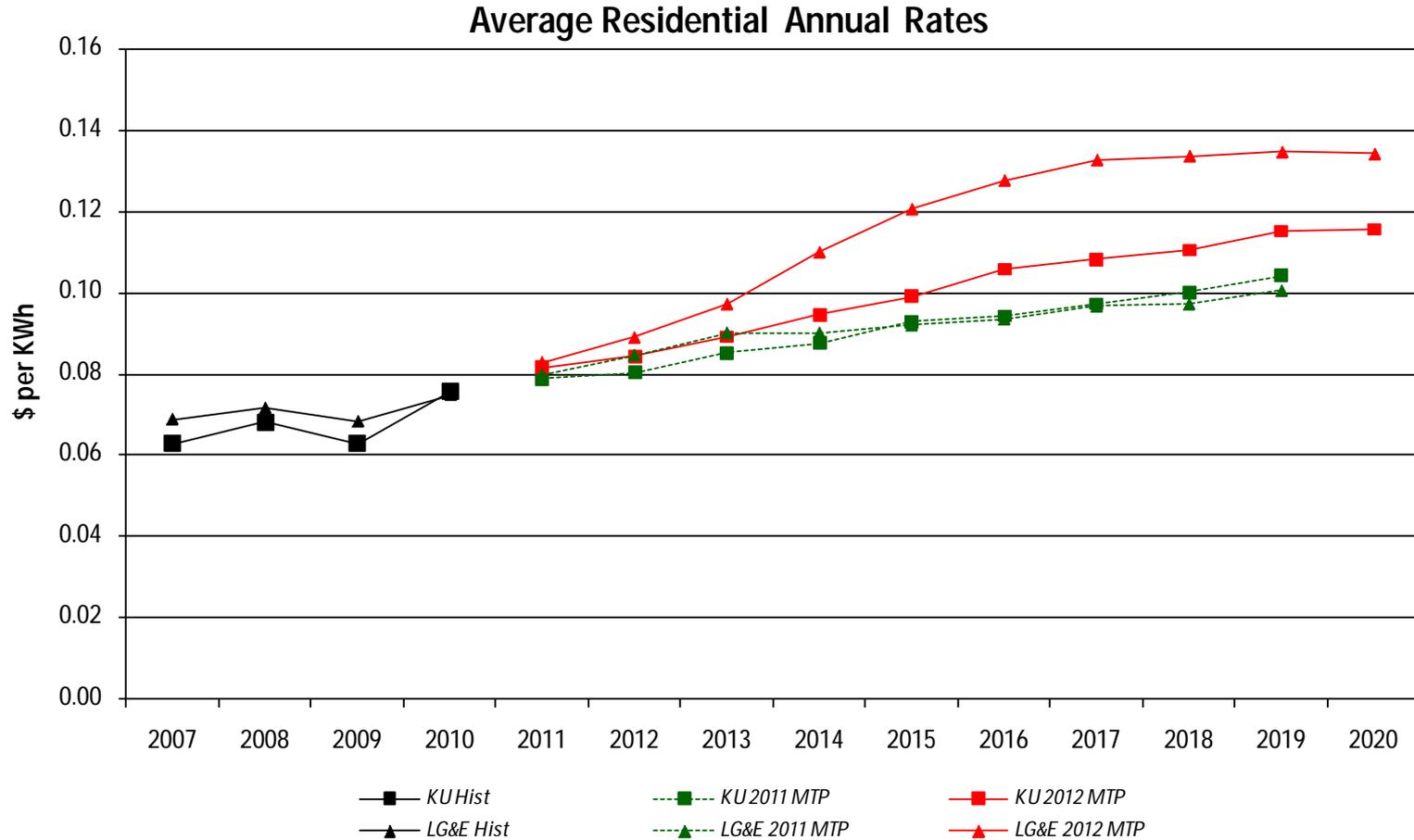
Residential customer growth expected to be slower than 2011 MTP



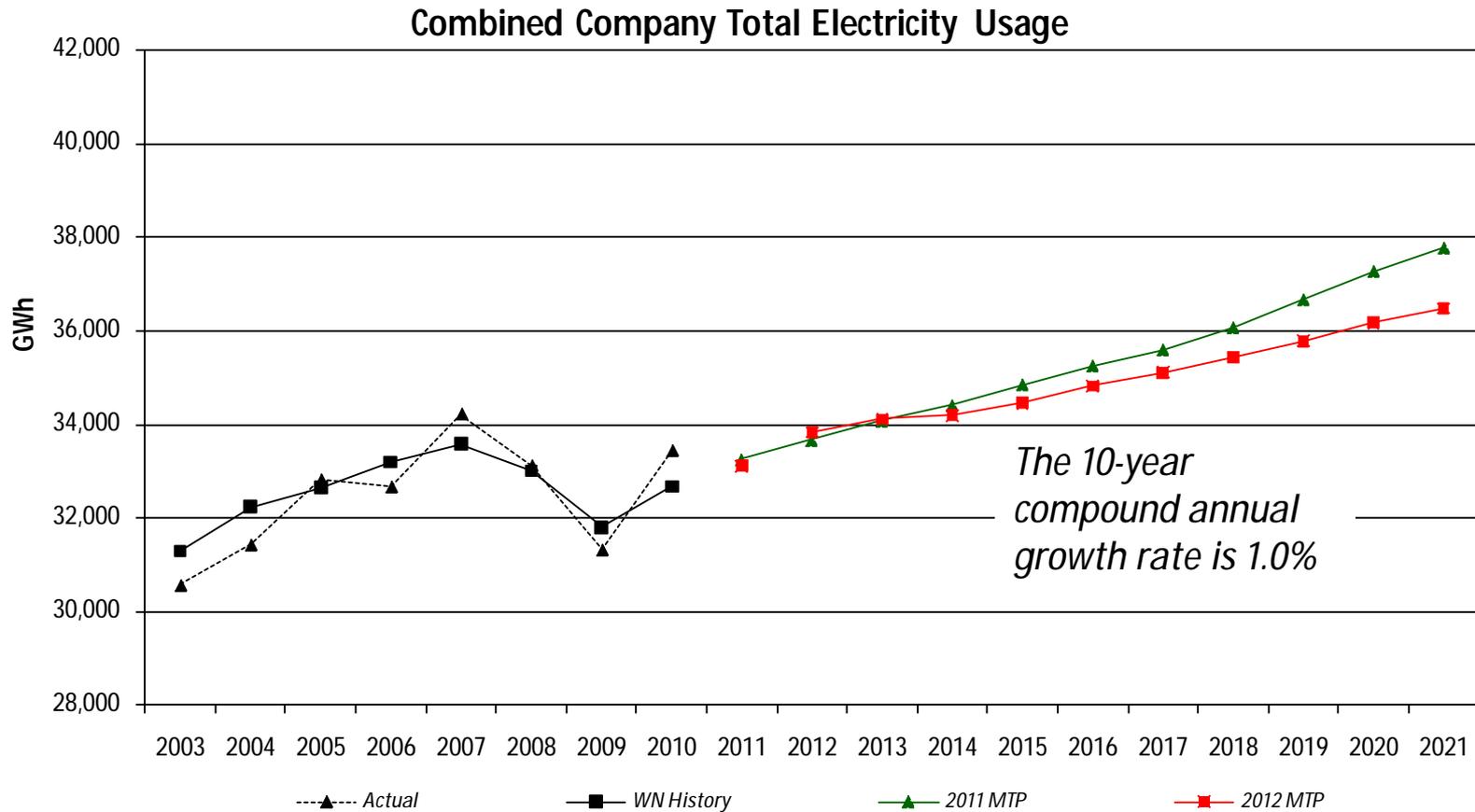
Residential Use-Per-Customer expected to be lower than in 2011 MTP



Residential rates increase significantly

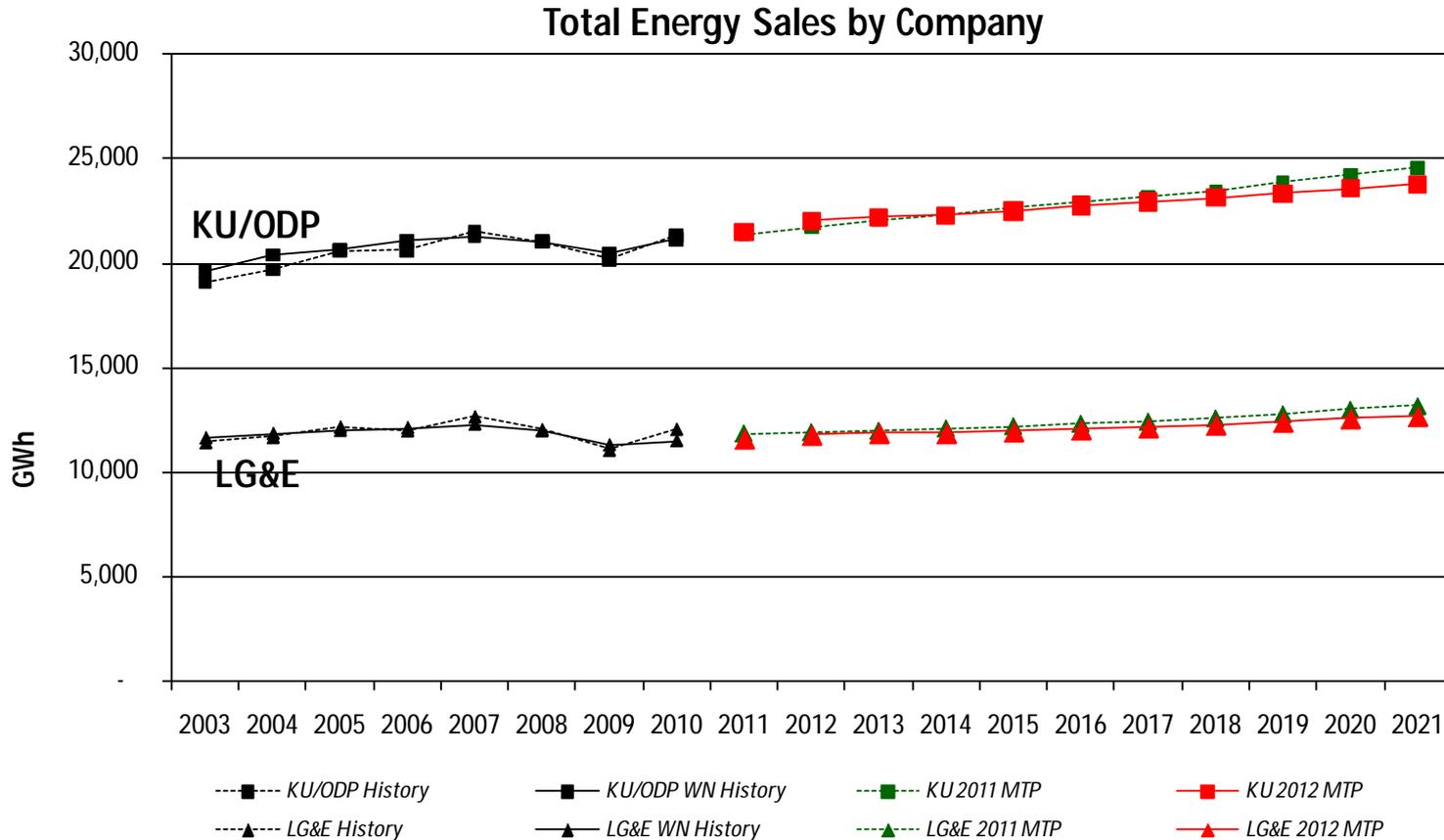


Combined Company expected growth rate is 1% through 2021



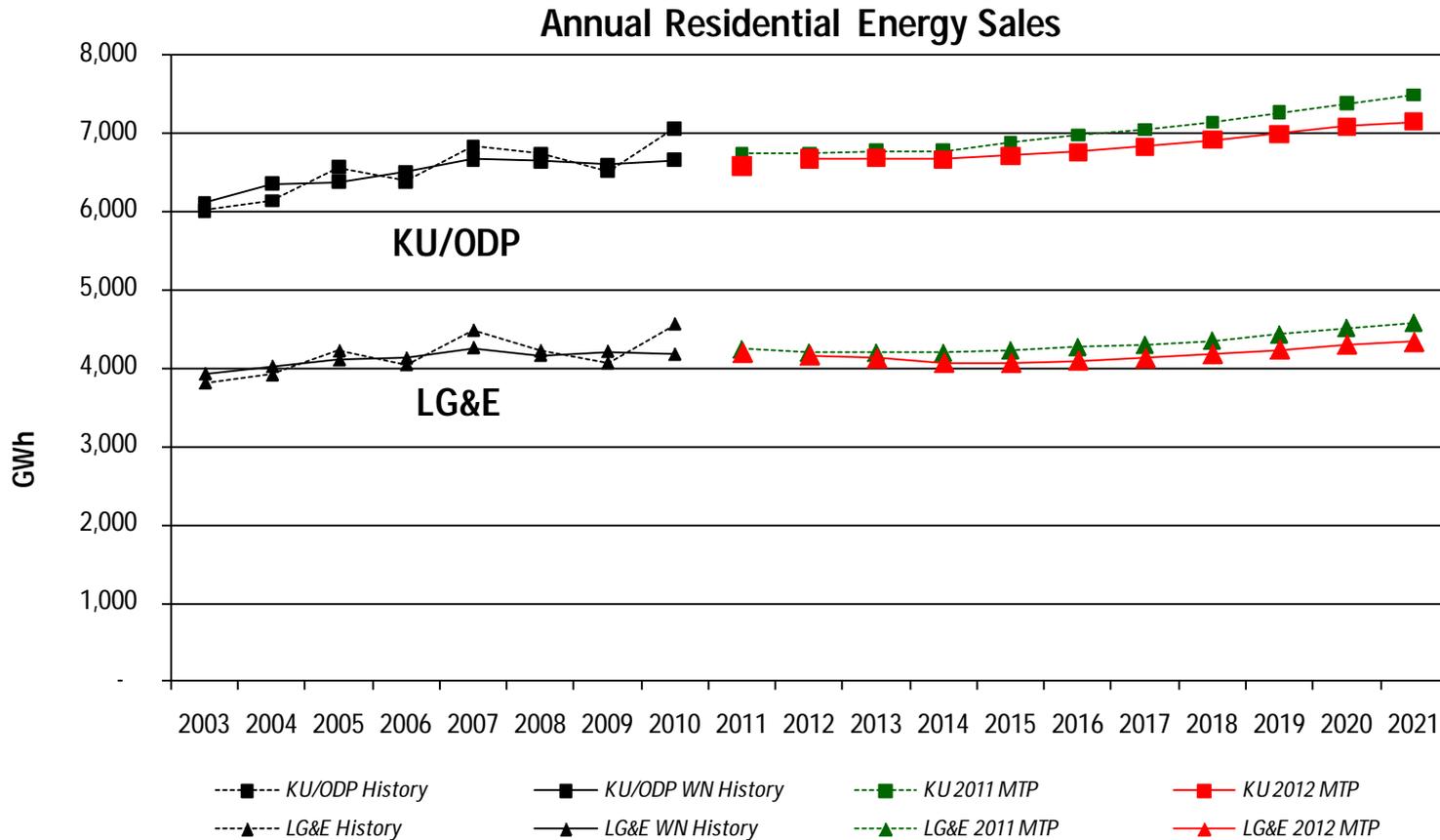
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

Long-term growth slightly lower than 2011 MTP



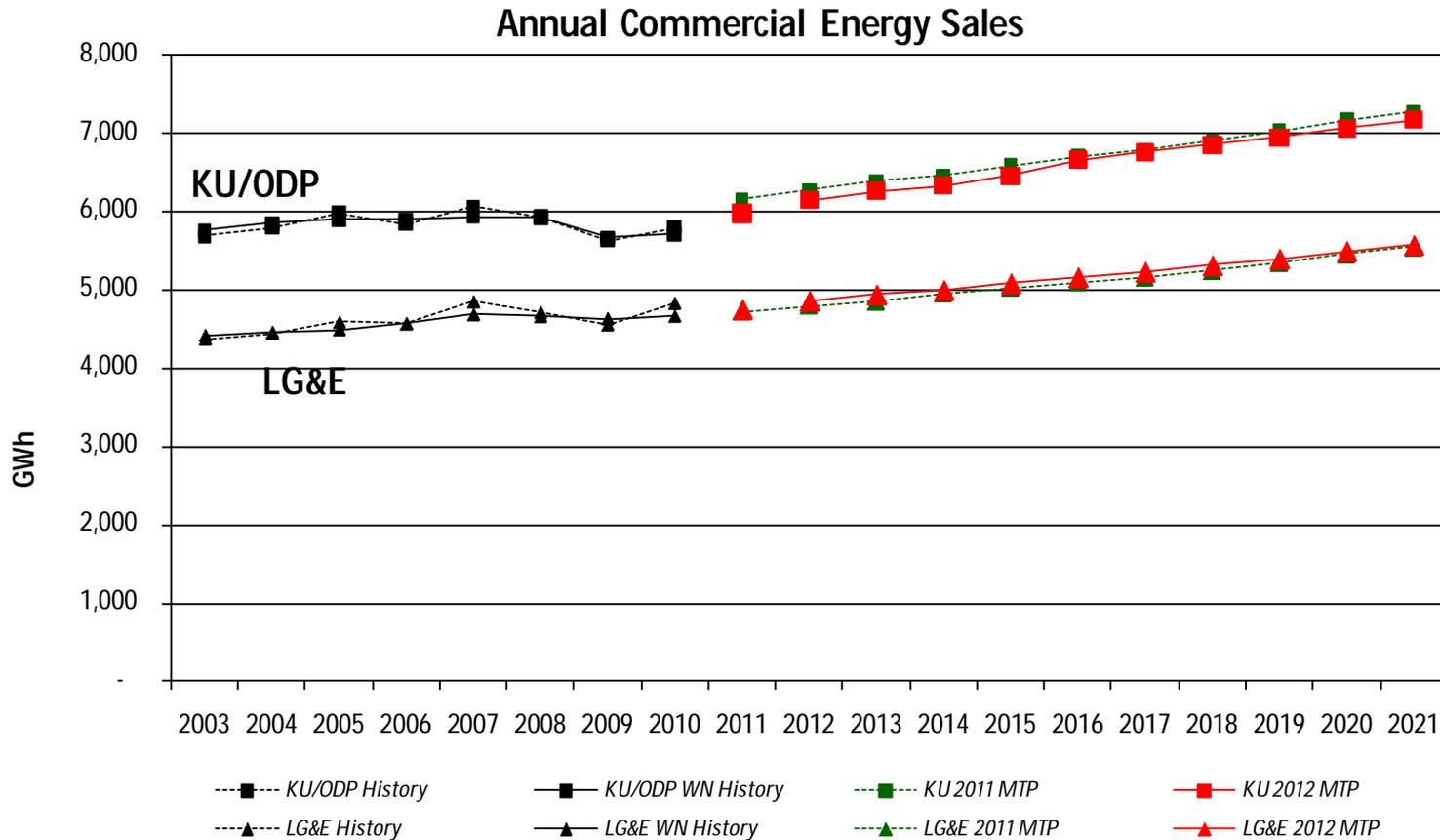
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

Residential growth flatter in 2012 MTP



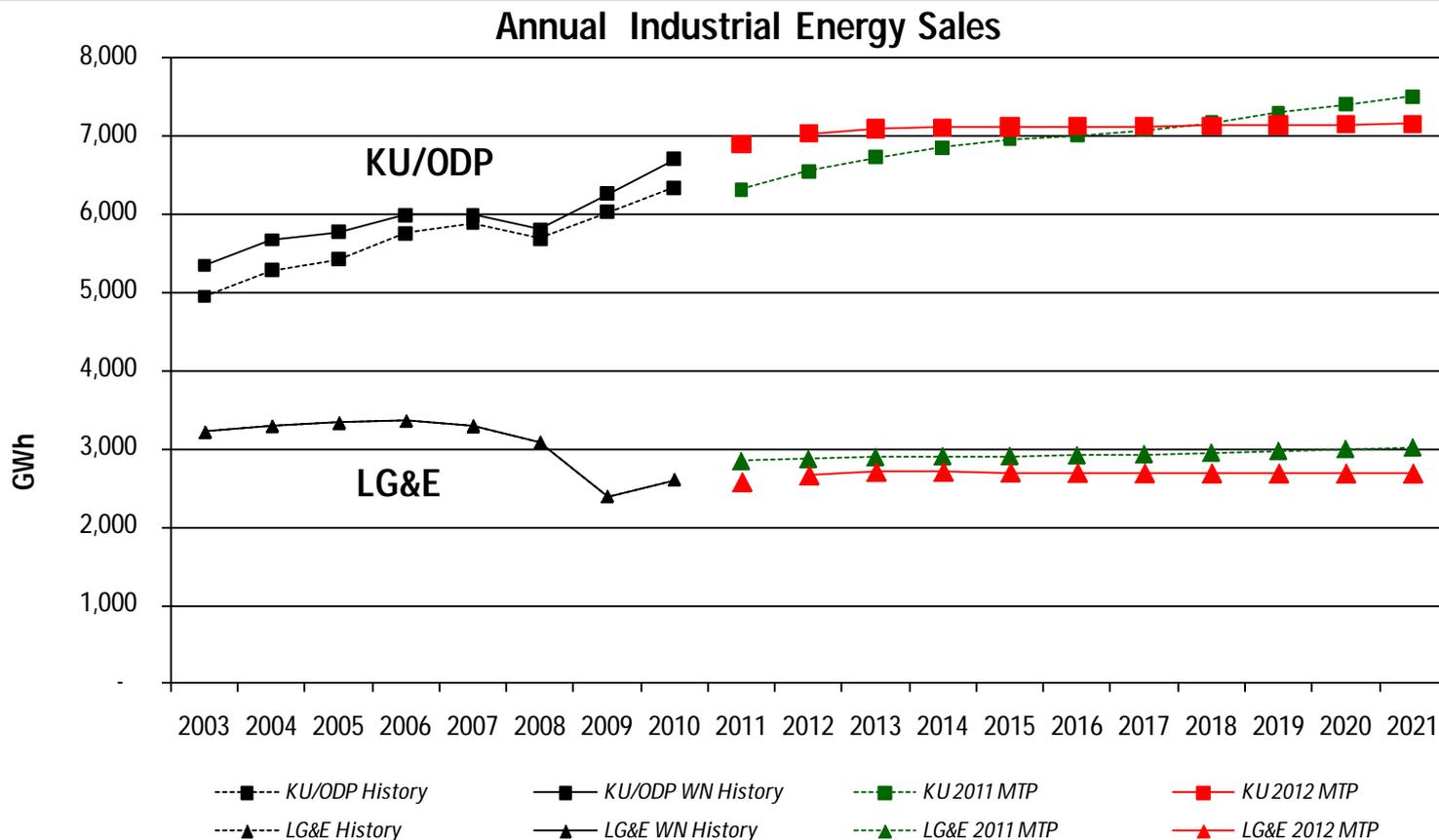
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

KU Commercial sales start from lower level



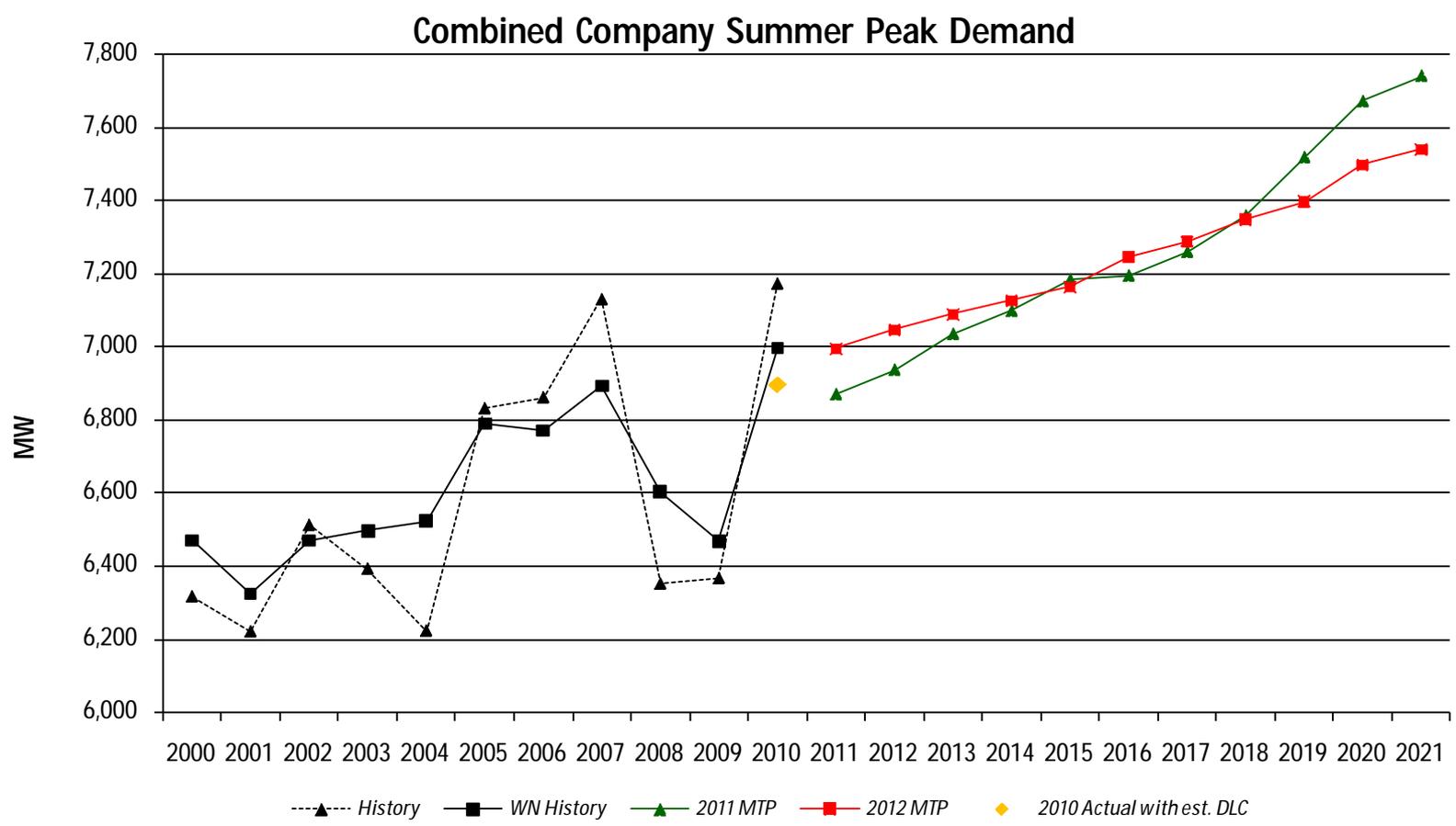
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

KU Industrials flatten after 2014; NAS is near term driver of growth compared to 2011 MTP



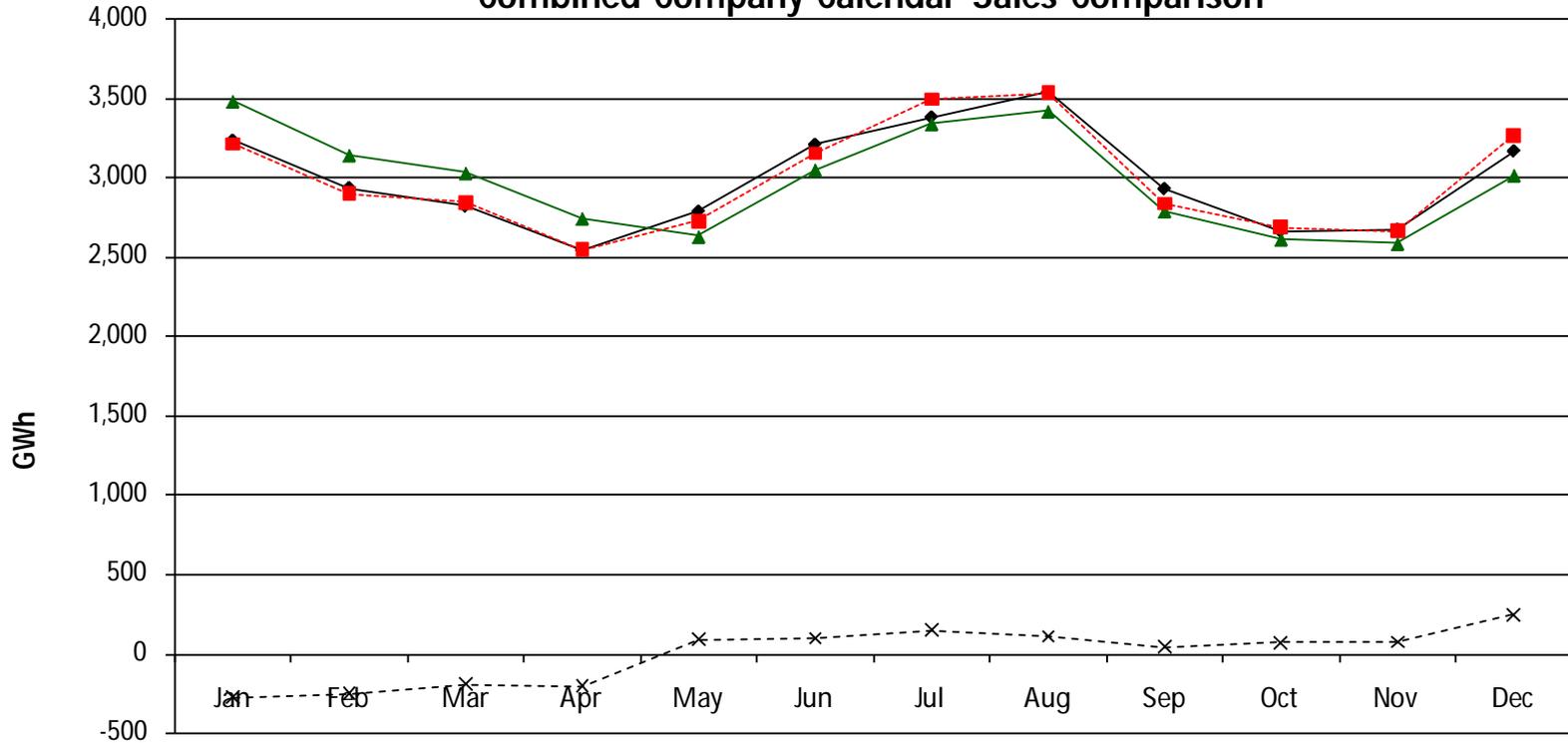
* In 2012 MTP forecast, 2011 value is a weather-normalized 3+9 forecast.

Longer-term peak demand forecast reflects additional DSM after 2017



2012 calendar energy allocation consistent with 10-year historical results

Combined Company Calendar Sales Comparison



- ◆ 10-year Combined Company WN Actual Allocations, (using 2012 energy total)
- ▲ 2011 MTP Allocations, (using 2012 energy total)
- 2012 MTP
- × Change Between 2011 and 2012 Allocation

State predictions for 2012 stronger in 2011 Q2 than those made in 2010 Q2

Year-over-Year Change to Economic Inputs

| | Employment, Total Nonfarm | | Households, Total | | Population | | Real Gross State Product (GSP) | | Real Per Capita Personal Income | | Real Personal Income | |
|---------|----------------------------|-----------------|----------------------------|-----------------|----------------------------|-----------------|--------------------------------|-----------------|---------------------------------|-----------------|----------------------------|-----------------|
| | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | | % Change in 2012 Estimate: | |
| | 1.00% | | -0.80% | | 0.20% | | 1.50% | | 1.90% | | 2.10% | |
| | 2010 Prediction | 2011 Prediction | 2010 Prediction | 2011 Prediction | 2010 Prediction | 2011 Prediction | 2010 Prediction | 2011 Prediction | 2010 Prediction | 2011 Prediction | 2010 Prediction | 2011 Prediction |
| 2010 Q2 | 1,758 | 1,772 | 1,721 | 1,722 | 4,340 | 4,346 | 139,629 | 141,285 | 29 | 30 | 126,194 | 130,015 |
| 2011 Q2 | 1,777 | 1,799 | 1,745 | 1,732 | 4,366 | 4,373 | 142,783 | 144,279 | 30 | 31 | 129,736 | 133,694 |
| 2012 Q2 | 1,815 | 1,833 | 1,762 | 1,748 | 4,392 | 4,402 | 146,713 | 148,891 | 30 | 31 | 133,573 | 136,425 |
| 2013 Q2 | 1,844 | 1,862 | 1,780 | 1,764 | 4,418 | 4,432 | 150,488 | 152,710 | 31 | 32 | 136,779 | 139,702 |
| 2014 Q2 | 1,864 | 1,894 | 1,791 | 1,782 | 4,444 | 4,464 | 153,972 | 157,149 | 32 | 32 | 141,806 | 144,436 |
| 2015 Q2 | 1,881 | 1,921 | 1,815 | 1,801 | 4,470 | 4,497 | 157,799 | 161,513 | 33 | 33 | 146,558 | 149,382 |
| 2016 Q2 | 1,901 | 1,947 | 1,833 | 1,820 | 4,496 | 4,529 | 161,904 | 165,617 | 34 | 34 | 151,737 | 154,332 |

*All Estimates are expressed in thousands except for Real Personal Income and Real GSP which are expressed in terms of Millions 2005 USD

U.S. GDP outlook decreased since 2010

| Prediction of Real GDP Growth (%) | | | | | |
|-----------------------------------|------|------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 2010 Q2 | 3.46 | 2.88 | 3.07 | 2.67 | 2.76 |
| 2010 Q3 | 2.81 | 2.36 | 2.93 | 2.87 | 3.22 |
| 2010 Q4 | 2.74 | 2.25 | 2.88 | 2.71 | 3.10 |
| 2011 Q1 | 2.86 | 3.21 | 2.90 | 3.05 | 3.33 |
| 2011 Q2 | 2.85 | 2.70 | 2.92 | 2.76 | 3.33 |

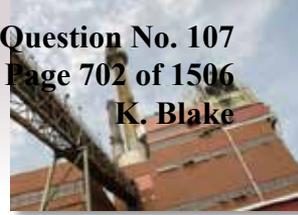
Source: IHS Global Insight



PPL companies

2012 MTP Generation & OSS Forecast – CSAPR Stay & January OSS Update

*Generation Planning & Analysis
January 23, 2012*



Background – Challenges for CSAPR SO₂ Compliance

- *July-Approved MTP*
 - *No Green River transmission constraint*
 - *Low Green River capacity factors (<10%)*
- *September Update*
 - *Included Green River transmission constraint*
 - *Displaced significant energy at Mill Creek and Cane Run with gas generation and power purchases*
 - *Native load production costs increased by ~\$20M annually in 2012-14*
- *October Update*
 - *Higher SO₂ removal rates for existing FGDs*
 - *Lower sulfur content for Green River and Cane Run coal*



Revised plan to reflect stay of CSAPR

- *January Update Assumptions*
 - *CSAPR timeline delayed by 1 year: begins 1/1/2013*
 - *Emission compliance plan:*
 - *2012: CAIR*
 - *2013+: CSAPR physical compliance*
 - *SO₂ removal rates consistent with 2011*
 - *Removed lower sulfur content coal at Green River and Cane Run*
 - *Updated market electricity and gas prices (1/3/12 quote date instead of 6/17/11)*

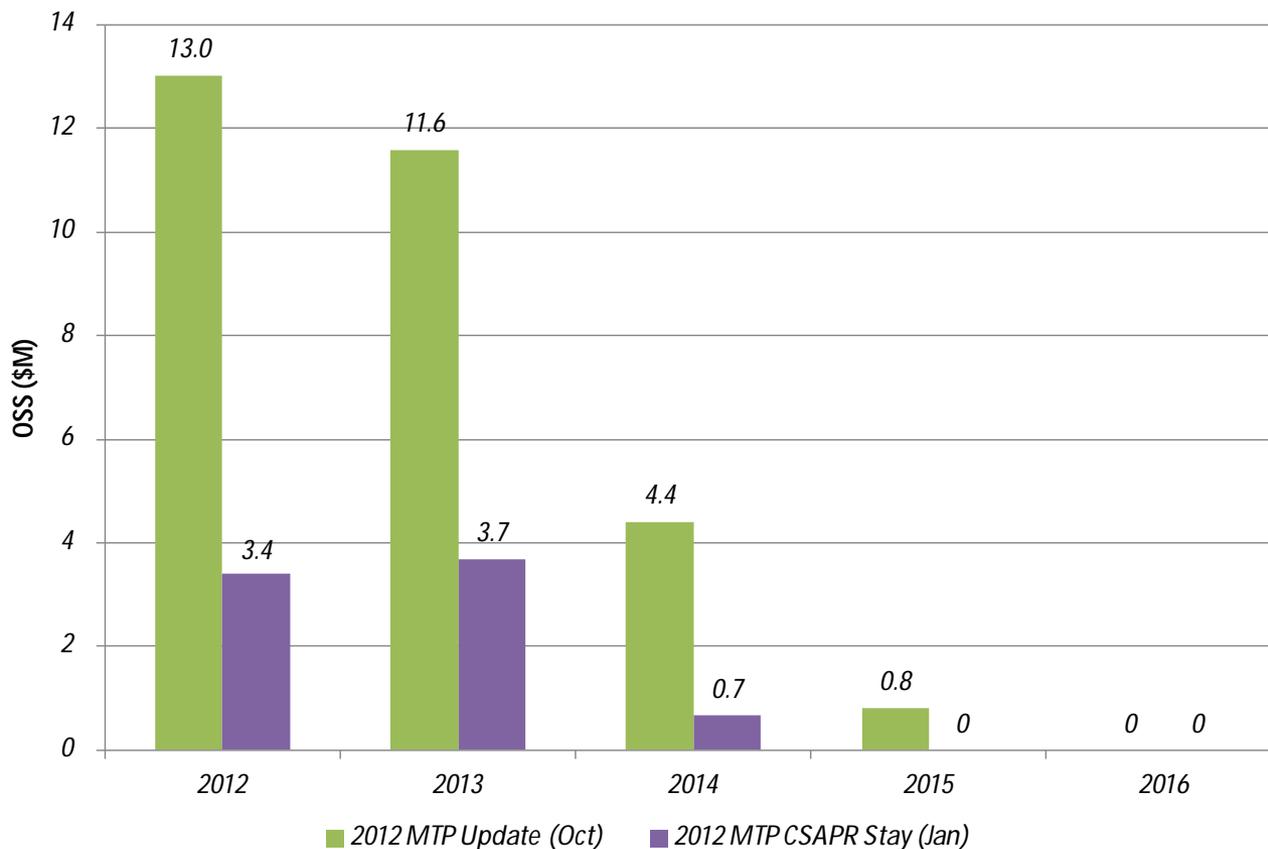
CSAPR stay reduces production costs compared to all prior 2012 MTP results

Difference in Native Load Production Costs from July-Vintage 2012 MTP (\$M)

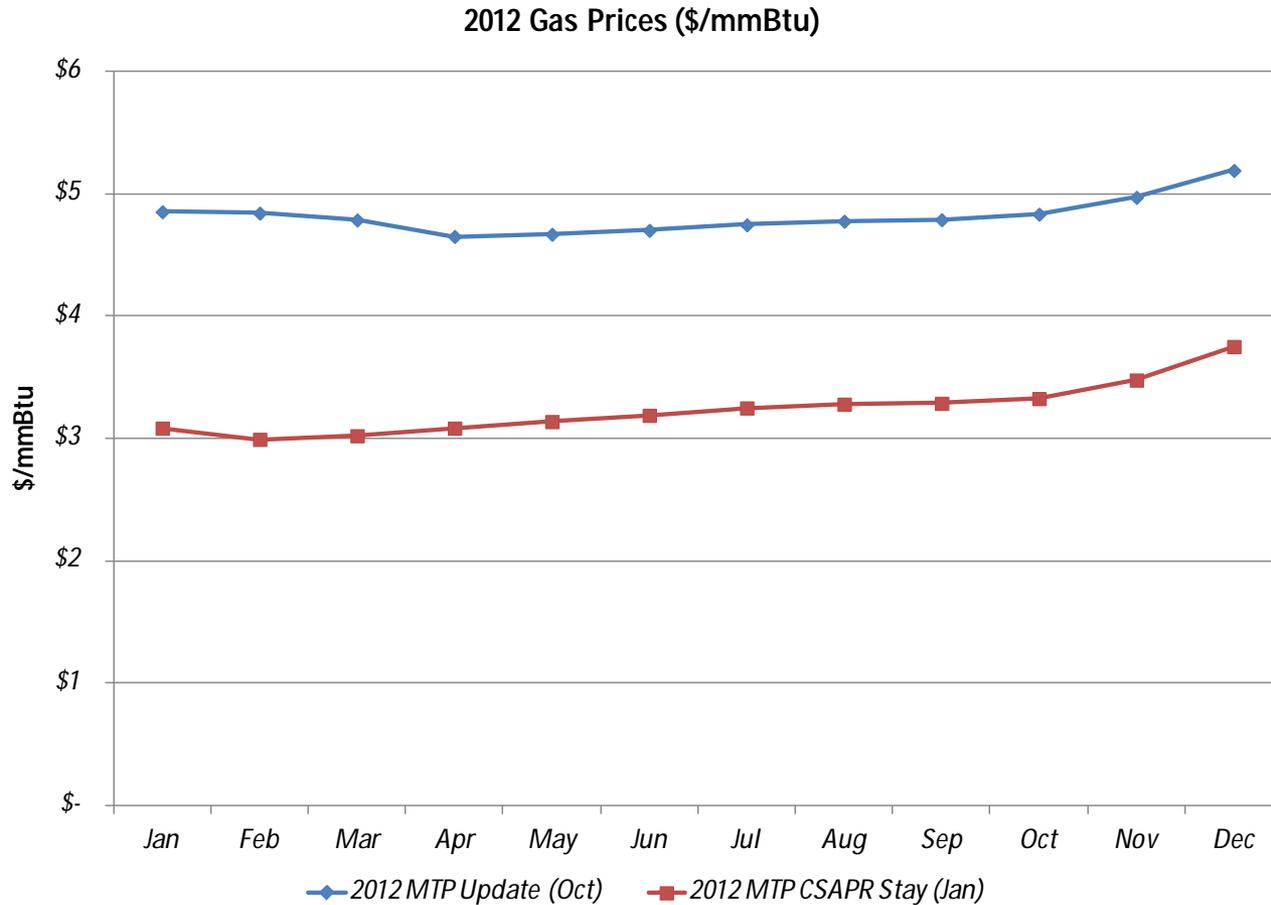
| <i>Favorable/(Unfavorable)</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> |
|----------------------------------|-------------|-------------|-------------|-------------|
| <i>2012 MTP Update (Sep)</i> | <i>(18)</i> | <i>(20)</i> | <i>(19)</i> | <i>(14)</i> |
| <i>2012 MTP Update (Oct)</i> | <i>(7)</i> | <i>(12)</i> | <i>(6)</i> | <i>(5)</i> |
| <i>2012 MTP CSAPR Stay (Jan)</i> | <i>14</i> | <i>9</i> | <i>21</i> | <i>17</i> |

OSS contribution significantly reduced due to lower electricity prices

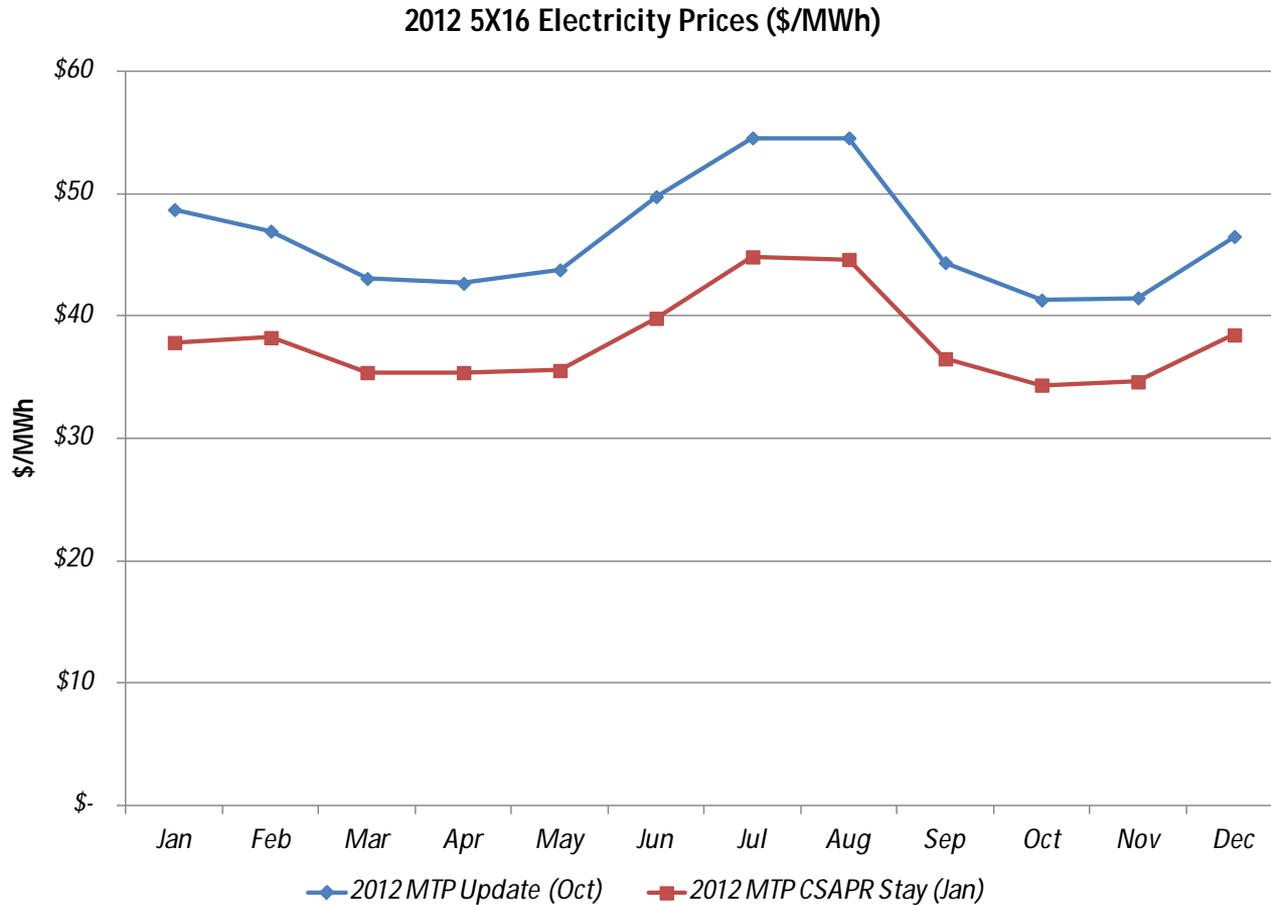
2012 MTP OSS Contribution Comparison



2012 gas prices decreased by ~33% since June 2011



2012 5X16 electricity prices decreased by ~18% since June 2011



Appendix



Changes to Sulfur Content and SO₂ Removal Rate Assumptions

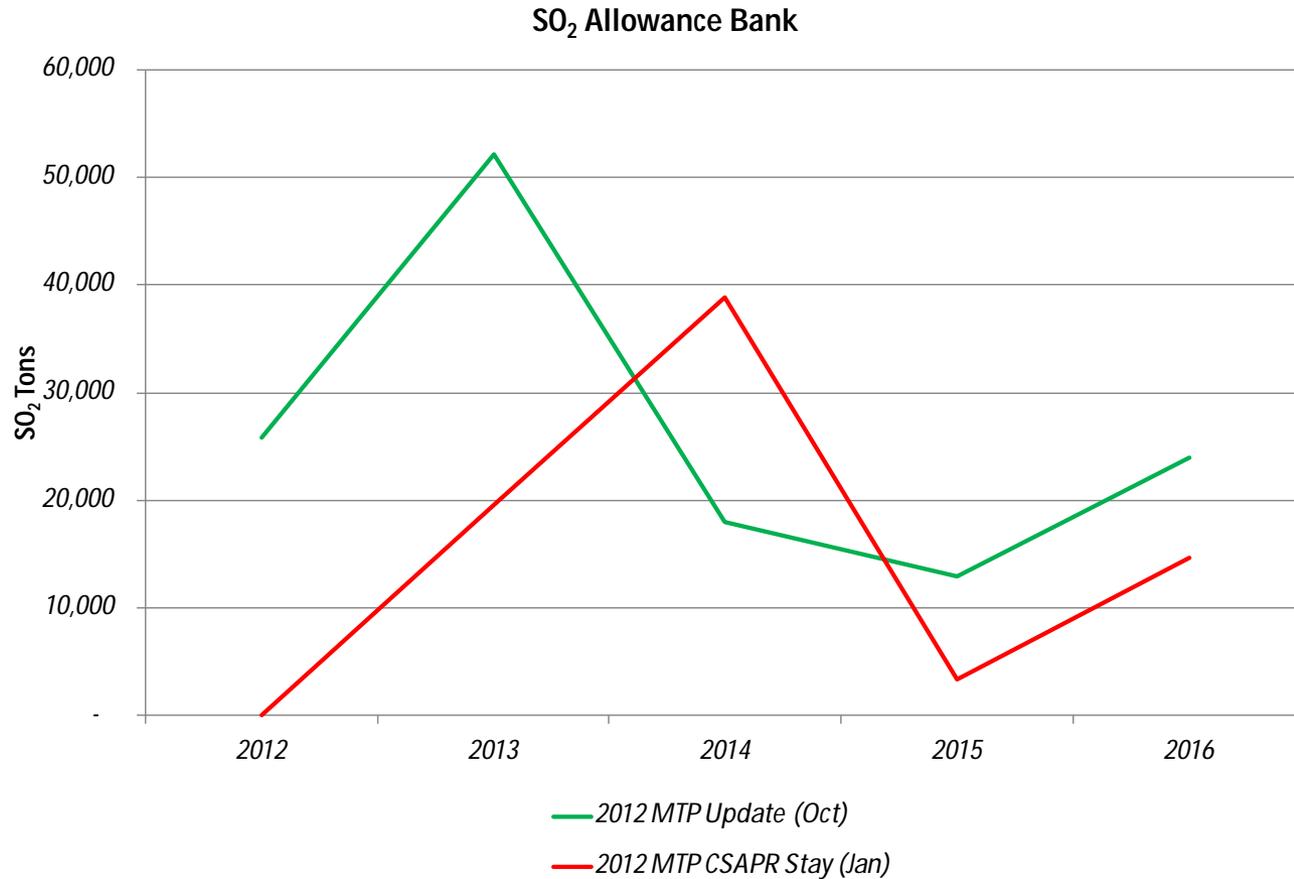
2012 Sulfur Content Changes

- *Cane Run:*
 - *From 5.5# Sulfur to 6.0# Sulfur*
- *Green River:*
 - *From 4.0# Sulfur to 4.5# Sulfur*

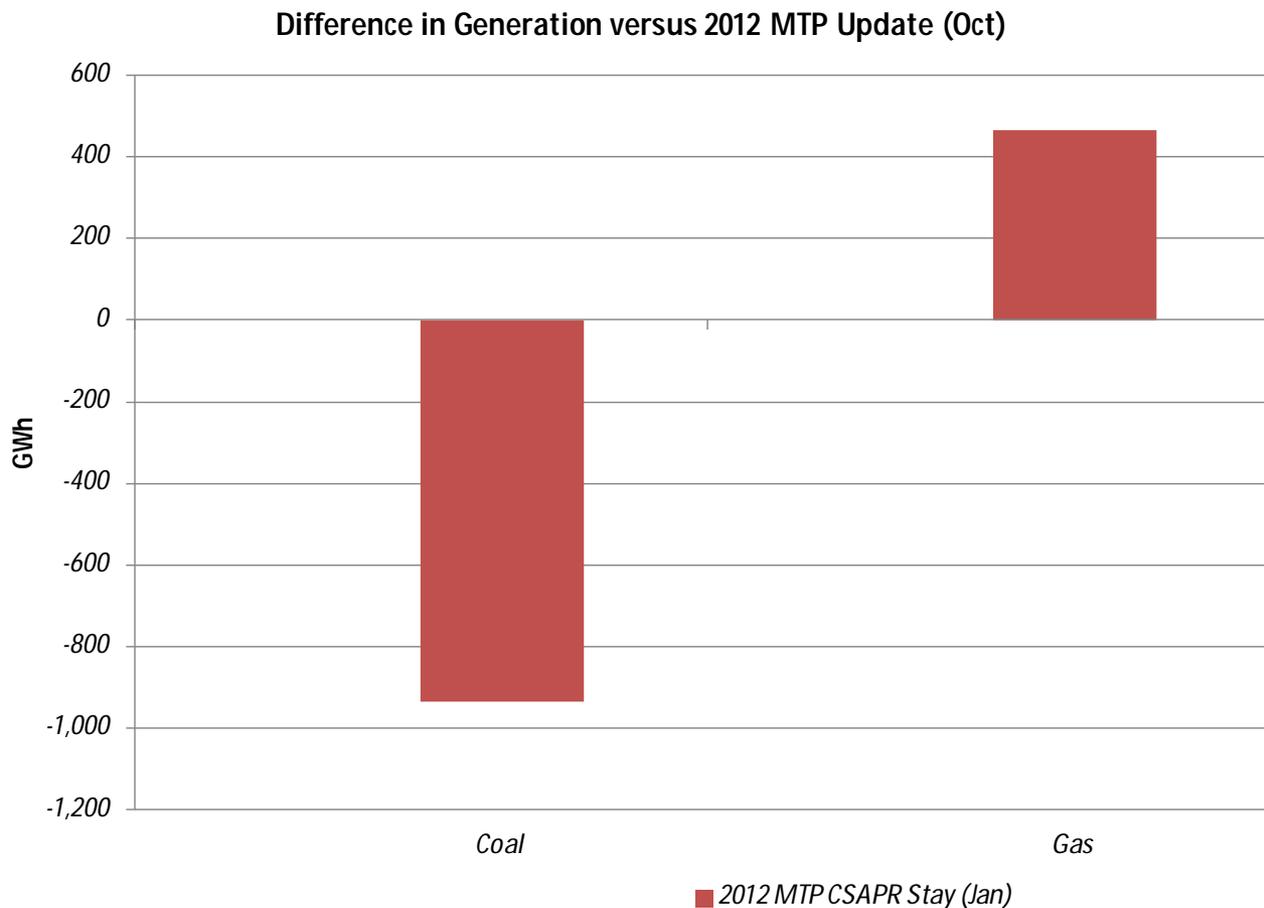
SO₂ Removal Rate Changes

- *Brown:*
 - *All units from 98.5% to 98%*
- *Ghent:*
 - *GH1 from 99% to 98%*
 - *GH2 from 95% to 92%*
 - *GH4 from 99% to 98%*
- *Cane Run:*
 - *CR4 from 92% to 90%*
 - *CR5 from 92% to 90%*
 - *CR6 from 86% to 85%*
- *Trimble County:*
 - *TC2 from 99% to 98%*

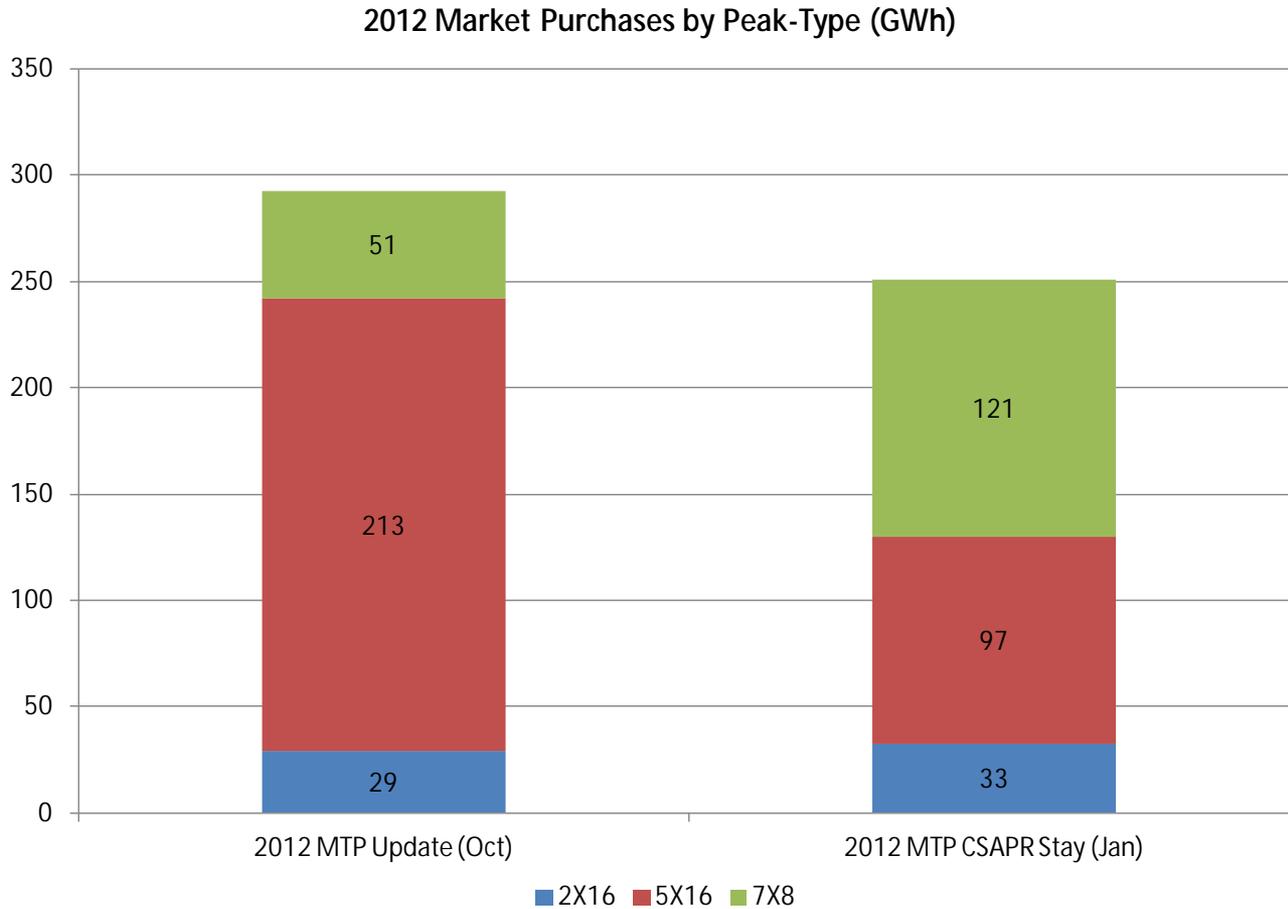
CSAPR stay requires less SO₂ banking (assuming Phase 2 begins in 2015)



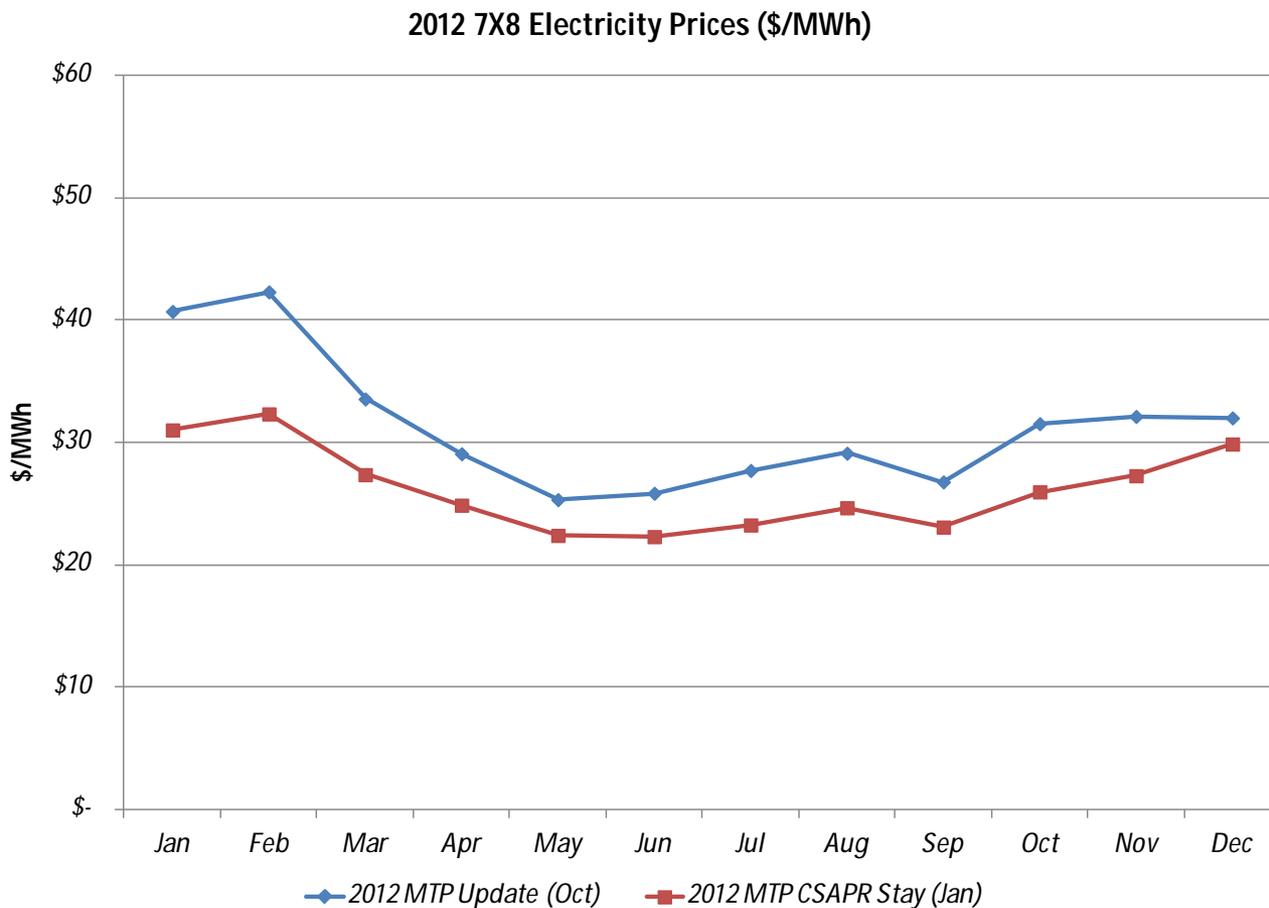
Decrease in OSS volume and changes to maintenance schedule reduce coal generation; gas generation increases due to lower gas prices



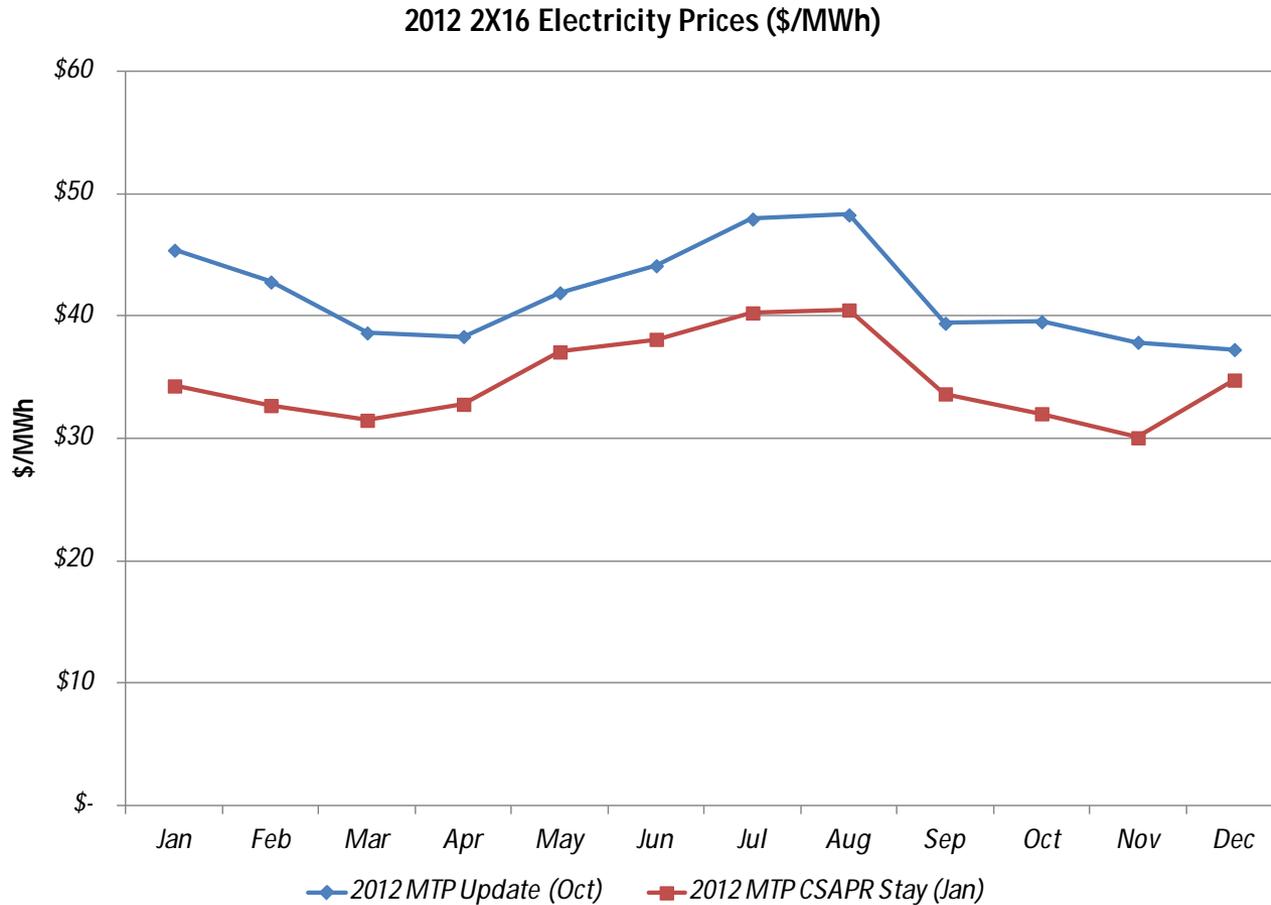
CSAPR delay and lower CT fuel cost reduce total market purchases



2012 7X8 electricity prices decreased by ~16% since June 2011



2012 2X16 electricity prices decreased by ~17% since June 2011



CT generation forecast increases due to lower gas prices

CT Generation (GWh)

| | <u>ACTUAL</u> | | | | <u>2012 MTP CSAPR Stay (Jan)</u> | | | | |
|---------|---------------|------|------|------|----------------------------------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| BR5 | 2 | 2 | 8 | 4 | 8 | 3 | 3 | 1 | 1 |
| BR6 | 22 | 37 | 48 | 28 | 60 | 20 | 15 | 8 | 8 |
| BR7 | 33 | 27 | 47 | 34 | 61 | 28 | 29 | 12 | 13 |
| BR8, 11 | 7 | 12 | 17 | 6 | 14 | 4 | 5 | 2 | 3 |
| BR9, 10 | 5 | 4 | 10 | 6 | 9 | 3 | 2 | 2 | 2 |
| PR13 | 4 | 1 | 15 | 31 | 20 | 3 | 13 | 24 | 16 |
| TC5-10 | 376 | 195 | 682 | 376 | 1,049 | 607 | 689 | 626 | 423 |
| BG1-3 | - | - | - | - | - | 77 | 84 | 90 | 82 |
| | 449 | 278 | 826 | 485 | 1,220 | 744 | 840 | 764 | 547 |

2012 MTP Update (Oct)

| | | | | |
|-----|-----|-----|-----|-----|
| 756 | 588 | 755 | 795 | 572 |
|-----|-----|-----|-----|-----|

CT Starts (# starts)

| | <u>ACTUAL</u> | | | | <u>2012 MTP CSAPR Stay (Jan)</u> | | | | |
|---------|---------------|------|-------|------|----------------------------------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| BR5 | 9 | 18 | 22 | 15 | 34 | 16 | 17 | 8 | 8 |
| BR6 | 46 | 61 | 59 | 56 | 53 | 27 | 24 | 13 | 13 |
| BR7 | 39 | 39 | 80 | 54 | 62 | 39 | 47 | 19 | 23 |
| BR8, 11 | 44 | 63 | 60 | 35 | 66 | 27 | 27 | 16 | 17 |
| BR9, 10 | 30 | 31 | 55 | 38 | 48 | 21 | 14 | 13 | 14 |
| PR13 | 17 | 2 | 18 | 49 | 47 | 10 | 20 | 49 | 50 |
| TC5-10 | 501 | 292 | 779 | 504 | 852 | 648 | 700 | 708 | 454 |
| BG1-3 | - | - | - | - | - | 84 | 90 | 107 | 117 |
| | 686 | 506 | 1,073 | 751 | 1,164 | 871 | 940 | 933 | 697 |

2012 MTP Update (Oct)

| | | | | |
|-------|-----|-----|-----|-----|
| 1,017 | 824 | 996 | 987 | 731 |
|-------|-----|-----|-----|-----|



CT Gen/Start and Run Hours/Start

CT Generation (GWh)/Start

| | <u>ACTUAL</u> | | | | <u>2012 MTP CSAPR Stay (Jan)</u> | | | | |
|---------|---------------|------------|------------|------------|----------------------------------|------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| BR5 | 0.3 | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 |
| BR6 | 0.5 | 0.6 | 0.8 | 0.5 | 1.1 | 0.7 | 0.6 | 0.6 | 0.6 |
| BR7 | 0.8 | 0.7 | 0.6 | 0.6 | 1.0 | 0.7 | 0.6 | 0.6 | 0.6 |
| BR8, 11 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 |
| BR9, 10 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| PR13 | 0.2 | 0.6 | 0.8 | 0.6 | 0.4 | 0.3 | 0.6 | 0.5 | 0.3 |
| TC5-10 | 0.8 | 0.7 | 0.9 | 0.7 | 1.2 | 0.9 | 1.0 | 0.9 | 0.9 |
| BG1-3 | - | - | - | - | - | 0.9 | 0.9 | 0.8 | 0.7 |
| | 0.7 | 0.6 | 0.8 | 0.6 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 |

2012 MTP Update (Oct)

| | | | | |
|------------|------------|------------|------------|------------|
| 0.7 | 0.7 | 0.8 | 0.8 | 0.8 |
|------------|------------|------------|------------|------------|

CT Run Hours/Start

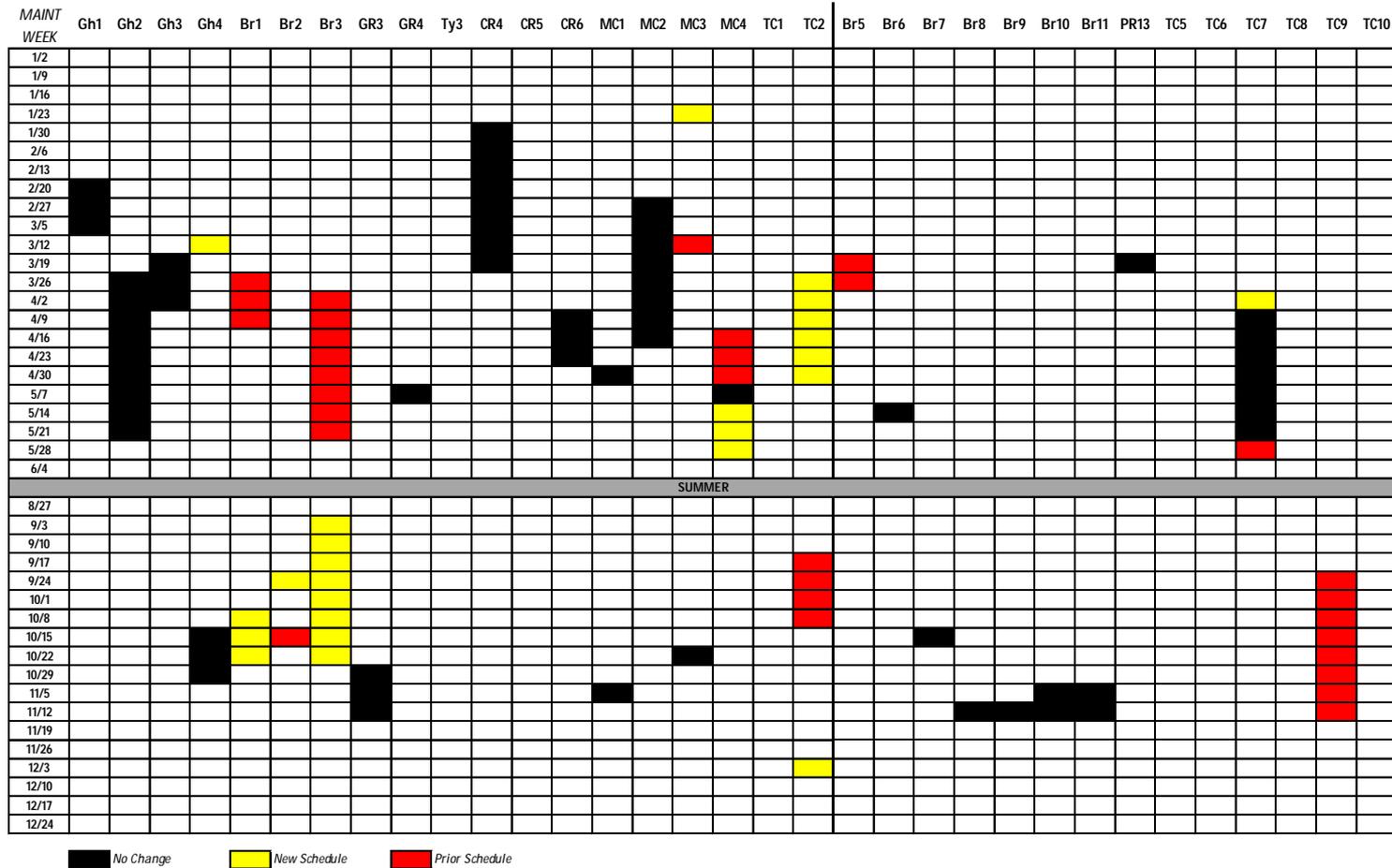
| | <u>ACTUAL</u> | | | | <u>2012 MTP CSAPR Stay (Jan)</u> | | | | |
|---------|---------------|------------|------------|------------|----------------------------------|------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| BR5 | 4.8 | 3.8 | 6.1 | 5.6 | 3.4 | 2.7 | 2.9 | 2.2 | 2.8 |
| BR6 | 5.6 | 8.3 | 9.5 | 7.6 | 8.4 | 6.2 | 5.5 | 5.5 | 5.5 |
| BR7 | 8.0 | 6.9 | 8.1 | 6.4 | 7.4 | 6.2 | 5.4 | 5.3 | 5.0 |
| BR8, 11 | 3.0 | 3.5 | 4.8 | 4.0 | 3.9 | 2.8 | 3.3 | 3.0 | 3.2 |
| BR9, 10 | 3.4 | 2.8 | 3.8 | 4.1 | 3.3 | 2.6 | 2.8 | 2.8 | 2.4 |
| PR13 | 3.0 | 4.7 | 5.9 | 5.4 | 5.2 | 3.5 | 7.2 | 5.1 | 3.8 |
| TC5-10 | 6.4 | 5.8 | 7.8 | 7.3 | 7.9 | 6.8 | 7.4 | 6.9 | 7.5 |
| BG1-3 | - | - | - | - | - | 7.7 | 7.8 | 7.0 | 5.9 |
| | 6.0 | 5.6 | 7.4 | 6.8 | 7.3 | 6.5 | 7.1 | 6.6 | 6.6 |

2012 MTP Update (Oct)

| | | | | |
|------------|------------|------------|------------|------------|
| 6.4 | 6.3 | 6.5 | 6.7 | 6.5 |
|------------|------------|------------|------------|------------|



2012 Maintenance Schedule Changes





PPL companies

Project Engineering

2012 – 2016 MTP

October 13, 2011

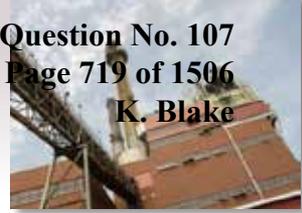


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- Plan Highlights
- Major Assumptions
- Financial Performance
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- Appendix

Plan Highlights

- Key Items
- Project Engineering's plan contains a decrease of \$650M from 2012 to 2016 over the prior plan. This is driven in large part by scope reductions on the Environmental Air Projects (i.e. elimination of SCRs) and shifting the majority of the CCR Ruling projects out of the MTP period.
- While establishing the 2012 MTP, Project Engineering undertook an effort to shift project contingency to the later years of projects in an effort to more accurately cash flow large projects and the contingency associated with those projects.
- Black & Veatch completed a Level I engineering study on the Environmental Air Projects. This study was the basis for the ECR filing and the 2012 MTP.



Major Assumptions

1. Regulatory

- 1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.
- 1.2 Target Reserve Margin of 16%, within a range of 15%-17%.
 - 2011 MTP was 14% within a range of 13% - 15%.
 - No reserve margin purchases are planned.
- 1.3 Reserve sharing remains under the TVA/EKPC Reserve Sharing Agreement (~ 240 MW).
- 1.4 LG&E and KU remain committed to burning higher sulfur fuels.

2. Proposed or Expected New Environmental Regulations for Air and Water

- 2.1 Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with Phase I starting 1/1/2012 and Phase 2 starting 1/1/2014.
 - CSAPR replaces CATR (Clean Air Transport Rule).
 - Have eliminated the one year of delay assumed in the 2011 MTP.
 - The allocations are subject to state approval but the state generally goes along with the EPA recommendation.
 - The new allocations are more generous on NO_x but move restrictive on SO₂ than had been expected.
 - Existing allowance banks for SO₂ and NO_x cannot be used to meet CSAPR.
 - Although CSAPR became final in July 2011, uncertainty remains regarding the outlook for the allowance market. The generation forecast utilizes an outlook for allowance prices from a 7/11/2011 PIRA report to achieve physical compliance.



Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- 2.2 Hazardous Air Pollutants (HAPS) Maximum Available Control Technology (MACT) proposed rules were issued in March 2011. Final rules expected in November 2011, plus “automatic” one-year delay, plus a three-year implementation period results in a January 1, 2016 effective date.
- Have eliminated the “second” year of delay assumed in the 2011 MTP.
 - Impacts will be a compressed construction schedule, in particular at Mill Creek.
- 2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO₂. Based on these new standards, compliance requirements must be in place for NO_x in November 2016 and SO₂ in June 2017. These are expected to impact the Jefferson County generating units.
- 2.4 Cane Run Coal will be retired January 1, 2016.
- Combined cycle replacement available on that date.
 - This aligns to the IRP.
- 2.5 Tyrone Coal will be retired January 1, 2016.
- This aligns to the IRP
 - Sensitivity to January 1, 2015 should 1-year “automatic” delay not apply to facilities being retired.
- 2.6 Green River Coal will be retired January 1, 2016.
- Based on no viable options or flexibility, Green River retirement is moved from June 1, 2019 in the 2011 MTP to January 1, 2016.
 - This aligns to the IRP.
 - Sensitivity to January 1, 2015 should 1-year “automatic” delay not apply to facilities being retired.
 - A Transmission Capital project is slated to be completed by early 2013 which will provide greater flexibility around running the Green River units.
 - Starting in 2012, Green River will only run significantly less than historical averages due to SO₂ constraints under CSAPR (see 2.1), prior to the 1/1/16 retirement.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.7 GHG tailoring rule requirements began January 2011.

- GHG BACT will be required for permit renewals, though not yet defined.
- The EPA is expected to issue GHG New Source Performance Standards (NSPS) for new and existing units during 2011.

2.8 The 2011 ECR compliance plan and CCN are expected to be approved December 16 and will include the following air quality controls:

- A new Mill Creek 4 FGD (Nov. 2014). A refurbished unit 4 FGD is then switched to unit 3 (Nov. 2015).
- A new Mill Creek 1 and 2 (combined) FGD (April/May 2015).
- Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 1-3, and Trimble County 1.
 - 2014 in-service: Br. 1, Br. 2, Gh4, MC4
 - 2015 in-service: Br. 3, Gh1, Gh2, Gh3, MC1, MC2, MC3, TC1
- An SCR upgrade on Mill Creek 4.
- SCR turn-down capability on all existing SCR's except TC1 and TC2.
 - 2013 in-service: MC3
 - 2014 in-service: Gh3, Gh4, MC4
 - 2015 in-service: Gh1
- Note : The additional SCR's that were in the 2011 MTP have been taken out.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.9 Significant O&M and cost of sales (\$120M per year) will be incurred as remaining units are operational for CSAPR and HAPS MACT Compliance (per B&V study - 2016 full year).

- Costs will begin ramping up in 2014 as units are completed.

2.10 316(b) proposed regulations have been issued and are expected to be final in July 2012.

- There is no mandate for cooling towers at the current time (Mill Creek 1 is a sensitivity in 2017).
- Current estimate to comply is \$3M each for Mill Creek, Trimble County, Ghent, and Brown (½ in 2015, ½ in 2016).

2.11 Effluent water guideline draft proposal is expected July, 2012, with the final rule issued January 31, 2014.

- Ultimate implementation timing as well as scope are uncertain at this time.
- A placeholder per station is included (\$60M Ghent, \$60M Mill Creek, \$40M Brown, \$20M Trimble County, \$10M Cane Run, and \$10M Green River).
- The dollars are split ½ in 2017 and ½ in 2018, however, they could vary by facility based on permit renewal dates.



Major Assumptions

3. Expansion/Capacity

- 3.1 Simple cycle capacity of 495MW is added on January 1, 2013 (Ownership is 69% LG&E, 31% KU).
- 3.2 A combined cycle unit will be added January 1, 2016 at the Cane Run location.
- 2 x 1, 640 MW Summer Net. (Ownership is 78% KU, 22% LG&E).
 - Replacing Cane Run Coal retired on that date.
 - CCN approval date of September, 2012.
 - Expense profile based on a Long-Term Services Agreement being in place.
- 3.3 A second combined cycle unit will be added June 1, 2021 at the Green River location.
- 2 x 1, 640 MW Summer Net. (Company ownership is all KU).
 - Replacing Green River Coal retired January 1, 2016 (5.5 year gap in W. Kentucky Generation).
 - There will be no benefit from emissions offset, given the 5.5 year gap between coal retirement and combined cycle start-up.
 - Expense profile based on a Long-Term Services Agreement being in place.
- 3.4 The next generating unit (after the second combined cycle) will come on-line in 2028 (all spending outside of LTP). This date is highly in flux given how far out it is in the planning window.
- 3.5 After running through 2010, Tyrone will be in reserve and then lay-up status for the full MTP period, and then retired on January 1, 2016.
- 3.6 The six Ohio Falls units still to be rehabilitated will be staged one unit every 7-8 months between 2011 and 2014.

Major Assumptions

3. Expansion/Capacity (Cont.)

3.7 Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2014 and runs through 2018.

- Engineering to be done in 2012.
- Paddy's Run Site will be completed in 2015 to accommodate CR combined cycle.

3.8 Steam turbine efficiency upgrades (dense packs) are included for:

- Mill Creek 4 in 2018
- Ghent 4 in 2021
- Ghent 3 in 2018
- Ghent 2 in 2019
- Ghent 1 in 2022
- Heat rate benefits are factored in, but not any capacity changes.
- Presuming they can be done with no NSR impact.
- Boiler studies could also be required.

• Mill Creek 1 in 2021

• Mill Creek 2 in 2020

• Mill Creek 3 in 2019

• Trimble County 1 in 2017

3.9 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.

- Group 3 consists of the older, smaller CT's.
- No Group 3 units are being retired in the plan.

3.10 Biomass co-firing projects for 2 units are a sensitivity, not included in the base MTP.

3.11 Landfill gas projects are a sensitivity, not included in the base MTP.

- No activity currently taking place.



Major Assumptions

3. Expansion/Capacity (Cont.)

3.12 Wind power purchase agreements are not included in the base MTP.

3.13 A carbon capture and sequestration (CCS) demonstration facility for 100 MW is a sensitivity.

4. Coal Combustion Residuals (CCR's)

4.1 EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.

- Final rules are expected in late 2012 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Ponds are expected to be eliminated for ash storage.
- Expected timeframe of 2017-2019 on pond closures and 2016-2017 on construction of new process ponds.
- A stay due to litigation is probable.
- A designation of “Hazardous” vs. “Non-Hazardous” appears to be trending toward “Non-Hazardous”.
 - EPA’s decision has been delayed until December 2012 at the earliest.
- The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared “hazardous”.

4.2 Expanded TC Bottom Ash Pond and new TC Gypsum Pond will both be operational on December 15, 2011.

4.3 Trimble County Landfill Phase I construction will be substantially completed by 12/31/13 with significant O&M starting in 2014.

- Holcim off-takes are included, as well as the barge load-out facility.
- Holcim agreement and barge load out facility expected to be operational July 1, 2012.

4.4 Brown Ash Pond is being converted to a landfill. The 2011 ECR filing for the conversion will be approved in November 2011.

- In-service date of January 2014.



Major Assumptions

4. Coal Combustion Residuals (CCR) (Cont.)

4.5 Ghent Landfill Phase 1 construction will be substantially completed by 6/30/13, with significant O&M starting in mid-2013.

4.6 The existing Cane Run Landfill will be modified by the end of 2012.

- Use of mechanically stabilized earth (MSE Walls) to utilize slope area.
- Permit efforts for a new landfill will continue as a contingency plan.

4.7 Extension of the Mill Creek Landfill will be in the back part of the LTP.

- Earliest timeframe it would need to be operational would be 2021.

4.8 All CCR Capital Projects use an annual escalation rate of 6.0%.

- Escalation rate is biased higher to reflect the petroleum impact on the liner material and fuel in the earth moving equipment.

5. Other Environmental (in addition to CATR, HAPS MACT, and CCR's) Resulting in Significant Capital Additions

5.1 The Brown 3 SCR will be in-service June 30, 2012.

- PSD permit was received in January, 2011.
- High sulfur fuel will be burned in all three units starting November 1, 2011 with temporary SO₃ mitigation systems in place.
- The permanent system for Unit 3 will go in-service with the SCR.
- Operating parameters under the consent decree will be very tight for Brown 3.



Major Assumptions

5. Other Environmental (in addition to CATR, HAPS MACT, and CCR's) Resulting in Significant Capital Additions

(Cont.)

5.2 FGD ductwork renovations at Mill Creek are as follows:

- Unit 2 in 2012.
- Unit 1 will be part of new environmental air capital.
- Unit 4 will be part of new environmental air capital.
- Unit 3 has already been completed.

5.3 SO₃ mitigation on Mill Creek 3 and 4 will be rolled into the Mill Creek air work being done for HAPS MACT and NAAQs.

5.4 Upgraded SO₃ Systems (including the Milling System) will be installed on the Ghent SCR Units (1,3,4) in 2011 and 2012, which will achieve a lower overall SO₃ emissions level.

- A new permanent system will be installed on (non-SCR) Unit 2 by September, 2012.
- Boiler modifications to reduce exit gas temperatures will also likely be needed.
- Settlement with EPA is still a sensitivity.
- Sufficient capital is likely covered within the MTP, but any penalties or SEP projects are not factored in.



Major Assumptions

6. Operational and Other

6.1 Annual escalation rates for internal labor, contract labor and materials are as follows:

- Internal labor: 3.0%.
- Contract/services labor: 3.0% for general, 3.5% for highly skilled (welders).
- Chemicals: 5.0% for specialty (GE Betz), 6.0% for commodity (Univar) 2012 – 2013, 7.0% 2014-1016.
- Fuels and additives 5.0%, copper 4.0%, plastic pipe 6.0%.
- Carbon steel plate 5.0%, fabricated steel 3.0%, Alloy steel 8.0%.
- All other materials: 5.2% composite rate.

6.2 By the end of 2012, planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years, with the following exceptions:

- Brown units 1 and 3 over-lap by 2 weeks every other year.
- Cane Run units are 3 week outages one year with no outage the next year, with this cycle repeating.
- Trimble County units are 4 week outages one year with no outage the next year, with this cycle repeating.

Major Assumptions

6. Operational and Other (Cont.)

6.3 The next turbine overhaul by unit is as follows:

- 2012 : Ghent 2, Brown 3, Cane Run 4, Mill Creek 2.
- 2013 : Mill Creek 1.
- 2014 : Brown 1, Mill Creek 4, Ghent 4.
- 2015 : Ghent 1.
- 2016 : None scheduled (Brown 2 shifted to Spring, 2017).

6.4 Significant generator rewind/stator rewind dollars are included in the 2012-2016 timeframe.

- Brown 3 generator (stator and rotor) rewind in 2012.
- Brown 2 generator (stator and rotor) rewind in 2015/2016.
- Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.

6.5 Corrosion fatigue inspection schedule is as follows:

- 2012: Brown 3, Cane Run 4, Mill Creek 2
- 2013: Mill Creek 1, Mill Creek 3
- 2014: Ghent 4, Mill Creek 4
- 2015: Ghent 1
- 2016: None scheduled (Brown 2 shifted to Spring, 2017).
- Any repairs identified during the inspection are a sensitivity.

Major Assumptions

6. Operational and Other (Cont.)

6.6 High Energy Piping (HEP) inspection schedule is as follows:

- 2012: Brown 1, Brown 3, Cane Run 4, Cane Run 6, Ghent 2, Green River 3, Trimble County 2
- 2013: Cane Run 5, Ghent 3, Green River 4, Mill Creek 1, Mill Creek 2, Mill Creek 3, Trimble County 1
- 2014: Brown 1, Brown 2, Ghent 4, Green River 3, Mill Creek 4, Trimble County 2
- 2015: Cane Run 5, Ghent 1, Green River 4, Mill Creek 2, Mill Creek 3
- 2016: Brown 3, Ghent 2, Mill Creek 1, Trimble County 2
- Any repairs identified during the inspection are a sensitivity.

6.7 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- Permit changes may also be needed.

6.8 Targets for percentage of fuel hedged in MTP are as follows:

- 95% - 100% year 1
- 90% - 100% year 2
- 40% - 90% year 3
- 30% - 70% year 4
- 20% - 50% year 5



Major Assumptions

6. Operational and Other (Cont.)

6.9 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 15%) vs. new parts (capital – approximately 85%).
- Number of Trimble units undergoing the hot gas path inspection include one in 2010 (unit 6), two in 2011 (units 5 and 8), and one each in 2012 - 2014.
- Brown C inspections by unit are as follows:
 - ✓ Unit 9 in 2013
 - ✓ Unit 10 in 2015
 - ✓ Unit 11 in 2017
 - ✓ Unit 6 in 2017
 - ✓ Unit 7 in 2018
 - ✓ Unit 8 in 2020
 - ✓ Unit 5 in 2021

6.10 NERC Cyber Security Solution (all coal-fired stations plus Paddy's Run and Haefling) is included, along with Microsoft Upgrades for Ghent and Trimble County due to 2014 de-support of Windows XP.

6.11 The FutureGen expense is \$0.5M per year through the LTP period.

- This is a much different scope than FutureGen (Mattoon, IL).



Major Assumptions

6. Operational and Other (Cont.)

6.12 Demolition (cost of removal) costs for Canal and Paddy's Run are as follows:

- 2012 \$4.0M
- 2013-2014 \$0.0M
- 2015 \$0.3M
- 2016 \$1.3M
- 2017 \$7.5M
- 2018 \$10M
- 2019 \$7.0M
- Order of events will be engineering for both sites (2012), Paddy's Run Stacks (2012), complete demolition of Paddy's (2015 - 2019), complete demolition of Canal (2017-2019).

6.13 Cost of removal reserves at 12/31/15 are:

- Tyrone \$5M
- Green River \$12M
- Cane Run \$35M

6.14 A MAXIMO Upgrade (tied to Oracle Upgrade) will take place in 2013 (likely starting second half of 2012).

6.15 The prosym run from October 7, 2011 is the official generation forecast for the 2012-2016 MTP.



Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | \$182 | \$171 | \$288 | \$288 | \$288 | \$296 | \$303 |
| Burdens | \$37 | \$29 | \$82 | \$82 | \$82 | \$84 | \$87 |
| Non labor* | \$788 | \$300 | \$430 | \$430 | \$430 | \$440 | \$450 |
| Subtotal OPEX/Other expense | \$1,007 | \$500 | \$800 | \$800 | \$800 | \$820 | \$840 |
| Gross Margin Expenses - N/A | | | | | | | |
| Total Income Statement items | \$1,007 | \$500 | \$800 | \$800 | \$800 | \$820 | \$840 |

* Non Labor actuals for 2010 included a write off of \$634k for pyrite dewatering equipment at Brown.



Financial Performance

2012-2016 Capital Comparison – Accrual Basis

(\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|-----------------|------------------|----------------|----------------|------------------|
| Total Capital | \$688,114 | \$1,057,323 | \$1,090,261 | \$822,356 | \$103,574 |
| Target | \$743,569 | \$1,172,115 | \$1,093,490 | \$832,262 | \$560,801 |
| Variance To Target | \$55,455 | \$114,792 | \$3,229 | \$9,906 | \$457,227 |
| Major Drivers of variance: | | | | | |
| Brown CCR | \$5,322 | (\$7,436) | (\$900) | \$0 | \$0 |
| Cane Run CCR | (\$390) | (\$110) | \$400 | \$500 | (\$1,800) |
| Ghent CCR | \$11,800 | (\$3,000) | (\$9,100) | \$100 | \$65 |
| TC CCR (Net) | (\$4,300) | \$9,210 | (\$17,700) | (\$0) | (\$500) |
| MC CCR | (\$450) | (\$1,050) | \$11,000 | (\$11,800) | (\$450) |
| TC2 (Net) | (\$11,170) | \$0 | \$0 | \$0 | \$0 |
| Brown FGD | (\$1,000) | \$0 | \$0 | \$0 | \$0 |
| Brown 3 SCR | \$3,025 | (\$3,000) | \$0 | \$0 | \$0 |
| MC Limestone Mill | (\$300) | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$2,600 | \$774 | (\$1,520) | (\$1,500) | \$0 |
| NGCC - CR 7 | \$5,900 | \$9,000 | \$14,500 | (\$26,400) | \$0 |
| NGCC - 2021 | \$0 | \$3,000 | \$22,500 | \$126,700 | \$162,000 |
| Paddy's Demolition | (\$1,250) | \$5,000 | \$5,000 | \$3,225 | (\$1,250) |
| Canal Demolition | (\$275) | \$5,000 | \$5,000 | \$3,500 | \$0 |
| Env. Air - Brown | \$4,776 | \$14,565 | (\$11,142) | (\$8,129) | \$14,628 |
| Env. Air - Ghent | \$8,859 | \$16,809 | (\$16,199) | \$6,921 | \$62,768 |
| Env. Air - Mill Creek | \$31,014 | \$67,841 | (\$3,541) | (\$92,437) | \$41,109 |
| Env. Air - TC (Net) | \$0 | \$2,368 | \$3,835 | (\$5,602) | \$2,527 |
| Env Compl. - CCR Ruling | \$0 | (\$2,834) | \$1,212 | \$17,591 | \$183,751 |
| Env Compl. - Effluent Water 316a | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env Compl. - Water Intake 316b | \$0 | \$0 | \$0 | (\$2,813) | (\$5,625) |
| Other | \$1,294 | (\$1,345) | (\$116) | \$50 | \$4 |
| | \$55,455 | \$114,792 | \$3,229 | \$9,906 | \$457,227 |



Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Managers - Major Capital Projects | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Procurement Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| HR/IR Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Contract Administrator | 1 | 3 | 4 | 4 | 4 | 4 | 4 |
| Project Planning Coordinator | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Lead | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Chemical | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Civil | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Electrical | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Engineers - Mechanical | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Project Coordinators | 16 | 15 | 20 | 20 | 20 | 20 | 20 |
| Safety Specialists | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Administrative Assistants | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| FTE | <u>42</u> | <u>44</u> | <u>55</u> | <u>55</u> | <u>55</u> | <u>55</u> | <u>55</u> |
| Coop/Intern Students | 4 | 5 | 6 | 6 | 6 | 6 | 6 |
| Total | <u><u>46</u></u> | <u><u>49</u></u> | <u><u>61</u></u> | <u><u>61</u></u> | <u><u>61</u></u> | <u><u>61</u></u> | <u><u>61</u></u> |
| From 2011 MTP | | <u>49</u> | <u>49</u> | <u>49</u> | | | |
| Variance to 2011 MTP | | <u><u>0</u></u> | <u><u>12</u></u> | <u><u>12</u></u> | | | |
| PE Contracted Staff | 10 | 12 | 17 | 18 | 17 | 11 | 11 |
| FTE 2012 MTP | | 44 | 55 | 55 | | | |
| FTE 2011 MTP | | <u>44</u> | <u>44</u> | <u>44</u> | | | |
| Variance to 2011 MTP | | <u><u>0</u></u> | <u><u>11</u></u> | <u><u>11</u></u> | | | |

•Major Developments/Changes – Headcount and Contracted Staff additions are necessary to implement unprecedented capital spend on Environmental Air Projects, CCR projects, and the NGCC plant.



Plan Risks

- Cost estimates for the majority of the projects in the plan are based on conceptual and/or Level I Engineering.
- Project cash flows are based on projected regulatory approvals, aggressive procurement by Project Engineering, and having sufficient legal support. In addition, it is assumed consideration will be given to modifying authority limits and LKE approval processes.
- Costs could be impacted on the Environmental Air Projects due to potential increased market demand on labor and materials as utilities across the country are pressed to comply with regulations in the same time frame.

Appendix



2012-2016 Capital Reconciliation (w COR) – Accrual Basis

(\$000)

| | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------------------|-----------------|--------------------|----------------|------------------|------------------|
| Current Plan | \$688,114 | \$1,057,323 | \$1,090,261 | \$822,356 | \$103,574 |
| Prior Plan | \$714,797 | \$924,530 | \$1,099,656 | \$1,080,074 | \$606,301 |
| Variance | \$26,683 | (\$132,793) | \$9,395 | \$257,718 | \$502,727 |
| Variance Explanations: | | | | | |
| Brown CCR | \$5,322 | (\$7,436) | (\$900) | \$0 | \$0 |
| Cane Run CCR | \$4,983 | \$8,343 | (\$4,400) | (\$4,600) | (\$1,800) |
| Ghent CCR | (\$21,622) | (\$22,230) | (\$12,478) | \$116 | \$65 |
| TC CCR (Net) | (\$3,200) | (\$77,800) | (\$37,400) | (\$400) | (\$450) |
| MC CCR | (\$200) | (\$200) | (\$200) | (\$12,000) | (\$500) |
| TC2 (Net) | (\$11,170) | \$0 | \$0 | \$0 | \$0 |
| Brown FGD | (\$1,000) | \$0 | \$0 | \$0 | \$0 |
| Brown 3 SCR | \$3,025 | (\$3,000) | \$0 | \$0 | \$0 |
| MC Limestone Mill | (\$300) | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$2,600 | \$774 | (\$1,520) | (\$1,500) | \$0 |
| NGCC - CR 7 | (\$26,700) | (\$42,700) | (\$7,800) | \$40,900 | \$45,500 |
| NGCC - 2021 | \$0 | \$3,000 | \$4,000 | \$4,000 | \$162,000 |
| Paddy's Demolition | (\$1,250) | \$5,000 | \$5,000 | \$3,225 | (\$1,250) |
| Canal Demolition | (\$275) | \$5,000 | \$5,000 | \$3,500 | \$0 |
| Env. Air - Brown | \$14,790 | \$2,612 | (\$47,367) | \$10,419 | \$14,628 |
| Env. Air - Ghent | \$3,516 | (\$32,764) | \$45,766 | \$162,236 | \$62,768 |
| Env. Air - Mill Creek | \$41,756 | \$39,795 | (\$3,036) | (\$171,242) | \$41,109 |
| Env. Air - TC (Net) | \$0 | (\$6,230) | \$24,084 | \$21,951 | \$2,527 |
| Env Compl. - CCR Ruling | \$17,507 | (\$3,858) | \$41,747 | \$206,739 | \$183,754 |
| Env Compl. - Effluent Water 316a | (\$500) | (\$1,000) | (\$1,000) | \$0 | \$0 |
| Env Compl. - Water Intake 316b | (\$500) | \$0 | \$0 | (\$5,625) | (\$5,625) |
| Other | (\$99) | (\$99) | (\$101) | (\$1) | \$1 |
| Total Variance | \$26,683 | (\$132,793) | \$9,395 | \$257,718 | \$502,727 |



2012-2016 Cost of Removal Comparison (\$000)

| | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------|----------------|----------------|-----------------|------------------|------------------|
| Current Plan | \$6,941 | \$2,212 | \$4,410 | \$9,383 | \$14,934 |
| Prior Plan | \$15,674 | \$10,981 | \$18,388 | \$218,970 | \$204,417 |
| Variance | \$8,733 | \$8,769 | \$13,978 | \$209,587 | \$189,483 |
| Variance Explanations: | | | | | |
| Cane Run CCR | (\$350) | (\$350) | (\$350) | (\$350) | (\$350) |
| Ghent CCR | \$0 | \$0 | \$0 | (\$700) | (\$800) |
| TC CCR (Net) | \$0 | \$0 | \$0 | (\$400) | (\$450) |
| NGCC - CR7 | (\$30) | \$0 | \$0 | \$0 | \$0 |
| Paddy's Demolition | (\$1,250) | \$5,000 | \$5,000 | \$3,225 | (\$1,250) |
| Canal Demolition | (\$275) | \$5,000 | \$5,000 | \$3,500 | \$0 |
| Env. Air - Brown | \$0 | (\$512) | (\$856) | (\$484) | \$0 |
| Env. Air - Ghent | \$0 | (\$369) | (\$655) | (\$220) | \$0 |
| Env. Air - Mill Creek | \$0 | \$0 | \$5,839 | \$12,444 | (\$1,266) |
| Env. Air - TC (Net) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env Compl. - CCR Ruling | \$10,638 | \$0 | \$0 | \$192,572 | \$193,599 |
| Total Variance | \$8,733 | \$8,769 | \$13,978 | \$209,587 | \$189,483 |

2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------------|------------------|------------------|------------------|--------------------|--------------------|------------------|------------------|
| Expansion Plan | | | | | | | |
| TC2 (Net) | \$16,254 | \$4,250 | \$11,170 | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$15,611 | \$20,400 | \$24,300 | \$21,000 | \$20,100 | \$2,000 | \$0 |
| NGCC 2016 - CR 7 | \$246 | \$3,000 | \$36,700 | \$162,700 | \$222,800 | \$139,100 | \$14,500 |
| Expansion Plan Total | \$32,111 | \$27,650 | \$72,170 | \$183,700 | \$242,900 | \$141,100 | \$14,500 |
| ECR | | | | | | | |
| Brown CCR | \$8,150 | \$11,700 | \$21,400 | \$31,500 | \$900 | \$0 | \$0 |
| Cane Run CCR | \$517 | \$1,500 | \$500 | \$2,900 | \$4,400 | \$4,600 | \$1,800 |
| Ghent CCR | \$7,619 | \$62,900 | \$120,600 | \$83,500 | \$17,400 | \$700 | \$800 |
| TC CCR (Net) | \$12,366 | \$19,000 | \$92,000 | \$77,800 | \$37,400 | \$400 | \$450 |
| MC CCR | \$0 | \$0 | \$200 | \$200 | \$200 | \$12,000 | \$500 |
| FGD Program (Brown & Ghent) | \$92,444 | \$6,300 | \$1,000 | \$0 | \$0 | \$0 | \$0 |
| Brown 3 SCR | \$23,139 | \$39,900 | \$37,800 | \$4,500 | \$0 | \$0 | \$0 |
| Env. Air - Studies | \$798 | \$2,500 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Env. Air - Brown | \$0 | \$5,200 | \$61,624 | \$110,936 | \$122,942 | \$44,828 | \$0 |
| Env. Air - Ghent | \$452 | \$8,800 | \$88,059 | \$181,542 | \$247,299 | \$161,879 | \$4,283 |
| Env. Air - Mill Creek | \$445 | \$9,200 | \$182,836 | \$353,059 | \$379,541 | \$354,338 | \$14,148 |
| Env. Air - TC (Net) | \$0 | \$0 | \$0 | \$21,132 | \$34,065 | \$62,702 | \$5,854 |
| Env Compl. - CCR Ruling | \$0 | \$0 | \$0 | \$5,455 | \$2,114 | \$33,909 | \$54,364 |
| Env Compl. - Effluent Water 316a | \$0 | \$0 | \$500 | \$1,000 | \$1,000 | \$0 | \$0 |
| Env Compl. - Water Intake 316b | \$0 | \$0 | \$500 | \$0 | \$0 | \$5,625 | \$5,625 |
| ECR Plan Total | \$145,930 | \$167,000 | \$607,019 | \$873,523 | \$847,261 | \$680,981 | \$87,824 |
| Special Projects | | | | | | | |
| Mill Creek Limestone Mill | \$3,358 | \$5,500 | \$4,800 | \$0 | \$0 | \$0 | \$0 |
| Paddy's Demolition | \$0 | \$0 | \$2,500 | \$0 | \$0 | \$275 | \$1,250 |
| Canal Demolition | \$0 | \$0 | \$1,525 | \$0 | \$0 | \$0 | \$0 |
| Other | \$2,350 | \$4,300 | \$100 | \$100 | \$100 | \$0 | \$0 |
| Special Projects Plan Total | \$5,708 | \$9,800 | \$8,925 | \$100 | \$100 | \$275 | \$1,250 |
| Total Capital | \$183,749 | \$204,450 | \$688,114 | \$1,057,323 | \$1,090,261 | \$822,356 | \$103,574 |



Capital Review - Brown CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Main Pond Phase I | \$38 | \$73 | \$73 | \$35 | \$35 |
| Aux Pond/Main Pond Phase II | \$15 | \$25 | \$25 | \$10 | \$10 |
| Landfill Phase I & Transport | \$69 | \$57 | \$59 | (\$12) | (\$10) |
| Landfill Phase II | <u>\$33</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$33)</u> | <u>(\$33)</u> |
| Total | \$154 | \$155 | \$157 | \$1 | \$2 |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | | | | | | | | | |
| Main Pond Phase I | \$56 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$56 |
| Aux Pond/Main Pond Phase II | \$1 | \$8 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$10 |
| Landfill Phase I & Transport | \$0 | \$6 | \$27 | \$24 | \$0 | \$0 | \$0 | \$0 | \$57 |
| Landfill Phase II | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$33</u> | <u>\$33</u> |
| Total 2011 MTP | \$57 | \$14 | \$27 | \$24 | \$0 | \$0 | \$0 | \$33 | \$155 |
| 2012 MTP | | | | | | | | | |
| Main Pond Phase I | \$55 | (\$16) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$38 |
| Aux Pond/Main Pond Phase II | \$2 | \$13 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$15 |
| Landfill Phase I & Transport | \$0 | \$15 | \$21 | \$32 | \$1 | \$0 | \$0 | \$0 | \$69 |
| Landfill Phase II | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$33</u> | <u>\$33</u> |
| Total 2012 MTP | \$56 | \$12 | \$21 | \$32 | \$1 | \$0 | \$0 | \$33 | \$154 |
| Variance to 2011 MTP | | | | | | | | | |
| Main Pond Phase I | \$1 | \$16 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$17 |
| Aux Pond/Main Pond Phase II | (\$1) | (\$4) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$5) |
| Landfill Phase I & Transport | \$0 | (\$9) | \$5 | (\$7) | (\$1) | \$0 | \$0 | \$0 | (\$12) |
| Landfill Phase II | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total Variance to 2011 MTP | \$1 | \$3 | \$5 | (\$7) | (\$1) | \$0 | \$0 | \$0 | \$1 |

Key Messages

- The ECR Filing for Phase I of the Landfill (including the Transport scope) was made in June 2011.
- The \$16M credit in 2011 on the Main Pond Phase I represents transferring the costs of the starter dike materials to be used in the Aux Pond Phase II (\$4M) and the Landfill Phase I (\$12M). This also accounts for the \$12M variance between the Current Forecast of \$69M and the \$57M Current Authority on Phase I of the Landfill.



Capital Review – Cane Run CCR

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|--------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Cane Run CCR | \$17 | \$19 | \$19 | \$1 | \$1 |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | \$2 | \$3 | \$5 | \$11 | \$0 | \$0 | \$0 | \$1 | \$22 |
| 2012 MTP | <u>\$2</u> | <u>\$2</u> | <u>\$1</u> | <u>\$3</u> | <u>\$4</u> | <u>\$5</u> | <u>\$2</u> | <u>\$0</u> | <u>\$17</u> |
| Variance to 2011 MTP | \$0 | \$1 | \$5 | \$8 | (\$4) | (\$5) | (\$2) | \$1 | \$5 |

Key Messages

- The 2011 plan was a new Landfill. Costs in the 2012 MTP are to construct a MSE Wall to raise the existing Landfill.



Capital Review - Ghent CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-------------------------------------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Landfill Phase I/Fines & Transport | \$303 | \$205 | \$205 | (\$99) | (\$99) |
| Landfill Phase II, III, Close & Cap | <u>\$132</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$132)</u> | <u>(\$132)</u> |
| Total | \$435 | \$205 | \$205 | (\$230) | (\$230) |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|-------------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | | | | | | | | | |
| Landfill Phase I | \$25 | \$12 | \$10 | \$9 | \$5 | \$1 | \$1 | \$1 | \$63 |
| Fines & Transport | \$7 | \$90 | \$89 | \$52 | \$0 | \$0 | \$0 | \$0 | \$238 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$127</u> | <u>\$128</u> |
| Total 2011 MTP | \$33 | \$102 | \$99 | \$61 | \$5 | \$1 | \$1 | \$128 | \$429 |
| 2012 MTP | | | | | | | | | |
| Landfill Phase I | \$15 | \$17 | \$18 | \$11 | \$11 | \$1 | \$1 | \$1 | \$75 |
| Fines & Transport | \$2 | \$46 | \$102 | \$73 | \$6 | \$0 | \$0 | \$0 | \$229 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$132</u> | <u>\$132</u> |
| Total 2012 MTP | \$17 | \$63 | \$121 | \$84 | \$17 | \$1 | \$1 | \$133 | \$435 |
| Variance to 2011 MTP | | | | | | | | | |
| Landfill Phase I | \$10 | (\$5) | (\$8) | (\$2) | (\$6) | \$0 | \$0 | (\$0) | (\$11) |
| Fines & Transport | \$5 | \$44 | (\$13) | (\$20) | (\$6) | \$0 | \$0 | \$0 | \$10 |
| Landfill Phase II, III, Close & Cap | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$5)</u> | <u>(\$5)</u> |
| Total Variance to 2011 MTP | \$16 | \$39 | (\$22) | (\$22) | (\$13) | \$0 | \$0 | (\$5) | (\$6) |

Key Messages

- The increase over the ECR Filing is driven by the Transport System estimate being based on Level I Engineering rather than Preliminary Engineering.



Capital Review – Trimble County CCR

Accrual Basis, \$Millions

Authority/ECR Comparison

| | Total Projection | Current Authority | ECR Filing | Variance to Authority | Variance to ECR Filing |
|------------------------------------|---------------------|----------------------|---------------|--------------------------|---------------------------|
| BAP/GSP | \$30 | \$30 | \$25 | \$0 | (\$5) |
| Landfill Phase I/Fines & Transport | \$210 | \$73 | \$73 | (\$137) | (\$137) |
| Landfill Phase II, III, & IV | \$186 | \$0 | \$0 | (\$186) | (\$186) |
| Holcim | \$11 | \$8 | \$8 | (\$3) | (\$3) |
| Total | \$436 | \$110 | \$106 | (\$326) | (\$331) |

MTP Comparison

| | Pre-2011 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Post 2016 | Total |
|-------------------------------------|-------------|-------------|--------------|---------------|---------------|--------------|--------------|--------------|---------------|
| 2011 MTP | | | | | | | | | |
| BAP/GSP | \$25 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$26 |
| Landfill Phase I | \$3 | \$37 | \$17 | \$0 | \$0 | \$0 | \$0 | \$0 | \$57 |
| Fines & Transport | \$0 | \$0 | \$71 | \$0 | \$0 | \$0 | \$0 | \$0 | \$71 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$230 | \$230 |
| Holcim | \$1 | \$7 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$8 |
| Total 2011 MTP | \$29 | \$45 | \$89 | \$0 | \$0 | \$0 | \$0 | \$230 | \$393 |
| 2012 MTP | | | | | | | | | |
| BAP/GSP | \$21 | \$9 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$30 |
| Landfill Phase I | \$2 | \$4 | \$46 | \$20 | \$10 | \$0 | \$0 | \$0 | \$84 |
| Fines & Transport | \$0 | \$3 | \$37 | \$58 | \$28 | \$0 | \$0 | \$0 | \$126 |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$186 | \$186 |
| Holcim | \$1 | \$2 | \$8 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 |
| Total 2012 MTP | \$24 | \$19 | \$92 | \$78 | \$37 | \$0 | \$0 | \$186 | \$436 |
| Variance to 2011 MTP | | | | | | | | | |
| BAP/GSP | \$4 | (\$8) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$3) |
| Landfill Phase I | \$1 | \$32 | (\$29) | (\$20) | (\$10) | (\$0) | (\$0) | \$0 | (\$27) |
| Fines & Transport | (\$0) | (\$3) | \$34 | (\$58) | (\$28) | \$0 | \$0 | \$0 | (\$55) |
| Landfill Phase II, III, Close & Cap | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$44 | \$44 |
| Holcim | \$0 | \$5 | (\$8) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$3) |
| Total Variance to 2011 MTP | \$5 | \$26 | (\$3) | (\$78) | (\$37) | (\$0) | (\$0) | \$44 | (\$43) |

Key Messages

- All numbers are net of IMPA/IMEA reimbursement.
- The 2012 MTP is based on the assumption the landfill and transport and treatment will be operational in late 2013.
- The increase over the ECR Filing is due refined engineering on the Transport System, however conceptual design will not be complete until late 2011.
- The 2012 MTP is based on 50% completion of the Landfill Detailed Design.



Capital Review – Brown SCR

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-----------|-----------------------------|------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Brown SCR | \$107 | \$185 | \$185 | \$78 | \$78 |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | \$25 | \$53 | \$41 | \$2 | \$0 | \$0 | \$0 | \$0 | \$120 |
| 2012 MTP | \$25 | \$40 | \$38 | \$5 | \$0 | \$0 | \$0 | \$0 | \$107 |
| Variance to 2011 MTP | (\$0) | \$13 | \$3 | (\$3) | \$0 | \$0 | \$0 | \$0 | \$12 |

Key Messages

- Variance to 2011 MTP is driven by reductions on Balance of Plant items and release of unused contingency.
- The SCR is projected to be operational June 30th, 2012.



Capital Review – Mill Creek Limestone Mill

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|---------------------------|-----------------------------|------------------------------|-----------------|
| Mill Creek Limestone Mill | \$14 | \$16 | \$2 |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | \$4 | \$8 | \$5 | \$0 | \$0 | \$0 | \$0 | \$0 | \$16 |
| 2012 MTP | \$4 | \$6 | \$5 | \$0 | \$0 | \$0 | \$0 | \$0 | \$14 |
| Variance to 2011 MTP | \$0 | \$2 | (\$0) | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 |

Key Messages

- Variance is the release of projected unused contingency.
- The Mill Creek Limestone Mill is planned to be operational in the second quarter 2012.



Capital Review – Ohio Falls

Accrual Basis, \$Millions Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|------------|-----------------------------|------------------------------|-----------------|
| Ohio Falls | \$131 | \$130 | (\$0) |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | \$41 | \$22 | \$27 | \$22 | \$19 | \$1 | \$0 | \$0 | \$130 |
| 2012 MTP | \$43 | \$20 | \$24 | \$21 | \$20 | \$2 | \$0 | \$0 | \$131 |
| Variance to 2011 MTP | (\$2) | \$1 | \$3 | \$1 | (\$2) | (\$2) | \$0 | \$0 | (\$0) |

Key Messages

- Above figures include removal costs of \$7.7M.
- 74% of this project has been negotiated into a lump sum contract with Voith.



Capital Review – NGCC 2016 Cane Run 7

Accrual Basis, \$Millions Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|----------------------|-----------------------------|------------------------------|-----------------|
| NGCC 2016 Cane Run 7 | \$579 | \$0 | (\$579) |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|--------------|--------------|--------------|-------------|----------------------|--------------|
| 2011 MTP | \$1 | \$3 | \$10 | \$120 | \$215 | \$180 | \$60 | \$0 | \$589 |
| 2012 MTP* | <u>\$0</u> | <u>\$3</u> | <u>\$37</u> | <u>\$163</u> | <u>\$223</u> | <u>\$139</u> | <u>\$15</u> | <u>\$0</u> | <u>\$579</u> |
| Variance to 2011 MTP | \$1 | \$0 | (\$27) | (\$43) | (\$8) | \$41 | \$46 | \$0 | \$10 |

*CCN Approval is expected in September 2012. Below is a scenario illustrating the impact of a six month delay.

| | | | | | | | | | |
|----------------------|------------|------------|-------------|--------------|--------------|--------------|-------------|------------|--------------|
| CCN Delay | <u>\$0</u> | <u>\$3</u> | <u>\$12</u> | <u>\$115</u> | <u>\$236</u> | <u>\$152</u> | <u>\$74</u> | <u>\$0</u> | <u>\$592</u> |
| Variance to 2012 MTP | \$0 | \$0 | \$25 | \$48 | (\$13) | (\$13) | (\$60) | \$0 | (\$13) |

Key Messages

- The NGCC 2016 was modeled on a 2 x 1, 640MW (summer, net) and assumes a 4th quarter 2015 in-service date.
- The main driver for the variance to the 2011 MTP is HDR cost estimate refinement.
- The 2012 MTP includes electric transmission relocation costs, but does not include the interconnect cost of the NGCC to the transmission line. Gas transmission line costs are included in the 2012 MTP.



Capital Review – Paddy’s Run & Canal Demolition

Accrual Basis, \$Millions

Authority Comparison

| | <u>Total Projection</u> | <u>Current Authority</u> | <u>Variance</u> |
|------------------------|-----------------------------|------------------------------|-----------------|
| Paddy's Run Demolition | \$15 | \$0 | (\$15) |
| Canal Demolition | \$15 | \$0 | (\$15) |
| Total | \$30 | \$0 | (\$30) |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | | | | | | | | | |
| Paddy's Run Demolition | \$0 | \$0 | \$1 | \$5 | \$5 | \$4 | \$0 | \$0 | \$15 |
| Canal Demolition | \$0 | \$0 | \$1 | \$5 | \$5 | \$4 | \$0 | \$0 | \$15 |
| Total 2011 MTP | \$0 | \$1 | \$3 | \$10 | \$10 | \$7 | \$0 | \$0 | \$30 |
| 2012 MTP | | | | | | | | | |
| Paddy's Run Demolition | \$0 | \$0 | \$3 | \$0 | \$0 | \$0 | \$1 | \$11 | \$15 |
| Canal Demolition | \$0 | \$0 | \$2 | \$0 | \$0 | \$0 | \$0 | \$14 | \$15 |
| Total 2012 MTP | \$0 | \$0 | \$4 | \$0 | \$0 | \$0 | \$1 | \$25 | \$30 |
| Variance to 2011 MTP | | | | | | | | | |
| Paddy's Run Demolition | \$0 | \$0 | (\$1) | \$5 | \$5 | \$3 | (\$1) | (\$11) | \$0 |
| Canal Demolition | \$0 | \$0 | (\$0) | \$5 | \$5 | \$4 | \$0 | (\$14) | \$0 |
| Total Variance to 2011 MTP | \$0 | \$1 | (\$2) | \$10 | \$10 | \$7 | (\$1) | (\$25) | \$0 |

Key Messages

- The above amounts are based on estimates prepared by Cane Run.
- 2012 includes \$2.5M for the stack demolition on Paddy's Run and \$1.5M for engineering on Canal. The remaining amounts were shifted out to 2015 through 2019.



Capital Review – Brown Air Compliance

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Requested Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|---------|-----------------------------|--------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Brown 1 | \$110 | \$110 | \$109 | \$0 | (\$0) |
| Brown 2 | \$118 | \$118 | \$118 | \$0 | (\$0) |
| Brown 3 | <u>\$118</u> | <u>\$118</u> | <u>\$117</u> | <u>(\$0)</u> | <u>(\$1)</u> |
| Total | \$346 | \$346 | \$344 | \$0 | (\$2) |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|--------------|---------------|---------------|--------------|-------------|----------------------|---------------|
| 2011 MTP | | | | | | | | | |
| Brown 1 | \$0 | \$5 | \$34 | \$46 | \$28 | \$0 | \$0 | \$0 | \$114 |
| Brown 2 | \$0 | \$10 | \$42 | \$65 | \$20 | \$15 | \$1 | \$0 | \$154 |
| Brown 3 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$2</u> | <u>\$27</u> | <u>\$40</u> | <u>\$13</u> | <u>\$0</u> | <u>\$83</u> |
| Total 2011 MTP | \$0 | \$15 | \$76 | \$114 | \$76 | \$55 | \$15 | \$0 | \$351 |
| 2012 MTP | | | | | | | | | |
| Brown 1 | \$0 | \$3 | \$29 | \$41 | \$37 | \$0 | \$0 | \$0 | \$110 |
| Brown 2 | \$0 | \$3 | \$31 | \$44 | \$40 | \$0 | \$0 | \$0 | \$118 |
| Brown 3 | <u>\$0</u> | <u>\$0</u> | <u>\$2</u> | <u>\$25</u> | <u>\$46</u> | <u>\$45</u> | <u>\$0</u> | <u>\$0</u> | <u>\$118</u> |
| Total 2012 MTP | \$0 | \$5 | \$62 | \$111 | \$123 | \$45 | \$0 | \$0 | \$346 |
| Variance to 2011 MTP | | | | | | | | | |
| Brown 1 | \$0 | \$3 | \$6 | \$5 | (\$9) | \$0 | \$0 | \$0 | \$4 |
| Brown 2 | \$0 | \$7 | \$11 | \$21 | (\$20) | \$15 | \$1 | \$0 | \$36 |
| Brown 3 | <u>\$0</u> | <u>\$0</u> | <u>(\$2)</u> | <u>(\$23)</u> | <u>(\$18)</u> | <u>(\$4)</u> | <u>\$13</u> | <u>\$0</u> | <u>(\$35)</u> |
| Total Variance to 2011 MTP | \$0 | \$10 | \$15 | \$3 | (\$47) | \$10 | \$15 | \$0 | \$5 |

Key Messages

- The ECR Filing excluded removal costs of \$2M.
- BR 1 includes a \$68M reduction due to removal of SCR from the prior plan and a \$64M increase on the Fabric Filter due to going from a combined 1 & 2 Fabric Filter, to separate Fabric Filters.
- BR 2 includes a \$105M reduction due to removal of SCR from the prior plan and a \$70M increase on the Fabric Filter due to going from a combined 1 & 2 Fabric Filter, to separate Fabric Filters.
- The estimate for the Brown 3 Fabric Filter increased \$35M based on refined engineering by B&V from Pre-Level I to Level I Engineering.



Capital Review – Ghent Air Compliance

| Accrual Basis, \$Millions | | | | | | | | | |
|-----------------------------|------------|-------|-----------|--------|--------|--------|-------------|-----------|-------------|
| Authority/ECR Comparison | Total | | Requested | | ECR | | Variance to | | Variance to |
| | Projection | | Authority | | Filing | | Authority | | ECR Filing |
| Ghent 1 | \$164 | | \$164 | | \$164 | | \$0 | | (\$0) |
| Ghent 2 | \$171 | | \$171 | | \$165 | | \$0 | | (\$6) |
| Ghent 3 | \$184 | | \$184 | | \$198 | | \$0 | | \$14 |
| Ghent 4 | \$173 | | \$173 | | \$185 | | \$0 | | \$12 |
| Total | \$692 | | \$692 | | \$712 | | \$0 | | \$19 |
| <u>MTP Comparison</u> | | | | | | | | | |
| | Pre-2011 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Post 2016 | Total |
| 2011 MTP | | | | | | | | | |
| Ghent 1 | \$0 | \$7 | \$0 | \$5 | \$57 | \$83 | \$27 | \$0 | \$179 |
| Ghent 2 | \$0 | \$20 | \$76 | \$111 | \$121 | \$76 | \$23 | \$0 | \$428 |
| Ghent 3 | \$0 | \$1 | \$8 | \$19 | \$62 | \$87 | \$9 | \$0 | \$186 |
| Ghent 4 | \$0 | \$1 | \$8 | \$14 | \$53 | \$78 | \$8 | \$0 | \$161 |
| Total 2011 MTP | \$1 | \$28 | \$92 | \$149 | \$293 | \$324 | \$67 | \$0 | \$954 |
| 2012 MTP | | | | | | | | | |
| Ghent 1 | \$0 | \$2 | \$8 | \$39 | \$48 | \$68 | \$0 | \$0 | \$164 |
| Ghent 2 | \$0 | \$4 | \$5 | \$29 | \$43 | \$86 | \$4 | \$0 | \$171 |
| Ghent 3 | \$0 | \$2 | \$48 | \$70 | \$64 | \$0 | \$0 | \$0 | \$184 |
| Ghent 4 | \$0 | \$1 | \$28 | \$43 | \$92 | \$8 | \$0 | \$0 | \$173 |
| Total 2012 MTP | \$0 | \$9 | \$88 | \$182 | \$247 | \$162 | \$4 | \$0 | \$692 |
| Variance to 2011 MTP | | | | | | | | | |
| Ghent 1 | \$0 | \$6 | (\$8) | (\$34) | \$8 | \$15 | \$27 | \$0 | \$15 |
| Ghent 2 | \$0 | \$16 | \$72 | \$82 | \$78 | (\$10) | \$19 | \$0 | \$257 |
| Ghent 3 | \$0 | (\$1) | (\$40) | (\$51) | (\$1) | \$87 | \$9 | \$0 | \$3 |
| Ghent 4 | \$0 | (\$1) | (\$20) | (\$30) | (\$39) | \$70 | \$8 | \$0 | (\$12) |
| Total Variance to 2011 MTP | \$1 | \$19 | \$4 | (\$33) | \$46 | \$162 | \$63 | \$0 | \$262 |

Key Messages

- The variance to the ECR Filing is a result of the following: \$4M reduction on the Fabric Filters due to change in outage dates for each unit after the filing. \$16M reduction for the refinement of the Ghent SAM and SCR Turn-Down estimates. In addition the ECR filing did not contain removal costs of \$1M.
- The large reduction on Ghent 2 from the 2011 MTP to the 2012 MTP is driven by a \$263M decrease due to the removal of the SCR from the 2011 plan.
- SCR Turn-Downs were added to units 1, 3 & 4 in the 2012 Plan at a cost of approximately \$8M per unit.
- The Ghent estimates in the 2012 MTP are based on a Level 1 Engineering Study performed by Black & Veatch compared to a Pre-Level 1 study in the 2011 MTP.



Capital Review – Mill Creek Air Compliance

| Accrual Basis, \$Millions | | | | | | | | | | |
|-----------------------------------|-------------------------|-------------|----------------------------|--------------|-------------------|----------------|------------------------------|------------------|-------------------------------|--|
| <u>Authority/ECR Comparison</u> | <u>Total Projection</u> | | <u>Requested Authority</u> | | <u>ECR Filing</u> | | <u>Variance to Authority</u> | | <u>Variance to ECR Filing</u> | |
| Mill Creek 1 | \$334 | | \$334 | | \$331 | | \$0 | | (\$3) | |
| Mill Creek 2 | \$331 | | \$331 | | \$328 | | \$0 | | (\$3) | |
| Mill Creek 3 | \$235 | | \$235 | | \$223 | | \$0 | | (\$12) | |
| Mill Creek 4 | \$393 | | \$393 | | \$386 | | \$0 | | (\$7) | |
| Total | \$1,294 | | \$1,294 | | \$1,268 | | \$0 | | (\$25) | |
| <u>MTP Comparison</u> | | | | | | | | | | |
| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> | |
| 2011 MTP | | | | | | | | | | |
| Mill Creek 1 | \$0 | \$0 | \$10 | \$51 | \$121 | \$47 | \$52 | \$3 | \$283 | |
| Mill Creek 2 | \$0 | \$13 | \$62 | \$135 | \$48 | \$50 | \$3 | \$0 | \$310 | |
| Mill Creek 3 | \$0 | \$0 | \$2 | \$38 | \$116 | \$86 | \$0 | \$0 | \$242 | |
| Mill Creek 4 | \$0 | \$36 | \$151 | \$169 | \$92 | \$0 | \$0 | \$0 | \$449 | |
| Total 2011 MTP | \$0 | \$49 | \$225 | \$393 | \$377 | \$183 | \$55 | \$3 | \$1,285 | |
| 2012 MTP | | | | | | | | | | |
| Mill Creek 1 | \$0 | \$0 | \$35 | \$86 | \$94 | \$120 | \$0 | \$0 | \$334 | |
| Mill Creek 2 | \$0 | \$0 | \$34 | \$84 | \$93 | \$119 | \$0 | \$0 | \$331 | |
| Mill Creek 3 | \$0 | \$0 | \$1 | \$49 | \$77 | \$93 | \$14 | \$0 | \$235 | |
| Mill Creek 4 | \$0 | \$9 | \$113 | \$134 | \$115 | \$22 | \$0 | \$0 | \$393 | |
| Total 2012 MTP | \$0 | \$9 | \$183 | \$353 | \$380 | \$354 | \$14 | \$0 | \$1,294 | |
| Variance to 2011 MTP | | | | | | | | | | |
| Mill Creek 1 | \$0 | \$0 | (\$25) | (\$35) | \$27 | (\$73) | \$52 | \$3 | (\$51) | |
| Mill Creek 2 | \$0 | \$13 | \$27 | \$51 | (\$46) | (\$69) | \$3 | \$0 | (\$21) | |
| Mill Creek 3 | (\$0) | \$0 | \$2 | (\$11) | \$39 | (\$7) | (\$14) | \$0 | \$7 | |
| Mill Creek 4 | (\$0) | \$27 | \$38 | \$35 | (\$23) | (\$22) | \$0 | \$0 | \$56 | |
| Total Variance to 2011 MTP | (\$0) | \$40 | \$42 | \$40 | (\$3) | (\$171) | \$41 | \$3 | (\$9) | |

Key Messages

- The variance to the ECR Filing is a result of the following: \$13M related to the MC 3 and 4 SAM Mitigation are not included in the ECR filing as it was part of an earlier filing. The ECR filing does not include removal costs of \$8M. The Current Projection includes a \$4M increase over the ECR filing due to moving the MC FGD outage to align with MC4's FGD outage.
- Reductions from the 2011 MTP include removal of the SCR's on MC 1 and 2. Increases include additions of the SCR Turn-Downs and SAM Mitigation on MC 3 & 4 which were not part of the Air Compliance Plan in 2011. Other significant increases are due to the addition of a Combined MC 1 & 2 FGD versus FGD upgrades on MC 1 and 2 in the 2011 plan.
- The Mill Creek estimates in the 2012 MTP are based on a Level 1 Engineering Study performed by Black & Veatch compared to a Pre-Level 1 study in the 2011 MTP. The exception is the MC 1 & 2 FGD which was based on the Brown FGD historical costs.



Capital Review – Trimble 1 Air Compliance

Accrual Basis, \$Millions Authority/ECR Comparison

| | <u>Total Projection</u> | <u>Requested Authority</u> | <u>ECR Filing</u> | <u>Variance to Authority</u> | <u>Variance to ECR Filing</u> |
|-----------|-----------------------------|--------------------------------|-----------------------|----------------------------------|-----------------------------------|
| Trimble 1 | \$124 | \$124 | \$124 | \$0 | (\$0) |

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | \$0 | \$0 | \$0 | \$15 | \$58 | \$85 | \$8 | \$0 | \$166 |
| 2012 MTP | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$21</u> | <u>\$34</u> | <u>\$63</u> | <u>\$6</u> | <u>\$0</u> | <u>\$124</u> |
| Variance to 2011 MTP | \$0 | \$0 | \$0 | (\$6) | \$24 | \$22 | \$3 | \$0 | \$42 |

Key Messages

- The variance between the 2011 MTP and 2012 MTP is due to the 2011 MTP being Gross before partner reimbursement. The 2012 MTP is Net of IMEA/IMPA reimbursement.
- The 2012 MTP continues to be based on Pre-Level 1 Engineering. Black & Veatch is currently performing a Level I Engineering study similar to the studies completed for Brown, Ghent, and Mill Creek.



Capital Review – Environmental Air MTP Variance Summary

Accrual Basis, \$Millions

2011 MTP to 2012 MTP Variance Breakdown by System

| Project | 2011 MTP | 2012 MTP | Variance | SCR Turn- Elec. Total | | | | | | |
|------------------|----------------|----------------|--------------|-----------------------|----------------|----------------|--------------|---------------|-------------|--------------|
| | | | | SCR | FF | FGD | SAM | Down | Precip | Variance |
| Brown 1 | \$114 | \$110 | \$4 | \$68 | (\$64) | \$0 | \$0 | \$0 | \$0 | \$4 |
| Brown 2 | \$154 | \$118 | \$36 | \$105 | (\$69) | \$0 | \$0 | \$0 | \$0 | \$36 |
| Brown 3 | \$83 | \$118 | (\$35) | \$0 | (\$35) | \$0 | \$0 | \$0 | \$0 | (\$35) |
| Ghent 1 | \$179 | \$164 | \$15 | \$0 | \$18 | \$0 | \$5 | (\$9) | \$0 | \$15 |
| Ghent 2 | \$428 | \$171 | \$257 | \$263 | (\$5) | \$0 | (\$1) | \$0 | \$0 | \$257 |
| Ghent 3 | \$186 | \$184 | \$3 | \$0 | \$5 | \$0 | \$6 | (\$8) | \$0 | \$3 |
| Ghent 4 | \$161 | \$173 | (\$12) | \$0 | (\$10) | \$0 | \$6 | (\$9) | \$0 | (\$12) |
| Mill Creek 1 | \$283 | \$334 | (\$51) | \$123 | (\$44) | (\$130) | \$0 | \$0 | \$0 | (\$51) |
| Mill Creek 2 | \$310 | \$331 | (\$21) | \$118 | (\$45) | (\$132) | \$0 | \$0 | \$38 | (\$21) |
| Mill Creek 3 | \$242 | \$235 | \$7 | \$0 | (\$8) | \$32 | (\$10) | (\$8) | \$0 | \$7 |
| Mill Creek 4 | \$449 | \$393 | \$56 | \$0 | \$8 | \$65 | (\$9) | (\$8) | \$0 | \$56 |
| Trimble County 1 | <u>\$166</u> | <u>\$124</u> | <u>\$42</u> | <u>\$0</u> | <u>\$42</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$42</u> |
| Total | \$2,756 | \$2,455 | \$300 | \$677 | (\$207) | (\$165) | (\$2) | (\$41) | \$38 | \$300 |



Capital Review – Environmental Air Alternate Scenarios

Accrual Basis, \$Millions MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2011 MTP | \$1 | \$93 | \$393 | \$670 | \$803 | \$647 | \$145 | \$3 | \$2,756 |
| 2012 MTP* | \$1 | \$23 | \$333 | \$667 | \$784 | \$624 | \$24 | \$0 | \$2,455 |
| Variance to 2011 MTP | \$0 | \$70 | \$60 | \$3 | \$19 | \$23 | \$121 | \$3 | \$300 |
| Alternate Scenario 1 | \$1 | \$8 | \$228 | \$764 | \$857 | \$627 | \$24 | \$0 | \$2,509 |
| Variance to 2012 MTP | \$0 | \$15 | \$105 | (\$97) | (\$73) | (\$3) | \$0 | \$0 | (\$54) |
| Alternate Scenario 2 | \$1 | \$26 | \$351 | \$746 | \$920 | \$771 | \$32 | \$0 | \$2,847 |
| Variance to 2012 MTP | \$0 | (\$2) | (\$19) | (\$80) | (\$136) | (\$147) | (\$8) | \$0 | (\$392) |

Key Messages

- Alternate Scenario 1 illustrates the impact of a six month delay in regulatory approval.
- Alternate Scenario 2 illustrates the impacts from increased market demand on labor and material prices as utilities across the country compete for the same labor and materials. Alternate Scenario 2 uses a 10% escalation rate (instead of the 4% rate in the 2012 MTP) to show the potential impact of increased market demand.



Capital Review – CCR Ruling

Accrual Basis, \$Millions

There is no ECR Filing or Approved Authority Amount associated with the CCR Ruling Projects.

MTP Comparison

| | <u>Pre-2011</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Post 2016</u> | <u>Total</u> |
|-----------------------------------|-----------------|-------------|-------------|--------------|-------------|--------------|--------------|------------------|--------------|
| 2011 MTP | | | | | | | | | |
| Brown | \$0 | \$0 | \$1 | \$0 | \$1 | \$0 | \$0 | \$0 | \$2 |
| Ghent | \$0 | \$0 | \$3 | \$1 | \$20 | \$149 | \$137 | \$0 | \$309 |
| Green River | \$0 | \$0 | \$9 | \$0 | \$6 | \$1 | \$3 | \$73 | \$92 |
| Pineville | \$0 | \$1 | \$2 | \$0 | \$0 | \$0 | \$0 | \$0 | \$3 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 | \$8 | \$12 | \$25 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$2 | \$0 | \$14 | \$60 | \$76 |
| Mill Creek | \$0 | \$0 | \$2 | \$0 | \$12 | \$48 | \$39 | \$0 | \$101 |
| Trimble | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>\$0</u> | <u>\$3</u> | <u>\$38</u> | <u>\$38</u> | <u>\$0</u> | <u>\$80</u> |
| Total 2011 MTP | \$0 | \$1 | \$18 | \$2 | \$44 | \$241 | \$238 | \$145 | \$688 |
| 2012 MTP | | | | | | | | | |
| Brown | \$0 | \$0 | \$0 | \$0 | \$1 | \$0 | \$1 | \$1 | \$3 |
| Ghent | \$0 | \$0 | \$0 | \$3 | \$1 | \$20 | \$22 | \$298 | \$344 |
| Green River | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$11 | \$40 | \$51 |
| Pineville | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$4 | \$3 | \$6 |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$3 | \$3 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$34 | \$34 |
| Mill Creek | \$0 | \$0 | \$0 | \$2 | \$0 | \$12 | \$15 | \$82 | \$111 |
| Trimble | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>\$0</u> | <u>\$2</u> | <u>\$2</u> | <u>\$62</u> | <u>\$67</u> |
| Total 2012 MTP | \$0 | \$0 | \$0 | \$5 | \$2 | \$34 | \$54 | \$523 | \$619 |
| Variance to 2011 MTP | | | | | | | | | |
| Brown | \$0 | \$0 | \$1 | \$0 | (\$0) | \$0 | (\$0) | (\$1) | (\$0) |
| Ghent | \$0 | \$0 | \$3 | (\$2) | \$20 | \$129 | \$114 | (\$298) | (\$35) |
| Green River | \$0 | \$0 | \$9 | \$0 | \$6 | \$1 | (\$8) | \$33 | \$41 |
| Pineville | \$0 | \$1 | \$2 | \$0 | \$0 | \$0 | (\$4) | (\$3) | (\$4) |
| Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$5 | \$8 | \$9 | \$22 |
| Cane Run | \$0 | \$0 | \$0 | \$0 | \$2 | \$0 | \$14 | \$26 | \$42 |
| Mill Creek | \$0 | \$0 | \$2 | (\$1) | \$12 | \$36 | \$23 | (\$82) | (\$10) |
| Trimble | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>(\$1)</u> | <u>\$3</u> | <u>\$35</u> | <u>\$36</u> | <u>(\$62)</u> | <u>\$13</u> |
| Total Variance to 2011 MTP | \$0 | \$1 | \$18 | (\$4) | \$42 | \$207 | \$184 | (\$378) | \$69 |

Key Messages

- Majority of projects were shifted to 2015 through 2019 in the 2012 plan due to timing and uncertainty of ruling. Costs in 2013 and 2014 in the 2012 MTP are mainly engineering and development of construction packages.
- Amounts for Trimble in the 2011 MTP were gross, Trimble amounts in the 2012 MTP are net of IMEA/IMPA partner reimbursement.
- Compliance Closure of Ponds is \$516M of the \$619M in the 2012 plan. There will be additional costs of \$815M associated with plant closures outside the LTP period.



Contingency Analysis

| 2012 MTP/LTP Contingency Shift By Year | | | | | | | | | | | |
|--|-----------|---------|-----------|-----------|-----------|---------|---------|----------|---------|---------|----------|
| \$ in Millions | Total | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Before Contingency Shift | \$5,402.4 | \$750.4 | \$1,159.5 | \$1,061.9 | \$695.3 | \$104.1 | \$368.6 | \$541.4 | \$350.0 | \$257.1 | \$114.2 |
| After Contingency Shift | \$5,402.4 | \$688.1 | \$1,057.3 | \$1,090.3 | \$822.5 | \$103.6 | \$347.4 | \$566.6 | \$338.8 | \$243.8 | \$144.0 |
| Contingency Shift By Year | (\$0.0) | \$62.3 | \$102.2 | (\$28.4) | (\$127.2) | \$0.5 | \$21.2 | (\$25.2) | \$11.1 | \$13.3 | (\$29.8) |

| 2012 MTP/LTP Contingency Amount By Project | | | | | | | | | | | |
|--|----------------|--------------|---------------|----------------|----------------|--------------|--------------|---------------|--------------|--------------|---------------|
| \$ in Millions | Total | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Project | | | | | | | | | | | |
| Brown CCR | \$5.4 | \$0.3 | \$3.4 | \$0.9 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.9 | \$0.0 | \$0.0 |
| Cane Run CCR | \$1.3 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$1.3 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Ghent CCR | \$22.5 | \$0.0 | \$10.2 | \$9.9 | \$0.0 | \$0.0 | \$0.2 | \$0.0 | \$2.2 | \$0.0 | \$0.0 |
| MC CCR | \$3.9 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$3.8 | \$0.2 |
| TC CCR (Net) | \$26.4 | \$0.8 | \$0.0 | \$24.2 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$1.4 | \$0.0 | \$0.0 |
| Brown SCR | \$3.5 | \$2.0 | \$1.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| MC Limestone Mill | \$2.8 | \$2.8 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Ohio Falls | \$6.0 | \$0.0 | \$0.0 | \$5.7 | \$0.3 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| NGCC - 2016 | \$41.0 | \$0.0 | \$0.0 | \$0.0 | \$39.5 | \$1.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| NGCC - 2021 | \$54.8 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$54.8 |
| Env. Air - Brown | \$30.9 | \$0.0 | \$0.0 | \$20.2 | \$10.7 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Env. Air - Ghent | \$87.3 | \$0.9 | \$0.7 | \$42.4 | \$42.0 | \$1.3 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Env. Air - Mill Creek | \$116.7 | \$0.4 | \$0.7 | \$31.5 | \$82.0 | \$2.1 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Env. Air - TC (Net) | \$11.3 | \$0.0 | \$0.0 | \$0.0 | \$10.2 | \$1.1 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Env. Compl. - CCR Ruling | \$56.2 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.6 | \$51.0 | \$4.6 | \$0.0 | \$0.0 |
| Total Contingency | \$470.1 | \$7.2 | \$16.5 | \$134.8 | \$184.7 | \$7.3 | \$0.8 | \$51.0 | \$9.1 | \$3.8 | \$55.0 |





PPL companies

Energy Marketing

2012 - 2016

October 7, 2011

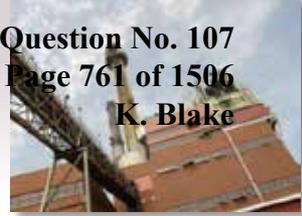


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Plan Highlights

Key Objectives

- *Optimize the utilization of existing assets to provide reliable, low cost energy.*
- *Procure coal and gas necessary to cost-effectively operate generating plants.*
- *Provide high quality analysis to enhance decision-making.*
- *Develop and maintain infrastructure to support significant business information needs.*
- *Enhance processes required to meet reliability standards.*
- *Improve analysis capability and knowledge related to retail customer energy usage to support energy efficiency and other efforts.*



Major Assumptions

- *Commodity prices as approved by RCG on 6-24-11.*
- *Generating units reach availability targets.*
- *Fuel suppliers meet contractual obligations.*
- *Off-system sales are charged an internal transmission tariff.*
- *OSS internal transmission expense is offset by revenue in Transmission line of business.*

Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 6,095 | 6,012 | 6,632 | 6,869 | 7,072 | 7,169 | 7,387 |
| Burdens | 2,069 | 2,109 | 1,888 | 1,955 | 2,019 | 2,196 | 2,262 |
| Non labor Regulated Trading | 238 | 367 | 362 | 382 | 391 | 399 | 407 |
| Non labor Business Information | 34 | 153 | 140 | 154 | 158 | 161 | 164 |
| Non labor Director Energy PF&A | 79 | 104 | 63 | 63 | 71 | 73 | 74 |
| Non labor Generation Planning | 318 | 233 | 309 | 316 | 324 | 331 | 337 |
| Non labor Economic Analysis | 352 | 386 | 316 | 324 | 332 | 339 | 346 |
| Non labor Sales Analysis | 149 | 148 | 102 | 105 | 107 | 109 | 112 |
| Non labor Operations Analysis | 1 | 12 | 14 | 15 | 15 | 15 | 16 |
| Non labor VP Energy Marketing | 29 | 57 | 57 | 58 | 60 | 61 | 62 |
| Non labor Allocated Support | 85 | 109 | 5 | 5 | 5 | 5 | 5 |
| Non-labor Fuels | 402 | 662 | 688 | 715 | 733 | 748 | 763 |
| Non-labor Other | 184 | 126 | 126 | 126 | 127 | 129 | 131 |
| Total OPEX for EBIT | <u>10,035</u> | <u>10,478</u> | <u>10,702</u> | <u>11,087</u> | <u>11,414</u> | <u>11,735</u> | <u>12,066</u> |



Financial Performance

2010-2016 OSS Margin (\$000)

| | 2010 | 2011 | 7+5 2011 | 2011 MTP | 2012 MTP | | | | |
|-----------------------------|--------------|---------------|--------------|---------------|---------------|---------------|--------------|------------|----------------|
| | Actual | Budget | Forecast | 2012 | 2012 | 2013 | 2014 | 2015 | 2016 |
| OSS Margin | 7,950 | 16,058 | 11,844 | 15,829 | 16,658 | 15,227 | 7,018 | 2,955 | 318 |
| Transmission Exp (Internal) | 1,757 | 3,722 | 4,408 | 3,609 | 3,634 | 3,647 | 2,611 | 2,131 | 2,032 |
| Total OSS Margin | 6,193 | 12,336 | 7,436 | 12,220 | 13,024 | 11,580 | 4,407 | 824 | (1,714) |

Off-system Sales Volume-GWh

| | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|-----|----|
| On-peak | 299 | 526 | 635 | 566 | 453 | 467 | 212 | 113 | 98 |
| Off-peak | 117 | 551 | 352 | 395 | 357 | 328 | 161 | 82 | 51 |
| Weekend | 126 | 612 | 407 | 570 | 399 | 392 | 224 | 102 | 64 |

Native Load Purchase Volume-GWh

| | | | | | | | | | |
|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| On-peak | 446 | 307 | 221 | 372 | 213 | 128 | 246 | 222 | 294 |
| Off-peak | 86 | 33 | 33 | 70 | 51 | 36 | 83 | 102 | 122 |
| Weekend | 109 | 36 | 34 | 52 | 29 | 29 | 48 | 59 | 76 |

•Purchase volume excludes OVEC



PPL companies

Financial Performance

2010-2016 Margin Expenses / Cost of Sales (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Internal Transmission Exp (OSS) | 1,783 | 3,722 | 3,634 | 3,647 | 2,611 | 2,664 | 2,717 |
| RSG Expense (OSS) | 395 | 2,063 | 1,678 | 1,589 | 836 | 852 | 870 |
| Industrial Coal Sales (Fuels) | 729 | 865 | 797 | 798 | 798 | 814 | 830 |
| Total Margin/Cost of Sales | 2,907 | 6,650 | 6,109 | 6,034 | 4,245 | 4,330 | 4,417 |



Financial Performance

2012-2016 Target Comparison (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total OPEX | 10,702 | 11,087 | 11,414 | 11,735 | 12,066 |
| Total Gross Margin Expense (if applicable) | 6,109 | 6,034 | 4,245 | 4,330 | 4,417 |
| Total | <u>16,811</u> | <u>17,121</u> | <u>15,659</u> | <u>16,065</u> | <u>16,483</u> |
| Total OPEX Target | 11,584 | 11,992 | 12,385 | 12,810 | 13,251 |
| Total Gross Margin Expense Target | 6,394 | 6,823 | 6,959 | 7,099 | 7,241 |
| Total Target | <u>17,978</u> | <u>18,815</u> | <u>19,344</u> | <u>19,909</u> | <u>20,492</u> |
| Variance to Target OPEX | 882 | 905 | 971 | 1,075 | 1,185 |
| Variance to Target Gross Margin Expense | 285 | 789 | 2,714 | 2,769 | 2,824 |
| | <u>1,167</u> | <u>1,694</u> | <u>3,685</u> | <u>3,844</u> | <u>4,009</u> |
| <u>Major Variance Contributors (Unfavorable):</u> | | | | | |
| Delayed hiring Gas Scheduler until 2013 | 135 | - | - | - | - |
| Lower Allocated Officer Support | 110 | 110 | 112 | 114 | 117 |
| Eliminated 5 previously budgeted positions | 585 | 603 | 621 | 639 | 658 |
| Other | 47 | 188 | 233 | 317 | 406 |
| Transmission Expense for OSS | (24) | 261 | 1,375 | 1,402 | 1,430 |
| RGS Expense for OSS | 238 | 456 | 1,250 | 1,275 | 1,300 |
| Industrial Coal Sales (Fuels) | 76 | 76 | 94 | 96 | 98 |
| Total | <u>1,167</u> | <u>1,694</u> | <u>3,685</u> | <u>3,844</u> | <u>4,009</u> |



Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|------|------|------|------|------|
| Total Capital | 250 | 250 | 250 | 250 | 250 |
| Target | 250 | 250 | 250 | 250 | 250 |
| Variance To Target | - | - | - | - | - |

Major Drivers of variance:

Financial Performance

Includes Co-ops

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Regulated Trading | 26 | 25 | 25 | 26 | 26 | 26 | 26 |
| Business Information | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Director Planning & Analysis | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Economic Analysis | 6 | 4 | 4 | 4 | 4 | 4 | 4 |
| Sales Analysis | 3 | 5 | 6 | 6 | 6 | 6 | 6 |
| Operations Analysis | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Generation Planning | 7 | 8 | 8 | 8 | 8 | 8 | 8 |
| VP Energy Marketing | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Subtotal | 53 | 53 | 54 | 55 | 55 | 55 | 55 |
| Fuels Management | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Fuels by Products | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Fuels Risk Managemet | 0 | 2 | 2 | 2 | 2 | 2 | 2 |
| Subtotal | 15 | 17 | 17 | 17 | 17 | 17 | 17 |
| Co-ops | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| TOTAL | 68 | 70 | 72 | 73 | 73 | 73 | 73 |
| From 2011 MTP | | 77 | 77 | 77 | | | |
| Variance to 2011 MTP | | -7 | -5 | -4 | | | |
| FTE 2012 MTP | | 70 | 71 | 72 | | | |
| FTE 2011 MTP | | 77 | 77 | 77 | | | |
| Variance to 2011 MTP | | -7 | -6 | -5 | | | |



Plan Risks

- *Higher than forecast native load due to weather cannibalizes off-system sales.*
- *Higher than planned generating outages.*
- *Additional dispatch changes to meet CSAPR emissions limits reduce generation available for off-system sales.*
- *Availability of transmission capacity to make sales.*
- *Long-term ability of certain municipal customers to pay wholesale power bill.*

Appendix



2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 10,702 | 11,087 | 11,414 | 11,735 | 12,066 |
| Prior Plan | 15,368 | 15,730 | 16,223 | 16,764 | 17,323 |
| Variance | <u>4,666</u> | <u>4,643</u> | <u>4,809</u> | <u>5,029</u> | <u>5,257</u> |
| <u>Variance Explanations</u> | | | | | |
| Burden Adjustment | 3,785 | 3,739 | 3,870 | 3,986 | 4,106 |
| Allocated Officer Support | 110 | 110 | 112 | 117 | 117 |
| Delay Gas Scheduler Position | 135 | - | - | - | - |
| Eliminate 5 Positions | 585 | 603 | 621 | 639 | 658 |
| Other | 51 | 191 | 206 | 287 | 376 |
| Total Variance | <u>4,666</u> | <u>4,643</u> | <u>4,809</u> | <u>5,029</u> | <u>5,257</u> |



2012-2016 Margin/Cost of Sales Reconciliation (\$000)

| | <u>2012 Budget</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Current Plan | 6,109 | 6,034 | 4,245 | 4,330 | 4,417 |
| Prior Plan | <u>6,399</u> | <u>6,827</u> | <u>6,964</u> | <u>7,103</u> | <u>7,245</u> |
| Variance | <u><u>290</u></u> | <u><u>793</u></u> | <u><u>2,719</u></u> | <u><u>2,773</u></u> | <u><u>2,828</u></u> |
| <u>Variance Explanations</u> | | | | | |
| Lower RSG for OSS | 238 | 456 | 1,250 | 1,275 | 1,300 |
| Lower XM Exp for OSS | (24) | 261 | 1,375 | 1,402 | 1,430 |
| Lower ICS Expenses | 76 | 76 | 94 | 96 | 98 |
| Total Variance | <u><u>290</u></u> | <u><u>793</u></u> | <u><u>2,719</u></u> | <u><u>2,773</u></u> | <u><u>2,828</u></u> |



2012-2016 Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------------|------|------|------|------|------|
| Total Capital | 250 | 250 | 250 | 250 | 250 |
| Target | 250 | 250 | 250 | 250 | 250 |
| Variance To Target | - | - | - | - | - |
| <u>Variance Explanations</u> | | | | | |
| No Variances | | | | | |
| Total Variance | - | - | - | - | - |



2012-2016 Cost of Removal Comparison (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | - | - | - | - | - |
| Prior Plan | - | - | - | - | - |
| Variance | - | - | - | - | - |

Variance Explanations

List major items that are driving plan over plan variances

| | | | | | |
|----------------|---|---|---|---|---|
| Total Variance | - | - | - | - | - |
|----------------|---|---|---|---|---|



2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Expansion Plan | - | - | - | - | - | - | - |
| ECR | - | - | - | - | - | - | - |
| Ongoing Capital | - | - | - | - | - | - | - |
| Special Projects | | | | | | | |
| PowerSimm | 356 | | | | | | |
| TEE Software | 54 | | | | | | |
| Miscellaneous Projects | | 210 | 250 | 250 | 250 | 250 | 250 |
| Total Capital (107001) | <u>410</u> | <u>210</u> | <u>250</u> | <u>250</u> | <u>250</u> | <u>250</u> | <u>250</u> |



2010-2016 Other Balance Sheet Costs (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Local Engineering | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Other Balance Sheet | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Total Other Costs | - | - | - | - | - | - | - |





PPL companies

Power Generation

2012 - 2016

October 14, 2011

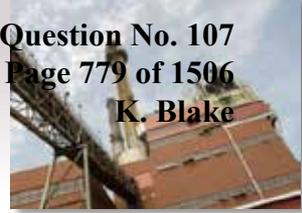


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Plan Highlights Included in MTP/LTP

- ***Expansion of generation capacity to include proposed Bluegrass CT site and construction of Cane Run Unit 7 CCGT***
- ***Planned retirements of coal generating units at Cane Run, Green River and Tyrone stations***
- ***Major investment and integration of environmental compliance control equipment***
- ***Landfill conversion from wet to dry at Ghent, Brown and Trimble stations***
- ***Generation dispatch in compliance with CSAPR forcing significant change in previously planned dispatch order***
- ***Increased resource needs to meet and maintain compliance with incremental regulatory requirements***
- ***Trimble County Unit 2 resolution of existing issues and warranty claims***
- ***Turbine / Generator efficiency modifications (Dense Packs) under evaluation and included in investment plan***
- ***Funding to address scopes of work related to retirement and demolition of Paddy's and Canal facilities***



Major Assumptions

1. Regulatory

1.1 *The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.*

1.2 *Target Reserve Margin of 16%, within a range of 15%-17%.*

- *2011 MTP was 14% within a range of 13% - 15%.*
- *No reserve margin purchases are planned.*

1.3 *Reserve sharing remains under the TVA/EKPC Reserve Sharing Agreement (~ 240 MW).*

1.4 *LG&E and KU remain committed to burning higher sulfur fuels.*

2. Proposed or Expected New Environmental Regulations for Air and Water

2.1 *Final Cross State Air Pollution Rules (CSAPR) were issued in July 2011, with Phase I starting 1/1/2012 and Phase 2 starting 1/1/2014.*

- *CSAPR replaces CATR (Clean Air Transport Rule).*
- *Have eliminated the one year of delay assumed in the 2011 MTP.*
- *The allocations are subject to state approval but the state generally goes along with the EPA recommendation.*
- *The new allocations are more generous on NO_x but move restrictive on SO₂ than had been expected.*

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- Existing allowance banks for SO₂ and NO_x cannot be used to meet CSAPR.
- Although CSAPR became final in July 2011, uncertainty remains regarding the outlook for the allowance market. The generation forecast utilizes an outlook for allowance prices from a 7/11/2011 PIRA report to achieve physical compliance.

2.2 Hazardous Air Pollutants (HAPS) Maximum Available Control Technology (MACT) proposed rules were issued in March 2011. Final rules expected in November 2011, plus “automatic” one-year delay, plus a three-year implementation period results in a January 1, 2016 effective date.

- Have eliminated the “second” year of delay assumed in the 2011 MTP.
- Impacts will be a compressed construction schedule, in particular at Mill Creek.

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x and SO₂. Based on these new standards, compliance requirements must be in place for NO_x in November 2016 and SO₂ in June 2017. These are expected to impact the Jefferson County generating units.

2.4 Cane Run Coal will be retired January 1, 2016.

- Combined cycle replacement available on that date.
- This aligns to the IRP.

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.5 Tyrone Coal will be retired January 1, 2016.

- ***This aligns to the IRP.***
- ***Sensitivity to January 1, 2015 should 1-year “automatic” delay not apply to facilities being retired.***

2.6 Green River Coal will be retired January 1, 2016.

- ***Based on no viable options or flexibility, Green River retirement is moved from June 1, 2019 in the 2011 MTP to January 1, 2016.***
- ***This aligns to the IRP.***
- ***Sensitivity to January 1, 2015 should 1-year “automatic” delay not apply to facilities being retired.***
- ***A Transmission Capital project is slated to be completed by early 2013 which will provide greater flexibility around running the Green River units.***
- ***Starting in 2012, Green River will run significantly less than historical averages due to SO₂ constraints under CSAPR (see 2.1), prior to the 1/1/16 retirement.***

2.7 GHG tailoring rule requirements began January 2011.

- ***GHG BACT will be required for permit renewals, though not yet defined.***
- ***The EPA is expected to issue GHG New Source Performance Standards (NSPS) for new and existing units during 2011.***

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 The 2011 ECR compliance plan and CCN are expected to be approved December 16 and will include the following air quality controls:

- **A new Mill Creek 4 FGD (Nov. 2014). A refurbished unit 4 FGD is then switched to unit 3 (Nov. 2015).**
- **A new Mill Creek 1 and 2 (combined) FGD (April/May 2015).**
- **Fabric Filters on Ghent 1-4, Mill Creek 1-4, Brown 1-3, and Trimble County 1.**
 - **2014 in-service: Br. 1, Br. 2, Gh4, MC4**
 - **2015 in-service: Br. 3, Gh1, Gh2, Gh3, MC1, MC2, MC3, TC1**
- **An SCR upgrade on Mill Creek 4.**
- **SCR turn-down capability on all existing SCR's except TC1 and TC2.**
 - **2013 in-service: MC3**
 - **2014 in-service: Gh3, Gh4, MC4**
 - **2015 in-service: Gh1**
- **Note : The additional SCR's that were in the 2011 MTP have been taken out.**

2.9 Significant O&M and cost of sales (\$120M per year) will be incurred as remaining units are operational for CSAPR and HAPS MACT Compliance (per B&V study - 2016 full year).

- **Costs will begin ramping up in 2014 as units are completed.**

Major Assumptions

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.10 316(b) proposed regulations have been issued and are expected to be final in July 2012.

- ***There is no mandate for cooling towers at the current time (Mill Creek 1 is a sensitivity in 2017).***
- ***Current estimate to comply is \$3M each for Mill Creek, Trimble County, Ghent, and Brown (½ in 2015, ½ in 2016).***

2.11 Effluent water guideline draft proposal is expected July, 2012, with the final rule issued January 31, 2014.

- ***Ultimate implementation timing as well as scope are uncertain at this time.***
- ***A placeholder per station is included (\$60M Ghent, \$60M Mill Creek, \$40M Brown, \$20M Trimble County, \$10M Cane Run, and \$10M Green River).***
- ***The dollars are split ½ in 2017 and ½ in 2018, however, they could vary by facility based on permit renewal dates.***

3. Expansion/Capacity

3.1 Simple cycle capacity of 495MW is added on January 1, 2013 (Ownership is 69% LG&E, 31% KU).

Major Assumptions

3. Expansion/Capacity (Cont.)

3.2 A combined cycle unit will be added January 1, 2016 at the Cane Run location.

- **2 x 1, 640 MW Summer Net (Ownership is 78% KU, 22% LG&E).**
- **Replacing Cane Run Coal retired on that date.**
- **CCN approval date of September, 2012.**
- **Expense profile based on a Long-Term Services Agreement being in place.**

3.3 A second combined cycle unit will be added June 1, 2021 at the Green River location.

- **2 x 1, 640 MW Summer Net. (Company ownership is all KU).**
- **Replacing Green River Coal retired January 1, 2016 (5.5 year gap in W. Kentucky Generation).**
- **There will be no benefit from emissions offset, given the 5.5 year gap between coal retirement and combined cycle start-up.**
- **Expense profile based on a Long-Term Services Agreement being in place.**
- **There will be transmission issues between the coal retirement date and the combined cycle in-service date until the new 345kv line in the MTP/LTP is completed.**

3.4 The next generating unit (after the second combined cycle) will come on-line in 2028 (all spending outside of LTP). This date is highly in flux given how far out it is in the planning window.

3.5 After running through 2010, Tyrone will be in reserve and then lay-up status for the full MTP period, and then retired on January 1, 2016.

3.6 The six Ohio Falls units still to be rehabilitated will be staged one unit every 7-8 months between 2011 and 2014.

Major Assumptions

3. Expansion/Capacity (Cont.)

3.7 **Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2014 and runs through 2018.**

- **Engineering to be done in 2012.**
- **Paddy's Run site will be completed in 2015 to accommodate CR combined cycle.**

3.8 **Steam turbine efficiency upgrades (dense packs) are included for:**

- **Mill Creek 4 in 2018**
 - **Ghent 4 in 2021**
 - **Ghent 3 in 2018**
 - **Ghent 2 in 2019**
 - **Ghent 1 in 2022**
 - **Heat rate benefits are factored in, but not any capacity changes.**
 - **Presuming they can be done with no NSR impact.**
 - **Boiler studies could also be required.**
- **Mill Creek 1 in 2021**
 - **Mill Creek 2 in 2020**
 - **Mill Creek 3 in 2019**
 - **Trimble County 1 in 2017**

3.9 **Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.**

- **Group 3 consists of the older, smaller CT's.**
- **No Group 3 units are being retired in the plan.**

3.10 **Biomass co-firing projects for 2 units are a sensitivity, not included in the base MTP.**

3.11 **Landfill gas projects are a sensitivity, not included in the base MTP.**

- **No activity currently taking place.**

Major Assumptions

3. Expansion/Capacity (Cont.)

3.12 *Wind power purchase agreements are not included in the base MTP.*

3.13 *A carbon capture and sequestration (CCS) demonstration facility for 100 MW is a sensitivity.*

4. Coal Combustion Residuals (CCR's)

4.1 *EPA issued two proposals for public input for coal combustion residuals (CCR's) in June 2010.*

- Final rules are expected in late 2012 and once final rules are issued there will be a five-year implementation period with an additional two years to close existing ponds. Ponds are expected to be eliminated for ash storage.
- Expected timeframe of 2017-2019 on pond closures and 2016-2017 on construction of new process ponds.
- A stay due to litigation is probable.
- A designation of “Hazardous” vs. “Non-Hazardous” appears to be trending toward “Non-Hazardous”.
 - *EPA's decision has been delayed until December 2012 at the earliest.*
- *The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill and gypsum for wallboard if declared “hazardous”.*

4.2 *Expanded TC Bottom Ash Pond and new TC Gypsum Pond will both be operational on December 15, 2011.*

Major Assumptions

4. Coal Combustion Residuals (CCR) (Cont.)

4.3 Trimble County Landfill Phase I construction will be substantially completed by 12/31/13 with significant O&M starting in 2014.

- **Holcim off-takes are included, as well as the barge load-out facility.**
- **Holcim agreement and barge load out facility expected to be operational July 1, 2012.**

4.4 Brown Ash Pond is being converted to a landfill. The 2011 ECR filing for the conversion will be approved in December 2011.

- **In-service date of January 2014.**

4.5 Ghent Landfill Phase 1 construction will be substantially completed by 6/30/13, with significant O&M starting in mid-2013.

4.6 The existing Cane Run Landfill will be modified by the end of 2012.

- **Use of mechanically stabilized earth (MSE Walls) to utilize slope area.**
- **Permit efforts for a new landfill will continue as a contingency plan.**

4.7 Extension of the Mill Creek Landfill will be in the back part of the LTP.

- **Earliest timeframe it would need to be operational would be 2021.**

4.8 All CCR Capital Projects use an annual escalation rate of 6.0%.

- **Escalation rate is biased higher to reflect the petroleum impact on the liner material and fuel in the earth moving equipment.**

Major Assumptions

5. Other Environmental (in addition to CATR, HAPS MACT, and CCR's) Resulting in Significant Capital Additions

5.1 The Brown 3 SCR will be in-service June 30, 2012.

- *PSD permit was received in January, 2011.*
- *High sulfur fuel will be burned in all three units starting November 1, 2011 with temporary SO₃ mitigation systems in place.*
- *The permanent system for Unit 3 will go in-service with the SCR.*
- *Operating parameters under the consent decree will be very tight for Brown 3.*

5.2 FGD ductwork renovations at Mill Creek are as follows:

- *Unit 2 in 2012.*
- *Unit 1 will be part of new environmental air capital.*
- *Unit 4 will be part of new environmental air capital.*
- *Unit 3 has already been completed.*

Major Assumptions

5. Other Environmental (in addition to CATR, HAPS MACT, and CCR's) Resulting in Significant Capital Additions

5.3 *SO₃ mitigation on Mill Creek 3 and 4 will be rolled into the Mill Creek air work being done for HAPS MACT and NAAQs.*

5.4 *Upgraded SO₃ Systems (including the Milling System) will be installed on the Ghent SCR Units (1,3,4) in 2011 and 2012, which will achieve a lower overall SO₃ emissions level.*

- *A new permanent system will be installed on (non-SCR) Unit 2 by September 2012.*
- *Boiler modifications to reduce exit gas temperatures will also likely be needed.*
- *Settlement with EPA is still a sensitivity.*
 - *Sufficient capital is likely covered within the MTP, but any penalties or SEP projects are not factored in.*

6. Operational and Other

6.1 *Annual escalation rates for internal labor, contract labor and materials are as follows:*

- *Internal labor: 3.0%.*
- *Contract/services labor: 3.0% for general, 3.5% for highly skilled (welders).*
- *Chemicals: 5.0% for specialty (GE Betz), 6.0% for commodity (Univar) 2012 – 2013, 7.0% 2014-2016.*
- *Fuels and additives 5.0%, copper 4.0%, plastic pipe 6.0%.*
- *Carbon steel plate 5.0%, fabricated steel 3.0%, Alloy steel 8.0%.*
- *All other materials: 5.2% composite rate.*

Major Assumptions

6. Operational and Other (Cont.)

6.2 *By the end of 2012, planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years, with the following exceptions:*

- *Brown units 1 and 3 over-lap by 2 weeks every other year.*
- *Cane Run units are 3 week outages one year with no outage the next year, with this cycle repeating.*
- *Trimble County units are 4 week outages one year with no outage the next year, with this cycle repeating.*

6.3 *The next turbine overhauls by unit is as follows:*

- *2012 : Ghent 2, Brown 3, Cane Run 4, Mill Creek 2.*
- *2013 : Mill Creek 1.*
- *2014 : Brown 1, Mill Creek 4, Ghent 4.*
- *2015 : Ghent 1.*
- *2016 : None scheduled (Brown 2 shifted to Spring, 2017).*

6.4 *Significant generator rewind/stator rewind dollars are included in the 2012-2016 timeframe.*

- *Brown 3 generator (stator and rotor) rewind in 2012.*
- *Brown 2 generator (stator and rotor) rewind in 2017 (some dollars also in 2016).*
- *Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.*

Major Assumptions

6. Operational and Other (Cont.)

6.5 Corrosion fatigue inspection schedule is as follows:

- **2012: Brown 3, Cane Run 4, Mill Creek 2**
- **2013: Mill Creek 1, Mill Creek 3**
- **2014: Ghent 4, Mill Creek 4**
- **2015: Ghent 1**
- **2016: None scheduled (Brown 2 shifted to Spring, 2017).**
- **Any repairs identified during the inspection are a sensitivity.**

6.6 High Energy Piping (HEP) inspection schedule is as follows:

- **2012: Brown 1, Brown 3, Cane Run 4, Cane Run 6, Ghent 2, Green River 3, Trimble County 2**
- **2013: Cane Run 5, Ghent 3, Green River 4, Mill Creek 1, Mill Creek 2, Mill Creek 3, Trimble County 1**
- **2014: Brown 1, Brown 2, Ghent 4, Green River 3, Mill Creek 4, Trimble County 2**
- **2015: Cane Run 5, Ghent 1, Green River 4, Mill Creek 2, Mill Creek 3**
- **2016: Brown 3, Ghent 2, Mill Creek 1, Trimble County 2**
- **Any repairs identified during the inspection are a sensitivity.**

Major Assumptions

6. Operational and Other (Cont.)

6.7 The fuel procurement plan is pushing toward higher chlorine ILL. Basin fuels, which will drive burner modifications on at least two Mill Creek units and two Ghent units.

- **Permit changes may also be needed.**

6.8 Targets for percentage of fuel hedged in MTP are as follows:

- **95% - 100% year 1**
- **90% - 100% year 2**
- **40% - 90% year 3**
- **30% - 70% year 4**
- **20% - 50% year 5**

6.9 Combustion turbine outages in the plan:

- **Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense – approximately 15%) vs. new parts (capital – approximately 85%).**
- **Number of Trimble units undergoing the hot gas path inspection include one in 2010 (unit 6), two in 2011 (units 5 and 8), and one each in 2012 - 2014.**
- **Brown C inspections by unit are as follows:**

| | | | |
|---|-----------------------|------------------------|------------------------|
| ✓ | Unit 9 in 2013 | Unit 10 in 2015 | Unit 11 in 2017 |
| ✓ | Unit 6 in 2017 | Unit 7 in 2018 | Unit 8 in 2020 |
| ✓ | Unit 5 in 2021 | | |

Major Assumptions

6. Operational and Other (Cont.)

6.10 NERC Cyber Security Solution (all coal-fired stations plus Paddy's Run and Haefling) is included, along with Microsoft Upgrades for Ghent and Trimble County due to 2014 de-support of Windows XP.

6.11 The FutureGen expense is \$0.5M per year through the LTP period.

- *This is a much different scope than FutureGen (Mattoon, IL).*

6.12 Demolition (cost of removal) costs for Canal and Paddy's Run are as follows:

- 2012 \$4.0M
- 2013-2014 \$0.0M
- 2015 \$0.3M
- 2016 \$1.3M
- 2017 \$7.5M
- 2018 \$10.0M
- 2019 \$7.0M
- *Order of events will be engineering for both sites (2012), Paddy's Run Stacks (2012), complete demolition of Paddy's (2015 - 2019), complete demolition of Canal (2017 - 2019).*

6.13 Cost of removal reserves at 12/31/2015 are:

- Tyrone \$5M, Green River \$12M, Cane Run \$35M

6.14 A MAXIMO Upgrade (tied to Oracle Upgrade) will take place in 2013 (likely starting second half of 2012).

6.15 The PROSYM run from October 7, 2011 is the official generation forecast for the 2012-2016 MTP.

Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 64,410 | 72,221 | 73,881 | 77,972 | 81,875 | 84,404 | 73,367 |
| Burdens ¹ | 17,325 | 15,847 | 17,552 | 18,669 | 19,469 | 20,053 | 20,654 |
| Resident Contractors | 20,027 | 21,087 | 23,395 | 24,611 | 25,879 | 26,397 | 26,925 |
| Maintenance | 57,592 | 54,459 | 55,457 | 60,344 | 58,300 | 69,568 | 71,319 |
| Outages | 30,122 | 33,287 | 45,095 | 25,773 | 42,731 | 39,561 | 32,544 |
| Operations | 19,666 | 23,075 | 25,054 | 26,600 | 27,619 | 28,233 | 28,797 |
| Subtotal OPEX/Other expense | <u>209,144</u> | <u>219,976</u> | <u>240,435</u> | <u>233,968</u> | <u>255,873</u> | <u>268,216</u> | <u>253,606</u> |
| Gross Margin Expenses * | 40,577 | 53,039 | 67,631 | 83,299 | 106,908 | 167,186 | 201,041 |
| * (see next slide for detail) | | | | | | | |
| Total Income Statement items | <u>249,721</u> | <u>273,016</u> | <u>308,066</u> | <u>317,267</u> | <u>362,781</u> | <u>435,402</u> | <u>454,647</u> |

Note 1: Burdens for 2010 and 2011 have been adjusted down to be consistent with new allocation methodology for MTP years.



Financial Performance

2010-2016 Margin Expenses / Cost of Sales (\$'000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------------|----------------|------------------|----------------|---------------|----------------|----------------|----------------|
| Gross Margin Elements | | | | | | | |
| <u>ECR</u> | | | | | | | |
| | <i>Note</i> | | | | | | |
| Labor | - | - | 875 | 922 | 949 | 978 | 1,007 |
| Resident Contractors | - | - | 912 | 3,893 | 7,106 | 7,248 | 7,393 |
| Environmental Maint & Ops | - | 955 | 4,265 | 6,706 | 8,131 | 13,575 | 18,379 |
| ECR Activated Carbon | - | - | 3,232 | 3,781 | 14,048 | 49,656 | 85,529 |
| ECR Landfill Operations | - | - | - | 5,622 | 8,254 | 8,419 | 8,587 |
| ECR Nox Emission Allowances | - | - | 1 | - | - | - | - |
| ECR Nox Reduction Reagent | - | - | 1,518 | 2,422 | 2,310 | 2,356 | 4,814 |
| ECR Other Waste Disposal | - | 255 | 1,150 | 1,150 | 1,150 | 1,173 | 1,196 |
| ECR Scrubber Reactant Ex | - | - | 9,727 | 10,581 | 10,377 | 10,894 | 11,679 |
| ECR SO2 Emission Allowances | - | - | 7 | - | - | - | - |
| ECR Sorbent Reactant - Reagent Only | - | - | 15,430 | 17,398 | 23,012 | 39,344 | 44,099 |
| Total ECR | - | 1,210 | 37,118 | 52,474 | 75,336 | 133,643 | 182,683 |
| <u>Non-ECR</u> | | | | | | | |
| Resident Contractors | 1,054 | 1,082 | 960 | 950 | 646 | 659 | 672 |
| Environmental Maint & Ops | 131 | - | - | - | - | - | - |
| Activated Carbon | - | 2,802 | 1,077 | 1,260 | 1,235 | 1,259 | 1,284 |
| Emissions | 467 | - | - | - | - | - | - |
| Other Waste Disposal | 2,006 | 2,777 | 2,557 | 2,631 | 2,726 | 2,692 | 2,745 |
| NOx Emission Allowances | - | 84 | 70 | 70 | 71 | 73 | 74 |
| NOx Reduction Reagent | 6,022 | 7,561 | 7,977 | 8,286 | 7,779 | 8,164 | 8,625 |
| Scrubber Reactant Ex | 20,875 | 23,104 | 16,227 | 16,575 | 18,018 | 19,509 | 3,747 |
| SO2 Emission Allowances | - | 60 | 39 | 31 | 31 | 32 | (42) |
| Sorbent Reactant - Reagent Only | 10,022 | 14,359 | 1,605 | 1,020 | 1,066 | 1,157 | 1,252 |
| Total Non-ECR | 40,577 | 51,829 | 30,513 | 30,824 | 31,572 | 33,544 | 18,358 |
| Total Gross Margin | 40,577 | 53,039 | 67,631 | 83,299 | 106,908 | 167,186 | 201,041 |

Note 1: Gross Margin reflects 2012 and beyond shift of ECR related OPEX for Labor, Resident Contractors, Maintenance and Other Operations to the Margin accounts. Costs managed on ECR versus non-ECR basis.



Financial Performance

2012-2016 Target Comparison (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total OPEX/Other Expense | 240,435 | 233,968 | 255,873 | 268,216 | 253,606 |
| Total Gross Margin | 67,631 | 83,299 | 106,908 | 167,186 | 201,041 |
| Total | <u>308,066</u> | <u>317,267</u> | <u>362,781</u> | <u>435,402</u> | <u>454,647</u> |
| Total OPEX/Other Expense Target | 243,610 | 233,808 | 236,519 | 377,680 | 394,144 |
| Total Gross Margin Target | 71,273 | 84,755 | 177,622 | 110,360 | 112,846 |
| Total Target | <u>314,883</u> | <u>318,563</u> | <u>414,141</u> | <u>488,039</u> | <u>506,989</u> |
| Variance to Target | <u>6,817</u> | <u>1,296</u> | <u>51,360</u> | <u>52,637</u> | <u>52,342</u> |
| Major Variance Contributors: | | | | | |
| Bluegrass CT Expansion | (1,454) | (7,260) | (3,082) | (3,216) | (3,994) |
| Scrubber reactant reductions across the plants | - | - | - | - | - |
| Revised timing in Env/HAPs Expenses | (104) | (3,534) | 64,719 | 67,802 | 56,960 |
| Ghent Outage scope changes from prior plant | (575) | (675) | (10,056) | (10,872) | (5,832) |
| Labor increase based on workforce planning | 825 | (20) | (1,008) | (635) | (233) |
| Revised Ghent SO3 Usgage Projections | 2,319 | 2,626 | 2,838 | 2,895 | 2,953 |
| Fleet wide various reductions during MTP process | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| Outage reductions at Cane Run Station | - | 3,193 | 1,529 | 1,560 | 1,591 |
| Post 2011 MTP submission FP reductions to LTP | - | - | (5,000) | (5,000) | (5,000) |
| Reductions in Brown Landfill cost projection | - | - | 1,500 | 1,500 | 1,500 |
| Inventory write-off and plant closure estimates | - | - | - | (10,000) | (15,546) |
| TC2 PJFF Bag & Cage Replacement to Capital | - | - | - | 5,971 | - |
| Timing of GR Steam out (2019 to 2016) | - | - | - | - | 11,851 |
| Other Puts and Takes | 2,305 | 3,466 | (3,579) | (868) | 4,592 |
| | <u>6,817</u> | <u>1,296</u> | <u>51,360</u> | <u>52,637</u> | <u>52,342</u> |



Financial Performance

2012-2016 Capital Comparison – Accrual Basis

(\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------|--------------|---------------|---------------|-----------------|--------------|
| Total Capital | 198,188 | 95,133 | 106,293 | 155,545 | 104,676 |
| Target | 204,965 | 123,093 | 128,725 | 117,517 | 108,426 |
| Variance To Target | 6,777 | 27,960 | 22,432 | (38,028) | 3,750 |
| Major Drivers of variance: | | | | | |
| BG Ongoing Capital | (1,669) | (1,098) | (815) | (9,083) | (110) |
| BR1 Cooling Tower Rebuild | - | - | (3,518) | - | - |
| BR1 Gen Rotor Rewind 08 | - | - | (2,553) | - | - |
| BR3 SCR Catalyst | - | (851) | (2,300) | - | - |
| BRCT10 C Inspection 12 | - | 1,523 | 8,990 | (10,519) | - |
| CR SPP Dewatering | - | 3,000 | 6,843 | - | - |
| CR Continuing Operations | - | 5,000 | 4,888 | 4,888 | 4,888 |
| DX Dam Leakage Remediation | 5,000 | (7,105) | - | - | - |
| GH4 Turb Eff Upgr | - | - | 5,000 | 9,500 | - |
| GH1 SCR L3 Rplcmt | - | (974) | (2,261) | - | - |
| GH1 ESP HOT ROOF REPL | - | - | - | (2,661) | - |
| GH3 Condensate Polisher | - | - | (723) | (2,552) | - |
| GS-LGE-CEMS Shltr Rplt | 2,425 | 5,125 | - | (5,550) | - |
| GS GE 345kV Spr LGE | - | - | (1,350) | (3,150) | - |
| GS PE PR BS - LGE | - | 12,200 | 12,400 | (24,600) | - |
| GS PE BR BS - LGE | - | - | 7,200 | 14,500 | - |
| GS PE TC BS - LGE | - | - | - | 11,000 | 22,100 |
| MC2 FGD Refurbishment | (4,846) | - | - | - | - |
| MC4 Economizer | - | 3,000 | 2,500 | - | - |
| MC3 BURNERS 2013 | (1,000) | (4,300) | - | - | - |
| MC3 Burners | 1,600 | 2,500 | 1,000 | 1,500 | - |
| MC4 Cooling Tower Fill | - | - | (4,500) | - | - |
| MC1 Waterwall Weld Overlay | - | (2,500) | - | - | - |
| MC4 Turbine Dense Pack | - | - | - | - | (1,000) |
| MC4 Generator Stator Bar | - | - | - | - | (6,000) |
| MC4 Condenser | - | 2,000 | (2,000) | - | - |
| TC SDRS REACTANT TANK R | - | 1,511 | - | (2,250) | - |
| TC2 PUNCHLIST ITEMS | - | 5,754 | - | - | - |
| TC2 SCR Layer 1 Replacemen | - | - | - | - | (3,030) |
| TC CT HGPI LGE#5 | 3,022 | - | (4,246) | - | - |
| TC CT Spare Parts for HGP | - | 2,015 | - | (2,018) | - |
| Other Puts and Takes | 2,245 | 1,159 | (2,121) | (17,033) | (13,097) |
| Target Variance | 6,777 | 27,960 | 22,432 | (38,028) | 3,750 |



Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Mill Creek | 215 | 221 | 222 | 226 | 226 | 227 | 227 |
| Trimble County/CTs | 135 | 150 | 157 | 162 | 166 | 167 | 168 |
| Cane Run/Ohio Falls | 127 | 126 | 126 | 126 | 126 | 126 | 87 |
| Ghent | 204 | 206 | 210 | 220 | 222 | 229 | 229 |
| Brown/Dix/Tyrone | 151 | 153 | 156 | 156 | 161 | 161 | 161 |
| Green River | 53 | 53 | 52 | 52 | 52 | 52 | 19 |
| Generation Services | 47 | 54 | 54 | 57 | 60 | 62 | 64 |
| Other Generation Support | 46 | 44 | 46 | 46 | 46 | 46 | 46 |
| TOTAL | 978 | 1,007 | 1,023 | 1,045 | 1,059 | 1,070 | 1,001 |
| From 2011 MTP | | 1,015 | 1,022 | 1,040 | | | |
| Variance to 2011 MTP | | -8 | 1 | 5 | | | |
| FTE 2012 MTP | | 1,006.5 | 1,022.5 | 1,044.5 | | | |
| FTE 2011 MTP | | 1,015.0 | 1,021.5 | 1,039.5 | | | |
| Variance to 2011 MTP | | -8.5 | 1.0 | 5.0 | | | |
| Co-Ops/Interns Included above | | | 14 | 14 | 14 | 14 | 14 |
| Regular Full Time Employees w/o Co-Ops/Interns | | | 1,009 | 1,031 | 1,045 | 1,056 | 987 |
| Fuels Analyst include in Other Gen WFP | | | 1 | 1 | 1 | 1 | 1 |
| Additional FTEs in Green River WFP | | | 2 | 2 | 2 | 2 | 2 |
| Brown First Round of MTP Givebacks | | | | 5 | | | |
| Ghent difference | | | | 2 | 1 | | |
| Energy Services Work Force Planning | | | 1,012 | 1,041 | 1,049 | 1,059 | 990 |



Operational Performance

Key Performance Indicators

| KPI | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Generation (Twh) ¹ | 34.1 | 36.7 | 34.5 | 34.9 | 34.5 | 34.8 | 35.3 |
| EAF (Steam) | 85.5% | 84.5% | 85.7% | 88.9% | 86.2% | 86.8% | 88.6% |
| EFOR (Steam) | 5.5% | 5.8% | 4.6% | 4.5% | 4.5% | 4.5% | 4.5% |
| Controllable Cost (\$M) ² | \$ 303.69 | \$ 318.61 | \$ 308.07 | \$ 317.27 | \$ 362.78 | \$ 435.40 | \$ 454.65 |
| Controllable Cost/mwh ² | \$ 8.91 | \$ 8.68 | \$ 8.94 | \$ 9.10 | \$ 10.52 | \$ 12.52 | \$ 12.87 |
| Recordable Injuries ³ | 1.82 | 1.74 | 1.80 | 1.77 | 1.76 | 1.76 | 1.76 |
| Lost Workday Case Rate ⁴ | 0.23 | 0.58 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |

¹ Steam Generation includes 75% of Trimble County 1 and 2.

² Controllable Costs include Utility O&M, Other Cost of Sales, Fuel Handling, and Below-the-Line expenses.

³ The 2011 forecast for RIIR is the July YTD value, hearing tests currently underway.

⁴ The 2011 forecast for Lost Workday Case Rate is the July YTD value.

** 2011 Forecast is from the 7&5 forecast.



Plan Risks

- ***Any subsequent changes to approved or proposed environmental regulations will impact the investment, construction and implementation of new systems in this plan***
- ***Generation dispatch for the plan years is based on current view of regulations and assumptions on allowance prices which is subject to significant changes to unit cost profiles and maintenance schedules if changes occur***
- ***Integration of the major investment in new environmental compliance systems is tied to an extremely aggressive schedule that may impact normal operations of existing plants and could require changes to the outage planning schedule for tie in processes***
- ***Availability of equipment and construction resources for major environmental compliance investment across the industry could lead to higher prices and impacts to planned schedule of completion***
- ***Expansion of generating capacity and other generation changes consistent with approved integrated resource plan must be balanced with efforts to address transmission system load requirements***
- ***Ghent EPA settlement fines and penalties could be assessed (possible 2012 impact of \$1M)***



Appendix



2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 240,435 | 233,968 | 255,873 | 268,216 | 253,606 |
| Prior Plan (adjusted for Accounting change of Burden | 241,493 | 238,722 | 323,477 | 377,957 | 394,429 |
| Variance | 1,058 | 4,754 | 67,604 | 109,742 | 140,823 |
| <u>Variance Elements Explanations</u> | | | | | |
| Labor and Burdens | 430 | (179) | (705) | (298) | 13,785 |
| Resident Contractors | 20 | 1,590 | 1,291 | 1,317 | 1,343 |
| Maintenance | 5,510 | 6,007 | 7,665 | 18,982 | (2,116) |
| Move MC2 and CR4 from 2011 to 2012 | (10,170) | - | - | - | - |
| Move MC1 from 2012 to 2013 | 3,950 | (4,750) | - | - | - |
| Ghent Outage Work Scope changes | (575) | (675) | (10,056) | (10,872) | (5,832) |
| Other Net Outages | 1,367 | 6,286 | (1,807) | (458) | 2,082 |
| Operations | 2,554 | 4,172 | 4,606 | 5,004 | 5,103 |
| Purchase of Bluegrass Utility | (1,454) | (7,260) | (3,082) | (3,216) | (3,994) |
| Financial Planning Reductions | - | - | (5,000) | (5,100) | (5,202) |
| Environmental Operations in LTP | - | - | 70,411 | 112,284 | 130,614 |
| Obsolete Inventory (CR and GR) | - | - | - | (10,000) | - |
| Plant Closure (CR, GR, and TY) | - | - | - | - | (15,456) |
| Cane Run CT OPEX | - | - | - | - | (24,902) |
| Green River & Cane Run Steam Out | - | - | - | - | 43,735 |
| Other Puts and Takes | (575) | (437) | 4,281 | 2,099 | 1,662 |
| | 1,058 | 4,754 | 67,604 | 109,742 | 140,823 |



2012-2016 Margin/Cost of Sales Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| Current Plan | 67,631 | 83,299 | 106,908 | 167,186 | 201,041 |
| Prior Plan | 65,771 | 74,680 | 90,934 | 110,360 | 112,846 |
| Variance | <u>(1,860)</u> | <u>(8,619)</u> | <u>(15,973)</u> | <u>(56,827)</u> | <u>(88,196)</u> |
| Gross Margin Elements | | | | | |
| Labor | (875) | (922) | (949) | (978) | (1,007) |
| Resident Contractors | (1,189) | (3,002) | (5,874) | (5,991) | (6,111) |
| Enviromental Maint & Ops | (4,265) | (6,706) | (8,131) | (13,575) | (28,304) |
| Activated Carbon | 3,004 | 3,586 | 3,708 | 3,783 | 3,858 |
| ECR Activated Carbon | (3,232) | (3,781) | (14,048) | (49,656) | (85,529) |
| ECR Landfill Operations | - | (5,622) | (8,254) | (8,419) | (8,587) |
| ECR Nox Emission Allowances | (1) | - | - | - | - |
| ECR Nox Reduction Reagent | (1,518) | (2,422) | (2,310) | (2,356) | (4,814) |
| ECR Other Waste Disposal | 0 | 3,198 | 3,285 | 3,351 | 3,418 |
| ECR Scrubber Reactant Ex | (9,727) | (10,581) | (10,377) | (10,894) | (11,679) |
| ECR SO2 Emission Allowances | (7) | - | - | - | - |
| ECR Sorbent Reactant - Reagent Only | (15,430) | (17,398) | (23,012) | (39,344) | (44,099) |
| Other Waste Disposal | (208) | (194) | 437 | 534 | 545 |
| NOx Emission Allowances | (67) | (69) | (71) | (73) | (74) |
| NOx Reduction Reagent | 548 | 411 | 1,092 | 884 | 605 |
| Scrubber Reactant Ex | 7,919 | 9,312 | 22,575 | 39,503 | 66,649 |
| SO2 Emission Allowances | 75 | 69 | (31) | (32) | 42 |
| Sorbent Injection Operation | (0) | (0) | 24,701 | 25,195 | 25,699 |
| Sorbent Reactant - Reagent Only | 23,114 | 25,501 | 1,285 | 1,242 | 1,194 |
| Total Variance | <u>(1,860)</u> | <u>(8,619)</u> | <u>(15,973)</u> | <u>(56,827)</u> | <u>(88,196)</u> |



2012 MTP Updated Historical Turbine Outage Schedule

K. Blake

| | '91 | '92 | '93 | '94 | '95 | '96 | '97 | '98 | '99 | '00 | '01 | '02 | '03 | '04 | '05 | '06 | '07 | '08 | '09 | '10 | '11 | '12 | '13 | '14 | '15 | '16 | '17 | '18 | '19 | 20 | 21 | |
|-----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|---|
| GH1 | █ | | | █ | | | | | | █ | | | | | | | █ | | | | | | █ | | | | | | | | | |
| GH2 | | | | | | █ | | | | | | | | | █ | | | | | | | | █ | | | | | | | █ | | |
| GH3 | | | | | █ | | | | | | | | █ | | | | | | | | █ | | | | | | | | | | | |
| GH4 | | | █ | | | | | | | | | █ | | | | | | █ | | | | | | █ | | | | | | | █ | |
| BR1 | █ | | | | | | | | | █ | | | | | | | █ | | | | | | | | █ | | | | | | █ | |
| BR2 | | | | █ | | | | | | | █ | | | | | | | | | | █ | | | | | | | █ | | | | |
| BR3 | | █ | | | | | | █ | | | | | | | | █ | | | | | | | █ | | | | | | | | █ | |
| GR3 | | | █ | | | | | | | | | | █ | | | | | | | | | | | | | | | | | | | |
| GR4 | | | | | █ | █ | | | | | | | █ | | | █ | | | | | | | | | | | | | | | | |
| TY3 | | | | | █ | | | | | | | | █ | | | | | | | | | | | | | | | | | | | |
| CR4 | | | | | | █ | | | | | | | | █ | | | | | | | | | | █ | | | | | | | | |
| CR5 | | | | █ | | | | | | | █ | | | | | | | | | █ | | | | | | | | | | | | |
| CR6 | | | | | █ | | | | | | | | █ | | | | | | | | █ | | | | | | | | | | | |
| MC1 | █ | | | | | █ | | | | | | VG | | | █ | | | | | | | | | | | | | | | | | |
| MC2 | | | | | █ | | | | | | | | █ | | | | | | | | | | | █ | | | | | | | █ | |
| MC3 | | | | | █ | | | | | | | | | █ | | | | | | | | | █ | | | | | | | | | |
| MC4 | █ | | | | | | | | | | █ | | | | | █ | | | | | | | | | | | | | | | | |
| TC1 | | | | | █ | | | | | | | | | | | | █ | | | | █ | | | | | | | | | | | |
| TC2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Overhauls | 4 | 1 | 2 | 3 | 5 | 6 | 2 | 0 | 1 | 1 | 3 | 4 | 4 | 3 | 3 | 1 | 2 | 2 | 2 | 2 | 1 | 2 | 4 | 1 | 3 | 1 | 0 | 2 | 2 | 3 | 1 | 3 |

Historical

Most Recent

2012 MTP/LTP VG - Valves and Generator



PPL companies

Controllable Cost High Level Walk Forward for 2012-2014 MTP^{K. Blake}

(\$000)

| 2011 Forecast | \$ 318,610 |
|---|------------|
| New Hires, Merit and other Raw Labor Changes | 1,659 |
| ONE TIME: Change in Burden Rates (to remove fixed components) | (43,889) |
| SO3 Sorbent Injection | 2,676 |
| ECR Related Labor, Resident Contr, Maint & Operations | 4,975 |
| Scrubber Reactant | 2,850 |
| Other Gross Margin expenses | 4,090 |
| Turbine Outages 2011 (Ghent 3 and Mill Creek3) | (13,367) |
| 2012 (Ghent 2, Brown 3, Cane Run 4, and Mill Creek 2) | 24,657 |
| Other Outage Work | 518 |
| Maintenance | 998 |
| Operations & Other | 1,980 |
| All Other Items | (2,308) |
| 2012 Budget | \$ 308,066 |

Note: Negative/parenthetical numbers are reductions in cost



PPL companies

Controllable Cost High Level Walk Forward for 2012-2014 MTP^{K. Blake}

(\$000)

| 2012 Budget | \$ 308,066 |
|---|------------|
| New Hires, Merit and other Raw Labor Changes | 4,559 |
| Change in Burden Rates | 1,117 |
| SO3 Sorbent Injection | 1,383 |
| ECR Related Labor, Resident Contr, Maint & Operations | 5,458 |
| Gross Margin Landfill Operations | 5,622 |
| Other Gross Margin expenses | 3,205 |
| Turbine Outages 2012 (Ghent 2, Brown 3, Cane Run 4, and Mill Creek 2) | (24,657) |
| 2013 (Mill Creek 1) | 5,500 |
| Other Outage Work | (165) |
| Bluegrass CT inspections | 6,710 |
| Maintenance | (1,824) |
| Operations & Other | 1,546 |
| All Other Items | (747) |
| 2013 Plan | \$ 317,267 |

Note: Negative/parenthetical numbers are reductions in cost



PPL companies

2012-2016 Cost of Removal Comparison (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------|----------------|--------------|--------------|----------------|----------------|
| Current Plan | 7,504 | 4,299 | 6,262 | 13,423 | 12,518 |
| Prior Plan | 5,785 | 4,278 | 8,766 | 8,942 | 9,121 |
| Variance | <u>(1,719)</u> | <u>(21)</u> | <u>2,504</u> | <u>(4,481)</u> | <u>(3,397)</u> |
| <u>Variance Explanations</u> | | | | | |
| CR SPP Dewatering | - | - | 978 | - | - |
| GH3 SCR CATALYST ADDITION | 250 | (351) | - | - | - |
| GH2 REHEAT PENDANT ASSY | 387 | - | - | - | - |
| GH1 SCR L2 Catalyst Repl/Regen | (359) | - | - | - | - |
| GH1 SCR L3 Rplcmt | - | - | (358) | - | - |
| GH3 SCR L1 Repl | - | - | - | - | (350) |
| GH4 SCR L1 Repl | - | - | - | - | (350) |
| GH1 SCR Catalyst L1 Repl | - | - | - | (350) | - |
| MC2 FGD Refurbishment | (2,000) | - | - | - | - |
| MC4 Economizer | - | - | 1,100 | - | - |
| MC1 ECONOMIZER | - | - | 1,000 | (1,000) | - |
| MC4 SCR Catalyst Layer 4 | - | 100 | 350 | - | - |
| MC4 Cooling Tower Fill | - | - | (750) | - | - |
| MC1 Reheater | - | - | - | (400) | - |
| MC2 Reheater | - | - | - | (400) | - |
| MC3 Reheater | - | (500) | - | - | - |
| MC4 Reheater | - | - | (600) | - | - |
| MC4 Generator Stator Bar | - | - | - | - | (500) |
| Other LTP Generation Projects | - | - | 3,788 | - | - |
| Other Puts and Takes | 2 | 730 | (3,004) | (2,331) | (2,197) |
| Total Variance | <u>(1,719)</u> | <u>(21)</u> | <u>2,504</u> | <u>(4,481)</u> | <u>(3,397)</u> |



2010-2016 Capital Breakdown (w COR) – Accrual Basis

(\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Expansion | | | | | | | |
| BG Purchase | - | - | 110,000 | - | - | - | - |
| ECR (> \$1.0m) | | | | | | | |
| BR3 PJFF BC 2018 | - | - | - | - | - | - | - |
| BR3 PJFF BC 2021 | - | - | - | - | - | - | - |
| CR Landfill Vertical Expansion | 567 | 1,083 | - | - | - | - | - |
| GH1 PJFF BC 2018 | - | - | - | - | - | - | - |
| GH1 PJFF BC 2021 | - | - | - | - | - | - | - |
| GH2 PJFF BC 2018 | - | - | - | - | - | - | - |
| GH2 PJFF BC 2021 | - | - | - | - | - | - | - |
| GH3 PJFF BC 2017 | - | - | - | - | - | - | - |
| GH3 PJFF BC 2020 | - | - | - | - | - | - | - |
| GH4 PJFF BC 2017 | - | - | - | - | - | - | - |
| GH4 PJFF BC 2020 | - | - | - | - | - | - | - |
| MC Landfill Expansion | 833 | 812 | 150 | 150 | 2,000 | 150 | 150 |
| MC GPP Upgrade | - | - | - | - | - | - | - |
| MC4 PJFF BC 2017 | - | - | - | - | - | - | - |
| MC1 PJFF BC 2018 | - | - | - | - | - | - | - |
| MC2 PJFF BC 2018 | - | - | - | - | - | - | - |
| MC3 PJFF BC 2018 | - | - | - | - | - | - | - |
| MC4 PJFF BC 2020 | - | - | - | - | - | - | - |
| MC1 PJFF BC 2021 | - | - | - | - | - | - | - |
| MC2 PJFF BC 2021 | - | - | - | - | - | - | - |
| MC3 PJFF BC 2021 | - | - | - | - | - | - | - |
| TC1 SDRS Rebuild | - | - | - | - | - | - | - |
| TC! ESP Rebuild 2017 | - | - | - | - | - | - | - |
| TC2 SCR Layer 1 Replacement | - | - | - | - | - | - | 3,030 |
| TC2 PJFF Bags & Cages Repl | - | - | - | - | 1,921 | - | - |



2010-2016 Capital Breakdown (w COR) – Accrual Basis

(\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Ongoing Capital (> \$3.1m) | | | | | | | |
| BG Ongoing Capital | - | - | 1,669 | 1,098 | 815 | 9,083 | 110 |
| BR2 Gen Rewind 15-16 | - | - | - | - | - | - | 5,250 |
| BR1 Cooling Tower Rebuild | - | - | - | - | 3,518 | - | - |
| BRCT10 C Inspection 12 | - | - | - | - | 1,523 | 10,519 | - |
| BRCT10 Parts Recond 12 | - | - | - | - | - | - | 1,324 |
| BRCT 11N2s C Insp & Parts | - | - | - | - | - | - | 2,500 |
| CR SPP Dewatering | - | - | - | - | - | - | - |
| CR Continuing Operations | - | - | - | - | - | - | - |
| DX Dam Leakage Remediation | 3,106 | 9,616 | - | 7,105 | - | - | - |
| GH4 Bypass Econ Duct | - | - | - | - | - | - | - |
| GH3 Bypass Econ duct | - | - | - | - | - | - | - |
| GH4 Turb Eff Upgr | - | - | - | - | - | - | - |
| LGE-Gen Stator Bar Study | 6,298 | 1,469 | - | - | - | - | - |
| GS-LGE-CEMS Shltr Rplt | 36 | 50 | - | - | 2,700 | 8,250 | - |
| GS GE 345kV Spr LGE | - | - | - | - | 1,350 | 3,150 | - |
| GS PE PR BS - LGE | - | - | 300 | - | 12,200 | 24,600 | - |
| GS PE BR BS - LGE | - | - | 300 | - | - | - | - |
| GS PE TC BS - LGE | - | - | 400 | - | - | - | - |
| MC2 FGD Refurbishment | 3,349 | 2,709 | 4,846 | - | - | - | - |
| MC3 BURNERS 2013 | - | - | 1,000 | 4,300 | - | - | - |
| MC4 Cooling Tower Fill | - | - | - | - | 4,500 | - | - |
| MC3 Reheater | - | - | 1,000 | 4,000 | - | - | - |
| MC4 Generator Stator Bar | - | - | - | - | - | - | 6,000 |
| Other LTP Generation Projects | - | 244 | - | - | - | 35,045 | 39,389 |
| TC2 PUNCHLIST ITEMS | - | - | - | - | - | - | - |
| TC CT HGPI LGE#5 | - | - | - | - | 4,246 | - | - |
| TC CT HGP Insp #5 | - | - | - | - | - | - | - |
| TC CT HGP Insp #6 | - | - | - | - | - | - | - |



2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Special Projects (> \$0.5m) | | | | | | | |
| GH2 DCS Cyber Security | - | - | 687 | - | - | - | - |
| GH4 SH Spray Block Val Ret | - | - | - | - | - | - | - |
| GH1 DCS Cyber Security | - | - | 687 | - | - | - | - |
| GS-LGE-Cyber Security | 982 | 942 | 2,007 | - | - | - | - |
| MC Cyber Security Controls | - | - | 500 | 500 | - | - | - |
| TY Roof Repairs 16 | - | - | - | - | - | - | 604 |
| Total Other Special Projects < \$1.0m | - | 543 | 987 | 670 | 153 | - | 446 |
| Total Special Projects | 982 | 1,484 | 4,868 | 1,170 | 153 | - | 1,050 |
| Summary Expansion Projects (above) | - | - | 110,000 | - | - | - | - |
| Summary ECR Projects (above) | 1,400 | 1,895 | 150 | 150 | 3,921 | 150 | 3,180 |
| Total ECR Projects < \$1.0m | 696 | 0 | 604 | - | 681 | 1,237 | 877 |
| Total Special Projects | 2,096 | 1,895 | 754 | 150 | 4,602 | 1,387 | 4,057 |
| Summary Ongoing Capital (above) | 12,788 | 14,088 | 9,515 | 16,503 | 30,852 | 90,647 | 54,574 |
| Total Ongoing Capital < \$8.0m | 81,416 | 99,082 | 73,051 | 77,310 | 70,686 | 63,511 | 44,996 |
| Total Ongoing Capital | 94,205 | 113,170 | 82,566 | 93,813 | 101,538 | 154,158 | 99,570 |
| Grand Total Capital | 97,283 | 116,549 | 198,188 | 95,133 | 106,293 | 155,545 | 104,676 |



2010-2016 Other Balance Sheet Costs (\$000)

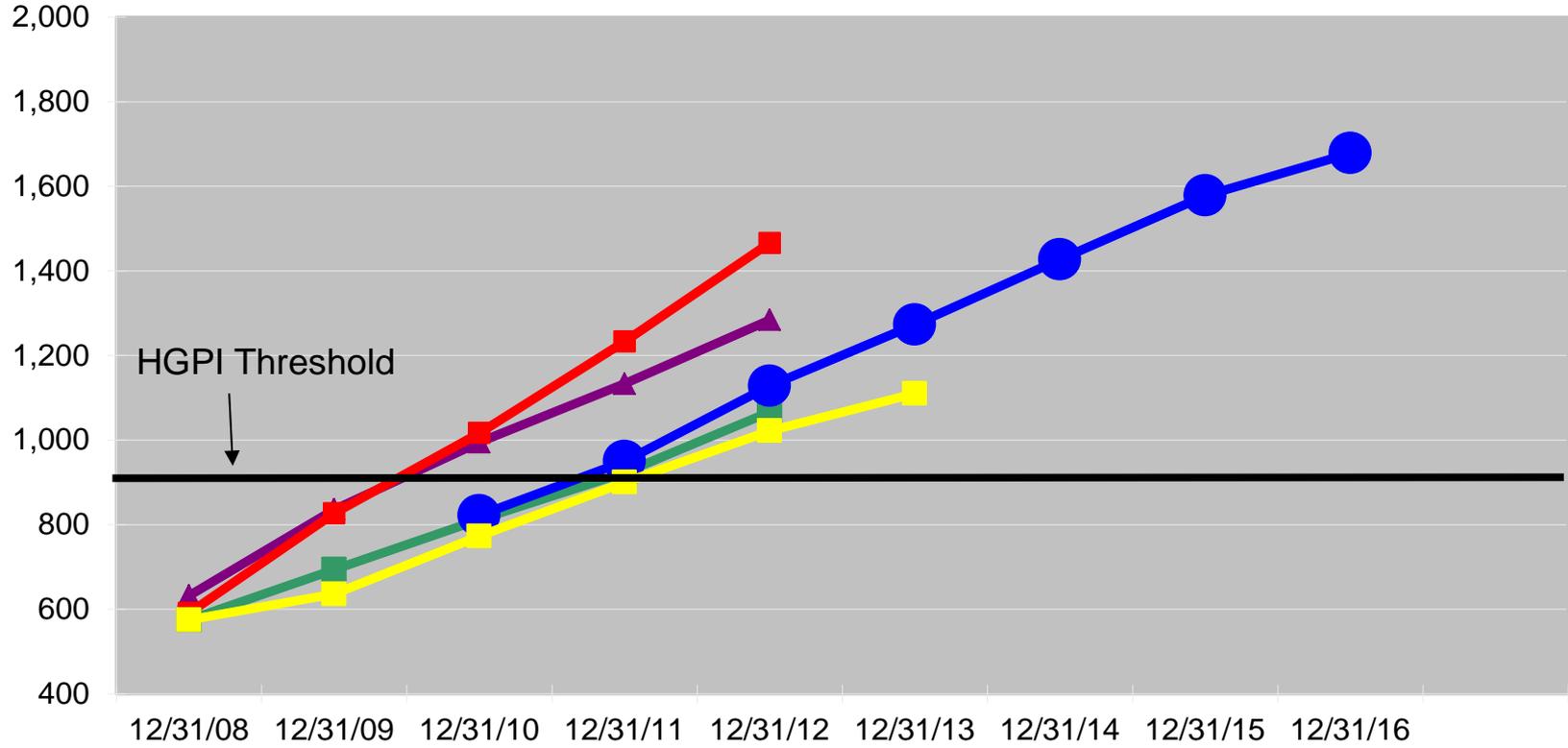
| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | 2,797 | 2,648 | 2,780 | 2,802 | 2,860 | 2,946 | 3,034 |
| Non labor | 925 | 240 | 246 | 252 | 258 | 263 | 268 |
| Total | 3,722 | 2,888 | 3,026 | 3,054 | 3,118 | 3,209 | 3,303 |
| Local Engineering | | | | | | | |
| Labor | 501 | 1,083 | 469 | 370 | 264 | 272 | 280 |
| Non labor | 292 | 155 | 153 | 118 | 81 | 82 | 84 |
| Total | 794 | 1,239 | 622 | 487 | 345 | 354 | 364 |
| Other Balance Sheet | | | | | | | |
| Labor | | | | | | | |
| Non labor | | | | | | | |
| Total | - | - | - | - | - | - | - |
| Total Other Costs | 4,515 | 4,126 | 3,648 | 3,542 | 3,463 | 3,563 | 3,667 |



**Factored
Starts
Cumulative**

Trimble County CT's Average Number of Cumulative Factored Starts per Unit

Trimble CT projected run-times for the 2012 MTP are slightly up from the 2011 MTP.
K. Blake



| | | | | | | |
|------------------------|---------|---|---|---|---|---|
| • # of HGPI's Per year | '11 MTP | 1 | 2 | 2 | 1 | |
| | '12 MTP | 1 | 2 | 1 | 1 | 1 |

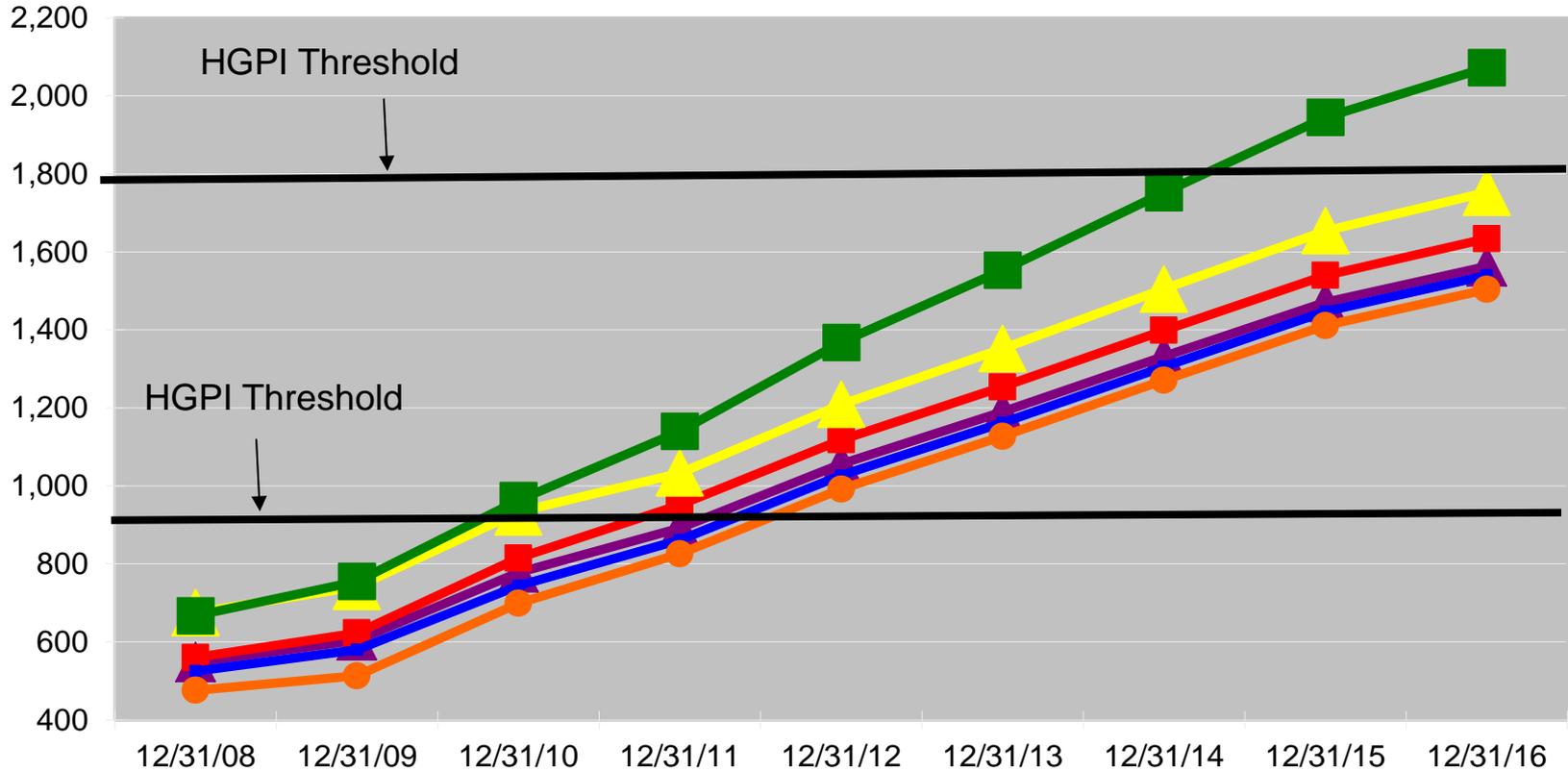
▲ 2009 MTP Avg.
 ■ 2008 MTP Avg.
 ■ 2010 MTP AVG.
 ● 2012 MTP
 ■ 2011 MTP AVG.

HGPI = Hot Gas Path Inspection.



**Factored
Starts
Cumulative**

Trimble County CT's Cumulative Factored Starts per Unit



| | | | | | | |
|----------------------|----------|---|---|---|---|---|
| # of HGPI's Per year | -'11 MTP | 1 | 2 | 2 | 1 | |
| | -'12 MTP | 1 | 2 | 1 | 1 | 1 |



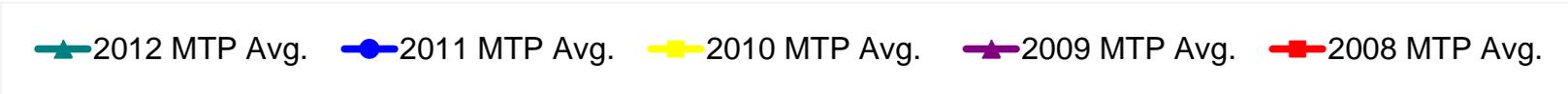
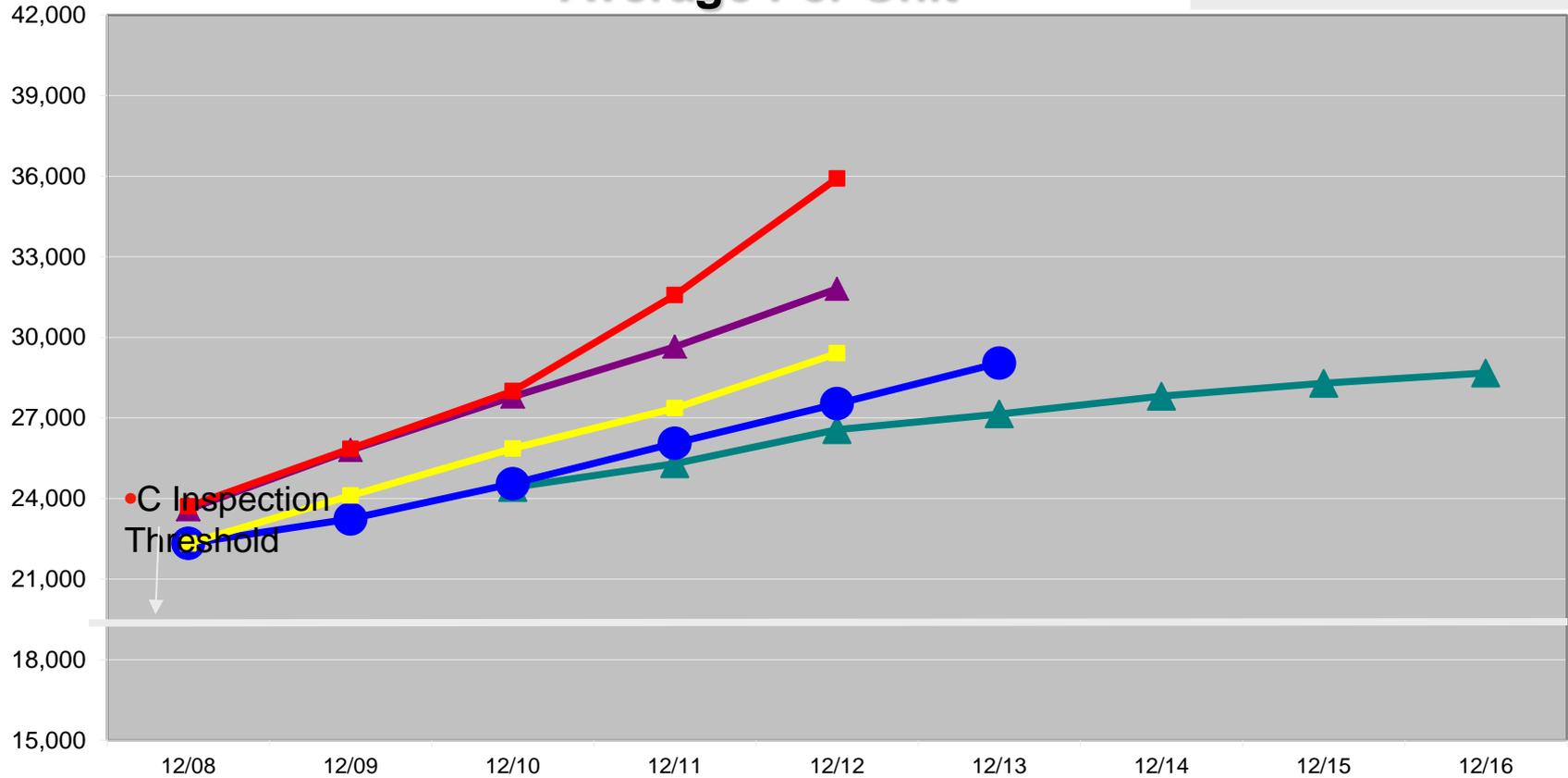
Note: This is based on an equal number of starts per CT during the MTP period, the plant can move starts from one CT to another at their discretion. .



K. Blake
Brown CT run-times
continue trend of declining
each MTP.

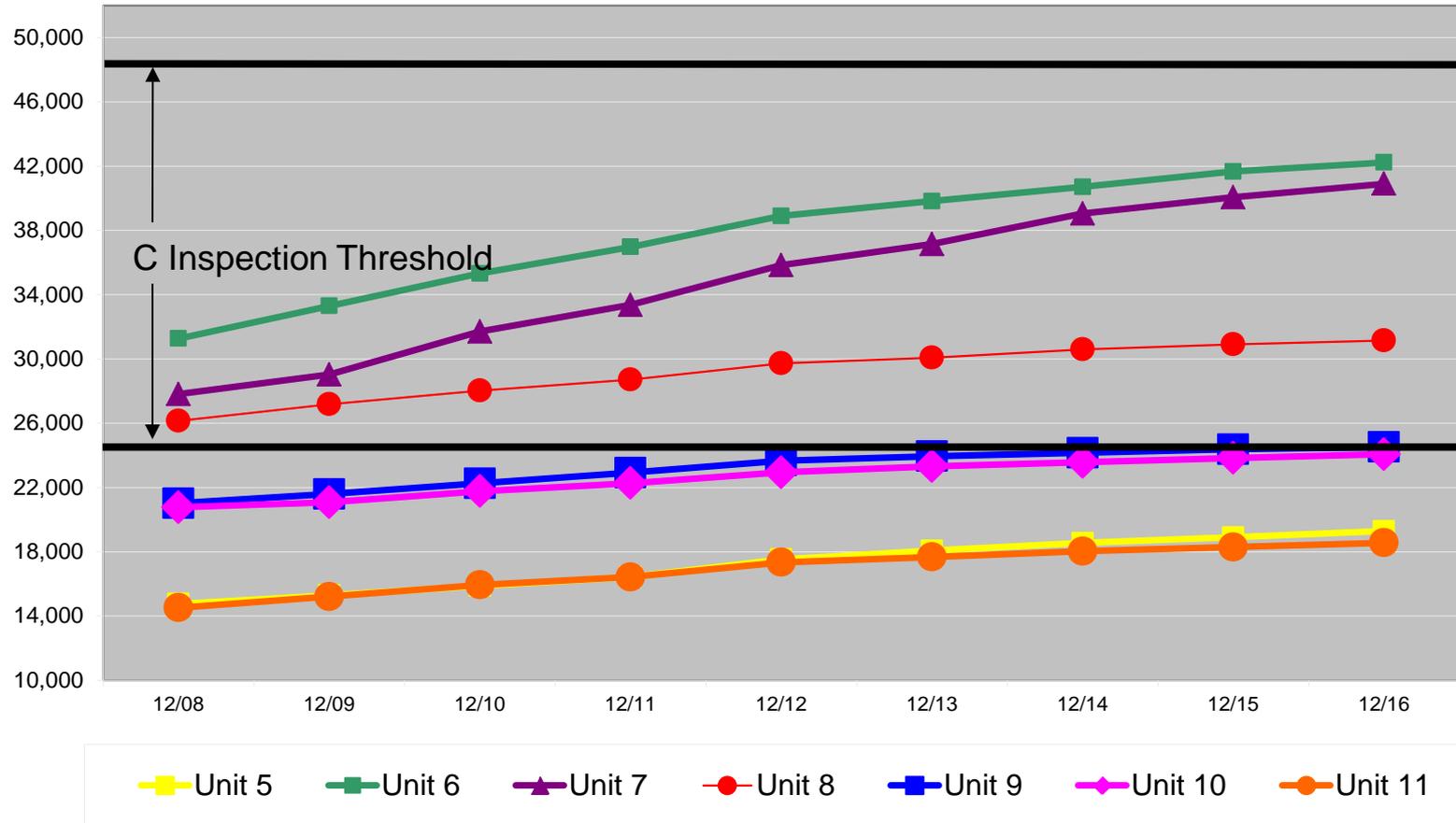
Brown CT's Equivalent Operating Hours Average Per Unit

Cumulative EOH



Brown CT's Cumulative Equivalent Operating Hours (EOH) Per Unit

Cumulative EOH



C inspections completed: Unit 6 (Fall 2007); Unit 7 (Fall 2008); Unit 8 (Spring 2005)

C inspections scheduled: Unit 9 2013; Unit 10 2014; Unit 11 2017;

Unit 6 2017; Unit 7 2018; Unit 8 2020; Unit 5 2021



PPL companies

Transmission

2012 - 2016

October 7, 2011

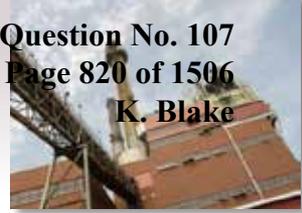


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Plan Highlights

- The 2012-2016 Transmission Mid Term Plan is designed to meet the overall goals of safety, regulatory compliance, system reliability, and financial/budget performance.
- Plan challenges and considerations:
- Increasing scrutiny and on-going development of federal regulatory policies (FERC, NERC, SERC) continue to impact the transmission business planning, operations, and human resources.
- The plan reflects the transmission organization challenges of meeting escalating regulatory compliance requirements and associated Lines and Substation system reliability projects while maintaining high levels of system performance and customer satisfaction.
- To meet these challenges, the plan includes:
 - *Work force planning changes and associated headcount.*
 - *Capital funding to address Louisville area study projects , Cane Run CCGT, Bluegrass CTs, line rating verifications, retirement of Green River units 3 and 4, as well as CIP security requirements.*
 - *O&M funding increases over the 2011-2015 MTP primarily to address compliance needs and costs associated with avoiding the relocation of transmission lines to serve JAD Coal.*
- The plan includes resources to continue to deploy “Smart Grid” technologies to update substation protection and control systems and “system hardening” through static wire replacement.
- NERC has issued a recommendation (R-2010-10-07-01) that Transmission Owners and Operators review the current Facility Ratings Methodology for their solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions.



Major Assumptions

1. Management Structure

- 1.1 Much work has been done in WFP/MTP cycles to evaluate new/changing business needs and staff the transmission organization accordingly. However, both the magnitude and scope of transmission issues continues to increase.
- 1.2 Compliance driven headcount increases drive changes from the prior plan (such as Critical Infrastructure Protection (CIP) and PER-005).
- 1.3 The current workforce planning assessment has looked at the changing environment and workloads under which the organization operates, and made recommendations for the functional/technical resources needed.
 - 1.3.1 KEMA review of August 18th and 19th 2010 EMS events.
 - 1.3.2 NERC CIP Version 4 Assessment, as well as adoption of NERC CIP-010, 011, expected to add over 8,000 labor hours annually for analysis of 150 Transmission substations.
 - 1.3.3 Anticipated approval of PRC-005 Version 2 will require additional monitoring of relays, carriers, and fiber within the Transmission department and result in a 50% increase to current resource workload.
 - 1.3.4 Employee Retention, particularly engineers whose transmission experience is in high demand throughout the industry.



Major Assumptions

2. NERC Standards

- 2.1 The current regulatory environment, which includes continual escalating scrutiny and oversight in FERC, NERC, SERC policy and requirements will continue. FERC has directed NERC to change the definition of the bulk electric system to include all facilities 100kV and above, as well as everything in the blackstart cranking path. The current plan does not include capital or O&M dollars to meet additional requirements if adopted.
- 2.1.1 Vegetation Management is not expected to be included in this definition change.
- 2.2 Maintaining current compliance levels will require increased training and additional personnel to assist in the training effort (PER-005 requirements add a significant burden in documentation, evaluation, and simulation). Effective April 1, 2013, PER-005 will require additional headcount, 1 is currently budgeted in the 2012-2016 MTP.
- 2.2.1 Effective April 1, 2013: NERC prescribed enhanced Training of System Operators
- 2.3 As “smart” technologies are developed and deployed, CIP standards implications (currently 100kV and above) must be a consideration.
- 2.4 Cyber Security:
- 2.4.1 Version 3 of the Critical Infrastructure Protection (CIP) standards was adopted in October 2010.
- 2.4.2 Version 4 of the Critical Infrastructure Protection standards has been approved by the NERC Board of Trustees. This is still subject to influence by FERC, Congress, and the industry. FERC issued a Notice of Proposed Rulemaking (NOPR) Sep 15, 2011 proposing to approve the new CIP Version 4 but directing NERC to first make some improvements.
- 2.4.3 Secure networks to the substations (pre-cursor to smart grid) as well as increased physical security would be required for implementation of the full capability and efficiencies of new substation relaying and metering equipment, network capability and associated increased cyber security. A consultant will be hired to begin developing the detailed scope of what will be necessary.



Major Assumptions

2. NERC Standards (cont.)

2.4.4 The 2012 MTP includes \$4.6M for NERC Cyber Security driven by new CIP standards (2011-2016).

2.5 Vegetation management standard will continue to focus on 200 kV and above. If a 100kV vegetation threshold is adopted, it is estimated to cost an incremental \$10.0 million to get compliant and \$2.5 million annually to remain compliant.

2.5.1 FAC-003-2 becomes effective in 2012, will require the use of vegetation LIDAR, the O&M impact of this is \$240k per year.

2.6 The cost to comply with the NERC Line Rating Recommendation (R-2010-10-07-01) from October 2010 is expected to have a significant impact on capital spending in 2012-2014. All work must be completed by the end of 2014.

2.6.1 All lines over 100kV will be surveyed and upgraded if necessary to meet the listed line rating.

2.6.2 Ongoing surveying of these lines is expected to cost \$1.8m annually (O&M) beginning in 2014. All lines, 100kV and above, must be verified every 5 years.

2.7 The industry is still interpreting Order 1000, which would require transmission providers to participate in a regional planning process that satisfies Order 890 principles and produces a regional transmission plan. The planning process must consider transmission needs driven by public policy requirements and include cost allocation methodologies. It is too early to know what impact this Order will have on the Transmission organization during the MTP period. The MTP does not currently include any assumptions or costs regarding Order 1000.



Major Assumptions

3. Expansion Plan

- 3.1 The current transmission expansion plan (TEP) is based on the 2010 MTP load forecast (potential updates could occur on the earlier years of the plan, based on the 2011 MTP load forecast) and considers reliability requirements only.**
- 3.1.1 Transmission reliability criteria has identified a significant need for upgrades within the Louisville Metro area (including system expansion in southern Indiana). Previous mitigation was to shed load to prevent cascading outages. The FERC has emphasized through various documentation against load shedding as a means of mitigation. Construction is expected to be complete by December 2014.**
- 3.2 The Generation base case has the potential to change the TEP that will be developed for next year.**
- 3.3 A combined cycle generating unit will be installed by Jan 1, 2016 at Cane Run (replacing the current coal generation). It is assumed that \$28.7m is needed to upgrade transmission facilities for this unit.**
- 3.3.1 Relocation of the existing line at Cane Run is included in the budget for the combined cycle (Project Engineering budget).**
- 3.4 Green River coal will be retired January 1, 2016. A combined cycle unit will be installed June 1, 2021 at Green River.**
- 3.4.1 Capital of \$17m is included in the 2012 MTP for Transmission upgrades needed at the Matanzas substation due to the loss of the Green River generation.**
- 3.4.2 Capital of \$80m is included in the 2012 LTP for Transmission upgrades associated with the new combined cycle unit to be constructed at Green River.**



Major Assumptions

3. Expansion Plan cont.

- 3.5 The number of mitigation plans required as a part of the TEP does not grow over the MTP period.
- 3.6 The purchase of the Bluegrass Facility would require transmission upgrades before firm transmission service can be reserved. The 2012 MTP includes \$48.5m in capital additions.
- 3.7 The current plan does not include capital for long-term transmission across our system. We do not currently have any requests.
- 3.8 Inter-connect Transmission Service activity is driven by:
 - 3.8.1 Network Inter-connect Transmission Service (NITS; KMPA, Meredith and Polo Club substation, no new NITS customers)
 - 3.8.2 Transmission to Transmission new connections
- 3.9 The Plan does not include any projects that could come from FERC required Economic Planning Studies (originating from the Stakeholder Planning Committee, the Eastern Interconnect Planning Collaborative, or the Southeast Inter-regional Participation Process). Any projects that are identified would be network upgrades and may not be reimbursable.
- 3.10 No significant economic development projects requiring transmission system upgrades.
- 3.11 No major projects assumed for integration of renewable energy in the LG&E/KU portfolio.



Major Assumptions

4. Asset Management

- 4.1 The Cascade asset management software will be in use in October 2011. LOAD (Facility Rating Program) will be in use in December 2011.
- 4.2 The Plan includes the creation of a critical spare inventory of transformers, that is continually replenished - see attached table in the appendix for planned purchases of spare transformers.
 - 4.2.1 FERC/NERC have increased the emphasis on utilities' inventory of spare transformers in assessing the transmission system's readiness for High Impact Low Frequency (HILF) events, such as Geometric Disturbances, Physical Attack, and Cyber Attack.
 - 4.2.2 LG&E/KU will continue to participate in the Edison Electric Institutes' (EEI) Spare Transformer Equipment Program (STEP) at the 345/138kV voltage class. Participation requires replacement transformer purchases within 18 months of a spare being put into service.
- 4.3 The Static wire upgrade program will continue for equipment that is over 50 years old.

5. ITO & RC

- 5.1 The original contract with SPP was extended 24 months through August 2012 at a cost of \$8.5M in 2011 and \$5.7M in 2012.
- 5.2 LG&E/KU has filed with FERC August 30, 2011, of its intent to switch service providers after the expiration of the current contract with SPP to Transerv.
- 5.3 TVA will be retained as the Reliability Coordinator (RC) with the cost increasing \$0.3M annually over the 2011 MTP.
- 5.4 KU will reimburse KMPA for their MISO drive-out charges (\$2.5M higher than offsetting revenues in 2012).
- 5.5 A filing with FERC regarding MISO exit obligations will occur in 2013.
- 5.6 LG&E/KU Filed for OATT recovery of our ITO and RC costs in February 2011 and took effect in April 2011.



Major Assumptions

6 Headcount

- 6.1 Movement of Distribution SCADA Operations to Distribution will not impact Transmission headcount but will allow more focus on transmission activities, enhance required levels of situational awareness on transmission operations, and accommodate cross-training between LGE/KU operations as best practices are adopted and procedures are brought together.

7 Operational and Other

- 7.1 Transmission revenues will increase associated with OMU firm Point to Point contracts.
- 7.2 Transmission revenues will increase from all other customers due to Grahamville to DOE Upgrades to serve KMPA.
- 7.3 Customer sensitivity and awareness to reliability and power quality will continue to elevate.
- 7.4 No Federal or State mandated Smart Grid initiatives beyond our current asset renewals.
- 7.5 The Plan includes \$2M to settle with JAD Coal over the proposed relocation of the 500kV transmission line that serves their mining operations.

8 Annual Escalation Rates

- 8.1 Internal labor: 3.0%.
- 8.2 Contract labor: 3.0%
- 8.3 Fuels and Additives 5.0%.
- 8.4 Copper 4.0%.
- 8.5 Fabricated steel 3.0%.



Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 6,288 | 8,133 | 8,784 | 9,033 | 10,134 | 10,329 | 10,599 |
| Burdens | 2,072 | 2,420 | 2,470 | 2,544 | 2,852 | 2,895 | 2,982 |
| Non labor | | | | | | | |
| Right of Way | 4,242 | 4,460 | 4,316 | 4,430 | 4,546 | 4,637 | 4,731 |
| Inspections | 1,134 | 1,129 | 1,144 | 1,173 | 1,202 | 1,225 | 1,248 |
| JAD Coal- Mineral Rights | - | - | 1,000 | 500 | 250 | 250 | - |
| NERC LIDAR Testing | - | - | - | - | 1,800 | 1,836 | 1,873 |
| KMPA Payments | 5,440 | 5,502 | 2,637 | 3,029 | - | - | - |
| EKPC Amortization Exp | 504 | 504 | 504 | 504 | 84 | - | - |
| Other Nonlabor | 9,161 | 8,805 | 11,036 | 10,871 | 11,245 | 11,698 | 11,857 |
| Subtotal OPEX for EBIT | 28,841 | 30,953 | 31,891 | 32,084 | 32,113 | 32,870 | 33,290 |
| Gross Margin Expenses * | 11,794 | 18,161 | 13,010 | 8,684 | 10,143 | 10,346 | 10,553 |
| * (see next slide for detail) | | | | | | | |
| Total Items for Income Statement | 40,635 | 49,114 | 44,901 | 40,768 | 42,256 | 43,216 | 43,843 |



Financial Performance

2010-2016 Margin Expenses / Cost of Sales (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---|----------------|------------------|----------------|--------------|---------------|---------------|---------------|
| Margin Expenses | | | | | | | |
| EKPC NITS Costs | 1,801 | 2,004 | 2,083 | 2,083 | 2,083 | 2,125 | 2,167 |
| Intercompany Transmission - NL | 1,823 | 1,242 | 1,123 | 855 | 1,359 | 1,386 | 1,414 |
| Intercompany Transmission - MUNI | - | 4,249 | - | - | - | - | - |
| SPP / TRANSERV - ITO | 4,883 | 8,298 | 6,681 | 2,891 | 3,031 | 3,092 | 3,153 |
| TVA - Reliability Coordination | 1,665 | 1,630 | 1,952 | 2,050 | 2,117 | 2,159 | 2,203 |
| RTO Costs | 189 | 336 | 321 | 257 | 480 | 490 | 499 |
| 3rd Party Transmission | 1,213 | 402 | 850 | 548 | 1,073 | 1,094 | 1,116 |
| Payments to IMEA/IMPA | 220 | - | - | - | - | - | - |
| Total Margin Expense with Intercompany | <u>11,794</u> | <u>18,161</u> | <u>13,010</u> | <u>8,684</u> | <u>10,143</u> | <u>10,346</u> | <u>10,553</u> |
| Total Margin Expense excl. Intercompany | <u>9,751</u> | <u>12,670</u> | <u>11,887</u> | <u>7,829</u> | <u>8,784</u> | <u>8,960</u> | <u>9,139</u> |

Excludes Off-System Sales related expenses



PPL companies

Financial Performance

2012-2016 OPEX Target Comparison (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|--------|--------|--------|--------|--------|
| Total OPEX | 31,891 | 32,084 | 32,113 | 32,870 | 33,290 |
| Total OPEX Target | 32,238 | 33,080 | 33,543 | 32,017 | 32,930 |
| Variance to Target | 347 | 996 | 1,430 | (853) | (360) |

Major Variance Contributors, Fav/(Unfav):

| | | | | | |
|--|---------|-------|---------|---------|---------|
| Lower CIP Labor than Target Relief | 1,453 | 1,349 | 1,239 | 1,276 | 1,314 |
| Higher Labor to Capital & LOC | 1,166 | 1,331 | 1,371 | 1,412 | 1,455 |
| NERC LIDAR testing | - | - | (1,800) | (1,845) | (1,891) |
| JAD Coal - Mineral Rights | (1,000) | (500) | (250) | (250) | - |
| Lines Veg Mgmt LIDAR Testing | (240) | (246) | (252) | (258) | (265) |
| Lines Tower Painting | (225) | (225) | - | - | - |
| Transmission VP / Director | (150) | (154) | (158) | (162) | (166) |
| 2011 MTP Cost Reductions (Director Dept) | - | - | (650) | (650) | (650) |
| Allocated Nonlabor Officer Support | 176 | 216 | 221 | 225 | 230 |
| System Operations Nonlabor | (83) | (235) | (245) | (250) | (256) |
| Reliability Outside Services | (120) | (123) | - | - | - |
| KMPA Payments | (331) | (742) | 2,328 | - | - |
| EMS Software Maintenance | (250) | (254) | (260) | (267) | (274) |
| Other | (49) | 579 | (114) | (84) | 143 |
| Total Variance | 347 | 996 | 1,430 | (853) | (360) |



2012-2016 Cost of Sales Target Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 13,010 | 8,684 | 10,143 | 10,346 | 10,553 |
| Cost of Sales Target | 18,572 | 12,438 | 12,059 | 12,300 | 12,546 |
| Variance | <u>5,562</u> | <u>3,754</u> | <u>1,916</u> | <u>1,954</u> | <u>1,993</u> |

Fav/(Unfav) Variance Explanations

| | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| TVA RC Expenses | (240) | (253) | (284) | (290) | (295) |
| ITO Expenses | (414) | (2,276) | (3,031) | (3,091) | (3,153) |
| 3rd Party Transmission | 553 | 536 | 34 | 34 | 35 |
| RTO Expenses | 361 | 265 | 53 | 54 | 55 |
| NL Interco Transmission | 569 | 510 | 27 | 27 | 28 |
| Other | - | 2 | 48 | 49 | 50 |
| Eliminate MUNI Intercompany | 4,733 | 4,970 | 5,069 | 5,170 | 5,274 |
| Total Variance | <u>5,562</u> | <u>3,754</u> | <u>1,916</u> | <u>1,954</u> | <u>1,993</u> |



Financial Performance

2012-2016 Capital Comparison – Accrual Basis

(\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------|----------|----------|----------|----------|
| Current Plan | 83,914 | 106,558 | 88,306 | 73,918 | 65,150 |
| Target | 51,247 | 67,797 | 58,008 | 53,108 | 76,223 |
| Variance to Target | (32,666) | (38,761) | (30,298) | (20,810) | 11,072 |
| <u>Fav/(Unfav) Variance Explanations</u> | | | | | |
| Cane Run CCGT - Transmission | - | (6,954) | (11,354) | (10,391) | - |
| Green River Retirement | (13,335) | (3,700) | - | - | 23,415 |
| Blue Grass CTs - Transmission | - | (4,830) | (10,920) | (10,920) | (10,920) |
| Line Clearance NERC Alert | (20,358) | (17,012) | (14,963) | (2,724) | - |
| Louisville Area Upgrade | (30) | (16,876) | (2,641) | - | - |
| Parameter/Thermal Upgrades | (101) | 11,018 | 2,700 | (7,016) | (3,800) |
| Transformers | (2,197) | 1,817 | (4,700) | (4,600) | (1,200) |
| Pole Replacements | 3,419 | 3,421 | (3,785) | (6,636) | (6,438) |
| Smart Grid Enabling (Control House Upgrades) | 3,312 | 1,810 | 4,199 | 5,450 | 6,500 |
| Distribution Taps | (1,946) | (9,905) | (12,217) | (441) | (4,130) |
| Cyber Security (CIP) | 2,636 | 1,029 | 903 | 403 | 403 |
| Breakers | (522) | (660) | (3,752) | (2,595) | (2,145) |
| EMS Switchover | (2,319) | (69) | - | - | - |
| Back-Up Control Center | (1,000) | (4,000) | - | - | - |
| Other | (225) | 6,150 | 26,232 | 18,660 | 9,388 |
| Total | (32,666) | (38,761) | (30,298) | (20,810) | 11,072 |



Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| VP/Director/Support | 2 | 4 | 4 | 4 | 4 | 4 | 4 |
| System Operations | 32 | 32 | 33 | 33 | 34 | 34 | 34 |
| Energy Management System | 8 | 13 | 15 | 15 | 15 | 15 | 15 |
| Strategy & Planning | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Reliab Strategy&Planning | 0 | 5 | 5 | 5 | 5 | 5 | 5 |
| Substations | 23 | 15 | 19 | 21 | 21 | 21 | 21 |
| Lines | 28 | 37 | 39 | 39 | 39 | 39 | 39 |
| Reliability & Compliance | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Balancing Authority | 6 | 10 | 9 | 9 | 9 | 9 | 9 |
| Policy and Tariffs | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Interns/Temporary Employees | 1 | 5 | 5 | 4 | 4 | 4 | 4 |
| TOTAL | 118 | 139 | 147 | 148 | 149 | 149 | 149 |
| From 2011 MTP | | 128 | 132 | 132 | | | |
| <i>2012 MTP Changes from Year to Year</i> | | | | | | | |
| VP/Director | | 2 | | | | | |
| EMS - CIP | | 4 | | | | | |
| EMS - KEMA Recommendation | | | 1 | | | | |
| System Ops Early Hires for Retirements | | 3 | | | | | |
| System Ops - Standards | | 2 | 1 | 1 | 1 | | |
| System Ops - PER-005 Training | | | 1 | | | | |
| Substations - Cascade/Field Insp./Other | | 3 | 3 | | | | |
| Substations - CIP | | | 2 | 2 | | | |
| Other (including interns) | | 7 | | -2 | | | |



Operational Performance

Key Performance Indicators

| KPI | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Recordable Injury Incident Rate - Employees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recordable Injury Incident Rate - Contractors | 2.7 | 2.0 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| SAIDI (minutes) | 13.3 | 16.2 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |

Lightning strikes, relay failures, and vegetation have contributed to the 2010 and 2011 SAIDI

Various capital projects are included in the Plan to help improve SAIDI, these include:

- Static replacement program
- Breakers replacements/upgrades
- Fiber replacements



Plan Risks

- *NERC reliability standards will continue to drive Transmission through stricter interpretation of existing standards and the addition of new standards, penalty and fine assessment, and increasing audit scrutiny (SERC audits for both CIP and Reliability Standards scheduled in 2012).*
- *Cyber Security will be an expanding area of compliance standards and scrutiny.*
- *The increasing development of federal regulatory policies (FERC, NERC, SERC) will further impact human resources and the challenges to remain compliant.*
- *System protection asset replacement (Remote Terminal Unit's (RTU), relays, station control houses).*
- *Key Asset failure – transformer/breakers.*
- *Network Interconnect Transmission Service Requests (ie.KMPA, OMU, Cash Creek) impacts.*
- *Knowledge transfer and retention as employees retire.*
- *Federal and State policy driving Smart Grid initiatives.*
- *KYPSC mandated system hardening investment.*



Appendix



Spare Transformer Inventory

| Size of Transformer | Number In Service | Current # of Spares | 2012 MTP Additions | | | | | Assumed Failures | Desired Inventory | Actual Failures | | |
|-------------------------------|-------------------|---------------------|--------------------|-------|-------|-------|-------|------------------|-------------------|-----------------|----------|----------|
| | | | 2011 | 2012 | 2013 | 2014 | 2015 | | | 2016 | 2006-'11 | 2001-'11 |
| 138/69kV; <93MVA ¹ | 16 | 2 | | | | | | | 2 | 0 | 0 | |
| 138/69kV; >92 MVA | 58 | 1 | | 1 | 1 | 1 | 1 | 1 | (3) | 3 | 4 | 6 |
| 161/69kV | 24 | 2 | | | | | | 1 | (1) | 2 | 1 | 1 |
| 161/138kV | 5 | 0 | | | 1 | | | | 0 | 1 | 1 | 1 |
| 345/138kV | 16 | 0 | | | | | | | 0 | 0 | 1 | 1 |
| 345/161kV ² | 3 | 0 | | 1 | | | 1 | | 0 | 2 | 0 | 0 |
| 500/161kV | 1 | 0 | | | 1 | | | | 0 | 1 | 0 | 0 |
| 500/345kV | 1 | 0 | | | | | 1 | | 0 | 1 | 0 | 0 |
| Capital Cost, \$millions | | | \$1.7 | \$1.0 | \$5.2 | \$6.2 | \$4.6 | \$2.7 | | | | |

Notes:

1. The two current 138/69 kV spare transformers are smaller MVA, 1950's vintage transformers (33.3 MVA and 65 MVA), 58 of the 74 138/69kV Transformers are 93 MVA or larger.
2. Both 345/161kV transformers in the plan are are dual winding transformers that could also be used to replace a 345/138kV transformer.

Designated Transformer Purchases:

3. A 138/69kV transformer is planned for 2013 at the Adams substation.
4. A fourth 345kV transformer is planned for the Middletown substation

2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 31,891 | 32,084 | 32,113 | 32,870 | 33,290 |
| Prior Plan | 34,052 | 34,397 | 34,919 | 33,432 | 34,387 |
| Variance to Prior Plan | <u>2,161</u> | <u>2,313</u> | <u>2,806</u> | <u>562</u> | <u>1,097</u> |
| <u>Major Variance Contributors Fav/(Unfav):</u> | | | | | |
| Raw Labor | 285 | 414 | (356) | (208) | (124) |
| Burdens | 4,904 | 4,930 | 4,885 | 5,112 | 5,305 |
| JAD Coal Mineral Rights | (1,000) | (500) | (250) | (250) | - |
| NERC LIDAR Testing | - | - | (1,800) | (1,845) | (1,891) |
| Lines Veg. Management - LIDAR | (240) | (246) | (252) | (258) | (265) |
| Lines Tower Painting | (225) | (225) | - | - | - |
| EMS Software Maintenance | (250) | (254) | (260) | (267) | (274) |
| Reliability Outside Services | (120) | (123) | - | - | - |
| Allocated Nonlabor from Distribution | (795) | (1,014) | (879) | (896) | (914) |
| System Ops Nonlabor | (83) | (235) | (245) | (250) | (256) |
| Allocated Officer and Budget Support | 176 | 216 | 221 | 225 | 230 |
| KMPA Payments | (331) | (742) | 2,328 | - | - |
| Transmission VP/ Director Nonlabor | (150) | (154) | (158) | (162) | (166) |
| 2011 MTP Reductions (Made in Director Dept) | - | - | (650) | (650) | (650) |
| Other | (10) | 246 | 222 | 11 | 101 |
| Total Variance | <u>2,161</u> | <u>2,313</u> | <u>2,806</u> | <u>562</u> | <u>1,097</u> |



2012-2016 Margin/Cost of Sales Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 13,010 | 8,684 | 10,143 | 10,346 | 10,553 |
| Prior Plan | 18,572 | 12,438 | 12,059 | 12,300 | 12,546 |
| Variance | <u>5,562</u> | <u>3,754</u> | <u>1,916</u> | <u>1,954</u> | <u>1,993</u> |

Fav/(Unfav) Variance Explanations

| | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| TVA RC Expenses | (240) | (253) | (284) | (290) | (295) |
| ITO Expenses | (414) | (2,276) | (3,031) | (3,091) | (3,153) |
| 3rd Party Transmission | 553 | 536 | 34 | 34 | 35 |
| RTO Expenses | 361 | 265 | 53 | 54 | 55 |
| NL Interco Transmission | 569 | 510 | 27 | 27 | 28 |
| Other | - | 2 | 48 | 49 | 50 |
| Eliminate MUNI Intercompany | <u>4,733</u> | <u>4,970</u> | <u>5,069</u> | <u>5,170</u> | <u>5,274</u> |
| Total Variance | <u>5,562</u> | <u>3,754</u> | <u>1,916</u> | <u>1,954</u> | <u>1,993</u> |



2012-2016 Cost of Removal Comparison (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 3,213 | 3,729 | 1,633 | 2,381 | 3,336 |
| Prior Plan | 3,693 | 4,371 | 4,500 | 4,500 | 4,500 |
| Variance | 480 | 642 | 2,867 | 2,119 | 1,164 |
| <u>Fav/(Unfav) Variance Explanations</u> | | | | | |
| Line Clearance NERC Alert | (798) | (817) | (475) | (61) | - |
| Parameter/Thermal Upgrades | (54) | 578 | - | - | - |
| Pole Replacements | 950 | 760 | - | - | - |
| Other | 382 | 122 | 3,342 | 2,180 | 1,164 |
| Total | 480 | 642 | 2,867 | 2,119 | 1,164 |

Note: The Prior Plan did not include extensive detail by project beyond 2013.

2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--|----------------|------------------|----------------|----------------|---------------|---------------|---------------|
| Expansion Plan | | | | | | | |
| Blue Grass CTs - Transmission | - | - | - | 4,830 | 10,920 | 10,920 | 10,920 |
| Cane Run CCGT - Transmission | - | - | - | 6,954 | 11,354 | 10,391 | - |
| Green River Retirement | - | - | 13,335 | 3,700 | - | - | - |
| Ongoing Capital | | | | | | | |
| Smart Grid Enabling (Control House Upgrades) | 986 | 201 | 1,250 | 3,501 | 4,601 | 3,350 | 2,300 |
| Parameter/Thermal Upgrades | 4,941 | 9,446 | 4,010 | 483 | 3,300 | 10,816 | 7,600 |
| Pole Replacements | 9,711 | 4,692 | 3,678 | 5,073 | 3,785 | 6,636 | 6,438 |
| Breakers | 6,365 | 4,928 | 4,608 | 6,954 | 3,752 | 2,595 | 2,145 |
| Terminal Upgrades | 1,858 | 818 | 1,045 | 2,630 | 1,110 | 1,380 | 3,380 |
| Static Replacements | 1,177 | 713 | 1,499 | 1,606 | 1,800 | 2,000 | 2,200 |
| Transformer Replacements | 3,622 | 3,004 | 3,491 | 972 | - | - | - |
| Line Relocations | 449 | 859 | 1,567 | 1,172 | 629 | 870 | 957 |
| New Facilities | 423 | 461 | 562 | 968 | 575 | 1,795 | 1,026 |
| Storms | 904 | 1,896 | 609 | 644 | 782 | 806 | 886 |
| Distribution Taps | 400 | 1,265 | 1,946 | 10,405 | 12,217 | 441 | 4,130 |
| Special Projects | | | | | | | |
| TC2 and Work Around | 15,628 | (397) | - | - | - | - | - |
| Line Clearance NERC Alert | - | 4,337 | 20,358 | 17,012 | 14,963 | 2,724 | - |
| Cyber Security (CIP) | - | 754 | 1,463 | 2,069 | 97 | 97 | 97 |
| Spare Transformers | - | 1,669 | 954 | 5,200 | 6,200 | 4,600 | 2,700 |
| Louisville Area Upgrade | - | 4,822 | 10,026 | 19,870 | 2,641 | - | - |
| KMPA | 1,918 | 4,085 | 600 | - | 1,846 | 1,633 | 1,633 |
| Work Management Systems | 2,571 | 1,972 | 500 | 500 | - | - | - |
| EMS Switchover | - | 2,812 | 2,319 | 69 | - | - | - |
| Back-up Control Center | - | - | 1,000 | 4,000 | - | - | - |
| Replace Video Wall at Control Center | - | - | - | - | - | 1,500 | - |
| Other | | | | | | | |
| | 10,473 | 8,847 | 9,093 | 7,946 | 7,735 | 11,363 | 18,738 |
| Total Capital | 61,426 | 57,185 | 83,914 | 106,558 | 88,306 | 73,918 | 65,150 |



Louisville Area Infrastructure Upgrades (\$000)

| | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan | Total |
|---|----------------|------------------|----------------|--------------|--------------|--------------|--------------|--------|
| 1) Middletown 345kV Breakers | - | 2,939 | - | - | - | - | - | 2,939 |
| 2) Build a new 345kV line connecting Paddys West and DEM's Speed 345kV stations: | | | | | | | | |
| 345kV Paddy's West to Speed Line | - | 1,004 | - | 11,172 | - | - | - | 12,176 |
| Duke Clifty Substation Work | - | - | - | - | - | - | - | - |
| Paddy's West Substation | - | 878 | 3,505 | - | - | - | - | 4,384 |
| Total | - | 1,882 | 3,505 | 11,172 | - | - | - | 16,560 |
| 3) Add a 4th Transformer to the Middletown Substation | | | | | | | | |
| Middletown 4th Transformer | - | - | 5,014 | 4,845 | 2,641 | - | - | 12,500 |
| Middletown Line Tap | - | - | - | 2,530 | - | - | - | 2,530 |
| Rebuild the Middletown Control House | - | - | 1,006 | 1,322 | - | - | - | 2,328 |
| Total | - | - | 6,020 | 8,698 | 2,641 | - | - | 17,359 |
| 4) Other Planning Projects | | | | | | | | |
| Watterson-Jeffersontown 138kV CTs | - | - | 500 | - | - | - | - | 500 |
| | - | 4,822 | 10,026 | 19,870 | 2,641 | - | - | 37,358 |

Transmission reliability criteria has identified a significant need for upgrades within the Louisville Metro area (including system expansion in southern Indiana). Previous mitigation was to shed load to prevent cascading outages. The FERC has emphasized through various documentation against load shedding as a means of mitigation.



Cane Run CCGT - Transmission (\$000)

| | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan | Total |
|--|------------------|----------------|--------------|--------------|--------------|--------------|--------|
| Middletown to Watterson 138kV Line Upgrade | - | - | 295 | - | - | - | 295 |
| Reconductor Paddy's West to Paddy's Run 138kV Line | - | - | 1,000 | 4,360 | 4,360 | - | 9,720 |
| Reterminated Existing Line into new NGCC station | - | - | 3,124 | 3,124 | 3,124 | - | 9,371 |
| Breaker Connections at Cane Run Switching Station | - | - | 1,336 | 1,336 | 1,328 | - | 4,000 |
| Replace CT 138/69kV at Cane Run Switching Station | - | - | - | - | 36 | - | 36 |
| Replace 69kV Terminal Equipment at Cane Run Switching Station | - | - | - | - | 182 | - | 182 |
| Replace Bus at Watterson Substation | - | - | - | 128 | - | - | 128 |
| Replace Cane Run Switching Station 138/69kV Transformer #1 | - | - | - | 1,140 | 1,139 | - | 2,280 |
| Replace Cane Run Switching Station 138/69kV Transformer #2 | - | - | 1,200 | 1,194 | - | - | 2,393 |
| Replace 69kV Terminal Equipment at Cane Run Switching Station #2 | - | - | - | - | 222 | - | 222 |
| Replace Switches at Middletown Sub | - | - | - | 73 | - | - | 73 |
| | - | - | 6,954 | 11,354 | 10,391 | - | 28,700 |

These costs represent the Transmission Upgrades that will accompany the combined cycle generating unit to be installed by January 1, 2016. The relocation of the existing line is included in the Project Engineering budget along with the costs of constructing the combined cycle unit.



Green River Retirement - Transmission (\$000)

| | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan | Total |
|------------------------|------------------|----------------|--------------|--------------|--------------|--------------|--------|
| Matanzas Sub Upgrades | - | 10,500 | 3,700 | - | - | - | 14,200 |
| Matanzas Line Upgrades | - | 2,835 | - | - | - | - | 2,835 |
| Total | - | 13,335 | 3,700 | - | - | - | 17,035 |

These costs represent the Transmission upgrades associated with the January 1, 2016 retirement of the Green River coal units.

There is an additional \$80M included in the 2012 LTP for Transmission Upgrades associated with the new combined cycle unit to be constructed.

Bluegrass CTs - Transmission (\$000)

| | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan | Beyond 2016 Plan | Total |
|-------------------------------|------------------|----------------|--------------|--------------|--------------|--------------|---------------------|--------|
| Blue Grass CTs - Transmission | - | - | 4,830 | 10,920 | 10,920 | 10,920 | 10,920 | 48,510 |

These costs represent the transmission upgrades that would be necessary to reserve Transmission service from the Bluegrass Facility for all three units.



Sensitivities (\$millions)

| | Favorable / (Unfavorable) | | | | |
|--|---------------------------|---------|---------|---------|---------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Capital | | | | | |
| NERC Line Rating Work | \$5.0 | \$5.0 | \$5.0 | | |
| Cyber Security (CIP) | (\$1.5) | (\$5.0) | (\$5.0) | (\$1.0) | (\$1.0) |
| Paddy's West - <i>Line clearance on Duke's section of the project.</i> | | (\$3.0) | | | |
| Cane Run / Bluegrass CT's | | \$2.7 | \$3.2 | \$10.7 | \$10.6 |
| Green River Retirement | (\$13.5) | \$2.2 | \$14.6 | \$13.7 | \$0.0 |
| Pole Inspections - <i>Pending Regulatory Requirement</i> | | (\$0.5) | (\$0.5) | (\$0.5) | (\$0.5) |
| | (\$15.0) | (\$3.7) | \$12.3 | \$22.9 | \$9.1 |



2010-2016 Other Balance Sheet Costs (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Local Engineering | | | | | | | |
| Labor | 4,625 | 3,013 | 3,143 | 3,332 | 4,076 | 4,158 | 4,241 |
| Non labor | 880 | - | - | - | - | - | - |
| Total | 5,505 | 3,013 | 3,143 | 3,332 | 4,076 | 4,158 | 4,241 |
| Other Balance Sheet | | | | | | | |
| Labor | - | - | - | - | - | - | - |
| Non labor | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| Total Other Costs | 5,505 | 3,013 | 3,143 | 3,332 | 4,076 | 4,158 | 4,241 |





PPL companies

Energy Delivery

2012 - 2016

October 14, 2011



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- Plan Highlights
- Major Assumptions
- Financial Performance
 - *Operating Expense*
 - *Cost of Sales / Gross Margin*
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 - *Headcount*
 - *Key Performance Indicators*
 - *Plan Risks*
- Appendix

Plan Highlights

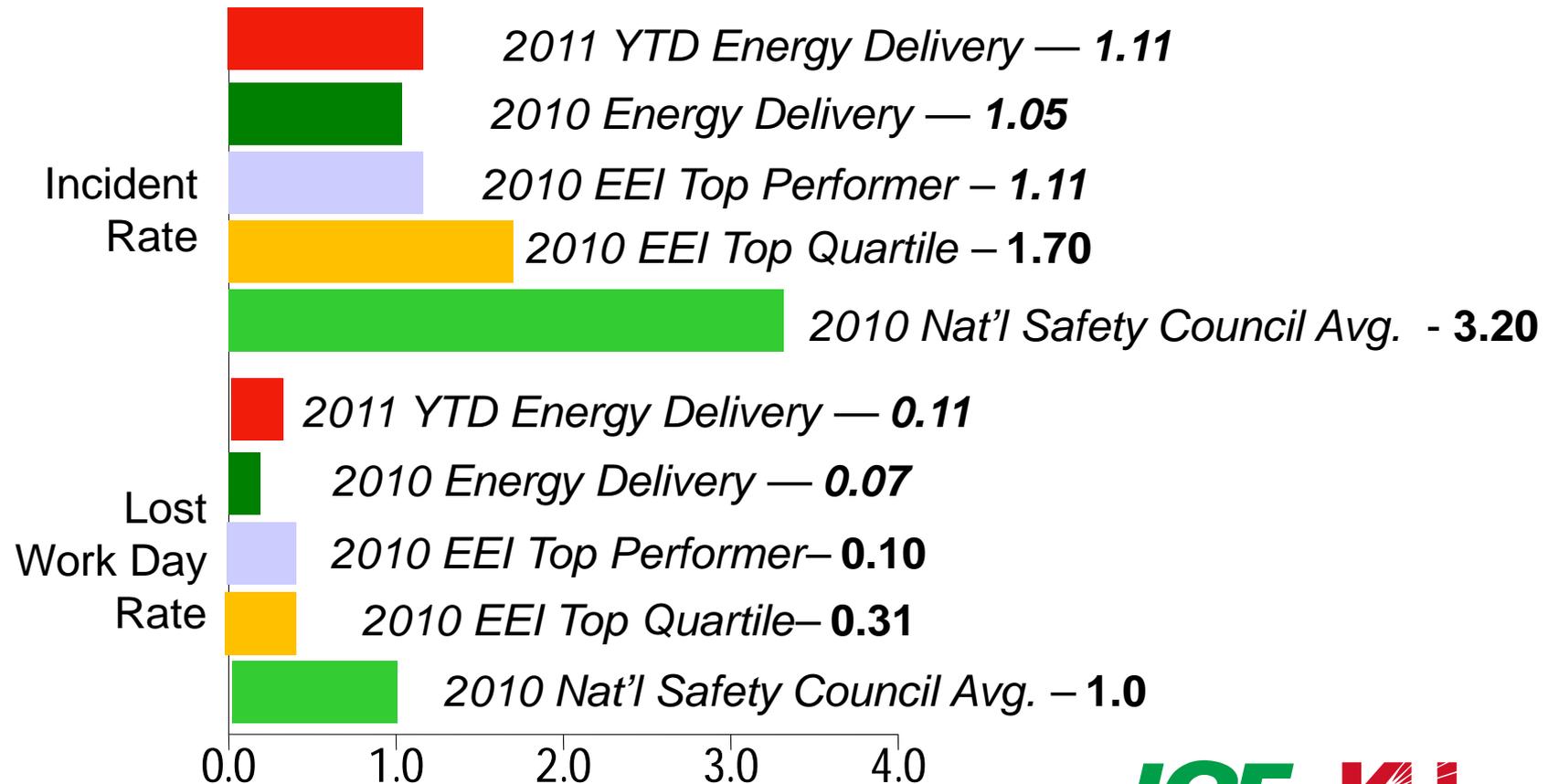
Customer satisfaction is a core value at LG&E and KU. Energy Delivery strives to provide safe, reliable, and low cost service to our customers, enhancing the quality of life in the areas we serve. We are committed to enhancing our relationship with our customers by delivering positive experiences that create value and build trust.

- Funding levels within the proposed plan are established with the following priorities in mind:
 - Employee and public safety including compliance with industry regulatory requirements
 - Performance improvement in all customer facing areas
 - Improvement in gas and electric service reliability
 - Asset replacement to address aging infrastructure
 - Increased system capacity to meet forecasted customer demand
- Significant increases in OPEX are proposed to:
 - improve responsiveness to customer needs, in particular in the contact centers and billing
 - ensure compliance with anticipated regulations related to pipeline integrity
- Proposed capital investments are higher than previous plan to manage challenges in these areas:
 - Reliability of the electric and gas systems
 - Asset replacement programs



Plan Highlights

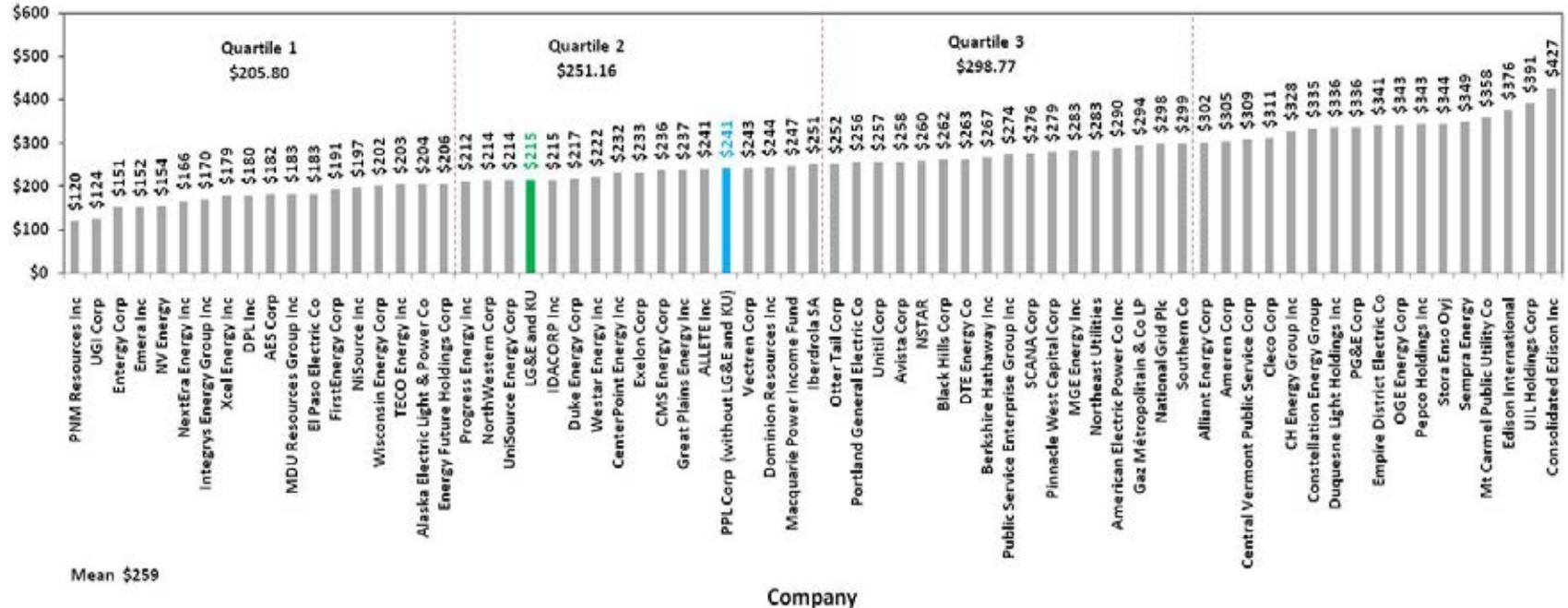
Energy Delivery Safety Performance Data – EEI Data



Plan Highlights

Total DO Electric Cash Cost per Customer Performance

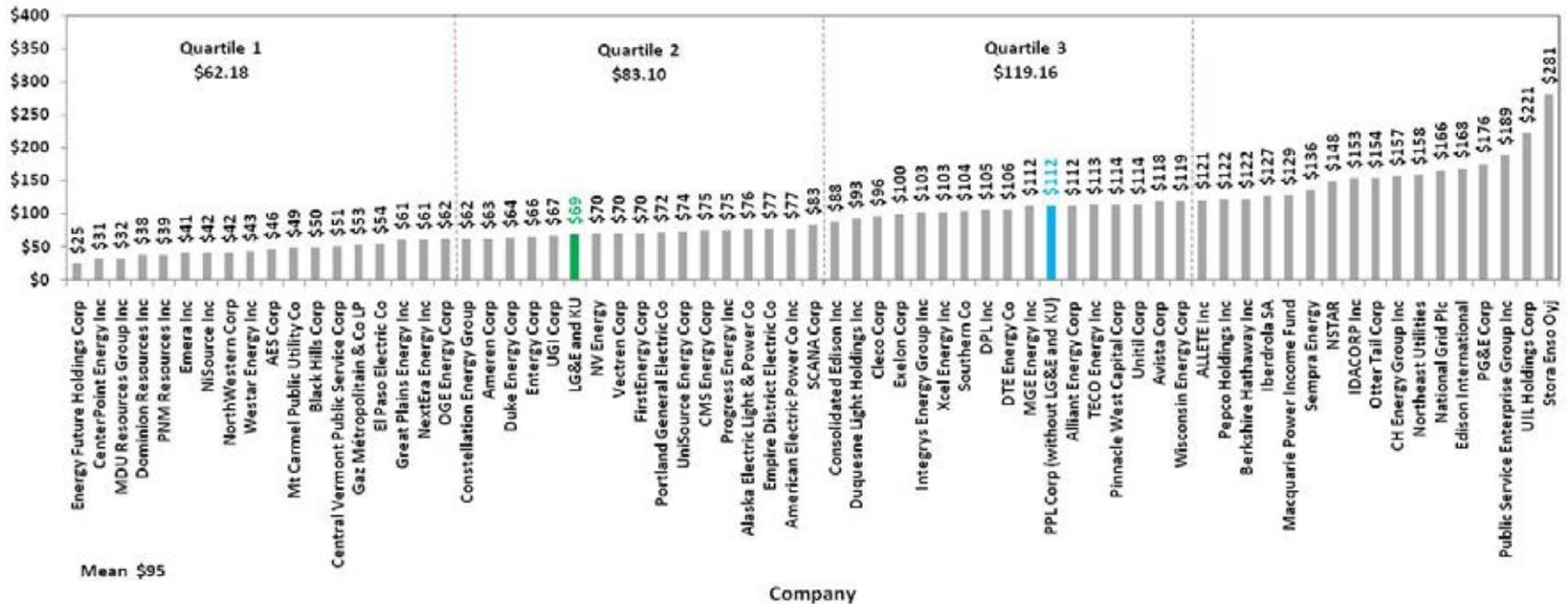
Overall Electric Distribution Expenditures per Customer
 FERC Utility Cost Benchmarking – 2010 Data
 (Electric Only)



Plan Highlights

Total Retail Electric O&M Cost per Customer Performance

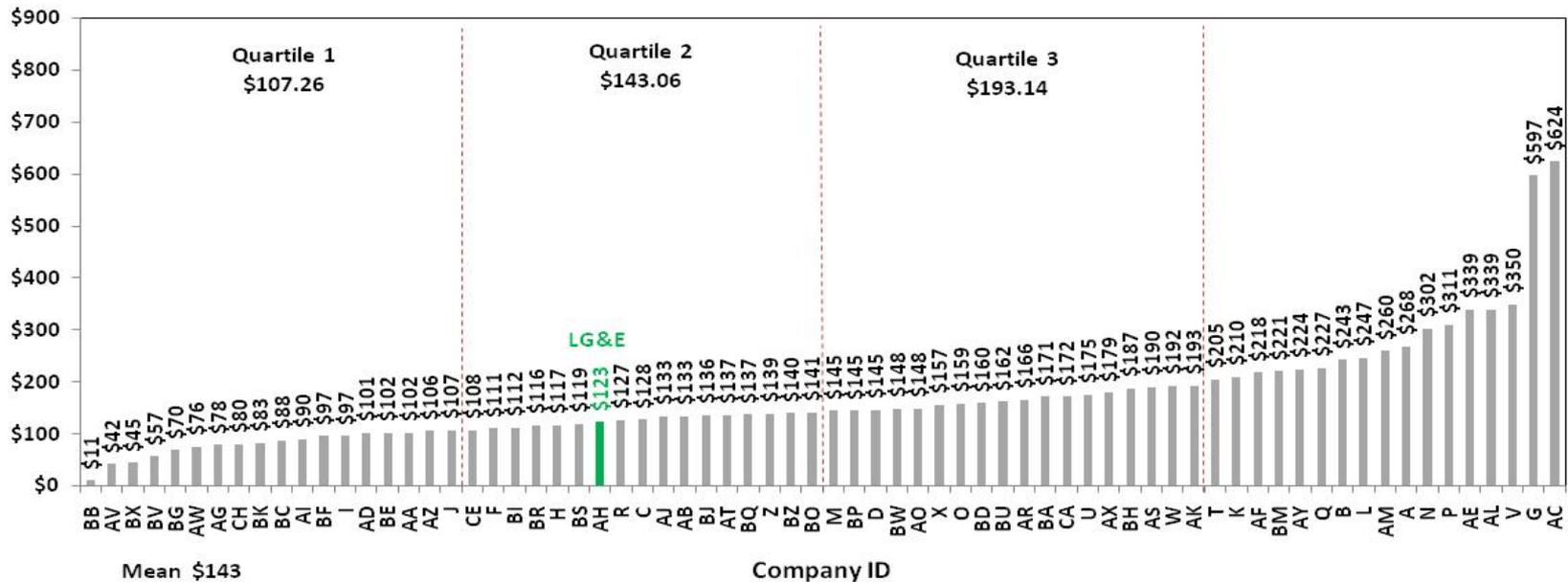
Overall Retail Electric O&M Expenditures per Customer
 FERC Utility Cost Benchmarking - 2010 Data
 (Electric Only)



Plan Highlights

Total DO Gas Cash Cost per Customer Performance

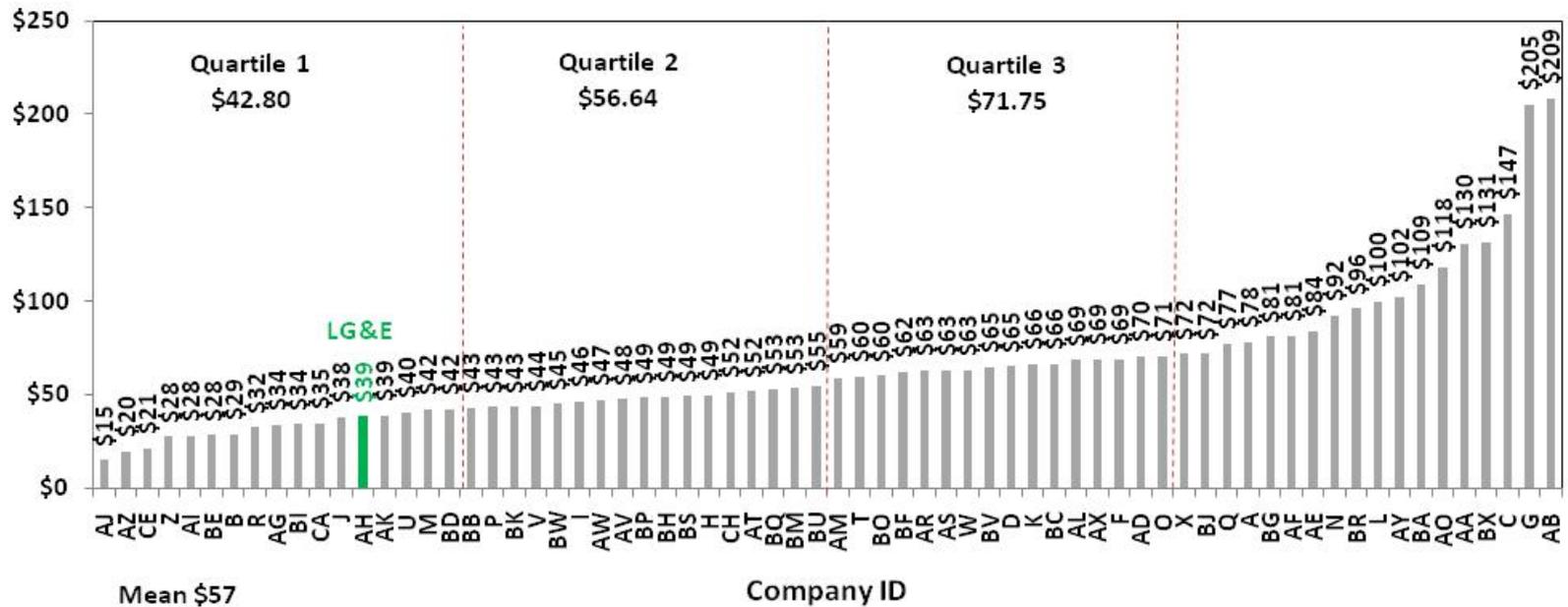
Overall Gas Distribution Expenditures per Customer
 American Gas Association - 2010 Data
 (Gas Only)



Plan Highlights

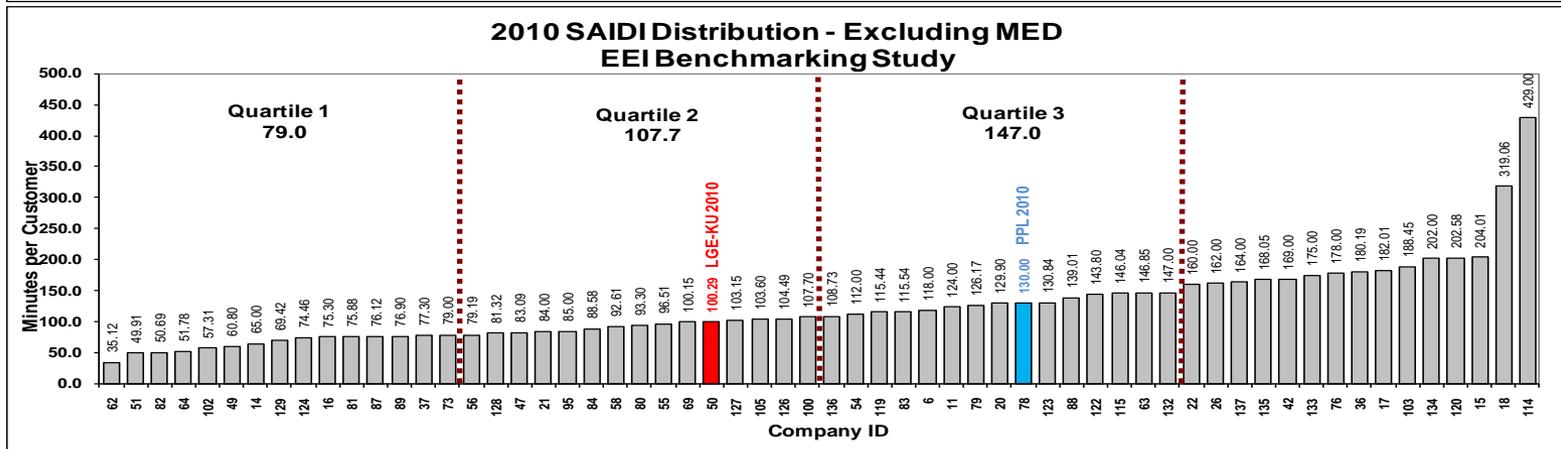
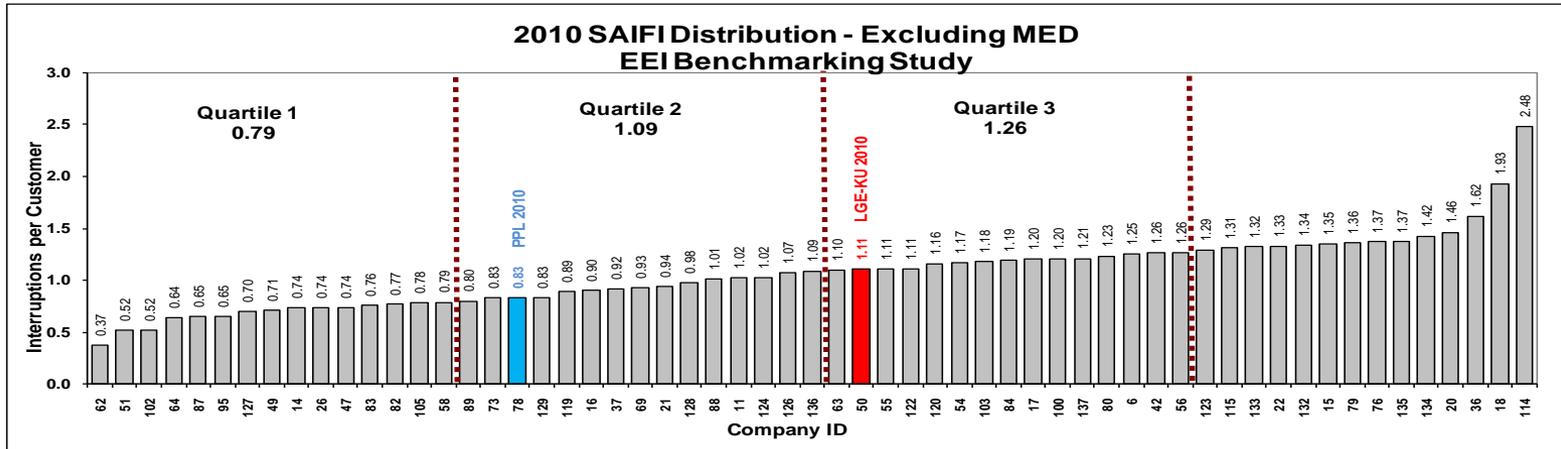
Total Retail Gas O&M Cost per Customer Performance

Overall Retail Gas O&M Expenditures per Customer
 American Gas Association - 2010 Data
 (Gas Only)



Plan Highlights

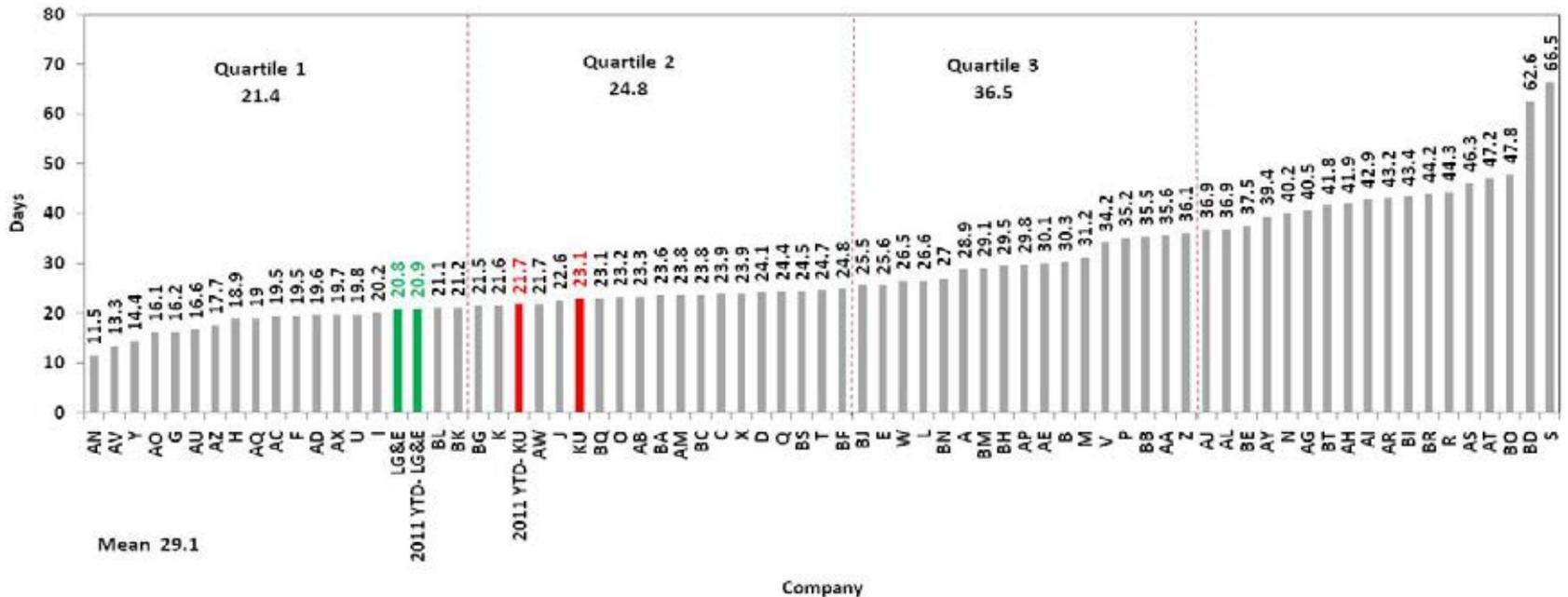
Reliability Performance



Plan Highlights

Estimated Number of Days of Revenue Outstanding (ENDRO)

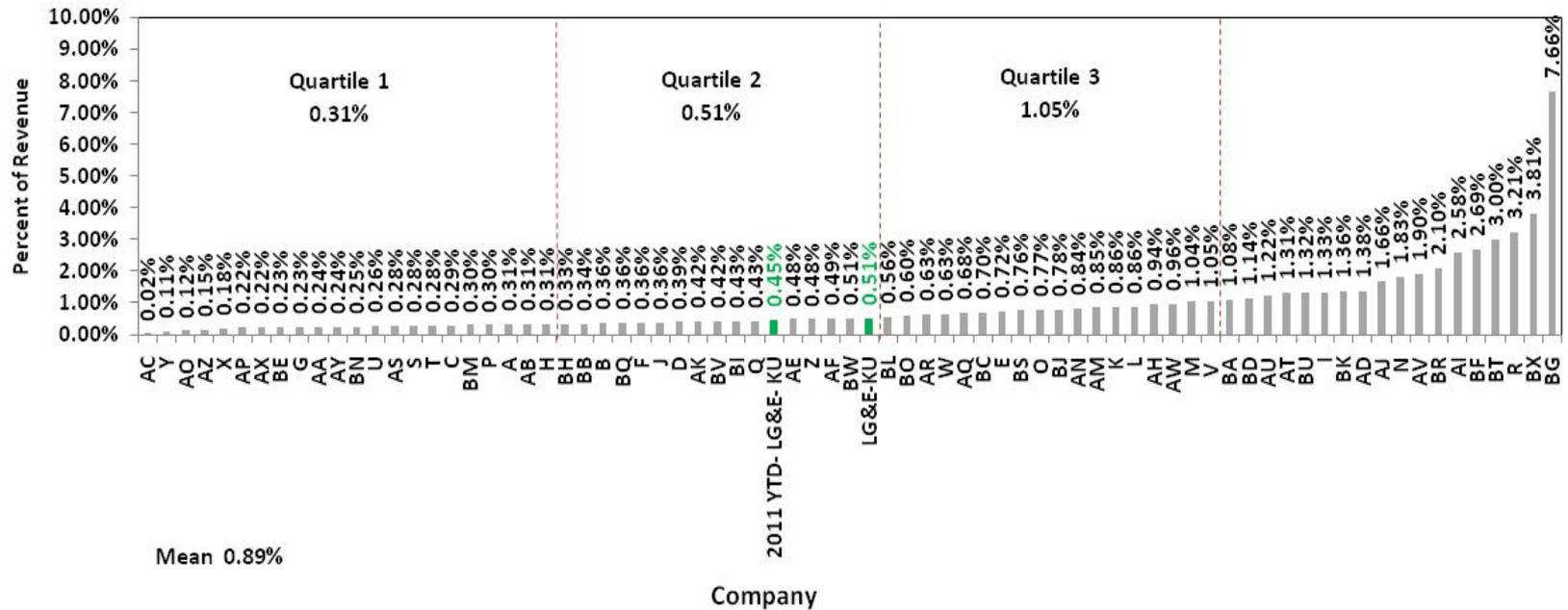
ENDRO
AGA EEI DataSource - 2010 Data



Plan Highlights

Net Write-Offs as a Percent of Revenues to Ultimate Customers

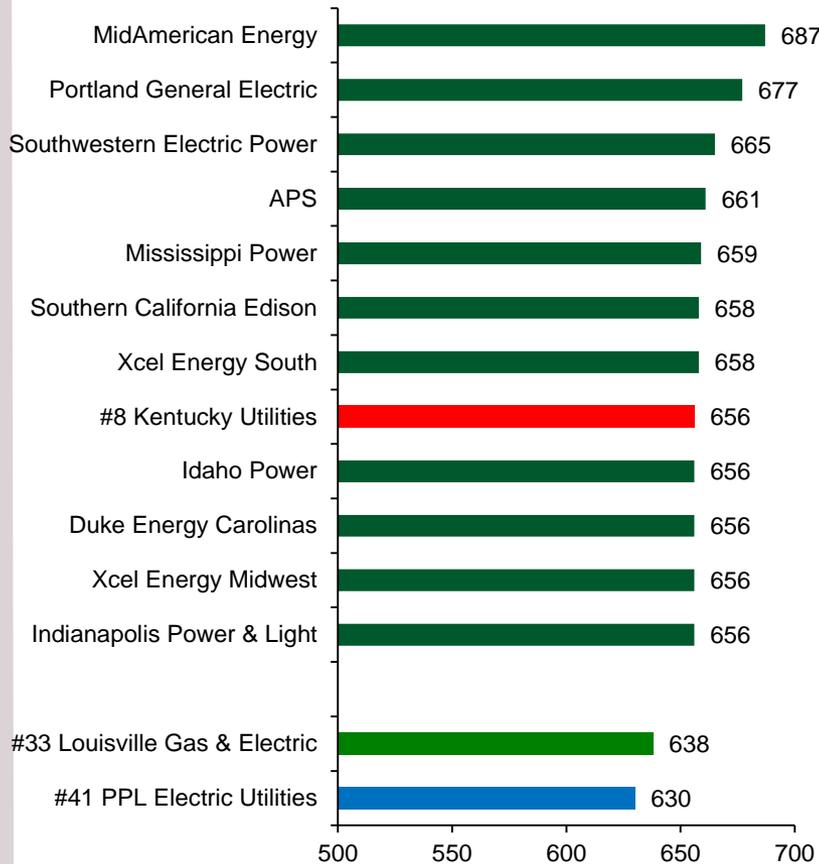
Net Write-offs Percent of Revenue
AGA EEI DataSource - 2010 Data



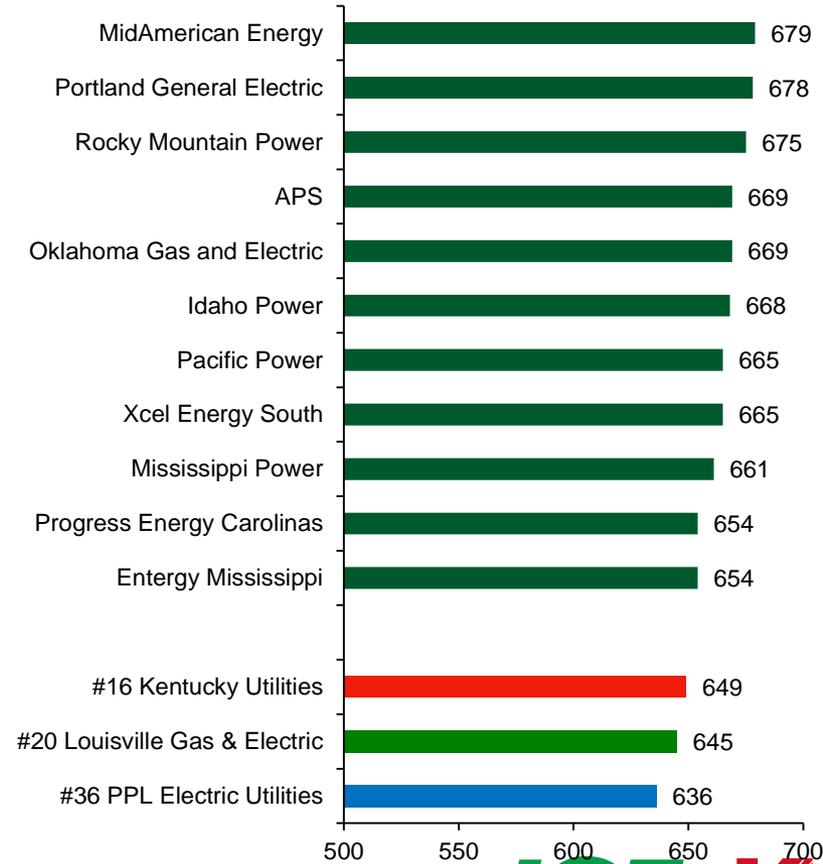
Plan Highlights

J.D. Power & Associates Electric Residential Study – IOUs Rankings

2010



2011



PPL companies

Plan Highlights

- Safety
 - *Continue to partner with Energy Services to build on safety synergies*
 - *Continue commitment to workforce and public safety*
 - *Continue to focus on motor vehicle safety and ensuring DOT compliance*
 - *Sharing safety best practices throughout the industry*
 - *Have won 12 international, national and state awards as well as other recognition*



Plan Highlights

- Customer Experience

- *Advance the “Customer Experience” strategy/initiative*
- *Continue investments in enhanced customer contact channels and the migration to a Corporate “Unified Communications” platform*
- *Continue progress on enhancements to Customer Care System functionality*
- *Enhance our “Customer Advocacy” role through partnerships with customer focus groups*
- *Continue commitment to corporate citizenship and community involvement*
- *Create tariffs and regulations that competitively position the company and respect the overall impact on customers*
- *Continue to expand the portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency*
- *Advance our understanding of customer behavior while gaining insight into customer needs*
- *Develop and pilot an overall Customer Experience index*



Plan Highlights

- Reliability
 - *Continue investments in electric and gas system infrastructure to meet projected demand and regulatory requirements*
 - *Invest in electric and gas infrastructure replacement to address the aging system and improve system performance*
 - *Increase investments in both infrastructure and technology to improve electric system reliability and storm restoration processes*
 - *Invest in additional gas compression, equipment upgrades, pipelines and new gas wells to improve overall reliability, mitigate risk and maintain storage field deliverability*



Plan Highlights

- OPEX
 - *On target in 2011 to achieve 7&5 approved forecast.*
 - *Compounded Annual Growth Rate (CAGR) from 2011-2016 is 3.4%.*
 - *Major Initiatives:*
 - Customer Experience Strategy
 - Reliability - Hazard Tree Program
 - Industry Regulatory Compliance
 - *Major Financial Risks:*
 - Storm Restoration
 - Customer Hardship and Uncollectible Accounts (uncertainty with LIHEAP)
 - Industry Regulatory Compliance



Plan Highlights

- Capital

- *On target in 2011 to achieve 7&5 approved forecast.*

- *Compounded Annual Growth Rate (CAGR) from 2011-2016 is 6.5%.*

- *Major Customer Initiatives:*

- Energy Efficiency Programs and Services
- Circuit Hardening / Reliability / Asset Replacement
- Pole Inspection and Treatment Program
- Distribution Automation
- Substation Enhancements
- Mobile Technology / Work Management Replacement
- Gas Leak Mitigation
- Gas Service Riser and Service Line Ownership and Replacement
- Magnolia Gas Compressor Addition
- Gas Compressor Station and System Enhancements
- Pipeline Integrity
- Vehicle Purchases
- Smart Grid Pilot



Major Assumptions

- Energy Delivery improves our position in the residential J.D. Power and RCCS surveys with a continued focus on the Customer Experience.
- Customer expectations regarding levels of service and availability of information will continue to increase.
- Energy Efficiency projects and education will increase and continue to be an area of focus.
- New Business activity is flat 2011 compared to 2010. Moderate volume and inflationary increases assumed through the planning period.
- Circuit hardening and reliability initiatives have increased investments.
- Storm budgets are based on 5 year average.
- The plan includes no significant changes to industry regulation.
- Gas service riser and service line ownership and replacement program will be implemented.



Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| OPEX/Other Expenses | | | | | | | |
| Labor - Raw | 51,789 | 54,125 | 61,308 | 64,856 | 67,391 | 69,415 | 71,499 |
| Labor - Burdens | 14,644 | 14,421 | 15,628 | 16,527 | 16,823 | 17,328 | 17,847 |
| Total Labor | 66,433 | 68,546 | 76,936 | 81,383 | 84,214 | 86,743 | 89,346 |
| Non Labor | | | | | | | |
| Vegetation Management | 16,595 | 20,334 | 22,307 | 21,611 | 22,056 | 22,441 | 22,889 |
| Bad Debt | 12,877 | 11,622 | 11,500 | 12,000 | 12,470 | 12,709 | 12,952 |
| Storm Restoration ¹ | 2,234 | 5,609 | 5,012 | 4,658 | 4,318 | 4,404 | 4,492 |
| Contributions | 1,007 | 1,244 | 1,263 | 1,597 | 1,629 | 1,662 | 1,695 |
| Outside Services | 38,880 | 41,229 | 42,020 | 45,339 | 46,440 | 47,203 | 45,563 |
| Other Non Labor | 33,319 | 33,485 | 34,372 | 36,514 | 37,199 | 38,058 | 37,801 |
| Total Non Labor | 104,912 | 113,523 | 116,474 | 121,719 | 124,112 | 126,477 | 125,392 |
| Subtotal OPEX/Other expense | 171,345 | 182,069 | 193,410 | 203,102 | 208,326 | 213,220 | 214,738 |
| Gross Margin Expenses * | 27,714 | 32,219 | 30,737 | 36,468 | 39,846 | 38,211 | 39,554 |
| Total Income Statement items | 199,059 | 214,288 | 224,147 | 239,570 | 248,172 | 251,431 | 254,292 |

¹Total Storm Restoration including labor is \$4.2M for 2010, \$8.7M for 2011, \$6.9M for 2012-2014, \$7.1M for 2015, and \$7.2M for 2016.

* (see next slide for detail)



PPL companies

Financial Performance

2010-2016 Margin Expenses / Cost of Sales (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Retail - DSM | 23,793 | 28,800 | 27,180 | 32,711 | 36,004 | 34,292 | 35,557 |
| Distribution - Fuel Gas | 3,921 | 3,419 | 3,557 | 3,757 | 3,842 | 3,919 | 3,997 |
| Total Margin/Cost of Sales | 27,714 | 32,219 | 30,737 | 36,468 | 39,846 | 38,211 | 39,554 |

Note: DSM numbers are consistent with the 2011 DSM filing and are contingent upon PSC approval.



Financial Performance

2012-2016 Target Comparison (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total OPEX/Other Expense | 193,410 | 203,102 | 208,326 | 213,220 | 214,738 |
| Total Gross Margin (if applicable) | 30,737 | 36,468 | 39,846 | 38,211 | 39,554 |
| Total | 224,147 | 239,570 | 248,172 | 251,431 | 254,292 |
| Total OPEX/Other Expense Target | 195,776 | 204,754 | 210,339 | 215,932 | 221,690 |
| Total Gross Margin Target (if applicable) | 43,761 | 45,464 | 47,870 | 48,187 | 49,418 |
| Total Target | 239,537 | 250,218 | 258,209 | 264,119 | 271,108 |
| Variance to Target | 15,390 | 10,648 | 10,037 | 12,688 | 16,816 |
| Major Variance Contributors: | | | | | |
| Bad Debt | 1,000 | 1,000 | 1,030 | 1,061 | 1,093 |
| Gas Distribution Operator Qualifications | 1,282 | 1,318 | 1,362 | 1,396 | 1,431 |
| Gas Distribution - Gas Risers/Service Line Ownership | - | (1,215) | (1,251) | (1,289) | (1,327) |
| OPEX - Various Savings | 84 | 549 | 872 | 1,544 | 5,755 |
| Subtotal OPEX Variance | 2,366 | 1,652 | 2,013 | 2,712 | 6,952 |
| Cost of Sales - Retail DSM | 13,629 | 9,622 | 8,671 | 10,636 | 10,536 |
| Cost of Sales - Fuel Gas | (605) | (626) | (647) | (660) | (672) |
| Subtotal Cost of Sales Variance | 13,024 | 8,996 | 8,024 | 9,976 | 9,864 |
| Total Variance Contributors | 15,390 | 10,648 | 10,037 | 12,688 | 16,816 |



Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|-----------------|-----------------|-----------------|-----------------|
| Total Capital | 220,685 | 268,521 | 253,587 | 297,317 | 281,723 |
| Target | 233,009 | 246,295 | 240,556 | 247,081 | 237,809 |
| Variance To Target | 12,324 | (22,226) | (13,031) | (50,236) | (43,914) |
| Major Drivers of Variance: | | | | | |
| Gas Service Risers/Service Line Ownership | - | (30,722) | (31,645) | (32,595) | (33,573) |
| Pole Inspection Program | (2,345) | (2,451) | (2,566) | (2,691) | (2,821) |
| Gas Leak Mitigation | 746 | (356) | (86) | (295) | (25,127) |
| New Business (Excl. Gas Risers) | 4,599 | 9,200 | 7,220 | 7,235 | 6,965 |
| Major Gas System Enhancements | - | - | - | (12,500) | - |
| GC&S and Other Gas System Enhancements | (1,820) | (1,046) | (669) | (7,908) | (1,476) |
| Electric System Enhancements | 5,843 | 4,594 | 18,827 | 11,311 | 15,224 |
| Repair/Maintenance Cost | (3,355) | (2,092) | (3,392) | (1,532) | (3,029) |
| DSM - Energy Efficiency | 9,174 | 477 | (7,667) | (8,708) | (5,681) |
| IT | 500 | (3,150) | 4,100 | (4,875) | 3,300 |
| Vehicle Purchases | (960) | 3,000 | 3,000 | 3,000 | 3,000 |
| All Other | (58) | 320 | (153) | (678) | (696) |
| Total Major Drivers of Variance | 12,324 | (22,226) | (13,031) | (50,236) | (43,914) |



Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Distribution | | | | | | | |
| Support Groups | 33 | 38 | 40 | 41 | 41 | 41 | 41 |
| Asset Management | 65 | 66 | 67 | 71 | 71 | 71 | 71 |
| Distribution Operations | 667 | 678 | 689 | 694 | 700 | 699 | 699 |
| Gas Control and Storage | 116 | 118 | 121 | 123 | 123 | 123 | 123 |
| Gas Planning and Supply | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Transportation | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Distribution | 889 | 908 | 925 | 937 | 943 | 942 | 942 |
| Retail and Metering | | | | | | | |
| Retail Executive and Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Customer Service and Marketing | 261 | 326 | 372 | 372 | 372 | 372 | 372 |
| Revenue Processes & Metering | 203 | 212 | 225 | 233 | 236 | 236 | 236 |
| Energy Efficiency | 21 | 25 | 26 | 29 | 29 | 29 | 29 |
| Total Retail and Metering | 487 | 565 | 625 | 636 | 639 | 639 | 639 |
| Operating Services | | | | | | | |
| Director and Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Contract Management | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Facility Services | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Administration Services | 4 | 5 | 7 | 7 | 7 | 7 | 7 |
| Real Estate and Right of Way | 7 | 6 | 6 | 6 | 6 | 6 | 6 |
| Total Operating Services | 30 | 30 | 32 | 32 | 32 | 32 | 32 |
| TOTAL | 1,406 | 1,503 | 1,582 | 1,605 | 1,614 | 1,613 | 1,613 |
| From 2011 MTP | | 1,487 | 1,503 | 1,508 | | | |
| Variance to 2011 MTP | | (16) | (79) | (97) | | | |
| FTE 2012 MTP | | 1,503 | 1,582 | 1,605 | | | |
| FTE 2011 MTP | | 1,487 | 1,503 | 1,508 | | | |
| Variance to 2011 MTP | | (16) | (79) | (97) | | | |

• Significant increases are due to the Retail Action Plan and contractor rebalancing efforts.



Operational Performance

Key Performance Indicators

| KPI | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Safety | 1.05 | 1.40 | 1.85 | 1.80 | 1.80 | 1.80 | 1.80 |
| SAIFI | 1.11 | 1.08 | 1.03 | 1.03 | 1.01 | 1.01 | 1.01 |
| SAIDI | 100.29 | 103.00 | 98.00 | 98.00 | 96.00 | 96.00 | 96.00 |
| Overall Customer Satisfaction (points) | 9 | 9 | 18 | 18 | 18 | 18 | 18 |
| Overall Customer Experience | NA | NA | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 |
| Cash Cost Per Customer - Distribution Electric | 214.69 | 226.85 | 252.92 | 280.25 | 267.47 | 291.46 | 287.27 |
| Cash Cost Per Customer - Distribution Gas | 123.11 | 152.44 | 153.89 | 265.88 | 271.96 | 271.14 | 280.38 |
| O&M Cost Per Customer - Retail Electric | 69.05 | 74.88 | 75.23 | 81.28 | 85.02 | 84.18 | 85.87 |
| O&M Cost Per Customer - Retail Gas | 38.52 | 32.24 | 40.55 | 44.88 | 46.39 | 45.79 | 46.82 |



Plan Risks

- Increased capital and O&M costs due to likely industry regulatory actions
- Additional Mitigation from Gas Transmission Line Inspections
- Customer Hardship and Uncollectible Accounts (uncertainty with LIHEAP)
- Economic Development and the Pace of the Economic Recovery
- Storm Restoration
- Energy Efficiency Regulatory Approvals
- Material and Equipment Price Increases
- Fuel Prices

Appendix



2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--|----------------|---------------|---------------|---------------|---------------|
| Current Plan | 193,410 | 203,102 | 208,326 | 213,220 | 214,738 |
| Prior Plan (Orig Target) | 221,850 | 228,778 | 235,007 | 241,517 | 248,220 |
| Variance | 28,440 | 25,676 | 26,681 | 28,297 | 33,482 |
| <u>Variance Explanations</u> | | | | | |
| Change in Burden Methodology | 35,353 | 34,608 | 35,411 | 36,474 | 37,568 |
| IT Adjustment - Ongoing OM | 1,025 | 1,025 | 1,025 | 1,045 | 1,066 |
| Retail Action Plan (Includes Metering) | (5,270) | (5,695) | (5,838) | (6,013) | (6,194) |
| Gas Regulatory - Pressure Tests | (350) | (5,000) | (5,000) | (5,000) | (1,500) |
| Gas Dist - Gas Risers/Service Line Ownership | - | (1,215) | (1,251) | (1,289) | (1,327) |
| Storm Restoration to 5 year average | (1,800) | (1,800) | (1,800) | (1,800) | (1,800) |
| Retail - Energy Efficiency VA Program | (540) | (561) | (584) | (599) | (614) |
| Retail - Outside Services Reductions | 239 | 790 | 837 | 854 | 871 |
| Retail - Labor increases over 2011 MTP | - | (380) | (282) | (290) | (299) |
| WFP Impact over 2011 MTP | (336) | (583) | (678) | (698) | (719) |
| Incremental Target Addition in 2010 Plan | - | 4,000 | 4,080 | 4,162 | 4,245 |
| Bad Debt | (200) | - | (230) | (224) | (218) |
| Various Reductions Taken | 319 | 487 | 991 | 1,675 | 2,403 |
| Total Variance | 28,440 | 25,676 | 26,681 | 28,297 | 33,482 |



2012-2016 Margin/Cost of Sales Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 30,737 | 36,468 | 39,846 | 38,211 | 39,554 |
| Prior Plan (Orig Target) | 43,776 | 45,481 | 47,886 | 48,204 | 49,436 |
| Variance | 13,039 | 9,013 | 8,040 | 9,993 | 9,882 |
| <u>Variance Explanations</u> | | | | | |
| Change in Burden Methodology | 15 | 17 | 16 | 17 | 18 |
| Fuel Gas | (605) | (626) | (647) | (660) | (672) |
| Retail - DSM | 13,629 | 9,622 | 8,671 | 10,636 | 10,536 |
| Total Variance | 13,039 | 9,013 | 8,040 | 9,993 | 9,882 |



2012-2016 Cost of Removal Comparison (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------|----------------|--------------|--------------|----------------|----------------|
| Current Plan | 9,914 | 11,613 | 10,078 | 13,120 | 13,021 |
| Prior Plan | 10,997 | 10,699 | 10,915 | 11,177 | 11,445 |
| Variance | 1,083 | (914) | 837 | (1,943) | (1,576) |

Variance Explanations

| | | | | | |
|----------------------------------|--------------|--------------|------------|----------------|----------------|
| New Business | (333) | (229) | - | (50) | (115) |
| Gas Main Replacements | (754) | (815) | (850) | (914) | - |
| Reliability and Sys Enhancements | 293 | (731) | 364 | (1,365) | (1,290) |
| Pole Inspection and Treatment | 547 | 534 | 672 | 575 | 480 |
| Gas Control and Storage | 140 | (816) | (323) | (968) | (1,077) |
| System Restoration (Non Weather) | 675 | 666 | 690 | 156 | 98 |
| Repair 3rd Party Damages | 596 | 595 | 625 | 623 | 575 |
| Repair/Replace Defective Equip. | 71 | 72 | 179 | - | (247) |
| Operating Services | (152) | (190) | (520) | - | - |
| Total Variance | 1,083 | (914) | 837 | (1,943) | (1,576) |



2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|---------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| Distribution | | | | | | | |
| New Business | 55,095 | 59,443 | 57,882 | 59,010 | 63,639 | 66,472 | 69,716 |
| Enhance the Network | 63,260 | 51,632 | 53,609 | 79,885 | 66,030 | 77,906 | 77,685 |
| Maintain the Network | 52,645 | 59,550 | 76,271 | 89,426 | 82,642 | 103,565 | 94,581 |
| Repair the Network | 11,876 | 12,284 | 10,715 | 10,878 | 11,046 | 11,348 | 11,657 |
| Miscellaneous | 7,259 | 9,089 | 8,740 | 13,006 | 8,571 | 17,170 | 11,071 |
| Total Distribution | 190,135 | 191,998 | 207,217 | 252,205 | 231,928 | 276,461 | 264,710 |
| Retail | 3,527 | 1,315 | 4,583 | 8,881 | 11,004 | 10,480 | 7,059 |
| Metering | 5,063 | 4,606 | 4,769 | 4,974 | 4,815 | 5,390 | 4,818 |
| Operating Services | 5,668 | 7,578 | 4,116 | 2,461 | 5,840 | 4,986 | 5,136 |
| Total Capital | 204,393 | 205,497 | 220,685 | 268,521 | 253,587 | 297,317 | 281,723 |



2010-2016 Other Balance Sheet Costs (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Local Engineering | | | | | | | |
| Labor | 15,383 | 17,965 | 15,769 | 16,342 | 16,840 | 17,422 | 17,945 |
| Non labor | 3,254 | 3,939 | 3,362 | 3,272 | 3,080 | 3,066 | 3,128 |
| Total | 18,637 | 21,904 | 19,131 | 19,614 | 19,920 | 20,488 | 21,073 |
| Transportation | 19,812 | 19,994 | 21,597 | 21,980 | 22,418 | 22,866 | 23,324 |
| Operating Services Clearing (Non Labor) | 2,955 | 3,317 | 3,389 | 3,455 | 3,531 | 3,602 | 3,674 |
| Preliminary Engineering - Gas Riser Sampling | 350 | - | - | - | - | - | - |
| Total Other Costs | 41,754 | 45,215 | 44,117 | 45,049 | 45,869 | 46,956 | 48,071 |





PPL companies

General Counsel Organization

2012 - 2016

September 29, 2011



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Plan Highlights

- The 2011 OPEX forecast for the General Counsel and Human Resources Organization is \$3.6 million favorable to the 2011 Budget. The variance is attributable to favorable Outside Counsel spending, Other Outside Services spending, and a reduction in Donations, partially offset by increased Environmental fees.
- General Counsel and Human Resources are \$835K favorable to target for the 2012 MTP primarily due to the lower amortization of rate case expenses and lower Outside Counsel fees, partially offset by increased Environmental fees.



Major Assumptions

- **Legal/EVP**
 - *No contingent budgets have been proposed*
 - *Hourly rates of outside providers will not materially increase*
 - *No new material litigation claims arise*
- **Corporate Communications**
 - *Will take advantage of non-traditional tools to gain positive rebranding recognition.*
 - *Energy Efficiency programs will continue to grow and will require support through targeted advertising/marketing programs.*
 - *Will continue to manage all marketing and advertising within Communications and transfer of (2) FTE's from within Retail Marketing/Research to assist with new mediums of communications.*



Major Assumptions

- **Corporate Responsibility**

- *Nonprofit organizations will continue to experience financial challenges.*
- *Anticipate greater scrutiny of our community activities and heightened expectations for our role as a funding partner.*
- *Maintaining status in corporate citizenship will require us to develop additional CR programs – particularly programs of interest to our rural customers.*
- *Must be prepared to engage in community activities which portray us as an environmentally responsible corporate citizen.*

- **Compliance**

- *Addition of Manager, CIP Program position within the Department*
- *No material change in role*



Major Assumptions

- **External Affairs**
 - *Increased legislative and regulatory activity by local, state and federal governmental entities affecting the company's activities in the operational, regulatory and environmental areas.*
 - *Pressure by local, state and federal governmental entities upon the company to use its monopolistic status to enhance governmental revenue.*
 - *Public comparison of:*
 - **Political contributions between PPL and LG&E/KU**
 - **Levels of engagement and contributions with and to advocacy groups**
 - **PPL and LG&E/KU legislative and regulatory positions on various issues**
 - **DSM activities and level of revenue**



Major Assumptions

- **State Regulation & Rates**

- *Filing of three base rate cases for LG&E and KU in KY*
- *Filing of two base rate cases for KU/ODP in VA*
- *Number of CPCN proceedings for generation and transmission facilities*
- *Significant ECR filings related to proposed environmental regulations*
- *Possible smart-meter pilot rollout and Responsive Pricing Program*
- *Possible Federal climate change and renewable legislation passed*
- *Increase in energy efficiency programs*
- *KPSC Management Audit of Company functions*
- *Filing of Integrated Resource Plans with KPSC and VSCC*



Major Assumptions

- **Federal Regulation & Policy**

- *Uncertain and disproportionate implementation of regional transmission planning and cost allocation rules.*
- *Expanded FERC authority over transmission siting and certificate authority, expansion of the definition of Bulk Electric System, and increased pressure on traditional federal state relationship.*

- **Environmental**

- *Coal fired utilities will face tighter limits resulting in increased regulatory and PR burden.*
- *New environmental regulations will require added controls and compliance monitoring.*
- *Increased volume and complexity of environmental issues will require additional internal and external resources.*
- *Analysis of environmental risk will require more robust comprehensive environmental audits/assessments.*



Major Assumptions

- **Human Resources**

- *Current and potential Federal legislative initiatives may significantly affect the existing landscape and costs associated with virtually every aspect of the workforce (benefits, compensation, union relations, safety, etc.).*
- *Employee and retiree healthcare costs will continue to rise.*
- *Wellness must continue to evolve as a means of containing healthcare costs.*
- *Economic challenges, especially inflation, could affect wage and benefit offerings.*
- *The impact of demographic and generational shifts present an immediate challenge.*
- *Stakeholders will increasingly look for transparency in business practices.*
- *The pace and complexity of regulatory compliance will continue to escalate.*
- *The unions will continue to work to increase their membership.*
- *Competition for talent will require more non-traditional sourcing.*



Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 9,878 | 10,726 | 11,527 | 11,926 | 12,277 | 12,646 | 13,025 |
| Burdens | 3,274 | 3,238 | 3,523 | 3,641 | 3,757 | 3,870 | 3,986 |
| Outside Counsel | 7,872 | 7,116 | 11,588 | 12,391 | 12,927 | 13,185 | 13,449 |
| Other Outside Services | 3,086 | 3,549 | 5,224 | 5,355 | 5,089 | 5,191 | 5,295 |
| Donations | 2,312 | 2,492 | 2,875 | 2,932 | 2,991 | 3,050 | 3,111 |
| Dues & Subscriptions | 2,245 | 2,532 | 2,692 | 2,840 | 3,001 | 3,061 | 3,122 |
| Fees, Permits & Licenses | 3,191 | 2,895 | 3,410 | 3,011 | 3,112 | 3,174 | 3,238 |
| Rate Case Amortization | 1,254 | 1,901 | 1,338 | 1,909 | 1,556 | 2,812 | 1,947 |
| Other Non Labor | 3,415 | 3,782 | 4,341 | 4,412 | 4,500 | 4,591 | 4,681 |
| Subtotal OPEX/Other expense | 36,528 | 38,231 | 46,518 | 48,417 | 49,210 | 51,580 | 51,854 |
| WKE (Discontinued Operations) | 1,040 | 2,265 | 910 | | | | |



Financial Performance

2012-2016 Target Comparison (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Total OPEX/Other Expense | 46,518 | 48,417 | 49,210 | 51,580 | 51,854 |
| Total Gross Margin (if applicable) | - | - | - | - | - |
| Total | <u>46,518</u> | <u>48,417</u> | <u>49,210</u> | <u>51,580</u> | <u>51,854</u> |
| | | | | | |
| Total OPEX/Other Expense Target | 47,353 | 49,062 | 49,884 | 51,310 | 51,934 |
| Total Gross Margin Target (if applicable) | - | - | - | - | - |
| Total Target | <u>47,353</u> | <u>49,062</u> | <u>49,884</u> | <u>51,310</u> | <u>51,934</u> |
| Variance to Target | <u>835</u> | <u>645</u> | <u>674</u> | <u>(270)</u> | <u>80</u> |
| | | | | | |
| Major Variance Contributors: | | | | | |
| Rate Case Amortization | 698 | 515 | 548 | (519) | (304) |
| Outside Counsel Fees lower than prior MTP | 1,972 | 1,128 | 407 | 415 | 423 |
| Higher Environmental Fees | (907) | (458) | (501) | (511) | (522) |
| Other Outside Services | (949) | (644) | 156 | 180 | 89 |
| Other Misc Expenses | 21 | 104 | 64 | 165 | 394 |
| Net Variance To Target | <u>835</u> | <u>645</u> | <u>674</u> | <u>(270)</u> | <u>80</u> |



Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------|---------------------|-----------------|-----------------|-----------------|--------------------|
| Total Capital | 675 | 225 | 225 | 625 | 800 |
| Target | 500 | 225 | 225 | 625 | 725 |
| Variance To Target | <u><u>(175)</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>(75)</u></u> |

Major Drivers of variance:

Higher projected expenses in 2012 and 2016 for the PeopleSoft upgrades



Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Legal | 23 | 25 | 25 | 25 | 25 | 25 | 25 |
| EVP | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Communications | 16 | 16 | 17 | 17 | 17 | 17 | 17 |
| Corporate Responsibility | 4 | 5 | 6 | 6 | 6 | 6 | 6 |
| Compliance | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| External Affairs | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| State Regulation & Rates | 14 | 14 | 15 | 15 | 15 | 15 | 15 |
| Federal Regulation & Policy | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Environmental Affairs | 13 | 18 | 19 | 20 | 20 | 20 | 20 |
| Human Resources | 33 | 34 | 35 | 35 | 35 | 35 | 35 |
| TOTAL | 117 | 127 | 132 | 133 | 133 | 133 | 133 |
| From 2011 MTP | | 125 | 125 | 125 | | | |
| Variance to 2011 MTP | | 2 | 7 | 8 | | | |
| FTE 2012 MTP | | 125.5 | 130.5 | 131.5 | | | |
| FTE 2011 MTP | | 123.0 | 124.0 | 124.0 | | | |
| Variance to 2011 MTP | | 2.5 | 6.5 | 7.5 | | | |

- The 2011 Forecast includes two new positions that transferred from ES to GC for Environmental Compliance.
- The 2012 MTP includes four positions total that transferred from ES to GC for Environmental Compliance. In addition, there is one new Corporate Responsibility position to be added, one new Manager CIP in Compliance, and one additional analyst position in State Reg & Rates.
- The 2013 MTP includes the addition of one new Environmental position.



Plan Risks

- **Legal/EVP**

- *New environmental regulations will require extraordinary legal review and input.*
- *The Company becomes embroiled in a significant legal dispute.*
- *Political environment in Kentucky is shifting as costs increase.*

- **Corporate Communications**

- *Given increased ECR, pending rate cases, possible coal price increases and pending EPA regulations, customer bills will continue to increase, potentially resulting in lower customer satisfaction levels.*
- *With growing concern regarding the environment, the public will expect a strong partnership between energy producers and energy consumers to provide additional energy efficiency programs and address and resolve environmental quality issues.*



Plan Risks

- **Corporate Responsibility**

- *Growing public cynicism may mean public dissatisfaction with our CR efforts.*
- *Environmental groups will likely increase their activities and scrutiny requiring more community outreach.*
- *There will be closer scrutiny from regulators and public officials requiring the development of new response strategies.*

- **Compliance**

- *NERC Reliability Standards, including the Cyber Security Standards, are at particular risk of expansion.*
- *PPL expectations regarding compliance programs may affect responsibilities and roles of the Compliance Department.*
- *Extraordinary workload anticipated due to efforts to address CIP gap analysis, including pending self-reports with SERC.*



Plan Risks

- **External Affairs**

- *Previously unseen upward pressure on customers electric rates due to increased capital expenditures for pollution control and base load generation construction. Environmental, energy efficiency, and renewable portfolio standards legislation and Federal EPA regulations place substantial compliance costs on the company and its customers.*
- *Local, State and Federal Budget shortfalls result in increased efforts to raise revenue through surcharges on the customer electric bill and increased corporate fees and taxes.*
- *Asset ownership by outside-of-the-state entity.*
- *Amount of revenue raised by the Political Action Committee needs to increase in order for the company to maintain credibility and move to the next level of public policy influence.*



Plan Risks

- **State Regulation & Rates**

- *Growing rate base and operating expenses, coupled with regulatory lag and change of control stay-out provision, could make target returns difficult to achieve.*
- *Commission and intervenor sensitivity to rising costs could result in punitive actions beyond law and precedent – prudence could be challenged more often particularly where actual costs exceed estimates.*
- *Changes to and uncertainty in Environmental regulations could put significant pressure on Environmental Cost Recovery mechanism.*
- *Failure to get timely regulatory approvals for generation and transmission investment could put reliability, customer service and utility economics at risk.*
- *Legal challenges to KPSC’s authority to develop rate mechanisms could have broad reaching impacts to existing and potential recovery mechanisms.*
- *Legislation that changes the regulatory structure.*
- *Increased scope and diversity of intervenors in proceedings.*



Plan Risks

- **Environmental**

- *Sharp increase in new environmental regulations and regulatory initiatives requiring additional EA staff and training.*
- *Significant increase in the number of environmental permits and permit conditions required for daily company operations which necessitate outside contractors for specialized modeling, monitoring and testing.*
- *Increased annual operation fees for Title V air permits, STAR permits, KPDES water permits, KY River Authority and special waste landfills.*
- *Increased costs for disposal of hazardous wastes, PCB wastes and spill clean-up materials.*

Plan Risks

- **Federal Regulation & Policy**

- *Further loss of control over transmission planning and construction decisions*
- *Greater socialization of transmission costs across the entire region*
- *Increased pressure between state and federal regulators with respect to cost recovery*
- *Volatile and deteriorating regulatory climate in EPA*

- **Human Resources**

- *Economic pressures and impact on Human Resource management*
- *Effects of possible Federal legislation relating to benefits, compensation, labor, safety, and taxation*
- *Ensuring appropriate monitoring, compliance, reporting and disclosure*
- *Maintaining key recruiting relationships during restricted hiring phase*



Appendix



2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 46,518 | 48,417 | 49,210 | 51,580 | 51,854 |
| Prior Plan | 51,977 | 53,454 | 54,472 | 56,036 | 56,802 |
| Variance | <u>5,459</u> | <u>5,037</u> | <u>5,262</u> | <u>4,456</u> | <u>4,948</u> |
| <u>Variance Explanations</u> | | | | | |
| Change in Burden Methodology | 5,872 | 5,808 | 6,011 | 6,192 | 6,377 |
| Other Labor, Manager CIP | (183) | (188) | (194) | (199) | (205) |
| Outside Counsel Spending | 1,972 | 1,128 | 407 | 415 | 423 |
| Other OS | (810) | (505) | 297 | 320 | 345 |
| Rate Case Amortization | 698 | 515 | 548 | (519) | (304) |
| Additional Env. Compliance Group | (1,071) | (1,234) | (1,236) | (1,273) | (1,311) |
| Increased Environmental Fees | (907) | (458) | (501) | (511) | (522) |
| Other NL | (112) | (29) | (70) | 31 | 145 |
| Total Variance | <u>5,459</u> | <u>5,037</u> | <u>5,262</u> | <u>4,456</u> | <u>4,948</u> |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) LEGAL/EVP

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 2,635 | 2,843 | 2,880 | 2,957 | 3,046 | 3,137 | 3,232 |
| Burdens | 865 | 880 | 830 | 852 | 880 | 907 | 934 |
| Outside Counsel | 7,872 | 7,116 | 11,588 | 12,391 | 12,927 | 13,185 | 13,449 |
| Other Outside Services | 932 | 485 | 1,427 | 1,456 | 1,485 | 1,515 | 1,545 |
| Donations | 243 | 270 | 260 | 265 | 271 | 276 | 281 |
| Dues & Subscriptions | 1,286 | 1,362 | 1,417 | 1,453 | 1,491 | 1,521 | 1,551 |
| Fees, Permits & Licenses | 21 | 16 | 20 | 20 | 21 | 21 | 21 |
| Other Non Labor | 917 | 765 | 790 | 806 | 820 | 837 | 855 |
| Subtotal OPEX/Other expense | 14,770 | 13,738 | 19,212 | 20,200 | 20,941 | 21,399 | 21,868 |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) COMMUNICATIONS

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 1,130 | 1,172 | 1,273 | 1,310 | 1,345 | 1,386 | 1,427 |
| Burdens | 385 | 344 | 362 | 373 | 384 | 396 | 407 |
| Other Outside Services | 912 | 905 | 923 | 941 | 960 | 979 | 999 |
| Donations | 1,379 | 1,378 | 1,644 | 1,677 | 1,710 | 1,745 | 1,780 |
| Dues & Subscriptions | 15 | 17 | 18 | 18 | 18 | 19 | 19 |
| Advertising | 1,119 | 1,034 | 1,255 | 1,280 | 1,306 | 1,332 | 1,358 |
| Other Non Labor | 227 | 167 | 170 | 174 | 178 | 180 | 185 |
| Subtotal OPEX/Other expense | <u>5,167</u> | <u>5,017</u> | <u>5,645</u> | <u>5,773</u> | <u>5,901</u> | <u>6,037</u> | <u>6,175</u> |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) CORPORATE RESPONSIBILITY

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 291 | 352 | 430 | 441 | 452 | 466 | 480 |
| Burdens | 97 | 104 | 122 | 126 | 129 | 133 | 137 |
| Other Outside Services | 110 | 106 | 108 | 111 | 113 | 115 | 117 |
| Donations | 608 | 750 | 765 | 780 | 796 | 812 | 828 |
| Dues & Subscriptions | 12 | 7 | 8 | 8 | 8 | 8 | 8 |
| Fees, Permits & Licenses | 27 | - | - | - | - | - | - |
| Other Non Labor | 286 | 237 | 242 | 246 | 252 | 257 | 262 |
| Subtotal OPEX/Other expense | 1,430 | 1,556 | 1,675 | 1,712 | 1,750 | 1,791 | 1,832 |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) COMPLIANCE

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 466 | 490 | 595 | 610 | 626 | 645 | 664 |
| Burdens | 152 | 144 | 172 | 177 | 182 | 187 | 193 |
| Other Outside Services | 5 | 47 | 37 | 38 | 39 | 39 | 40 |
| Dues & Subscriptions | 8 | 34 | 35 | 35 | 36 | 37 | 38 |
| Other Non Labor | 56 | 97 | 121 | 123 | 126 | 129 | 131 |
| Subtotal OPEX/Other expense | 686 | 812 | 960 | 983 | 1,009 | 1,037 | 1,066 |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) EXTERNAL AFFAIRS

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 373 | 368 | 374 | 384 | 395 | 407 | 419 |
| Burdens | 127 | 118 | 106 | 109 | 113 | 116 | 120 |
| Other Outside Services | 110 | 118 | 121 | 123 | 125 | 128 | 131 |
| Donations | 13 | 16 | 17 | 17 | 17 | 18 | 18 |
| Dues & Subscriptions | 12 | 16 | 17 | 17 | 17 | 18 | 18 |
| Other Non Labor | 88 | 118 | 117 | 120 | 124 | 125 | 127 |
| Subtotal OPEX/Other expense | <u>723</u> | <u>754</u> | <u>752</u> | <u>770</u> | <u>791</u> | <u>812</u> | <u>833</u> |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) STATE REGULATION & RATES

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 1,065 | 1,189 | 1,271 | 1,272 | 1,310 | 1,350 | 1,390 |
| Burdens | 354 | 348 | 362 | 362 | 374 | 385 | 397 |
| Other Outside Services | 70 | 493 | 203 | 407 | 211 | 215 | 219 |
| Donations | 15 | 5 | 15 | 15 | 15 | 16 | 16 |
| Dues & Subscriptions | 31 | 32 | 32 | 33 | 33 | 34 | 35 |
| Rate Case Amortization | 1,254 | 1,901 | 1,338 | 1,909 | 1,556 | 2,812 | 1,947 |
| Other Non Labor | 104 | 121 | 123 | 126 | 130 | 132 | 134 |
| Subtotal OPEX/Other expense | <u>2,895</u> | <u>4,089</u> | <u>3,344</u> | <u>4,124</u> | <u>3,629</u> | <u>4,944</u> | <u>4,138</u> |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) FEDERAL REGULATION & POLICY

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 373 | 325 | 405 | 414 | 423 | 436 | 449 |
| Burdens | 126 | 126 | 115 | 118 | 121 | 125 | 128 |
| Other Outside Services | 6 | 16 | 17 | 17 | 17 | 18 | 18 |
| Donations | - | 3 | 3 | 3 | 3 | 3 | 3 |
| Dues & Subscriptions | 9 | 7 | 7 | 7 | 7 | 7 | 7 |
| Other Non Labor | 99 | 92 | 93 | 95 | 98 | 99 | 102 |
| Subtotal OPEX/Other expense | 612 | 569 | 640 | 654 | 669 | 688 | 707 |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) ENVIRONMENTAL

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 950 | 1,256 | 1,504 | 1,664 | 1,718 | 1,770 | 1,823 |
| Burdens | 322 | 371 | 428 | 473 | 491 | 505 | 521 |
| Other Outside Services | 222 | 763 | 1,500 | 1,356 | 1,214 | 1,238 | 1,263 |
| Donations | 16 | 20 | 20 | 20 | 21 | 21 | 22 |
| Dues & Subscriptions | 841 | 995 | 1,096 | 1,205 | 1,325 | 1,351 | 1,378 |
| Fees, Permits & Licenses | 3,142 | 2,877 | 3,388 | 2,989 | 3,089 | 3,151 | 3,214 |
| Other Non Labor | 103 | 309 | 305 | 311 | 317 | 324 | 329 |
| Subtotal OPEX/Other expense | 5,595 | 6,591 | 8,241 | 8,018 | 8,175 | 8,360 | 8,550 |



Financial Performance

2010-2016 Operating and Other Expenses (\$000) HUMAN RESOURCES

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Raw Labor | 2,596 | 2,733 | 2,795 | 2,874 | 2,960 | 3,049 | 3,140 |
| Burdens and Other Labor | 845 | 803 | 1,025 | 1,051 | 1,083 | 1,115 | 1,149 |
| Other Outside Services | 718 | 615 | 889 | 906 | 925 | 943 | 962 |
| Donations | 39 | 49 | 151 | 154 | 157 | 160 | 164 |
| Dues & Subscriptions | 32 | 61 | 63 | 64 | 66 | 67 | 68 |
| Fees, Permits & Licenses | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other Non Labor | 418 | 843 | 1,124 | 1,132 | 1,153 | 1,177 | 1,200 |
| Subtotal OPEX/Other expense | 4,649 | 5,106 | 6,049 | 6,183 | 6,346 | 6,513 | 6,685 |



2010-2016 Regulatory Assets (\$000)

2012-2016 MTP

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| LG&E | | | | | | | |
| Gen Mgmt Audit LGE - Electric | - | 96 | - | - | 434 | - | - |
| Gen Mgmt Audit LGE - Gas | - | 73 | - | - | 266 | - | - |
| LG&E Rate Case - Electric | 780 | - | 928 | - | 938 | - | 950 |
| LG&E Rate Case - Gas | 451 | - | 440 | - | 449 | - | 460 |
| Total LG&E | <u>1,232</u> | <u>168</u> | <u>1,368</u> | <u>-</u> | <u>2,087</u> | <u>-</u> | <u>1,410</u> |
| KU | | | | | | | |
| Gen Mgmt Audit KU - Electric | - | 114 | - | - | 700 | - | - |
| KU Rate Case - Electric | 1,922 | - | 2,132 | - | 2,150 | - | 2,200 |
| Total KU | <u>1,922</u> | <u>114</u> | <u>2,132</u> | <u>-</u> | <u>2,850</u> | <u>-</u> | <u>2,200</u> |
| Total Regulatory Asset Costs | <u>3,154</u> | <u>283</u> | <u>3,500</u> | <u>-</u> | <u>4,937</u> | <u>-</u> | <u>3,610</u> |

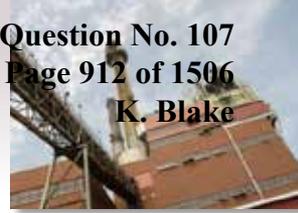




PPL companies

IT Organization 2012 - 2016

September 29, 2011



IT Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 15,400 | 16,333 | 18,374 | 20,339 | 21,704 | 22,355 | 23,026 |
| Burdens | 5,109 | 4,924 | 5,277 | 5,903 | 6,327 | 6,517 | 6,713 |
| Outside Services | 2,703 | 2,500 | 2,558 | 3,311 | 3,012 | 2,133 | 2,187 |
| Computer/Office Supplies | 564 | 575 | 587 | 598 | 611 | 623 | 636 |
| Training, Travel & Meals | 1,035 | 1,056 | 935 | 915 | 1,052 | 1,073 | 1,451 |
| Telecom/Leased Lines | 2,810 | 2,894 | 2,792 | 2,857 | 2,921 | 2,921 | 2,921 |
| License & Maintenance Fees | 11,363 | 11,438 | 13,691 | 14,376 | 15,094 | 16,648 | 17,480 |
| Other | 520 | 484 | 585 | 771 | 779 | 428 | 19 |
| O&M Implications from Cap Projects | | | 923 | 788 | 405 | 490 | 467 |
| Subtotal OPEX/Other expense | <u>39,504</u> | <u>40,204</u> | <u>45,722</u> | <u>49,858</u> | <u>51,905</u> | <u>53,188</u> | <u>54,900</u> |



IT Financial Performance

2012-2016 Target Comparison (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|
| Total OPEX/Other Expense | 45,722 | 49,858 | 51,905 | 53,187 | 54,899 |
| Total OPEX/Other Expense Target | <u>47,322</u> | <u>49,858</u> | <u>51,905</u> | <u>53,187</u> | <u>54,899</u> |
| Variance to Target | <u>(1,600)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |



IT Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------|-------------|-------------|----------------|----------------|--------------|
| Total Capital | 25,496 | 32,770 | 31,392 | 39,464 | 42,906 |
| Target | 25,496 | 32,770 | 30,392 | 37,764 | 42,806 |
| Variance To Target | <u>-</u> | <u>-</u> | <u>(1,000)</u> | <u>(1,700)</u> | <u>(100)</u> |
| Prior Plan | 25,496 | 33,020 | 31,142 | 59,014 | 81,806 |

Major Drivers:

Decreased Budget for ERP: 250K, \$750K, \$21.25M, \$39M for 2013-2016 respectively.

Mobile Radio System Console (\$3M) 2014-2015 and SE KY MW Buildout (\$5M) 2014-2016 requested by LOB



IT Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| IT Bus Apps | 93 | 80 | 83 | 84 | 85 | 85 | 85 |
| IT Infrastructure | 95 | 97 | 103 | 108 | 109 | 109 | 109 |
| IT Client Services | 50 | 70 | 74 | 77 | 76 | 76 | 76 |
| IT Security | 8 | 16 | 16 | 16 | 16 | 16 | 16 |
| IT VP | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| TOTAL | 248 | 265 | 278 | 287 | 288 | 288 | 288 |
| FTE | | 262.5 | 274.5 | 275.0 | | | |
| From 2011 MTP | | 265 | 276 | 283 | | | |

• *Major Developments/Changes*



IT 2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | <u>2012 Budget</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> |
|------------------------------|------------------------|-----------------------|-----------------------|------------------------|------------------------|
| Current Plan | 45,722 | 49,858 | 51,905 | 53,187 | 54,899 |
| Prior Plan | <u>56,050</u> | <u>58,778</u> | <u>61,172</u> | <u>72,843</u> | <u>80,551</u> |
| Variance | <u><u>(10,328)</u></u> | <u><u>(8,920)</u></u> | <u><u>(9,267)</u></u> | <u><u>(19,656)</u></u> | <u><u>(25,652)</u></u> |
| <u>Variance Explanations</u> | | | | | |
| Burden Adj to Corporate | (9,730) | (9,924) | (10,271) | (10,579) | (10,896) |
| O&M Commitment Letters | 967 | 967 | 967 | 987 | 1,006 |
| ERP Adjustment | | | | (10,100) | (15,800) |
| First round cuts | (1,600) | | | | |
| Other | <u>35</u> | <u>37</u> | <u>37</u> | <u>36</u> | <u>38</u> |
| Total Variance | <u><u>(10,328)</u></u> | <u><u>(8,920)</u></u> | <u><u>(9,267)</u></u> | <u><u>(19,656)</u></u> | <u><u>(25,652)</u></u> |



IT 2012-2016 Capital Reconciliation (w COR) –Accrual Basis K. Blake

(\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 25,496 | 32,770 | 31,392 | 39,464 | 42,906 |
| Prior Plan | 25,496 | 33,020 | 31,142 | 59,014 | 81,806 |
| Variance | - | 250 | (250) | 19,550 | 38,900 |
| <u>Variance Explanations</u> | | | | | |
| Reduced ERP Project | | 250 | 750 | 21,250 | 39,000 |
| Mobile Radio Console & SE KY MW BO | | | (1,000) | (1,700) | (100) |
| Total Variance | - | 250 | (250) | 19,550 | 38,900 |



IT 2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Ongoing Capital | | | | | | | |
| Telecom/Data Networks | 4,990 | 5,097 | 3,731 | 5,716 | 11,518 | 8,066 | 4,515 |
| Infrastructure | 10,868 | 3,900 | 4,775 | 1,719 | 7,845 | 6,500 | 6,630 |
| Client Services | 790 | 862 | 640 | 728 | 848 | 865 | 882 |
| Desktop Operations | 4,305 | 2,853 | 3,769 | 4,433 | 3,851 | 3,928 | 4,007 |
| Security | 863 | 1,222 | 1,131 | 427 | 830 | 855 | 872 |
| Special Projects | | | | | | | |
| <i>W KY Sonet Microwave Buildout</i> | | | 3,021 | 1,845 | | | |
| Voice Over IP Campus Upgrade | | | 2,512 | 3,500 | | | |
| CRM/ECC Enhancement (CCS) | 7,674 | 4,985 | 3,800 | 12,200 | 5,000 | 5,000 | 10,000 |
| CIP Compliance | | 1,000 | 1,067 | 1,200 | 1,200 | | |
| VDI | | 1,700 | 1,050 | 1,002 | 300 | | |
| ERP | | | | | | 14,250 | 16,000 |
| Total Capital (107001) | 29,490 | 21,619 | 25,496 | 32,770 | 31,392 | 39,464 | 42,906 |





PPL companies

CFO Organization 2012 - 2016

September 29, 2011

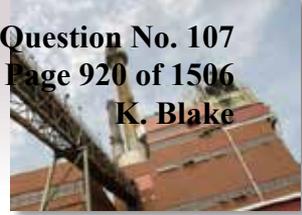


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- Plan Highlights
- Major Assumptions
- Financial Performance
 - *Operating Expense*
 - *Target Reconciliation*
 - *Headcount*
 - *Plan Risks*
- Appendix

Plan Highlights

- Key Items
 - *Operating expenses in all MTP years are slightly below targets.*
 - *Capital is above Prior Plan levels, but is in line with RAC approved targets.*
 - *NERC Critical Infrastructure Protection (CIP)*
 - *CCS Investment*
 - *Voice Over IP Upgrade*
 - *VDI Infrastructure*
 - *ERP Analysis and Implementation lowered to \$46.25M in the LTP for 2013-2017*



Major Assumptions

- *Plan assumes full employment (currently 20 open positions)*
- *Oracle Upgrade moved to start in 2012. Bulk of spending 2013.*
- *Headcount is consistent with the Workforce Plan.*
 - Finance and SC has no change from prior plan in 2012
 - IT increased by 2 from prior plan in 2012
- *Regulatory requirements for NERC CIP will continue to expand in scope and necessitate further IT investment.*
- *Ongoing investment in CCS is required for system sustainability and application enhancements.*



Major Assumptions

- *Hardware and software pricing grows by 5% each year throughout the term of the MTP.*
- *IT Security continues to be a major concern and will require ongoing investment to protect us from cyber threats and data exposure risks.*

Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 25,699 | 27,755 | 31,065 | 32,661 | 34,371 | 35,402 | 36,464 |
| Burdens | 8,680 | 8,311 | 9,034 | 9,472 | 9,980 | 10,280 | 10,588 |
| Telecom/Leased Lines | 2,810 | 2,894 | 2,792 | 2,857 | 2,921 | 2,921 | 2,921 |
| IT Software License & MTCE Fees | 11,363 | 11,438 | 13,691 | 14,376 | 15,094 | 16,648 | 17,480 |
| Audit Fees | 1,854 | 1,526 | 1,660 | 1,740 | 1,825 | 1,862 | 1,899 |
| Bank Fees | 1,227 | 1,539 | 1,251 | 1,276 | 1,302 | 1,328 | 1,355 |
| Insurance Mgmt Fee | 993 | 703 | 1,013 | 1,043 | 1,075 | 1,097 | 1,118 |
| Training, Travel, Meals | 1,437 | 1,646 | 1,635 | 1,613 | 1,757 | 1,792 | 2,185 |
| Outside Services | 3,588 | 3,003 | 3,170 | 3,589 | 3,296 | 2,422 | 2,483 |
| Other | 2,033 | 2,042 | 2,444 | 2,351 | 2,391 | 2,070 | 1,695 |
| O&M Implications from Cap Projects | | | 923 | 788 | 405 | 490 | 467 |
| Subtotal OPEX/Other expense | 59,684 | 60,857 | 68,678 | 71,766 | 74,417 | 76,312 | 78,655 |



Financial Performance

2012-2016 Target Comparison (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total OPEX/Other Expense | 68,678 | 71,766 | 74,417 | 76,312 | 78,655 |
| Total OPEX/Other Expense Target | <u>69,312</u> | <u>72,451</u> | <u>75,229</u> | <u>77,282</u> | <u>79,819</u> |
| Variance to Target | <u>634</u> | <u>685</u> | <u>812</u> | <u>970</u> | <u>1,164</u> |
| Major Variance Contributors: | | | | | |
| Audit Fees | 256 | 272 | 227 | 232 | 236 |
| Bank Fees | 170 | 208 | 248 | 274 | 328 |
| Labor | 151 | 232 | 326 | 401 | 480 |
| Insurance | 75 | 83 | 74 | 75 | 77 |
| Training | (74) | (67) | (57) | (58) | (59) |
| Other | <u>56</u> | <u>(43)</u> | <u>(6)</u> | <u>46</u> | <u>102</u> |
| Total Variance Contributors | <u>634</u> | <u>685</u> | <u>812</u> | <u>970</u> | <u>1,164</u> |



Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|--------------|----------------|--------------|----------------|------------|
| Total Capital | 28,328 | 41,467 | 32,418 | 40,664 | 44,006 |
| Target | 33,106 | 35,550 | 31,892 | 39,314 | 44,406 |
| Variance To Target | 4,778 | (5,917) | (526) | (1,350) | 400 |

Major Drivers of variance:

Oracle Upgrade - Increased by \$1.2M in total. \$4.5M was moved from 2012 to 2013.

Wallstreet Suite -\$194 for 2012 and \$346 2013 for a total of \$540K



Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| CFO | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| IT CIO | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| AUDIT SERVICES | 13 | 12 | 12 | 12 | 12 | 12 | 12 |
| TREASURER | 15 | 19 | 19 | 19 | 19 | 19 | 19 |
| CONTROLLER | 56 | 56 | 56 | 56 | 56 | 56 | 56 |
| TAX & PAYROLL | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| PLANNING & DEV | 25 | 26 | 26 | 26 | 26 | 26 | 26 |
| SUPPLY CHAIN | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| IT BUS APPS | 93 | 80 | 83 | 84 | 85 | 85 | 85 |
| IT INFRASTRUCTURE | 95 | 97 | 103 | 108 | 109 | 109 | 109 |
| IT CLIENT SERVICES | 50 | 70 | 74 | 77 | 76 | 76 | 76 |
| IT SECURITY | 8 | 16 | 16 | 16 | 16 | 16 | 16 |
| TOTAL | 423 | 444 | 457 | 466 | 467 | 467 | 467 |
| From 2011 MTP | | 443 | 455 | 463 | | | |
| Variance to 2011 MTP | | -1 | -2 | -3 | | | |
| FTE 2012 MTP | | 438.5 | 450.5 | 451.0 | | | |
| FTE 2011 MTP | | 439.0 | 446.5 | 454.5 | | | |
| Variance to 2011 MTP | | 0.5 | -4.0 | 3.5 | | | |



Plan Risks

- *SEC Reporting requirements*
- *New accounting pronouncements*
- *US GAAP/IFRS Convergence*
- *NERC CIP Program compliance requirements are still developing.*
- *Storage requirements – projected increase in storage demand (PPL, NERC CIP).*
- *PPL Initiatives*

Appendix



2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | <u>2012 Budget</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Current Plan | 68,678 | 71,766 | 74,417 | 76,312 | 78,655 |
| Prior Plan | <u>86,022</u> | <u>89,296</u> | <u>92,636</u> | <u>105,270</u> | <u>114,000</u> |
| Variance | <u><u>17,344</u></u> | <u><u>17,530</u></u> | <u><u>18,219</u></u> | <u><u>28,958</u></u> | <u><u>35,345</u></u> |
| <u>Variance Explanations</u> | | | | | |
| New Burden Methodology | 15,924 | 16,062 | 16,624 | 17,122 | 17,636 |
| O&M Commitment Letters | (967) | (967) | (967) | (987) | (1,006) |
| ERP Adjustment | - | - | - | 10,100 | 15,800 |
| Bank Fees | 1,920 | 1,958 | 1,997 | 2,024 | 2,078 |
| Audit Fees | 256 | 272 | 227 | 232 | 236 |
| Labor | 151 | 232 | 326 | 401 | 480 |
| Other | 56 | (31) | 8 | 61 | 117 |
| Total Variance | <u><u>17,340</u></u> | <u><u>17,526</u></u> | <u><u>18,215</u></u> | <u><u>28,953</u></u> | <u><u>35,341</u></u> |



2012-2016 Capital Reconciliation (w COR) –Accrual Basis (\$000)

| | <u>2012 Budget</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Current Plan | 28,328 | 41,467 | 32,418 | 40,664 | 44,006 |
| Prior Plan | 33,106 | 35,800 | 32,642 | 60,564 | 90,606 |
| Variance | <u>4,778</u> | <u>(5,667)</u> | <u>224</u> | <u>19,900</u> | <u>46,600</u> |
| <u>Variance Explanations</u> | | | | | |
| Reduced ERP Project | - | 250 | 750 | 21,250 | 39,000 |
| Mobile Radio Console | - | - | (1,000) | (1,700) | (100) |
| Oracle Upgrade | 4,500 | (5,725) | - | - | - |
| Wallstreet Suite | (194) | (346) | - | - | - |
| ERP moved to IT | - | - | - | - | 7,200 |
| Other | 472 | 154 | 474 | 350 | 500 |
| Total Variance | <u>4,778</u> | <u>(5,667)</u> | <u>224</u> | <u>19,900</u> | <u>46,600</u> |

2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Ongoing Capital | | | | | | | |
| Telecom/Data Networks | 4,990 | 5,097 | 3,731 | 5,716 | 11,518 | 8,066 | 4,515 |
| Infrastructure | 10,868 | 3,900 | 4,775 | 1,719 | 7,845 | 6,500 | 6,630 |
| Client Services | 790 | 862 | 640 | 728 | 848 | 865 | 882 |
| Desktop Operations | 4,305 | 2,853 | 3,769 | 4,433 | 3,851 | 3,928 | 4,007 |
| Security | 863 | 1,222 | 1,131 | 427 | 830 | 855 | 872 |
| Other CFO Projects | 1,229 | 988 | 1,024 | 705 | 1,026 | 1,200 | 1,100 |
| Special Projects | | | | | | | |
| <i>W KY Sonet Microwave Buildout</i> | | | 3,021 | 1,845 | | | |
| Voice Over IP Campus Upgrade | | | 2,512 | 3,500 | | | |
| CRM/ECC Enhancement (CCS) | 7,674 | 4,985 | 3,800 | 12,200 | 5,000 | 5,000 | 10,000 |
| CIP Compliance | | 1,000 | 1,067 | 1,200 | 1,200 | | |
| VDI | | 1,700 | 1,050 | 1,002 | 300 | | |
| ERP | | | | | | 14,250 | 16,000 |
| Oracle Upgrade | 26 | | 1,500 | 7,500 | | | |
| Powerplant | 586 | 206 | 308 | 492 | | | |
| Total Capital (107001) | 31,331 | 22,813 | 28,328 | 41,467 | 32,418 | 40,664 | 44,006 |



2010-2016 Other Balance Sheet Costs (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | 1,359 | 1,457 | 1,472 | 1,476 | 1,459 | 1,503 | 1,548 |
| Non labor | 115 | 558 | 464 | 473 | 482 | 492 | 501 |
| Total | <u>1,474</u> | <u>2,015</u> | <u>1,936</u> | <u>1,949</u> | <u>1,941</u> | <u>1,994</u> | <u>2,049</u> |



Finance and SC Organization



Finance and SC Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 10,299 | 11,422 | 11,971 | 12,322 | 12,667 | 13,047 | 13,438 |
| Burdens | 3,571 | 3,387 | 3,477 | 3,569 | 3,653 | 3,763 | 3,875 |
| Audit Fees | 1,854 | 1,526 | 1,660 | 1,740 | 1,825 | 1,862 | 1,899 |
| Bank Fees | 1,227 | 1,539 | 1,251 | 1,276 | 1,302 | 1,328 | 1,355 |
| Insurance Mgmt Fee | 993 | 703 | 1,013 | 1,043 | 1,075 | 1,097 | 1,118 |
| Training, Travel, Meals | 402 | 590 | 700 | 698 | 705 | 719 | 733 |
| OS/Consulting | 885 | 503 | 312 | 278 | 284 | 290 | 295 |
| Other | 949 | 983 | 972 | 982 | 1,001 | 1,019 | 1,043 |
| Subtotal OPEX/Other expense | 20,180 | 20,653 | 21,356 | 21,908 | 22,512 | 23,125 | 23,756 |



Finance and SC Financial Performance

2012-2016 Target Comparison (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total OPEX/Other Expense | 21,356 | 21,908 | 22,512 | 23,125 | 23,756 |
| Total OPEX/Other Expense Target | <u>21,990</u> | <u>22,593</u> | <u>23,324</u> | <u>24,095</u> | <u>24,920</u> |
| Variance to Target | <u>634</u> | <u>685</u> | <u>812</u> | <u>970</u> | <u>1,164</u> |
| Major Variance Contributors: | | | | | |
| Audit Fees | 256 | 272 | 227 | 232 | 236 |
| Bank Fees | 170 | 208 | 248 | 274 | 328 |
| Labor | 151 | 232 | 326 | 401 | 480 |
| Insurance | 75 | 83 | 74 | 75 | 77 |
| Training | (74) | (67) | (57) | (58) | (59) |
| Other | <u>56</u> | <u>(43)</u> | <u>(6)</u> | <u>46</u> | <u>102</u> |
| Total Variance Contributors | <u>634</u> | <u>685</u> | <u>812</u> | <u>970</u> | <u>1,164</u> |



Finance and SC Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|--------------|----------------|------------|------------|------------|
| Total Capital | 2,832 | 8,697 | 1,026 | 1,200 | 1,100 |
| Target | 7,610 | 2,780 | 1,500 | 1,550 | 1,600 |
| Variance To Target | 4,778 | (5,917) | 474 | 350 | 500 |

Major Drivers of variance:

Oracle Upgrade - 2012 to 2013

Wall Street Suite - 2012 to 2013



Finance and SC Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| CFO | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| AUDIT SERVICES | 13 | 12 | 12 | 12 | 12 | 12 | 12 |
| TREASURER | 15 | 19 | 19 | 19 | 19 | 19 | 19 |
| CONTROLLER | 56 | 56 | 56 | 56 | 56 | 56 | 56 |
| TAX & PAYROLL | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| PLANNING & DEV | 25 | 26 | 26 | 26 | 26 | 26 | 26 |
| SUPPLY CHAIN | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| TOTAL | 175 | 179 | 179 | 179 | 179 | 179 | 179 |
| From 2011 MTP | | 178 | 179 | 180 | | | |
| Variance to 2011 MTP | | -1 | 0 | 1 | | | |
| FTE 2012 MTP | | 176 | 176 | 176 | | | |
| FTE 2011 MTP | | 174 | 175 | 176 | | | |
| Variance to 2011 MTP | | -2 | -1 | 0 | | | |



Finance and SC 2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | 2012 <u>Budget</u> | 2013 <u>Plan</u> | 2014 <u>Plan</u> | 2015 <u>Plan</u> | 2016 <u>Plan</u> |
|------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Current Plan | 21,356 | 21,908 | 22,512 | 23,125 | 23,756 |
| Prior Plan | <u>29,972</u> | <u>30,518</u> | <u>31,464</u> | <u>32,427</u> | <u>33,449</u> |
| Variance | <u><u>8,616</u></u> | <u><u>8,610</u></u> | <u><u>8,952</u></u> | <u><u>9,302</u></u> | <u><u>9,693</u></u> |
| <u>Variance Explanations</u> | | | | | |
| New Burden Methodology | 6,194 | 6,138 | 6,353 | 6,543 | 6,740 |
| Bank Fees | 1,920 | 1,958 | 1,997 | 2,024 | 2,078 |
| Audit Fees | 256 | 272 | 227 | 232 | 236 |
| Labor | 151 | 232 | 326 | 401 | 480 |
| Other | <u>95</u> | <u>10</u> | <u>49</u> | <u>102</u> | <u>159</u> |
| Total Variance | <u><u>8,616</u></u> | <u><u>8,610</u></u> | <u><u>8,952</u></u> | <u><u>9,302</u></u> | <u><u>9,693</u></u> |



Basis
(\$000)

| | 2012 <u>Budget</u> | 2013 <u>Plan</u> | 2014 <u>Plan</u> | 2015 <u>Plan</u> | 2016 <u>Plan</u> |
|------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Current Plan | 2,832 | 8,697 | 1,026 | 1,200 | 1,100 |
| Prior Plan | 7,610 | 2,780 | 1,500 | 1,550 | 8,800 |
| Variance | <u>4,778</u> | <u>(5,917)</u> | <u>474</u> | <u>350</u> | <u>7,700</u> |
| <u>Variance Explanations</u> | | | | | |
| Oracle Upgrade | 4,500 | (5,725) | - | - | - |
| Wallstreet Suite | (194) | (346) | - | - | - |
| ERP moved to IT | - | - | - | - | 7,200 |
| Other | 472 | 154 | 474 | 350 | 500 |
| Total Variance | <u>4,778</u> | <u>(5,917)</u> | <u>474</u> | <u>350</u> | <u>7,700</u> |

Basis
(\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|-------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Ongoing Capital | | | | | | | |
| Peoplesoft Time | | | 400 | 100 | | | |
| WallStreet Suite | | | 194 | 346 | | | |
| UI Planner | | | 100 | | | | |
| Supply Chain | 898 | 458 | 320 | 249 | 526 | 200 | |
| Other CFO Projects | 331 | 530 | 10 | 10 | 500 | 1000 | 1100 |
| Special Projects | | | | | | | |
| Oracle Upgrade | 26 | | 1,500 | 7500 | | | |
| PowerPlant Upgrade | 586 | 206 | 308 | 492 | | | |
| Total Capital (107001) | <u>1,841</u> | <u>1,194</u> | <u>2,832</u> | <u>8,697</u> | <u>1,026</u> | <u>1,200</u> | <u>1,100</u> |



Finance and SC 2010-2016 Other Balance Sheet Costs (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|----------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Stores Expense | | | | | | | |
| Labor | 1,359 | 1,457 | 1,472 | 1,476 | 1,459 | 1,503 | 1,548 |
| Non labor | 115 | 558 | 464 | 473 | 482 | 492 | 501 |
| Total | <u>1,474</u> | <u>2,015</u> | <u>1,936</u> | <u>1,949</u> | <u>1,941</u> | <u>1,994</u> | <u>2,049</u> |



IT Organization



IT Financial Performance

2010-2016 Operating and Other Expenses (\$000)

| Item | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| OPEX/Other Expenses | | | | | | | |
| Labor | 15,400 | 16,333 | 19,094 | 20,339 | 21,704 | 22,355 | 23,026 |
| Burdens | 5,109 | 4,924 | 5,557 | 5,903 | 6,327 | 6,517 | 6,713 |
| Outside Services | 2,703 | 2,500 | 2,858 | 3,311 | 3,012 | 2,133 | 2,187 |
| Computer/Office Supplies | 564 | 575 | 587 | 598 | 611 | 623 | 636 |
| Training, Travel & Meals | 1,035 | 1,056 | 935 | 915 | 1,052 | 1,073 | 1,451 |
| Telecom/Leased Lines | 2,810 | 2,894 | 2,792 | 2,857 | 2,921 | 2,921 | 2,921 |
| License & Maintenance Fees | 11,363 | 11,438 | 13,691 | 14,376 | 15,094 | 16,648 | 17,480 |
| Other | 520 | 484 | 885 | 771 | 779 | 428 | 19 |
| O&M Implications from Cap Projects | | | 923 | 788 | 405 | 490 | 467 |
| Subtotal OPEX/Other expense | <u>39,504</u> | <u>40,204</u> | <u>47,322</u> | <u>49,858</u> | <u>51,905</u> | <u>53,188</u> | <u>54,900</u> |



IT Financial Performance

2012-2016 Target Comparison (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total OPEX/Other Expense | 47,322 | 49,858 | 51,905 | 53,187 | 54,899 |
| Total OPEX/Other Expense Target | <u>47,322</u> | <u>49,858</u> | <u>51,905</u> | <u>53,187</u> | <u>54,899</u> |
| Variance to Target | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |



IT Financial Performance

2012-2016 Capital Comparison – Accrual Basis (\$000)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------|-------------|-------------|----------------|----------------|--------------|
| Total Capital | 25,496 | 32,770 | 31,392 | 39,464 | 42,906 |
| Target | 25,496 | 32,770 | 30,392 | 37,764 | 42,806 |
| Variance To Target | <u>-</u> | <u>-</u> | <u>(1,000)</u> | <u>(1,700)</u> | <u>(100)</u> |
| Prior Plan | 25,496 | 33,020 | 31,142 | 59,014 | 81,806 |

Major Drivers:

Decreased Budget for ERP: 250K, \$750K, \$21.25M, \$39M for 2013-2016 respectively.

Mobile Radio System Console (\$3M) 2014-2015 and SE KY MW Buildout (\$5M) 2014-2016 requested by LOB



IT Financial Performance

2010-2016 Headcount

| Department | 2010 Year End | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| IT Bus Apps | 93 | 80 | 83 | 84 | 85 | 85 | 85 |
| IT Infrastructure | 95 | 97 | 103 | 108 | 109 | 109 | 109 |
| IT Client Services | 50 | 70 | 74 | 77 | 76 | 76 | 76 |
| IT Security | 8 | 16 | 16 | 16 | 16 | 16 | 16 |
| IT VP | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| TOTAL | 248 | 265 | 278 | 287 | 288 | 288 | 288 |
| FTE | | 262.5 | 274.5 | 275.0 | | | |
| From 2011 MTP | | 265 | 276 | 283 | | | |

• *Major Developments/Changes*



IT 2012-2016 OPEX/Other Expense Reconciliation (\$000)

| | <u>2012 Budget</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> | <u>2016 Plan</u> |
|------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Current Plan | 47,322 | 49,858 | 51,905 | 53,187 | 54,899 |
| Prior Plan | <u>56,050</u> | <u>58,778</u> | <u>61,172</u> | <u>72,843</u> | <u>80,551</u> |
| Variance | <u>(8,728)</u> | <u>(8,920)</u> | <u>(9,267)</u> | <u>(19,656)</u> | <u>(25,652)</u> |
| <u>Variance Explanations</u> | | | | | |
| Burden Adj to Corporate | (9,730) | (9,924) | (10,271) | (10,579) | (10,896) |
| O&M Commitment Letters | 967 | 967 | 967 | 987 | 1,006 |
| ERP Adjustment | | | | (10,100) | (15,800) |
| Other | <u>39</u> | <u>41</u> | <u>41</u> | <u>41</u> | <u>42</u> |
| Total Variance | <u>(8,724)</u> | <u>(8,916)</u> | <u>(9,263)</u> | <u>(19,651)</u> | <u>(25,648)</u> |



IT 2012-2016 Capital Reconciliation (w COR) –Accrual Basis K. Blake

(\$000)

| | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|
| Current Plan | 25,496 | 32,770 | 31,392 | 39,464 | 42,906 |
| Prior Plan | 25,496 | 33,020 | 31,142 | 59,014 | 81,806 |
| Variance | - | 250 | (250) | 19,550 | 38,900 |
| <u>Variance Explanations</u> | | | | | |
| Reduced ERP Project | | 250 | 750 | 21,250 | 39,000 |
| Mobile Radio Console & SE KY MW BO | | | (1,000) | (1,700) | (100) |
| Total Variance | - | 250 | (250) | 19,550 | 38,900 |



IT 2010-2016 Capital Breakdown (w COR) – Accrual Basis (\$000)

| Project | 2010 Actual | 2011 Forecast | 2012 Budget | 2013 Plan | 2014 Plan | 2015 Plan | 2016 Plan |
|--------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Ongoing Capital | | | | | | | |
| Telecom/Data Networks | 4,990 | 5,097 | 3,731 | 5,716 | 11,518 | 8,066 | 4,515 |
| Infrastructure | 10,868 | 3,900 | 4,775 | 1,719 | 7,845 | 6,500 | 6,630 |
| Client Services | 790 | 862 | 640 | 728 | 848 | 865 | 882 |
| Desktop Operations | 4,305 | 2,853 | 3,769 | 4,433 | 3,851 | 3,928 | 4,007 |
| Security | 863 | 1,222 | 1,131 | 427 | 830 | 855 | 872 |
| Special Projects | | | | | | | |
| <i>W KY Sonet Microwave Buildout</i> | | | 3,021 | 1,845 | | | |
| Voice Over IP Campus Upgrade | | | 2,512 | 3,500 | | | |
| CRM/ECC Enhancement (CCS) | 7,674 | 4,985 | 3,800 | 12,200 | 5,000 | 5,000 | 10,000 |
| CIP Compliance | | 1,000 | 1,067 | 1,200 | 1,200 | | |
| VDI | | 1,700 | 1,050 | 1,002 | 300 | | |
| ERP | | | | | | 14,250 | 16,000 |
| Total Capital (107001) | 29,490 | 21,619 | 25,496 | 32,770 | 31,392 | 39,464 | 42,906 |



2012 Plan Assumptions

- 2011 ECR Plan approved December 2011 with a 10.25% ROE
- KY base rate relief assumed at earliest possible date under acquisition Order (1/1/2013) Thereafter, file in KY every two years with rate relief effective Q4 2014 and Q4 2016
- File in VA every two years with rate relief effective Q1 2014 and Q1 2016
- Maintain FERC formulary rates for KY municipals with rates reset each July 1 using currently authorized ROE
- Implementation of a gas leak mitigation cost recovery tracker in 2013 (filed with upcoming KPSC rate case).
- Retail electric load growth of 1.4% per year; retail gas load growth of 0.3% per year
- Short-term interest rates of LIBOR plus 20 bps

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| 3 - Month LIBOR | 0.25% | 0.50% | 1.25% | 2.00% | 2.50% |
| 10 Yr - Treasury | 2.50% | 2.90% | 3.25% | 3.40% | 3.50% |

- Newly issued long-term debt rates for Utilities of 150 bps above 10-year Treasuries (4.4% - 4.9%)
- Bluegrass simple cycle plant of 495 MW (acquired mid-2012, operational 1/1/2013) for \$110 million
- Combined cycle plants of 640 MW commercial operation 1/1/2016 (\$576 million)
- Cane Run, Tyrone and Green River book values remain in rate base and recovered through future depreciation rates
- Dividend policy equal to 65% of net income for the Utilities plus net cash excess (needs) of LKE.
- CO₂ / RPS legislation not effective for the Plan
- No significant "smart grid" deployment in the Plan



2011 MTP Electric Sales Forecast

Sales Analysis & Forecasting

June 18, 2010

Key observations from recent trends – Industrial sales rebound

- *Through April 2010, Combined Company weather-normalized sales are 4.5% above budget.*
- *Compared to the first four months of 2009, total industrial sales have increased by 12% (300 GWh) in January – April 2010.*
- *18 of the 26 individually forecasted Major Accounts had a positive year-over-year growth in first Quarter 2010.*

2011 MTP Forecast Summary

Energy

- Compared to the 2010 MTP forecast for 2011, the 2011 MTP forecast of total electric sales is 2.8% higher in 2011.*
- Industrial (+6%) and Commercial (+3%) sales explain the majority of the increase relative to the 2010 MTP in 2011.*
- Major Accounts are up 6% in 2011 compared to the 2010 MTP forecast for individually-forecasted accounts.*

Peak Demand

- The 2011 MTP forecast of peak demand is consistent with the 2010 MTP.*

Key Macroeconomic Assumptions

- *Economy: Global Insight expects growth in 2010 Industrial Production of 5.8% compared to 0.8% this time last year. Total industrial production growth gradually declines to 3.1% annual growth in 2015.*
- *GI expects real GDP to climb 3.5% in 2010 after declining 2.4% in 2009. Consumer spending is not expected to lead recovery.*
- *Energy Efficiency* (beyond what was in the 2010 MTP):*
 - *Revised estimates of appliance standards (Lighting, Furnaces, AC, Heat Pumps, Dishwashers)*
 - *Improved thermal shell integrity (ARRA weatherization provisions)*
- *Impact of company sponsored energy efficiency programs revised from approximately 430 MW to 340 MW in 2015.*

* *Outside of KU/LG&E sponsored programs*

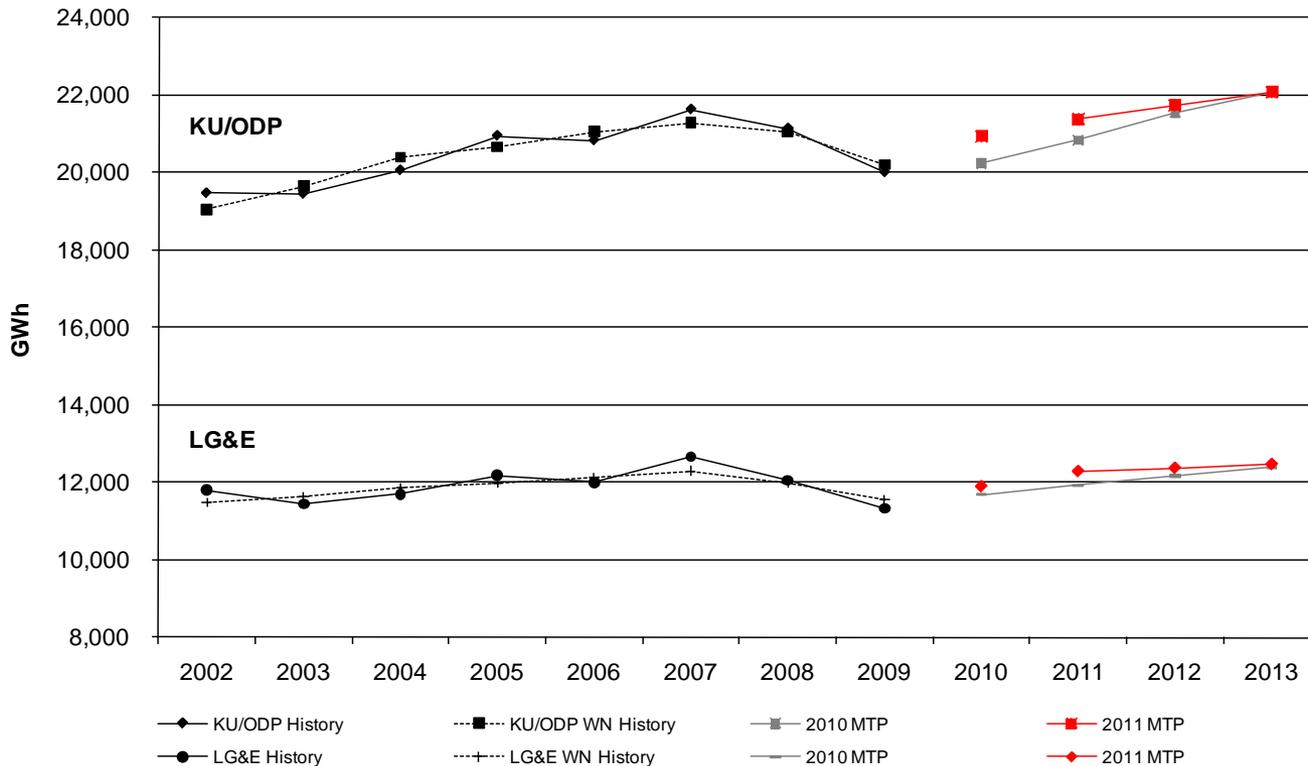
Electricity sales are expected to be 3.8% (893 GWh) above the 2010 MTP for the balance of 2010 (April – December)

| Apr-Dec 2010 | | | | |
|----------------------------|---------------------------|---------------------------|---------------------------|----------------|
| Company | Forecast (GWh) | 2010 MTP (GWh) | Variance (GWh) | Pct Var |
| <i>Residential</i> | 7,702 | 7,755 | -53 | -0.7% |
| <i>Commercial</i> | 8,170 | 7,946 | 224 | 2.8% |
| <i>Industrial</i> | 7,012 | 6,333 | 679 | 10.7% |
| <i>Municipals/Lighting</i> | 1,649 | 1,606 | 43 | 2.7% |
| Total | 24,533 | 23,640 | 893 | 3.8% |

| Apr-Dec 2010 | | | | |
|---------------------|---------------------------|---------------------------|---------------------------|----------------|
| Company | Forecast (GWh) | 2010 MTP (GWh) | Variance (GWh) | Pct Var |
| <i>KU/ODP</i> | 15,387 | 14,792 | 595 | 4.0% |
| <i>LG&E</i> | 9,146 | 8,848 | 298 | 3.4% |
| Total | 24,533 | 23,640 | 893 | 3.8% |

Compared to the 2010 MTP, total energy sales are 2.8% higher for 2011

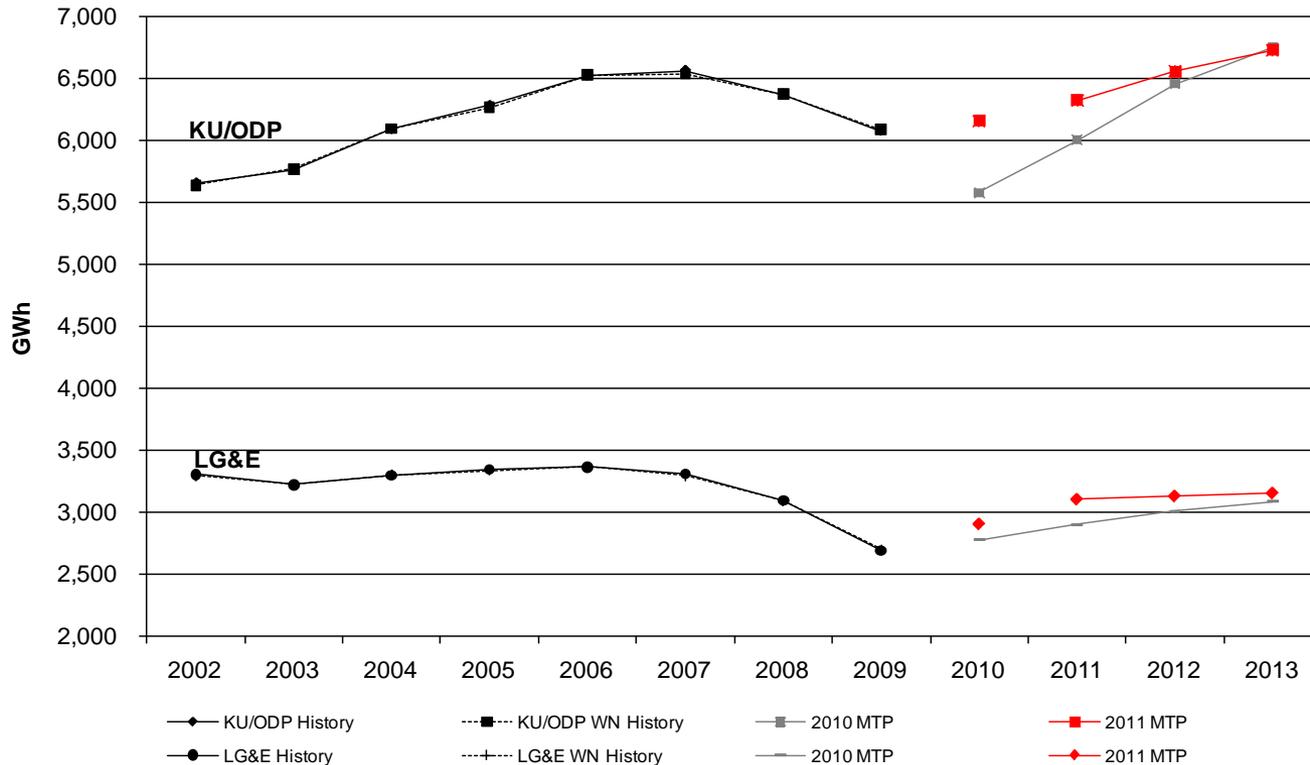
Total Energy Sales by Company



* In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.

Compared to the 2010 MTP, Industrial sales are 6% higher for 2011

Annual Industrial Energy Sales



** In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.*

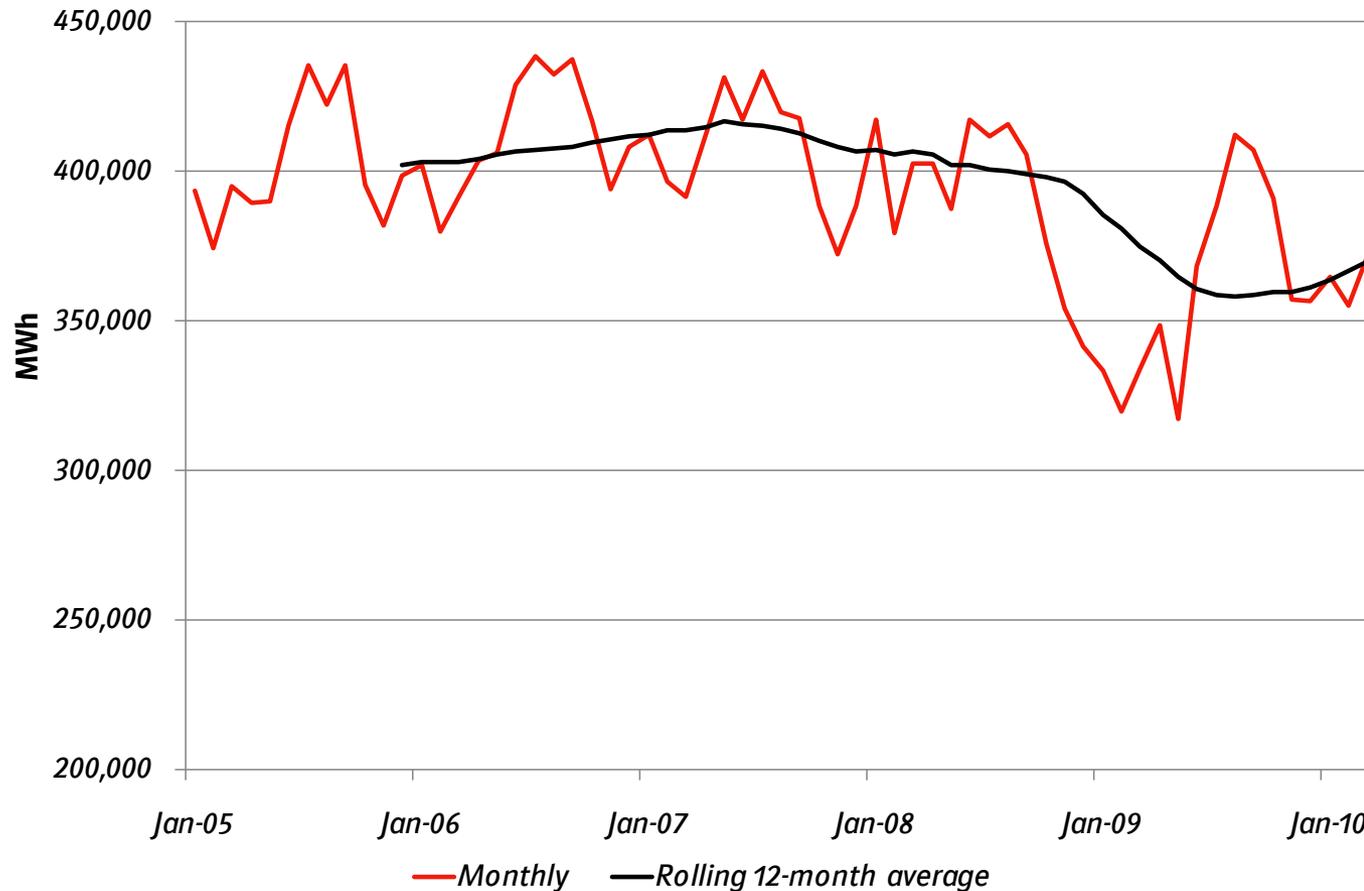
Notable Changes in Major Account Forecasts for 2011

- *2011 MTP is more optimistic for NAS, Fort Knox, Ford LAP, and others.*
- *Among several major accounts, recoveries have accelerated ahead of 2010 MTP expectations.*
- *UPS growth prospects dampened.*

| Biggest Movers (GWh) | 2010 MTP | 2011 MTP | Delta |
|-----------------------------|-----------------|-----------------|--------------|
| <i>NAS</i> | <i>832</i> | <i>975</i> | <i>143</i> |
| <i>Fort Knox</i> | <i>229</i> | <i>292</i> | <i>63</i> |
| <i>Ford LAP</i> | <i>23</i> | <i>65</i> | <i>42</i> |
| <i>DuPont</i> | <i>73</i> | <i>95</i> | <i>22</i> |
| <i>UPS</i> | <i>187</i> | <i>147</i> | <i>-44</i> |

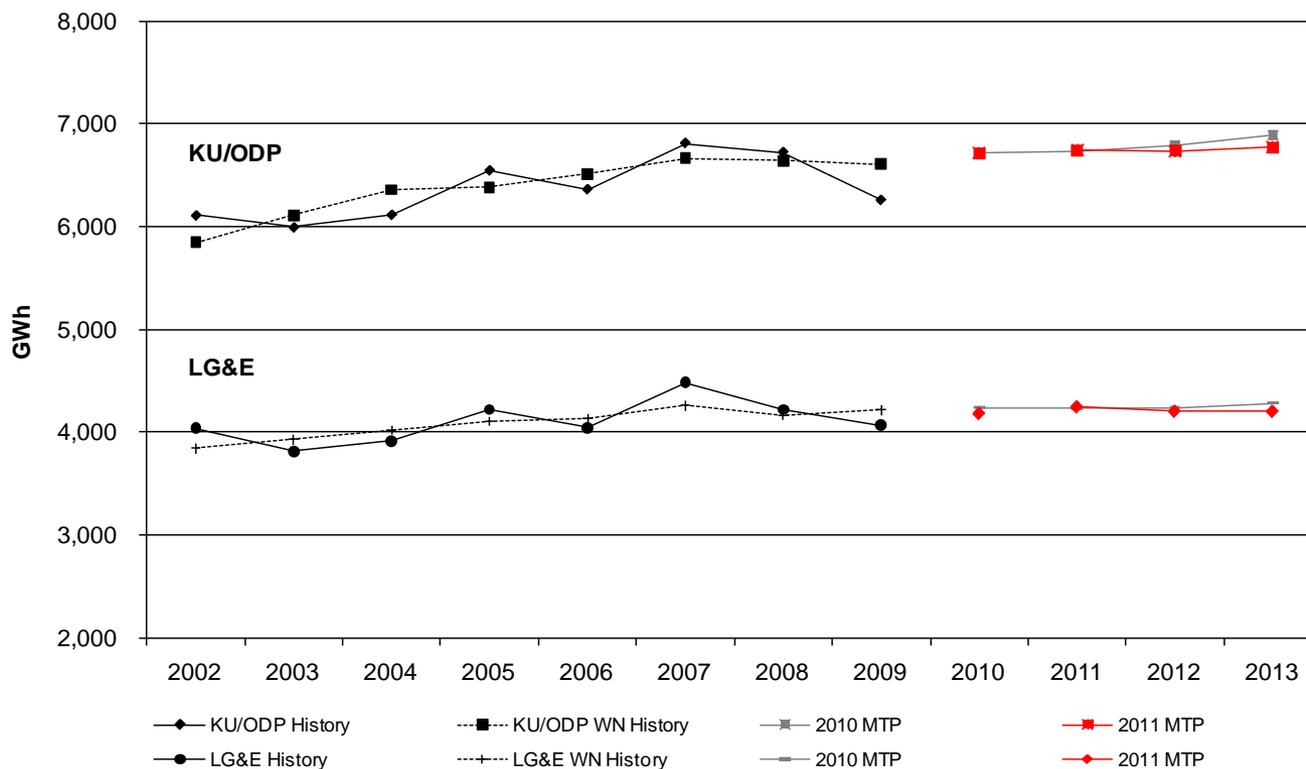
Consumption by major accounts is up 10.5% for Q1 2010 vs. Q1 2009 but still below 2008 levels

Sum of All Individually Forecast Major Accounts



Compared to the 2010 MTP, Residential sales are 0.2% higher in 2011 and 1.7% lower in 2013

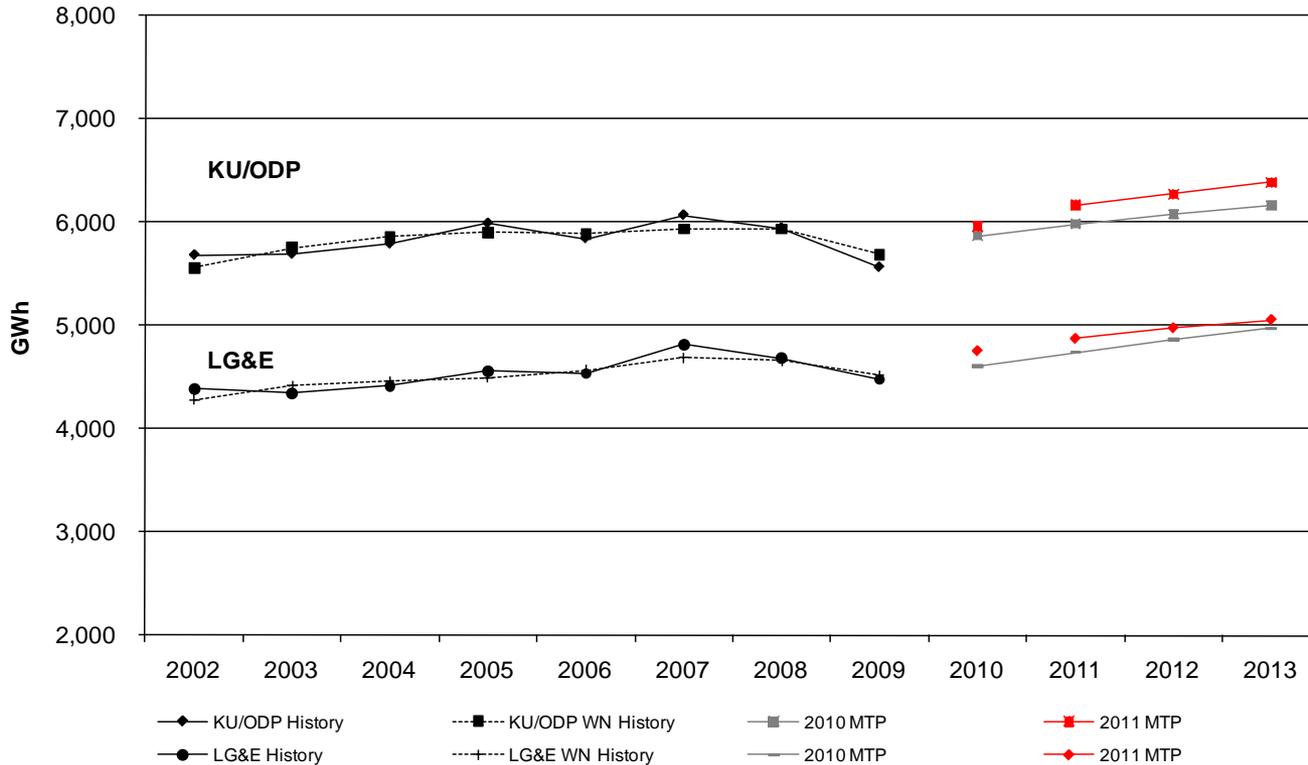
Annual Residential Energy Sales



** In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.*

Compared to the 2010 MTP, Commercial sales are 3% higher in 2011, driven by changes in DSM

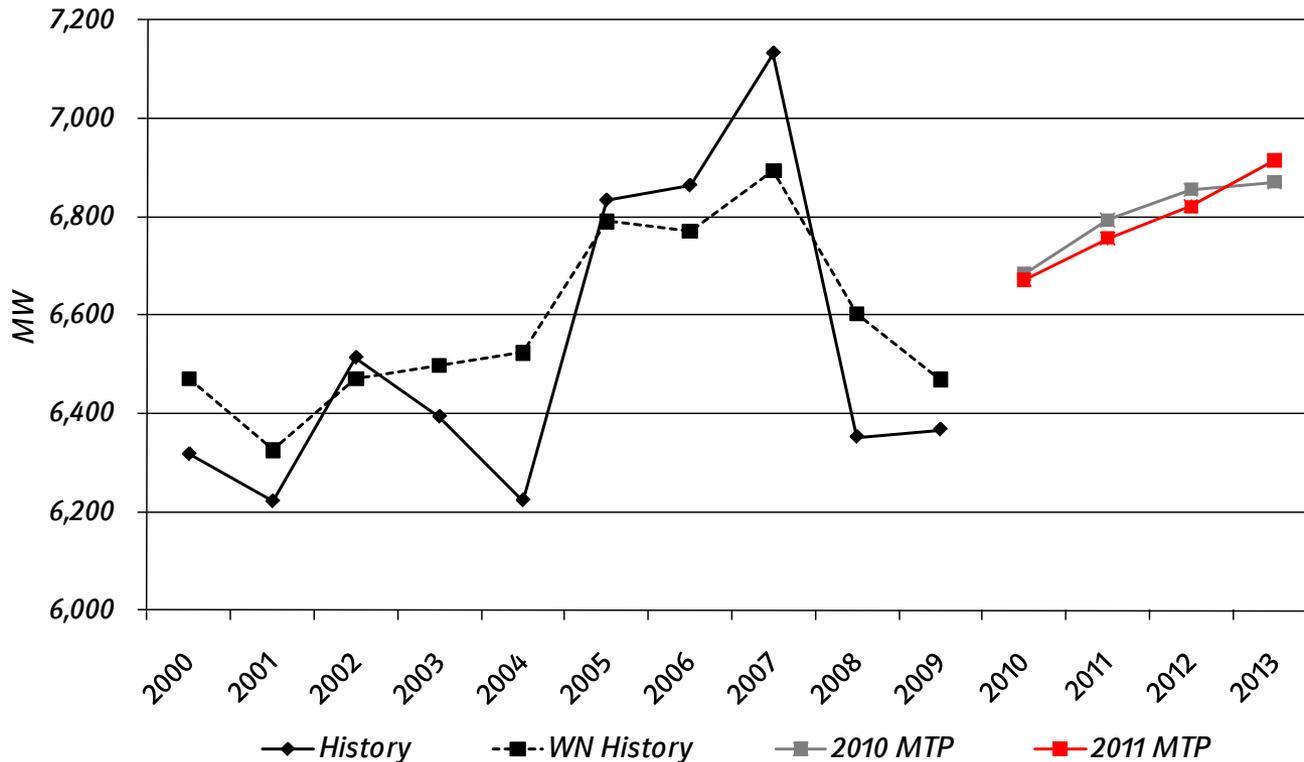
Annual Commercial Energy Sales



* In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.

Compared to 2010 MTP, peak demand is 44 MW higher by 2013

Combined Company Summer Peak Demand



Key forecast risks are related to economic and energy conservation trends

Upside Opportunity

- *Unanticipated economic development*
- *Economy: Industrial sales would require another 450 GWh (1% of total sales, 5% of industrial sales) in 2011 to reach the all-time high in 2006.*
- *Global Insight's Optimistic scenario has a probability of 20%.*

Downside Risk

- *Economy: Industrial sales would have to be 650 GWh (2% of total sales, 7% of industrial sales) lower in 2011 to reach the level of 2009. Problems in European economies could stall global recovery.*
- *Global Insight's Pessimistic scenario has a probability of 15%.*
- *Energy Conservation: Given rising energy prices, consumers may take additional measures to conserve energy.*

Appendix

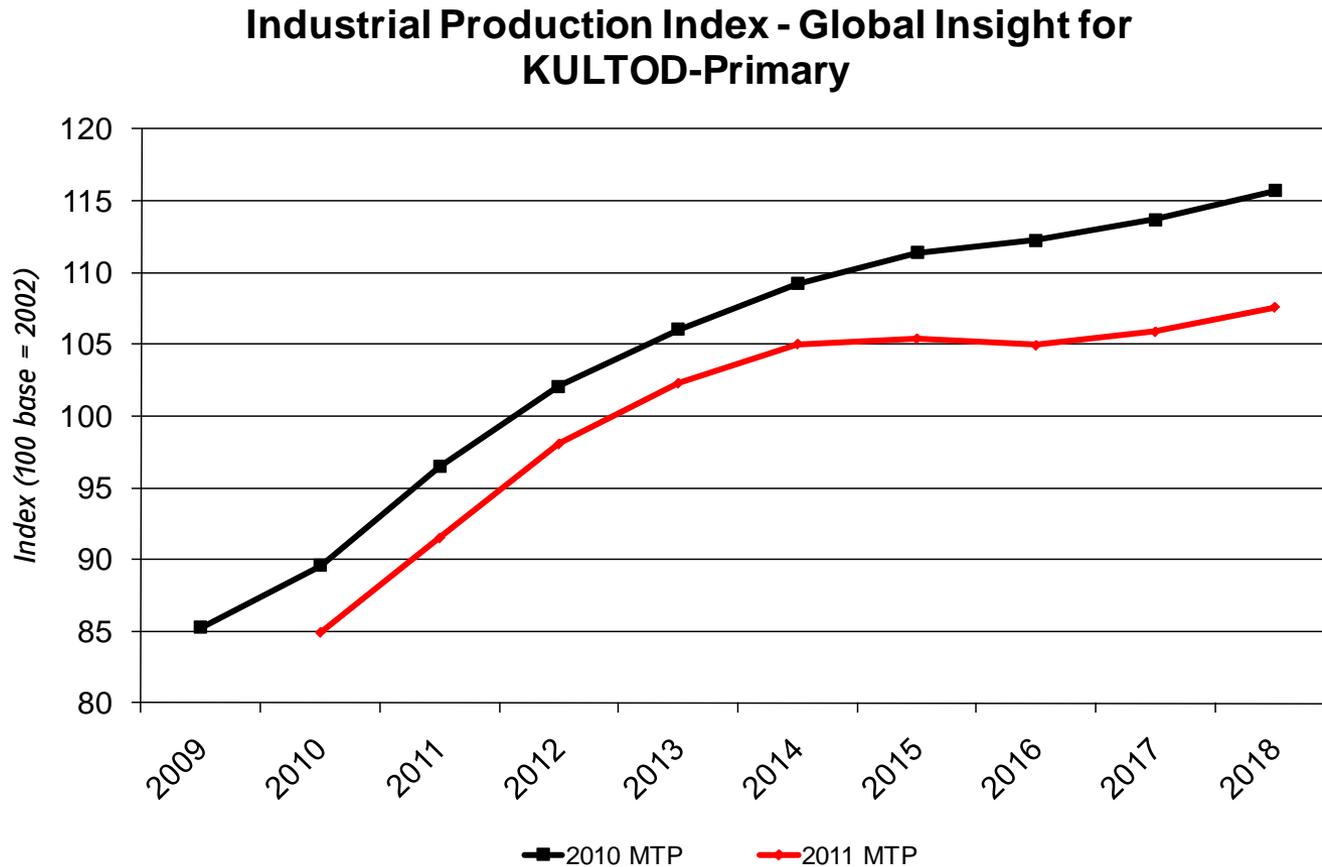
Global Insight Assumptions

- *Oil price is assumed to average \$78/barrel in 2010 and climb to \$89/barrel by 2012.*
- *The Fed has kept its federal funds target in the range of 0.0-0.25% since December 2008. GI does not expect changes until November 2010 (similar to 2010 MTP timeframe when expected to tighten in 4th Q 2010).*
- *20% probability given to GI's optimistic scenario (V-shaped recovery) and 15% probability given to GI's pessimistic scenario (double-dip recession). 20% probability was given to both scenarios during the 2010 MTP.*

Global Insight Conclusions

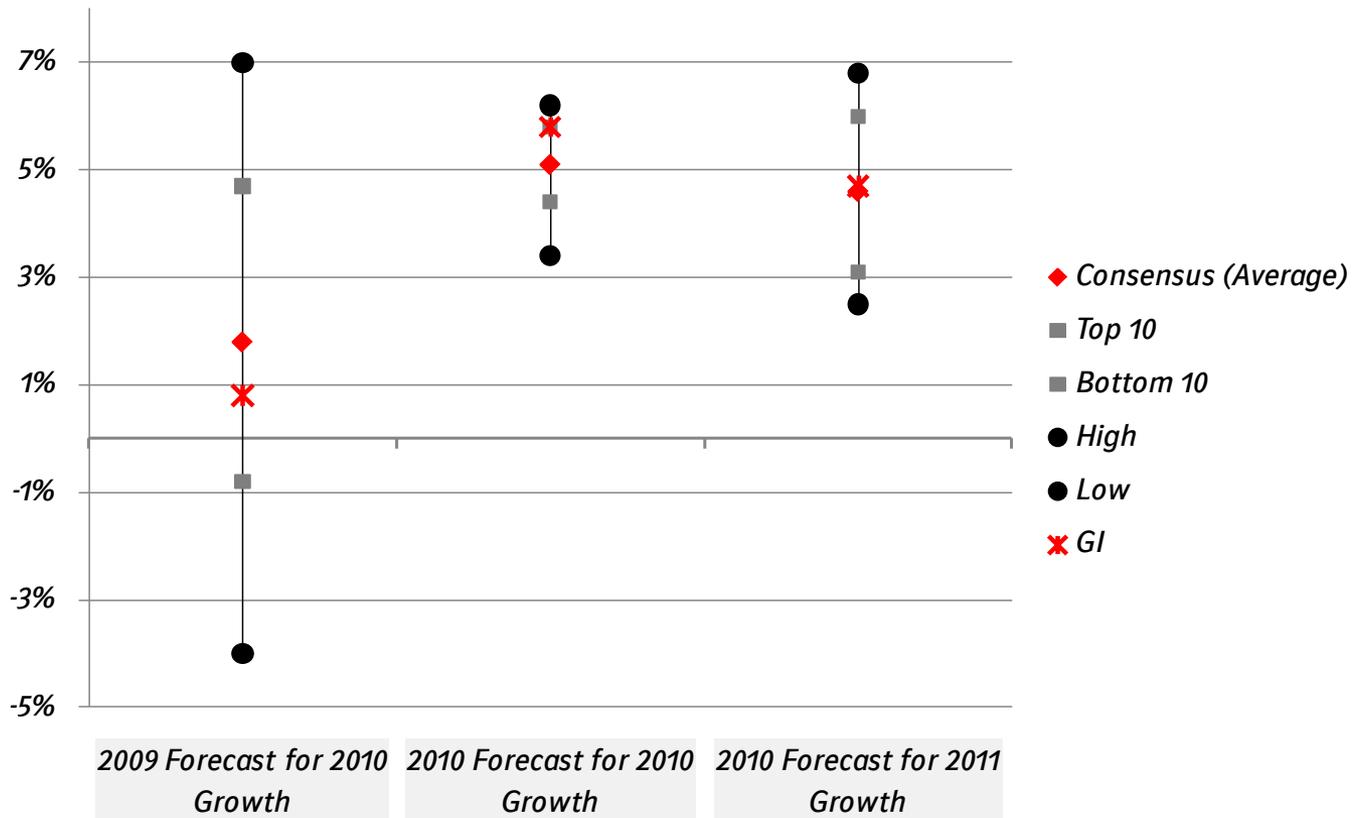
- *Exports and business equipment and software spending will be most important supports for growth in 2010. Though consumer spending is improving, it cannot lead strongly as in previous recoveries.*
- *Inflation rate is low. It remains a risk, but not an imminent threat (core inflation is weakening, wage inflation is low, and the fall in the euro diminishes the threat further). Core CPI should hold at or below 1.5% throughout 2010.*
- *Employment is turning, and recovery is broadening from only manufacturing to now include the service sector. The unemployment rate will come down slowly; expect an average jobless rate of 9.6% in 2010. Unemployment rate in April 2010 was 9.9% in U.S. and 10.6% in Kentucky.*
- *European situation could pose risk to global recovery*

Global Insight lowers their IPI projection



The range of economist projections for IP have narrowed since 2009

Blue Chip Consensus Comparison to Global Insight for Total Industrial Production Growth Forecast



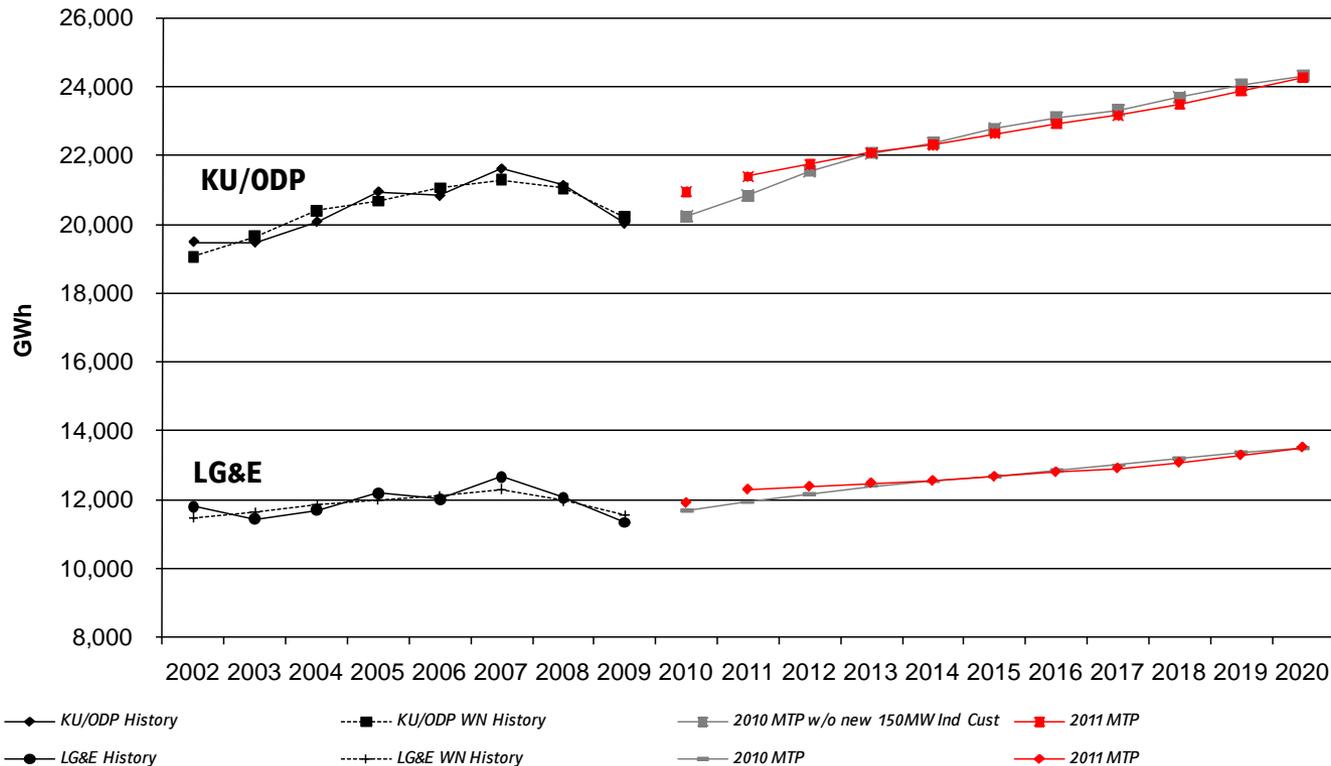
Key Improvements in 2011 MTP Forecast

Commercial Forecasts

- *Implemented a Statistically-Adjusted End-use (SAE) model, which is widely used. The SAE model is similar to what has been used to forecast residential sales for many years. The SAE model provides the means to forecast based upon electricity prices and explicitly capture the impact of increasing energy efficiency standards.*

Growth rate of total energy sales consistent with 2010 MTP after 2015

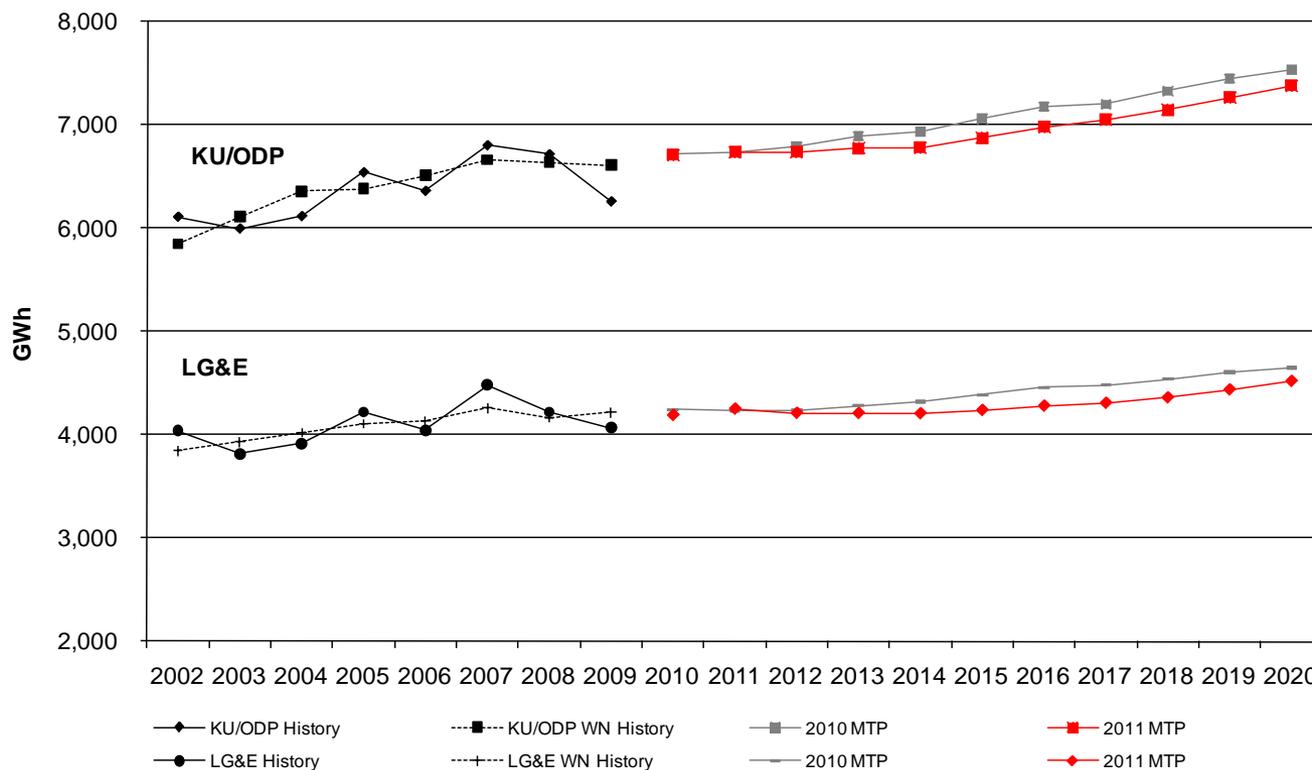
Total Energy Sales by Company



* In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.

Compared to the 2010 MTP, Residential sales are expected to be 2% lower by 2020

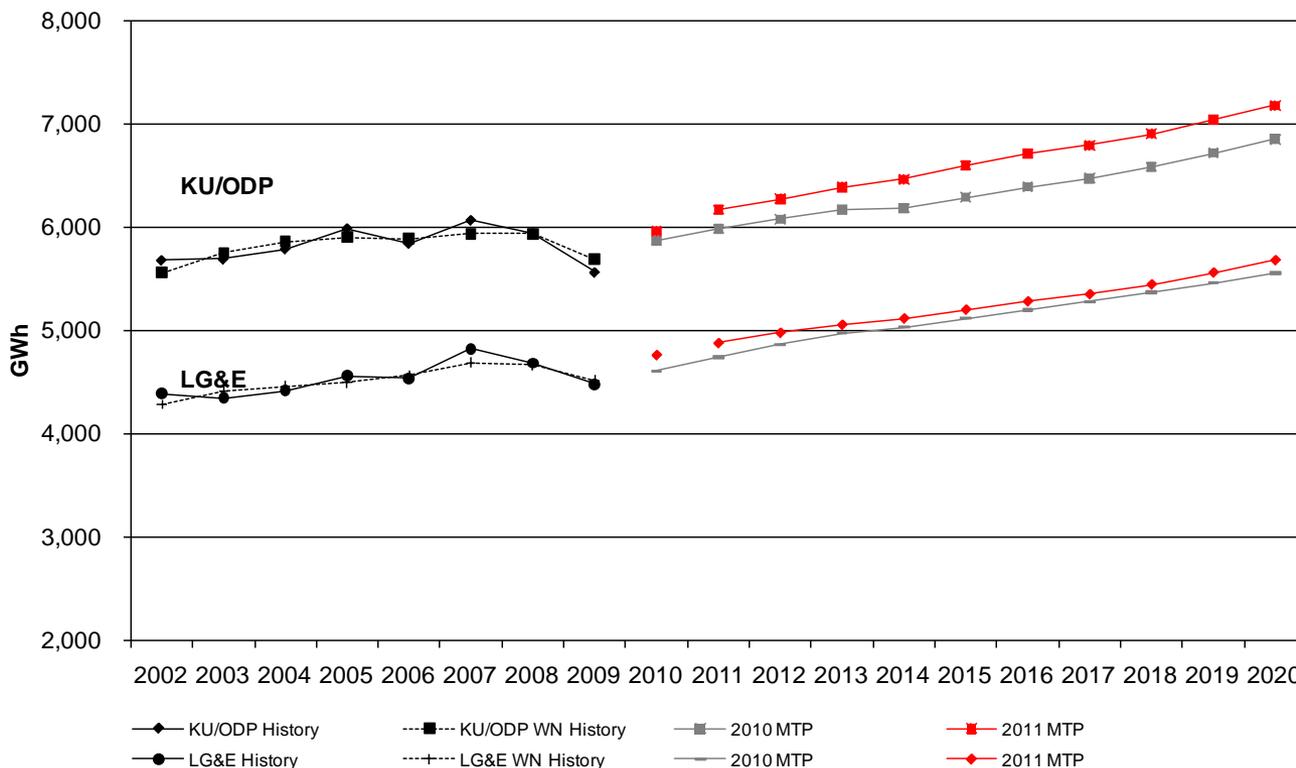
Annual Residential Energy Sales



* In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.

Commercial sales are expected to be higher than in the 2010 MTP, driven by changes in DSM

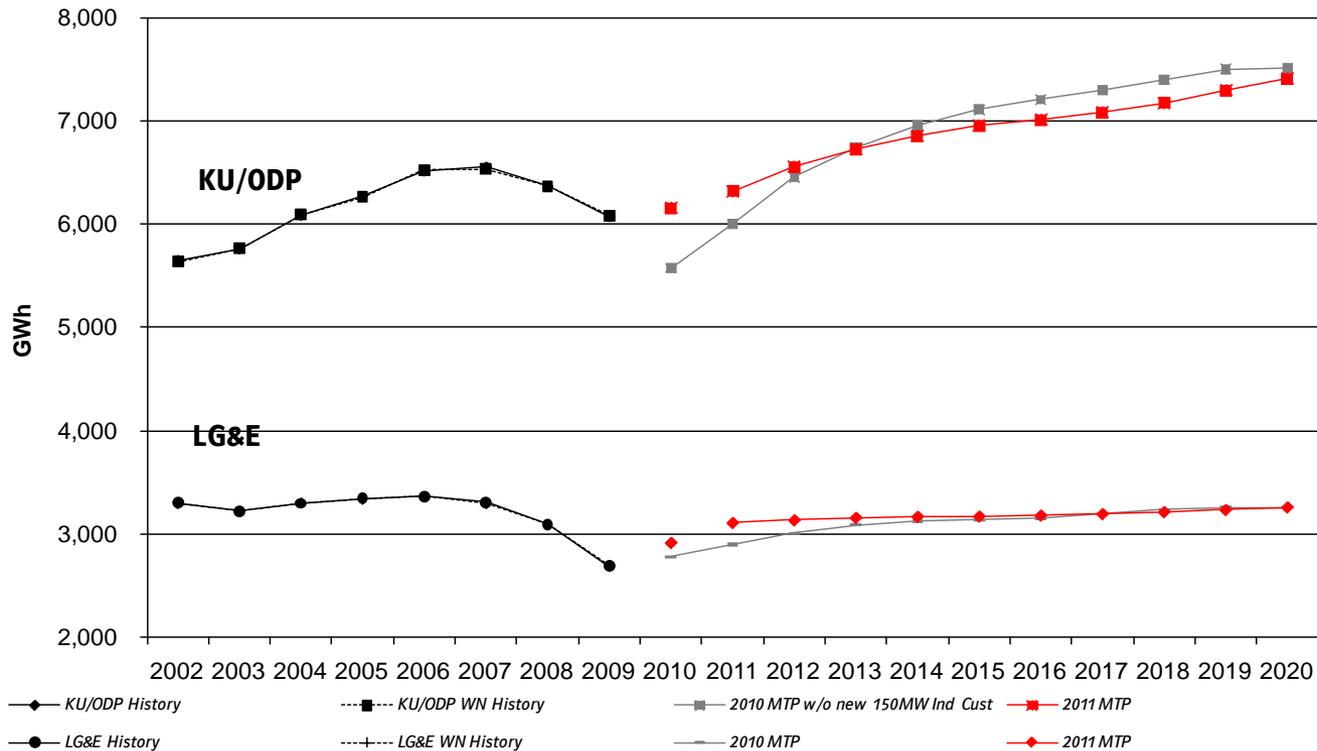
Annual Commercial Energy Sales



* In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.

Industrial sales beyond 2013 are expected to exceed previous high (2006)

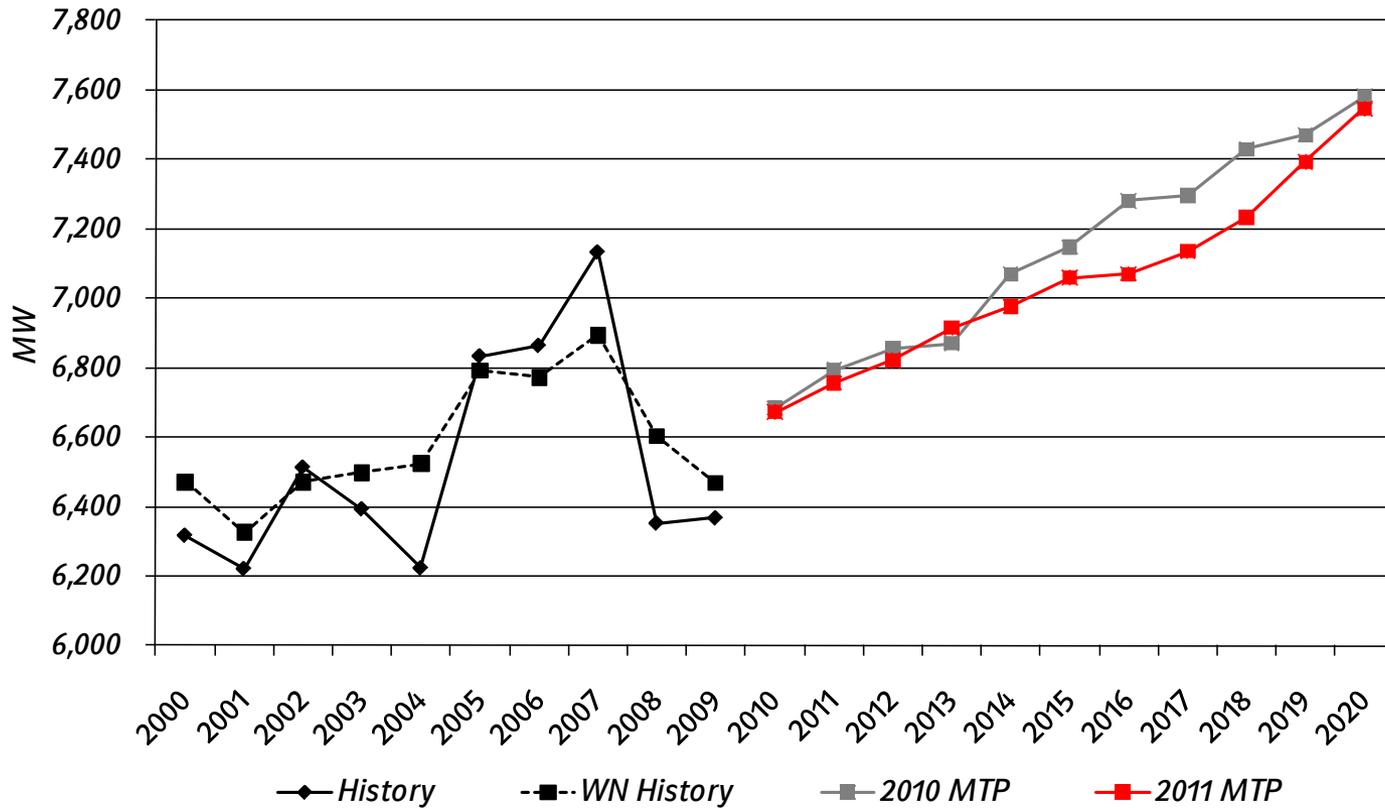
Annual Industrial Energy Sales



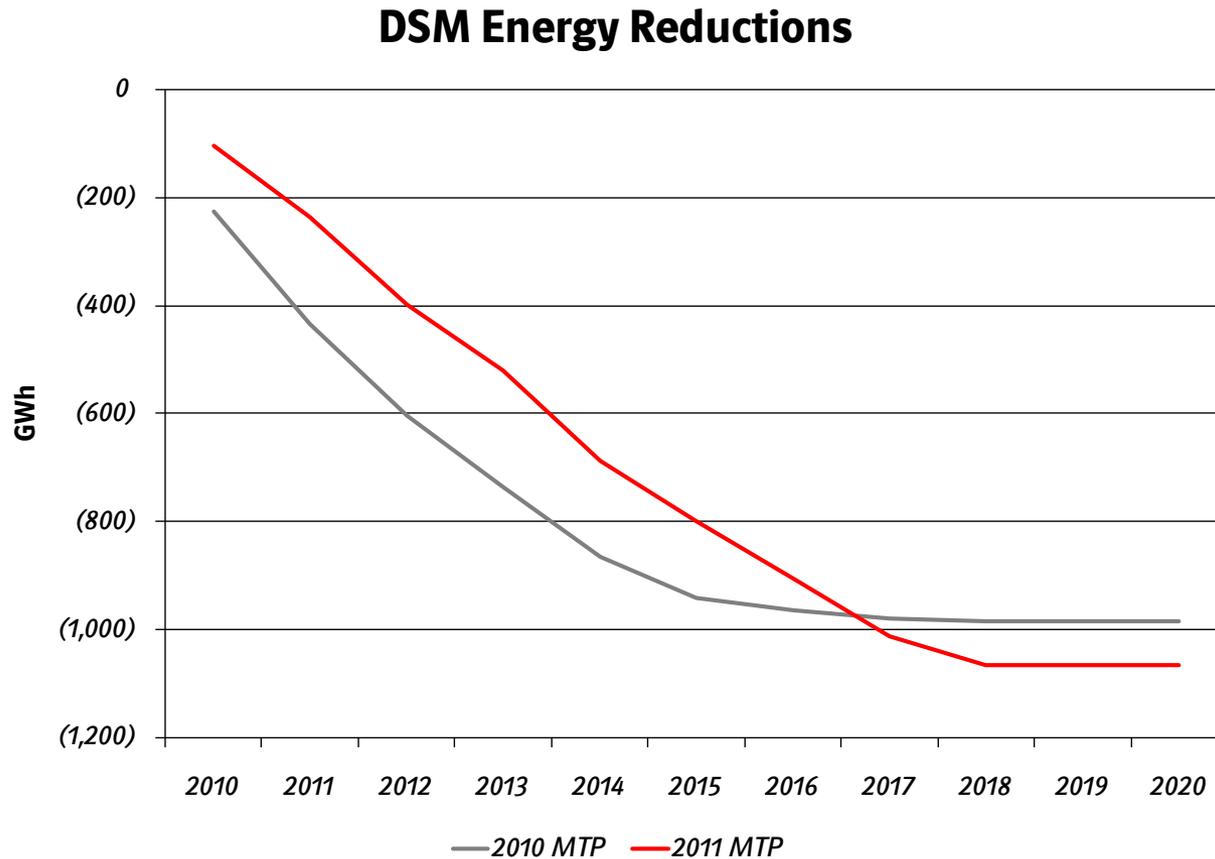
* In 2011 MTP forecast, 2010 value is a weather-normalized 3+9 forecast.

Summer peak demand reaches 2010 MTP level by 2020

Combined Company Summer Peak Demand

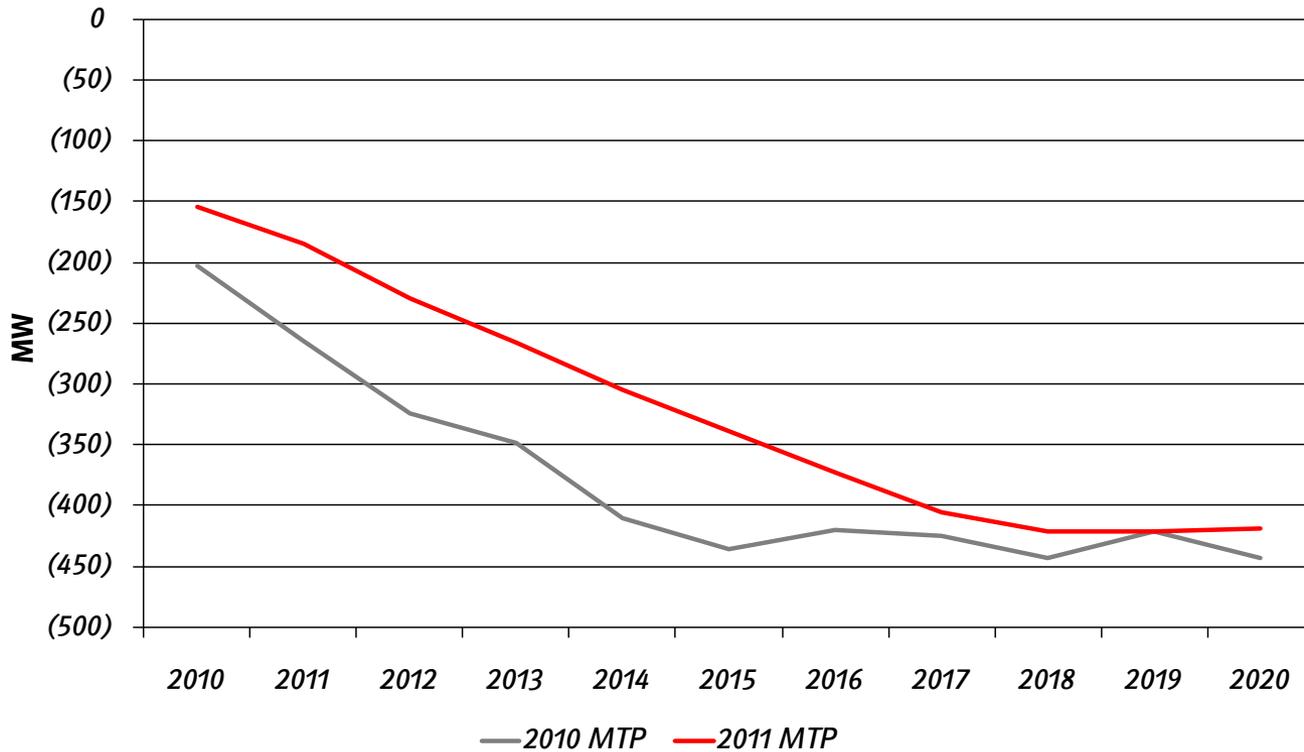


Savings from DSM reduced from 2010 MTP through 2016

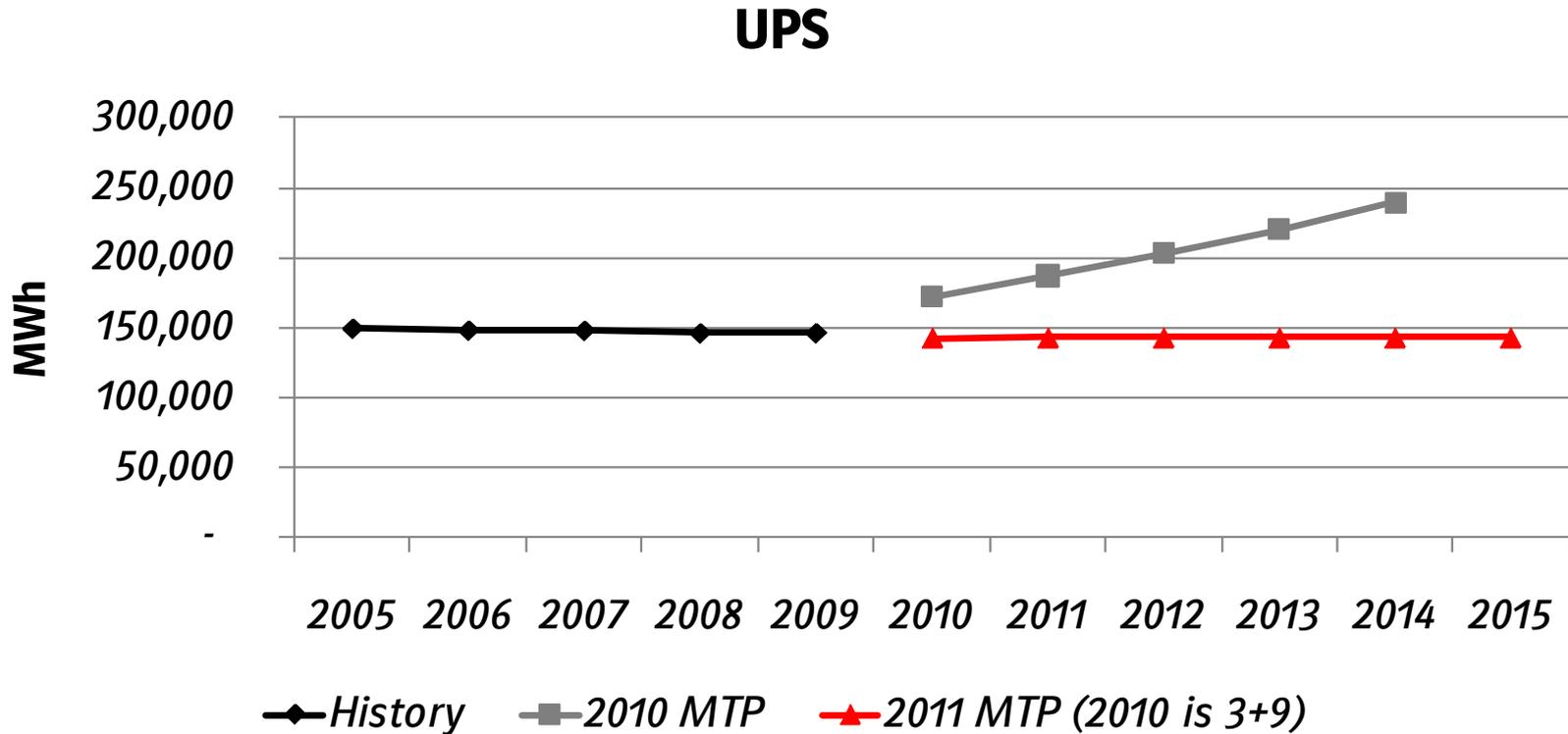


Peak reductions from DSM reduced from 2010 MTP

DSM Coincident Summer Peak Reductions



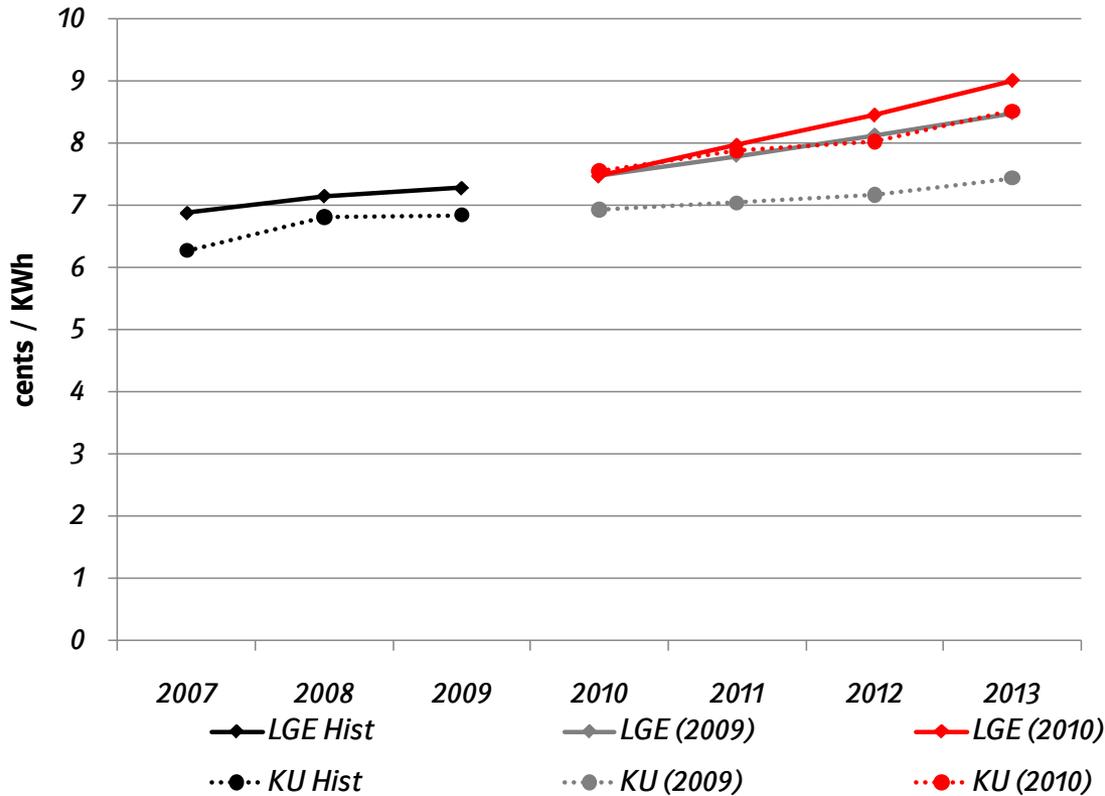
UPS expecting electric usage to remain flat



- Aggressive growth anticipated in 2010 MTP forecast is now unlikely.
- Growth prospects dampened.

KU and LG&E residential rates are higher throughout the MTP

Average Residential Annual Rates





2011 MTP:

KU/LG&E Generation and Off-System Sales

Energy Planning, Analysis, & Forecasting

RCG Meeting

July 23, 2010

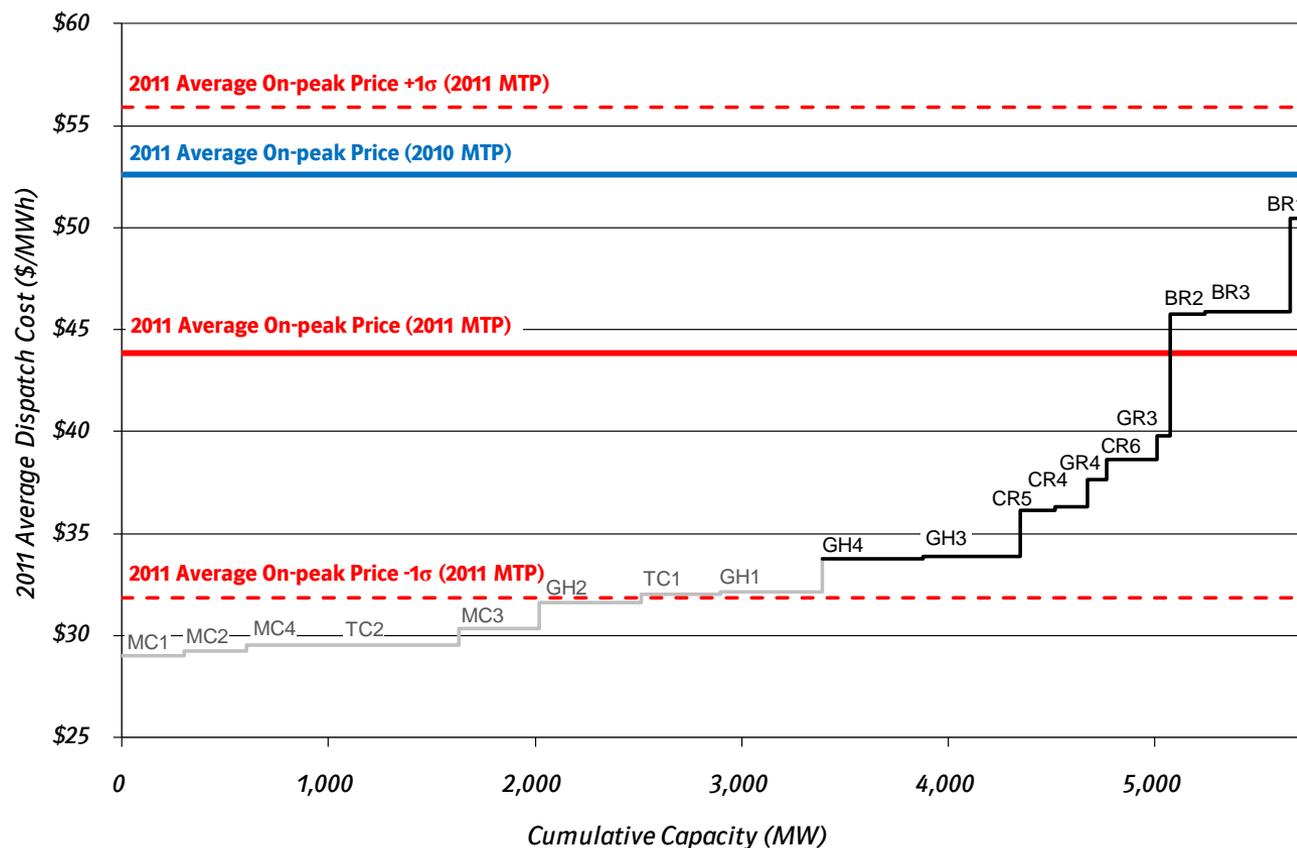
Due primarily to decrease in electricity prices, 2011 MTP OSS contribution is 50-55% below 2010 MTP levels

| OSS Contribution (\$M) | 2011 | 2012 | 2013 |
|-------------------------------|-------------|-------------|-------------|
| 2010 MTP* | 28 | 24 | 28 |
| 2011 MTP | 12 | 12 | 13 |

*Excluding \$5M stretch in 2011 & 2012

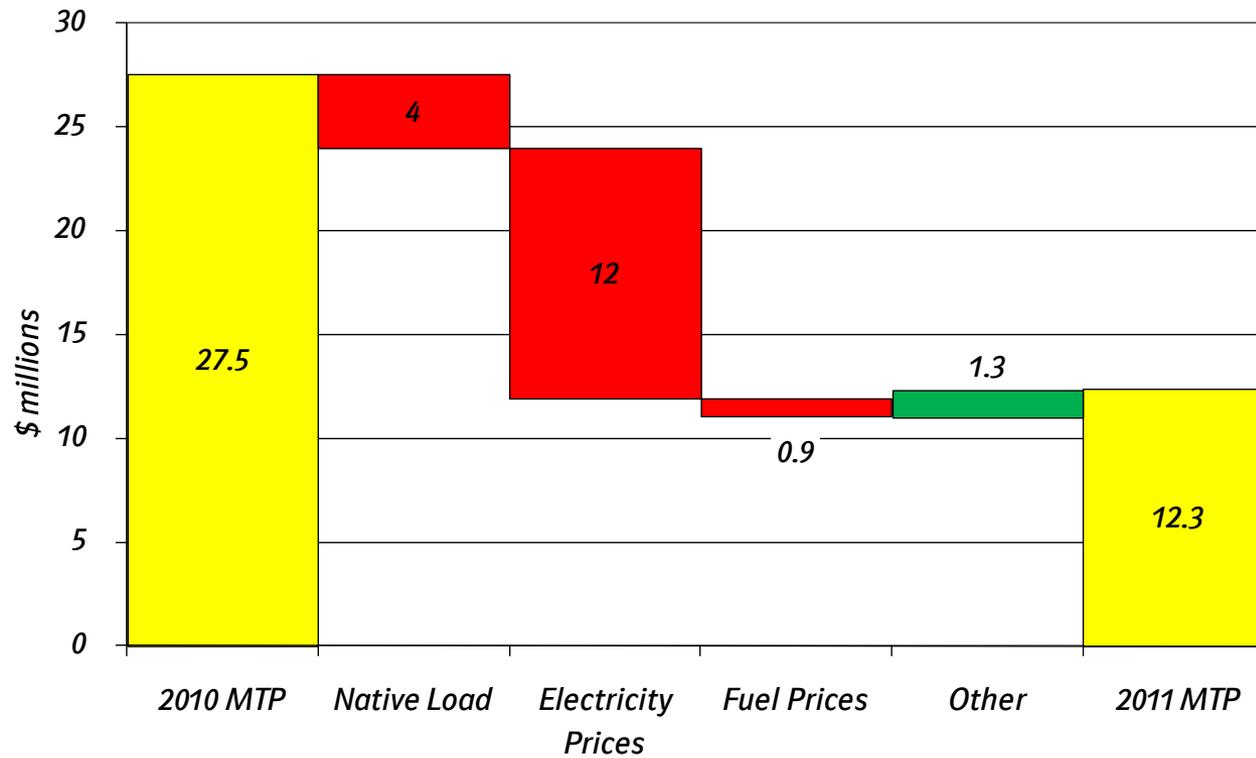
| Variance Contributors (\$M) | 2011 | 2012 | 2013 |
|------------------------------------|-------------|-------------|-------------|
| Electricity Prices | -12 | -14 | -18 |
| Native Load | -4 | +1 | +1 |

Price reduction has greatest impact on margin of units from which most OSS are made

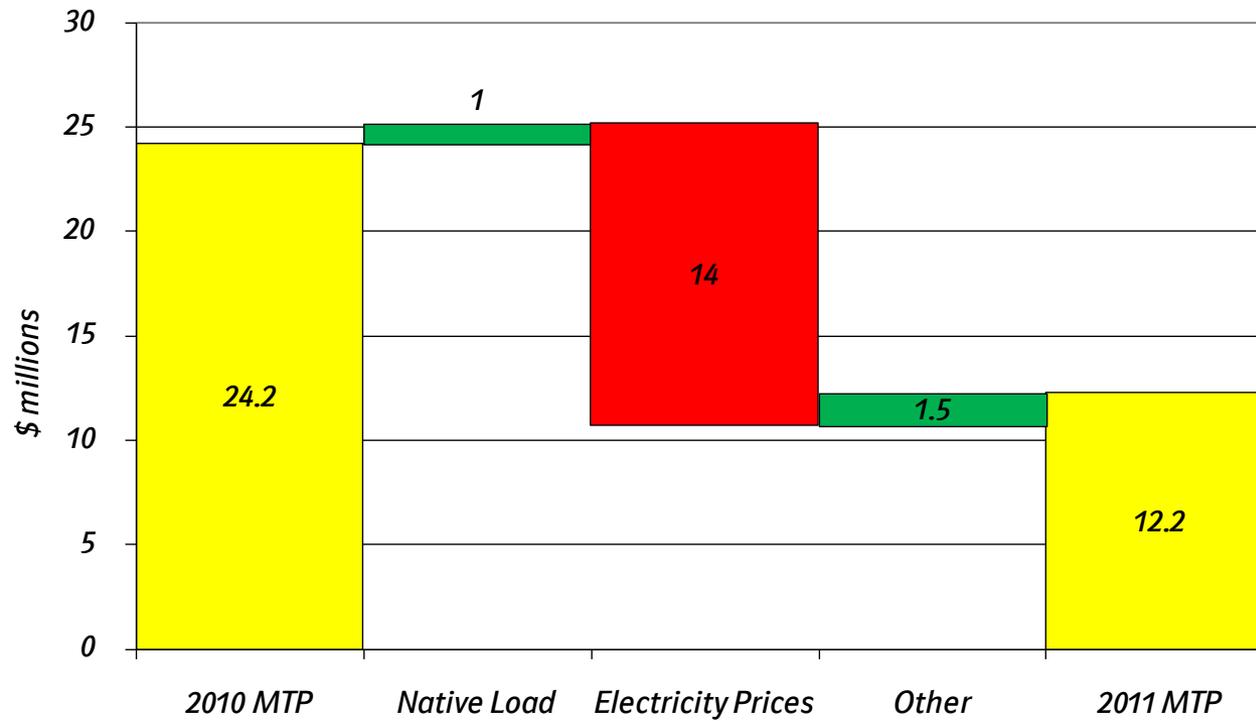


- Over 80% of on-peak OSS come from units shown in black
- Average dispatch cost includes fuel, consumables, emissions, and other sales costs (XM, RTO, etc.)

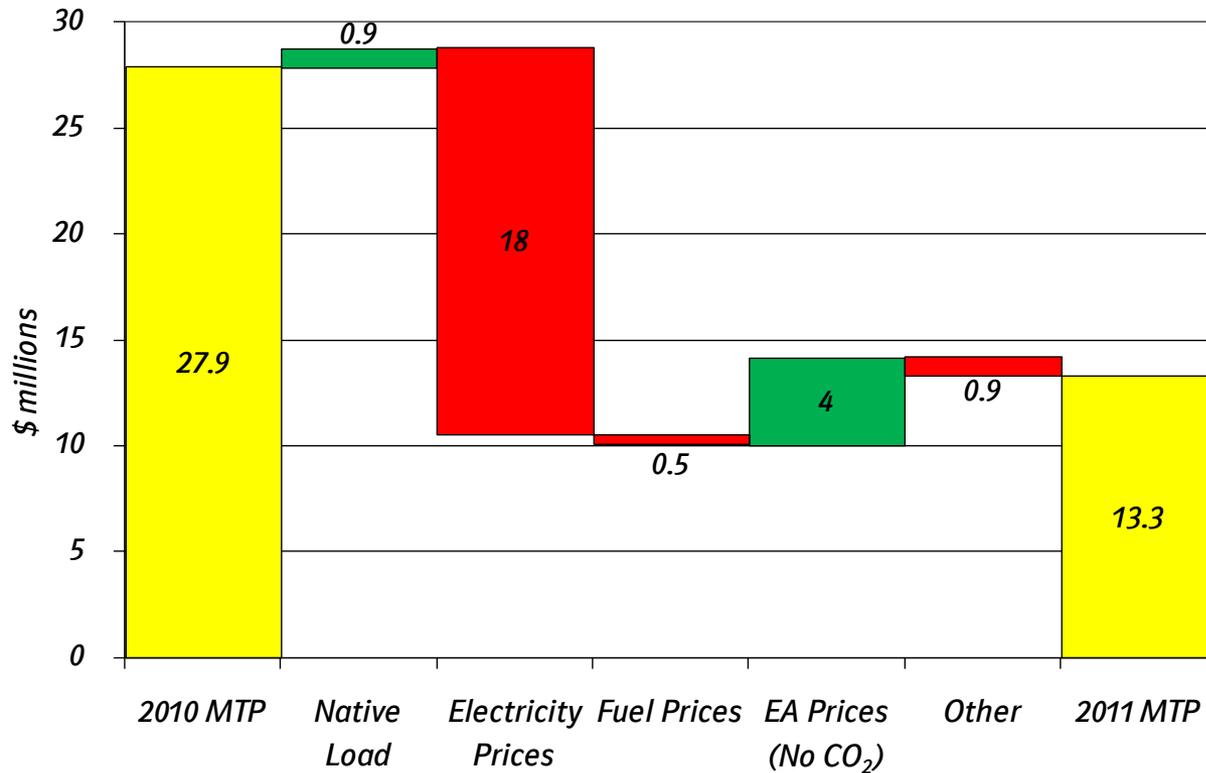
2011 OSS contribution reduced by 55% due primarily to lower electricity prices and higher native load



2012 OSS contribution is 50% lower compared to 2010 MTP due primarily to lower electricity prices



2013 OSS contribution is 50% lower compared to 2010 MTP despite favorable impact of eliminating CO₂ cost



EFOR continues to decrease through MTP period, but at a slower rate compared to 2010 MTP

| (%) | 2011 MTP | | | 2010 MTP | | | 2011 MTP - 2010 MTP | | |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|-------------|-------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Brown 1 | 5.0 | 5.0 | 5.0 | 3.5 | 6.0 | 6.0 | 1.5 | -1.0 | -1.0 |
| Brown 2 | 5.0 | 5.0 | 5.0 | 3.5 | 5.0 | 5.0 | 1.5 | 0.0 | 0.0 |
| Brown 3 | 5.0 | 5.0 | 5.0 | 5.0 | 4.0 | 4.0 | 0.0 | 1.0 | 1.0 |
| Ghent 1 | 4.4 | 4.4 | 4.4 | 3.5 | 3.5 | 3.5 | 0.9 | 0.9 | 0.9 |
| Ghent 2 | 4.4 | 4.4 | 4.4 | 3.5 | 3.5 | 3.5 | 0.9 | 0.9 | 0.9 |
| Ghent 3 | 4.4 | 4.4 | 4.4 | 4.3 | 3.5 | 3.5 | 0.1 | 0.9 | 0.9 |
| Ghent 4 | 4.4 | 4.4 | 4.4 | 4.0 | 3.5 | 3.5 | 0.4 | 0.9 | 0.9 |
| Green River 3 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 0.0 | 0.0 | 0.0 |
| Green River 4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 0.0 | 0.0 | 0.0 |
| Tyrone 3 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 0.0 | 0.0 | 0.0 |
| Cane Run 4 | 5.0 | 5.3 | 5.6 | 4.8 | 4.8 | 4.8 | 0.2 | 0.5 | 0.8 |
| Cane Run 5 | 5.0 | 5.3 | 5.6 | 4.8 | 4.8 | 4.8 | 0.2 | 0.5 | 0.8 |
| Cane Run 6 | 5.0 | 5.3 | 5.6 | 5.0 | 5.0 | 5.0 | 0.0 | 0.3 | 0.6 |
| Mill Creek 1 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 0.0 | 0.0 | 0.0 |
| Mill Creek 2 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 0.0 | 0.0 | 0.0 |
| Mill Creek 3 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 0.0 | 0.0 | 0.0 |
| Mill Creek 4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 0.0 | 0.0 | 0.0 |
| Trimble County 1 | 3.5 | 3.5 | 3.5 | 3.3 | 3.3 | 3.3 | 0.2 | 0.2 | 0.2 |
| Trimble County 2 | 6.0 | 4.5 | 3.8 | 5.0 | 3.3 | 3.3 | 1.0 | 1.2 | 0.5 |
| Total EFOR | 4.6 | 4.5 | 4.4 | 4.3 | 4.0 | 4.0 | 0.3 | 0.5 | 0.4 |
| Total MOR | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 0.0 | 0.0 | 0.0 |
| Total EUOR | 7.0 | 6.9 | 6.8 | 6.7 | 6.4 | 6.4 | 0.3 | 0.5 | 0.4 |

MW-Weeks Maintenance Comparison

| | 2011 MTP | | | 2010 MTP | | | 2011 MTP - 2010 MTP | | |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|----------------|--------------|
| | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 |
| Brown 1 | 239 | 346 | 134 | 221 | 319 | 124 | 18 | 27 | 10 |
| Brown 2 | 714 | 213 | 547 | 701 | 207 | 537 | 13 | 6 | 10 |
| Brown 3 | 1,340 | 3,338 | 517 | 1,374 | 3,475 | 534 | (34) | (137) | (17) |
| Ghent 1 | 1,118 | 1,613 | 633 | 1,074 | 1,541 | 613 | 43 | 71 | 21 |
| Ghent 2 | 629 | 4,513 | 629 | 632 | 4,533 | 627 | (2) | (20) | 3 |
| Ghent 3 | 4,454 | 1,590 | 1,530 | 4,247 | 1,535 | 1,542 | 206 | 55 | (12) |
| Ghent 4 | 626 | 1,590 | 626 | 611 | 1,519 | 589 | 15 | 72 | 37 |
| Green River 3 | 89 | 569 | 89 | 89 | 572 | 85 | - | (4) | 4 |
| Green River 4 | 392 | 117 | 759 | 392 | 118 | 759 | - | (1) | - |
| Tyrone 3* | - | - | - | 586 | 89 | 236 | (586) | (89) | (236) |
| Cane Run 4 | 1,281 | - | 508 | 1,281 | - | 508 | - | - | - |
| Cane Run 5 | 550 | - | 550 | 550 | - | 550 | - | - | - |
| Cane Run 6 | - | 784 | - | - | 1,978 | - | - | (1,194) | - |
| Mill Creek 1 | 389 | 2,497 | 389 | 389 | 2,497 | 389 | - | - | - |
| Mill Creek 2 | 2,481 | 383 | 1,287 | 2,479 | 383 | 1,282 | 2 | - | 5 |
| Mill Creek 3 | 3,229 | 506 | 1,671 | 3,032 | 478 | 1,649 | 197 | 28 | 22 |
| Mill Creek 4 | 605 | 2,002 | 605 | 603 | 2,049 | 603 | 2 | (47) | 2 |
| Trimble County 1** | 3,213 | - | 2,191 | 2,191 | - | 2,191 | 1,022 | - | - |
| Trimble County 2** | 3,136 | 3,121 | - | 1,686 | 3,152 | - | 1,450 | (30) | - |
| Totals | 24,485 | 23,181 | 12,667 | 22,138 | 24,445 | 12,818 | 2,347 | (1,264) | (151) |

* Inactive Reserve (2011 MTP)

** 100% Trimble County Units

OSS contribution is sensitive to potential changes in price and unit availability

- *Historical electricity price volatility suggests*
 - *<1% chance of returning to 2010 MTP electricity price levels in 2011*
 - *15% chance of achieving additional \$5M in OSS contribution in 2011*
- *Moving electricity price blend from 70% PJM / 30% MISO to 100% PJM increases OSS contribution by \$2M/year*
- *EFOR: 2011 MTP forced outage targets are lower than recent history*

| Sensitivities - OSS Contribution (\$M) | 2011 | 2012 | 2013 |
|---|-------------|-------------|-------------|
| 2011 MTP | 12.3 | 12.2 | 13.3 |
| 2011 MTP with 2010 MTP Target EFOR | 13.5 | 12.4 | 14.0 |
| 2011 MTP with 2007-2009 Average EFOR | 10.8 | 9.8 | 11.6 |

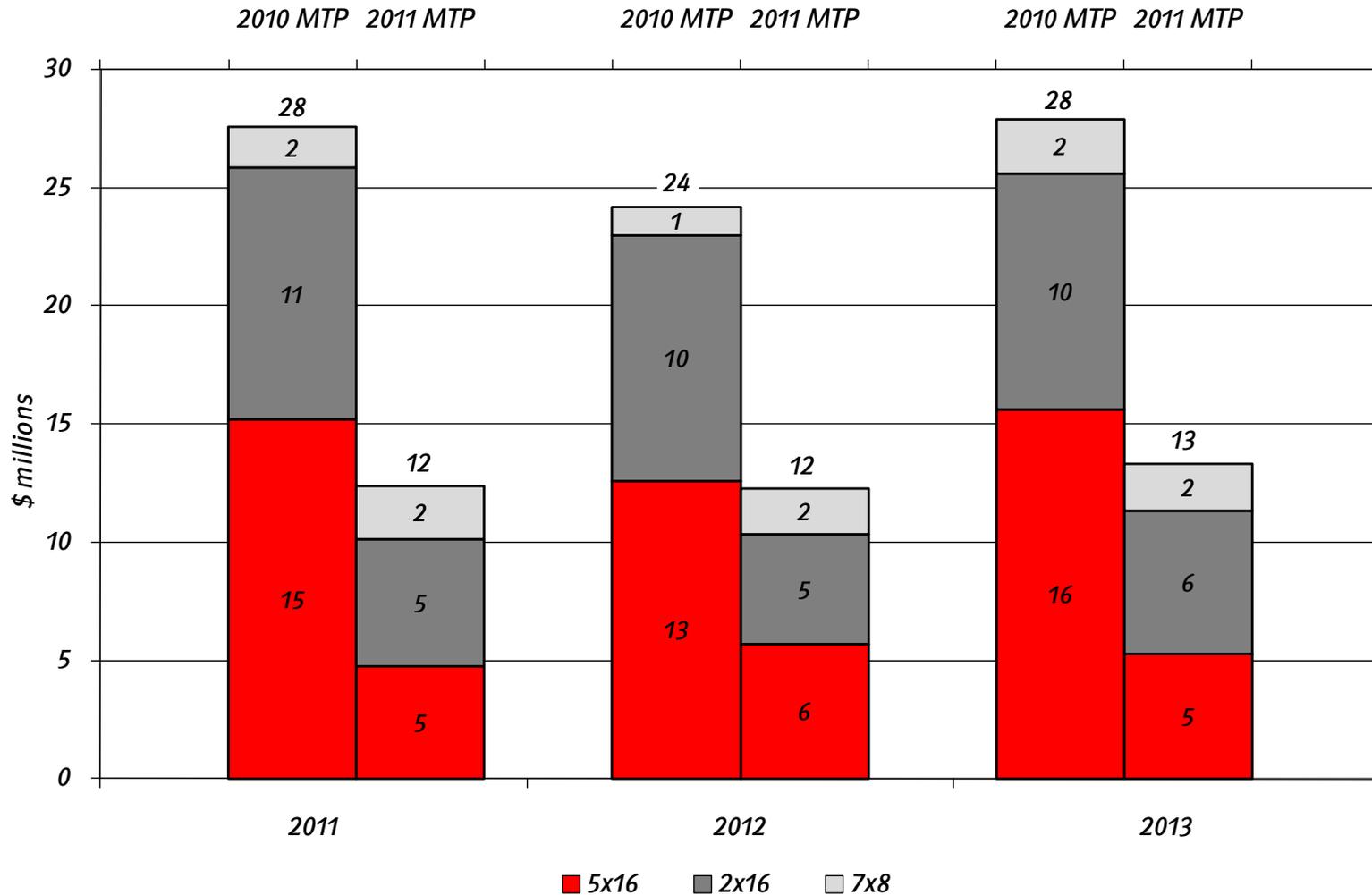
Appendix

Assumptions and Prices

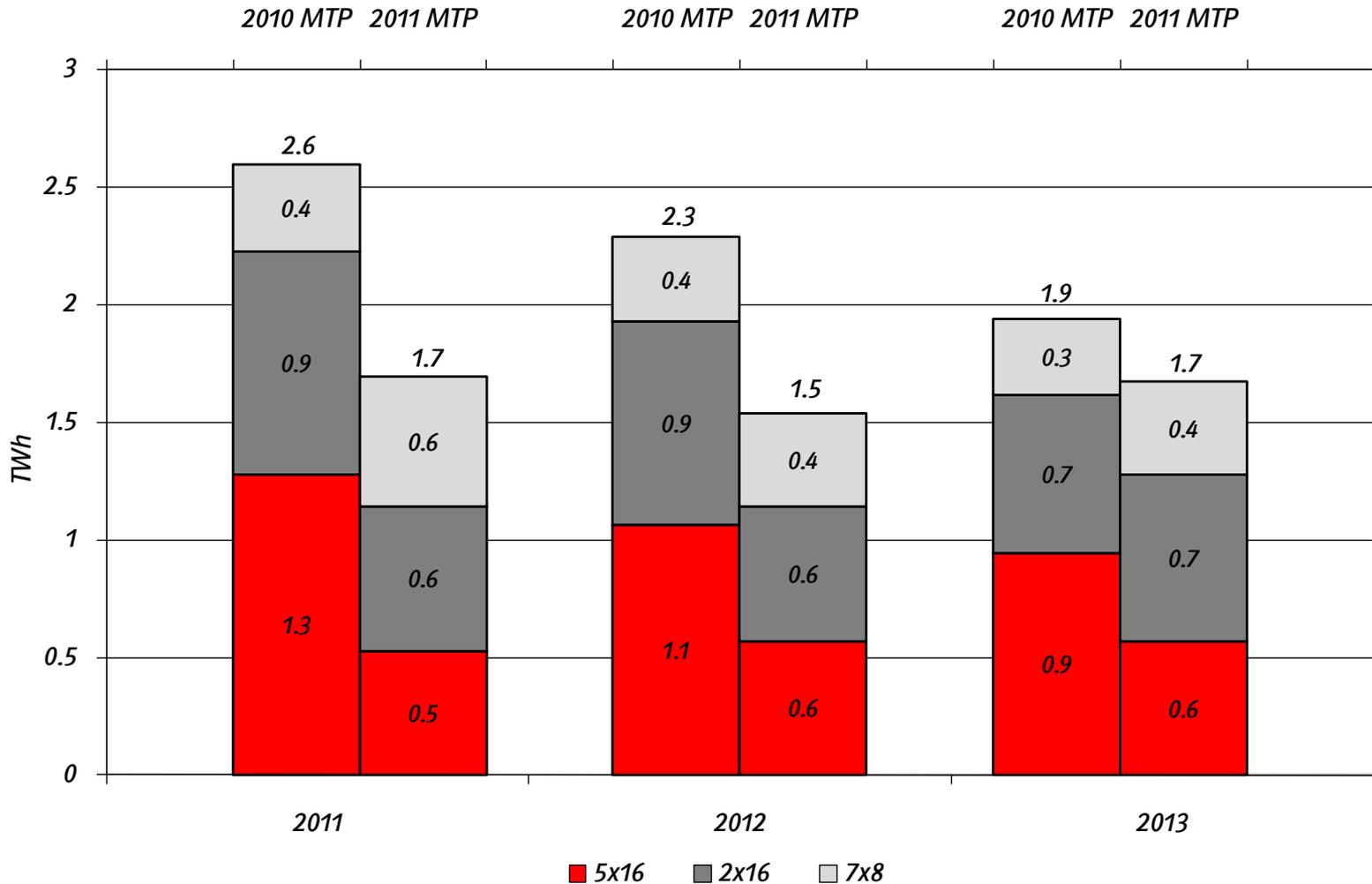
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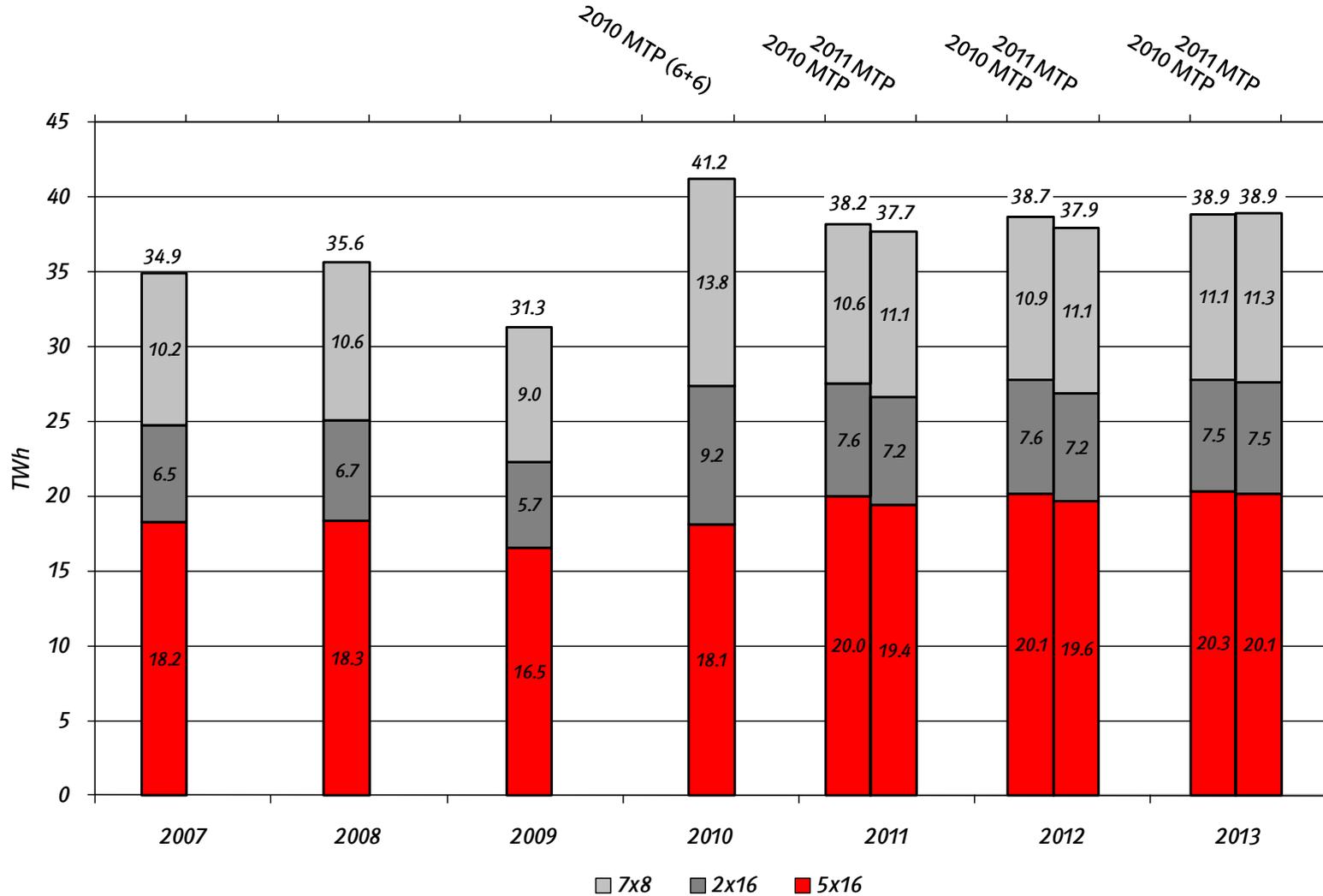
OSS contribution reduction occurs in peaks and weekends



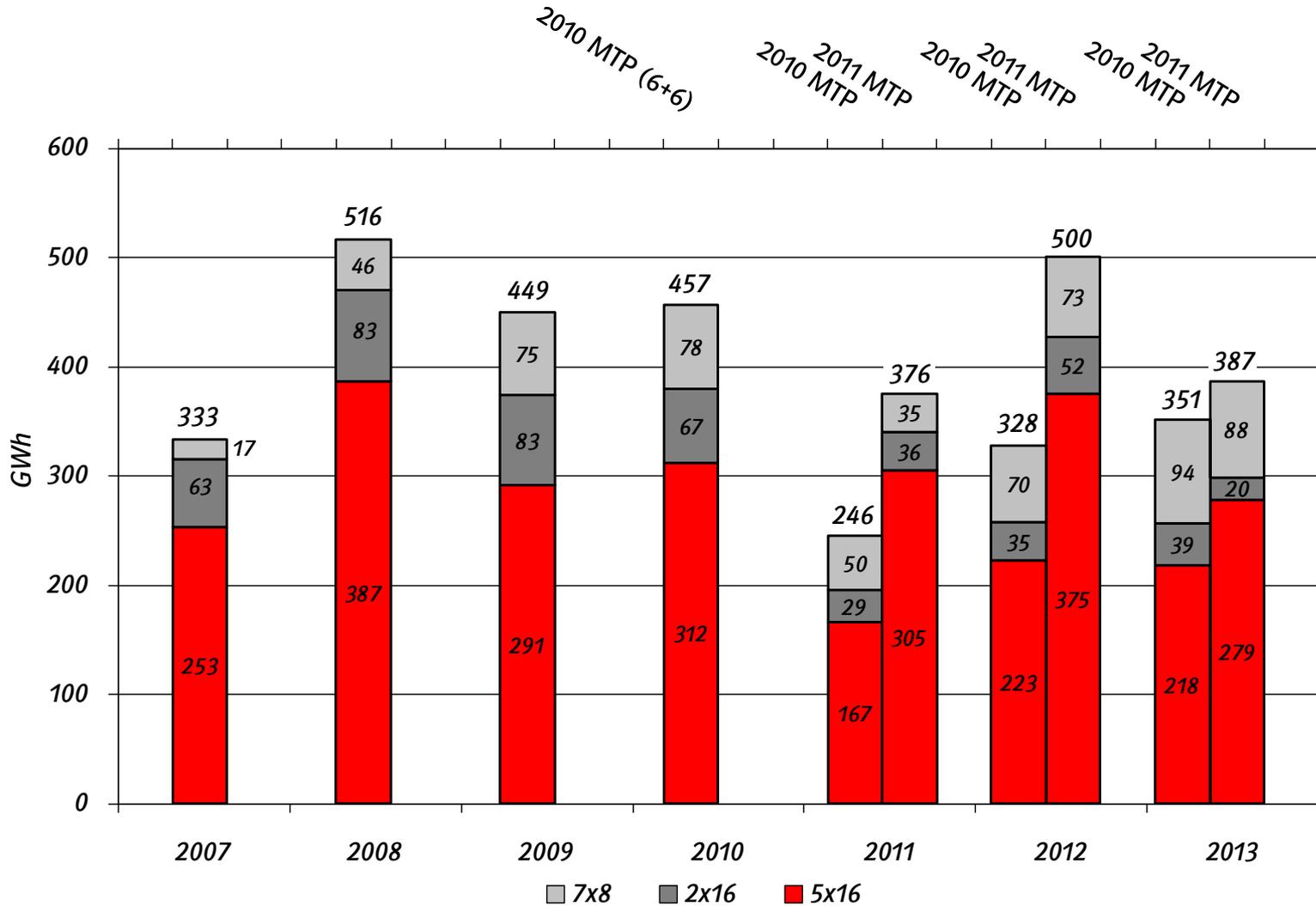
Compared to 2010 MTP, OSS volumes are lower



Compared to 2010 MTP, coal generation is mostly unchanged



Lower market prices result in increased purchases



Assumptions

- *Emissions Controls*
 - *Brown 3 SCR operational 5/28/2012*
- *CT Availability*
 - *Trimble County CTs are available all months*
 - *Brown CTs are available all months*
 - *Paddy's Run 13*
 - Available Spring-Summer-Fall 2011+*
 - Unavailable in winter due to gas pressure issues*
- *Operating Reserve*
 - *Starting 1/1/2011: 212 MW contingency (100% spinning), 75 MW regulating, 75 MW NAS*
 - *Starting 4/1/2011: 212 MW contingency (112 MW spinning and 100 MW supplemental), 75 MW regulating, 75 MW NAS*

Assumptions

- *Market Volumes*
 - *Hourly Sales – Unconstrained*
 - *Hourly Purchases (same as 2010 MTP)*
 - 5x16 limited to 400 MW*
 - 2x16 limited to 450 MW*
 - 7x8 limited to 200 MW*
- *Market Electricity Prices*
 - *May 28, 2010 trading date*
 - *Based on 70/30 blend of PJM/MISO in 5x16 and 2x16; 90/10 blend in 7x8*
 - *Hourly pricing shaped to correspond with historical load shape*

Assumptions

- *Trimble County 2 in-service October 2010*
- *Tyrone 3 on inactive reserve*
- *No CO₂ emissions allowance pricing*
- *No OSS from CTs*
- *Include RSG, ECR, XM, and losses in OSS dispatch*
- *Variable O&M not included in dispatch or OSS margin*
- *Forecasted LG&E gas contract price included for MC and CR gas*
- *TC Backup to IMEA/IMPA during forced outages (128 MW for TC1; none for TC2)*

Steam Unit EFOR Assumptions

- *TC2: EFOR for 2011 is adjusted to reflect delay in commissioning date; time to reach steady-state EFOR increased by one year*
- *TC1: EFOR remains flat, albeit at a slightly higher level (3.5% vs. 3.3%)*
- *Mill Creek/Green River: EFOR is unchanged from 2010 MTP*
- *Ghent: EFOR at Ghent is aligned with Mill Creek*
- *Cane Run/Brown: 2011 EFOR target is 5.0%; since 2000, lowest 3-year average EFOR was 5.1% at Brown (2006-08) and 5.2% at Cane Run (2003-05)*
- *No change from 2010 MTP to maintenance outage rate (MOR) targets*

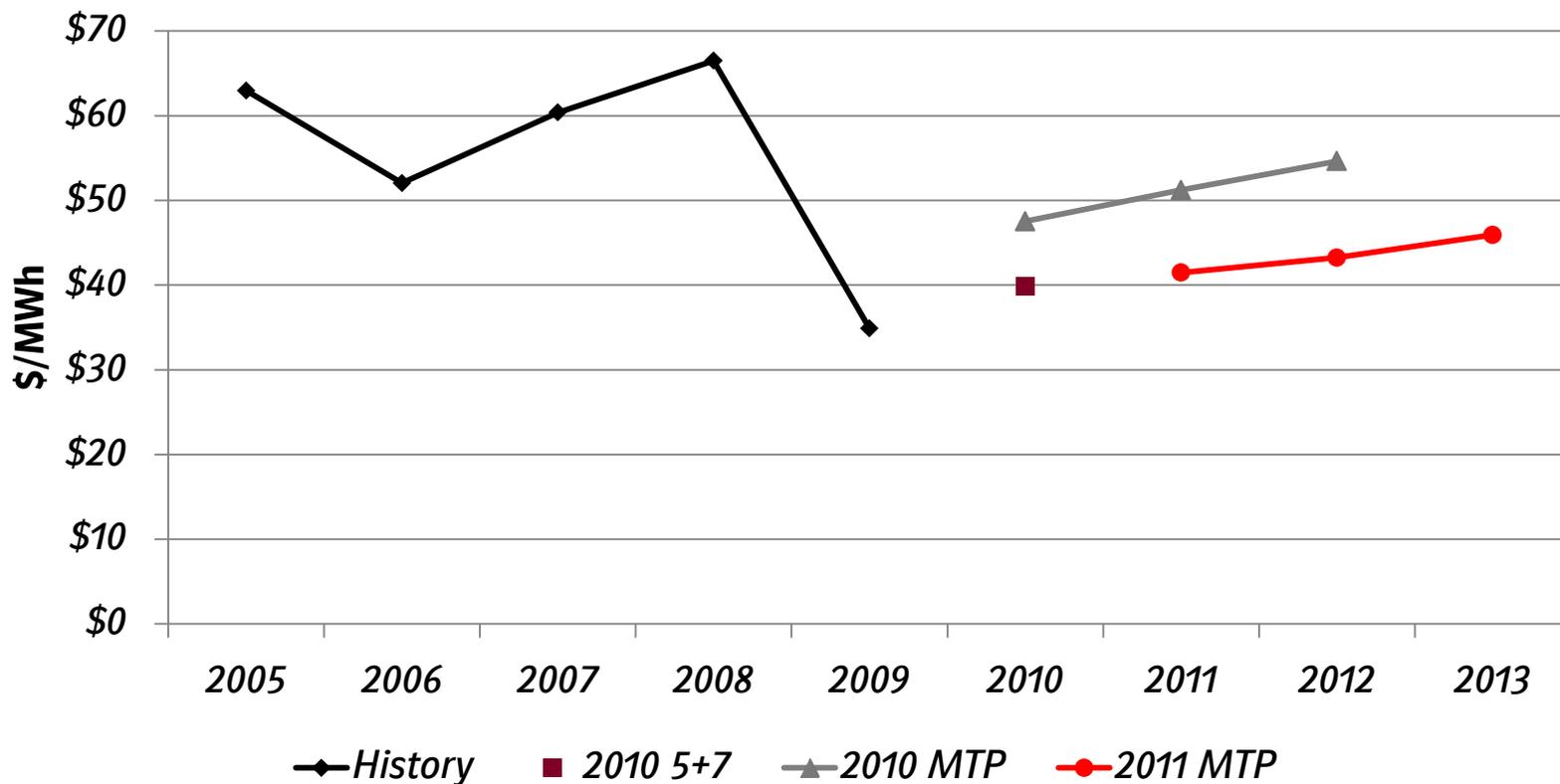
Contingency Reserves

- *Joined reserve sharing group with TVA and EKPC in 1/2010*
- *Current KU/LG&E allocation is 212 MW*
- *MTP Assumptions*
 - *2011 MTP: 212 MW contingency reserves (100% spinning until 4/2011, and 112 MW spinning / 100 MW supplemental thereafter)*
 - *2010 MTP: 199 MW contingency reserves (99 MW spinning / 100 MW supplemental)*

Blended Electricity Prices

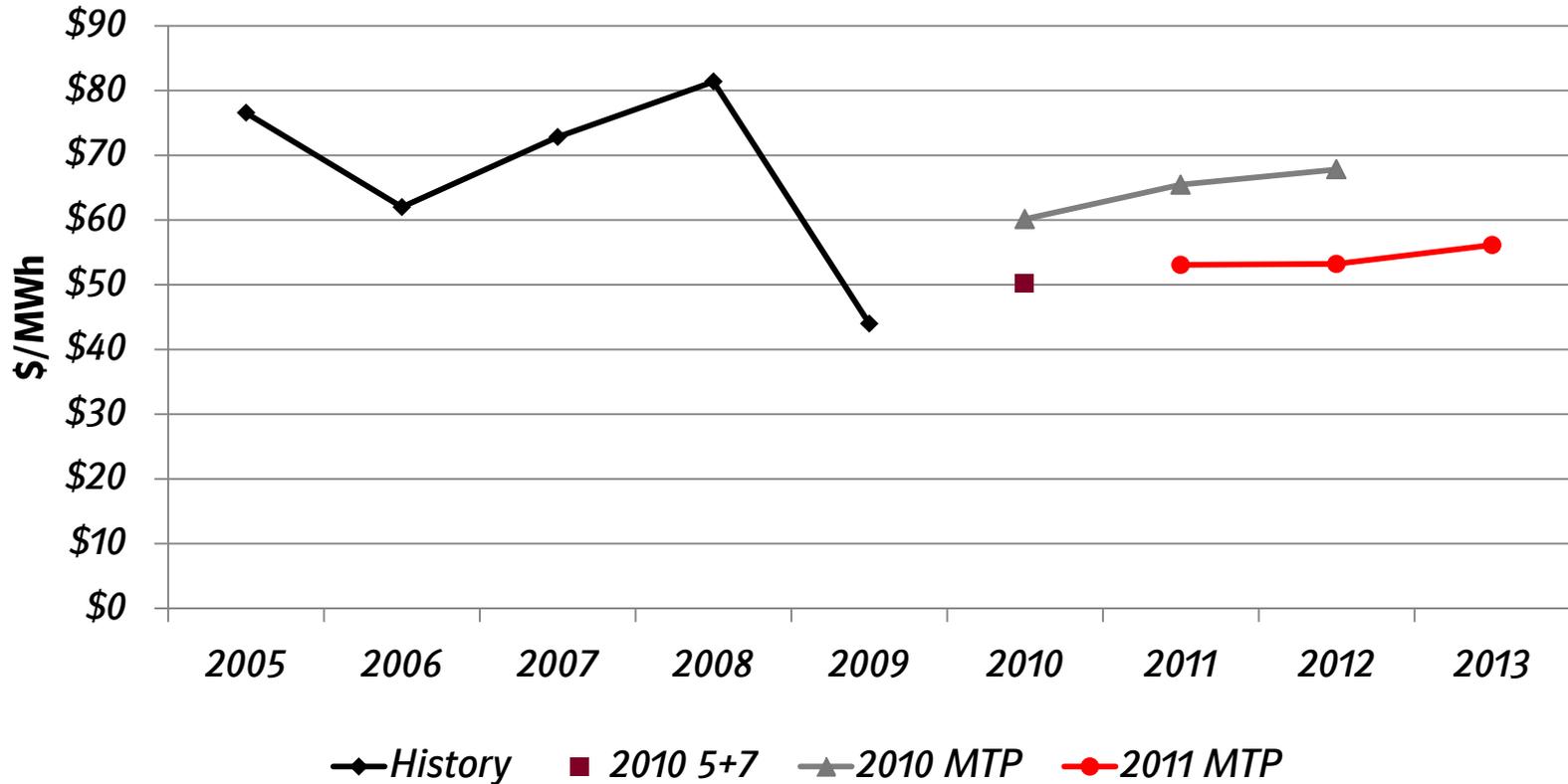
| 2011 Electricity Prices | 5x16 | 7x8 | 2x16 |
|--------------------------------|-------------|------------|-------------|
| 2011 MTP | | | |
| <i>Prices (\$/MWh)</i> | 44 | 28 | 39 |
| <i>PJM/MISO Blend</i> | 70/30 | 90/10 | 70/30 |
| 2010 MTP | | | |
| <i>Prices (\$/MWh)</i> | 53 | 30 | 45 |
| <i>PJM/MISO Blend</i> | 50/50 | 75/25 | 67/33 |

Wholesale Electricity: CIN Hub Peak (5x16)



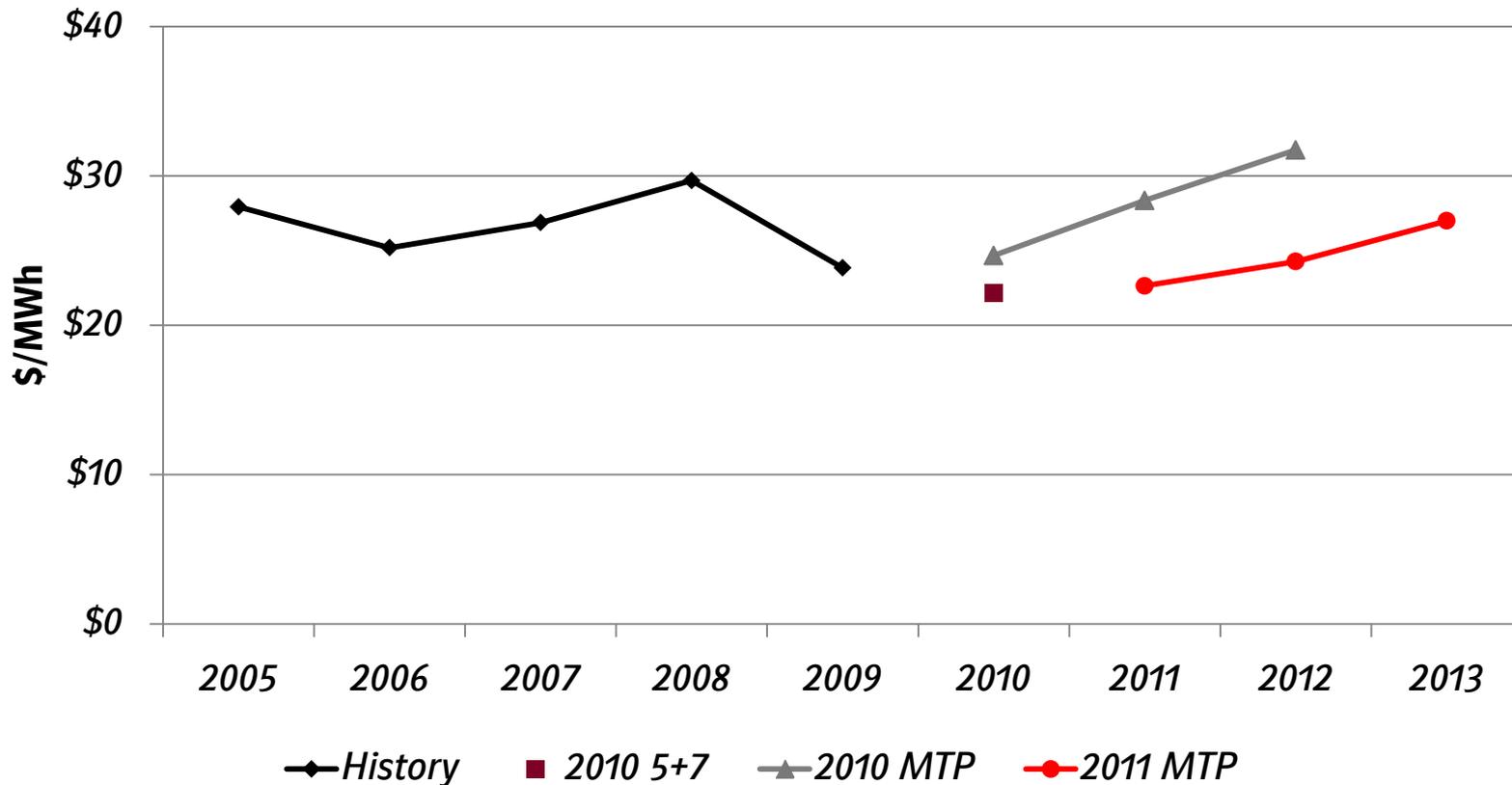
- Market view in 2011-13 MTP represented by ICE forward prices as on May 28, 2010.

Wholesale Electricity: PJM-W Peak (5x16)



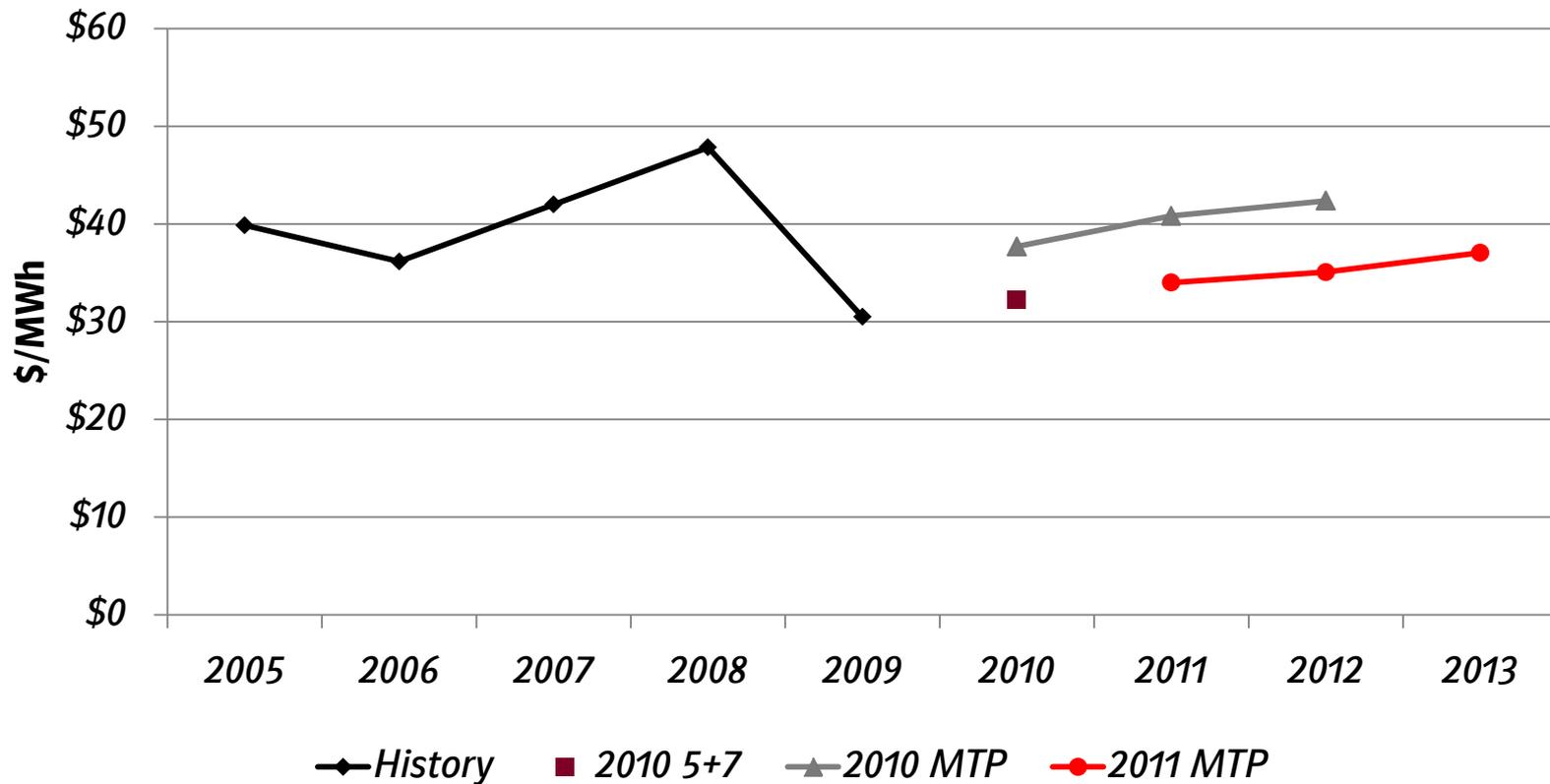
- Market view in 2011-13 MTP represented by ICE forward prices as on May 28, 2010.

Wholesale Electricity: CIN Hub Offpeak (7x8)



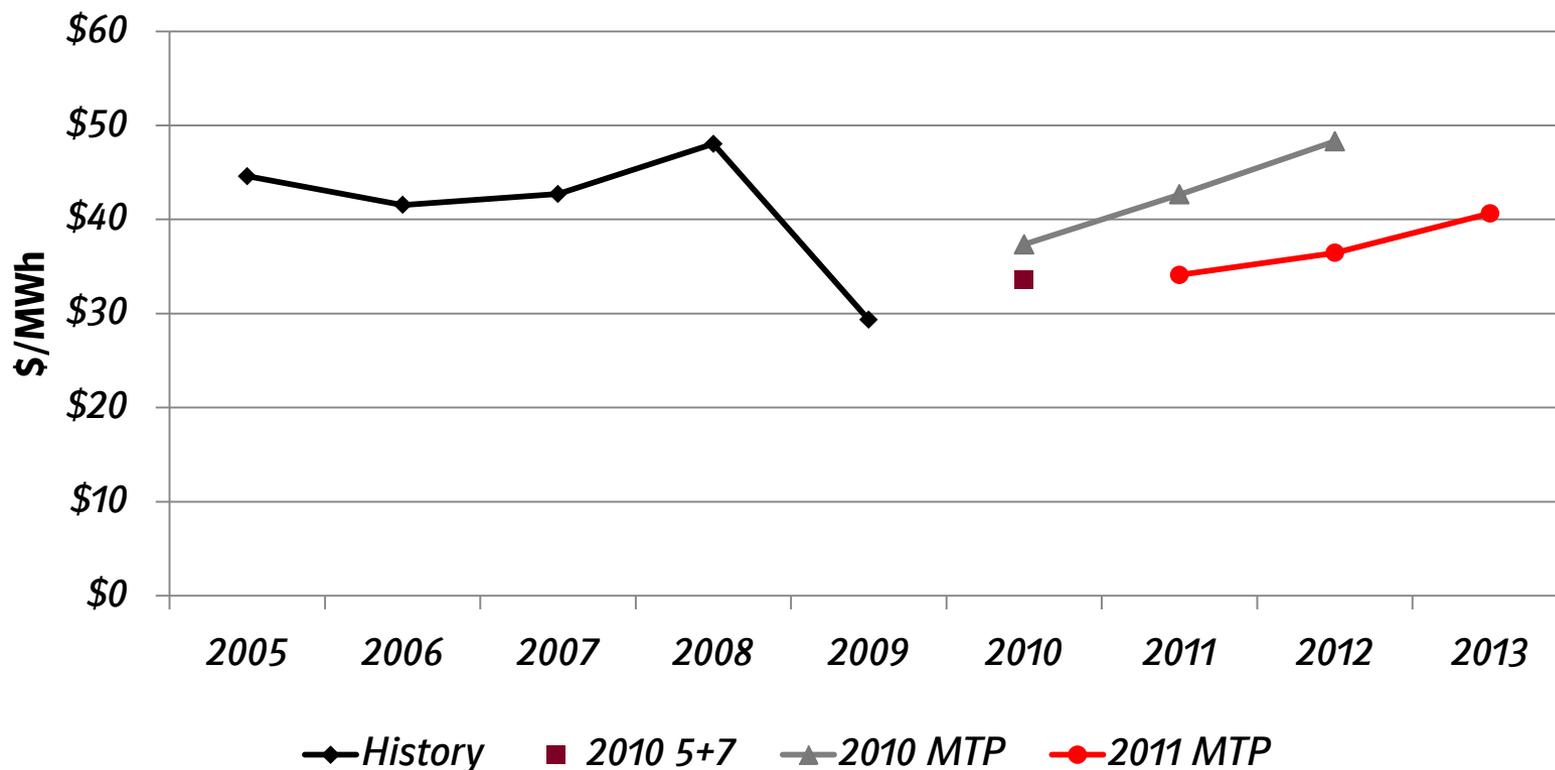
- 2011-13 MTP pricing for off-peak 7x8 based on ICE forward off-peak 'wrap' prices as on May 28, 2010 and historic ratio of 7x8 to 'wrap'.

Wholesale Electricity: PJM-W Offpeak (7x8)



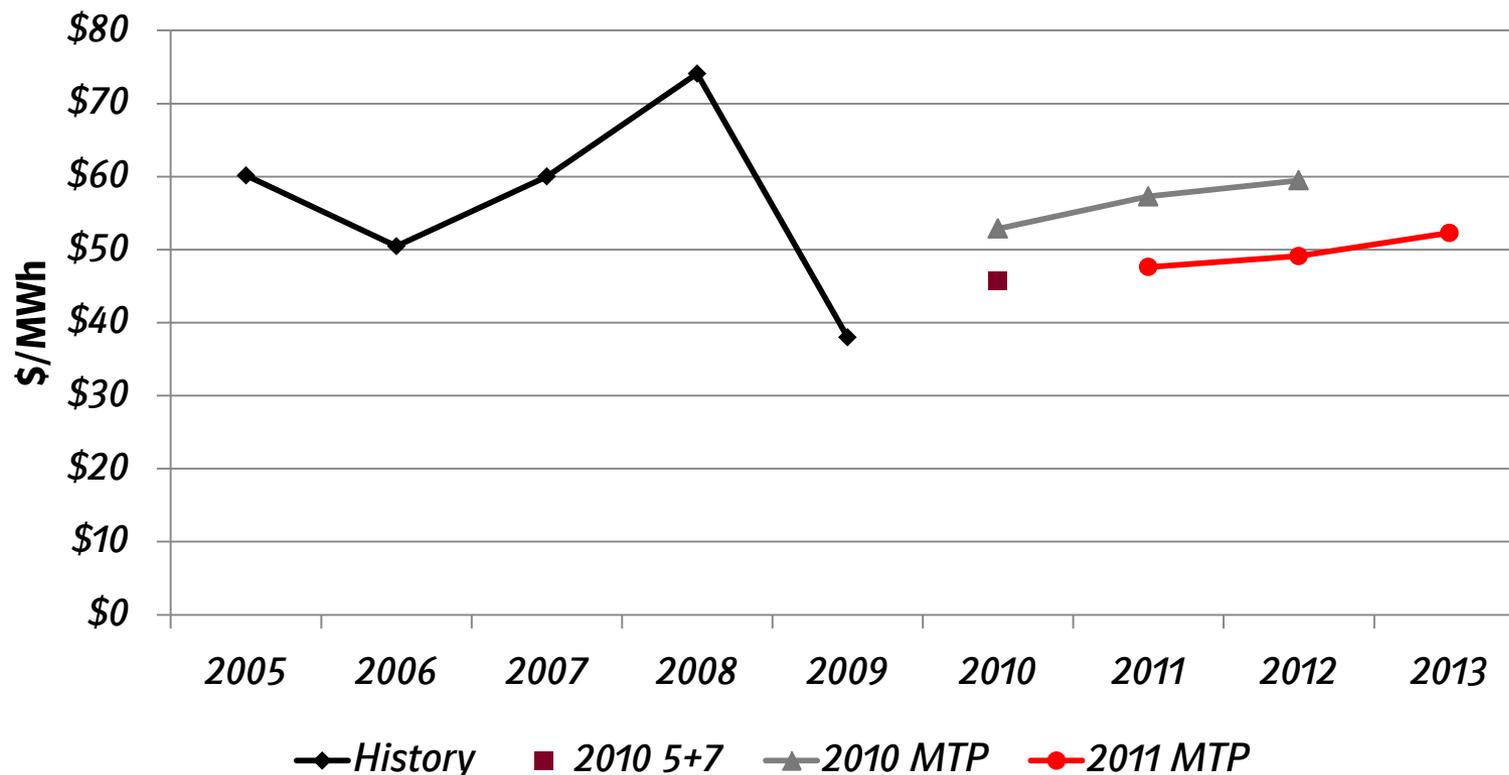
- 2011-13 MTP pricing for off-peak 7x8 based on ICE forward off-peak 'wrap' prices as on May 28, 2010 and historic ratio of 7x8 to 'wrap'.

Wholesale Electricity: CIN Hub Weekend (2x16)



- 2011-13 MTP pricing for weekend 2x16 based on ICE forward off-peak 'wrap' prices as on May 28, 2010 and historic ratio of 2x16 to 'wrap'.

Wholesale Electricity: PJM-W Weekend (2x16)



- 2011-13 MTP pricing for weekend 2x16 based on ICE forward off-peak 'wrap' prices as on May 28, 2010 and historic ratio of 2x16 to 'wrap'.

OSS Contribution Sensitivity to Electricity Prices

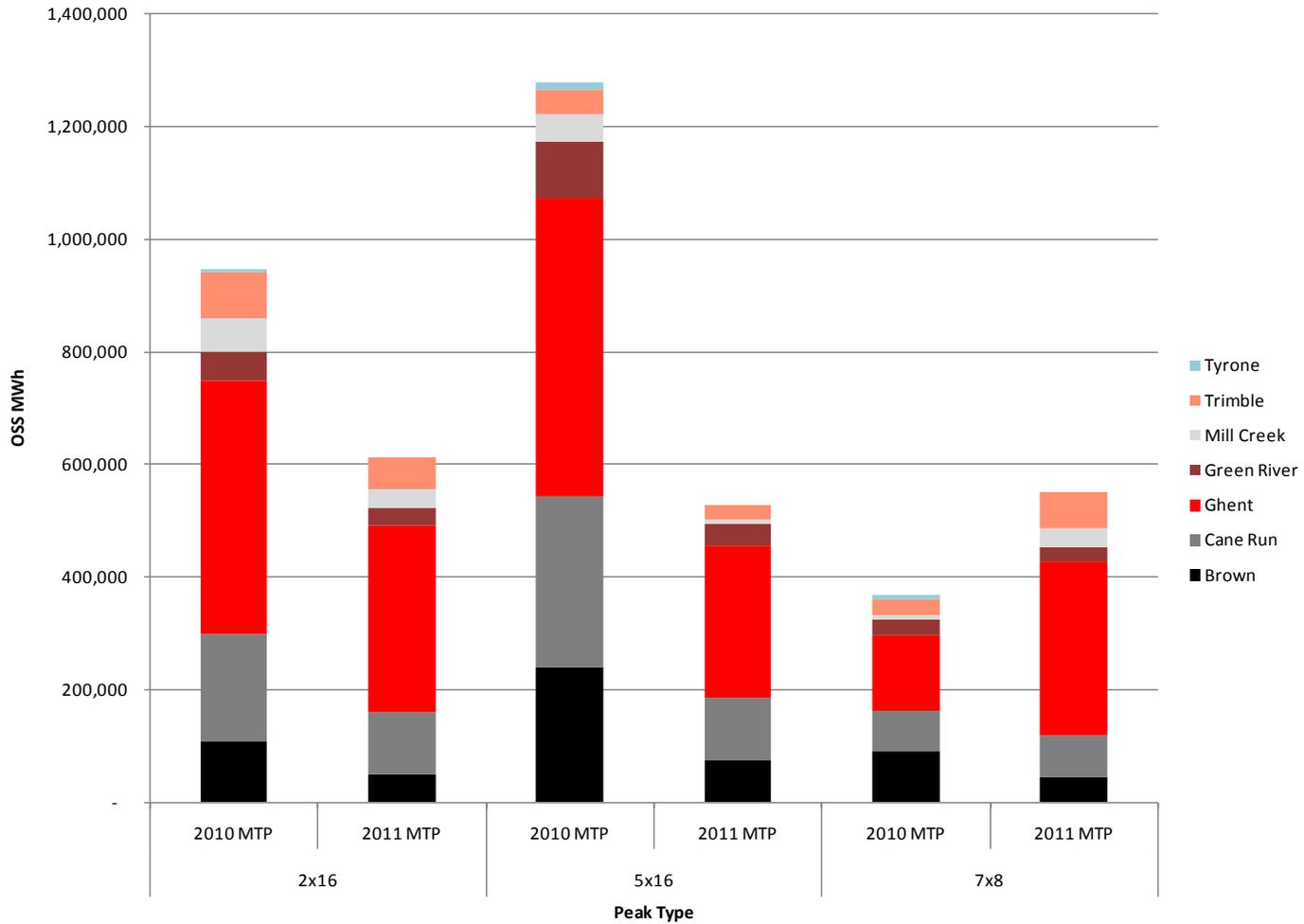
| Sensitivities - OSS Contribution (\$M)* | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|
| +20% Market Prices | 32.7 | 31.6 | 36.8 |
| -20% Market Prices | 1.5 | 1.2 | 1.3 |

**Values in table represent total OSS contribution*

Generation Comparison

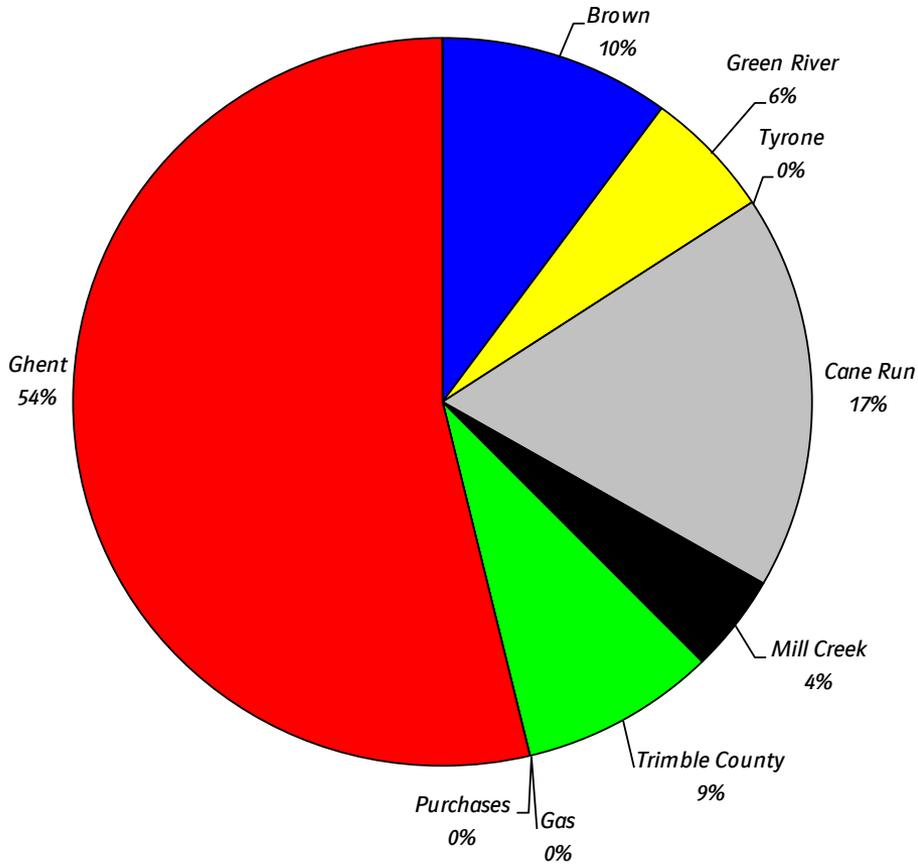
| GWh | 2011 MTP | | | 2010 MTP | | | 2011 MTP - 2010 MTP | | |
|--------------------|----------|--------|--------|----------|--------|--------|---------------------|-------|-------|
| | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 |
| Brown | 2,524 | 2,548 | 2,755 | 2,943 | 3,097 | 3,308 | (419) | (550) | (552) |
| Ghent | 12,921 | 12,976 | 13,432 | 12,532 | 12,662 | 12,879 | 389 | 314 | 552 |
| Green River | 790 | 873 | 877 | 757 | 847 | 678 | 33 | 27 | 199 |
| Tyrone | - | - | - | 154 | 205 | 173 | (154) | (205) | (173) |
| Cane Run | 2,542 | 2,354 | 2,437 | 2,912 | 2,743 | 2,812 | (370) | (389) | (375) |
| Mill Creek | 10,225 | 9,779 | 9,670 | 9,622 | 9,500 | 9,258 | 603 | 279 | 412 |
| Trimble County 1 | 3,470 | 4,014 | 3,669 | 3,673 | 4,049 | 3,674 | (204) | (35) | (5) |
| Trimble County 2 | 5,214 | 5,372 | 6,075 | 5,564 | 5,584 | 6,088 | (350) | (211) | (13) |
| Brown CTs | 108 | 115 | 118 | 92 | 96 | 89 | 15 | 18 | 29 |
| Trimble County CTs | 353 | 348 | 288 | 286 | 305 | 275 | 67 | 43 | 13 |
| Paddy's Run 13 | 60 | 107 | 70 | 8 | 6 | 11 | 51 | 100 | 59 |
| Other CTs | 0.1 | 0.2 | 0.3 | - | 0.2 | 0.4 | 0.1 | 0.0 | (0.1) |
| Dix Dam/Ohio Falls | 307 | 307 | 319 | 329 | 358 | 384 | (23) | (51) | (65) |
| OVEC Purchase | 788 | 878 | 763 | 706 | 901 | 1,171 | 82 | (23) | (407) |
| Total | 39,301 | 39,670 | 40,474 | 39,580 | 40,354 | 40,800 | (279) | (684) | (327) |

2011 OSS Volume by Station

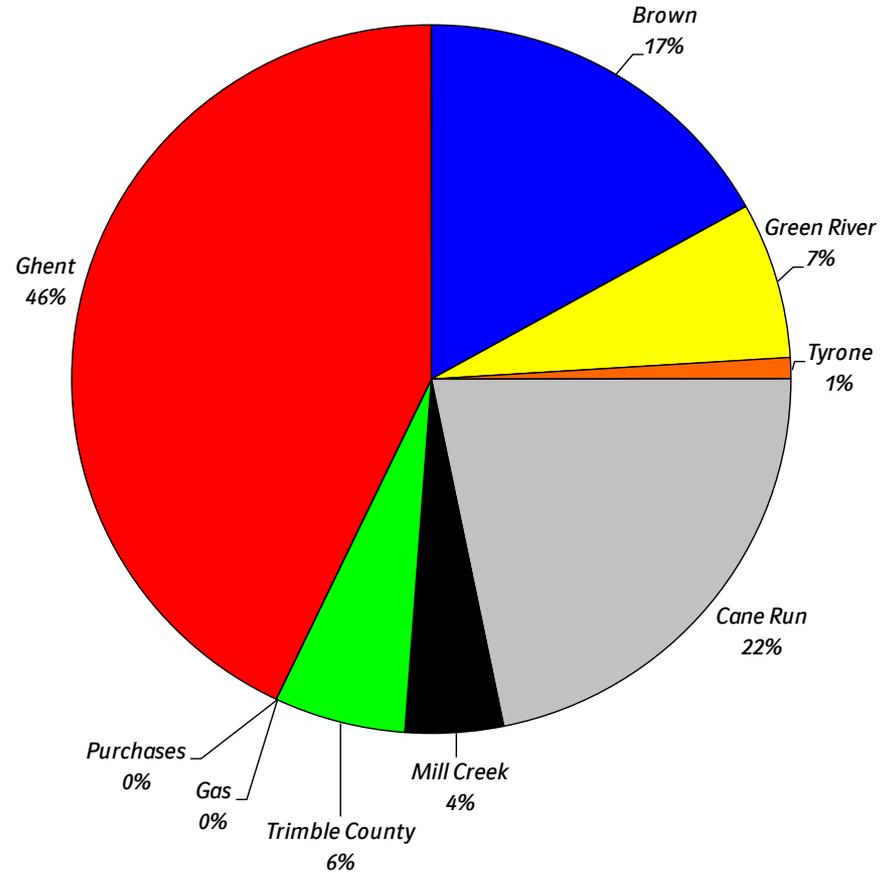


Allocation of OSS by Station

2011 MTP for 2011



2010 MTP for 2011



Fuel Cost Comparison Annual Averages

| Fuel Expense (¢/mmBTU) | | | | | Delta | |
|------------------------|-----------------|------------------------|------------------|------------------|----------------------------------|----------|
| | | 2010 Forecast (6+6) | 2011 MTP 2011 | 2010 MTP 2011 | 2011 MTP 2011 - 2010 MTP 2011 | % Change |
| COAL | <i>BR</i> | 336 | 335 | 324 | 11 | 3% |
| | <i>GH</i> | 225 | 218 | 214 | 3 | 1% |
| | <i>GR</i> | 259 | 258 | 261 | (3) | -1% |
| | <i>CR</i> | 203 | 218 | 214 | 5 | 2% |
| | <i>MC</i> | 181 | 190 | 189 | 1 | 0% |
| | <i>TC</i> | 212 | 216 | 209 | 7 | 3% |
| | <i>TC PRB</i> | 205 | 248 | 285 | (37) | -13% |
| GAS | <i>Gas</i> | | 592 | 763 | (171) | -22% |
| | <i>Gas Haef</i> | | 667 | 838 | (171) | -20% |
| OIL | <i>Oil</i> | 1609 | 1697 | 1780 | (83) | -5% |

Weekly Maintenance Comparison - 2011

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/3 | | | | | | | | | | | | | | | | | | | |
| 1/10 | | | | | | | | | | | | | | | | | | | |
| 1/17 | | | | | | | | | | | | | | | | | | | |
| 1/24 | | | | | | | | | | | | | | | | | | | |
| 1/31 | | | | | | | | | | | | | | | | | | | |
| 2/7 | | | | | | | | | | | | | | | | | | | |
| 2/14 | | | | | | | | | | | | | | | | | | | |
| 2/21 | 486 | | | | | | | | | | | | | | | | | | |
| 2/28 | 486 | | | | | | | | | | | | | | | | | | 563 |
| 3/7 | | | | | | | | | | | | | | | | | | | 563 |
| 3/14 | | | 485 | | | | | | | | | | | | | | | | 563 |
| 3/21 | | | 485 | | | | | | | | | | | | | | | | 563 |
| 3/28 | | | 485 | | | | | | | | | | | | | | | | |
| 4/4 | | | 454 | | 97 | | 420 | | | | | | | | | | | | |
| 4/11 | | | 454 | | 97 | | 420 | | | | | | | | | | | | |
| 4/18 | | | 454 | | | | 420 | | | | | | | | | | | | |
| 4/25 | | | 454 | | | | | 95 | | | | | | | | | | | |
| 5/2 | | | 454 | | | | | 95 | | | | | 168 | | | | | | |
| 5/9 | | | 454 | | | | | 95 | | | | | 168 | | | | | | 477 |
| 5/16 | | | | | | | | 95 | | | | | 168 | | | | | | |
| 5/23 | | 490 | | | | | | | | | | | | | | | | | |
| 5/30 | | | | | | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 9/5 | | | | | | | | | | | | | | | | | | | |
| 9/12 | | | | | | | | | | | | | | | | | | | |
| 9/19 | | | | | | | | | | | | | | | | | | | |
| 9/26 | | | | | | | | | | | 155 | | | | | | | | 301 |
| 10/3 | | | | | | | 165 | | | | 155 | | | | | | | | 299 |
| 10/10 | | | | | | | 165 | | | | 155 | | | | | | | | 386 |
| 10/17 | | | | | | | 495 | | | | 155 | | | | | | | | 386 |
| 10/24 | | | | | | | 165 | | | | 155 | | | | | | | | 386 |
| 10/31 | | | | | | | | | | | 155 | | | | | | | | 386 |
| 11/7 | | | | | | | | | | | 155 | | | | | | | | 386 |
| 11/14 | | | | | | | | | | | 155 | | | | | | | | 386 |
| 11/21 | | | | | | | | | | | | | | | | | | | |
| 11/28 | | | | | | | | | | | | | | | | | | | |
| 12/5 | | | | | | | | | | | 71 | | | | | | | | |
| 12/12 | | | | | | | | | | | | | | | | | | | |
| 12/19 | | | | | | | | | | | | | | | | | | | |
| 12/26 | | | | | | | | | | | | | | | | | | | |

Removed from 2010 MTP

Added to 2011 MTP

Unchanged

Weekly Maintenance Comparison - 2012

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/2 | | | | | | | | | | | | | | | | | | | |
| 1/9 | | | | | | | | | | | | | | | | | | | |
| 1/16 | | | | | | | | | | | | | | | | | | | |
| 1/23 | | | | | | | | | | | | | | | | | | | |
| 1/30 | | | | | | | | | | | | | | | | | | | |
| 2/6 | | | | | | | | | | | | | | | | | | | |
| 2/13 | | | | | | | | | | | | | | | | | | | |
| 2/20 | | | | | | | | | | | | | | | | | | | |
| 2/27 | | | | | | | | | | | | | | | | | | | |
| 3/5 | | | | | | | | | | | | | | | | | | | |
| 3/12 | | | | | | | | | | | | | | | | | | | |
| 3/19 | | | | | | | | | | | | | | | | | | | |
| 3/26 | | | | | | | | | | | | | | | | | | | |
| 4/2 | | | | | | | | | | | | | | | | | | | |
| 4/9 | | | | | | | | | | | | | | | | | | | |
| 4/16 | | | | | | | | | | | | | | | | | | | |
| 4/23 | | | | | | | | | | | | | | | | | | | |
| 4/30 | | | | | | | | | | | | | | | | | | | |
| 5/7 | | | | | | | | | | | | | | | | | | | |
| 5/14 | | | | | | | | | | | | | | | | | | | |
| 5/21 | | | | | | | | | | | | | | | | | | | |
| 5/28 | | | | | | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 9/3 | | | | | | | | | | | | | | | | | | | |
| 9/10 | | | | | | | | | | | | | | | | | | | |
| 9/17 | | | | | | | | | | | | | | | | | | | |
| 9/24 | | | | | | | | | | | | | | | | | | | |
| 10/1 | | | | | | | | | | | | | | | | | | | |
| 10/8 | | | | | | | | | | | | | | | | | | | |
| 10/15 | | | | | | | | | | | | | | | | | | | |
| 10/22 | | | | | | | | | | | | | | | | | | | |
| 10/29 | | | | | | | | | | | | | | | | | | | |
| 11/5 | | | | | | | | | | | | | | | | | | | |
| 11/12 | | | | | | | | | | | | | | | | | | | |
| 11/19 | | | | | | | | | | | | | | | | | | | |
| 11/26 | | | | | | | | | | | | | | | | | | | |
| 12/3 | | | | | | | | | | | | | | | | | | | |
| 12/10 | | | | | | | | | | | | | | | | | | | |
| 12/17 | | | | | | | | | | | | | | | | | | | |
| 12/24 | | | | | | | | | | | | | | | | | | | |

Removed from 2010 MTP

Added to 2011 MTP

Unchanged

Weekly Maintenance Comparison - 2013

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/7 | | | | | | | | | | | | | | | | | | | |
| 1/14 | | | | | | | | | | | | | | | | | | | |
| 1/21 | | | | | | | | | | | | | | | | | | | |
| 1/28 | | | | | | | | | | | | | | | | | | | |
| 2/4 | | | | | | | | | | | | | | | | | | | |
| 2/11 | | | | | | | | | | | | | | | | | | | |
| 2/18 | | | | | | | | | | | | | | | | | | | |
| 2/25 | | | | | | | | | | | | | | | | | | | |
| 3/4 | | | | | | | | | | | | | | | | | | | |
| 3/11 | | | | | | | | | | | | 168 | | | | | | | |
| 3/18 | | | | | | | | | | | | 168 | | | | 397 | | | |
| 3/25 | | | | | | | | | | | | 168 | | | | 397 | | | |
| 4/1 | | | | | | | | | | | | | | | | | | | |
| 4/8 | | | | | | | | 95 | | | | | | | | 391 | | | |
| 4/15 | | | | | | | | 95 | | | | | | | | | | | |
| 4/22 | | | | | | | | 95 | | | | | | | | | | | |
| 4/29 | | | | | | | | 95 | | | | | | | | | | | |
| 5/6 | | | | | | | | 95 | | | | | | | | | | | |
| 5/13 | | | | | | | | 95 | | | | | | | | | | | |
| 5/20 | | | | | | | | 95 | | | | | | | | | | | |
| 5/27 | | | | | | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 9/2 | | | | | | | | | | | | | | | | | | | |
| 9/9 | | | | | | | | | | | | | | | | | | | |
| 9/16 | | | | | | | | | | | | | | | | 301 | | | |
| 9/23 | | | | | | | | | | | | | | | | 301 | | | |
| 9/30 | | | | | | | | | | | | | | | | 301 | | | |
| 10/7 | | | | | | | | | | | | | | | | | | | |
| 10/14 | | | | | | | | | | | | | | | | | | | |
| 10/21 | | | | | | | | | | | | | | | | | | | |
| 10/28 | | | | | | | | | | | | | | | | | | | |
| 11/4 | | | | | | | | | | | | | | | | | | | |
| 11/11 | | | | | | | | | | | | | | | | | | | |
| 11/18 | | | | | | | | | | | | | | | | | | | |
| 11/25 | | | | | | | | | | | | | | | | | | | |
| 12/2 | | | | | | | | | | | | | | | | | | | |
| 12/9 | | | | | | | | | | | | | | | | | | | |
| 12/16 | | | | | | | | | | | | | | | | | | | |
| 12/23 | | | | | | | | | | | | | | | | | | | |
| 12/30 | | | | | | | | | | | | | | | | | | | |

Removed from 2010 MTP

Added to 2011 MTP

Unchanged

CT Operation Comparison to Actual (for plant maintenance planning)

CT Generation (GWh)

| | <u>ACTUAL</u> | | | <u>6+6</u> <u>FORECAST</u> | <u>2011 MTP</u> | | |
|------|---------------|------------|------------|-------------------------------|-----------------|------------|------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| BR5 | 20 | 2 | 2 | 8 | 3 | 3 | 6 |
| BR6 | 89 | 22 | 37 | 71 | 68 | 63 | 55 |
| BR7 | 52 | 33 | 27 | 55 | 24 | 37 | 40 |
| BR8 | 20 | 7 | 8 | 13 | 4 | 4 | 5 |
| BR9 | 11 | 3 | 2 | 7 | 4 | 3 | 4 |
| BR10 | 5 | 2 | 2 | 5 | 2 | 2 | 4 |
| BR11 | 4 | 1 | 5 | 6 | 2 | 2 | 4 |
| PR13 | 71 | 4 | 1 | 14 | 60 | 107 | 70 |
| TC5 | 93 | 74 | 43 | 96 | 96 | 94 | 71 |
| TC6 | 84 | 70 | 28 | 82 | 69 | 81 | 63 |
| TC7 | 113 | 59 | 39 | 76 | 67 | 65 | 52 |
| TC8 | 150 | 63 | 33 | 64 | 50 | 42 | 42 |
| TC9 | 148 | 58 | 30 | 74 | 41 | 40 | 33 |
| TC10 | 131 | 51 | 21 | 59 | 31 | 25 | 28 |
| | 991 | 449 | 278 | 630 | 521 | 569 | 477 |

| <u>2010 MTP</u> | | | |
|-----------------|------------|------------|------------|
| 588 | 387 | 408 | 375 |

CT Starts (# starts)

| | <u>ACTUAL</u> | | | <u>6+6</u> <u>FORECAST</u> | <u>2011 MTP</u> | | |
|------|---------------|------------|------------|-------------------------------|-----------------|------------|------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| BR5 | 44 | 9 | 18 | 37 | 11 | 9 | 21 |
| BR6 | 93 | 46 | 61 | 90 | 158 | 126 | 110 |
| BR7 | 61 | 39 | 39 | 90 | 69 | 106 | 94 |
| BR8 | 62 | 32 | 40 | 48 | 22 | 12 | 23 |
| BR9 | 37 | 18 | 21 | 31 | 13 | 13 | 20 |
| BR10 | 28 | 12 | 10 | 28 | 13 | 15 | 14 |
| BR11 | 22 | 12 | 23 | 27 | 11 | 8 | 16 |
| PR13 | 56 | 17 | 2 | 12 | 54 | 94 | 63 |
| TC5 | 119 | 88 | 63 | 143 | 172 | 156 | 115 |
| TC6 | 98 | 116 | 47 | 126 | 109 | 129 | 90 |
| TC7 | 123 | 74 | 53 | 124 | 120 | 110 | 84 |
| TC8 | 179 | 83 | 49 | 110 | 92 | 77 | 62 |
| TC9 | 168 | 68 | 44 | 99 | 78 | 84 | 49 |
| TC10 | 140 | 72 | 36 | 80 | 62 | 54 | 42 |
| | 1,230 | 686 | 506 | 1,045 | 984 | 993 | 803 |

| <u>2010 MTP</u> | | | |
|-----------------|------------|------------|------------|
| 942 | 688 | 753 | 593 |



Project Engineering

2011-2015 MTP

October 13, 2010

- **Plan Highlights**
- **Major Assumptions**
- **Financial Performance**
 - **Operating Expense**
 - **Target Reconciliation**
 - **Headcount**
 - **Plan Risks**
- **Appendix**

Key Items

- **Project Engineering's plan contains an increase of \$2.9B from 2011 to 2015 over the prior plan due to addition of projects relating to environmental air regulations and coal combustion products.**
- **Combined Cycle GT is accelerated from a 2017 commercial operation to a January 1, 2016 commercial operation.**
- **The Cane Run Landfill is reduced in scope to account for CCGT being implemented no later than January 2017 (one-year float).**
- **Compared to the prior plan, existing Project Engineering projects have been reduced \$65M overall from 2011 to 2015.**
- **Impacts of the updated 2010 forecast are not included in this presentation, nor in the current 2011 MTP.**

1. Regulatory

- 1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.
- 1.2 Target Reserve Margin of 14%, within a range of 13%-15%.
 - No reserve margin purchases are planned.
- 1.3 Reserve sharing remains under the TVA/EKPC Reserve Sharing Agreement (~ 230 MW).
- 1.4 E.ON U.S. remains committed to burning higher sulfur fuels.

2. Proposed or Expected New Environmental Regulations for Air and Water

NOTE: Under the “Delayed EPA Response” scenario, the assumptions in section 2 are based on a one-year delays for the new Clean Air Transport Rule (CATR) and a one-year delay (in addition to the one-year “automatic” extension) for Hazardous Air Pollutants (HAPS).

- 2.1 **Proposed New Clean Air Transport Rules (CATR) were issued in June, 2010, with Phase I starting in 1/1/2012 and Phase 2 starting in 1/1/2014.**
 - **Internal assumption: final implementation dates of 1/1/2013 and 1/1/2015 respectively, based on possible changes in final rules and a stay due to litigation (a one-year delay in each phase).**
 - **Under these rules the existing allowance banks for SO₂ and NO_x cannot be used.**
- 2.2 **Hazardous Air Pollutants (HAPS) Maximum Available Control Technology (MACT) proposed rules expected in March, 2011, final rules December 2011, plus “automatic” one-year delay, plus three-year implementation period results in December 2015 effective date.**
 - **Internal assumption: one year additional delay in developing final rules results in an end of 2016 (January 1, 2017) effective date.**

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

- 2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x in late 2016 and SO₂ in June, 2017.
- 2.4 Cane Run Coal will be retired January 2016.
- 2.5 Tyrone Coal will be retired January 1, 2016.
- 2.6 Green River Coal will be retired June 2019.
- Presumes certain controls are in place or emissions are reduced prior to 2020.
- 2.7 GHG NSR requirement will begin January 2011.
- GHG BACT will be required, though not yet defined.

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 Engineering studies completed in 2011 and 2012 include:

- Combined cycle installations at alternative sites.
- On existing coal-fired fleet:
 - ✓ Additional SCR's.
 - ✓ Activated Carbon Injection.
 - ✓ FGD Renovations.
 - ✓ Precipitator upgrades.
 - ✓ Fabric Filters.
- Dense packs on larger units.

2.9 Effluent water guidelines draft regulations are expected in late 2011, with final regulations in place by 2012-2013.

- Ultimate implementation timing as well as scope are uncertain at this time.

3. Expansion/Capacity

3.1 A combined cycle unit will be added January 1, 2016 at the Cane Run location.

- Replacing Cane Run Coal.
- Company split is 53% KU, 47% LG&E.

3.2 A second combined cycle unit will be added June 1, 2019 at the Green River location.

- Replacing Green River Coal.
- Company split is 53% KU, 47% LG&E.
- Adding CT's instead of the second combined cycle is still being considered.

3.3 After running Summer of 2010, Tyrone will be in lay-up status for the full MTP period, and then retired on January 1, 2016.

3.4 TC2 will be in commercial operation November 2010. Initial reliability expected to be lower than normal for the first year which has been reflected in the EFOR system target.

- TC2 meets all permit requirements and no additional controls are needed.

3.5 The six Ohio Falls units still to be rehabilitated will be staged one unit every 7-8 months between 2011 and 2014.

3.6 Landfill gas projects are a sensitivity, not included in the base MTP.

3.7. Steam efficiency upgrades (dense packs) are included for:

- . Ghent 4 in 2015
- . Ghent 3 in 2017
- . Ghent 2 in 2019
- . Ghent 1 in 2020
- . Mill Creek 1 in 2020
- . Mill Creek 2 in 2019
- . Mill Creek 3 in 2019
- . Trimble County 1 in 2017
- . Brown 3 in 2012 was pulled by the RAC but could be reinstated in a later forecast if funds become available.

3. Expansion/Capacity (Cont.)

- 3.8 Biomass co-firing projects for 2 coal-fired units is a sensitivity, not included in the base MTP.
- 3.9 Wind power purchase agreements are not included in the base MTP.
- 3.10 Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2013.
- 3.11 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.
- Group 3 consists of the older, smaller CT's.
 - No Group 3 units are being retired in the plan.
- 3.12 A carbon capture and sequestration (CCS) demonstration facility for 100 MW is listed as a sensitivity.

4. Coal Combustion By-Products (CCP)

- 4.1 The EPA issued proposed rules for coal combustion residuals (CCR's) in June 2010.
- Final rules are expected January 1, 2012, with a five-year implementation period.
 - ✓ A stay due to litigation is probable.
 - A designation of "Hazardous" vs. "Non-Hazardous" is considered too close to call at this point.
 - The designation will not materially change the capital plan but would reduce beneficial re-use opportunities for structural fill if declared "hazardous".
- 4.2 Trimble County Bottom Ash Pond extension will be operational in 2010. Trimble County Gypsum Pond will be operational to take gypsum late 2010.

4. Coal Combustion By-Products (CCP) (Cont.)

4.3 Trimble County Landfill Phase I will be substantially completed by 2014, with significant O&M starting in 2013.

- Holcim off-takes are included, as well as the barge load-out facility.
- Holcim agreement and barge load out facility are delayed one year compared to the 2010 MTP.

4.4 Brown Ash Pond is being converted to a landfill.

- In-service date of January 2014.

4.5 Ghent landfill Phase 1 will be completed by 2014, with significant O&M starting in 2014.

- Ghent Trans Ash contract for gypsum has been removed from the plan.
 - ✓ Should a more favorable than expected EPA ruling occur, this will be re-visited.

4.6 Cane Run Landfill Phase 1 will be completed in 2012 with significant O&M starting in 2012.

- This will be the only phase completed prior to retirement of the Cane Run coal generation.

4.7 Extension of Mill Creek landfill will be considered in light of the proposed CCR rules.

4.8 All CCP Capital Projects use an annual escalation rate of 6.0%.

- Escalation rate is biased higher to reflect petroleum impact on the liner material and fuel used by the earth moving equipment.

- 5. **Other Environmental (in addition to CATR HAPS and CCP's) Resulting in Significant Capital Additions**
 - 5.1 **Double liners are included in the cost estimates for Ghent, Trimble, and Cane Run landfills.**
 - The double liner adds about \$5M per phase per site to the total cost.
 - 5.2 **The Brown 3 SCR will be in-service in the third quarter of 2012.**
 - Presuming PSD permit is issued prior to January, 2011.
 - Low sulfur coal will be required until the SO₃ system is in place (Third Qtr. 2011).
 - Operating parameters under the consent decree will be very tight for Brown 3.
 - 5.3 **The Brown FGD went in-service for Unit 3 in May 2010 and Units 1 & 2 are planned for November 2010. (Reliability impacts are expected from fuel switching and new equipment quality and have been reflected in the EFOR targets).**
 - Due to supplies of lower sulfur coal remaining, the impacts of burning higher sulfur coal won't be known until 2012.
 - 5.4 **FGD ductwork renovations at Mill Creek are as follows:**
 - Unit 2 in 2011.
 - Unit 1 will be part of new environmental capital.
 - Unit 4 will be part of new environmental capital.
 - Unit 3 has already been completed.
 - ✓ Timing and ultimate scope will be impacted by proposed new air regulations.
 - 5.5 **SO₃ mitigation on Mill Creek 3 and 4 will be operational by year-end 2011.**
 - ✓ Timing and ultimate scope could be impacted by proposed new air regulations.
 - 5.6 **SO₃ mitigation on Ghent 2 will be operational by September, 2011.**
 - ✓ Replacement SO₃ Systems will be installed on the remaining Ghent Units in 2011 and 2012 which will achieve a lower overall SO₃ emissions level.
 - Dependent on settlement with EPA.

6. Operational and Other

6.1 Annual escalation rates for internal labor , contract labor and materials are as follows (Annual unless noted otherwise):

- Internal labor: 3.5%.
- Contract/services labor: 3.0% for general, 4.0% for highly skilled (welders).
- Chemicals: 6.0% for specialty (GE Betz), 8.0% for commodity (Univar).
- Fuels and additives 5.0%, copper 6.0%, plastic pipe 6.0%.
- Carbon steel plate 6.0%, fabricated steel 3.0% 2011, 5.0% 2012, and 5.5% 2013; Alloy steel 2.0% 2011, 3.0% 2012 and 2013.
 - ✓ Carbon steel plate is a sensitivity, as double-digit increases are currently being experienced due to the Asian demand for scrap.
- All other materials: 5.0% composite rate for 2011, 5.5% composite rate for 2012 and 2013.

6.2 By the end of 2012, planned outages on coal-fired units are all on a 24-month cycle, with 1-week pit stop outages in alternate years.

6. Operational and Other (Cont.)

6.3 Combustion turbine outages in the plan:

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense) vs. new parts (capital).
- Number of Trimble units undergoing the hot gas path inspection include one in 2010, two in 2011, two in 2012, and the final one in 2013.
- Paddy's Run 13 major outage is scheduled for 2011, though driven by current conditions of the unit, not increased run-times.
- Brown CT inspections include:
 - ✓ Unit 9 in 2013
 - ✓ Unit 10 in 2014
 - ✓ Unit 11 in 2016
 - ✓ Unit 6 in 2017
 - ✓ Unit 7 in 2018
 - ✓ Unit 5 in 2020

6. Operational and Other (Cont.)

6.4 Significant generator rewind/stator rewind dollars are included in the 2011-2016 timeframe.

- Brown 3 generator (stator and rotor) rewind in 2012.
- Brown 2 generator (stator and rotor) rewind in 2015/2016.
- Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.

6.5 Corrosion fatigue inspection dollars are included for Mill Creek 1 & 2, Brown 3, Ghent 2 and Cane Run 4.

- Any repairs identified during the inspection are a sensitivity.

6.6 High energy piping inspection dollars are included for Mill Creek 1-4, Trimble County 1, Cane Run 4 & 5, Ghent 2 & 3, Brown 1-3, and Green River 3.

- Any repairs identified during the inspection are a sensitivity.

6.7 \$6M capital for NERC Cyber Security resolution (all coal-fired stations plus Paddy’s Run and Haefling).

6.8 The FutureGen expense is \$0.5M per year through the LTP period.

- This is a much different scope than FutureGen (Mattoon, IL) however.

6.9 Demolition (cost of removal) costs for Canal and Paddy’s Run.

\$0.5M Engineering in 2011

\$2.5M 2012; \$10.0M 2013

\$17.0M 2014 - 2015

6.10 Significant O&M and cost of sales (\$190M per year) start once all units have been completed for CATR and HAPS per B&V study.

- Costs will begin ramping up in 2014 as units are completed.

2009-2015 Operating Expenses (\$000)

This page intentionally left blank. The minimal Operating Expense amounts for Project Engineering are included in Generation Operating Expense in the Generation Presentation.

2011-2015 Capital Comparison – Cash Basis (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Total Capital | \$359,072 | \$679,846 | \$897,087 | \$1,105,038 | \$890,216 |
| Target | \$275,796 | \$240,535 | \$284,764 | \$279,605 | \$254,042 |
| Variance To Target | (\$83,276) | (\$439,311) | (\$612,323) | (\$825,433) | (\$636,174) |
| TC2 (Net) | (\$1,125) | \$0 | \$0 | \$0 | \$0 |
| TC2 Spares (Net) | (\$3,500) | \$0 | \$0 | \$0 | \$0 |
| Brown FGD | \$42,021 | \$0 | \$0 | \$0 | \$0 |
| Ghent FGD | \$1,400 | \$0 | \$0 | \$0 | \$0 |
| Brown 3 SCR | \$12,009 | \$25,671 | \$3,000 | \$0 | \$0 |
| Brown CCP | (\$3,160) | (\$17,668) | (\$19,332) | \$4,260 | \$6,944 |
| Cane Run CCP | \$4,971 | (\$258) | (\$9,299) | \$590 | \$5,914 |
| Ghent CCP | (\$34,147) | (\$18,131) | (\$52,223) | \$5,693 | (\$384) |
| Trimble County CCP (Net) | (\$12,161) | (\$52,966) | \$0 | \$0 | \$0 |
| SAM Mitigation MC 3 & 4 | (\$4,105) | \$0 | \$0 | \$0 | \$0 |
| Mill Creek Limestone Mill | (\$2,992) | \$2,375 | \$0 | \$0 | \$0 |
| Ohio Falls | (\$1,578) | (\$1,883) | \$656 | (\$6,944) | (\$1,000) |
| CCGT 2016 Cane Run | \$8,042 | (\$1,587) | \$114,167 | \$12,917 | \$32,083 |
| CCGT 2019 Green River | \$0 | \$0 | (\$2,750) | (\$3,917) | (\$4,000) |
| Envrionmental Compliance - Air | (\$87,881) | (\$367,647) | (\$645,679) | (\$795,867) | (\$638,083) |
| Envrionmental Compliance - CCP | (\$1,070) | (\$6,582) | (\$1,860) | (\$41,747) | (\$37,963) |
| Black Start | \$0 | (\$635) | \$997 | (\$418) | \$315 |
| Total Variance | (\$83,276) | (\$439,311) | (\$612,323) | (\$825,433) | (\$636,174) |

2011-2015 Cost of Removal/ARO Comparison (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|---------|-----------|---------|-----------|-------------|
| Total Cost of Removal | \$2,050 | \$13,174 | \$981 | \$8,388 | \$211,971 |
| Target | \$4,272 | \$4,048 | \$4,048 | \$2,024 | \$0 |
| Variance to Target | \$2,222 | (\$9,126) | \$3,067 | (\$6,364) | (\$211,971) |

Variance Explanations

| | | | | | |
|---|---------|-----------|---------|-----------|-------------|
| Brown 3 SCR | (\$887) | (\$628) | \$0 | \$0 | \$0 |
| Ohio Falls | \$3,345 | \$2,140 | \$3,067 | \$11 | \$0 |
| Environmental Compl. Air - Mill Creek 3 | \$0 | \$0 | \$0 | (\$6,375) | (\$19,125) |
| Environmental Compl. CCP - Ghent | \$0 | \$0 | \$0 | \$0 | (\$125,320) |
| Environmental Compl. CCP - Green River | \$0 | (\$8,868) | \$0 | \$0 | \$0 |
| Environmental Compl. CCP - Pineville | \$0 | (\$1,770) | \$0 | \$0 | \$0 |
| Environmental Compl. CCP - Cane Run | (\$236) | \$0 | \$0 | \$0 | \$0 |
| Environmental Compl. CCP - Mill Creek | \$0 | \$0 | \$0 | \$0 | (\$32,116) |
| Environmental Compl. CCP - Trimble | \$0 | \$0 | \$0 | \$0 | (\$35,409) |
| Total Variance | \$2,222 | (\$9,126) | \$3,067 | (\$6,364) | (\$211,971) |

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--------------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Managers - Major Capital Projects | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Procurement Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| HR/IR Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Contract Administrator | 1 | 1 | 3 | 3 | 3 | 3 | 3 |
| Engineers - Lead | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Chemical | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Civil | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Engineers - Electrical | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Engineers - Mechanical | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Project Coordinators | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Safety Specialists | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Project Manager Admin Assistants | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Staff Admin Assistants | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Coop/Intern Student | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| TOTAL | <u>48</u> | <u>47</u> | <u>49</u> | <u>49</u> | <u>49</u> | <u>49</u> | <u>49</u> |
| From 2010 MTP | | <u>47</u> | <u>47</u> | <u>47</u> | | | |
| Project Engineering Contracted Staff | 16 | 11 | 11 | 11 | 11 | 11 | 11 |
| Safety IR Target | | | 1.5 | 1.5 | 1.5 | 1.50 | 1.50 |

Note - FTE number shown above for the 2011 MTP period does not account for the incremental FTE needed for the environmental air compliance projects.

Risks and Sensitivities

Capital

- MC SO3 projects have been put off indefinitely as a result of BART being delayed due to the vacated CAIR ruling. There is no obligation to move forward until the new requirements are approved by the EPA.
- The estimated amounts for Environmental Compliance Air and CCR Ruling projects do not meet the criteria for Level I engineering accuracy.
- Amounts for Environmental Compliance Air and CCR Ruling projects are at risk until final regulations are made public.
- The Environmental Air Compliance and CCR Ruling projects are based on a one-year delay scenario for CATR and HAPs MACT.
- There are no dollars included for new Environmental Regulations relating to water.
- Landfill Gas, Bio Mass and the 100 MW Carbon Capture Sequestration are included as sensitivities and not in the main plan.

Appendix

2009-2015 Capital Breakdown (w/o COR) – Cash Basis (\$000)

| Project | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
| Expansion Plan | | | | | | | |
| TC2 (Net) | \$125,176 | \$32,002 | \$788 | \$0 | \$0 | \$0 | \$0 |
| Ohio Falls | \$822 | \$7,310 | \$20,572 | \$24,572 | \$21,220 | \$17,882 | \$1,000 |
| CCGT 2016 Cane Run | \$0 | \$1,103 | \$2,854 | \$9,417 | \$110,833 | \$207,083 | \$182,917 |
| CCGT 2019 Green River | \$0 | \$0 | \$0 | \$0 | \$2,750 | \$3,917 | \$4,000 |
| Expansion Plan Total | \$125,998 | \$40,415 | \$24,214 | \$33,989 | \$134,804 | \$228,882 | \$187,917 |
| ECR | | | | | | | |
| TC2 (Net) | \$45,791 | \$9,555 | \$338 | \$0 | \$0 | \$0 | \$0 |
| Brown FGD | \$141,095 | \$80,223 | \$6,066 | \$0 | \$0 | \$0 | \$0 |
| Ghent FGD | \$66,721 | \$25,412 | \$1,300 | \$0 | \$0 | \$0 | \$0 |
| Brown 3 SCR | \$476 | \$20,603 | \$50,017 | \$43,865 | \$2,000 | \$0 | \$0 |
| Brown CCP | \$7,065 | \$10,350 | \$13,329 | \$26,561 | \$24,197 | \$1,203 | \$0 |
| Cane Run CCP | \$897 | \$1,115 | \$2,447 | \$5,335 | \$11,518 | \$0 | \$0 |
| Ghent CCP | \$5,143 | \$19,798 | \$103,161 | \$99,124 | \$65,780 | \$5,115 | \$1,021 |
| Trimble County CCP (Net) | \$7,409 | \$18,735 | \$44,359 | \$90,642 | \$0 | \$0 | \$0 |
| SAM Mitigation MC 3 & 4 | \$0 | \$2,100 | \$13,900 | \$0 | \$0 | \$0 | \$0 |
| Environmental Compliance Air | \$0 | \$1,650 | \$87,881 | \$367,647 | \$645,679 | \$795,867 | \$638,083 |
| Environmental Compliance CCP | \$0 | \$0 | \$1,070 | \$6,582 | \$1,860 | \$41,747 | \$37,963 |
| Other Project Engineering Projects | \$3,837 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| ECR Plan Total | \$278,434 | \$189,542 | \$323,866 | \$639,757 | \$751,033 | \$843,933 | \$677,067 |
| Special Projects | | | | | | | |
| TC2 Spares (Net) | \$163 | \$7,476 | \$3,500 | \$0 | \$0 | \$0 | \$0 |
| Mill Creek Limestone Mill | \$308 | \$3,083 | \$7,492 | \$5,125 | \$0 | \$0 | \$0 |
| Black Start | \$0 | \$0 | \$0 | \$975 | \$11,251 | \$32,223 | \$25,232 |
| Special Projects Total | \$472 | \$10,559 | \$10,992 | \$6,100 | \$11,251 | \$32,223 | \$25,232 |
| Total Capital (107001) | \$404,905 | \$240,515 | \$359,072 | \$679,845 | \$897,087 | \$1,105,038 | \$890,216 |

Capital Review - Environmental Compliance - Air

Investment Cash (w/COR), \$Millions

Sanction Comparison

- No sanction to date other than initial \$2M for engineering studies.

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>Post 2015</u> | <u>Total</u> |
|---|-----------------|-------------|-------------|--------------|--------------|--------------|--------------|------------------|----------------|
| 2010 MTP | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2011 MTP Environmental Compliance - Air | | | | | | | | | |
| Env. Compliance - Air - BR 1 - SCR/FF/SAM Mit. | \$0 | \$0 | \$5 | \$32 | \$45 | \$32 | \$0 | \$0 | \$114 |
| Env. Compliance - Air - BR 2 - SCR/FF/SAM Mit. | \$0 | \$0 | \$9 | \$39 | \$63 | \$24 | \$15 | \$3 | \$154 |
| Env. Compliance - Air - BR 3 - FF | \$0 | \$0 | \$0 | \$0 | \$2 | \$25 | \$39 | \$17 | \$83 |
| Env. Compliance - Air - GH 1 - FF | \$0 | \$0 | \$0 | \$0 | \$4 | \$52 | \$81 | \$34 | \$171 |
| Env. Compliance - Air - GH 2 - SCR/FF | \$0 | \$0 | \$11 | \$71 | \$108 | \$120 | \$80 | \$30 | \$420 |
| Env. Compliance - Air - GH 3 - FF | \$0 | \$0 | \$0 | \$0 | \$18 | \$59 | \$85 | \$16 | \$178 |
| Env. Compliance - Air - GH 4 - FF | \$0 | \$0 | \$0 | \$0 | \$12 | \$50 | \$76 | \$14 | \$152 |
| Env. Compliance - Air - GH 1 - 4 SAM Mitigation | \$0 | \$1 | \$16 | \$15 | \$0 | \$0 | \$0 | \$0 | \$33 |
| Env. Compliance - Air - MC 1 - UFGD/SCR/FF/SAM Mit. | \$0 | \$0 | \$0 | \$9 | \$47 | \$115 | \$53 | \$59 | \$283 |
| Env. Compliance - Air - MC 2 - UFGD/SCR/FF/SAM Mit. | \$0 | \$0 | \$12 | \$57 | \$129 | \$55 | \$50 | \$7 | \$310 |
| Env. Compliance - Air - MC 3 - UFGD 4/FF | \$0 | \$0 | \$0 | \$2 | \$35 | \$110 | \$95 | \$0 | \$242 |
| Env. Compliance - Air - MC 4 - FGD/FF | \$0 | \$0 | \$33 | \$142 | \$167 | \$106 | \$0 | \$0 | \$449 |
| Env. Compliance - Air - TC 1 - FF | \$0 | \$0 | \$0.0 | \$0 | \$14 | \$55 | \$82 | \$15 | \$166 |
| Env. Compliance - Air - Studies | \$0 | \$1 | \$1 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 |
| Total | \$0 | \$2 | \$88 | \$368 | \$646 | \$802 | \$657 | \$195 | \$2,758 |
| Variance to 2010 MTP | \$0 | (\$2) | (\$88) | (\$368) | (\$646) | (\$802) | (\$657) | (\$195) | (\$2,758) |

Key Messages

- Estimates shown above do not meet Level 1 engineering quality.
- Amounts in plan assume CATR by January 2015 (1 year delay), NAAQS by January 2016 and HAPs by January 2017 (1 year delay).
- Mill Creek numbers based on assumptions that MC 1 & 2 can be refurbished to achieve 96% SO₂ removal efficiency and MC 3 re-ducted to existing MC 4 FGD which can be refurbished to achieve 98% SO₂ removal efficiency.
- Includes \$25M for removal of MC 3 FGD.

Capital Review - Environmental Compliance - CCP Ruling

Investment Cash (w/COR), \$Millions

Sanction Comparison

- No sanction to date.

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>Post 2015</u> | <u>Total</u> |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|--------------|------------------|--------------|
| 2010 MTP | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2011 MTP Environmental Compliance - CCP | | | | | | | | | |
| Environmental Compliance - CCP - Brown | \$0 | \$0 | \$0 | \$1 | \$0 | \$1 | \$0 | \$0 | \$2 |
| Environmental Compliance - CCP - Ghent | \$0 | \$0 | \$0 | \$3 | \$1 | \$19 | \$142 | \$144 | \$309 |
| Environmental Compliance - CCP - Green River | \$0 | \$0 | \$0 | \$9 | \$0 | \$5 | \$1 | \$76 | \$92 |
| Environmental Compliance - CCP - Pineville | \$0 | \$0 | \$1 | \$2 | \$0 | \$0 | \$0 | \$0 | \$3 |
| Environmental Compliance - CCP - Tyrone | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$4 | \$20 | \$25 |
| Environmental Compliance - CCP - Cane Run | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$1 | \$73 | \$76 |
| Environmental Compliance - CCP - Mill Creek | \$0 | \$0 | \$0 | \$2 | \$1 | \$11 | \$46 | \$41 | \$101 |
| Environmental Compliance - CCP - Trimble | \$0 | \$0 | \$0 | \$1 | \$0 | \$3 | \$36 | \$39 | \$80 |
| Total | <u>\$0</u> | <u>\$0</u> | <u>\$1</u> | <u>\$17</u> | <u>\$2</u> | <u>\$42</u> | <u>\$231</u> | <u>\$395</u> | <u>\$688</u> |
| Variance to 2010 MTP | \$0 | \$0 | (\$1) | (\$17) | (\$2) | (\$42) | (\$231) | (\$395) | (\$688) |

Key Messages

- Estimates shown above do not meet Level 1 engineering quality.
- Includes \$481M for ARO/Removal for closure and capping of ponds.
- Post 2015 costs associated with plant closures are not included.

Capital Review - CCGT 2016 Cane Run

Investment Cash (w/COR), \$Millions

Sanction Comparison

- No sanction to date other than initial \$4M, for up-front engineering.

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>Post 2015</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|--------------|--------------|--------------|----------------------|--------------|
| 2010 MTP | \$3 | \$2 | \$11 | \$8 | \$207 | \$220 | \$215 | \$152 | \$818 |
| 2011 MTP | <u>\$0</u> | <u>\$1</u> | <u>\$3</u> | <u>\$9</u> | <u>\$111</u> | <u>\$207</u> | <u>\$183</u> | <u>\$75</u> | <u>\$589</u> |
| Variance to 2010 MTP | \$3 | \$1 | \$8 | (\$2) | \$96 | \$13 | \$33 | \$77 | \$229 |

Key Messages

- The CCGT 2016 modeled on a 640MW (summer, net) compared to a 2017 533MW (summer, net) in the 2010 MTP.
- Cash flows built to reflect a 1/1/16 commercial operation date.

Capital Review - Brown CCP

Investment Cash (w/COR), \$Millions

Sanction Comparison

| <u>Total</u> | <u>Variance</u> |
|-------------------|--------------------|
| <u>Projection</u> | <u>to Sanction</u> |
| \$155 | (\$57) |
| \$98 | |

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>Post</u> | <u>Total</u> |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | | | | | | | | <u>2015</u> | |
| 2010 MTP (Pond - Phase I - IV) | \$48 | \$30 | \$10 | \$9 | \$5 | \$5 | \$7 | \$90 | \$204 |
| 2011 MTP | | | | | | | | | |
| Landfill | \$47 | \$10 | \$13 | \$27 | \$24 | \$1 | \$0 | \$32 | \$155 |
| Pond - Phase I - IV | \$47 | \$19 | \$8 | \$4 | \$6 | \$4 | \$9 | \$179 | \$276 |
| Variance - Landfill to 2010 MTP | \$1 | \$19 | (\$3) | (\$18) | (\$19) | \$4 | \$7 | \$58 | \$49 |
| Variance - Pond to 2010 MTP | \$1 | \$11 | \$2 | \$5 | (\$1) | \$2 | (\$2) | (\$88) | (\$72) |
| Variance - Pond to Landfill | \$0 | \$9 | (\$5) | (\$22) | (\$18) | \$2 | \$9 | \$146 | \$121 |

Key Messages

- The 2011 MTP has been changed to reflect the Brown Ash Pond being converted to a landfill.
- The sanction only covers Phases I & II of the ash pond. Phases III & IV have not yet been sanctioned. Under the pond option an additional \$178M would have been necessary versus \$57M with the decided landfill option.
- ECR implications of converting to a landfill are currently under review.

Capital Review - Cane Run CCP

Investment Cash (w/COR), \$Millions Sanction Comparison

| | <u>Total Projection</u> | <u>Sanction</u> | <u>Variance to Sanction</u> |
|---------|-----------------------------|-----------------|---------------------------------|
| Phase I | \$22 | \$19 | (\$3) |

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Post <u>2015</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|
| 2010 MTP | \$2 | \$1 | \$7 | \$5 | \$2 | \$1 | \$6 | \$29 | \$54 |
| 2011 MTP | \$1 | \$1 | \$2 | \$5 | \$12 | \$0 | \$0 | \$1 | \$22 |
| Variance to 2010 MTP | \$1 | \$0 | \$5 | (\$0) | (\$9) | \$1 | \$6 | \$28 | \$31 |

Key Messages

- The 2010 Plan included four phases. The 2011 plan only includes one phase due to decision to build a CCGT at Cane Run. This results in an overall reduction as later phases will not be necessary.
- Increase on Phase I is driven by transmission line relocation costs higher than estimated.
- Amount post 2015 is for closure once the CCGT is in service.

Capital Review - Ghent CCP Phase I, Gypsum Fines & Transport

Investment Cash (w/COR), \$Millions
Sanction Comparison

| | |
|--------------------------|------------------------------------|
| Total | Variance |
| <u>Projection</u> | <u>Sanction to Sanction</u> |
| \$302 | (\$97) |

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Post <u>2015</u> | <u>Total</u> |
|-------------------------------------|-----------------|-------------|--------------|-------------|-------------|-------------|-------------|----------------------------|--------------|
| Phase I | | | | | | | | | |
| 2010 MTP | \$5 | \$11 | \$4 | \$12 | \$18 | \$11 | \$1 | \$1 | \$64 |
| 2011 MTP | <u>\$6</u> | <u>\$18</u> | <u>\$13</u> | <u>\$10</u> | <u>\$9</u> | <u>\$5</u> | <u>\$1</u> | <u>\$2</u> | <u>\$63</u> |
| Variance to 2010 MTP | (\$1) | (\$7) | (\$9) | \$2 | \$10 | \$6 | \$0 | (\$0) | \$1 |
| | | | | | | | | | |
| Gypsum Fines & Transport | | | | | | | | | |
| 2010 MTP | \$0 | \$6 | \$65 | \$69 | \$0 | \$0 | \$0 | \$0 | \$140 |
| 2011 MTP | <u>\$0</u> | <u>\$2</u> | <u>\$90</u> | <u>\$89</u> | <u>\$57</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$238</u> |
| Variance to 2010 MTP | \$0 | \$4 | (\$25) | (\$20) | (\$57) | \$0 | \$0 | \$0 | (\$98) |
| | | | | | | | | | |
| Total | | | | | | | | | |
| 2010 MTP | \$5 | \$17 | \$69 | \$81 | \$18 | \$11 | \$1 | \$1 | \$205 |
| 2011 MTP | <u>\$6</u> | <u>\$20</u> | <u>\$103</u> | <u>\$99</u> | <u>\$66</u> | <u>\$5</u> | <u>\$1</u> | <u>\$2</u> | <u>\$302</u> |
| Variance to 2010 MTP | (\$1) | (\$2) | (\$34) | (\$18) | (\$47) | \$6 | \$0 | (\$0) | (\$97) |

Key Messages

- Increase is a result of more refined engineering on the Gypsum Fines & Transport System.
- In service date is 2014, but capital spend will continue through 2017.

Capital Review - Trimble County CCP BAP/GSP, Phase I Landfill, Transport & Holcim Barge Loading

Investment Cash (w/COR), \$Millions

Sanction Comparison

| | <u>Total Projection</u> | <u>Sanction</u> | <u>Variance to Sanction</u> |
|----------------------------|-----------------------------|-----------------|---------------------------------|
| BAP/GSP | \$26 | \$25 | (\$1) |
| Phase I Landfill/Transport | \$129 | \$73 | (\$56) |
| Holcim Barge Loading | \$8 | \$8 | \$0 |

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|--------------|
| BAP/GSP | | | | | |
| 2010 MTP | \$8 | \$17 | \$0 | \$0 | \$25 |
| 2011 MTP | <u>\$9</u> | <u>\$15</u> | <u>\$2</u> | <u>\$0</u> | <u>\$26</u> |
| Variance to 2010 MTP | (\$1) | \$2 | (\$2) | \$0 | (\$1) |
| Phase I Landfill | | | | | |
| 2010 MTP | \$2 | \$0 | \$32 | \$7 | \$42 |
| 2011 MTP | <u>\$0</u> | <u>\$3</u> | <u>\$35</u> | <u>\$19</u> | <u>\$57</u> |
| Variance to 2010 MTP | \$2 | (\$2) | (\$3) | (\$12) | (\$15) |
| Transport | | | | | |
| 2010 MTP | \$0 | \$0 | \$0 | \$31 | \$31 |
| 2011 MTP | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$71</u> | <u>\$71</u> |
| Variance to 2010 MTP | \$0 | \$0 | \$0 | (\$41) | (\$41) |
| Holcim Barge Loading | | | | | |
| 2010 MTP | \$1 | \$7 | \$0 | \$0 | \$8 |
| 2011 MTP | <u>\$0</u> | <u>\$1</u> | <u>\$7</u> | <u>\$0</u> | <u>\$8</u> |
| Variance to 2010 MTP | \$1 | \$6 | (\$7) | \$0 | \$0 |
| Total | | | | | |
| 2010 MTP | \$11 | \$25 | \$32 | \$38 | \$106 |
| 2011 MTP | <u>\$9</u> | <u>\$19</u> | <u>\$44</u> | <u>\$91</u> | <u>\$163</u> |
| Variance to 2010 MTP | \$2 | \$6 | (\$12) | (\$53) | (\$57) |

Key Messages

- All numbers are net IMPA/IMEA.
- Cost increases driven primarily by refinement of Transport System scope.

Capital Review - Brown 3 SCR

Investment Cash (w/COR), \$Millions

Sanction Comparison

| <u>Total Projection</u> | <u>Sanction</u> | <u>Variance to Sanction</u> |
|-----------------------------|-----------------|---------------------------------|
| \$119 | \$185 | \$66 |

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|--------------|
| 2010 MTP | \$3 | \$22 | \$62 | \$70 | \$11 | \$168 |
| 2011 MTP | <u>\$1</u> | <u>\$21</u> | <u>\$51</u> | <u>\$44</u> | <u>\$2</u> | <u>\$119</u> |
| Variance to 2010 MTP | \$2 | \$1 | \$11 | \$25 | \$9 | \$48 |

Key Messages

- Variance driven by EPC and Technology Contracts being less than originally estimated. Original estimate was developed during a period of high inflation.

Capital Review - Ohio Falls

Investment Cash (w/COR), \$Millions Sanction Comparison

| <u>Total Projection</u> | <u>Sanction</u> | <u>Variance to Sanction</u> |
|-----------------------------|-----------------|---------------------------------|
| \$130 | \$130 | \$0 |

MTP Comparison

| | <u>Pre-2010</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| 2010 MTP | \$32 | \$3 | \$24 | \$26 | \$26 | \$15 | \$0 | \$125 |
| 2011 MTP | <u>\$32</u> | <u>\$7</u> | <u>\$21</u> | <u>\$26</u> | <u>\$22</u> | <u>\$20</u> | <u>\$1</u> | <u>\$130</u> |
| Variance to 2010 MTP | \$0 | (\$5) | \$2 | (\$1) | \$4 | (\$5) | (\$1) | (\$5) |

Key Messages

- Above figures include removal cost of \$7.7M.
- 74% of this project has been negotiated into a lump sum contract with Voith.



Energy Marketing

2011-2015 MTP

Revised December, 2010

- **Plan Highlights** **p. 3**
- **Major Assumptions** **p. 4**
- **Financial Performance**
 - **Operating Expense** **p. 5**
 - **OSS Margin** **p. 6**
 - **Target Reconciliation** **p. 7**
 - **Capital** **p. 8**
 - **Headcount** **p. 9**
 - **Plan Risks** **p. 10**
- **Appendix**

Key Objectives

- Optimize the utilization of existing assets to provide reliable, low cost energy.
- Procure coal and gas necessary to cost-effectively operate generating plants.
- Provide high quality analysis to enhance decision-making.
- Develop and maintain infrastructure to support significant business information needs.
- Enhance processes required to meet reliability standards.
- Improve analysis capability and knowledge related to retail customer energy usage to support energy efficiency efforts.

- Commodity prices as approved by RCG on 6-11-10.
- Generating units reach availability targets.
- Fuel suppliers meet contractual obligations.
- Off-system sales are charged an internal transmission tariff.
- OSS internal transmission expense is offset by revenue in Transmission line of business.

2009-2015 Operating Expenses (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 4,522 | 5,166 | 5,601 | 5,941 | 6,136 | 6,351 | 6,573 |
| Burdens | 3,822 | 4,484 | 4,705 | 4,762 | 4,802 | 4,970 | 5,144 |
| Non labor Regulated Trading | 247 | 398 | 367 | 360 | 371 | 437 | 445 |
| Non labor Business Information | 51 | 193 | 173 | 153 | 158 | 212 | 216 |
| Non labor Director Energy PF&A | 29 | 114 | 106 | 69 | 72 | 124 | 127 |
| Non labor Generation Planning | 55 | 300 | 233 | 239 | 246 | 282 | 287 |
| Non labor Economic Analysis | 205 | 441 | 387 | 377 | 387 | 415 | 423 |
| Non labor Sales Analysis | 70 | 214 | 153 | 132 | 137 | 185 | 189 |
| Non labor Operations Analysis | 2 | 13 | 12 | 12 | 12 | 12 | 13 |
| Non labor VP Energy Marketing | 20 | 66 | 57 | 46 | 47 | (277) | (276) |
| Non labor Allocated Support | 40 | 66 | 109 | 111 | 117 | 119 | 122 |
| Non labor Non-reg Trading | - | 18 | - | - | - | - | - |
| Total OPEX for EBIT | <u>9,063</u> | <u>11,473</u> | <u>11,903</u> | <u>12,202</u> | <u>12,485</u> | <u>12,830</u> | <u>13,263</u> |

2009-2015 OSS Margin (\$000)

| | 2009 Actual | 2010 Budget | 7+5 2010 Forecast | 2010 MTP 2011 | 2011 MTP | | | | |
|---------------------------------|----------------|----------------|----------------------|------------------|---------------|---------------|---------------|--------------|--------------|
| | | | | | 2011 | 2012 | 2013 | 2014 | 2015 |
| OSS Margin | 17,229 | 15,577 | 8,984 | 32,400 | 16,058 | 15,829 | 17,185 | 9,022 | 6,825 |
| Transmission Expense (Internal) | 2,582 | 3,127 | 2,618 | 4,876 | 3,722 | 3,609 | 3,908 | 2,620 | 2,355 |
| Stretch | - | 3,000 | | 5,000 | - | - | - | - | - |
| Total OSS Margin | 14,647 | 15,450 | 6,366 | 32,524 | 12,336 | 12,220 | 13,277 | 6,402 | 4,470 |

2010 MTP

Modeled OSS Margin for 2010 and 2011
Stretch
MTP Margin

| | | |
|--------------------------------------|---------------|---------------|
| Modeled OSS Margin for 2010 and 2011 | 27,524 | 24,171 |
| Stretch | 5,000 | 5,000 |
| MTP Margin | 32,524 | 29,171 |

Generation Volume GWh

| | | | | | | | | | |
|----------|-----|-----|-----|-------|-----|-----|-----|-----|-----|
| On-peak | 462 | 658 | 773 | 1,277 | 526 | 566 | 531 | 340 | 298 |
| Off-peak | 123 | 77 | 201 | 370 | 551 | 395 | 387 | 180 | 154 |
| Weekend | 173 | 645 | 332 | 946 | 612 | 570 | 695 | 305 | 200 |

2011-2015 Target Comparison (\$000)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Total OPEX | 11,903 | 12,202 | 12,485 | 12,830 | 13,263 |
| Total Gross Margin (if applicable) | - | - | - | - | - |
| Total | <u>11,903</u> | <u>12,202</u> | <u>12,485</u> | <u>12,830</u> | <u>13,263</u> |
| | | | | | |
| Total OPEX Target | 11,979 | 12,302 | 13,497 | 13,899 | 14,341 |
| Total Gross Margin Target | - | - | - | - | - |
| Total Target | <u>11,979</u> | <u>12,302</u> | <u>13,497</u> | <u>13,899</u> | <u>14,341</u> |
| Variance to Target | <u>76</u> | <u>100</u> | <u>1,012</u> | <u>1,069</u> | <u>1,078</u> |
| | | | | | |
| <u>Major Variance Contributors (Unfavorable):</u> | | | | | |
| License Fees (Aurora & PowerSimm) | (240) | (246) | (251) | (256) | (261) |
| Outside Services | (75) | 46 | 48 | 50 | 52 |
| Labor | 391 | 284 | 294 | 304 | 315 |
| Other | - | 16 | 8 | 2 | (4) |
| Adjustment for MRMD changes in 2010 LTP | - | - | 913 | 969 | 976 |
| Total | <u>76</u> | <u>100</u> | <u>1,012</u> | <u>1,069</u> | <u>1,078</u> |

2011-2015 Capital Comparison – Cash Basis (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------|------|------|------|------|------|
| Total Capital | 250 | 250 | 250 | 250 | 250 |
| Target | 250 | 250 | 250 | 250 | 250 |
| Variance To Target | - | - | - | - | - |
| <u>Variance Explanations</u> | | | | | |
| No Variances | | | | | |
| Total Variance | - | - | - | - | - |

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Regulated Trading | 26 | 27 | 27 | 27 | 27 | 27 | 27 |
| Non-regulated Trading | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operations Analysis | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Economic Analysis | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sales Analysis | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| Generation Planning | 7 | 8 | 9 | 9 | 9 | 9 | 9 |
| Director Planning & Analysis | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Business Information | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| VP Energy Marketing | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| SVP on Assignment | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total Energy Marketing | 61 | 61 | 62 | 62 | 62 | 62 | 62 |
| Corporate Fuels | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| TOTAL | 76 | 76 | 77 | 77 | 77 | 77 | 77 |
| From 2010 MTP | | 83 | 76 | 76 | | | |

Major Developments/Changes

- Non-regulated Trading group was moved to Transmission and became the Balancing Authority Department.

- Natural gas prices weaken causing wholesale electricity prices to decline.
- Higher than forecast native load due to either weather or economic growth cannibalizes off-system sales.
- Higher than planned generating outages.
- Delay in TC2 commercial operations.
- Availability of transmission capacity to make sales.



Regulated Generation / Power Production

2011-2015 MTP

Revised December 2010

- **Key Initiatives**
- **Major Assumptions**
- **Financial Performance**
 - **Operating Expense (O&M, BTL & Outside Services for FH & OCOS)**
 - **Cost of Sales / Gross Margin**
 - **Target Reconciliation**
 - **Headcount**
 - **Risks & Sensitivities**
 - **Operational Performance**
 - **Initiatives**
 - **Key Performance Indicators**
- **Appendix**

| Area of Focus | Activities |
|---|--|
| <p align="center">Safety</p> | <ul style="list-style-type: none"> • Further advancement of the safety culture for employees and contractors building on the exceptional performance to date. • Relentless repetition of safety related expectations with 'Focus on Fundamentals'. • Further incorporation of Wellness initiatives into Safety processes. |
| <p>Workforce Development</p> | <ul style="list-style-type: none"> • Continue focus on addressing the aging workforce issues while working within existing approved staffing levels. • Focus on the development of the next generation of leadership by providing training and assignment opportunities to enhance leadership skills. • Expanded engagement of Front Line Leaders in planning and cost monitoring. • Enhance Operator Training Program to support Workforce Planning objectives. • Continue targeted training of maintenance personnel based on needs assessment. |
| <p>Process Improvement and Standardization</p> | <ul style="list-style-type: none"> • Standardization of major plant processes with consistent application of best practices, work rules and policies across the fleet. • Continue the utilization of plant performance metrics with focus on cost identification and controls. • Further the development of a consistent planning and cost accounting structure across all plants. • Enhance communication and management of interfaces between plants and all support groups by focus on end result processes. |

| Area of Focus | Activities |
|-----------------------------|--|
| <p>Reliability</p> | <ul style="list-style-type: none"> • Increase the level of granularity within the Maintenance Planning Process. • Refine and Optimize the utilization of Predictive Maintenance Programs and associated metrics. • Increased emphasis on unit inspection process and protocols. • Finite development of boiler condition monitoring to determine short and long term investment requirements in order to reduce BTF related outages. • Complete the implementation of generating unit monitoring and diagnostics program using services and software provided by Black & Veatch. • Utilization of System Audits to determine short and long term investment requirements. • Continue implementation of DCS control system Alarm Management Program. |
| <p>Environmental</p> | <ul style="list-style-type: none"> • Active engagement with regulation/permit development and aggressively pursue appropriate permit limits. • Clear and concise articulation of permit requirements and process responsibilities between plants and respective support organizations. • Continually monitor pending and potential regulations for business impact. |

| Area of Focus | Activities |
|--|---|
| <p>NERC Reliability Standards</p> | <ul style="list-style-type: none"> • Proactive engagement in new standard development and existing standard revisions. • Enhance compliance monitoring and metrics for applicable standards. • Aggressive promotion of a Compliance Culture. |
| <p>Other Regulatory</p> | <ul style="list-style-type: none"> • Actively support recovery of appropriate environmental costs through defined regulatory processes. |

1. Regulatory

- 1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.
- 1.2 Target Reserve Margin of 14%, within a range of 13%-15%.
 - No reserve margin purchases are planned.
- 1.3 Reserve sharing remains under the TVA/EKPC Reserve Sharing Agreement (~ 230 MW).
- 1.4 E.ON U.S. remains committed to burning higher sulfur fuels.

2. Proposed or Expected New Environmental Regulations for Air and Water

NOTE: Under the “Delayed EPA Response” scenario, the assumptions in section 2 are based on a one-year delay for the new Clean Air Transport Rule (CATR) and a two-year delay for Hazardous Air Pollutants (HAPS).

- 2.1 Proposed New Clean Air Transport Rules (CATR) were issued in June, 2010, with Phase I starting in 1/1/2012 and Phase 2 starting in 1/1/2014.
 - Internal assumption: final implementation dates of 1/1/2013 and 1/1/2015 respectively, based on possible changes in final rules and a stay due to litigation (a one-year delay in each phase).
 - Under these rules the existing allowance banks for SO₂ and NO_x cannot be used.
- 2.2 Hazardous Air Pollutants (HAPS) Maximum Available Control Technology (MACT) proposed rules expected in March 2011, final rules December 2011, plus “automatic” one-year delay, plus three-year implementation period results in December 2015 effective date.
 - Internal assumption: one year additional delay in developing final rules results in an end of 2016 (January 1, 2017) effective date.

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.3 The final National Ambient Air Quality Standards (NAAQS) rules have been issued, with one hour standards in place for NO_x in late 2016, and SO₂ in June 2017.

2.4 Cane Run Coal will be retired January 1, 2016.

2.5 Tyrone Coal will be retired January 1, 2016.

2.6 Green River Coal will be retired June 1, 2019.

- **Presuming certain controls are in place or emissions are reduced prior to 2020.**
- **Combined cycle replacement available on that date.**

2.7 GHG NSR requirement will begin January 2011.

- **GHG BACT will be required, though not yet defined.**

2. Proposed or Expected New Environmental Regulations for Air and Water (Cont.)

2.8 Engineering studies taking place in late 2010 and 2011 include:

- Combined cycle installations at alternative sites
- Additional SCR's
- Activated Carbon Injection
- FGD Renovations
- Precipitator upgrades
- Fabric Filters
- Dense packs on larger units

2.9 Effluent water guidelines draft regulations are expected in late 2011, with final regulations in place by 2012-2013.

- Ultimate implementation timing as well as scope are uncertain at this time.

3. Expansion/Capacity

3.1 A combined cycle unit will be added January 1, 2016 at the Cane Run location.

- Replacing Cane Run Coal (Company split is 53% KU, 47% LG&E)

3.2 A second combined cycle unit will be added June 1, 2019 at the Green River location.

- Replacing Green River Coal (Company split is 53% KU, 47% LG&E)
- Adding CT's instead of the second combined cycle is still being considered.

3.3 After running through 2010, Tyrone will be in lay-up status for the full MTP period, and then retired on January 1, 2016.

3.4 TC2 will be in commercial operations in the 4th Quarter of 2010. Initial reliability expected to be lower than normal for the first year which has been reflected in the EFOR system target.

- TC2 meets all permit requirements and no additional controls are needed.

3.5 The six Ohio Falls units still to be rehabilitated will be staged one unit every 7-8 months between 2011 and 2014.

3.6 Landfill gas projects are a sensitivity, not included in the base MTP.

3.7. Steam efficiency upgrades (dense packs) are included for:

- Ghent 4 in 2015
- Ghent 3 in 2017
- Ghent 2 in 2019
- Ghent 1 in 2020
- Brown 3 in 2012 was pulled by the RAC but could be reinstated in a later forecast if funds become available.
- Mill Creek 1 in 2020
- Mill Creek 2 in 2019
- Mill Creek 3 in 2019
- Trimble County 1 in 2017

3. Expansion/Capacity (Cont.)

- 3.8 Biomass co-firing projects for 2 units are a sensitivity, not included in the base MTP.**
- 3.9 Wind power purchase agreements are not included in the base MTP.**
- 3.10 Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2013.**
- 3.11 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.**
 - Group 3 consists of the older, smaller CT's.**
 - No Group 3 units are being retired in the plan.**
- 3.12 A carbon capture and sequestration (CCS) demonstration facility for 100 MW is listed as a sensitivity.**

4. Coal Combustion By-Products (CCP)

- 4.1 The EPA issued proposed rules for coal combustion residuals (CCR's) in June 2010.**
 - Final rules are expected January 1, 2012, with a five-year implementation period.**
 - A stay due to litigation is probable.**
 - A designation of "Hazardous" vs. "Non-Hazardous" is considered too close to call at this point.**
 - The designation will not change the capital plan but would reduce beneficial re-use opportunities for structural fill if declared "hazardous".**
- 4.2 Trimble County Bottom Ash Pond extension will be operational in early 2011. Trimble County Gypsum Pond will be operational by late 2010.**

4. Coal Combustion By-Products (CCP) (Cont.)

4.3 Trimble County Landfill Phase I will be substantially completed by 2014, with significant O&M starting in 2013.

- **Holcim off-takes are included, as well as the barge load-out facility.**
- **Holcim agreement and barge load out facility are delayed one year compared to the 2010 MTP.**

4.4 Brown Ash Pond is being converted to a landfill.

- **In-service date of January 2014.**

4.5 Ghent landfill Phase 1 will be completed by 2014, with significant O&M starting in 2014.

- **Ghent Trans Ash contract for gypsum has been removed from the plan.**
- **Should a more favorable than expected EPA ruling occur, this will be re-visited.**

4.6 Cane Run Landfill Phase 1 will be completed in 2012 with significant O&M starting in 2012.

- **This will be the only phase completed prior to retirement.**

4.7 Extension of Mill Creek landfill will be considered in light of the proposed CCR rules.

4.8 All CCP Capital Projects use an annual escalation rate of 6.0%.

- **Escalation rate is biased higher to reflect the petroleum impact on the liner material and fuel in the earth moving equipment.**

- 5. Other Environmental (in addition to CATR HAPS and CCP's) Resulting in Significant Capital Additions**
- 5.1 Double liners are included in the cost estimates for Ghent, Trimble, and Cane Run landfills.**
- The double liner adds about \$5M per phase per site to the total cost.
- 5.2 The Brown 3 SCR will be in-service in the third quarter of 2012.**
- Presuming PSD permit is issued prior to January, 2011.
 - Low sulfur coal will be required until the SO₃ system is in place (Third Qtr. 2011).
 - Operating parameters under the consent decree will be very tight for Brown 3.
- 5.3 The Brown FGD went in-service for Unit 3 in May 2010 and Units 1 & 2 are planned for November 2010. (Reliability impacts are expected from fuel switching and new equipment quality and have been reflected in the EFOR targets).**
- Due to supplies of lower sulfur coal remaining, the impacts of burning higher sulfur coal won't be known until 2012.
- 5.4 FGD ductwork renovations at Mill Creek are as follows:**
- Unit 2 in 2011.
 - Unit 1 will be part of new environmental capital.
 - Unit 4 will be part of new environmental capital.
 - Unit 3 has already been completed.
 - ✓ Timing and ultimate scope will be impacted by proposed new air regulations.
- 5.5 SO₃ mitigation on Mill Creek 3 and 4 will be operational by year-end 2011.**
- ✓ Timing and ultimate scope could be impacted by proposed new air regulations.
- 5.6 SO₃ mitigation on Ghent 2 will be operational by September, 2011.**
- Upgraded SO₃ Systems will be installed on the remaining Ghent Units in 2011 and 2012 which will achieve a lower overall SO₃ emissions level.
 - Dependent on settlement with EPA.

6. Operational and Other

6.1 Annual escalation rates for internal labor, contract labor and materials are as follows (Annual unless noted otherwise):

- Internal labor: 3.5%.
- Contract/services labor: 3.0% for general, 4.0% for highly skilled (welders).
- Chemicals: 6.0% for specialty (GE Betz), 8.0% for commodity (Univar).
- Fuels and additives 5.0%, copper 6.0%, plastic pipe 6.0%.
- Carbon steel plate 6.0%, fabricated steel 3.0% 2011, 5.0% 2012, and 5.5% 2013; Alloy steel 2.0% 2011, 3.0% 2012 and 2013.
- Carbon steel plate is a sensitivity, as double-digit increases are currently being experienced due to the Asian demand for scrap.
- All other materials: 5.0% composite rate for 2011, 5.5% composite rate for 2012 and 2013.

6.2 By the end of 2012, planned outages on coal-fired units are all on a 24-month cycle, with 1-week pit stop outages in alternate years.

6. Operational and Other (Cont.)

6.3 Combustion turbine outages in the plan:

- **Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense) vs. new parts (capital).**
- **Number of Trimble units undergoing the hot gas path inspection include one in 2010, two in 2011, two in 2012, and the final one in 2013.**
- **Paddy's Run 13 major outage is scheduled for fourth quarter 2010 and first quarter 2011, though driven by current conditions of the unit, not increased run-times.**
- **Brown C inspections include:**
 - ✓ **Unit 9 in 2013**
 - ✓ **Unit 10 in 2014**
 - ✓ **Unit 11 in 2016**
 - ✓ **Unit 6 in 2017**
 - ✓ **Unit 7 in 2018**
 - ✓ **Unit 5 in 2020**

6. Operational and Other (Cont.)

6.4 Significant generator rewind/stator rewind dollars are included in the 2011-2016 timeframe.

- **Brown 3 generator (stator and rotor) rewind in 2012.**
- **Brown 2 generator (stator and rotor) rewind in 2015/2016.**
- **Spare stator bars ordered and received for Ghent 2-4, Mill Creek 1-4, and TC 1 between 2010 – 2016.**

6.5 Corrosion fatigue inspection dollars are included for Mill Creek 1 & 2, Brown 3, Ghent 2 and Cane Run 4.

- **Any repairs identified during the inspection are a sensitivity.**

6.6 High energy piping inspection dollars are included for Mill Creek 1-4, Trimble County 1, Cane Run 4 & 5, Ghent 2 & 3, Brown 1-3, and Green River 3.

- **Any repairs identified during the inspection are a sensitivity.**

6.7 \$6M capital for NERC Cyber Security resolution (all coal-fired stations plus Paddy's Run and Haefling).

6.8 The FutureGen expense is \$0.5M per year through the LTP period.

- **This is a much different scope than FutureGen (Mattoon, IL).**

6.9 Demolition (cost of removal) costs for Canal and Paddy's Run.

**\$0.5M Engineering 2011
\$2.5M 2012; \$10.0M 2013
\$17.0M 2014- 2015**

6.10 Significant O&M and cost of sales (\$177M per year) start once all units have been completed for CATR and HAPS per B&V study.

- **Costs will begin ramping up in 2014 as units are completed.**

2009-2015 OPERATING EXPENSES (\$000)

| Item | 2009 Actuals | 2010 Forecast* | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 62,056 | 66,281 | 71,778 | 75,544 | 79,295 | 82,070 | 84,942 |
| Burdens | 59,768 | 61,041 | 63,600 | 64,228 | 64,178 | 66,424 | 68,749 |
| Non labor (Outages) | 29,385 | 31,516 | 43,322 | 41,805 | 27,712 | 31,457 | 35,803 |
| Non labor (Resident Contrs.) | 8,968 | 21,752 | 22,919 | 23,699 | 27,242 | 27,787 | 28,342 |
| Non labor (Non-outage maint.) | 52,912 | 52,169 | 54,864 | 57,725 | 58,762 | 62,065 | 69,396 |
| Non labor O/S FH and OCOS | 8,149 | 6,035 | 6,526 | 7,100 | 11,627 | 15,859 | 12,097 |
| Non labor (Operations) | 22,079 | 22,667 | 21,794 | 22,938 | 23,544 | 23,580 | 24,159 |
| Non labor (FutureGen) | 65 | 0 | 500 | 500 | 500 | 500 | 500 |
| New Environmental | - | - | - | - | - | 70,411 | 112,284 |
| Subtotal OPEX for EBIT | <u>243,382</u> | <u>261,461</u> | <u>285,302</u> | <u>293,539</u> | <u>292,860</u> | <u>380,154</u> | <u>436,272</u> |
| Gross Margin Expenses (see next slide for detail) | 33,742 | 42,535 | 58,012 | 63,756 | 69,555 | 85,134 | 104,443 |
| Total Items for EBIT | <u><u>277,124</u></u> | <u><u>303,996</u></u> | <u><u>343,314</u></u> | <u><u>357,295</u></u> | <u><u>362,415</u></u> | <u><u>465,288</u></u> | <u><u>540,715</u></u> |

*Note: 2010 Forecast does not include Cost of Removal as part of OPEX although it has been for 2010 CORE reporting.

2009-2015 Margin Expenses / Cost of Sales (\$000)

| Item | 2009 Actuals | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------------|-----------------|------------------|----------------|---------------|---------------|---------------|----------------|
| Margin Expenses (list major items) | | | | | | | |
| Fuel Handling | 1,173 | 1,999 | 2,574 | 2,613 | 3,212 | 3,276 | 3,341 |
| Scrubber Reactant | 20,308 | 21,732 | 23,455 | 24,227 | 25,971 | 27,001 | 27,540 |
| Emission Allowances - SO2 | 1,039 | - | 186 | 114 | 100 | 102 | 105 |
| Emission Allowances - NOx | 40 | 455 | 7 | 3 | 1 | 1 | 1 |
| SCR Ammonia | 4,321 | 5,964 | 7,598 | 8,525 | 8,697 | 8,871 | 9,049 |
| SO3 Mitigation | 6,908 | 11,555 | 20,773 | 24,719 | 26,522 | 27,052 | 27,593 |
| Activated Carbon | - | 962 | 3,789 | 4,081 | 4,846 | 4,943 | 5,042 |
| Other Waste Disposal | (46) | (132) | (371) | (526) | 206 | 210 | 215 |
| New Environmental | - | - | - | - | - | 13,678 | 31,558 |
| Total Items for EBIT | 33,742 | 42,535 | 58,012 | 63,756 | 69,555 | 85,134 | 104,443 |

2011-2015 Plan to Target Comparison (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total OPEX | 285,302 | 293,539 | 292,860 | 380,173 | 436,290 |
| Total Gross Margin Expense | 58,012 | 63,756 | 69,555 | 85,134 | 104,443 |
| Total Combined EBIT Expense | <u>343,314</u> | <u>357,295</u> | <u>362,415</u> | <u>465,307</u> | <u>540,733</u> |
| | | | | | |
| Total OPEX Target | 307,447 | 302,316 | 314,358 | 316,876 | 345,457 |
| Total Gross Margin Target | 52,261 | 58,203 | 128,327 | 201,060 | 289,492 |
| Total Target | <u>359,708</u> | <u>360,519</u> | <u>442,685</u> | <u>517,936</u> | <u>634,949</u> |
| | | | | | |
| Total Variance To Target | <u>16,394</u> | <u>3,224</u> | <u>80,270</u> | <u>52,630</u> | <u>94,216</u> |
| | | | | | |
| Major Variance Contributors: | | | | | |
| FutureGen project major scope change | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| SO3 Mitigation Increase (Usage based) | (9,209) | (8,082) | (9,552) | (9,743) | (9,938) |
| SCR Ammonia Costs Increase | (763) | (1,511) | (1,541) | (1,572) | (1,603) |
| Scrubber Reactant Cost Lower | 3,793 | 3,547 | 3,615 | 3,681 | 3,761 |
| Tyrone Layup Continued | 5,900 | 6,700 | 6,700 | 6,834 | 6,971 |
| Outage Scopes & Timing Shifts 2010-2015 | 4,700 | (2,582) | 900 | (3,191) | (1,596) |
| Contract labor for GH SO3 systems | (1,100) | (1,122) | (1,144) | (1,167) | (1,191) |
| Ash Pond & Handling System Maintenance | (1,592) | (1,792) | (1,828) | (1,864) | (1,902) |
| Removal of Carbon Allowances from Previous | - | - | 73,837 | 145,481 | 231,549 |
| CR FGD Savings Not Obtained (Capital Stop) | - | - | (8,000) | (8,240) | (8,487) |
| Delayed timing of GH Landfill Maintenance | - | - | 10,503 | 9,474 | 8,469 |
| New Environmental Systems (HAPS, CATR) | - | - | - | (84,089) | (143,843) |
| LTP Top Side Adjustments Late Last Year | - | - | - | (10,000) | 10,000 |
| All Other Smaller Maintenance & Other | 10,165 | 3,566 | 2,280 | 2,526 | (2,475) |
| | <u>16,394</u> | <u>3,224</u> | <u>80,270</u> | <u>52,630</u> | <u>94,216</u> |

2011-2015 Capital Comparison – GAAP Cash (\$000)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Capital | 116,125 | 92,573 | 108,515 | 86,304 | 82,747 |
| Target | 128,894 | 139,626 | 200,510 | 110,174 | 93,463 |
| Variance To Target | <u>12,769</u> | <u>47,053</u> | <u>91,995</u> | <u>23,870</u> | <u>10,716</u> |
| <u>Variance Explanations</u> | | | | | |
| Cane Run FGD Rehab Cancelled | 4,000 | 20,000 | 30,600 | 10,000 | - |
| Dix Dam Remediation Timing Change | (10,800) | (4,100) | 26,600 | - | - |
| MC1, MC2, MC4 FGD Scope Changes | 10,900 | 17,400 | 8,750 | 9,000 | - |
| CR Boiler, Economizer & Other Reduced | 4,472 | 4,966 | - | - | 9,000 |
| Stator Bar Project Timing Change | 194 | 5,040 | 2,964 | 982 | 722 |
| GH Turbine Effic. Upgrades Delayed | - | - | 4,000 | 4,000 | (2,500) |
| TC FW Pump System Upgrade Delayed | - | - | 6,375 | - | - |
| MC Coal Barge Unloader to 2017 | - | - | 11,000 | - | - |
| CR Continuing Ops Capital Added | - | - | (5,000) | (5,000) | (5,000) |
| TC1 SCR Economizer Bypass Delayed | - | - | 4,500 | - | - |
| MC Gypsum Proc. Plant Delayed | - | - | 300 | (2,700) | - |
| BR2 Gen Rewind Pushed to 2016 | - | - | - | 5,000 | 4,750 |
| All other smaller projects | 4,003 | 3,747 | 1,906 | 2,588 | 3,744 |
| Total Variance | <u>12,769</u> | <u>47,053</u> | <u>91,995</u> | <u>23,870</u> | <u>10,716</u> |

2011-2015 Cost of Removal Comparison (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------|------------|--------------|--------------|----------------|----------------|
| Total Removal Costs | 10,051 | 8,285 | 14,285 | 18,766 | 15,942 |
| Target | 10,756 | 10,430 | 16,995 | 9,766 | 8,942 |
| Variance To Target | 705 | 2,145 | 2,710 | (9,000) | (7,000) |
| <u>Variance Explanations</u> | | | | | |
| Canal and PR Demolition | (500) | (2,500) | (5,000) | (10,000) | (7,000) |
| CR FGD Rehab Cancelled | 1,500 | 2,000 | 3,400 | 1,000 | 0 |
| MC2 FGD Outlet Duct | (2,000) | 0 | 0 | 0 | 0 |
| PR13 Shift to Investment | 1,500 | 0 | 0 | 0 | 0 |
| MC1 FGD Refurbishment | 0 | 1,700 | 0 | 0 | 0 |
| All other smaller projects | 205 | 945 | 4,310 | 0 | 0 |
| Total Variance | 705 | 2,145 | 2,710 | (9,000) | (7,000) |

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Mill Creek | 212 | 220 | 221 | 221 | 225 | 225 | 225 |
| Trimble County | 127 | 141 | 147 | 150 | 154 | 154 | 154 |
| Cane Run | 123 | 127 | 127 | 127 | 127 | 127 | 127 |
| Ghent | 196 | 204 | 206 | 206 | 214 | 214 | 214 |
| Brown w/CTs | 127 | 139 | 139 | 139 | 139 | 139 | 139 |
| Green River | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| Tyrone | 24 | 11 | 11 | 11 | 11 | 11 | 11 |
| Total Steam | 864 | 897 | 906 | 909 | 925 | 925 | 925 |
| Ohio Falls | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Dix Dam | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Hydro | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total Stations | 869 | 902 | 911 | 914 | 930 | 930 | 930 |
| | | | | | | | |
| Generation Services | 44 | 53 | 56 | 60 | 62 | 62 | 62 |
| Project Engineering | 49 | 47 | 49 | 49 | 49 | 49 | 49 |
| Other Generation | 45 | 47 | 48 | 48 | 48 | 48 | 48 |
| TOTAL | 1,007 | 1,049 | 1,064 | 1,071 | 1,089 | 1,089 | 1,089 |
| | | | | | | | |
| From 2010 MTP | | 1,055 | 1,071 | 1,082 | | | |
| | | | | | | | |
| Change from Previous MTP | | 6 | 7 | 11 | | | |

2009-2015 Other Costs (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan |
|-------------------|----------------|------------------|----------------|--------------|--------------|
| Stores Expense | | | | | |
| Labor | 2,640 | 2,813 | 2,802 | 3,001 | 3,002 |
| Non labor | 834 | 895 | 240 | 246 | 252 |
| Total | 3,474 | 3,708 | 3,042 | 3,247 | 3,254 |
| Local Engineering | | | | | |
| Labor | 489 | 462 | 1,135 | 1,232 | 1,274 |
| Non labor | 156 | 404 | 153 | 158 | 163 |
| Total | 645 | 866 | 1,288 | 1,390 | 1,437 |
| Total Other Costs | 4,119 | 4,574 | 4,330 | 4,637 | 4,691 |

Note 1: These costs are included as part of the burden calculations for warehouse issues and Capital charges.

- **Commercial operation and integration of TC2.**
- **Any “green development” projects that materialize would be incremental to the MTP/LTP (currently shown as sensitivities).**
- **Inspection results of Dix Dam may reveal maintenance requirements sooner than the timeframe included in the MTP/LTP.**
- **Timing and requirements for pending environmental regulations could accelerate future environmental investments into the planning window (i.e. Mercury, wet ESPs).**
- **Corrosion fatigue repairs are not in the MTP (only the inspection amounts).**
- **Natural gas prices in the \$2.00 range could result in CT dispatch over coal, some units bringing forward the hot gas path and “C” inspections.**
- **Any significant impacts at Ghent resulting from the NOV/NSR, beyond the planned additional SO3 mitigation equipment installation and increased reagent feed rates.**

Key Performance Indicators

| KPI | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--------------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Generation (Twh) ¹ | 31.7 | 35.3 | 36.3 | 36.4 | 37.2 | 36.4 | 36.8 |
| EAF (Steam) | 83.7% | 86.2% | 85.7% | 86.3% | 89.3% | 86.4% | 87.8% |
| EFOR (Steam) | 6.2% | 5.6% | 4.7% | 4.5% | 4.5% | 4.5% | 4.5% |
| Controllable Cost (\$M) ² | \$ 277.12 | \$ 304.00 | \$ 343.31 | \$ 357.30 | \$ 362.42 | \$ 465.31 | \$ 540.74 |
| Controllable Cost/mwh ² | \$ 8.75 | \$ 8.62 | \$ 9.45 | \$ 9.80 | \$ 9.74 | \$ 12.78 | \$ 14.70 |
| Recordable Injuries ³ | 1.25 | 1.60 | 1.90 | 1.85 | 1.80 | 1.80 | 1.80 |
| Lost Workday Case Rate ⁴ | 0.21 | 0.00 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |

¹ Steam Generation includes 75% of Trimble County 1 and 2.

² Controllable Costs include Utility O&M, Other Cost of Sales, Fuel Handling, and Below -the-Line expenses.

³ The 2010 forecast for RIIR is the July YTD value, hearing tests currently underway.

⁴ The 2010 forecast for Lost Workday Case Rate is the July YTD value.

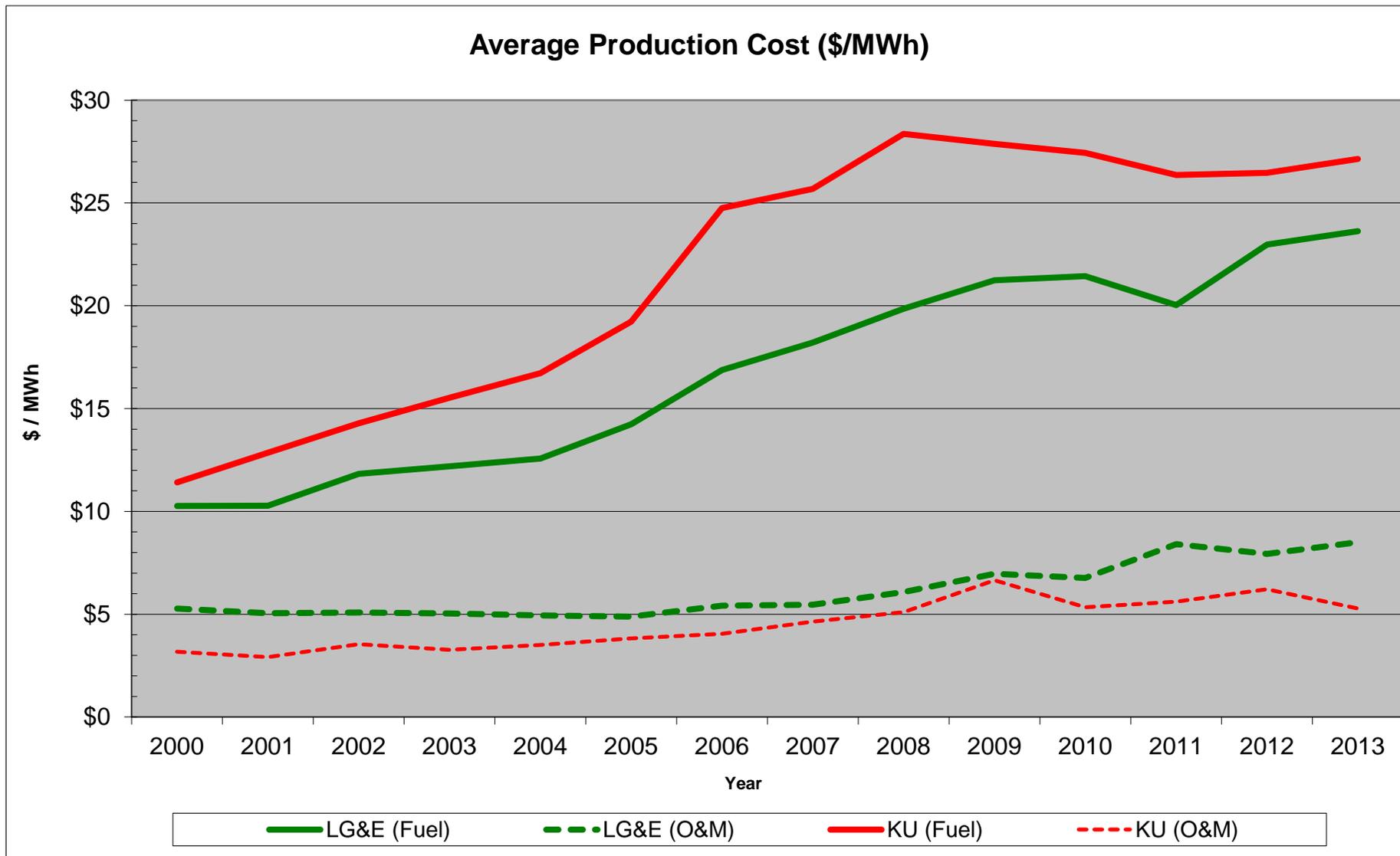
** 2010 Forecast is from the 7&5 forecast.

Appendix

2011-2015 Turbine Overhaul Schedule

| | '91 | '92 | '93 | '94 | '95 | '96 | '97 | '98 | '99 | '00 | '01 | '02 | '03 | '04 | '05 | '06 | '07 | '08 | '09 | '10 | '11 | '12 | '13 | '14 | '15 | '16 | '17 | '18 | '19 | | | |
|--------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---|--|--|
| GH1 | █ | | | █ | | | | | | █ | | | | | | | █ | | | | | | | | | | | | | | | |
| GH2 | | | | | | █ | | | | | | | | | | █ | | | | | | | | | | | | | █ | | | |
| GH3 | | | | | █ | | | | | | | | █ | | | | | | | | | | | | | | | | █ | | | |
| GH4 | | | █ | | | | | | | | | █ | | | | | | | █ | | | | | | | | | | | | | |
| BR1 | █ | | | | | | | | | █ | | | | | | | █ | | | | | | | | | | | | | | | |
| BR2 | | | | █ | | | | | | | █ | | | | | | | | | █ | | | | | | | | | | | | |
| BR3 | | █ | | | | | | | █ | | | | | | | █ | | | | | | | | | | | | | █ | | | |
| GR3 | | | █ | | | | | | | | | █ | | | | | | | | | | | | | | | | | █ | | | |
| GR4 | | | | | █ | █ | | | | | | | █ | | █ | | | | | | | | | | | | | | | | | |
| TY3 | | | | | █ | █ | | | | | | | █ | | | | | | | | | | | | | | | | | | | |
| CR4 | | | | | █ | █ | | | | | | | █ | | █ | | | | | | | | | | | | | | | | | |
| CR5 | | | | █ | | | | | | | █ | | | | | | | | █ | | | | | | | | | | | | | |
| CR6 | | | | | █ | | | | | | | █ | | | | | | | | | █ | | | | | | | | | | | |
| MC1 | █ | | | | | █ | | | | | | VG | | █ | | | | | | | | | | | | | | | | | | |
| MC2 | | | | | █ | | | | | | | | █ | | | | | | | | | | | | | | | | | | | |
| MC3 | | | | | █ | | | | | | | | █ | | | | | | | | | | | | | | | | | | | |
| MC4 | █ | | | | | | █ | | | | | | | | | █ | | | | | | | | | | | | | | | | |
| TC1 | | | | | | █ | | | | | █ | | | | | | | | | | █ | | | | | | | | | | | |
| TC2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Overhauls | 4 | 1 | 2 | 3 | 5 | 6 | 2 | 0 | 1 | 1 | 3 | 4 | 4 | 3 | 3 | 1 | 2 | 2 | 2 | 2 | 1 | 4 | 4 | 1 | 3 | 2 | 1 | 3 | 2 | 5 | | |
| Historical | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Most Recent | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 MTP/LTP | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

VG - Valves and Generator



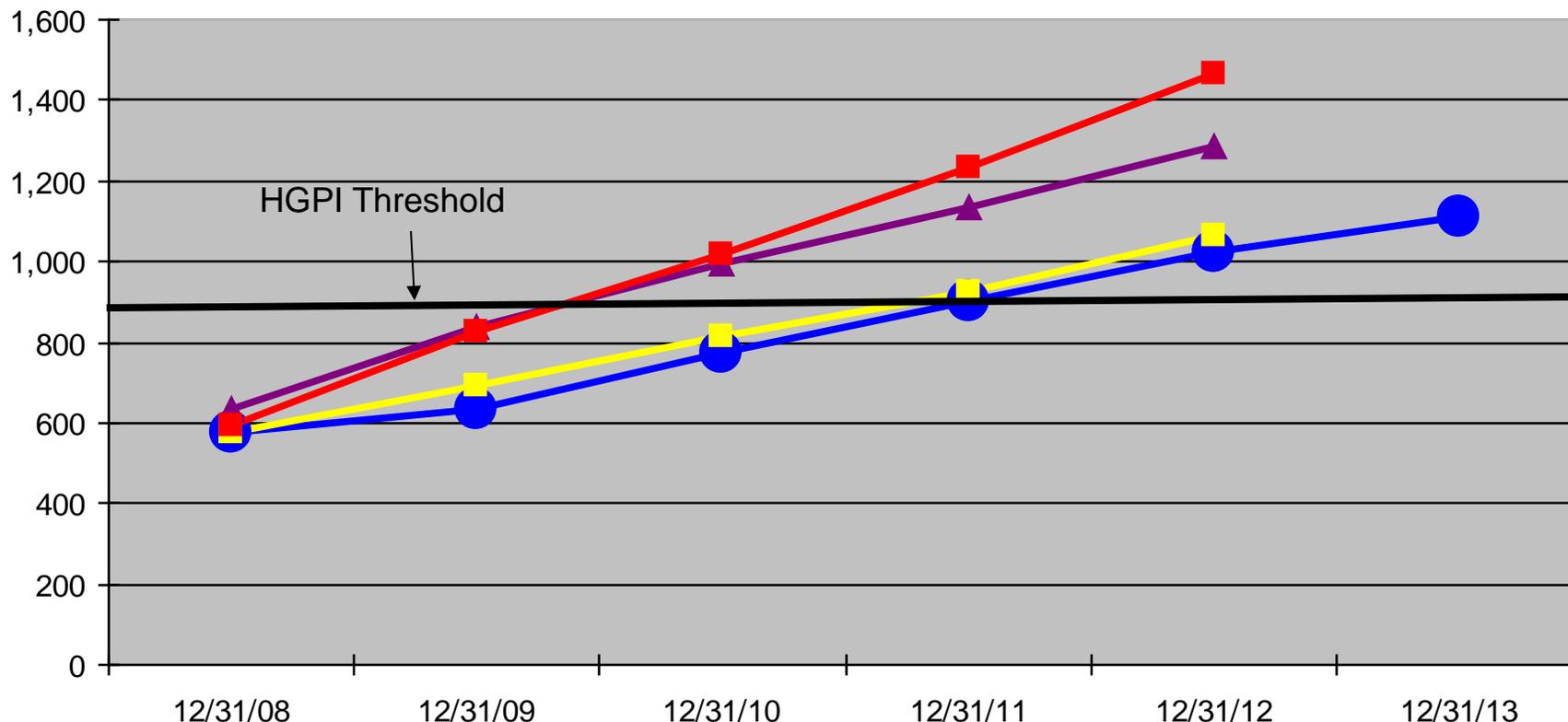
2010-2015 Capital (Cash Basis) \$000

| <u>Project Description</u> | <u>2010 Forecast</u> | <u>2011 Budget</u> | <u>2012 Plan</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> |
|----------------------------------|----------------------|--------------------|------------------|------------------|------------------|------------------|
| ECR APPROVED PLAN: | | | | | | |
| CR Landfill Vertical Expansion | 396 | 600 | 390 | 410 | 0 | 0 |
| GH3 Absorber Agitator Blades | 238 | 0 | 0 | 0 | 0 | 0 |
| GH4 Absorber Agitator Blades | 238 | 0 | 0 | 0 | 0 | 0 |
| ECR PROPOSED PLAN: | | | | | | |
| GH Gypsum Stack Drain Layer W | 0 | 567 | 0 | 0 | 0 | 0 |
| GH Gypsum Stack Drain South | 0 | 0 | 535 | 0 | 0 | 0 |
| MC GPP Upgrade | 0 | 0 | 0 | 0 | 2,700 | 2,700 |
| ONGOING CAPITAL ITEMS: | | | | | | |
| LGE-Gen Stator Bar Study | 6,712 | 1,162 | 0 | 898 | 1,575 | 1,628 |
| MC2 FGD Refurbishment | 2,800 | 6,250 | 0 | 0 | 0 | 0 |
| DX Dam Leakage Remediation | 2,413 | 5,950 | 1,000 | 0 | 0 | 0 |
| MC3 Burners | 300 | 1,400 | 1,600 | 2,300 | 1,000 | 1,400 |
| GS KU CEMS Shelter Repl | 42 | 276 | 970 | 2,050 | 1,080 | 1,080 |
| GS-LGE-CEMS Shltr Rpl | 28 | 414 | 1,455 | 3,075 | 1,620 | 1,620 |
| Dix Dam Leakage Remediation 11 | 0 | 5,950 | 4,000 | 0 | 0 | 0 |
| BR3 Generator Rewind 11-12 | 0 | 5,843 | 9,720 | 0 | 0 | 0 |
| GH2 ECONOMIZER REPL | 0 | 2,980 | 2,850 | 0 | 0 | 0 |
| KU-Gen Stator Bar Study | 0 | 1,155 | 0 | 1,346 | 2,363 | 2,442 |
| BRCT9 C Inspection 11 | 0 | 0 | 1,451 | 9,787 | 0 | 0 |
| CR Continuing Operations | 0 | 0 | 0 | 5,000 | 4,888 | 4,888 |
| CR SPP Dewatering | 0 | 0 | 0 | 3,000 | 5,865 | 0 |
| MC4 Burners | 0 | 0 | 0 | 2,000 | 6,300 | 0 |
| BRCT10 C Inspection 12 | 0 | 0 | 0 | 1,523 | 10,513 | 0 |
| PPD Reg Gen LTP Capital LGE | 0 | 0 | 0 | 0 | 12,957 | 15,203 |
| PPD Reg Gen LTP Capital KU | 0 | 0 | 0 | 0 | 9,716 | 11,400 |
| GH4 Turb Eff Upgr | 0 | 0 | 0 | 0 | 5,000 | 9,500 |
| GH4 Bypass Econ Duct | 0 | 0 | 0 | 0 | 4,000 | 12,000 |
| GH4 Burner Repl | 0 | 0 | 0 | 0 | 1,285 | 6,060 |
| BR2 Gen Rewind 15-16 | 0 | 0 | 0 | 0 | 0 | 5,250 |
| All other less than \$5M each | 81,413 | 83,560 | 68,602 | 77,126 | 15,442 | 7,576 |
| Total Capital 2010 - 2015 | 94,580 | 116,107 | 92,573 | 108,515 | 86,304 | 82,747 |

Trimble County CT's Average Number of Cumulative Factored Starts per Unit

Trimble CT projected run-times for 2011 MTP have stayed flat with 2010 MTP

**Factored
 Starts
 Cumulative**



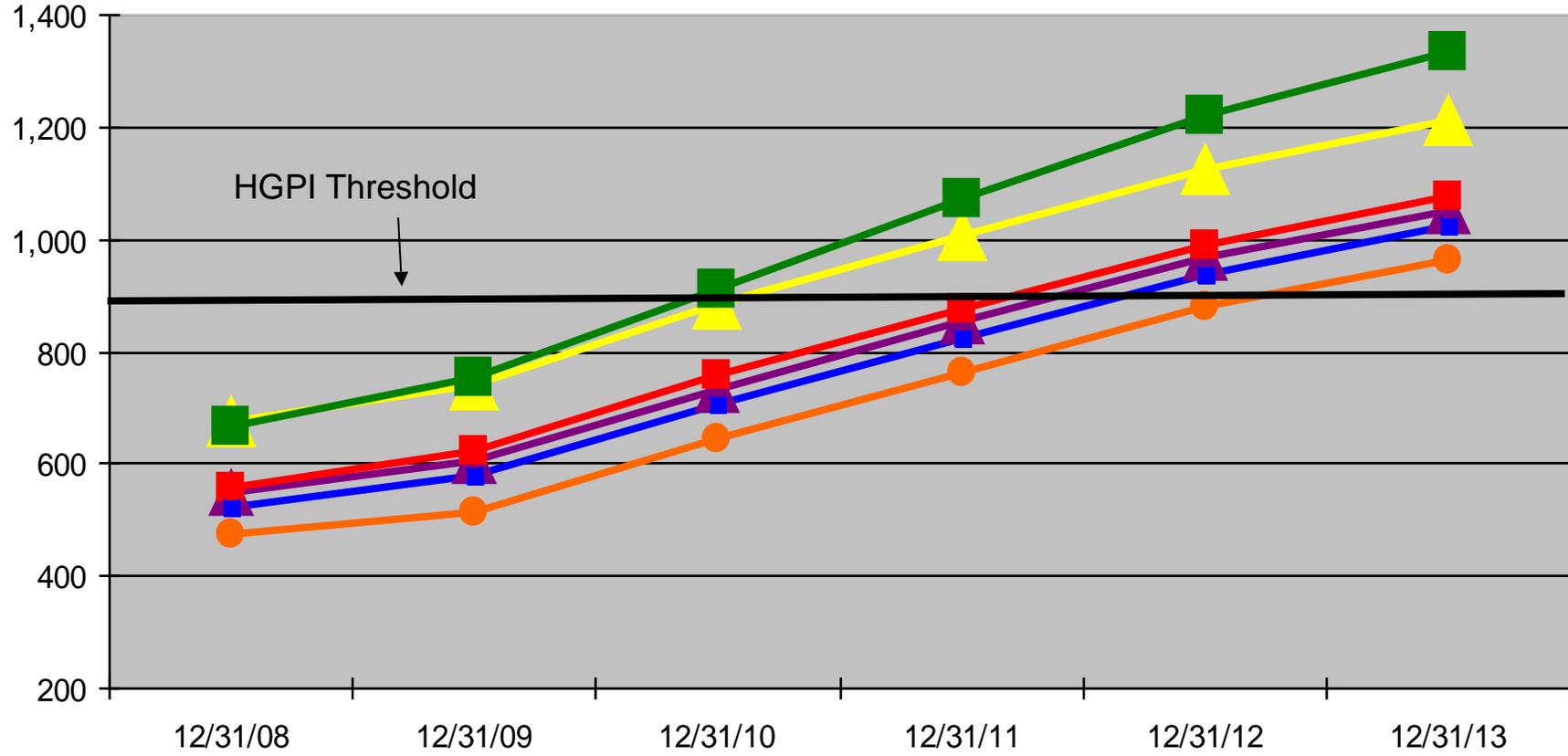
| # of HGPI's Per year | '10 MTP | '11 MTP |
|----------------------|---------|---------|
| 12/31/08 | 0 | 0 |
| 12/31/09 | 0 | 0 |
| 12/31/10 | 1 | 1 |
| 12/31/11 | 2 | 2 |
| 12/31/12 | 2 | 2 |
| 12/31/13 | 1 | 1 |



HGPI = Hot Gas Path Inspection.

Trimble County CT's Cumulative Factored Starts per Unit

**Factored
 Starts
 Cumulative**



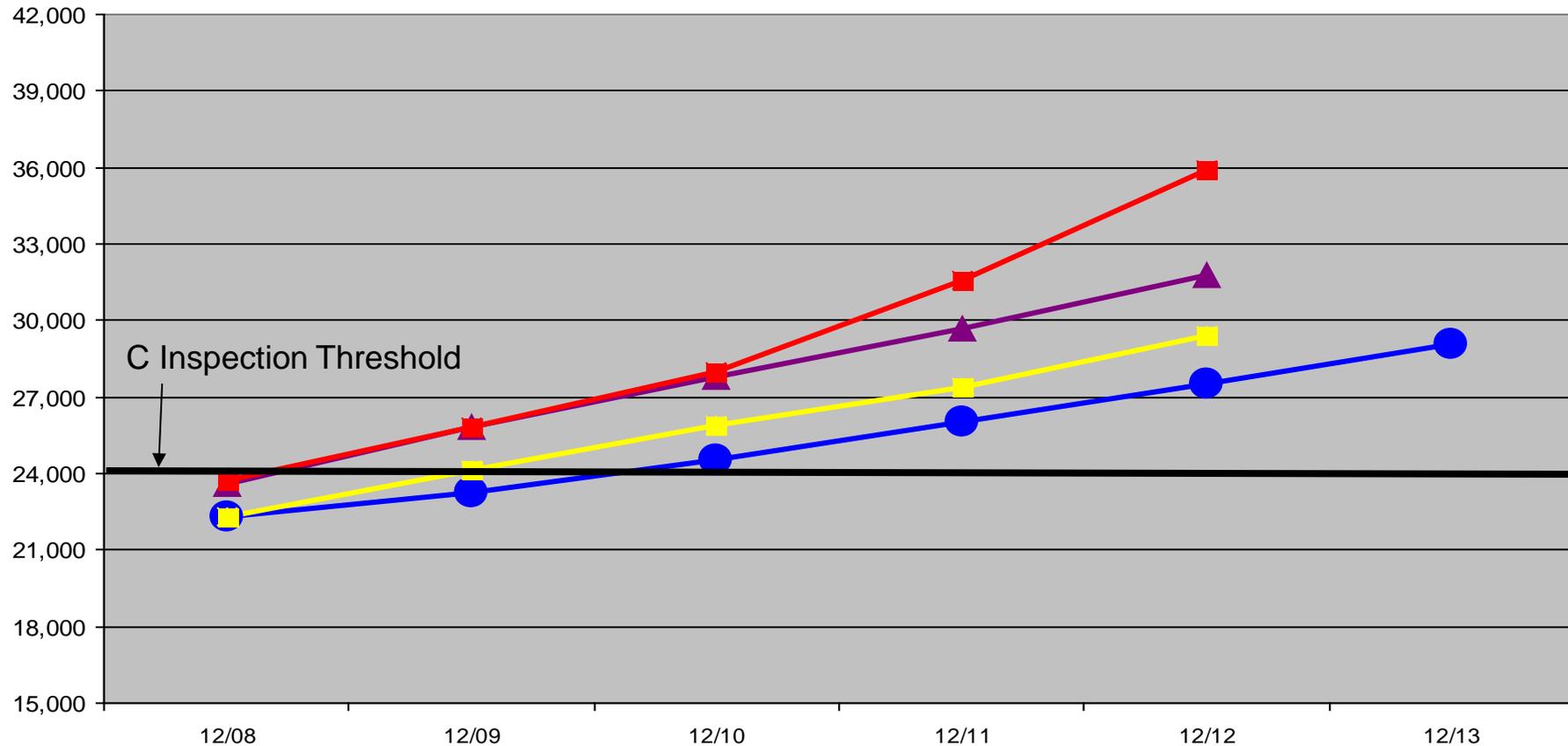
| | | | | | |
|----------------------|----------|---|---|---|---|
| # of HGPI's Per year | -'10 MTP | 1 | 2 | 2 | 1 |
| | -'11 MTP | 1 | 2 | 2 | 1 |



**Cumulative EOH
 Average
 Per Unit**

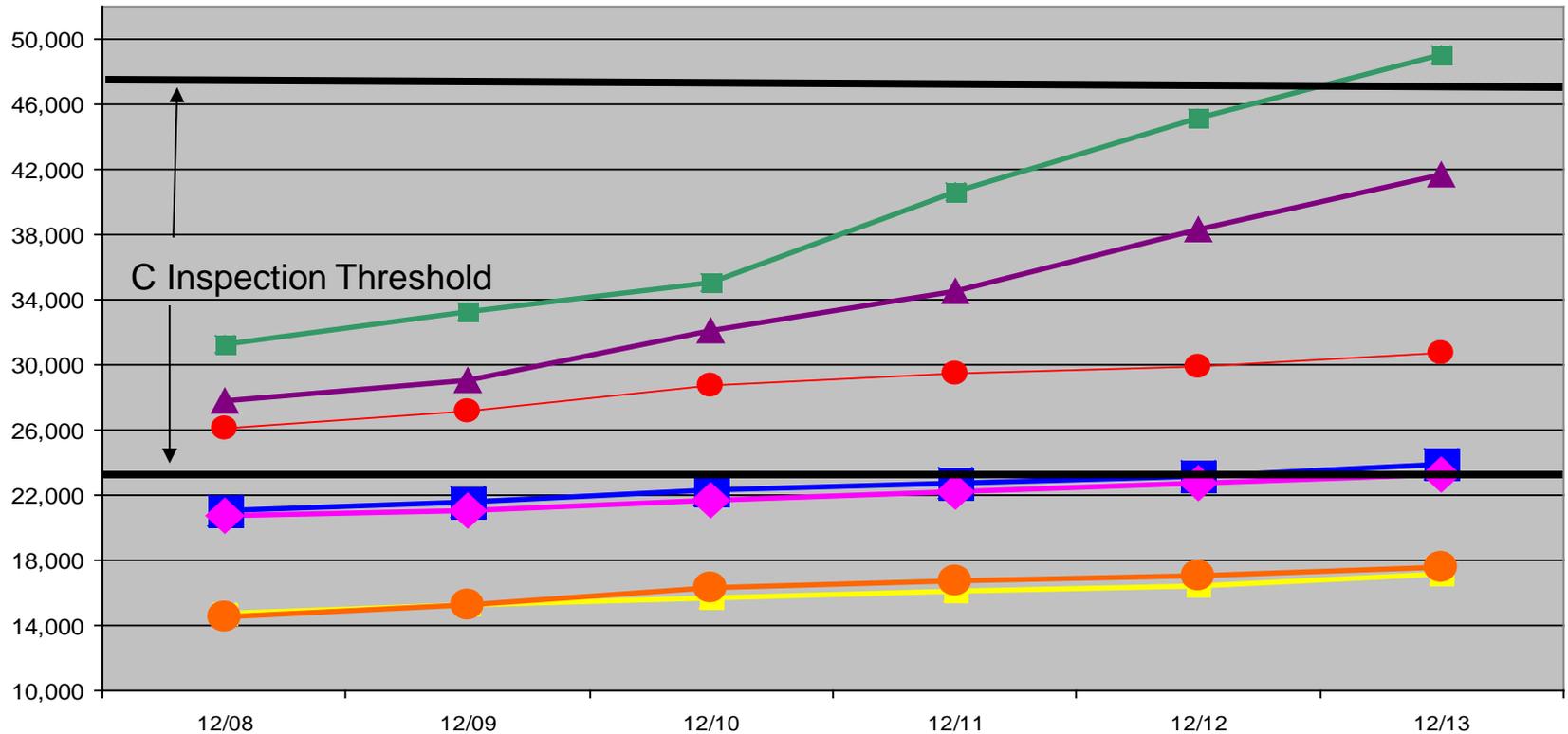
**Brown CT's
 Equivalent Operating Hours
 Average Per Unit**

Brown CT run-times continue trend of slight declines each MTP.



Brown CT's Cumulative Equivalent Operating Hours Average Per Unit

Cumulative EOH



■ Unit 5
 ■ Unit 6
 ▲ Unit 7
 ● Unit 8
 ■ Unit 9
 ◆ Unit 10
 ● Unit 11

C inspections completed: Unit 6 (Fall 2007); Unit 7 (Fall 2008); Unit 8 (Spring 2005)

C inspections scheduled: Unit 9 2013; Unit 10 2014; Unit 11 2016;

Unit 6 2017; Unit 7 2018; Unit 5 2020.



Transmission

2011-2015 MTP

Revised December 2010

| | |
|---------------------------------------|-----------------|
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| • Major Assumptions | p. 4-10 |
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| – Plan Risks | p. 18 |
| – Plan Sensitivities | p. 19 |
| • Appendix | p. 20-25 |

- **The 2011-13 Transmission Mid Term Plan is designed to meet the overall goals of safety, regulatory compliance, system reliability, and financial/budget performance.**
- **Plan challenges and considerations:**
- **Increasing scrutiny and on-going development of federal regulatory policies (FERC, NERC, SERC) continue to impact the transmission business planning, operations, and human resources.**
- **The plan reflects the transmission organization challenges of meeting escalating regulatory compliance requirements and associated Lines and Substation system reliability projects while maintaining high levels of system performance and customer satisfaction.**
- **To meet these challenges, the plan includes:**
 - Work force planning Sr. Management Structural changes and associated headcount.
 - Capital funding to address Louisville area study projects and CIP security requirements.
 - O&M funding increases by 14% U.S. GAAP over the 2010-2012 MTP.
- **The plan includes resources to continue to deploy “Smart Grid” technologies to update substation protection and control systems and “system hardening” through static wire replacement.**
- **NERC has issued a recommendation (R-2010-10-07-01) that Transmission Owners and Operators review the current Facility Ratings Methodology for their solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions. Costs to meet this recommendation are not included in the 2011-2015 MTP.**

1. Management Structure

- 1.1 Much work has been done in WFP/MTP cycles to evaluate new/changing business needs and staff the transmission organization accordingly. However, both the magnitude and scope of transmission issues continues to increase.**
- 1.2 Within the current staffing model, most broad, strategic, and visionary leadership/direction is from a dedicated transmission resource provided by a single position (i.e., Director Transmission). Subsequently, all high impact operational and regulatory issues (tariff, compliance, policy), in addition to MTP, HR issues, etc., flow through the current Director Transmission point of contact. This in turn limits the ability to “shape and influence” the organization, and results in a more “reactive” organization. From standpoints of efficiencies/effectiveness as well as succession planning, there is a business need for additional Sr. Management transmission positions dedicated to strategic and visionary leadership.**
- 1.3 The current workforce planning assessment has looked at the changing environment and workloads under which the organization operates, and make recommendations for the functional/technical resources needed. Some of the drivers of recommendations include:**
 - 1.3.1 Bringing ITO function into the Transmission organization**
 - 1.3.2 Ramping up to provide Balancing Authority functions previously provided by Regulated Generation Dispatch**
 - 1.3.3 Ongoing Construction Activities / Dedicated Project Management Oversight**
 - 1.3.4 Employee Retention. Particularly engineers whose transmission experience is in high demand throughout the industry.**

Management Structure cont.

- 1.4 Add dedicated position of VP Transmission (Visionary Leadership).
 - 1.4.1 Provide broad, strategic, visionary leadership and decision making authority for transmission policy development, planning, optimization, capacity needs, and compliance. Directly responsible for driving strategies and processes to ensure transmission activities are designed, executed, and accomplished in a compliant, safe, cost-effective manner. Identify and develop future leaders of the organization.
- 1.5 Divide current Director Transmission role into two Director level positions (Visionary Leadership).
 - 1.5.1 Director Operations: Responsible for strategic direction and oversight of operational activities, including safety, system operations centers, maintenance, construction, protection, engineering, project management, and technical support. Proposed direct manager reports:
 - 1.5.1.1 Manager – Transmission Lines
 - 1.5.1.2 Manager – Protection & Substations
 - 1.5.1.3 Manager – System Control Center
 - 1.5.2 Director Strategy & Planning: Responsible for strategic direction and oversight of corporate policies, regulations, legal, asset management, system planning, budget and financial activities, OATT, ITO, and tariffs. Proposed direct manager reports:
 - 1.5.2.1 Manager – Balancing Authority / ITO
 - 1.5.2.2 Manager – Planning
 - 1.5.2.3 Manager – Policies & Tariffs

2. NERC Standards

- 2.1 The current regulatory environment, which includes continual escalating scrutiny and oversight in FERC, NERC, SERC policy and requirements will continue. FERC is meeting strong resistance in its effort to change the definition of the bulk electric system to include all facilities 100kV and above. The current plan does not include capital or O&M dollars to meet additional requirements if adopted.**
- 2.2 Maintaining current compliance levels will require increased training and potentially additional personnel to assist in the training effort (PER-005 requirements add a significant burden in documentation, evaluation, and simulation).**
 - 2.2.1 The potential additional personnel are not in the 2011 MTP.**
- 2.3 As “smart” technologies are developed and deployed, CIP standards implications (currently 100kV and above) must be a consideration.**
- 2.4 Cyber Security:**
 - 2.4.1 Version 3 of the Critical Infrastructure Protection (CIP) standards is anticipated to be adopted in the fall of 2010.**
 - 2.4.2 Version 4 of the Critical Infrastructure Protection standards is being written and is subject to influence by FERC, Congress, and the industry.**
 - 2.4.3 Secure networks to the substations (pre-cursor to smart grid) as well as increased physical security would be required for implementation of the full capability and efficiencies of new substation relaying and metering equipment, network capability and associated increased cyber security.**
 - 2.4.4 The 2011 MTP includes \$10.4 million for NERC Cyber Security; the plan does not include any incremental headcount to meet the additional expected needs for Cyber Security compliance. \$7m of the \$10.4m based on new CIP standard.**
- 2.5 Vegetation management standard will continue to focus on 200 kV and above. If a 100kV threshold is adopted, it is estimated to cost an incremental \$10.0 million to get compliant and \$2.5 million annually to remain compliant.**

3. Expansion Plan

- 3.1 The current transmission expansion plan (TEP) approved in the spring of 2010 is based on the 2010 MTP load forecast and considers reliability requirements only.**
- 3.1.1 Transmission reliability criteria has identified a significant need for upgrades within the Louisville Metro area (including system expansion in southern Indiana). Previous mitigation was to shed load to prevent cascading outages. The FERC has emphasized through various documentation against load shedding as a means of mitigation.**
- 3.2 The Generation base case has the potential to change the TEP that will be developed for next year.**
- 3.3 A combined cycle generating unit will be installed by Jan 1, 2017 at Cane Run. No incremental transmission facilities or cost are assumed in the MTP for this unit.**
- 3.4 The number of mitigation plans required as a part of the TEP does not grow over the MTP period.**
- 3.5 The transmission expansion plan does not contain any provisions for the utilization of the Bluegrass Facility by any other companies (BREC and EKPC both have Point to Point requests in for these units).**

3. Expansion Plan cont.

3.6 Inter-connect Transmission Service activity is driven by:

- 3.7.1 Network Inter-connect Transmission Service (NITS; KMPA, Meredith and Polo Club substation, no new NITS customers)**
- 3.7.2 Generator Inter-connections (Estill County, EKPC); which are reimbursable as costs are incurred)**
- 3.7.3 Transmission to Transmission new connections**

3.7 The Plan does not include any projects that could come from FERC required Economic Planning Studies (originating from the Stakeholder Planning Committee, the Eastern Interconnect Planning Collaborative, or the Southeast Inter-regional Participation Process). Any projects that are identified should be reimbursable.

3.8 No significant economic development projects requiring transmission system upgrades

3.9 No major projects assumed for integration of renewable energy in the LG&E/KU portfolio.

4. Asset Management

- 4.1 The Cascade asset management software will be in use by July 2011.**
- 4.2 The critical spare inventory of transformers is continually replenished.**
- 4.3 The Static wire upgrade program will continue for equipment that is over 50 years old.**
- 4.4 A Transmission Geographic Information System (GIS) has been added to the MTP and will be implemented over a four year period.**

5. ITO & RC

- 5.1 The original contract with SPP was extended 24 months through August 2012 at a cost of \$8.5M in 2011 and \$5.7M in 2012.**
- 5.2 E.ON U.S. will file and FERC will approve an “in-house” ITO construct by September 2012. This will require a headcount increase of four over the current approved staff.**
- 5.3 TVA will be retained as the Reliability Coordinator (RC) with the cost remaining relatively flat.**
- 5.4 KU will reimburse KMPA for their MISO drive-out charges (\$6.8m in 2011 incremental to the 2010 MTP and \$1.9m incremental to the prior plan in 2012).**
- 5.5 A filing with FERC regarding MISO exit obligations will occur in 2011.**

6 Headcount

6.1 Movement of Distribution SCADA Operations to Distribution will not impact Transmission headcount but will allow more focus on transmission activities, enhance required levels of situational awareness on transmission operations, and accommodate cross-training between LGE/KU operations as best practices are adopted and procedures are brought together.

7 Operational and Other

7.1 Transmission revenues will increase associated with OMU contracts.

7.2 Transmission revenues will increase from all other customers due to KMPA.

7.3 Customer sensitivity and awareness to reliability and power quality will continue to elevate.

7.4 No Federal or State mandated Smart Grid initiatives beyond our current asset renewals.

8 Annual Escalation Rates

8.1 Internal labor: 3.5%.

8.2 Contract labor: 3.0%

8.3 Fuels and Additives 5.0%.

8.4 Copper 6.0%.

8.5 Fabricated steel 3.0% 2011, 5.0% 2012, and 5.5% 2013.

2009-2015 Operating Expenses (\$000's)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 5,743 | 6,963 | 8,039 | 9,069 | 9,448 | 9,779 | 10,121 |
| Burdens | 5,022 | 6,209 | 7,008 | 7,375 | 7,475 | 7,736 | 8,006 |
| Subtotal | 10,765 | 13,172 | 15,047 | 16,444 | 16,923 | 17,515 | 18,127 |
| Storms | 158 | | | | | | |
| Total Labor | 10,923 | 13,172 | 15,047 | 16,444 | 16,923 | 17,515 | 18,127 |
| Non labor | | | | | | | |
| Right of Way | 4,208 | 4,211 | 4,316 | 4,424 | 4,534 | 4,625 | 4,718 |
| Inspections | 917 | 1,104 | 1,132 | 1,160 | 1,189 | 1,213 | 1,237 |
| Substation Maintenance | 2,851 | 3,219 | 3,456 | 3,646 | 3,716 | 4,020 | 4,101 |
| Other Nonlabor | 4,084 | 4,757 | 4,663 | 5,568 | 5,245 | 5,133 | 5,249 |
| Subtotal | 12,060 | 13,291 | 13,567 | 14,798 | 14,684 | 14,991 | 15,305 |
| Storms | 892 | - | - | - | - | - | - |
| Total Non-labor | 12,952 | 13,291 | 13,567 | 14,798 | 14,684 | 14,991 | 15,305 |
| Subtotal OPEX for EBIT | 23,875 | 26,463 | 28,614 | 31,242 | 31,607 | 32,506 | 33,432 |
| Gross Margin Expenses * | 16,097 | 23,757 | 29,955 | 23,264 | 15,670 | 14,754 | 12,152 |
| * (see next slide for detail) | | | | | | | |
| Total Items for EBIT | 39,972 | 50,220 | 58,569 | 54,506 | 47,277 | 47,260 | 45,584 |

2009-2015 Margin Expenses / Cost of Sales (\$000's)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Margin Expenses | | | | | | | |
| EKPC NITS Costs | 1,806 | 1,906 | 2,083 | 2,083 | 2,083 | 2,124 | 2,167 |
| Intercompany Transmission - NL | 1,286 | 1,409 | 1,396 | 1,692 | 1,365 | 1,420 | 1,449 |
| Intercompany Transmission - MUNI | 2,397 | 3,595 | 4,249 | 4,733 | 4,970 | 5,069 | 5,171 |
| SPP - ITO | 3,341 | 5,436 | 8,600 | 6,267 | 615 | - | - |
| SPP Settlement | 2,270 | - | - | - | - | - | - |
| TVA - Reliability Coordination | 1,536 | 1,665 | 1,630 | 1,712 | 1,797 | 1,832 | 1,870 |
| TVA A/R Writeoff | 317 | - | - | - | - | - | - |
| RTO Costs | 74 | 482 | 540 | 682 | 523 | 533 | 544 |
| 3rd Party Transmisson | 926 | 856 | 1,084 | 1,403 | 1,085 | 1,106 | 1,128 |
| Additional KMPA Costs | - | 4,650 | 7,603 | 2,305 | 2,286 | 2,328 | - |
| MISO Exit Fee Amortization | 2,710 | 3,006 | 2,266 | 1,883 | 442 | 258 | (177) |
| EKPC Reg. Asset Amortization | 416 | 499 | 504 | 504 | 504 | 84 | - |
| EKPC Reg. Asset Credit | (2,493) | - | - | - | - | - | - |
| Other - NL (prior period MISO RSG Adj.) | 1,291 | - | - | - | - | - | - |
| Payments to IMEA/IMPA | 220 | 253 | - | - | - | - | - |
| Total Margin Expense with Intercompany | 16,097 | 23,757 | 29,955 | 23,264 | 15,670 | 14,754 | 12,152 |
| | | | | | | | |
| Total Margin Expense excluding Intercompany | 12,414 | 18,753 | 24,310 | 16,839 | 9,335 | 8,265 | 5,532 |

2011-2015 Target Comparison - OPEX (\$000)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Total OPEX | 28,614 | 31,242 | 31,607 | 32,506 | 33,432 |
| Total OPEX Target | <u>26,145</u> | <u>26,808</u> | <u>28,203</u> | <u>28,938</u> | <u>29,731</u> |
| Variance to Target | <u>(2,469)</u> | <u>(4,434)</u> | <u>(3,404)</u> | <u>(3,568)</u> | <u>(3,701)</u> |
| <u>Major Variance Contributors:</u> | | | | | |
| Labor | (1,206) | (2,201) | (1,534) | (1,588) | (1,643) |
| SERC Audit Prep Expenses | (250) | (256) | (263) | (269) | (276) |
| EPRI - Lines Underground | - | (195) | (200) | (205) | (210) |
| EPRI - Substations Smart Grid Research | - | (308) | (315) | (323) | (331) |
| Incremental Non-labor Balancing Authority | (100) | (103) | (105) | (108) | (110) |
| Incremental Non-labor Executive Management | (150) | (154) | (158) | (162) | (166) |
| Transerv for ITO consulting | (260) | (500) | (513) | (525) | (538) |
| Outside Legal Expenses (not in Legal budget) | - | (500) | - | - | - |
| Software Subscriptions - Strategy & Planning | (100) | (102) | (104) | (106) | (108) |
| Webdata Software | (100) | (102) | (104) | (106) | (108) |
| Additional Dispatcher Training | (50) | (51) | (52) | (53) | (54) |
| Additional Strategy & Planning Outside Services | (50) | (51) | (52) | (53) | (54) |
| Other | (203) | 88 | (5) | (71) | (102) |
| Total Variance | <u>(2,469)</u> | <u>(4,434)</u> | <u>(3,404)</u> | <u>(3,568)</u> | <u>(3,701)</u> |

2011-2015 Target Comparison – Gross Margin (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------|----------------|--------------|--------------|--------------|
| Total NL Gross Margin Expenses | 29,955 | 23,264 | 15,670 | 14,754 | 12,152 |
| less: Intercompany Gross Margin Expense | 5,645 | 6,425 | 6,335 | 6,489 | 6,620 |
| Net External Gross Margin Expenses | 24,310 | 16,839 | 9,335 | 8,265 | 5,532 |
| External Gross Margin Expenses Target | 11,266 | 11,589 | 10,493 | 10,703 | 10,917 |
| Fav (Unfav) Variance to Target | <u>(13,044)</u> | <u>(5,250)</u> | <u>1,158</u> | <u>2,438</u> | <u>5,385</u> |

Major Variance Contributors:

| | | | | | |
|---|-----------------|----------------|--------------|--------------|--------------|
| Incremental KMPA Additional MISO Exit Costs | (7,603) | (2,305) | (2,286) | (2,329) | - |
| Higher SPP ITO Costs | (4,300) | (1,967) | 3,771 | 4,474 | 4,563 |
| Higher MISO Exit Fee Amortization | (646) | (582) | (442) | (258) | 177 |
| Incremental EKPC Reg. Asset Amortization | (504) | (504) | (504) | (84) | - |
| 3rd Party Transmission Expense | (147) | (152) | 191 | 206 | 207 |
| RTO Expenses | 37 | 102 | 277 | 286 | 291 |
| Other | 119 | 158 | 151 | 143 | 147 |
| Total Variance | <u>(13,044)</u> | <u>(5,250)</u> | <u>1,158</u> | <u>2,438</u> | <u>5,385</u> |

2011-2015 Capital Comparison – Cash Basis (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------------------------|------------------------|------------------------|-----------------------|---------------------|
| Total Capital | 44,603 | 47,078 | 62,837 | 52,777 | 49,015 |
| Target | 32,600 | 27,781 | 48,339 | 47,514 | 51,808 |
| Variance To Target | <u>(12,003)</u> | <u>(19,297)</u> | <u>(14,498)</u> | <u>(5,263)</u> | <u>2,793</u> |
| <u>Variance Explanations:</u> | | | | | |
| Louisville Upgrade | (3,458) | (9,341) | (4,396) | (355) | |
| Smart Grid Enabling (Control House Upgrades) | (2,216) | (3,929) | (5,547) | (8,474) | (8,467) |
| Cyber Security (CIP) | (2,079) | (2,756) | (2,879) | (1,000) | (500) |
| Spare Transformers (TPL Standard) | | | (7,333) | (667) | |
| Transmission Geographic Info Sys. | | (1,000) | (3,000) | (1,700) | |
| Gorge-Dorchester 69kV Rebuild | | | (2,500) | (3,400) | |
| KY Dam-South Paducah 69kV | | | (2,900) | (3,000) | |
| KMPA | (2,771) | 411 | 305 | (1,120) | (1,120) |
| Combined Cycle CT | | | 20,000 | 20,000 | 20,000 |
| Other | (1,479) | (2,682) | (6,248) | (5,547) | (7,120) |
| Total Variance | <u>(12,003)</u> | <u>(19,297)</u> | <u>(14,498)</u> | <u>(5,263)</u> | <u>2,793</u> |

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| VP/Director/Support | 2 | 2 | 6 | 6 | 6 | 6 | 6 |
| System Operations | 31 | 32 | 32 | 32 | 32 | 32 | 32 |
| Energy Management System | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Strategy & Planning | 16 | 15 | 15 | 15 | 15 | 15 | 15 |
| Substations | 22 | 25 | 25 | 25 | 25 | 25 | 25 |
| Lines | 27 | 28 | 30 | 30 | 30 | 30 | 30 |
| Reliability & Compliance | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Balancing Authority | 0 | 6 | 6 | 10 | 10 | 10 | 10 |
| Policy and Tariffs | 0 | 3 | 3 | 3 | 3 | 3 | 3 |
| TOTAL | 109 | 122 | 128 | 132 | 132 | 132 | 132 |
| From 2010 MTP | | 115 | 115 | 115 | | | |

Major Developments/Changes:

- Addition of a VP over the Transmission Line of Business , a second Director, and accompanying administrative personnel in 2011.
- Creation of a Balancing Authority Department, that will handle ITO duties at the completion of the SPP contract in 2012.
- Creation of a Policy and Tariffs Department by moving that function out of Strategy and Planning and hiring a manager.

Key Performance Indicators

| KPI | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|---|--------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Recordable Injury Incident Rate - Employees | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Recordable Injury Incident Rate - Contractors | 2.10 | 2.06 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| SAIDI (minutes) | 11.40 | 13.10 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |

Lightning strikes, switch failures, vegetation, and 3rd Party Incidents have contributed to the 2010 SAIDI

Various capital projects are included in the Plan to help improve SAIDI, these include:

- Static replacement program
- Breakers replacements/upgrades
- Fiber replacements

- NERC reliability standards will continue to drive Transmission through stricter interpretation of existing standards and the addition of new standards, penalty and fine assessment, and increasing audit scrutiny.
- Cyber Security will be an expanding area of compliance standards and scrutiny.
- The increasing development of federal regulatory policies (FERC, NERC, SERC) will further strain human resources and the ability to remain compliant.
- System protection asset replacement (Remote Terminal Unit's (RTU), relays, station control houses).
- Key Asset failure – transformer/breakers.
- Network Interconnect Transmission Service Requests (ie.KMPA, OMU, Cash Creek) impacts.
- Knowledge transfer and retention as employees retire.
- Federal and State mandatory Smart Grid initiatives.
- KYPSC mandated system hardening investment.

\$ thousands

| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|-------------|-------------|-------------|
| Network Interconnection Transmission Service (NITS) | 1,000 | 1,000 | |
| Cash Creek IPP Transmission Service | 10,000 | 15,000 | 15,000 |
| West Irvine-Transformer, etc. Upgrades | 4,000 | 1,000 | 3,000 |
| Louisville Upgrades (Duke Funding Lines Portion) | | 4,500 | |
| Paris-Millersburg (potential challenge over prior rights) | | 1,500 | |

Appendix

2009-2015 Capital Breakdown (w/o COR) – Cash Basis (\$000)

| Project | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Transmission Expansion Plan | | | | | | | |
| Louisville Infrastructure Upgrade | | 900 | 3,458 | 9,341 | 4,396 | 355 | |
| Brown North-Tyrone Line | | 76 | 2,786 | | | | |
| Clinton Transformer | | | 562 | 1,562 | 125 | | |
| Schrewsbury-Ohio Co. 138kV Reconductor | | | | 1,083 | 1,179 | 2,238 | |
| Middletown-Finchville Reconductor/Riser | | | | | | | 3,750 |
| Ongoing Capital | | | | | | | |
| West Cliff Rebuild | | 400 | 1,320 | | | | |
| Gorge-Dorchester 69kV Rebuild | | | | | 2,500 | 3,400 | |
| Lexington Plant-Pisgah 69kV Reconductor | | | | 1,650 | 200 | | |
| KY Dam-South Paducah 69kV | | | | | 2,900 | 3,000 | |
| Ghent Replace 345kV Breakers | | 675 | 920 | 809 | 882 | | |
| Smart Grid Enabling (Control House Upgrades) | 704 | 744 | 2,216 | 4,623 | 5,853 | 8,786 | 8,786 |
| Spare Transformers (TPL Standard) | | | | | 7,333 | 667 | |
| Special Projects | | | | | | | |
| TC2 | 29,579 | 14034 | 180 | | | | |
| TC2 Work Around | 1,655 | 3868 | (345) | | | | |
| KMPA | 2,599 | 2,074 | 3,341 | 629 | 8 | 1,433 | 1,433 |
| Cyber Security (CIP) | | - | 2,476 | 3,156 | 2,879 | 1,144 | 583 |
| Cascade Work Management System | | 2,398 | 527 | 506 | 500 | | |
| Transmission Graphical Information System | | | | 1,000 | 3,000 | 1,700 | |
| Other Capital | 34,140 | 38,258 | 27,162 | 22,719 | 31,082 | 30,054 | 34,463 |
| Total Capital (107001) | 68,677 | 63,427 | 44,603 | 47,078 | 62,837 | 52,777 | 49,015 |

2011-2015 Cost of Removal Comparison (\$000)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|------------------------------------|-------------|-------------|-------------|--------------|--------------|
| Total Cost of Removal | 4,267 | 3,693 | 4,371 | 4,500 | 4,500 |
| Target | 4,168 | 3,890 | 5,305 | 4,047 | 4,128 |
| Variance to Target | <u>(99)</u> | <u>197</u> | <u>934</u> | <u>(453)</u> | <u>(372)</u> |
| <u>Variance Explanations</u> | | | | | |
| Various projects | (99) | 197 | (403) | (453) | (372) |
| TC2 - Removal of Work Around Lines | | | 1,337 | | |
| Total Variance | <u>(99)</u> | <u>197</u> | <u>934</u> | <u>(453)</u> | <u>(372)</u> |

THIS SLIDE USED FOR SUMMARY ONLY

2009-2015 Other Costs (\$000)

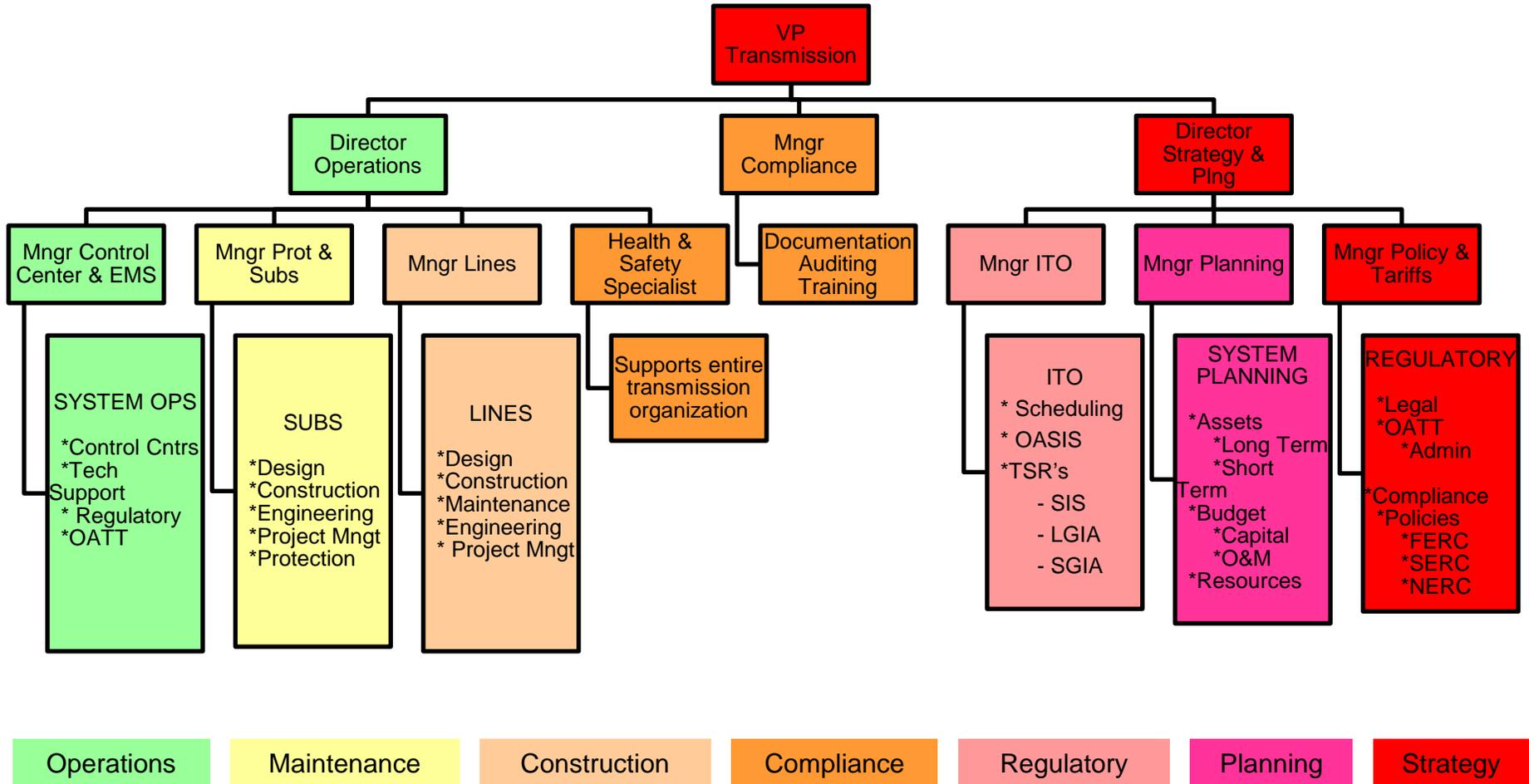
| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Stores Expense | | | | | |
| Labor | - | - | - | - | - |
| Non labor | - | - | - | - | - |
| Total | - | - | - | - | - |
| Local Engineering | | | | | |
| Labor | 3,735 | 4,836 | 2,954 | 3,145 | 3,104 |
| Non labor | 897 | 817 | - | - | - |
| Total | 4,632 | 5,653 | 2,954 | 3,145 | 3,104 |
| Other Balance Sheet | | | | | |
| Labor | - | - | - | - | - |
| Non labor | - | - | - | - | - |
| Total | - | - | - | - | - |
| Total Other Costs | <u>4,632</u> | <u>5,653</u> | <u>2,954</u> | <u>3,145</u> | <u>3,104</u> |

Louisville Infrastructure Upgrade Investment Cash Basis (\$000)

| Item | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan | Project Total |
|----------------------------|------------------|----------------|--------------|--------------|--------------|--------------|------------------|
| Transmission Line Upgrades | | 1,000 | 3,800 | | | | 4,800 |
| Paddy's West | | 458 | 2,333 | 209 | | | 3,000 |
| Middletown 4th Transformer | | | | 1,833 | 167 | | 2,000 |
| Watterson-Jeffersontown | | | 458 | 42 | | | 500 |
| Northside Reactor | | | | 229 | 21 | | 250 |
| Bluelick Breaker Upgrades | | | | 1,833 | 167 | | 2,000 |
| Duke Clifty Work | | | 2,750 | 250 | | | 3,000 |
| Middletown 345kV Breakers | 900 | 2,000 | | | | | 2,900 |
| Total Other Costs | <u>900</u> | <u>3,458</u> | <u>9,341</u> | <u>4,396</u> | <u>355</u> | <u>-</u> | <u>18,450</u> |

Transmission reliability criteria has identified a significant need for upgrades within the Louisville Metro area (including system expansion in southern Indiana). Previous mitigation was to shed load to prevent cascading outages. The FERC has emphasized through various documentation against load shedding as a means of mitigation.

The 2011 MTP assumes that Duke Energy will complete the 345kv circuit addition from Duke's Speed Substation to the interconnect point with LGE as well as upgrades at the Speed Substation. This work is included as a sensitivity of \$4.5m in 2012.





Energy Delivery

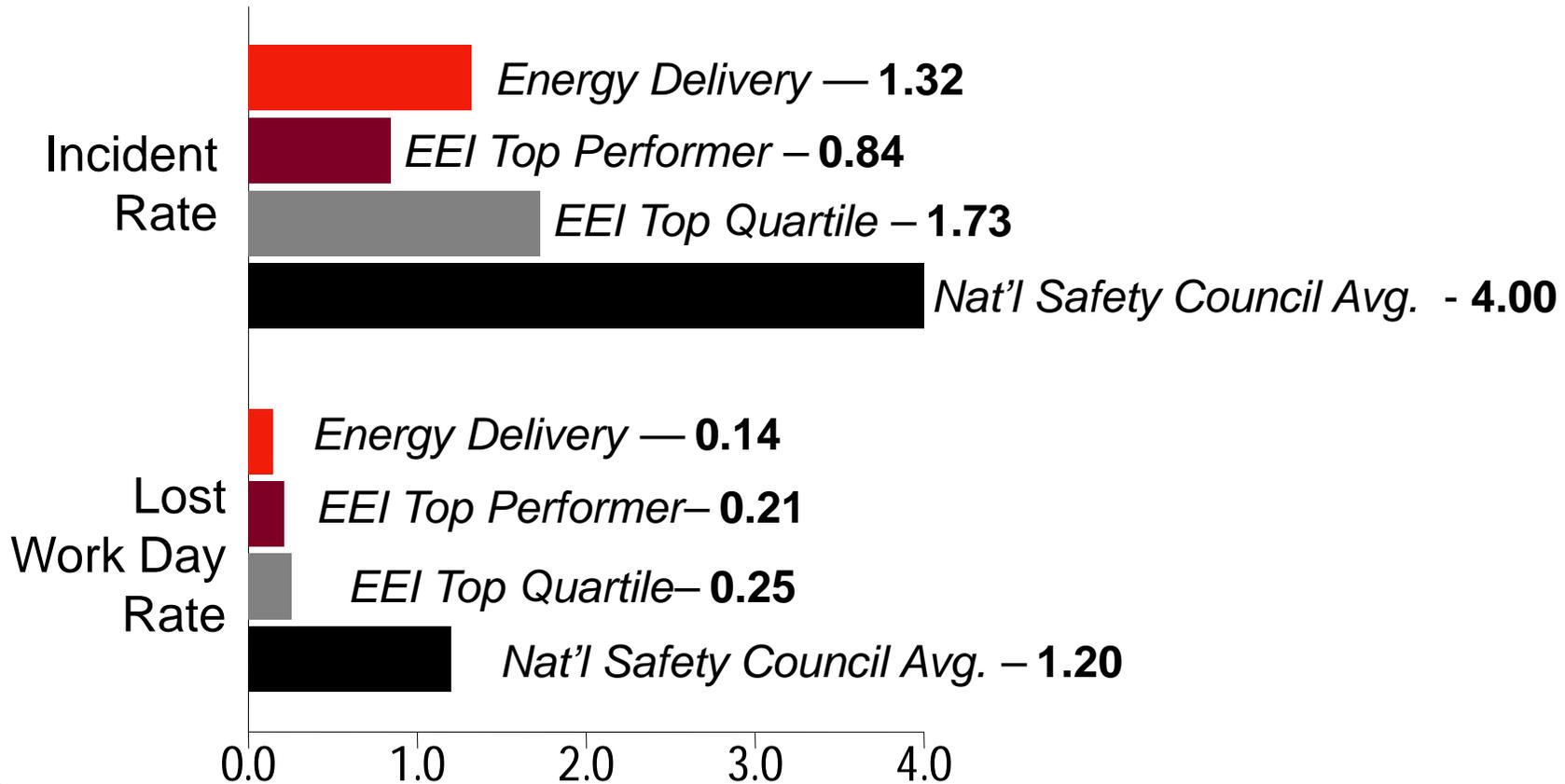
2011-2015 MTP

October 14, 2010

- **Plan Highlights** **3-10**
- **Major Assumptions** **11**
- **Financial Performance**
 - **Operating Expense** **12**
 - **Target Reconciliation** **13-14**
 - **Headcount** **15**
 - **Key Performance Indicators** **16**
 - **Plan Risks** **17**
- **Appendix** **18-21**

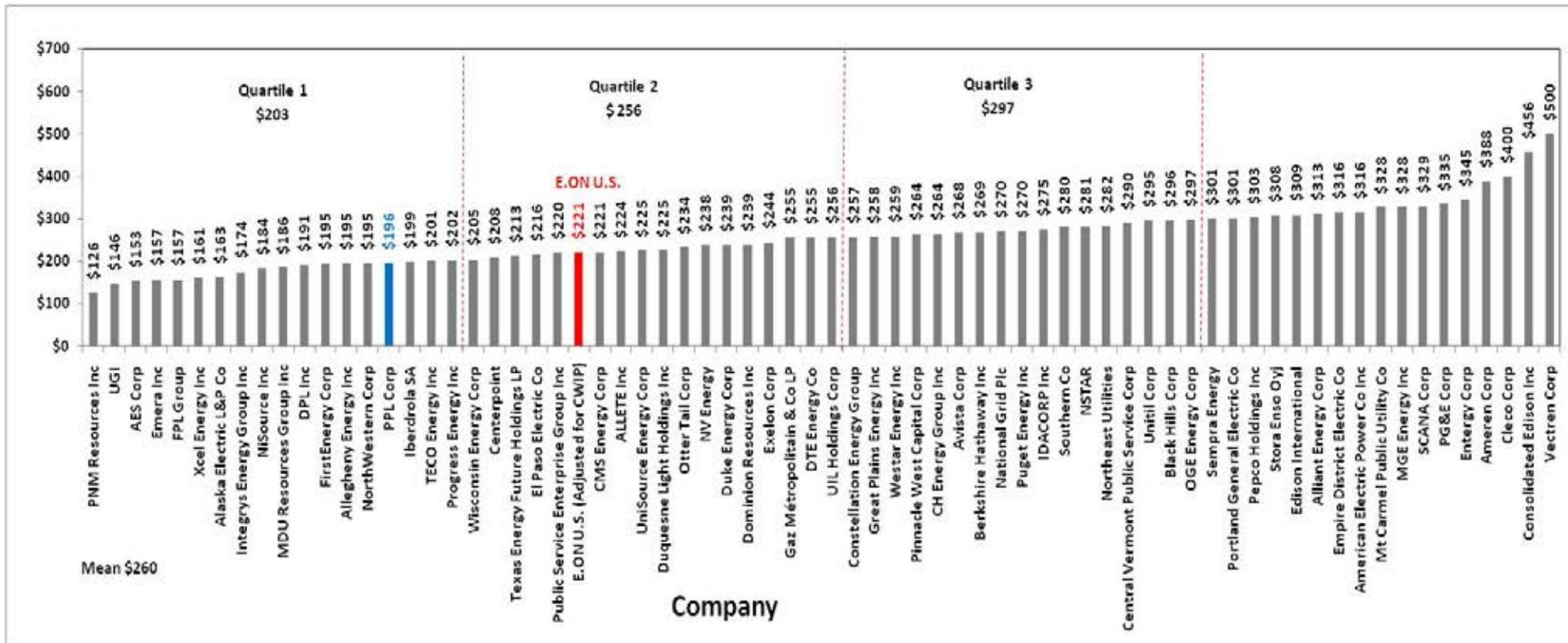
Energy Delivery provides safe, reliable, and high quality service to our customers. The objective of the attached plan is to maintain or enhance the customer experience over the long term.

Energy Delivery Safety Performance – EEI 2009 Data



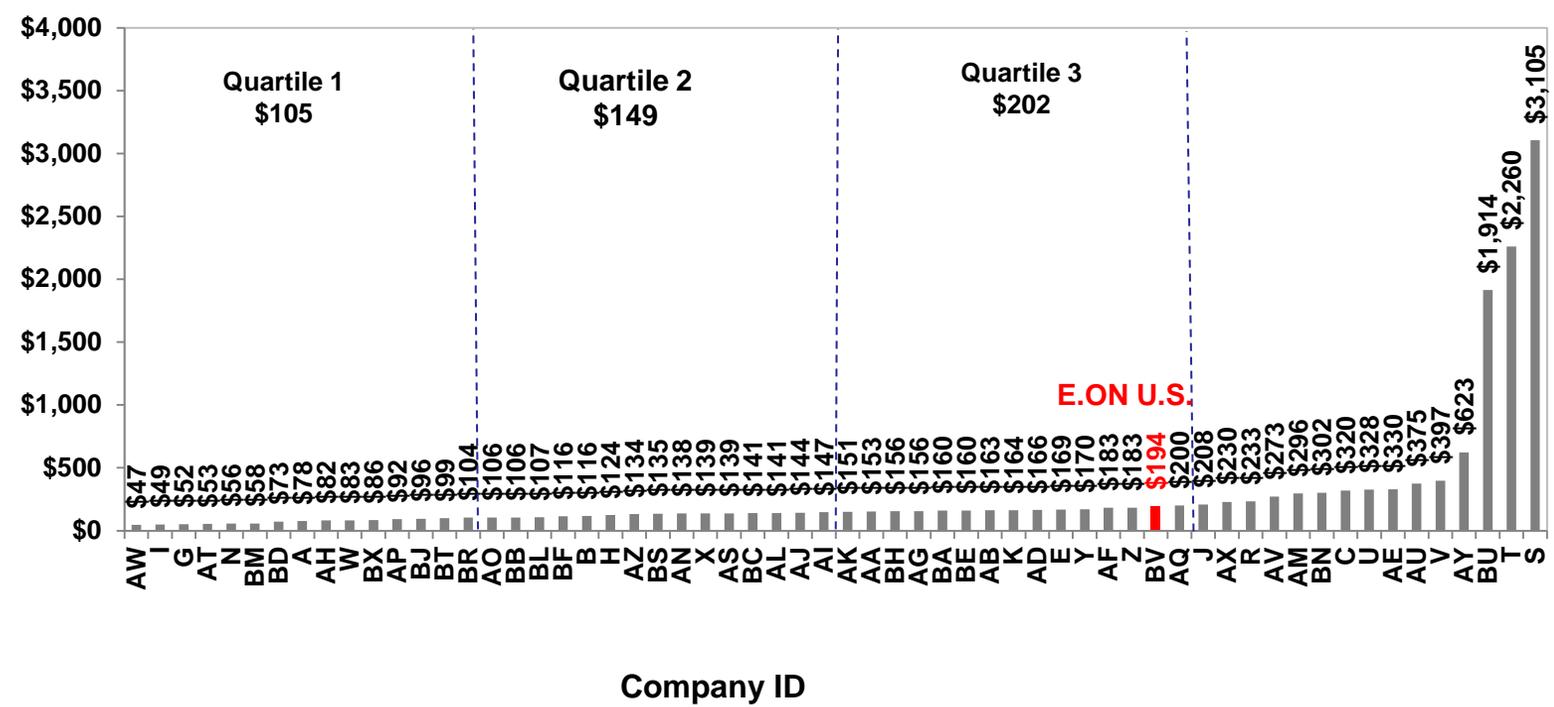
Total Electric Cost per Customer Performance

Overall Electric Distribution Expenditures Per Customer
 FERC Utility Cost Benchmarking - 2009 Data
 (Electric Only)

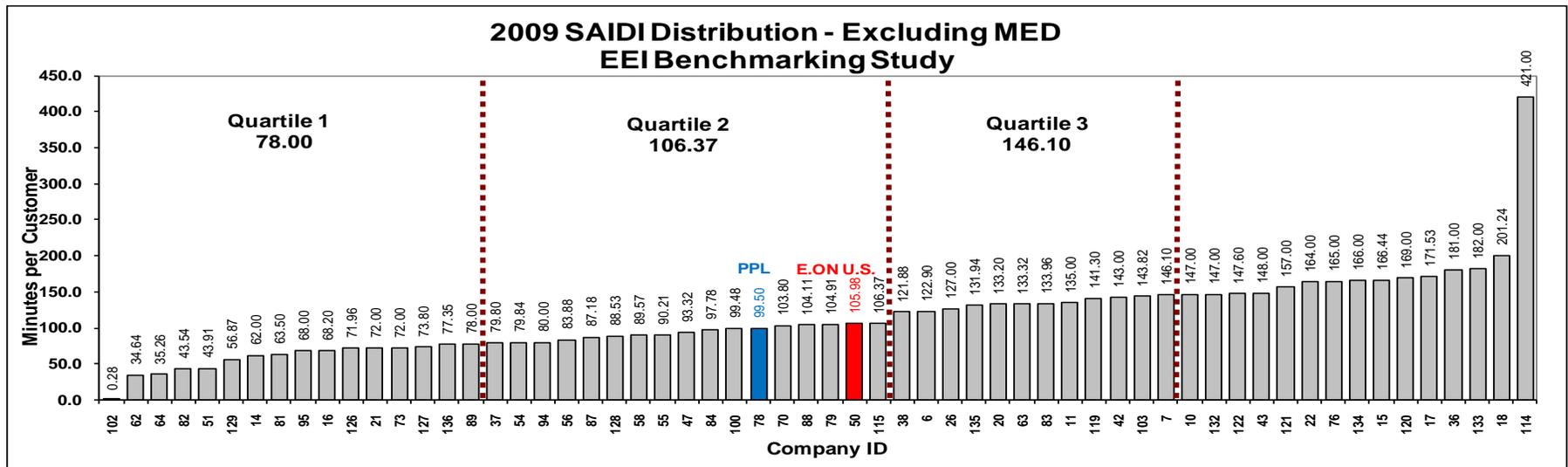
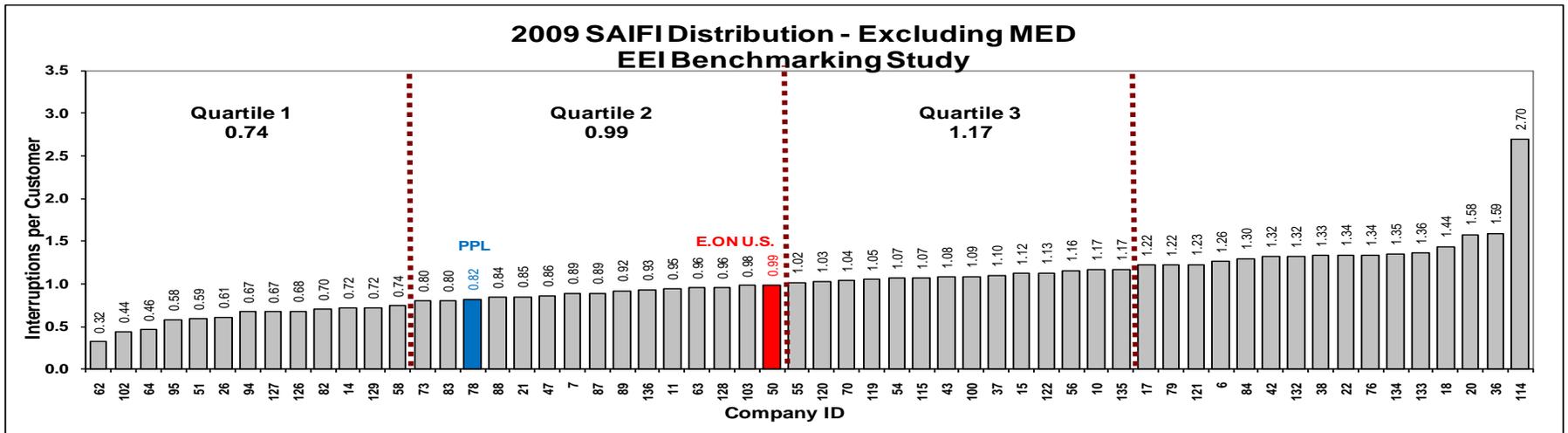


Total Gas Cost per Customer Performance

Overall Gas Distribution Expenditures Per Customer
 American Gas Association - 2009 Data
 (Gas Only)



Reliability Performance



- **Safety**
 - Continue to partner with Energy Services to build on safety synergies
 - Continue commitment to workforce and public safety
 - Continue to focus on motor vehicle safety and ensuring DOT compliance
 - Sharing safety best practices throughout the industry
 - Have won 12 international, national and state awards as well as other recognition
- **Customer Experience**
 - Expand our relationships with customers by delivering positive customer experiences that create value and build trust
 - Continue commitment to corporate citizenship and community involvement
 - Align the organization, operations and processes of the business around the needs of customers
 - Create collaborative relationships that promote employee engagement
 - Develop strategies, process models and information technology to design, manage and optimize the end-to-end customer experience process
 - Build metrics to comprehensively manage customers' end-to-end experience with the company
 - Continue being effective stewards of financial, administrative and organizational resources
 - Create tariffs and regulations that competitively position the company and respect the overall impact on customers
 - Grow revenues through the connection of new customers, economic development, products and services

- **Customer Experience (continued)**
 - Continue progress on enhancements to Customer Care System functionality
 - Gain customer acceptance and use of new Interactive Voice Response system and customer self-service on-line functionality
 - Continue emphasis on enhanced customer communication systems and processes
 - Continue to expand the portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency

- **Reliability**
 - Continue investments in electric and gas system infrastructure to meet demand, meet regulatory requirements and improve system performance
 - Increase investments to improve electric system reliability and implement an enhanced hazard tree removal plan to improve storm performance
 - Invest in additional gas compression, equipment upgrades and new wells to improve reliability, mitigate risk and maintain storage field deliverability

- **OPEX**

- On target in 2010 to achieve 7&5 approved forecast of \$238.6M, which is \$1.5M lower than original budget.
- Over target in 5-year plan period -

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total Rate Case Settlement Items | (5,180) | (5,180) | (5,180) | (5,284) | (5,390) |
| Bad Debt | (5,000) | (5,000) | (5,000) | (5,100) | (5,202) |
| Other Incremental Items / Savings | 2,636 | (238) | 911 | 316 | 115 |
| Fuel Gas Savings | 1,008 | 1,392 | 1,296 | 1,322 | 1,348 |
| Total Energy Delivery excluding DSM | (6,536) | (9,026) | (7,973) | (8,746) | (9,129) |
| Energy Efficiency - DSM Programs | 3,910 | (5,935) | (7,879) | (12,835) | (12,128) |

- **Compounded Annual Growth Rate (CAGR) from 2010-2013 is 4.8%.**
- **Major Financial Risks:**
 - **Storm Restoration**
 - **Bad Debt**

- **Capital**
 - **On target in 2010 to achieve 7&5 approved forecast of \$191.7M, which is \$5.2M lower than original budget.**
 - **Compounded Annual Growth Rate (CAGR) from 2010 to 2013 is 7.1% (Investment Only).**
 - **New business is expected to have moderate volume increases in the plan period.**
 - **Major Initiatives:**
 - **Pole Inspection and Treatment Program**
 - **Gas Leak Mitigation**
 - **Circuit Hardening / Reliability**
 - **Underground Service Pilot**
 - **Mobile Technology**
 - **Substation Enhancements**
 - **Gas Compressor Station Enhancements**
 - **Pipeline Integrity**
 - **Magnolia Gas Compressor Addition**
 - **Smart Grid Pilot Expansion**
 - **Energy Education Center**
 - **Distribution Automation**

- **Energy Delivery maintains our position in the residential J.D. Power and RCCS surveys with a renewed focus on the Customer Experience.**
- **Customer expectations regarding levels of service and availability of information will continue to increase.**
- **Energy Efficiency projects and education will increase and continue to be an area of focus. Smart Grid pilot expansion and Energy Education Center filing will be approved.**
- **Circuit hardening and reliability initiatives have increased focus.**
- **Economic conditions will not adversely impact Bad Debt.**
- **Storm budgets are based on historical trends.**
- **New Business activity will bottom out in 2010 with moderate volume and inflationary increases through the planning period.**
- **No significant changes to regulation that will affect plans.**

2009-2015 Operating Expenses (\$000)

ENERGY DELIVERY

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|---|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 48,695 | 51,735 | 55,885 | 58,033 | 61,179 | 63,550 | 65,773 |
| Labor Burdens | 47,405 | 48,859 | 50,181 | 50,307 | 50,482 | 51,972 | 53,790 |
| Subtotal | 96,100 | 100,594 | 106,066 | 108,340 | 111,661 | 115,522 | 119,563 |
| Ice Storm/Mountain Snow Storm | 11,276 | 57 | - | - | - | - | - |
| DSM | 1,683 | 1,691 | 3,547 | 4,116 | 4,396 | 4,639 | 4,665 |
| Total Labor | 109,059 | 102,342 | 109,613 | 112,456 | 116,057 | 120,161 | 124,228 |
| Non Labor | | | | | | | |
| Vegetation Management | 15,020 | 16,698 | 22,027 | 22,266 | 22,603 | 23,055 | 23,516 |
| Bad Debt | 8,562 | 12,000 | 11,300 | 11,300 | 12,000 | 12,240 | 12,485 |
| Storm Restoration ¹ | 3,029 | 2,120 | 1,614 | 1,989 | 1,814 | 1,888 | 1,964 |
| Fuel Gas and Gas Losses | 5,414 | 4,337 | 4,064 | 4,309 | 4,566 | 4,657 | 4,750 |
| Contributions | 669 | 630 | 1,238 | 1,261 | 1,595 | 1,627 | 1,659 |
| Outside Services | 37,753 | 40,637 | 39,265 | 41,605 | 43,465 | 44,364 | 45,282 |
| Other Non Labor | 27,594 | 31,561 | 32,167 | 33,602 | 34,066 | 34,718 | 35,423 |
| Subtotal | 98,041 | 107,983 | 111,675 | 116,332 | 120,109 | 122,549 | 125,079 |
| Ice Storm/Mountain Snow Storm | 103,364 | 180 | - | - | - | - | - |
| DSM | 20,914 | 27,932 | 29,847 | 36,693 | 37,937 | 40,036 | 40,263 |
| Total Non Labor | 222,319 | 136,095 | 141,522 | 153,025 | 158,046 | 162,585 | 165,342 |
| Subtotal OPEX for EBIT² | 331,378 | 238,437 | 251,135 | 265,481 | 274,103 | 282,746 | 289,570 |
| Gross Margin Expenses | 32 | 126 | 137 | 141 | 145 | 148 | 151 |
| Total Items for EBIT | 331,410 | 238,563 | 251,272 | 265,622 | 274,248 | 282,894 | 289,721 |

¹ Total Storm Restoration including labor is \$4.6M for 2011 and \$5.1M for years 2012-2013.

² Actuals for 2009 exclude WKE expenses of \$144K.

2011-2015 Target Comparison (\$000)

ENERGY DELIVERY

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| Total OPEX | 251,135 | 265,481 | 274,103 | 282,746 | 289,570 |
| Total Gross Margin (if applicable) | 137 | 141 | 145 | 148 | 151 |
| Total | 251,272 | 265,622 | 274,248 | 282,894 | 289,721 |
| Total OPEX Target | 248,516 | 250,527 | 258,258 | 261,171 | 268,318 |
| Total Gross Margin Target | 130 | 134 | 138 | 142 | 146 |
| Total Target | 248,646 | 250,661 | 258,396 | 261,313 | 268,464 |
| Variance to Target | (2,626) | (14,961) | (15,852) | (21,581) | (21,257) |
| Major Variance Contributors: | | | | | |
| Rate Case - Hazardous Tree Removal | (4,000) | (4,000) | (4,000) | (4,080) | (4,162) |
| Rate Case - Contributions | (695) | (695) | (695) | (709) | (723) |
| Rate Case - Meter Reading 5 to 3 Days | (485) | (485) | (485) | (495) | (505) |
| Bad Debt | (5,000) | (5,000) | (5,000) | (5,100) | (5,202) |
| Regulatory - Gas Control and Storage | (1,861) | (1,028) | (1,095) | (1,117) | (1,139) |
| ED IT - Ongoing OPEX For Capital IT Additions | (386) | (885) | (1,349) | (1,378) | (1,408) |
| Storm Restoration | 1,891 | 1,399 | 1,555 | 1,548 | 1,541 |
| IT Street Light / Pole Audit | 850 | 500 | 500 | 500 | 500 |
| Workforce Planning - Headcount Increases | (66) | (730) | (386) | (400) | (413) |
| Fuel Gas Savings | 1,008 | 1,392 | 1,296 | 1,322 | 1,348 |
| Various Reductions | 2,208 | 506 | 1,686 | 1,163 | 1,034 |
| Subtotal | (6,536) | (9,026) | (7,973) | (8,746) | (9,129) |
| Energy Efficiency - DSM Programs | 3,910 | (5,935) | (7,879) | (12,835) | (12,128) |
| Total Variance Contributors | (2,626) | (14,961) | (15,852) | (21,581) | (21,257) |

2011-2015 Capital Comparison – Cash Basis (\$000)

ENERGY DELIVERY

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|----------------------|------------------------|
| Total Capital | 199,160 | 221,412 | 235,295 | 229,641 | 235,906 |
| Target | 204,783 | 229,094 | 242,032 | 240,830 | 216,629 |
| Variance To Target | <u>5,623</u> | <u>7,682</u> | <u>6,737</u> | <u>11,189</u> | <u>(19,277)</u> |
| Major Variance Contributors: | | | | | |
| New Business | 9,114 | 11,546 | 15,130 | 13,279 | 10,451 |
| Reliability/Circuit Hardening | (4,125) | (4,600) | (11,390) | (11,593) | (13,871) |
| Gas Main Replacements | 515 | 8,461 | 4,837 | 3,472 | (22,858) |
| System Enhancements | 3,408 | 575 | (7,279) | 942 | 1,591 |
| System Enhancements - Distribution Automation | (800) | - | (5,000) | (10,000) | (10,000) |
| Repair/Replace Defective Equipment and Restoration | 1,611 | 1,998 | (884) | (149) | - |
| Gas Service Line Ownership Program | - | - | 6,400 | 6,554 | 6,711 |
| GC&S - Inline Regulatory Inspections | (4,551) | - | (4,500) | (1,500) | (1,500) |
| GC&S - Compressor Addition | - | (4,000) | - | - | - |
| GC&S - Various (2012 Contains Shifts from 2011) | (361) | (5,962) | (1,430) | 3,540 | 2,813 |
| Op Services - Auburndale Expansion | - | - | 3,371 | - | - |
| Op Services - Facility Improvements | - | - | 1,629 | (560) | (114) |
| Energy Efficiency Education Center | (2,000) | (8,000) | (3,000) | - | - |
| Energy Efficiency - Automated Metering Infrastructure | 4,747 | 8,118 | 8,571 | 10,000 | 10,000 |
| Other | (535) | 46 | (18) | (2,796) | (2,500) |
| Accrual Variance | (1,400) | (500) | 300 | - | - |
| Total Variance Contributors | <u>5,623</u> | <u>7,682</u> | <u>6,737</u> | <u>11,189</u> | <u>(19,277)</u> |

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Distribution | | | | | | | |
| Support Groups | 28 | 28 | 28 | 28 | 29 | 29 | 29 |
| Asset Management | 55 | 59 | 63 | 66 | 68 | 68 | 68 |
| Distribution Operations | 672 | 686 | 711 | 721 | 723 | 723 | 722 |
| Gas Control and Storage | 113 | 118 | 125 | 124 | 124 | 124 | 124 |
| Gas Planning and Supply | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total Distribution | 873 | 896 | 932 | 944 | 949 | 949 | 948 |
| Retail and Metering | | | | | | | |
| Retail Executive and Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Customer Service and Marketing | 267 | 282 | 282 | 282 | 282 | 282 | 282 |
| Revenue Processes & Metering | 203 | 210 | 201 | 202 | 202 | 202 | 202 |
| Energy Efficiency | 18 | 21 | 34 | 37 | 37 | 37 | 37 |
| Transportation | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Retail and Metering | 493 | 518 | 522 | 526 | 526 | 526 | 526 |
| Operating Services | | | | | | | |
| Director and Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Contact Management | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Facility Services | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Administration Services | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Real Estate Right of Way | 8 | 7 | 9 | 9 | 9 | 9 | 9 |
| Total Operating Services | 31 | 31 | 33 | 33 | 33 | 33 | 33 |
| TOTAL | 1,397 | 1,445 | 1,487 | 1,503 | 1,508 | 1,508 | 1,507 |
| 2010 MTP | | 1,482 | 1,474 | 1,484 | | | |

Key Performance Indicators

| KPI | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Safety (Energy Delivery) | 1.32 | 1.95 | 1.90 | 1.85 | 1.80 | 1.80 | 1.80 |
| Overall Customer Satisfaction (points) | 9 | 9 | 12 | 15 | 18 | 18 | 18 |
| SAIFI | 0.99 | 0.99 | 0.93 | 0.88 | 0.83 | 0.80 | 0.77 |
| SAIDI | 105.98 | 97.26 | 93.00 | 88.00 | 83.00 | 80.00 | 77.00 |

NOTE: Overall Customer Satisfaction 18 points = 100% payout

- **Increased Regulation & Legislative Action**
 - **Regulatory Pressure to Assume Ownership of Customer Gas Services**
 - **Green House Gas Regulation**
 - **On Bill Financing**
 - **Low Income Regulation**
 - **Customer Service PSC Audit**
- **Bad Debt**
- **Economic Development and the Pace of the Economic Recovery**
- **Storm Restoration**
- **Pole Inspection and Treatment Program Reject Rate**
- **Additional Mitigation from Gas Transmission Line Inspections**
- **Energy Efficiency and Smart Grid Regulatory Approvals**
- **Material and Equipment Price Increases**
- **Fuel Prices**

Appendix

2009-2015 Capital Breakdown (w/o COR) – Cash Basis (\$000)

| Project | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| Distribution | | | | | | | |
| New Business | 53,768 | 52,682 | 57,712 | 60,499 | 64,986 | 67,636 | 70,373 |
| Enhance the Network | 28,800 | 64,782 | 57,111 | 59,722 | 81,192 | 81,145 | 85,250 |
| Maintain the Network | 37,183 | 45,125 | 53,503 | 63,251 | 51,088 | 42,837 | 44,214 |
| Repair the Network | 29,322 | 9,060 | 8,154 | 8,210 | 8,311 | 8,336 | 9,079 |
| Miscellaneous | 3,409 | 7,604 | 8,760 | 7,980 | 13,156 | 15,535 | 15,912 |
| Total Distribution | 152,482 | 179,253 | 185,240 | 199,662 | 218,733 | 215,489 | 224,828 |
| Retail | 686 | 2,160 | 4,853 | 13,787 | 9,189 | 3,416 | 1,722 |
| Metering | 4,524 | 5,384 | 4,905 | 4,719 | 5,303 | 4,896 | 5,242 |
| Operating Services | 2,210 | 5,289 | 2,862 | 3,844 | 2,370 | 5,840 | 4,114 |
| Accrual | (9,700) | (420) | 1,300 | (600) | (300) | - | - |
| Total Capital (107001) Cash | 150,202 | 191,666 | 199,160 | 221,412 | 235,295 | 229,641 | 235,906 |

2011-2015 Cost of Removal Comparison (\$000)

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Cost of Removal | 10,156 | 10,997 | 10,699 | 10,915 | 11,177 |
| Target | 5,500 | 5,775 | 5,914 | 6,056 | 6,201 |
| Variance to Target | <u>(4,656)</u> | <u>(5,222)</u> | <u>(4,785)</u> | <u>(4,859)</u> | <u>(4,976)</u> |
| Variance Explanations | | | | | |
| Reliability/Circuit Hardening | (375) | (400) | (410) | (420) | (430) |
| Gas Main Replacements | (515) | (530) | (540) | (550) | (565) |
| System Enhancements | (360) | (382) | (390) | (420) | (430) |
| Repair/Replace Defective Equipment | (3,018) | (3,368) | (3,078) | (3,169) | (3,241) |
| Gas Control and Storage | (250) | (270) | (276) | (300) | (310) |
| Operating Services | (138) | (272) | (91) | - | - |
| Total Variance | <u>(4,656)</u> | <u>(5,222)</u> | <u>(4,785)</u> | <u>(4,859)</u> | <u>(4,976)</u> |

2009-2013 Other Costs (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan |
|---|----------------|------------------|----------------|---------------|---------------|
| Local Engineering | | | | | |
| Labor | 13,375 | 15,359 | 17,380 | 17,598 | 18,417 |
| Non Labor | 2,186 | 2,832 | 3,928 | 3,184 | 3,160 |
| Total | 15,561 | 18,191 | 21,308 | 20,782 | 21,577 |
| Transportation | 17,294 | 19,351 | 20,319 | 21,334 | 22,401 |
| Operating Services Clearing (Non Labor) | 3,107 | 3,239 | 3,317 | 3,396 | 3,464 |
| Total Other Costs | 35,962 | 40,781 | 44,944 | 45,512 | 47,442 |



General Counsel Organization

2011-2015 MTP

October 13, 2010

- **Major Assumptions**
- **Financial Performance**
 - **Operating Expense**
 - **Target Comparison**
 - **Headcount**
 - **Plan Risks**
- **Appendix**
 - **Sensitivities**
 - **O&M Reconciliation**
 - **Regulatory Asset**

- **Legal/EVP**
 - **No contingent budgets have been proposed**
 - **Hourly rates of outside providers will not materially increase**
 - **No new material litigation claims arise**

- **Corporate Communications**
 - **We must take advantage of non-traditional tools to gain positive rebranding recognition**
 - **Energy Efficiency programs will continue to grow. We will need to support these projects, in the most cost-effective manner through targeted advertising/marketing programs.**
 - **As new mediums become available to our customers and employees we will not only monitor and use the most effective tools, but we will need to potentially increase our staff to support any significant actions**

- **Corporate Responsibility**
 - **Nonprofit organizations will request and anticipate greater support from us given the status of the economy. We must be proactive and appropriately responsive.**
 - **Our interest in improving our customer satisfaction scores will mean enhancing our presence in rural areas. Thus, we should be prepared to support more activities in our rural service territory.**
 - **Environmental issues will continue to be important to our customers and the communities in which we operate. We must be prepared to engage in community activities which portray us as an environmentally responsible corporate citizen.**

- **Compliance**
 - **No change in headcount**
 - **No material change in role**

- **Environmental**
 - **Coal fired utilities will continue to face increasing scrutiny from the government, special interest groups and the media on multiple environmental fronts resulting in increased regulatory burden and difficulty in obtaining necessary and timely permits for existing and new facilities**
 - **Increased volume and complexity of environmental issues will require additional internal and external resources**
 - **Analysis of environmental risk will require more robust comprehensive environmental audits/assessments**
- **External Affairs**
 - **Increased restrictions by local, state and federal governmental entities upon company's activities in the operational, regulatory and environmental areas**
 - **Pressure by local, state and federal governmental entities upon the company to use its monopolistic status to enhance governmental revenue**
- **Federal Regulatory & Policy**
 - **Increasing regulatory pressure to regionalize transmission planning and cost-allocation, thereby eliminating unique regional or individual competitive advantages**
 - **Enforcement of mandatory performance standards to become more stringent and onerous**

- **State Regulation & Rates**
 - **Five separate rate case filings during MTP**
 - **Filing of two base rate cases for LG&E and KU in KY**
 - **Filing of three base rate cases for KU/ODP in VA**
 - **Number of CPCN proceedings for generation and transmission facilities**
 - **Significant ECR filings related to proposed environmental regulations**
 - **Increase in smart-meter rollout and Responsive Pricing Program**
 - **Possible Federal climate change and renewable legislation passed**
 - **Increase in energy efficiency programs**
 - **KPSC Management Audit of Customer Service functions**
 - **Filing of Integrated Resource Plans with KPSC and VSCC**

- **Human Resources**
 - **Current and potential Federal legislative initiatives may significantly affect the existing landscape and costs associated with virtually every aspect of the workforce (benefits, compensation, union relations, safety, etc.)**
 - **Employee and retiree healthcare costs will continue to rise**
 - **Economic challenges, especially inflation, could affect wage and benefits offerings**
 - **The impact of demographic and generational shifts presents an immediate challenge**
 - **Stakeholders will increasingly look for transparency in business practices**
 - **The pace and complexity of regulatory compliance will continue to escalate**
 - **The unions will continue to work to increase their membership**
 - **Competition for talent will require more non-traditional sourcing**

2009-2015 Operating Expenses (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 9,581 | 10,327 | 10,937 | 11,351 | 11,744 | 12,155 | 12,580 |
| Burdens | 8,087 | 9,040 | 9,137 | 9,323 | 9,417 | 9,747 | 10,088 |
| Outside Counsel | 6,129 | 8,913 | 10,419 | 13,121 | 13,072 | 13,333 | 13,600 |
| Other Legal Outside Services | 488 | 420 | 430 | 439 | 447 | 456 | 465 |
| Other Outside Services | 3,153 | 3,579 | 3,862 | 3,613 | 3,885 | 3,963 | 4,042 |
| Donations | 1,413 | 3,122 | 3,022 | 3,082 | 3,144 | 3,207 | 3,271 |
| Dues | 1,939 | 2,283 | 2,547 | 2,677 | 2,817 | 2,873 | 2,931 |
| Fees, Permits & Licenses | 2,330 | 2,407 | 2,337 | 2,509 | 2,559 | 2,611 | 2,663 |
| Rate Case Amortization | - | 1,262 | 1,901 | 2,036 | 2,424 | 2,104 | 2,293 |
| Other Non Labor | 3,683 | 2,983 | 3,794 | 3,826 | 3,943 | 4,022 | 4,103 |
| Total OPEX for EBIT | 36,803 | 44,335 | 48,385 | 51,977 | 53,454 | 54,472 | 56,036 |

2011-2015 Target Comparison (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total OPEX | 48,385 | 51,977 | 53,454 | 54,472 | 56,036 |
| Total Gross Margin (if applicable) | - | - | - | - | - |
| Total | <u>48,385</u> | <u>51,977</u> | <u>53,454</u> | <u>54,472</u> | <u>56,036</u> |
| Total OPEX Target | 50,418 | 51,977 | 53,454 | 54,122 | 55,492 |
| Total Gross Margin Target | - | - | - | - | - |
| Total Target | <u>50,418</u> | <u>51,977</u> | <u>53,454</u> | <u>54,122</u> | <u>55,492</u> |
| Variance to Target | <u>2,034</u> | <u>-</u> | <u>-</u> | <u>(350)</u> | <u>(544)</u> |
| Major Variance Contributors: | | | | | |
| Rate Case Amortization Calculation | - | - | - | (345) | (539) |
| Budget Reductions | <u>2,034</u> | - | - | - | - |
| Total Variance | <u>2,034</u> | <u>-</u> | <u>-</u> | <u>(345)</u> | <u>(539)</u> |

2011-2015 Capital Comparison – Cash Basis (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------------|-----------|----------|----------|----------|
| Total Capital | 600 | 500 | 225 | 225 | 625 |
| Target | 500 | 550 | 225 | 225 | 625 |
| Variance To Target | <u>(100)</u> | <u>50</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | | | |
| Increased Estimate of PeopleSoft Upgrade for 2011 | (100) | - | - | - | - |
| Decreased Estimate of PeopleSoft Upgrade for 2012 | - | 50 | - | - | - |
| Total Variance | <u>(100)</u> | <u>50</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-----------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Legal/EVP | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Corporate Communications | 16 | 16 | 17 | 17 | 17 | 17 | 17 |
| Corporate Responsibility | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| Compliance | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Environmental | 12.5 | 13.5 | 14.5 | 15 | 15 | 15 | 15 |
| External Affairs | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Federal Regulatory & Policy | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| State Regulation & Rates | 12.5 | 13.5 | 14 | 14 | 14 | 14 | 14 |
| Human Resources | 32.5 | 33.5 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 |
| TOTAL | <u>116</u> | <u>119</u> | <u>123</u> | <u>124</u> | <u>124</u> | <u>124</u> | <u>124</u> |
| From 2010 MTP | | <u>121</u> | <u>126</u> | <u>126</u> | | | |

•Major Developments/Changes

Corporate Communications will increase by one position

Corporate Responsibility will increase by one position

Environmental will increase by one position in 2011 and a PT position will transition to FT in 2012

State Regulation & Rates PT position will transition to FT in 2011

HR will increase by one FT admin position in Organizational Development

- **Legal/EVP**
 - New environmental regulations require extraordinary legal review and input
 - The Company becomes embroiled in a significant legal dispute
- **Corporate Communications**
 - Given increased ECR, pending rate cases, possible coal price increases and pending EPA regulations, customer bills will continue to increase resulting in lower customer satisfaction levels
 - With growing concern regarding the environment, the public will expect a strong partnership between energy producers, energy consumers to provide additional energy efficiency programs and address and resolve environmental quality issues
- **Corporate Responsibility**
 - Notwithstanding our best efforts, the public may not be satisfied with our community investment and community involvement efforts
 - Stakeholder groups are becoming more assertive and are examining our activities more closely
 - The election cycle may produce challenges in our relationships with elected officials

- **Compliance**
 - **Federal energy regulation continues to grow, and regulator expectations continue to be clarified, in ways that require enhanced compliance efforts**
 - **NERC Reliability Standards, including the Cyber Security Standards, are very likely to be expanded**
 - **Additional compliance efforts could be required in response to pending self reports with SERC**

- **Environmental**
 - **Sharp increase in new regulatory initiatives requiring additional outside training of EA staff**
 - **Significant increase in the number of environmental permits required for daily company operations which necessitate outside contractors for specialized modeling, monitoring and testing**
 - **Increased costs for disposal of hazardous wastes, PCB wastes and spill clean-up materials**
 - **Increased annual operation fees for Title V air permits, KPDES water permits, KY River Authority and special waste landfills**

- **External Affairs**
 - Intense pressure on electric rates due to increased capital expenditures for pollution control and base load generation construction. Greenhouse gas legislation and Federal EPA regulations place substantial environmental compliance costs on the company and its customers.
 - Local, State and Federal Budget shortfalls result in increased efforts to raise revenue through surcharges on the customer electric bill and increased corporate fees and taxes
 - Asset ownership by outside-of-the-state entity
 - Amount of revenue raised by the Political Action Committee must increase in order for the company to maintain credibility and move to the next level of public policy shaping
- **Federal Regulatory & Policy**
 - Loss of autonomy over transmission planning and construction
 - Imposition of a federal renewable energy standard and the imposition of a socialized approach to cost-allocation for new construction of required transmission assets
 - Higher probability of being subjected to enforcement proceedings involving repeat violations resulting in substantially higher fines and more onerous penalties
 - Gridlock in 112th Congress on energy related legislation
 - Continued divergence in enforcement philosophies between FERC and NERC

- **State Regulation & Rates**
 - Growing rate base and operating expenses, coupled with regulatory lag and change of control stay out provision, could make target returns difficult to achieve
 - Commission and intervenor sensitivity to rising costs could result in punitive actions beyond what reason would dictate – prudence could be challenged more often particularly where actual costs exceed estimates
 - Changes to and uncertainty in Environmental regulations could put significant pressure on Environmental Cost Recovery mechanism
 - Failure to get timely regulatory approvals for generation and transmission investment could put reliability, customer service and utility economics at risk
 - Legal challenges to KPSC’s authority to develop rate mechanisms could have broad reaching impacts to existing and potential recovery mechanisms
- **Human Resources**
 - Economic pressures and impact on human resource management
 - Effects of possible Federal legislation relating to benefits, compensation, labor, safety, and taxation
 - Ensuring appropriate monitoring, compliance, reporting and disclosure
 - Maintaining key recruiting relationships during restricted hiring phase

Appendix

Key sensitivities – assumptions and costs not included in the MTP to cover transition costs

- **Legal/EVP**
 - The PPL transaction will not materially alter our legal spending
- **Corporate Communications**
 - As we transition to a new parent company, our interaction and strategic position within the new group must be managed
- **Corporate Responsibility**
 - Given the PPL merger, it's likely customers and other stakeholders will scrutinize the company's community involvement efforts more closely based upon their interest in the company maintaining at least the same level of community involvement. We must plan our community activities accordingly.
- **External Affairs**
 - Comparison of:
 - Political contributions between PPL and LG&E/KU
 - Levels of engagement and contributions with and to advocacy groups
 - PPL and LG&E/KU legislative and regulatory positions on various issues
 - DSM activities and level of revenue
- **Federal Regulatory & Policy**
 - Potential policy differences on transmission, integration of renewable energy resources, and demand response

2010-2015 O&M (\$000) – General Counsel Org Summary

| <u>Department</u> | <u>2010 Forecast</u> | <u>2011 Budget</u> | <u>2012 Plan</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> |
|-----------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Legal/EVP | 17,366 | 19,330 | 22,253 | 22,416 | 22,950 | 23,497 |
| Corporate Communications | 5,929 | 6,142 | 6,282 | 6,414 | 6,578 | 6,745 |
| Corporate Responsibility | 1,517 | 1,775 | 1,816 | 1,855 | 1,903 | 1,952 |
| Compliance | 997 | 1,014 | 1,040 | 1,052 | 1,086 | 1,122 |
| Environmental | 5,946 | 6,239 | 6,648 | 6,876 | 7,050 | 7,229 |
| External Affairs | 917 | 934 | 957 | 977 | 1,007 | 1,038 |
| Federal Regulatory & Policy | 820 | 834 | 856 | 876 | 905 | 935 |
| State Regulation & Rates | 2,415 | 2,833 | 2,564 | 2,824 | 2,915 | 3,007 |
| Rate Case Amortization | 1,262 | 1,901 | 2,036 | 2,424 | 2,104 | 2,293 |
| Human Resources | 7,165 | 7,383 | 7,525 | 7,738 | 7,974 | 8,217 |
| Total | <u>44,335</u> | <u>48,385</u> | <u>51,977</u> | <u>53,454</u> | <u>54,472</u> | <u>56,036</u> |

2009-2015 Operating Expenses (\$000) – Legal/EVP

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 4,545 | 5,322 | 5,433 | 5,584 | 5,725 | 5,926 | 6,132 |
| Outside Counsel | 6,129 | 8,913 | 10,419 | 13,121 | 13,072 | 13,333 | 13,600 |
| Other Legal Outside Services | 488 | 420 | 430 | 439 | 447 | 456 | 465 |
| Other Outside Services | 864 | 461 | 485 | 494 | 505 | 515 | 525 |
| Donations | 260 | 315 | 270 | 275 | 281 | 287 | 292 |
| Dues | 1,113 | 1,218 | 1,428 | 1,457 | 1,486 | 1,515 | 1,546 |
| Fees, Permits & Licenses | 19 | 15 | 16 | 16 | 17 | 17 | 17 |
| Other Non Labor | 794 | 702 | 849 | 867 | 883 | 901 | 919 |
| Total OPEX for EBIT | 14,212 | 17,366 | 19,330 | 22,253 | 22,416 | 22,950 | 23,497 |

2010-2015 Headcount Reconciliation – Legal/EVP

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 26 | 26 | 26 | 26 | 26 |
| Prior Plan | 26 | 26 | 26 | 26 | 26 |
| Variance | - | - | - | - | - |
| <u>Variance Explanations</u> | | | | | |
| | - | - | - | - | - |
| Total Variance | - | - | - | - | - |

2009-2015 Operating Expenses (\$000) – Corporate Communications

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 1,961 | 2,075 | 2,211 | 2,272 | 2,324 | 2,405 | 2,490 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 846 | 887 | 905 | 923 | 942 | 960 | 980 |
| Donations | 736 | 1,970 | 1,808 | 1,844 | 1,881 | 1,919 | 1,957 |
| Dues | 1 | 17 | 16 | 17 | 17 | 17 | 18 |
| Fees, Permits & Licenses | - | - | - | - | - | - | - |
| Other Non Labor | 1,684 | 981 | 1,202 | 1,226 | 1,251 | 1,276 | 1,302 |
| Total OPEX for EBIT | 5,229 | 5,929 | 6,142 | 6,282 | 6,414 | 6,578 | 6,745 |

2010-2015 Headcount Reconciliation – Corporate Communications

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 17 | 17 | 17 | 17 | 17 |
| Prior Plan | 16 | 17 | 17 | 17 | 17 |
| Variance | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | | | |
| New Marketing Communications Specialist Position 2011 | (1) | - | - | - | - |
| Total Variance | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Operating Expenses (\$000) – Corporate Responsibility

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 537 | 573 | 675 | 693 | 710 | 735 | 761 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 146 | 103 | 106 | 109 | 111 | 113 | 115 |
| Donations | 355 | 767 | 750 | 765 | 780 | 796 | 812 |
| Dues | 11 | 7 | 7 | 7 | 7 | 7 | 8 |
| Fees, Permits & Licenses | 4 | - | - | - | - | - | - |
| Other Non Labor | 278 | 68 | 237 | 242 | 247 | 252 | 257 |
| Total OPEX for EBIT | 1,331 | 1,517 | 1,775 | 1,816 | 1,855 | 1,903 | 1,952 |

2010-2015 Headcount Reconciliation – Corporate Responsibility

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 5 | 5 | 5 | 5 | 5 |
| Prior Plan | 4 | 5 | 5 | 5 | 5 |
| Variance | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | | | |
| New Community Relations Specialist Position in 2011 | (1) | - | - | - | - |
| Total Variance | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Operating Expenses (\$000) – Compliance

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 806 | 812 | 830 | 853 | 862 | 892 | 923 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 20 | 60 | 52 | 53 | 54 | 55 | 56 |
| Donations | - | - | - | - | - | - | - |
| Dues | 2 | 20 | 30 | 31 | 31 | 32 | 32 |
| Fees, Permits & Licenses | - | - | - | - | - | - | - |
| Other Non Labor | 66 | 105 | 102 | 104 | 106 | 108 | 110 |
| Total OPEX for EBIT | 894 | 997 | 1,014 | 1,040 | 1,052 | 1,086 | 1,122 |

2010-2015 Headcount Reconciliation – Compliance

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 6 | 6 | 6 | 6 | 6 |
| Prior Plan | 6 | 6 | 6 | 6 | 6 |
| Variance | - | - | - | - | - |
| <u>Variance Explanations</u> | | | | | |
| | - | - | - | - | - |
| Total Variance | - | - | - | - | - |

2009-2015 Operating Expenses (\$000) – Environmental

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 1,842 | 1,944 | 2,235 | 2,360 | 2,415 | 2,500 | 2,587 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 255 | 560 | 550 | 561 | 572 | 584 | 595 |
| Donations | 14 | 20 | 20 | 20 | 21 | 21 | 22 |
| Dues | 772 | 909 | 987 | 1,086 | 1,195 | 1,219 | 1,243 |
| Fees, Permits & Licenses | 2,305 | 2,392 | 2,319 | 2,490 | 2,541 | 2,591 | 2,643 |
| Other Non Labor | 83 | 122 | 128 | 130 | 133 | 135 | 138 |
| Total OPEX for EBIT | 5,271 | 5,946 | 6,239 | 6,648 | 6,876 | 7,050 | 7,229 |

2010-2015 Headcount Reconciliation – Environmental

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 14.5 | 15.0 | 15 | 15 | 15 |
| Prior Plan | 13.5 | 14.5 | 15 | 15 | 15 |
| Variance | <u>(1.0)</u> | <u>(0.5)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | | | |
| New Air Specialist Position for 2011 | (1.0) | | - | - | - |
| PT to become FT in 2012 | | (0.5) | | | |
| Total Variance | <u>(1.0)</u> | <u>(0.5)</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Operating Expenses (\$000) – External Affairs

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 645 | 654 | 665 | 683 | 698 | 722 | 748 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 110 | 116 | 118 | 121 | 123 | 126 | 128 |
| Donations | 7 | 16 | 16 | 17 | 17 | 17 | 18 |
| Dues | 10 | 16 | 14 | 15 | 15 | 15 | 15 |
| Fees, Permits & Licenses | 0 | - | - | - | - | - | - |
| Other Non Labor | 84 | 115 | 120 | 122 | 125 | 127 | 130 |
| Total OPEX for EBIT | 856 | 917 | 934 | 957 | 977 | 1,007 | 1,038 |

2010-2015 Headcount Reconciliation – External Affairs

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 3 | 3 | 3 | 3 | 3 |
| Prior Plan | 3 | 3 | 3 | 3 | 3 |
| Variance | - | - | - | - | - |
| <u>Variance Explanations</u> | | | | | |
| | - | - | - | - | - |
| Total Variance | - | - | - | - | - |

2009-2015 Operating Expenses (\$000) – Federal Regulatory & Policy

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 671 | 705 | 717 | 736 | 754 | 781 | 808 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 6 | 16 | 16 | 17 | 17 | 17 | 18 |
| Donations | 3 | - | 3 | 3 | 3 | 3 | 3 |
| Dues | 5 | 7 | 6 | 6 | 6 | 6 | 7 |
| Fees, Permits & Licenses | 0 | - | - | - | - | - | - |
| Other Non Labor | 111 | 92 | 92 | 94 | 96 | 98 | 99 |
| Total OPEX for EBIT | 796 | 820 | 834 | 856 | 876 | 905 | 935 |

2010-2015 Headcount Reconciliation – Federal Regulatory & Policy

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 3 | 3 | 3 | 3 | 3 |
| Prior Plan | 3 | 3 | 3 | 3 | 3 |
| Variance | - | - | - | - | - |
| <u>Variance Explanations</u> | | | | | |
| | - | - | - | - | - |
| Total Variance | - | - | - | - | - |

2009-2015 Operating Expenses (\$000) – State Regulation & Rates

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Raw Labor & Burdens | 1,842 | 2,069 | 2,156 | 2,200 | 2,253 | 2,332 | 2,413 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 345 | 200 | 519 | 203 | 407 | 415 | 423 |
| Donations | 10 | - | 5 | 5 | 5 | 6 | 6 |
| Dues | 4 | 31 | - | - | - | - | - |
| Fees, Permits & Licenses | - | - | - | - | - | - | - |
| Rate Case Amortization | - | 1,262 | 1,901 | 2,036 | 2,424 | 2,104 | 2,293 |
| Other Non Labor | 105 | 114 | 153 | 156 | 159 | 162 | 166 |
| Total OPEX for EBIT | 2,306 | 3,677 | 4,734 | 4,600 | 5,248 | 5,019 | 5,300 |

2010-2015 Headcount Reconciliation – State Regulation & Rates

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 |
| Prior Plan | 13.5 | 14.0 | 14.0 | 14.0 | 14.0 |
| Variance | <u>(0.5)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | | | |
| PT position to become FT in 2011 | (0.5) | - | - | - | - |
| Total Variance | <u>(0.5)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Operating Expenses (\$000) – Human Resources

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|----------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Opex Expenses | | | | | | | |
| Labor & Burdens | 4,819 | 5,213 | 5,152 | 5,293 | 5,420 | 5,610 | 5,806 |
| Outside Counsel | - | - | - | - | - | - | - |
| Other Outside Services | 558 | 1,176 | 1,110 | 1,133 | 1,155 | 1,178 | 1,202 |
| Donations | 10 | 34 | 149 | 152 | 155 | 159 | 162 |
| Dues | 12 | 58 | 58 | 59 | 60 | 61 | 62 |
| Fees, Permits & Licenses | 2 | - | 2 | 2 | 2 | 2 | 2 |
| Other Non Labor | 506 | 683 | 912 | 886 | 945 | 964 | 983 |
| Total OPEX for EBIT | 5,907 | 7,165 | 7,383 | 7,525 | 7,738 | 7,974 | 8,217 |

2010-2015 Headcount Reconciliation – Human Resources

| | 2011 vs 2010 | 2012 vs 2011 | 2013 vs 2012 | 2014 vs 2013 | 2015 vs 2014 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current Plan | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 |
| Prior Plan | 33.0 | 34.5 | 34.5 | 34.5 | 34.5 |
| Variance | <u>(1.5)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | | | |
| Admin Position Added | (1.0) | - | - | - | - |
| Director HR PT Position | (0.5) | | | | |
| Total Variance | <u>(1.5)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Regulatory Asset (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-------------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| LG&E | | | | | | | |
| Gen Mgmt Audit LGE - Electric | - | - | 600 | - | - | - | - |
| Gen Mgmt Audit LGE - Gas | - | - | 200 | - | - | - | - |
| LG&E Rate Case - Electric | 88 | 832 | - | 1,030 | - | 1,030 | - |
| LG&E Rate Case - Gas | 37 | 487 | - | 485 | - | 485 | - |
| Total LG&E | 125 | 1,319 | 800 | 1,515 | - | 1,515 | - |
| KU | | | | | | | |
| Gen Mgmt Audit KU - Electric | - | - | 600 | - | - | - | - |
| KU Rate Case - Electric | 138 | 1,917 | - | 2,415 | - | 2,415 | - |
| Total KU | 138 | 1,917 | 600 | 2,415 | - | 2,415 | - |
| Total Regulatory Asset Costs | 263 | 3,236 | 1,400 | 3,930 | - | 3,930 | - |



Information Technology

2011-2015 MTP

January 4, 2011

- **Plan Highlights**
- **Major Assumptions**
- **Financial Performance**
 - **Operating Expense**
 - **Target Comparison**
 - **Headcount**
 - **Plan Risks**
- **Appendix**
 - **Capital Plan Breakdown**

- **Operational**

- **NERC Critical Infrastructure Protection (CIP)**
- **Service Oriented Architecture (SOA)**
- **CCS Investment**
- **Multifunctional Devices**
- **Enterprise Resource Planning (ERP) Analysis and Implementation remain in the LTP for 2013 – 2017**

- **Financial**

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|--------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Operating Expenses | 40,299 | 48,008 | 53,074 | 56,146 | 58,876 | 61,272 | 72,944 |
| Capital Expenses | | | | | | | |
| Captive: | 14,303 | 18,862 | 12,361 | 20,475 | 19,570 | 23,892 | 16,764 |
| Special Projects: | | | | | | | |
| NERC CIP | | 500 | 1,454 | 1,221 | 750 | 750 | 750 |
| Multi Functional Devices | | 1,505 | 1,004 | - | - | - | - |
| Implement SOA | | - | 1,500 | - | - | - | - |
| SAP/CCS Related | | 4,752 | 4,800 | 3,800 | 12,200 | 5,000 | 5,000 |
| ERP Analysis | | - | - | - | 500 | 1,500 | 500 |
| ERP Implementation | | - | - | - | - | - | 36,000 |
| Total IT Captive Capital | 14,303 | 25,619 | 21,119 | 25,496 | 33,020 | 31,142 | 59,014 |
| LOB Capital: | | | 8,003 | 14,294 | 12,151 | 6,116 | 5,260 |

- **Regulatory requirements for NERC CIP will continue to expand in scope and necessitate further IT investment**
- **Ongoing investment in SAP is required for system sustainability and application enhancements**
- **Hardware and Software pricing will remain consistent throughout the term of the MTP**
- **No anticipated IT integration work related to the PPL transaction has been planned in the MTP**
- **Headcount budgeted is consistent with the Workforce Plan submitted**
- **Technology changes driven by our major software vendor, Oracle, necessitate an investment in a technology called Service Oriented Architecture (SOA). This will position us to make future software upgrades in a more efficient way.**
- **IT Security continues to be a major concern and will require ongoing investment to protect us from cyber threats and data exposure risks**

2009-2015 Operating Expenses (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 14,183 | 15,773 | 17,376 | 18,488 | 19,792 | 20,485 | 21,201 |
| Burdens | 12,037 | 13,667 | 14,280 | 14,921 | 15,549 | 16,094 | 16,656 |
| Non Labor | | | | | | | |
| Outside Services | 3,168 | 2,276 | 1,791 | 2,311 | 1,995 | 2,345 | 2,392 |
| Computer/Office Supplies | 454 | 564 | 1,067 | 1,067 | 1,104 | 1,126 | 1,149 |
| Travel/Transportation | 387 | 610 | 620 | 632 | 645 | 657 | 671 |
| Telecom/Leased Lines | 2,134 | 2,810 | 2,447 | 2,496 | 2,546 | 2,597 | 2,649 |
| License/Maintenance Fees | 7,480 | 11,363 | 12,538 | 14,709 | 15,544 | 16,322 | 16,648 |
| Dues and Subscriptions | 32 | 47 | 41 | 42 | 43 | 44 | 45 |
| Training | 185 | 425 | 476 | 485 | 495 | 505 | 515 |
| Other | 238 | 473 | 489 | 499 | 509 | 522 | 535 |
| ERP Project O&M | | | | | | | 10,115 |
| O&M Implications from Cap Projects | | | | 495 | 654 | 575 | 368 |
| Total OPEX for EBIT | 40,299 | 48,008 | 51,126 | 56,146 | 58,876 | 61,272 | 72,944 |

*Note: CCS project Operating Expenses in the amount of \$4,234K were incurred in 2009 but not listed above

2011-2015 Target Comparison (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|---------------|---------------|---------------|----------------|---------------|
| Total OPEX | 51,126 | 56,146 | 58,876 | 61,272 | 72,944 |
| Total Gross Margin (if applicable) | | | | | |
| Total | <u>51,126</u> | <u>56,146</u> | <u>58,876</u> | <u>61,272</u> | <u>72,944</u> |
| | | | | | |
| Total OPEX Target | 51,126 | 56,146 | 58,224 | 59,939 | 72,231 |
| Total Gross Margin Target | | | | | |
| Total Target | <u>51,126</u> | <u>56,146</u> | <u>58,224</u> | <u>59,939</u> | <u>72,231</u> |
| Variance to Target | <u>-</u> | <u>(0)</u> | <u>(652)</u> | <u>(1,333)</u> | <u>(713)</u> |
| | | | | | |
| Major Variance Contributors: | | | | | |
| Additional Headcount | | | (652) | (675) | (698) |
| Additional Maintenance Contracts | | | (177) | (186) | (195) |
| O&M Implications from Capital Projects | | | (154) | (211) | (134) |
| Other | 192 | | 331 | (261) | 315 |
| Total Variance | <u>192</u> | <u>-</u> | <u>(652)</u> | <u>(1,333)</u> | <u>(713)</u> |

2011-2015 Capital Comparison (\$000)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------|----------------|------------|----------------|----------------|----------------|
| Total Capital | 21,119 | 25,496 | 33,020 | 31,142 | 59,014 |
| Target | 18,062 | 26,244 | 31,624 | 24,415 | 57,793 |
| Variance To Target | (3,057) | 748 | (1,396) | (6,727) | (1,221) |

2011-2015 Capital Comparison (\$000) –(Continued)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-----------|---------|---------|---------|---------|
| Variance Explanations | | | | | |
| NERC CIP | (1,454) | (1,221) | (750) | (750) | (750) |
| Multi Functional Devices | (1,004) | | | | |
| Implement SOA | (1,500) | | | | |
| Replace UPS Switchboard | | 480 | (480) | | |
| Data Networks | | | | | (570) |
| Mid Level Storage Refresh | 46 | 56 | (10) | (405) | |
| SAN Switch Refresh | 400 | 693 | | (1,325) | |
| Systems Monitoring & Mgmt | | | | (130) | (65) |
| Exchange Renewal | | | | (48) | |
| RISS Storage Upgrade | | | | (62) | |
| Unified Communications | 205 | (150) | (750) | (550) | |
| Mobile Radio Console Replace** | | | | (1,000) | |
| Replace Fiber Reach Nodes | 1,005 | 502 | 1,000 | (2,507) | |
| DNX Replacement*** | | | | 500 | 1,000 |
| CERUS III**** | | 300 | | | |
| Project Mirror | | 500 | | | |
| Project Mirror - DB Technologies | (101) | | | | |
| Mechanical Switchboard Redundancy | | | (100) | | |
| Data Base Tools & Equipment | | | (75) | (75) | (75) |
| IP Management | | | (100) | | |
| Evaluate Tools and Utilities | | (125) | (75) | (75) | (125) |
| Server Hardware Refresh | | | | (160) | 397 |
| PIX Firewall Replacement | | | | 300 | (300) |
| Sharepoint Upgrade | | | | | (50) |
| Identity Management | | | | (150) | (250) |
| Next Gen Development Tools & Framework | | | | | (300) |
| Other | 92 | 47 | (56) | (290) | (133) |
| Accrual Adjustment | (1,151) | (334) | (334) | | |
| Total Variance | (3,462) * | 748 | (1,396) | (6,727) | (1,221) |

*Additional Funding Approved by RAC

** Mobile Radio Console Replace is a two year project originally budgeted in 2015 and 2016 for the 2010 MTP but has now been moved to 2014 and 2015 for the 2011 MTP

***DNX Replacement is a two year project originally budgeted in 2014 and 2015 for the 2010 MTP but has now moved to 2015 and 2016 for the 2011 MTP

****CERUS III moved \$300K from 2012 into 2010

2009-2015 Headcount (FTE)

| Department | 2009 Year End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-------------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| IT Service Delivery | 94.5 | 95.5 | 97.5 | 97.5 | 97.5 | 97.5 | 97.5 |
| IT Operations | 96 | 95 | 101 | 106 | 111 | 111 | 111 |
| IT Strategy & Client Svcs | 41 | 53 | 53 | 54 | 56 | 56 | 56 |
| IT VP (including IT Security) | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| Interns/Coops | 2.5 | 2.5 | 4.5 | 5 | 5 | 5 | 5 |
| SUBTOTAL | 242 | 255 | 265 | 271.5 | 278.5 | 278.5 | 278.5 |
| Vacancies* | 9 | | | | | | |
| TOTAL | 251.0 | 255.0 | 265.0 | 271.5 | 278.5 | 278.5 | 278.5 |
| From 2010 MTP | | 255 | 255 | 255 | | | |

* Positions budgeted but unfilled as of 12/31/2009

- FTEs at risk to Capital**

| | Raw Dollars to Capital (\$000s) | | | | | FTE | | | | |
|-------|---------------------------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2011 | 2012 | 2013 | 2014 | 2015 |
| ITSD | 1,315 | 1,361 | 1,409 | 1,458 | 1,509 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| ITO | 1,303 | 1,348 | 1,396 | 1,444 | 1,495 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 |
| ITSCS | 240 | 249 | 257 | 266 | 276 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| ITVP | 5 | 5 | 5 | 5 | 5 | - | - | - | - | - |
| | <u>2,863</u> | <u>2,963</u> | <u>3,067</u> | <u>3,174</u> | <u>3,285</u> | <u>38.5</u> | <u>38.5</u> | <u>38.5</u> | <u>38.5</u> | <u>38.5</u> |

- NERC CIP Program compliance requirements are still developing; IT's compliance could be compromised if incremental funds are not approved**
- Storage requirements – projected increase in storage demand (eDiscovery, NERC CIP)**
- Loss of SAP trained resources could result in reduced support and increase costs**

Appendix

2009-2015 Capital Breakdown (w/o COR) –(\$000)

| <u>Project</u> | <u>2009 Actual</u> | <u>2010 Forecast</u> | <u>2011 Budget</u> | <u>2012 Plan</u> | <u>2013 Plan</u> | <u>2014 Plan</u> | <u>2015 Plan</u> |
|-------------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| INFORMATION TECHNOLOGY | | | | | | | |
| Service Delivery | 106 | 309 | 218 | 468 | 293 | 318 | 218 |
| Telecom | 5,921 | 5,093 | 4,439 | 7,404 | 8,306 | 9,751 | 6,795 |
| Computing Architecture | 3,638 | 3,485 | 1,778 | 2,041 | 3,497 | 4,933 | 955 |
| Data Networks | 1,011 | 2,141 | 1,236 | 2,176 | 1,375 | 1,925 | 1,580 |
| Operations/Capacity Mgmt | 906 | 3,139 | 795 | 1,975 | 1,720 | 2,145 | 853 |
| Project Management Office | 42 | 15 | 15 | 400 | 35 | 200 | - |
| New Technology | 44 | 306 | 350 | 540 | 790 | 540 | 840 |
| Security | 304 | 845 | 765 | 908 | 700 | 755 | 900 |
| Client Support Services | 164 | 644 | 100 | 200 | 150 | 215 | 200 |
| Desktop Operations | 2,167 | 2,886 | 3,071 | 4,364 | 2,704 | 3,110 | 4,424 |
| Special Projects | | | | | | | |
| NERC CIP | | 500 | 1,454 | 1,221 | 750 | 750 | 750 |
| Multi Functional Devices | | 1,505 | 1,004 | - | - | - | - |
| Implement SOA | | - | 1,500 | - | - | - | - |
| SAP/CCS Related | | 4,752 | 4,800 | 3,800 | 12,200 | 5,000 | 5,000 |
| ERP Analysis | | - | - | - | 500 | 1,500 | 500 |
| ERP Implementation | | - | - | - | - | - | 36,000 |
| Total Capital (107001) | 14,303 | 25,619 | 21,524 | 25,496 | 33,020 | 31,142 | 59,014 |



CFO ORGANIZATION

2011-2015 MTP

January 14, 2011

- **Highlights & Assumptions**
- **Financial Performance**
 - **Target Comparison**
 - **Operating Expenses**
 - **Capital**
 - **Headcount**
 - **Plan Risks**

Highlights

- **Operating expenses in all MTP years are consistent with targets.**
- **Capital is slightly above Prior Plan levels, but is in line with RAC approved targets.**

Plan Assumptions

- **Plan assumes full employment (currently 3 open FTE positions)**
- **Depreciation study is included in 2012**
- **Higher bank fees due to refinancing debt**
- **General ledger upgrade / reimplementation in 2012 & 2013**

2011-2015 Target Comparison (\$000)

| Item | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|---------------------------|----------------|--------------|--------------|--------------|--------------|
| Operating Expenses | | | | | |
| Total OPEX | 28,577 | 29,972 | 30,518 | 31,455 | 32,416 |
| Total OPEX Target | 29,252 | 29,984 | 30,562 | 31,468 | 32,416 |
| Variance to Target | <u>675</u> | <u>11</u> | <u>44</u> | <u>13</u> | <u>-</u> |
| Stores Expense | | | | | |
| Labor | 1,457 | 1,581 | 1,683 | 1,742 | 1,803 |
| Non-Labor | <u>558</u> | <u>497</u> | <u>466</u> | <u>473</u> | <u>479</u> |
| Total Other Costs | 2,015 | 2,079 | 2,149 | 2,215 | 2,283 |
| Target | 2,022 | 2,079 | 2,149 | 2,215 | 2,283 |
| Variance to Target | <u>8</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2009-2015 Operating Expenses (\$000)

| Item | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|------------------------------|----------------|------------------|----------------|---------------|---------------|---------------|---------------|
| Operating Expenses | | | | | | | |
| Raw Labor | 10,554 | 10,743 | 11,608 | 12,110 | 12,543 | 12,982 | 13,437 |
| Burdens | 8,295 | 9,183 | 9,375 | 9,558 | 9,666 | 10,004 | 10,354 |
| Bank, Audit & Risk Mgmt Fees | 4,103 | 4,078 | 5,716 | 6,175 | 6,373 | 6,500 | 6,617 |
| Other Non-Labor | 1,337 | 1,708 | 1,878 | 2,130 | 1,936 | 1,968 | 2,008 |
| Total OPEX for EBIT | 24,290 | 25,712 | 28,577 | 29,972 | 30,518 | 31,455 | 32,416 |

2009-2015 Capital Breakdown (w/o CoR) – Cash Basis (\$000)

| Project | 2009 Actual | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-------------------------------|----------------|------------------|----------------|--------------|--------------|--------------|--------------|
| Oracle Software & Hardware | 250 | 634 | 20 | 6,000 | 1,775 | - | - |
| PowerPlant | 198 | 1,096 | 40 | 640 | 160 | 820 | 180 |
| Other Software Initiatives | 138 | - | 673 | 610 | 585 | 605 | 1,345 |
| Storeroom Requirements | 27 | 428 | 360 | 360 | 260 | 75 | 25 |
| Other Projects | 2 | 3 | - | - | - | - | - |
| Total Capital (107001) | 615 | 2,161 | 1,093 | 7,610 | 2,780 | 1,500 | 1,550 |
| Prior Year Plan | | | 425 | 7,465 | 2,711 | 962 | 988 |
| Variance to Prior Year Plan | | | (668) | (145) | (69) | (538) | (562) |

2009-2015 Headcount (FTE)

| Item | 2009 Year-End | 2010 Forecast | 2011 Budget | 2012 Plan | 2013 Plan | 2014 Plan | 2015 Plan |
|-------------------------|------------------|------------------|----------------|--------------|--------------|--------------|--------------|
| CFO | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Audit Services | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| Treasurer | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Controller | 53.5 | 55.5 | 55.5 | 55.5 | 55.5 | 55.5 | 55.5 |
| Corporate Tax & Payroll | 16.0 | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 |
| Planning & Development | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Supply Chain | 48.0 | 48.0 | 49.0 | 50.0 | 51.0 | 51.0 | 51.0 |
| TOTAL | 171.5 | 173.0 | 174.0 | 175.0 | 176.0 | 176.0 | 176.0 |
| From 2010 MTP | | 172.5 | 172.5 | 172.5 | 172.5 | 172.5 | 172.5 |

Target Variances

- Incremental Stores positions (replacing contractors) : +1.0 (2011, 2012, 2013)

- **SEC Reporting requirements**
- **Internal controls – SOX compliance**
- **New accounting pronouncements**
- **US GAAP/IFRS Convergence**
- **Changing technology**
- **Federal and State government budget deficits**
- **PPL Initiatives**

2011 Plan Assumptions

- Some economic recovery assumed in Plan with load CAGR of 1.4% for Plan
- CO₂ / RPS legislation not effective for Plan
- TC2 in-service in January 2011
- Total capital expenditures including cost of removal of \$6.4 billion, with \$3.3 billion being ECR recoverable
- No significant “smart grid” deployment in Plan
- \$875 million of unsecured debt refinanced at 3.5% in 2010 for the holding company
- \$2.1 billion of Utility Fidelity debt refinanced in 2010 with First Mortgage Bonds at 4.25% for the utilities
- Newly issued debt rates for Utilities and holding company of 6% and 6.25%, respectively
- Seven rate case decisions from three jurisdictions assumed in MTP – 2 at the KPSC, 3 at the VSCC and 5 annual rate adjustments by FERC.
- ECR Plan filings in Q1 2011 and Q1 2012



2010 MTP Electric Sales & Peak Demand Forecast

*Sales Analysis & Forecasting
June 19, 2009*

Key Observations from Recent Sales Trends – Industrial Sales Have Been Hardest Hit by the Recession

- Y Compared to the first four months of 2008, total industrial sales have declined by 21% (645 GWh) in January - April 2009.*
- Y Of the thirty industrial major accounts, only four had positive year-over-year growth in January – April 2009.*
- Y The reduction in industrial peak demands has not been as significant as the reduction in industrial energy consumption.*
- Y Residential customers have demonstrated a tendency to conserve energy only when weather conditions make it convenient to do so.*

Forecast Summary – 2010 Energy and Peak Demand Below Reforecast

Energy

- Y For the balance of 2009 (May – December), sales are expected to be 817 GWh (-3.8%) below the 2009 Reforecast and 1,895 GWh (-8.3%) below the 2009 MTP.*
- Y Compared to the Reforecast, the 2010 MTP forecast is 2.1% lower (-672 GWh) for 2010 and 0.9% lower (293 GWh) for 2012.*
- Y Industrial sales explain the majority of these differences.*

Peak Demand

- Y Compared to the Reforecast, the 2010 MTP forecast is 0.8% lower (52 MW) for 2010 and 1.1% higher (73 MW) for 2012.*
- Y Growth in peak demand throughout the MTP period is offset by increasing industrial load factors.*
- Y By 2012, energy efficiency programs reduce peak demand by 325 MW. 217 MW is dispatchable.*

Key Forecast & Macroeconomic Assumptions

- Y *Economy: According to Global Insight, industrial production begins to recover in Q1 2010 but is not expected to return to pre-recession trends until 2015-16 (see slide 16 in the Appendix). Global Insight makes no assumptions regarding carbon legislation.*
- Y *Kentucky housing market has begun to stabilize. Growth in RS customers is expected to remain slow through 2010 before returning to near historical levels.*
- Y *Appliance Efficiencies: No notable changes in appliance efficiency assumptions from 2009 MTP.*
- Y *Energy Efficiency: Impact of energy efficiency programs has been revised to exclude efficiency gains from a smart meter/grid deployment. Assumptions from the 2009 MTP regarding EISA remain reasonable (see slide 22 in Appendix).*
- Y *Electricity Prices: Growth in real electricity prices is higher in the 2010 MTP. Real electricity prices are expected to grow by approximately 4% per year through 2012 (see slide 20 in the Appendix).*

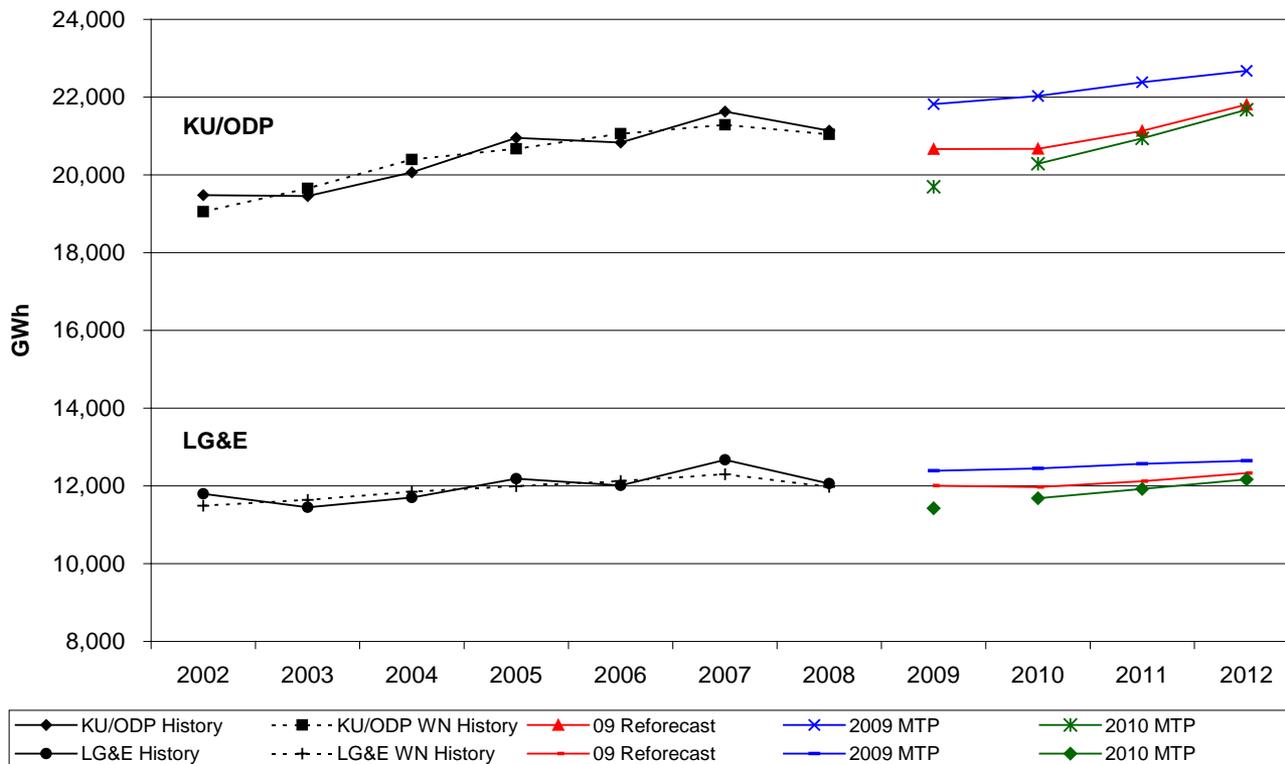
Electricity sales are expected to be 3.8% below (-817 GWh) 2009 Reforecasted levels for the balance of 2009 (May-Dec)

| Forecast Class | 2010 MTP (GWh) | 2009 MTP (GWh) | 2010 MTP | | Reforecast (GWh) | 2010 MTP | |
|----------------------------|-------------------|-------------------|--------------------------|--------------|---------------------|-------------------------------|--------------|
| | | | Var to 2009 MTP (GWh) | Pct Var | | Var to Reforecast (GWh) | Pct Var |
| <i>Residential</i> | 6,906 | 7,008 | -102 | -1.5% | 6,871 | 35 | 0.5% |
| <i>Commercial</i> | 7,042 | 7,473 | -431 | -5.8% | 7,210 | -168 | -2.3% |
| <i>Industrial</i> | 5,485 | 6,710 | -1,225 | -18.3% | 6,175 | -689 | -11.2% |
| <i>Municipals/Lighting</i> | 1,435 | 1,572 | -137 | -8.7% | 1,429 | 6 | 0.4% |
| Total | 20,869 | 22,764 | -1,895 | -8.3% | 21,686 | -817 | -3.8% |

| Company | 2010 MTP (GWh) | 2009 MTP (GWh) | 2010 MTP | | Reforecast (GWh) | 2010 MTP | |
|-----------------|-------------------|-------------------|--------------------------|--------------|---------------------|-------------------------------|--------------|
| | | | Var to 2009 MTP (GWh) | Pct Var | | Var to Reforecast (GWh) | Pct Var |
| <i>KU/ODP</i> | 12,992 | 14,281 | -1,289 | -9.0% | 13,478 | -486 | -3.6% |
| <i>LG&E</i> | 7,877 | 8,483 | -606 | -7.1% | 8,208 | -331 | -4.0% |
| Total | 20,869 | 22,764 | -1,895 | -8.3% | 21,686 | -817 | -3.8% |

Compared to the Reforecast, the 2010 MTP forecast is 2.1% lower (-672 GWh) for 2010 and 0.9% lower (-293 GWh) for 2012

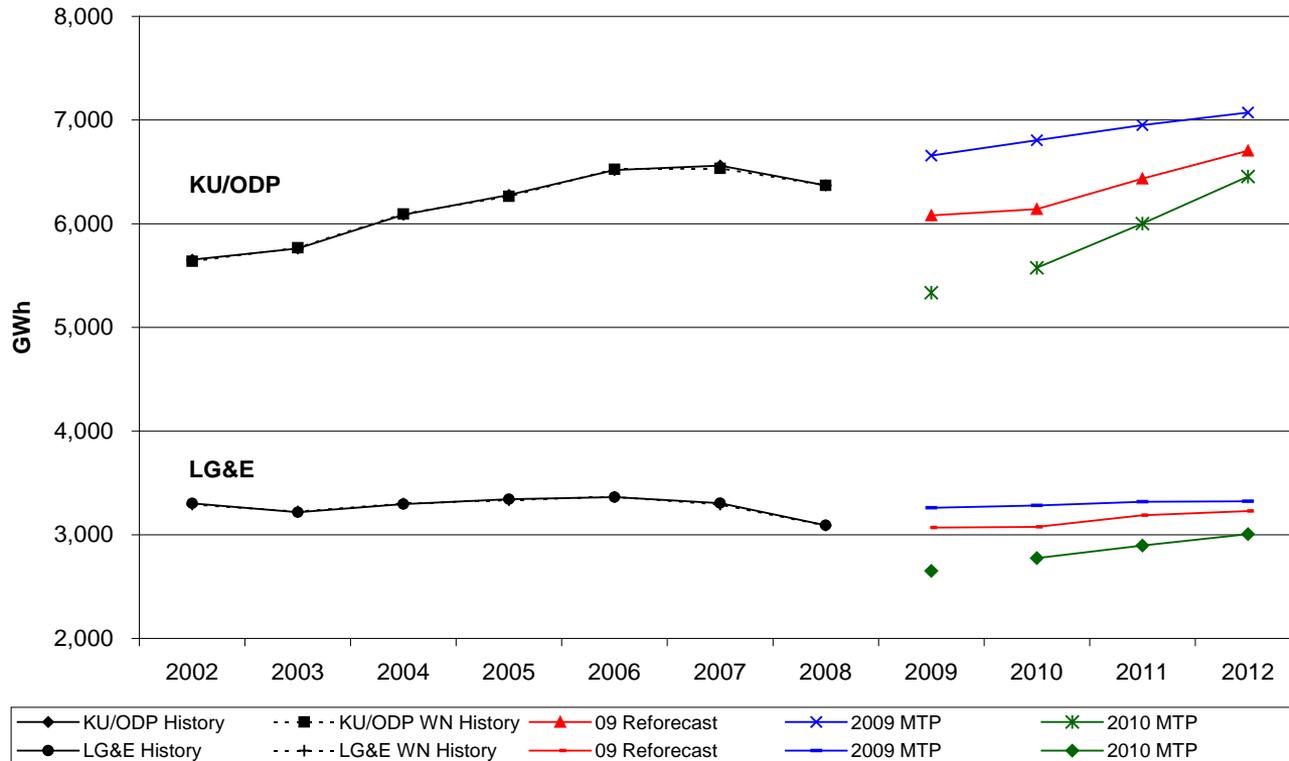
Combined Company Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Compared to the Reforecast, industrial sales are 9.4% lower (-865 GWh) for 2010 and 4.8% lower (-473 GWh) for 2012

Annual Industrial Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Notable Changes in Major Account Forecasts for 2010

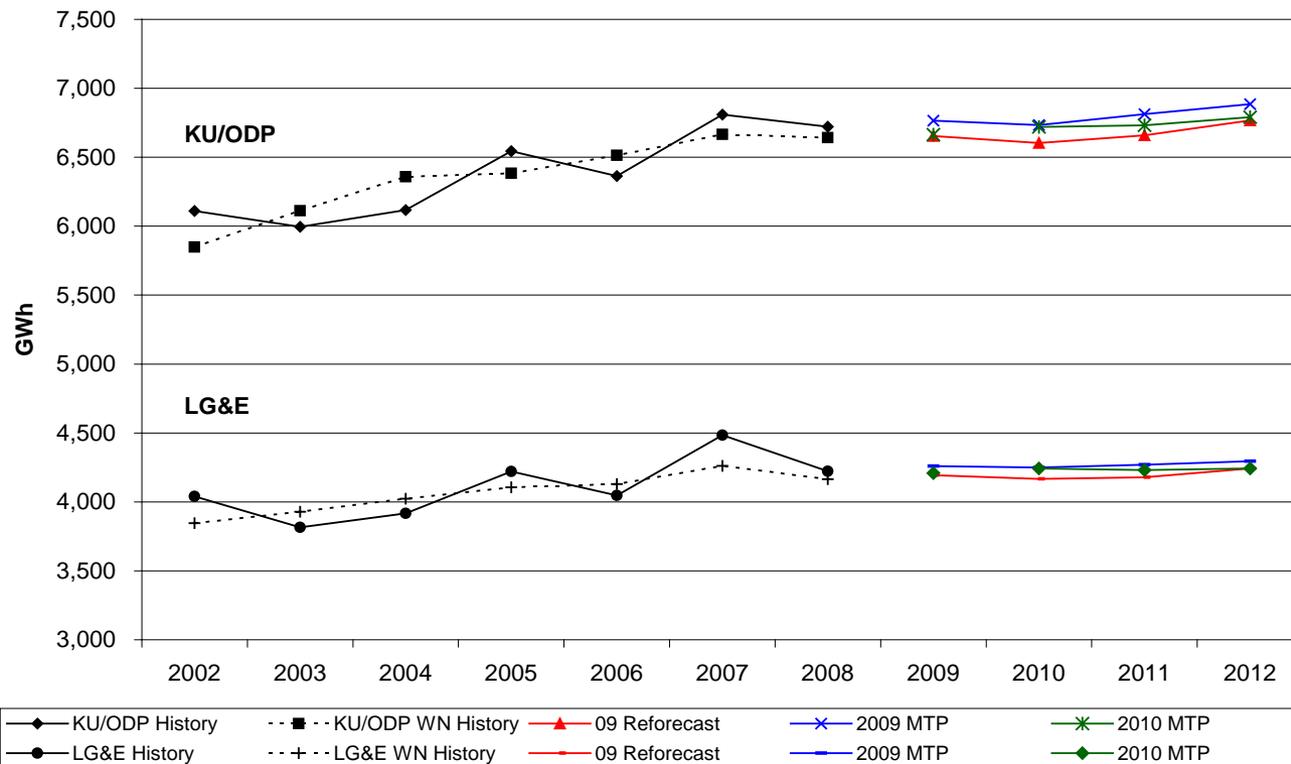
- Y *In the Reforecast, notable reductions were made to the forecasts for NAS, DuPont, Ford KTP, Ford LAP, Toyota, Corning, and GE.*
- Y *Consumption by NAS, Toyota, and Ford KTP turned out to be much lower than expected and WestVaco, Oxy Vinyls, CMC/CLA, and Kosmos all took turns for the worse beginning in January.*

Notable Differences between the 2010 MTP and the Reforecast for 2010 (GWh)

| Major Account | 2010 | | 2010 MTP less Reforecast | 2011 | 2012 | Growth through MTP Period |
|---------------|--------------------|----------|-----------------------------|----------|----------|---------------------------------|
| | 2009 Reforecast | 2010 MTP | | 2010 MTP | 2010 MTP | |
| Oxy Vinyls | 169 | 86 | (83) | 86 | 86 | 0 |
| NAS | 773 | 720 | (53) | 832 | 970 | 251 |
| Ford-LAP | 70 | 60 | (10) | 23 | 63 | 3 |
| CMWA | 72 | 47 | (26) | 55 | 64 | 18 |
| Ford-KTP | 220 | 197 | (23) | 200 | 201 | 4 |
| WestVaco | 416 | 398 | (18) | 402 | 406 | 8 |
| Rohm & Haas | 35 | 76 | 41 | 76 | 76 | 0 |

Compared to the Reforecast, residential sales are 1.8% higher (194 GWh) for 2010 and 0.2% higher (23 GWh) in 2012

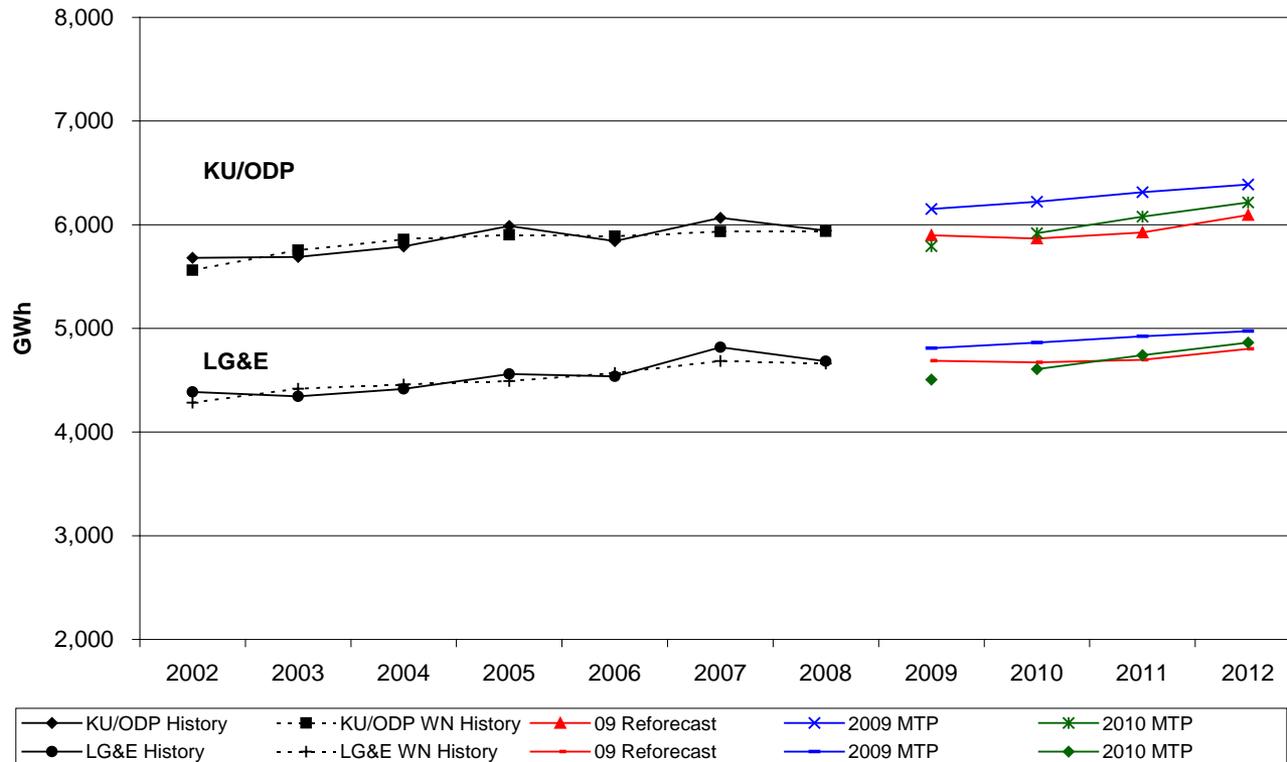
Annual Residential Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Compared to the Reforecast, commercial sales are 0.1% lower (-13 GWh) in 2010 and 1.7% higher in 2012

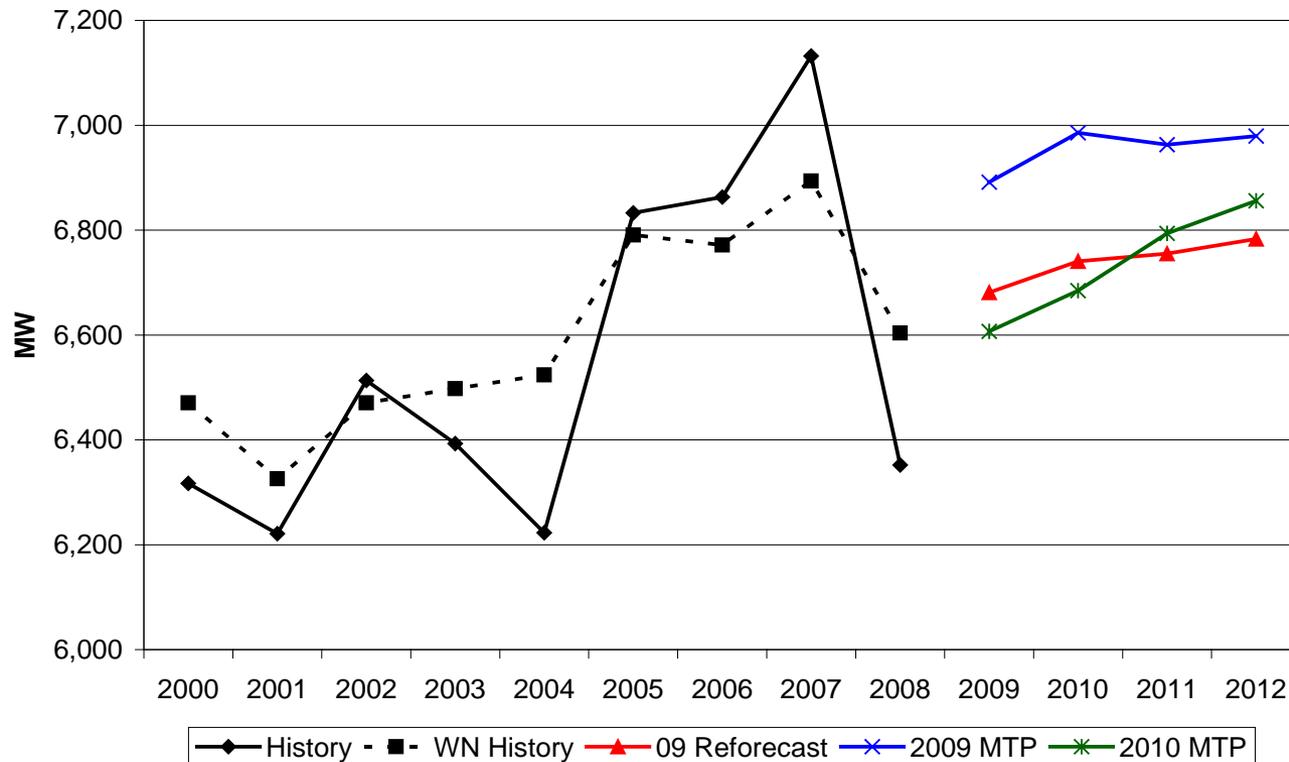
Annual Commercial Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Compared to the Reforecast, the 2010 MTP forecast of peak demand is 0.8% (-52 MW) lower in 2010 and 1.1% (73 MW) higher in 2012

Combined Company Peak Demand



Key forecast risks are related to economic and energy conservation trends

Upside Risk

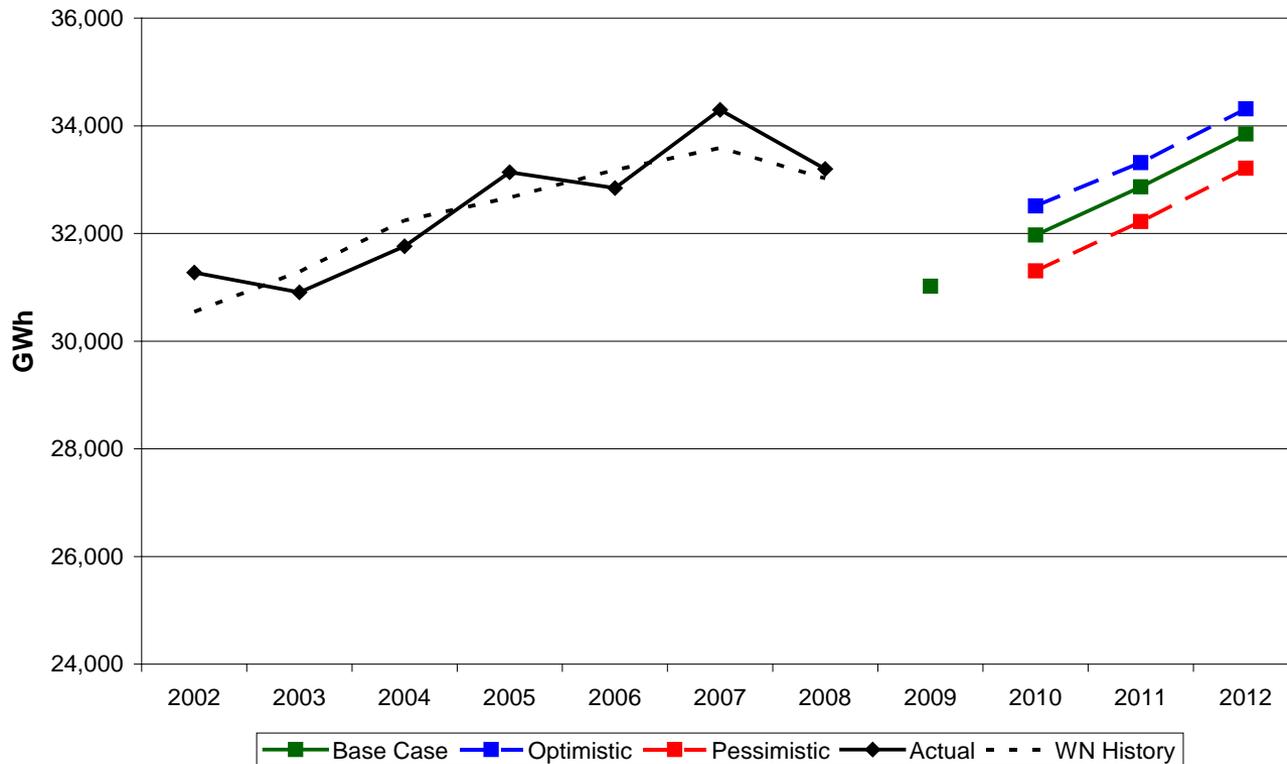
- Y Unanticipated economic development*
- Y Economy: Based on 2006 sales levels (and after adjusting for 'permanent' sales declines), the industrial class has the potential to recover 1,300 GWh from forecasted levels for 2010 (4% of total sales).*

Downside Risk

- Y Economy: Based on Global Insight's 'pessimistic' forecast of industrial production, there's a 20% chance that sales will be 660 GWh lower in 2010.*
- Y Energy Conservation: Given rising energy prices, consumers may take additional measures to conserve energy.*

According to Global Insight's alternative forecasts of industrial production, there is more downside risk than upside risk throughout the MTP period

Optimistic and Pessimistic Economic Scenarios



Appendix

Key Improvements in 2010 MTP Forecast

Industrial Forecasts

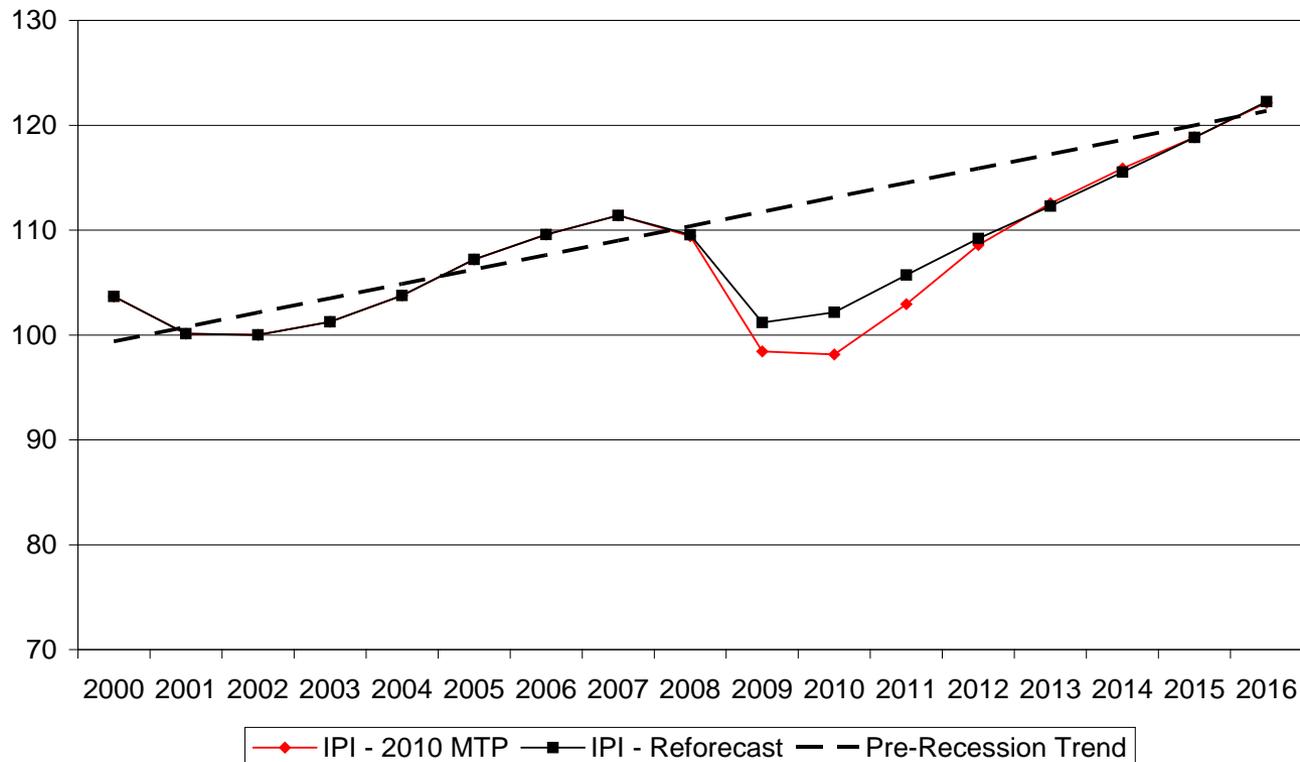
Y To improve several of the industrial forecast models, sales in each industrial forecast class were segmented by industry sector. Then, each class's forecast was developed as a function of an industry-weighted forecast of industrial production. The statistical significance of these series in the forecast model increased the level of confidence in the forecast results.

Peak Demand Forecasts

Y Given the observed differences in industrial load factors and the need to model class-specific energy efficiency impacts, the 2010 MTP hourly demand forecast was developed as the sum of multiple class demand forecasts.

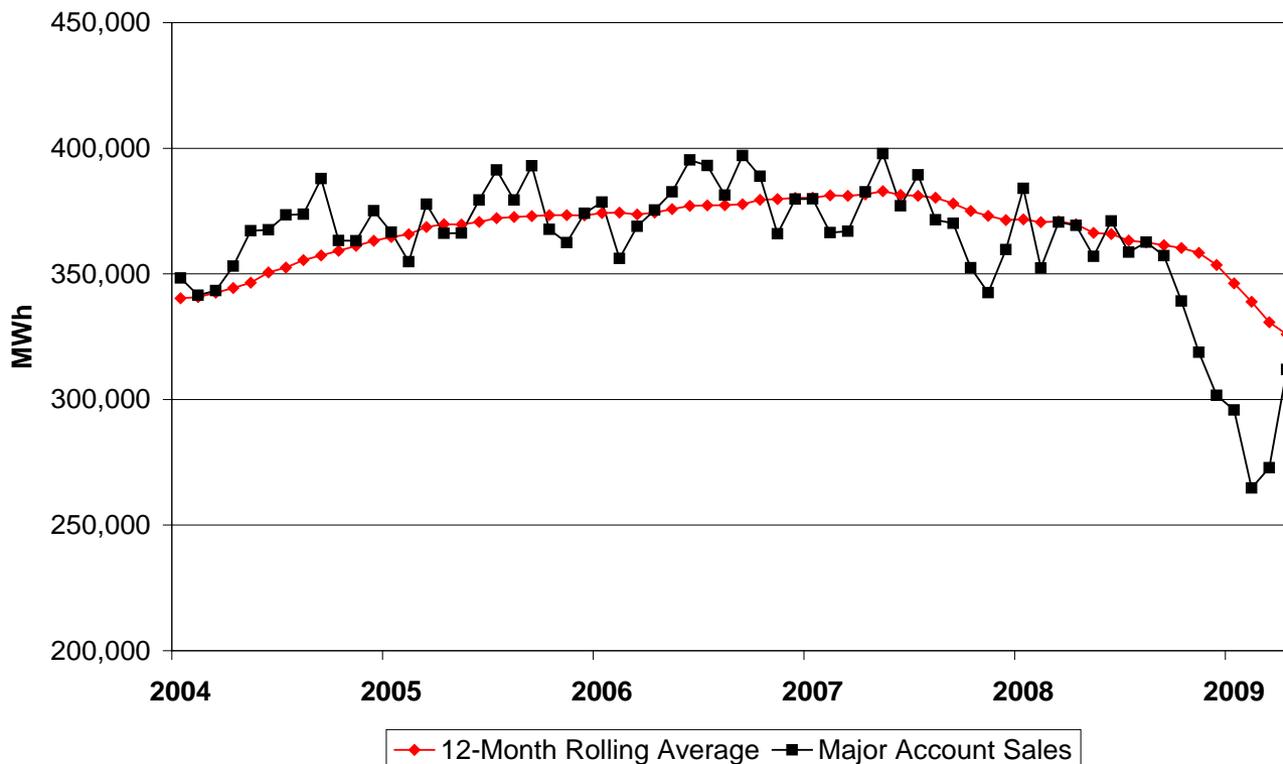
According to Global Insight, industrial production begins to recover in Q1 2010 but is not expected to return to pre-recession trends until 2015-16

Total Industrial Production Index



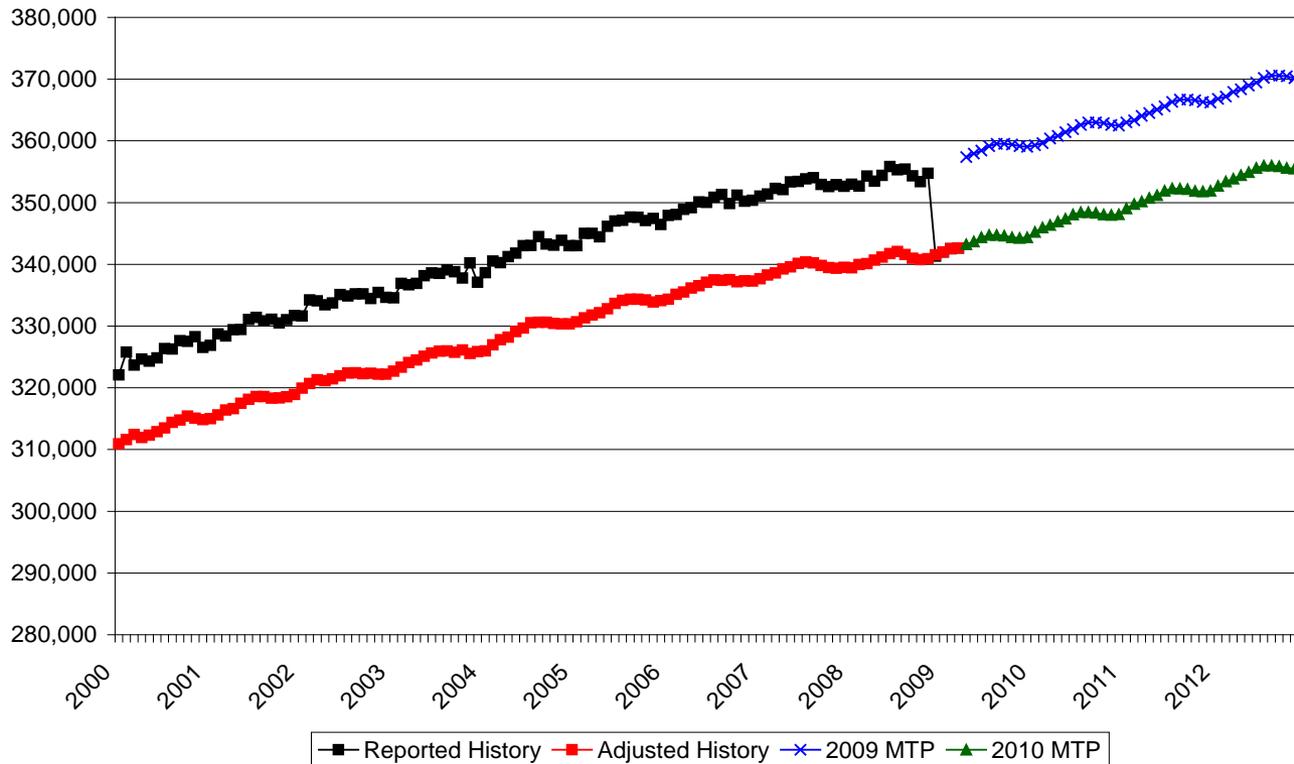
Consumption by Industrial major accounts has declined by approximately 18% since September 2008

Industrial Major Account Sales



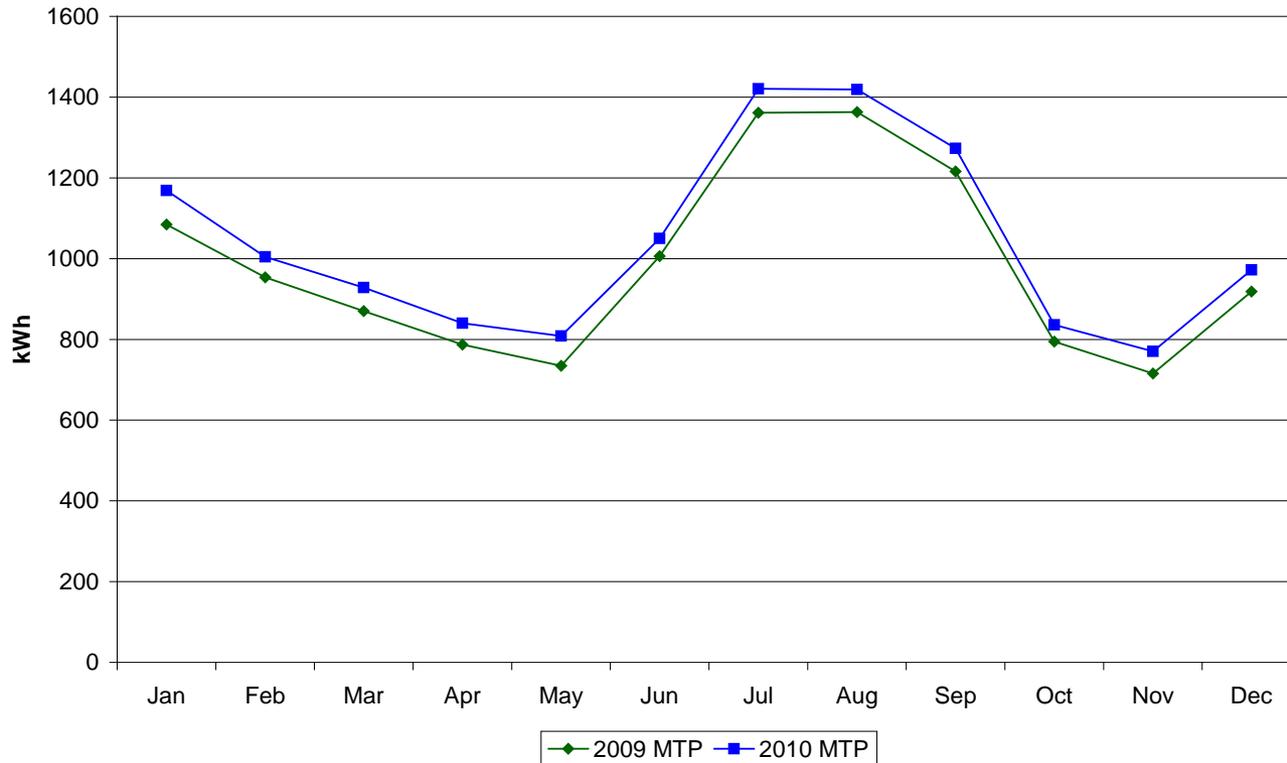
LG&E historical RS customer series was adjusted down to reflect a methodological change for counting customers

LG&E Residential Customers



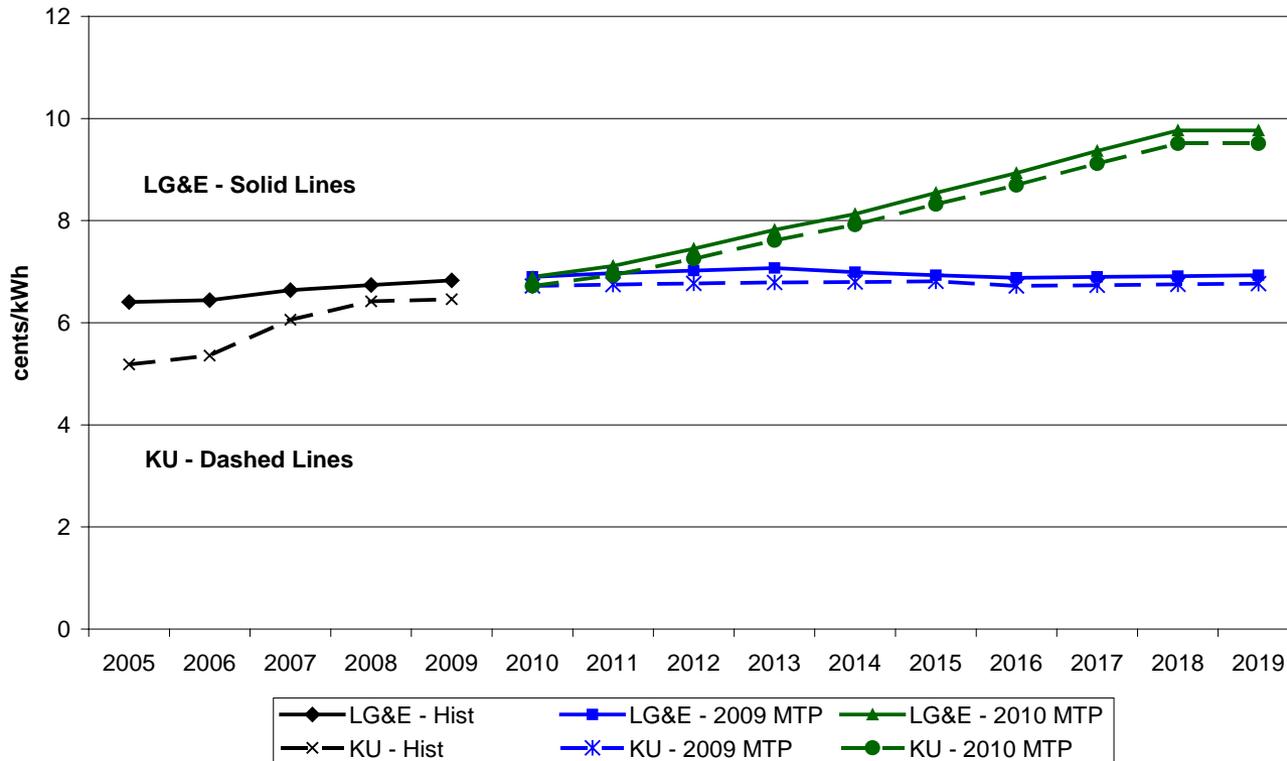
The decrease in LG&E RS customers resulted in a corresponding increase in LG&E RS use-per-customer

LG&E Average Residential Monthly Usage for 2010



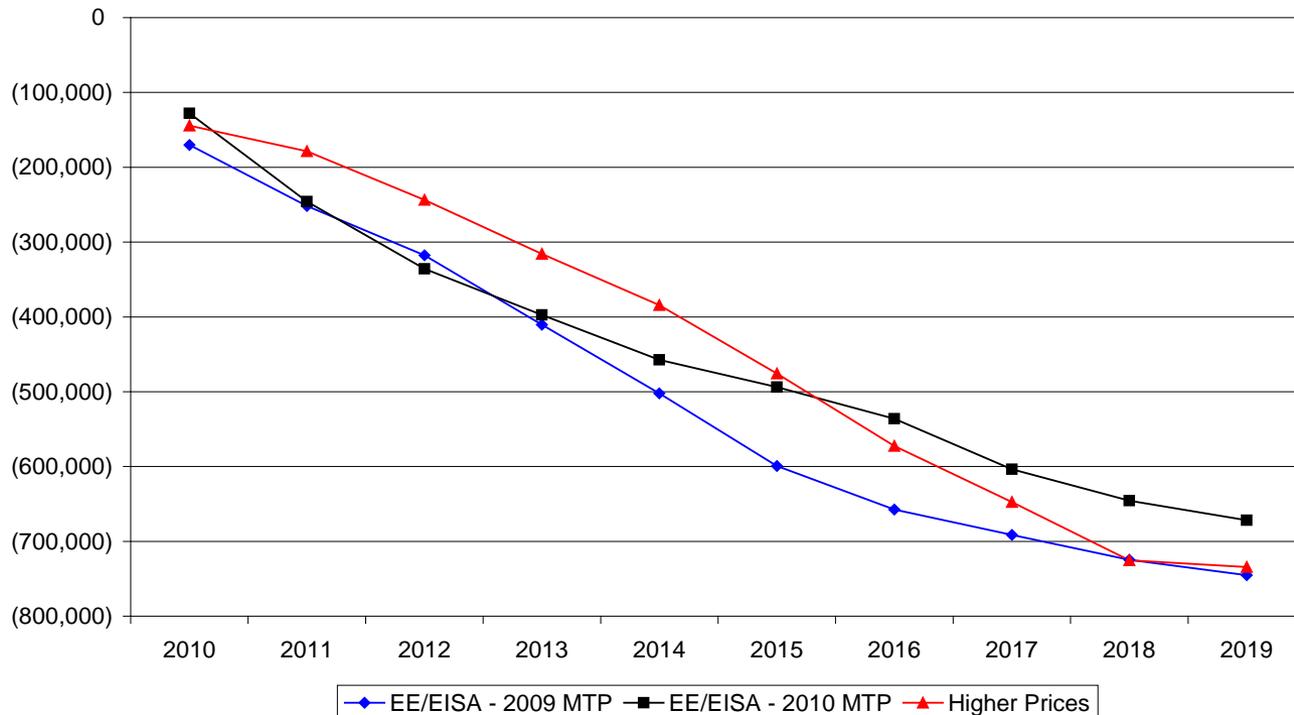
Residential electricity prices are expected to increase by an average of 4% per year throughout the forecast period

Real Residential Electricity Prices



Impact of energy efficiency programs and EISA on residential sales is greater than the impact of higher prices

Impact of Higher Prices Compared to Impact of Energy Efficiency and EISA - Residential Sales

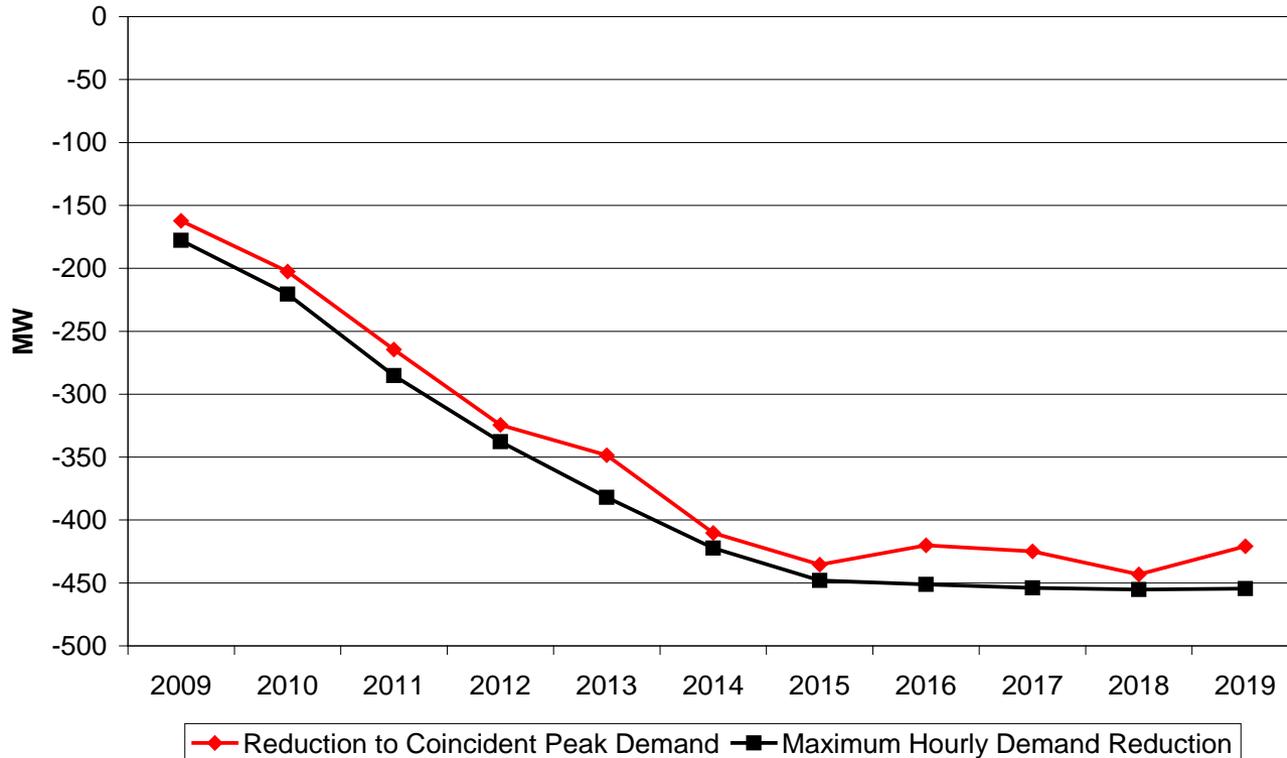


Impact of Energy Independence & Security Act

- Y As a result of the EISA, incandescent light bulbs (as we currently know them) will begin to be phased out in 2012.*
- Y In the 2009 MTP, the adoption of CFLs and other energy efficiency measures was assumed to begin increasing in 2008/09 as a result of the company's energy efficiency programs.*
- Y As a result of the company's high efficiency lighting program, the EISA was not expected to have an incremental impact on energy consumption until after 2014.*
- Y The combined impact of the company's high efficiency lighting program and the EISA was assumed to be 700 GWh in 2018.*
- Y Because the rollout of the company's high efficiency lighting program appears to be on schedule, no changes were made to these assumptions for the 2010 MTP.*

Energy efficiency programs reduce peak demand by approximately 430 MW in 2015

Impact of Energy Efficiency on Peak Demand



Global Insight Assumptions

- Ÿ Stimulus package has a face value of \$787 billion over 10 years; \$561 billion will be injected into the economy over the first two calendar years; beyond 2010 expect a gradual increase in income taxes*
- Ÿ Oil prices average \$46/barrel for 2009 (slight increase from previous forecast) and rise to \$90/barrel by 2014*
- Ÿ Federal Funds rate is held between 0.0-0.25% through 2009 and begins to tighten in 4th quarter 2010*
- Ÿ The dollar has bounced, and foreign economies are also in recession; European recessions will last longer than the U.S. and China because of the large stimulus packages of the U.S. and China; thus, recovery in the U.S. will not be export-led*

Global Insight Conclusions

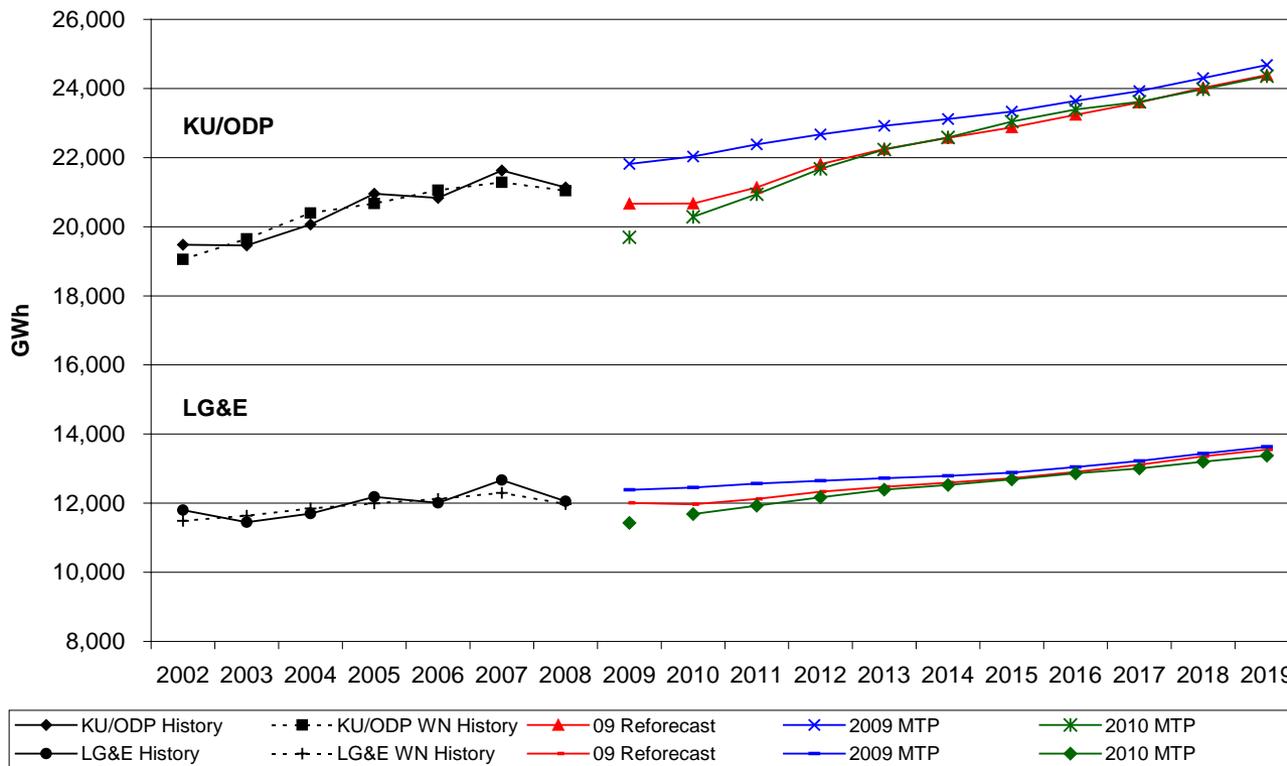
- Ÿ The recession remains severe but the bottom is in sight; expectation is that GDP will bottom out in the second half of 2009. Despite improvements in consumer spending and the housing markets, recovery is expected to be slow.*
- Ÿ Expect real GDP to decline sharply at least through mid-2009 with a decline of 6.1% in 1st Quarter 2009 (compared to 5.1% from Blue Chip)*
- Ÿ The economy contracts 3.1% in 2009 (improved from 3.7%)*
- Ÿ The unemployment rate reaches 10% by end of 2009 (10.1% in Kentucky), peaking at 10.3% in 1st half of 2010 (9.4% annual average from Blue Chip)*
- Ÿ The deflation threat has receded, but expect CPI inflation to be negative by mid-2009; inflation is not a danger now, but could develop*

Key Inputs to Timing of Forecast Recovery

- Y Industrial production begins to recover in Q1 2010 but is not expected to return to pre-recession trends until 2015-16*
- Y Housing market beginning to stabilize as is consumer spending*
- Y Inventories fell in 4th Quarter 2008, but must fall further because they are still too high relative to sales; excesses are being addressed*
- Y Unemployment is not expected to peak until 2010 – Expected to reach 11.1% in Kentucky in 2010*
- Y With the possibility of the pessimistic scenario (20% probability), the economy could emerge from this recession weaker without a big rebound*
- Y With a strong dollar and the main trading partners of the U.S. expected to emerge from this recession later, exports do not come back quickly*
- Y Credit conditions are easing only slowly and it remains premature to assume that the financial system has been “fixed”*

Longer-term variances to the 2009 MTP forecast are explained by industrial and residential sales

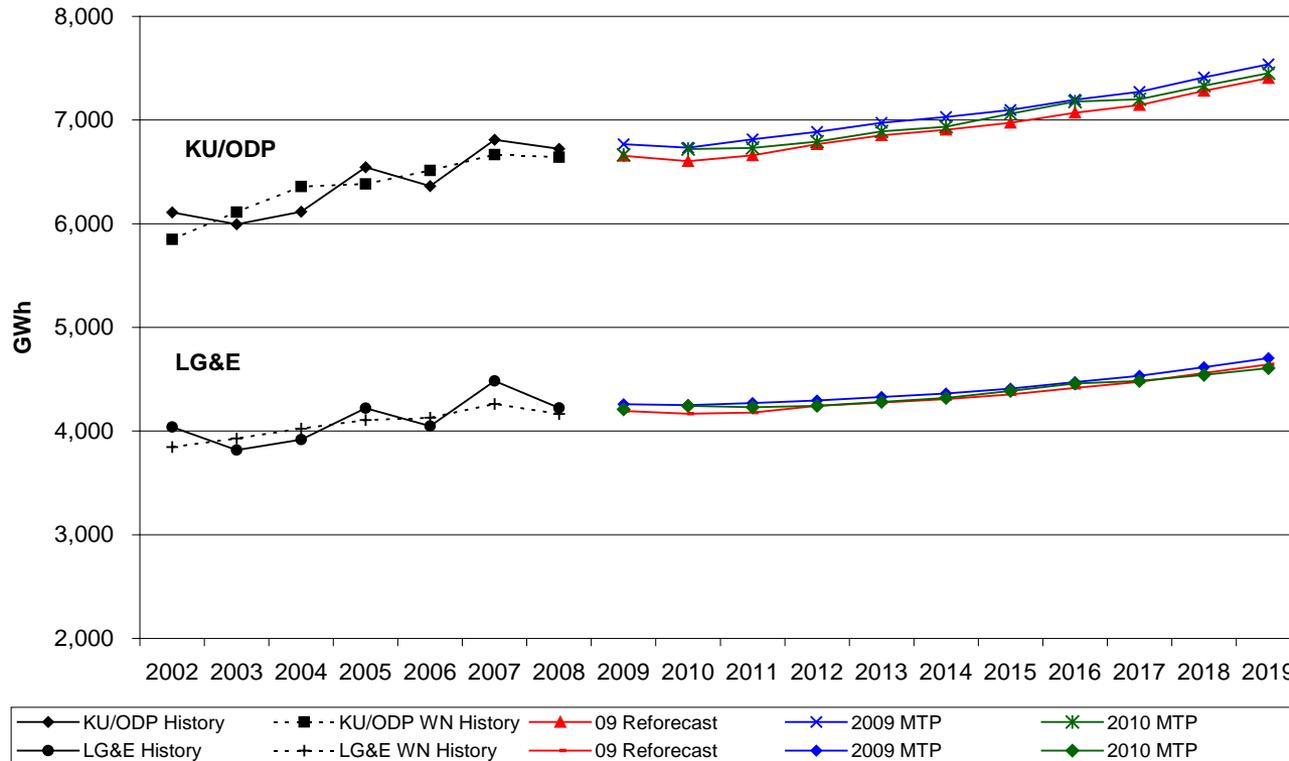
Combined Company Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Longer-term residential sales variances to the 2009 MTP is explained by a recession-induced lag in RS customers

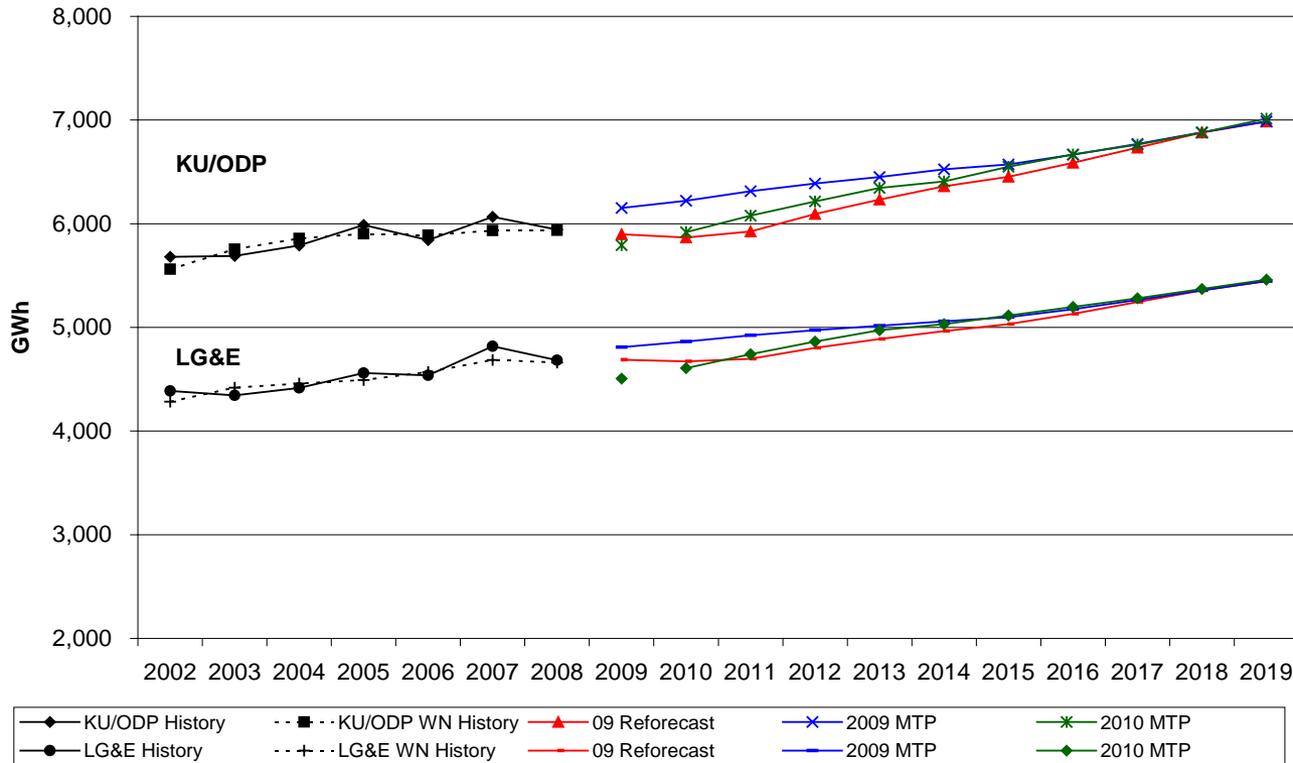
Annual Residential Energy Sales



*In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.

Commercial sales return to 2009 MTP levels by 2015

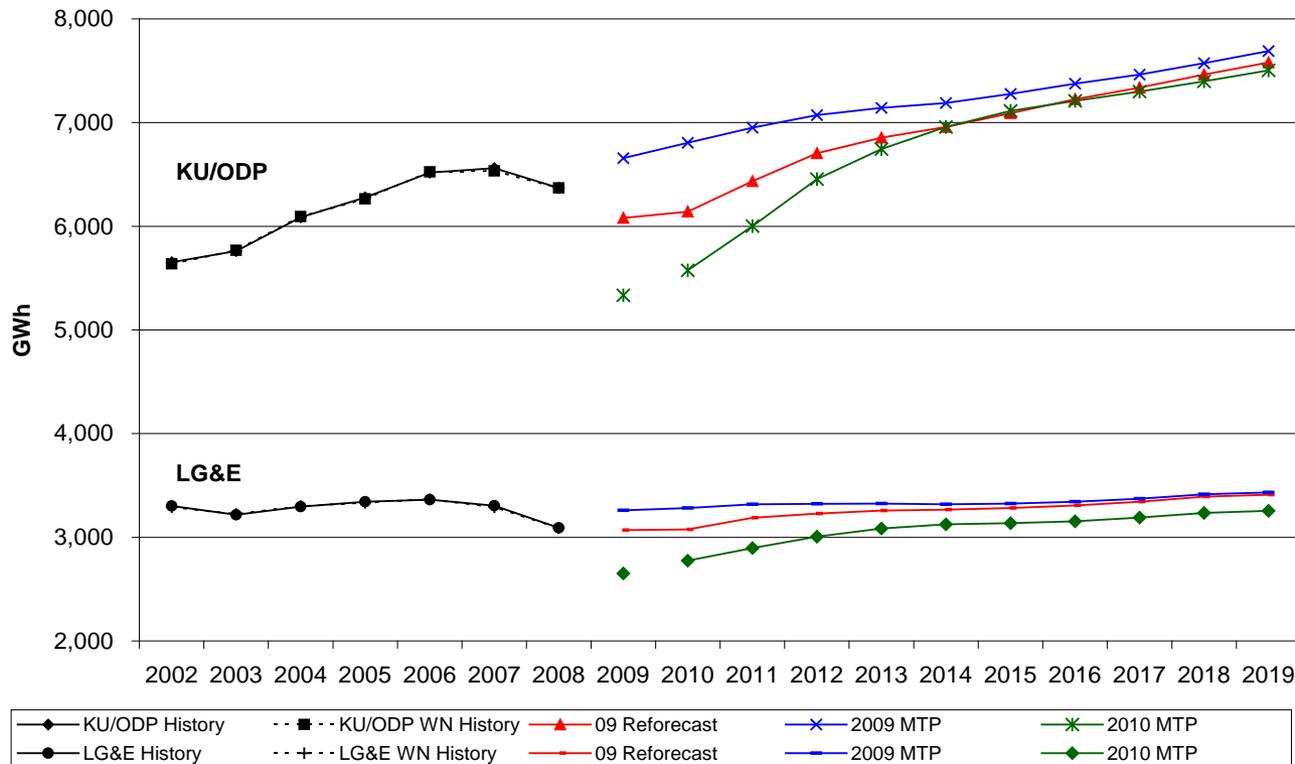
Annual Commercial Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Longer-term industrial sales variances to the 2009 MTP are explained by mine power customers for KU and major accounts for LG&E

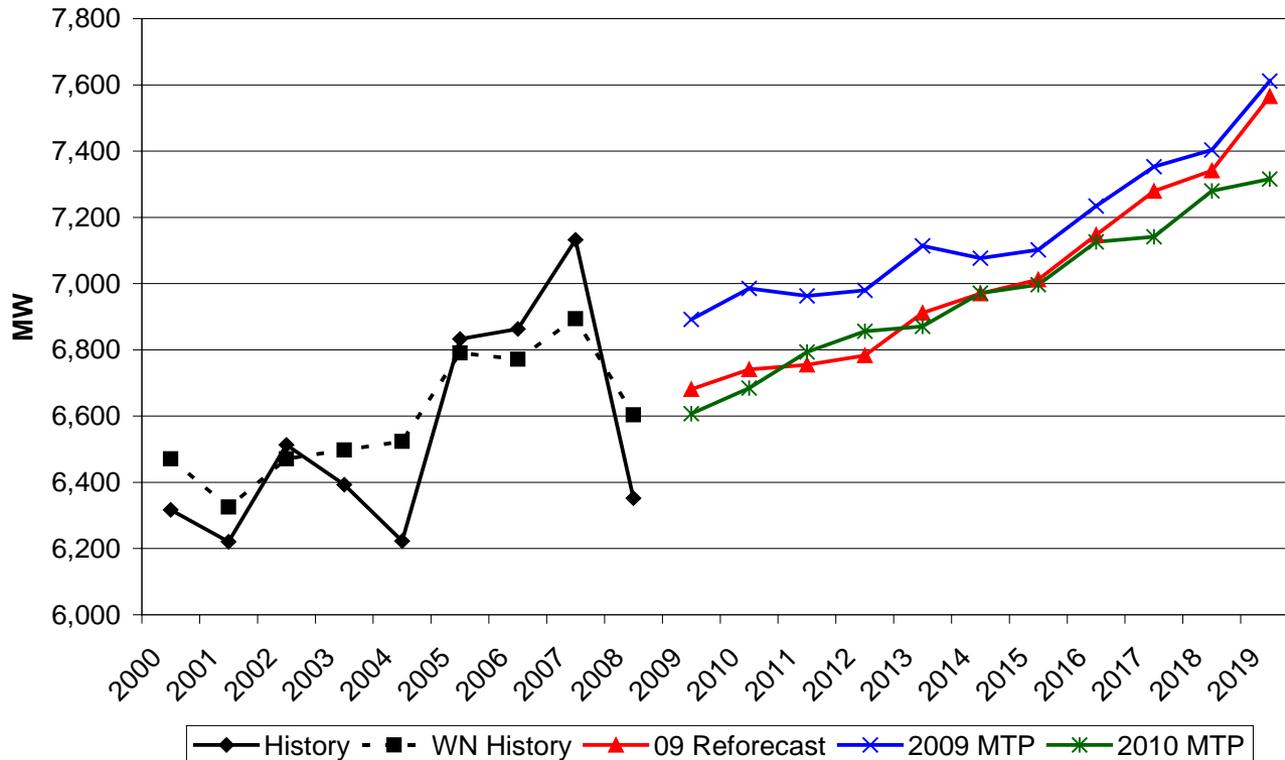
Annual Industrial Energy Sales



**In 2010 MTP forecast, 2009 value is a weather-normalized 3+9 forecast.*

Growth in peak demand throughout the LTP period is offset by increasing industrial load factors

Combined Company Peak Demand





2010 MTP:

KU/LG&E Generation and Off-System Sales

Energy Planning, Analysis & Forecasting

RCG Presentation

July 22, 2009

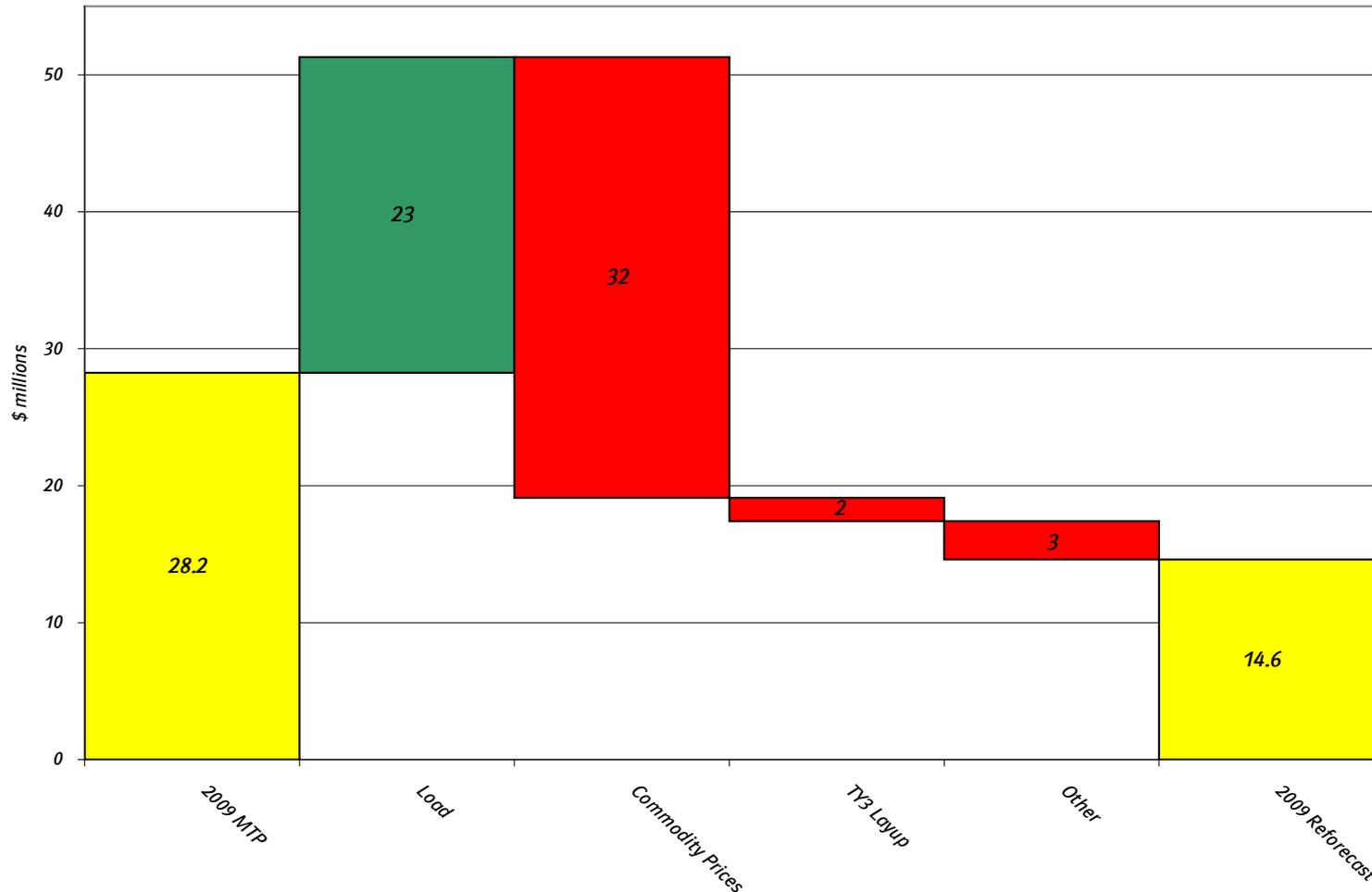
Further decline in electricity prices reduces 2010 OSS contribution below 2009 Reforecast level

| OSS Contribution (\$M) | 2010 | 2011 | 2012 |
|-------------------------------|-------------|-------------|-------------|
| 2009 MTP | 28 | 41 | 34 |
| 2009 Reforecast | 15 | 23 | 21 |
| 2010 MTP | 12 | 27 | 23 |

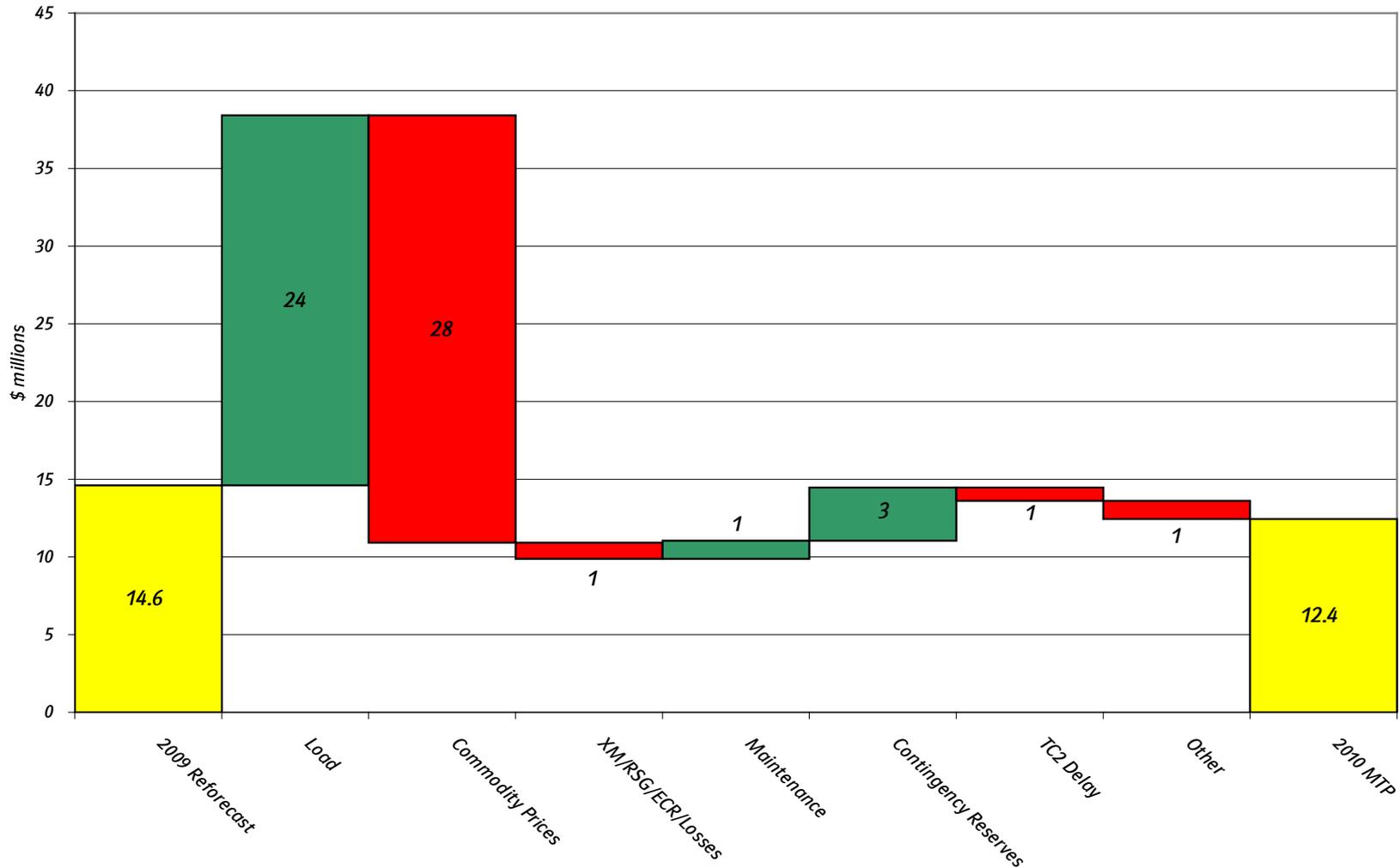
Major Assumptions Changes from 2009 MTP

- *199 MW contingency reserves (40% spinning and 60% supplemental) compared to 208 MW (100% spinning) in 2009 MTP*
- *Market electricity prices – blended MISO and PJM to match anticipated interface for OSS*
- *Trimble County 2 in-service date delayed one month to July 1, 2010*
- *Removed CO₂ cost from 2012*
- *Layup Tyrone 3 in 2010*
- *Include ECR and losses in OSS dispatch decision*

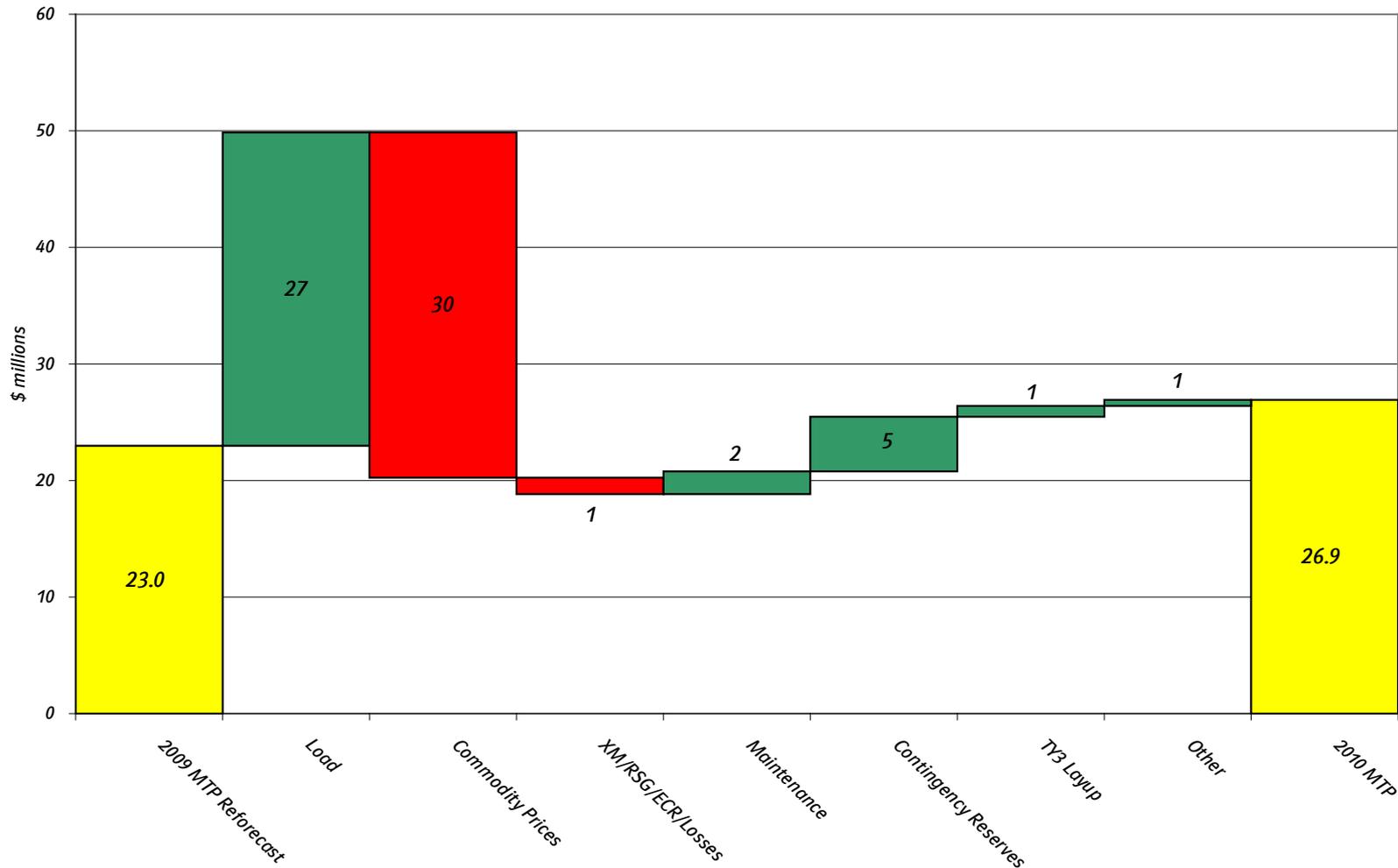
2009 Reforecast resulted in OSS Contribution for 2010 at one half of the 2009 MTP level



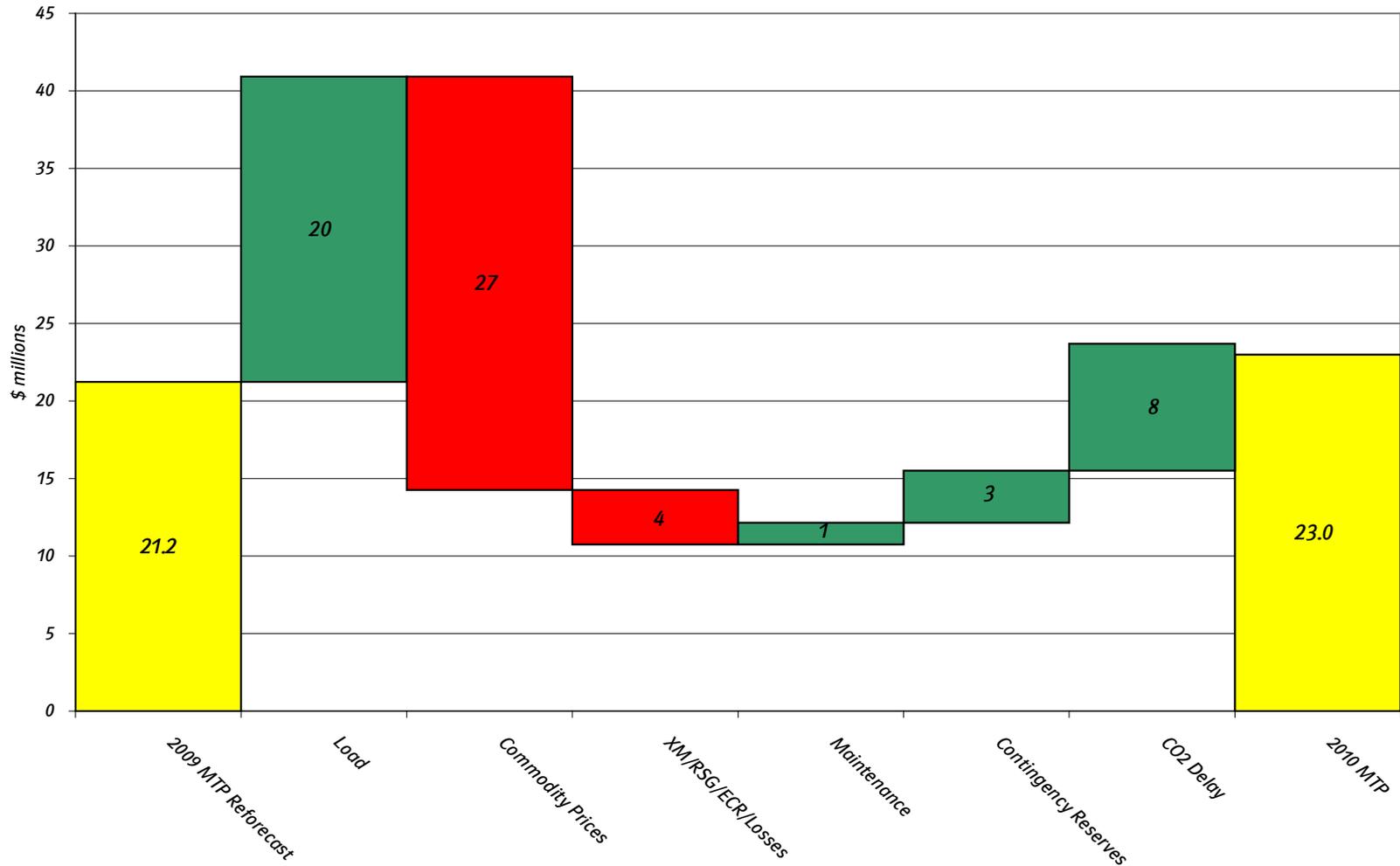
2010 MTP assumption for reduced spinning reserves supports 2010 OSS contribution



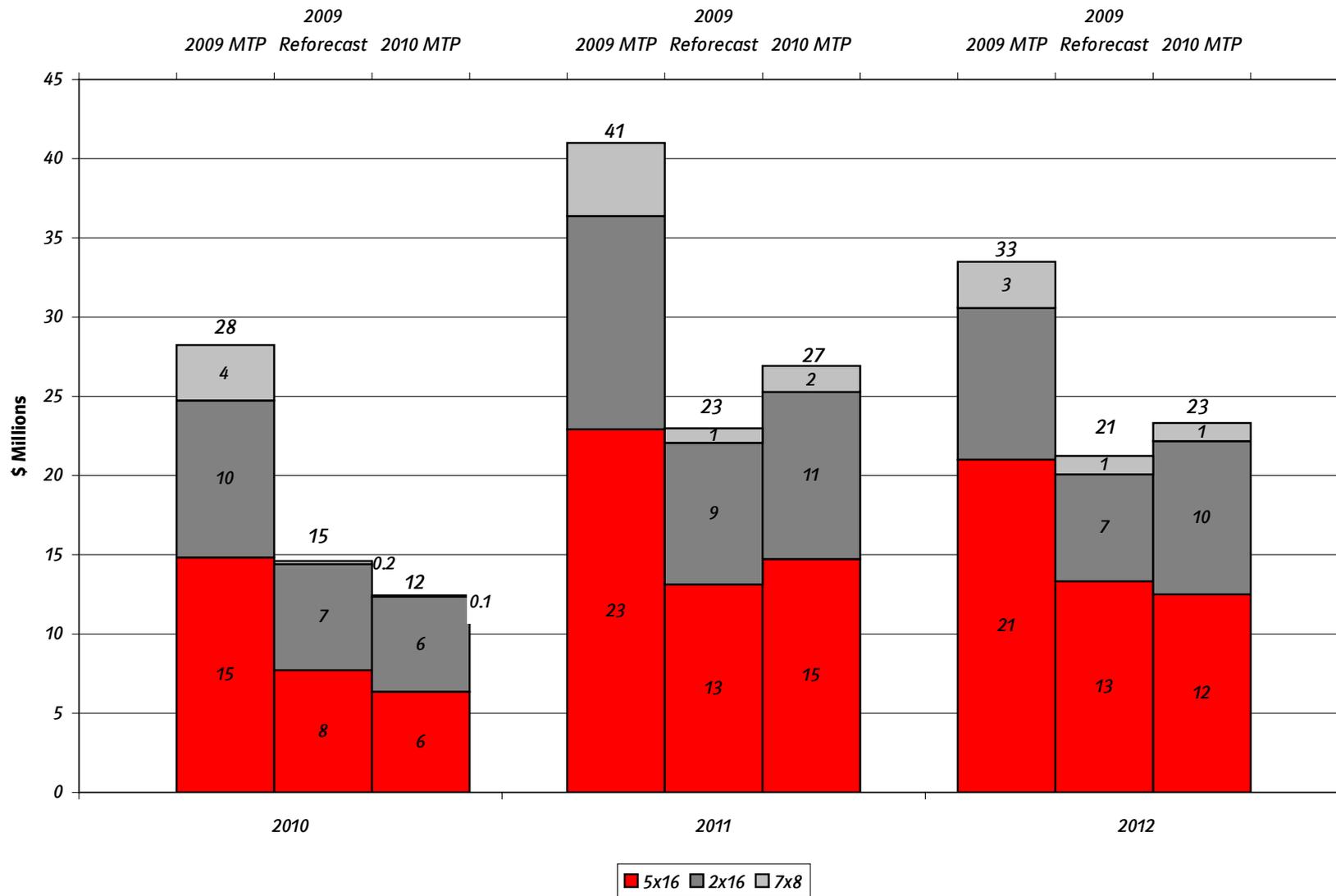
2011 OSS contribution is over 15% higher than the 2009 Reforecast level



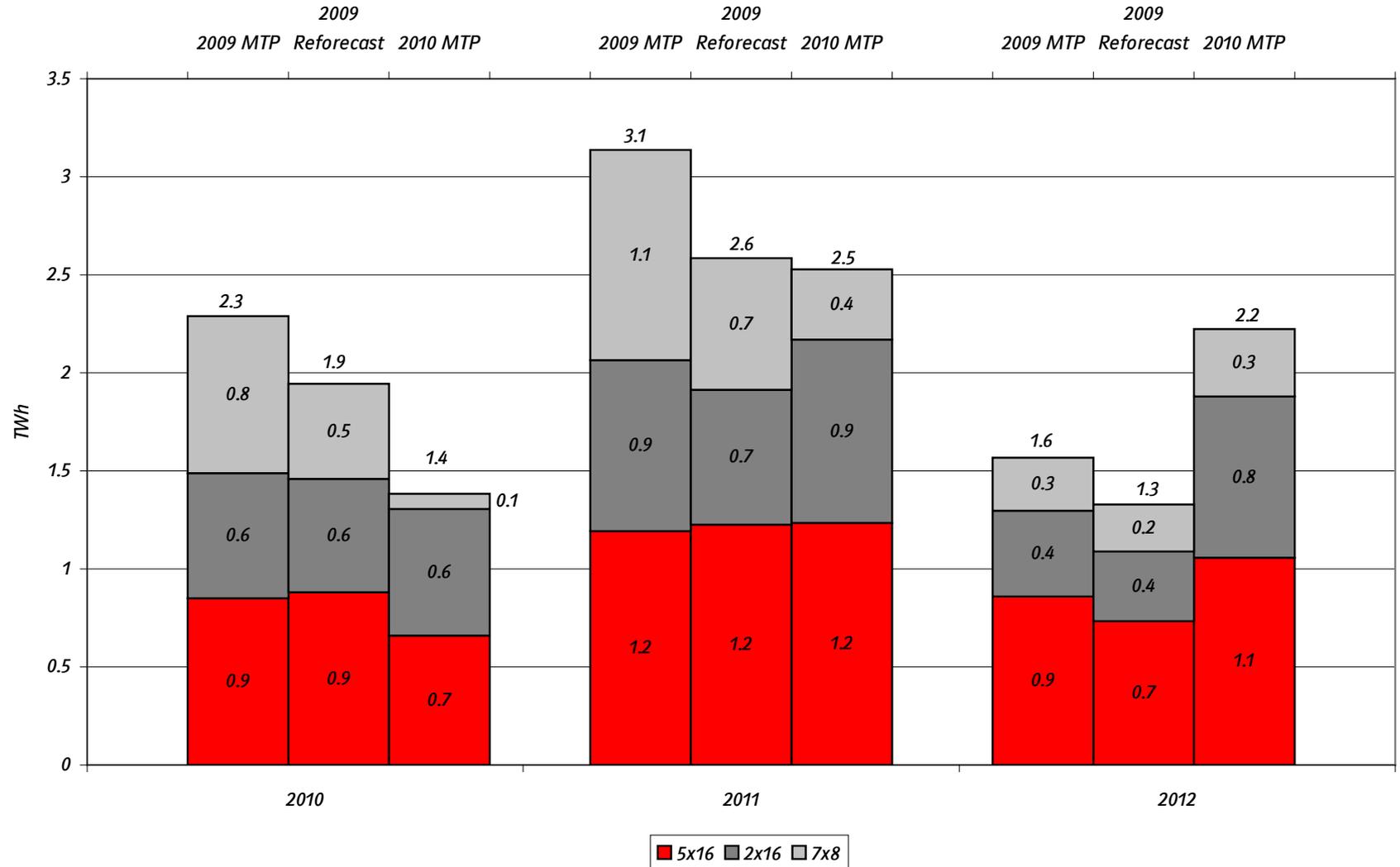
2012 OSS contribution favorably impacted by elimination of CO₂ cost in 2012



OSS Contribution Comparison



OSS Volume Comparison



Target Outage Rates

6.8% steam Unplanned Unavailability ("UU") target for 2010

| % | 2009 Reforecast | | | 2010 MTP | | |
|-------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| <i>Brown 1</i> | 4.3 | 6.7 | 5.7 | 6.5 | 6.5 | 8.9 |
| <i>Brown 2</i> | 4.1 | 5.6 | 4.6 | 6.5 | 6.5 | 7.9 |
| <i>Brown 3</i> | 6.5 | 5.5 | 5.5 | 7.0 | 7.0 | 6.1 |
| <i>Ghent 1</i> | 4.6 | 4.6 | 4.6 | 5.6 | 5.6 | 5.6 |
| <i>Ghent 2</i> | 5.3 | 5.3 | 5.3 | 7.0 | 5.6 | 5.6 |
| <i>Ghent 3</i> | 6.5 | 6.0 | 6.0 | 8.0 | 6.3 | 5.6 |
| <i>Ghent 4</i> | 4.6 | 4.1 | 4.1 | 7.0 | 6.1 | 5.6 |
| <i>Green River 3</i> | 7.4 | 7.4 | 7.4 | 9.2 | 9.2 | 9.2 |
| <i>Green River 4</i> | 8.3 | 8.3 | 8.3 | 9.2 | 9.2 | 9.2 |
| <i>Tyrone 3</i> | 8.4 | 8.4 | 8.4 | 9.2 | 9.2 | 9.2 |
| <i>Cane Run 4</i> | 7.6 | 7.6 | 7.6 | 7.7 | 7.7 | 7.7 |
| <i>Cane Run 5</i> | 7.3 | 7.3 | 7.3 | 7.7 | 7.7 | 7.7 |
| <i>Cane Run 6</i> | 8.0 | 8.0 | 8.0 | 7.1 | 7.0 | 7.1 |
| <i>Mill Creek 1</i> | 6.7 | 6.7 | 6.6 | 6.5 | 6.5 | 6.5 |
| <i>Mill Creek 2</i> | 7.0 | 7.1 | 7.1 | 6.5 | 6.5 | 6.5 |
| <i>Mill Creek 3</i> | 7.1 | 7.9 | 7.9 | 6.5 | 6.5 | 6.5 |
| <i>Mill Creek 4</i> | 7.3 | 7.3 | 7.3 | 6.5 | 6.5 | 6.5 |
| <i>Trimble County 1</i> | 5.0 | 5.0 | 5.0 | 4.6 | 4.6 | 4.6 |
| <i>Trimble County 2</i> | 8.6 | 6.7 | 5.1 | 9.6 | 9.6 | 7.7 |
| <i>Total EFOR</i> | 4.4 | 4.2 | 4.0 | 4.7 | 4.6 | 4.2 |
| <i>Total MOR</i> | 2.1 | 2.1 | 2.2 | 2.3 | 2.4 | 2.4 |
| <i>Total UU</i> | 6.3 | 6.2 | 6.0 | 6.8 | 6.7 | 6.4 |

Coal Generation Comparison

2009 2009

MTP Ref

(6+6)(6+6)

2009 2009 2010

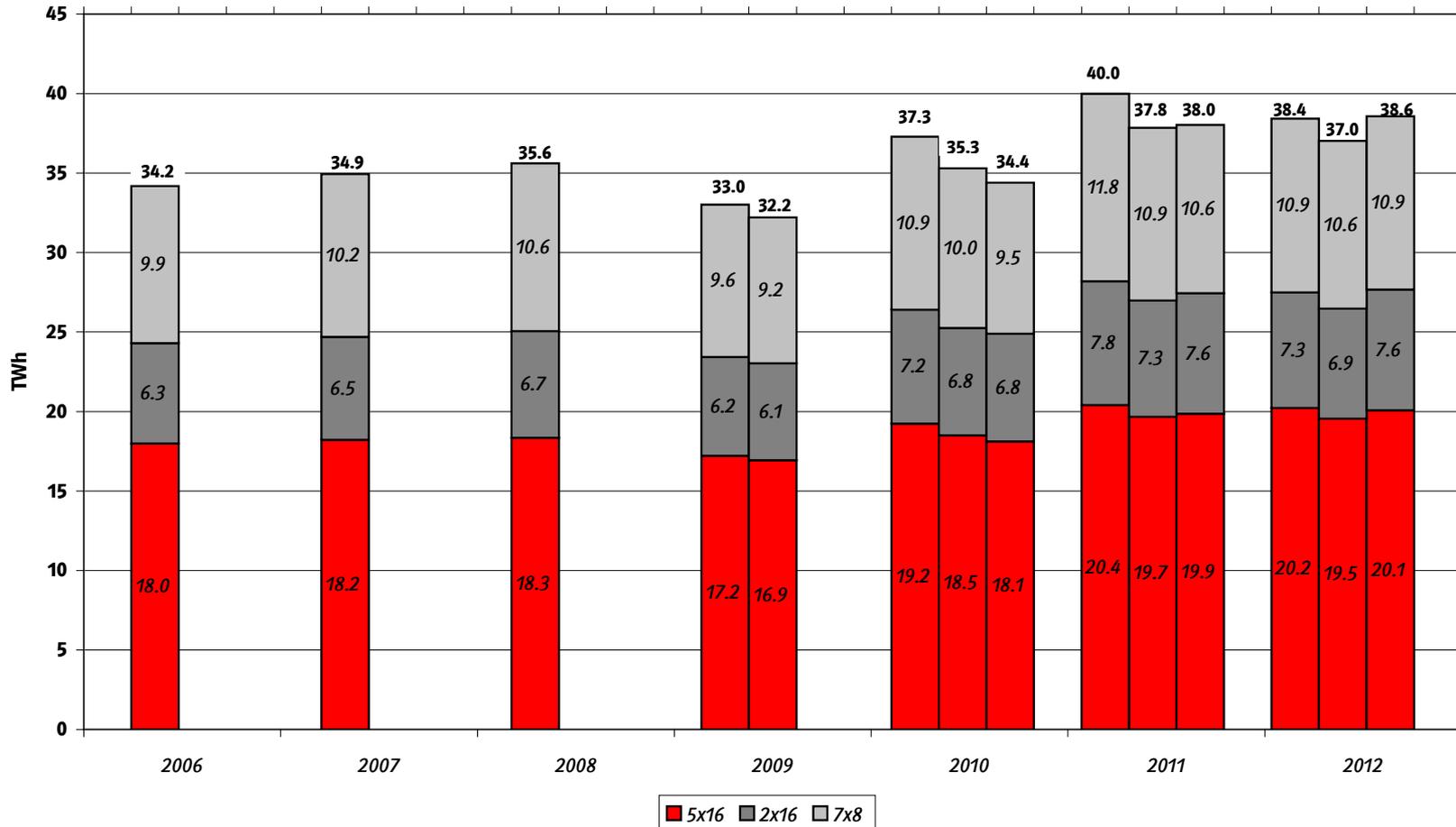
MTP Ref MTP

2009 2009 2010

MTP Ref MTP

2009 2009 2010

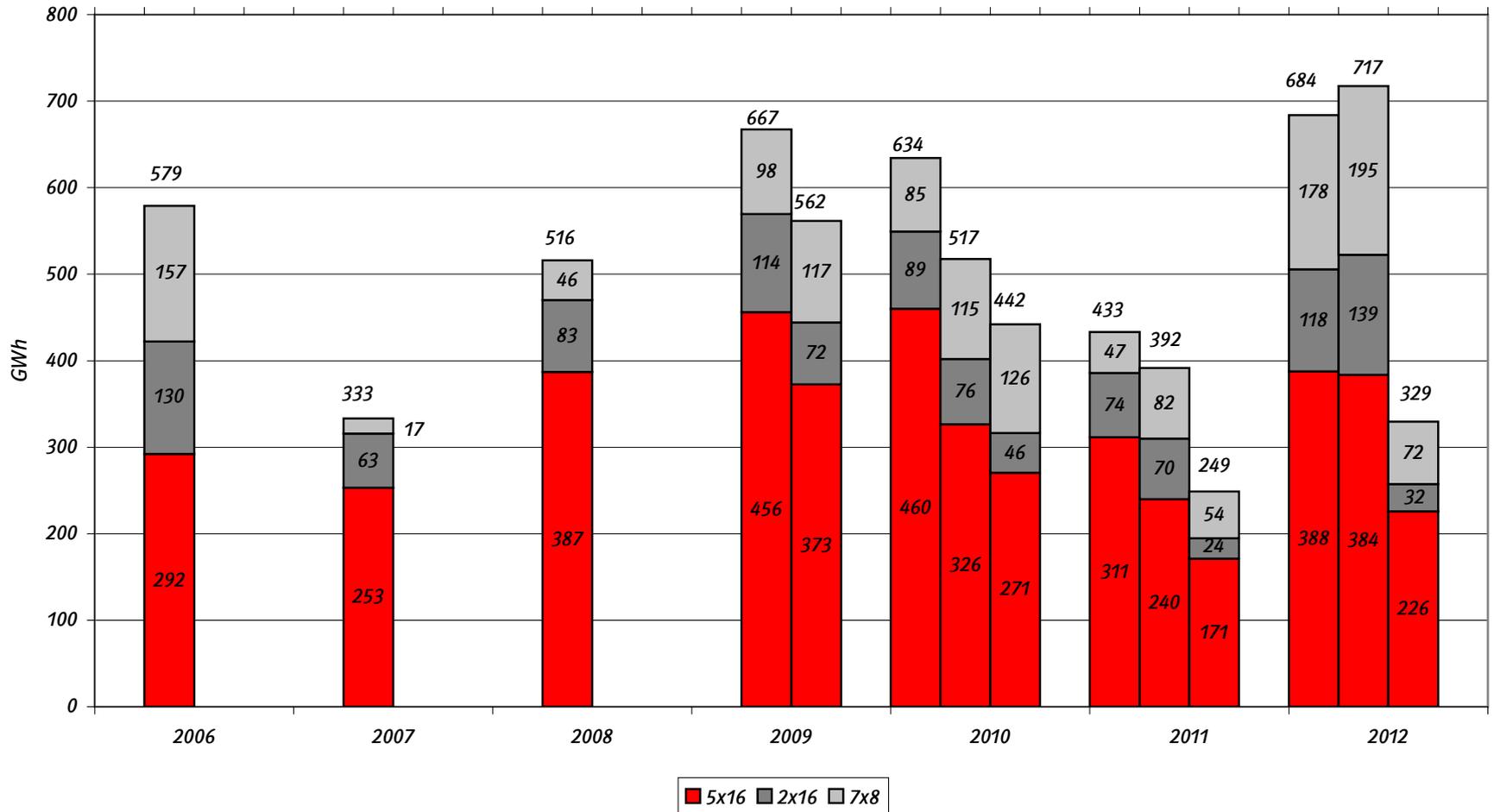
MTP Ref MTP



Includes 100% Trimble Co 1 & 2

Market Purchases Comparison

2009 2009
MTP Ref 2009 2009 2010 2009 2009 2010 2009 2009 2010
(6+6) (6+6) MTP Ref MTP MTP Ref MTP MTP Ref MTP



2010 MTP OSS Contribution Sensitivities to Base Case

| OSS Contribution (\$M) | 2010 | 2011 | 2012 |
|---|-------------|-------------|-------------|
| 2010 MTP | 12.4 | 26.9 | 23.3 |
| Sensitivities - OSS Contribution (\$M) | 2010 | 2011 | 2012 |
| TC2 Delay to 8/1/2010 | 11.5 | 26.9 | 23.3 |
| Low Economic Growth* | 6.6 | 26.1 | 21.6 |

*Corresponds to "Pessimistic" Load Forecast presented on June 19, 2009

Appendix 1

Assumptions and Prices

Assumptions

- *Emissions Controls*
 - *Brown 3 scrubbed May 2010; Brown 1-2 scrubbed November 2010*
 - *Brown 3 SCR operational 10/1/2012*
 - *Annual NO_x season 2010+*

- *CT Availability*
 - *Trimble County CTs are available all months*
 - *Brown CTs are available all months*
 - *Paddy's Run 13*
 - Available April-October 2010-2011; available all months 2012+*
 - Dispatched last of large CTs in 2010 due to hot blade issue*

- *Operating Reserve*
 - *Starting 1/1/2010: 199 MW contingency (40% spinning and 60% supplemental), 75 MW regulating, 75 MW NAS*

Assumptions

- *Market Volumes*
 - *Unconstrained hourly OSS*
 - *Hourly Purchases*
 - 5x16 limited to 400 MW*
 - 2x16 limited to 450 MW*
 - 7x8 limited to 200 MW*
- *Market Prices*
 - *May 29, 2009 trading date*
 - *Blended MISO/PJM with historical allocation*
 - *Hourly pricing shaped to correspond with historical load shape*
- *TC Backup to IMEA/IMPA during forced outages (128 MW for TC1; none for TC2)*

Assumptions

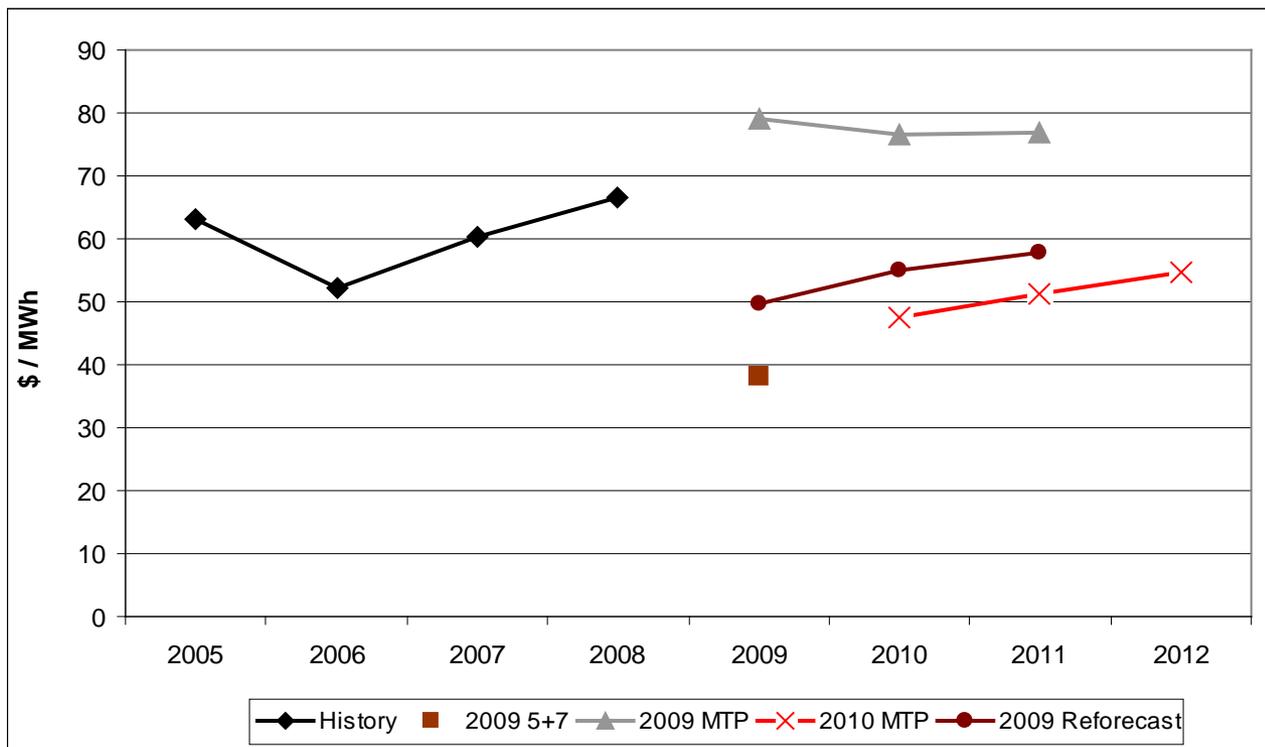
- *Trimble County 2 in-service date delayed to July 1, 2010*
- *2009 LTP Climate Concerns*
 - *No CO₂ effects in 2010-2012*
- *Layup Tyrone 3 in 2010 only*
- *No OSS from CTs*
- *Include RSG, ECR, XM, and losses in OSS dispatch*
- *Variable O&M not included in dispatch or OSS margin*
- *Forecasted LG&E gas contract price included for MC and CR gas*

Contingency Reserves

- *Midwest Contingency Reserve Sharing Group (MCRSG) ends 12/31/09*
 - *Current E.ON U.S. allocation is 152 MW; carried as 100% spinning reserves*
- *2010 MTP assumes alternate group developed with TVA and EKPC*
 - *E.ON U.S. allocation is expected to be 199 MW, with 40% spinning and 60% supplemental* (compared to 2009 Reforecast assumption of 208 MW, with 100% spinning)*
- *A group with only EKPC and E.ON U.S. would result in an E.ON U.S. allocation of 455 MW*

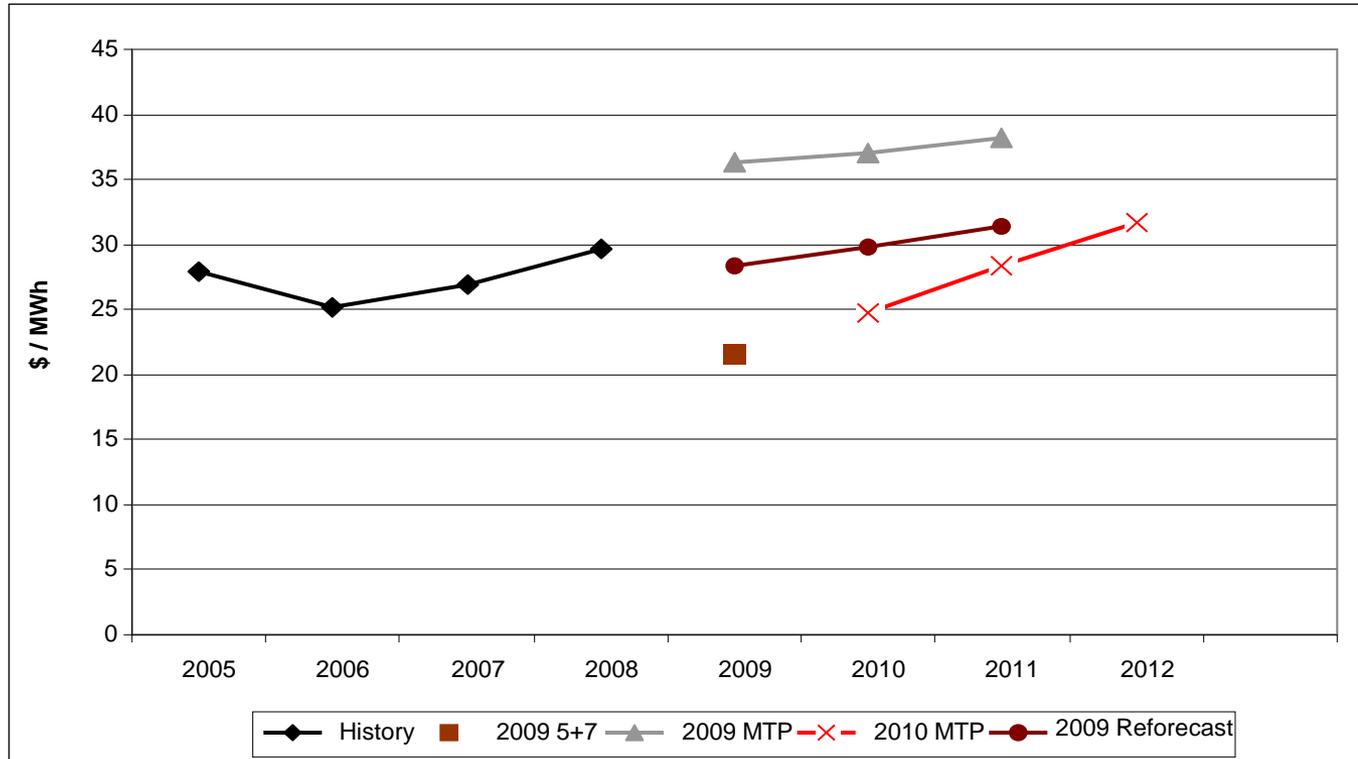
* Currently modeled as 99 MW spinning and 100 MW supplemental

Electricity Price: CIN.Hub Peak (5x16) (\$/MWh)



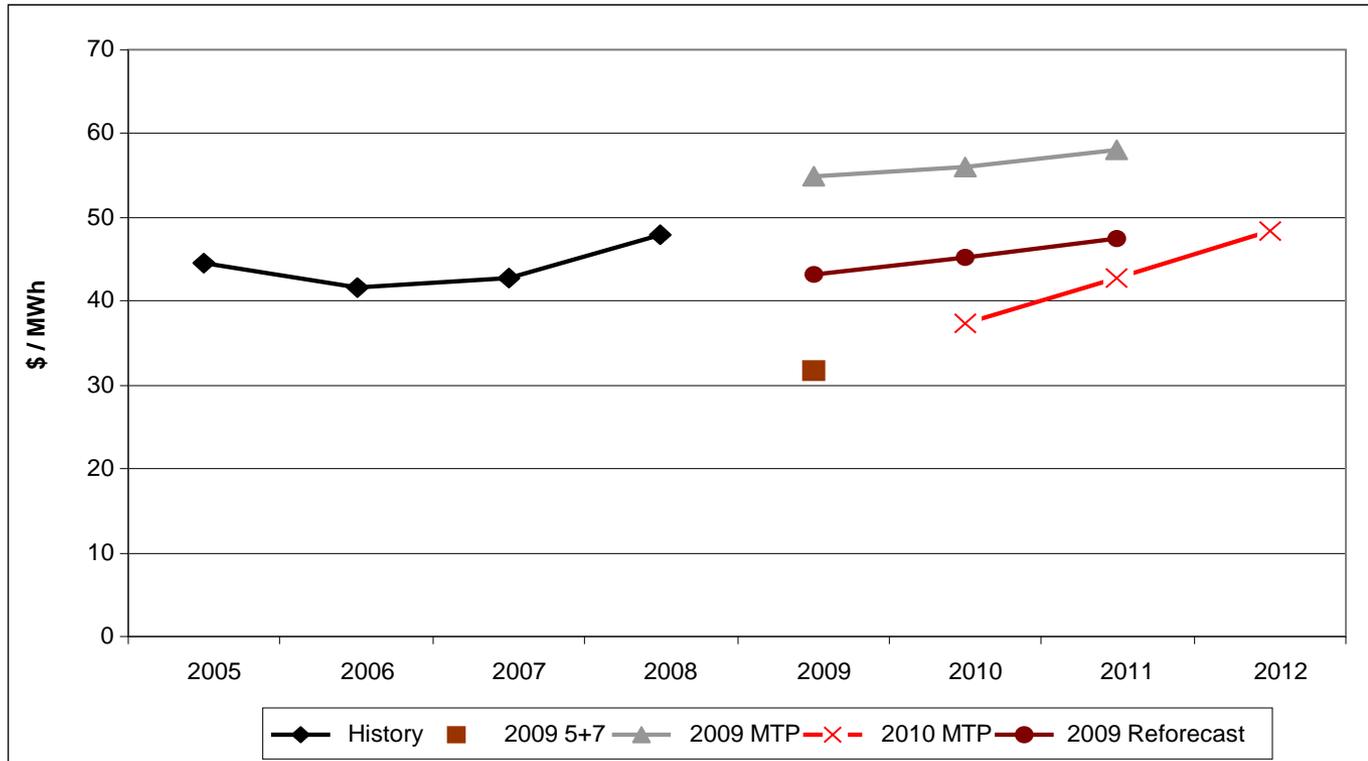
- 2010-12 MTP pricing for on-peak based on ICE forward prices (monthly through 2012) as on May 29, 2009.

Electricity Price: CIN.Hub Off-Peak (7x8) (\$/MWh)



- 2010-12 MTP pricing for off-peak based on ICE forward off-peak 'wrap' prices as on May 29, 2009 and historic ratio of 7x8 to 'wrap'.

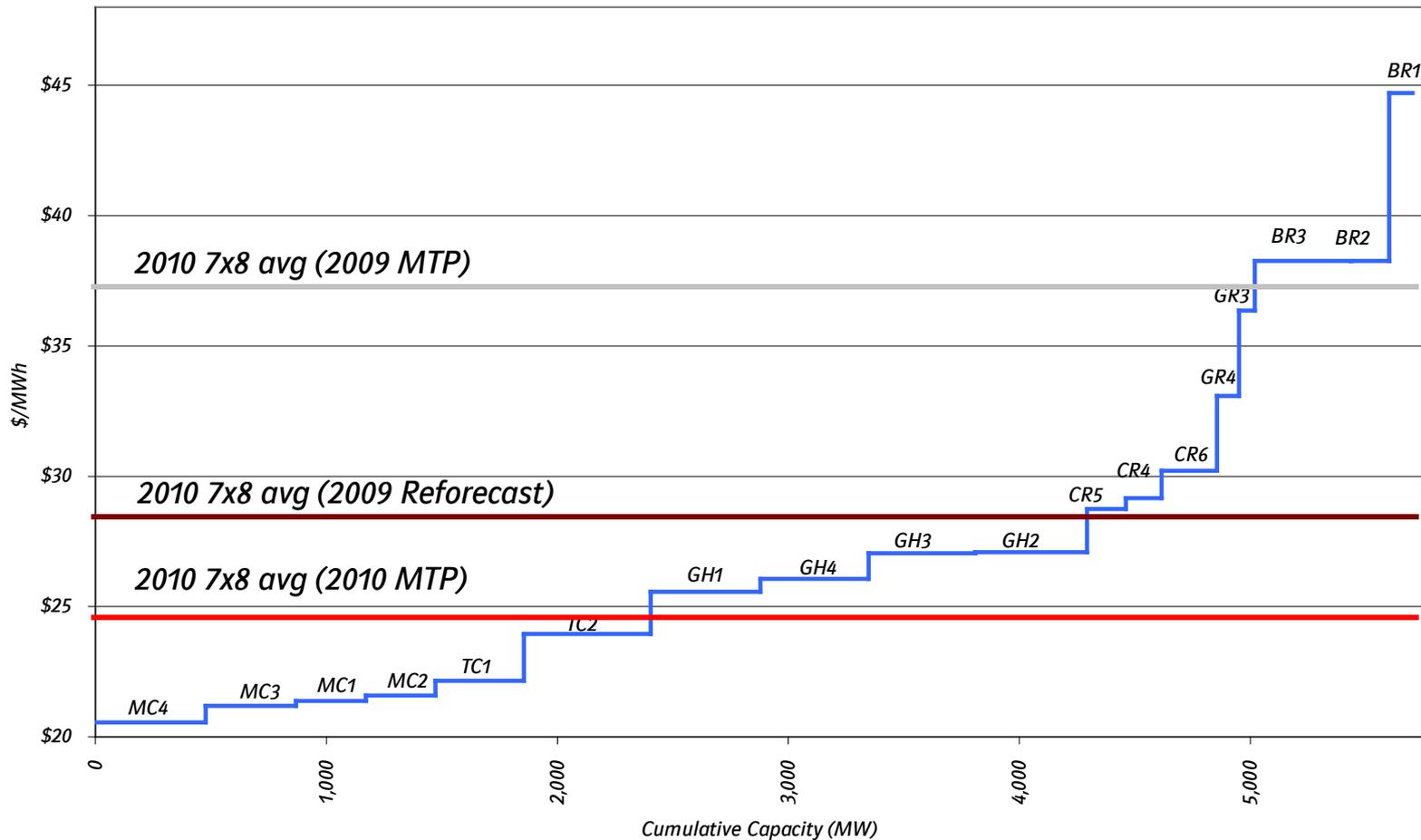
Electricity Price: CIN.Hub Weekend (2x16) (\$/MWh)



- 2010-12 MTP pricing for weekends based on ICE forward off-peak 'wrap' prices as on May 29, 2009 and historic ratio of 2x16 to 'wrap'.

Off-peak prices have fallen significantly

Average Unit Cost for 2010



Appendix 2

Generation and Maintenance Comparison: 2010 MTP to 2009 Reforecast

Generation Comparison

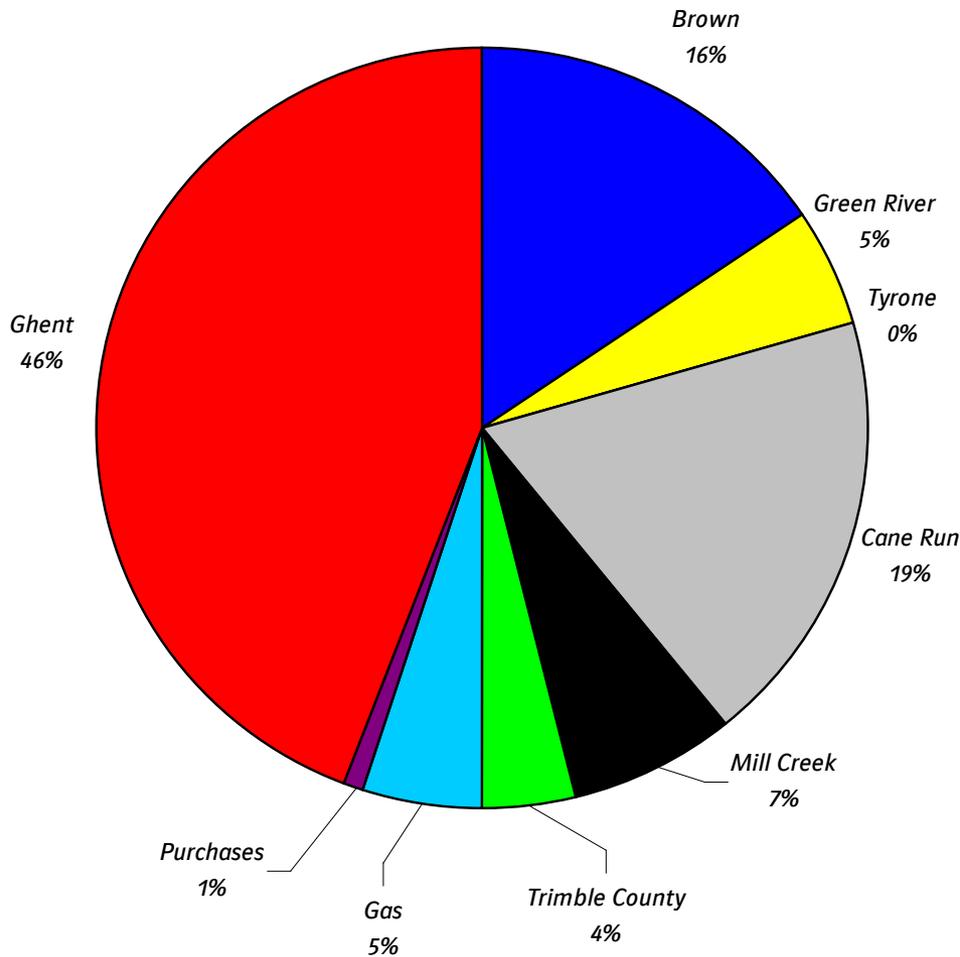
Generation (GWh)

| GWh | 2009 Reforecast | | | 2010 MTP | | | Delta 2010 MTP - 2009 Reforecast | | |
|--------------------|-----------------|---------------|---------------|---------------|---------------|---------------|----------------------------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| Brown 1 | 274 | 283 | 289 | 297 | 332 | 375 | 24 | 49 | 86 |
| Brown 2 | 704 | 762 | 859 | 770 | 714 | 839 | 66 | (48) | (20) |
| Brown 3 | 1,682 | 2,192 | 2,368 | 1,607 | 1,902 | 1,886 | (74) | (289) | (483) |
| Ghent 1 | 3,448 | 3,405 | 3,433 | 3,181 | 3,332 | 3,361 | (267) | (73) | (72) |
| Ghent 2 | 2,890 | 2,992 | 2,423 | 2,870 | 3,100 | 2,756 | (20) | 108 | 333 |
| Ghent 3 | 2,983 | 3,330 | 3,262 | 3,267 | 2,800 | 3,236 | 284 | (530) | (26) |
| Ghent 4 | 3,294 | 3,351 | 3,275 | 2,525 | 3,280 | 3,313 | (768) | (71) | 38 |
| Green River 3 | 274 | 215 | 161 | 258 | 303 | 287 | (15) | 89 | 126 |
| Green River 4 | 506 | 410 | 223 | 472 | 452 | 565 | (35) | 42 | 342 |
| Tyrone 3 | - | - | 136 | - | 150 | 205 | - | 150 | 69 |
| Cane Run 4 | 758 | 618 | 687 | 820 | 739 | 879 | 62 | 121 | 192 |
| Cane Run 5 | 749 | 639 | 600 | 956 | 951 | 958 | 206 | 313 | 358 |
| Cane Run 6 | 1,187 | 1,003 | 972 | 1,109 | 1,227 | 913 | (79) | 223 | (59) |
| Mill Creek 1 | 1,755 | 2,008 | 1,722 | 1,915 | 2,048 | 1,724 | 160 | 40 | 2 |
| Mill Creek 2 | 1,968 | 1,702 | 1,793 | 2,026 | 1,755 | 2,007 | 58 | 53 | 214 |
| Mill Creek 3 | 2,823 | 2,401 | 2,582 | 2,823 | 2,423 | 2,723 | 0 | 22 | 141.6 |
| Mill Creek 4 | 3,220 | 3,400 | 3,018 | 3,239 | 3,423 | 3,082 | 19 | 23 | 65 |
| Trimble County 1* | 4,034 | 3,647 | 3,944 | 3,987 | 3,681 | 4,051 | (46) | 34 | 107 |
| Trimble County 2* | 2,749 | 5,489 | 5,285 | 2,273 | 5,410 | 5,412 | (475) | (79) | 127 |
| Brown CTs | 136 | 121 | 135 | 125 | 105 | 102 | (10) | (16) | (32) |
| Trimble County CTs | 405 | 318 | 376 | 393 | 297 | 298 | (12) | (21) | (78) |
| Paddy's Run CTs | 14 | 14 | 21 | 7 | 10 | 12 | (8) | (4) | (10) |
| Other CTs | 0.3 | 0.1 | - | 0.2 | - | 0.1 | (0.0) | (0.1) | 0.1 |
| Dix Dam/Ohio Falls | 357 | 383 | 409 | 292 | 329 | 358 | (65) | (54) | (50) |
| OMU Purchase | 530 | - | - | 456 | - | - | (74) | - | - |
| OVEC Purchase | 1,125 | 1,137 | 1,236 | 794 | 709 | 906 | (331) | (428) | (329) |
| Totals | 37,866 | 39,822 | 39,209 | 36,463 | 39,475 | 40,250 | (1,402) | (347) | 1,041 |

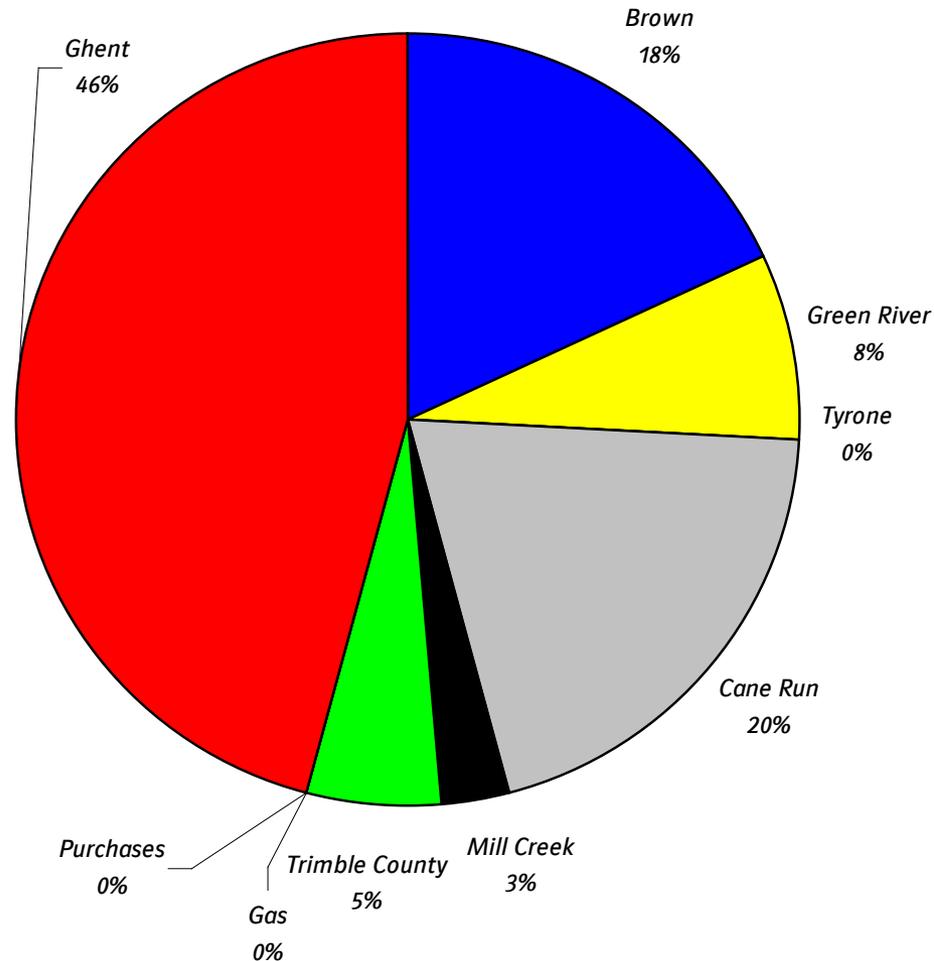
* 100% Trimble County Units

Generation Volume to OSS

2009 Reforecast for 2010



2010 MTP for 2010



Fuel Cost Comparison Annual Averages

| Fuel Expense (cents/mmBTU) | | | | | Delta | |
|----------------------------|-------------------|------------------------|------------------|------------------|--------------------------------|-------------------------------|
| | | 2009 Forecast (5+7) | 2009 Ref 2010 | 2010 MTP 2010 | '10 MTP 2010 - '09 Ref 2010 | % Change from '09 Ref 2010 |
| COAL | <i>BR HS</i> | | 321.3 | 290.7 | (30.6) | -10% |
| | <i>BR LS</i> | 317.9 | 347.2 | 334.9 | (12.3) | -4% |
| | <i>GH HS</i> | 236.7 | 229.3 | 219.3 | (10.0) | -4% |
| | <i>GH LS</i> | 252.8 | | | | |
| | <i>GR</i> | 260.4 | 251.4 | 253.1 | 1.7 | 1% |
| | <i>TY</i> | 303.8 | 311.6 | 311.9 | 0.2 | 0% |
| | <i>CR</i> | 178.5 | 215.2 | 201.6 | (13.6) | -6% |
| | <i>MC</i> | 178.1 | 186.2 | 175.9 | (10.3) | -6% |
| | <i>TC</i> | 198.3 | 208.1 | 195.2 | (12.9) | -6% |
| | <i>TC PRB</i> | | 318.8 | 263.9 | (54.9) | -17% |
| | <i>Smith Coal</i> | | 116.7 | 236.1 | 119.4 | 102% |
| GAS | <i>Gas</i> | | 785.0 | 675.2 | (109.8) | -14% |
| | <i>Gas Haef</i> | | 860.0 | 750.2 | (109.8) | -13% |
| OIL | <i>Oil</i> | 1298.7 | 2647.4 | 1701.8 | (945.5) | -36% |

MW-Weeks Maintenance Comparison

MW-Weeks Maintenance

| | 2009 Reforecast | | | 2010 MTP | | | Delta 2010 MTP - 2009 Reforecast | | |
|--------------------|-----------------|---------------|---------------|---------------|---------------|---------------|----------------------------------|--------------|------------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| Brown 1 | 623 | 309 | 309 | 626 | 221 | 319 | 3 | (88) | 10 |
| Brown 2 | 531 | 528 | 522 | 541 | 701 | 207 | 9 | 173 | (314) |
| Brown 3 | 3,917 | 1,376 | 3,469 | 3,866 | 1,373 | 3,474 | (51) | (3) | 5 |
| Ghent 1 | 1,515 | 2,031 | 1,511 | 2,503 | 1,075 | 1,541 | 988 | (956) | 30 |
| Ghent 2 | 2,031 | 1,507 | 4,322 | 1,124 | 632 | 4,534 | (906) | (874) | 211 |
| Ghent 3 | 4,445 | 1,573 | 1,569 | 604 | 4,247 | 1,536 | (3,841) | 2,674 | (32) |
| Ghent 4 | 1,843 | 1,646 | 1,565 | 5,789 | 611 | 1,519 | 3,946 | (1,035) | (47) |
| Green River 3 | 228 | 228 | 569 | 297 | 89 | 572 | 69 | (139) | 4 |
| Green River 4 | 312 | 300 | 796 | 117 | 392 | 118 | (194) | 91 | (678) |
| Tyrone 3 | 0* | 0* | 229 | 0* | 586 | 90 | - | 586 | (139) |
| Cane Run 4 | 552 | 1,281 | 507 | 508 | 1,281 | - | (44) | - | (507) |
| Cane Run 5 | 550 | 550 | 549 | - | 550 | - | (550) | (0) | (549) |
| Cane Run 6 | 786 | 786 | 784 | 1,983 | - | 1,978 | 1,197 | (786) | 1,193 |
| Mill Creek 1 | 2,504 | 389 | 1,291 | 1,295 | 389 | 2,497 | (1,209) | - | 1,205 |
| Mill Creek 2 | 513 | 2,479 | 384 | 513 | 2,479 | 384 | 0 | - | - |
| Mill Creek 3 | 499 | 3,239 | 498 | 504 | 3,031 | 477 | 5 | (208) | (21) |
| Mill Creek 4 | 2,045 | 605 | 2,033 | 2,070 | 602 | 2,048 | 25 | (2) | 15 |
| Trimble County 1** | - | 2,185 | - | - | 2,191 | - | - | 6 | - |
| Trimble County 2** | 3,157 | 1,690 | 3,159 | 3,164 | 1,685 | 3,151 | 7 | (5) | (9) |
| Totals | 26,051 | 22,700 | 24,065 | 25,504 | 22,134 | 24,442 | (547) | (566) | 377 |

* Inactive Reserve

** 100% Trimble County Units

Weekly Maintenance Comparison

2010

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | SM1 | SM2 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 | |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/4 | | | | | | | | | | | | | | | | | | | | | | |
| 1/11 | | | | | | | | | | | | | | | | | | | | | | |
| 1/18 | | | | | | | | | | | | | | | | | | | | | | |
| 1/25 | | | | | | | | | | | | | | | | | | | | | | |
| 2/1 | | | | | | | | | | | | | | | | | | | | | | |
| 2/8 | | | | | | | | | | | | | | | | | | | | | | |
| 2/15 | | | | | | | | | | | | | | | | | | | | | | |
| 2/22 | | | | | | | | | | | | | | | | | | | | | | 492 |
| 3/1 | | | | | | | | | | | | | | | | | | | | | | 492 |
| 3/8 | | | | | | | | | | | | | | | | | | | | | | 492 |
| 3/15 | 462 | | | | | | | | | | | | | | 240 | | | | | | | 492 |
| 3/22 | 462 | | | | | | | 433 | | | | | | | 240 | | | | | | | 492 |
| 3/29 | 462 | | | | | | | 433 | | | | | 263 | | 240 | | | | | | | 492 |
| 4/5 | 478 | | | | | | | 429 | | | | | | | 240 | | | | | | | 492 |
| 4/12 | 478 | | | | | | | 429 | | | | | | | 240 | | | | | | | 492 |
| 4/19 | | | | | | | | 429 | | | | | | | 240 | | | | | | | 492 |
| 4/26 | | | | | | | | 429 | | | | | | | 240 | | | | | | | 492 |
| 5/3 | | | | | | | | 415 | | | | | | | 240 | | | | | | | 492 |
| 5/10 | | 469 | | | | | | 415 | | 0 | | | | | 240 | | | | | | | 492 |
| 5/17 | | 469 | | | | | | 415 | | | | | | | 240 | | | | | | | 492 |
| 5/24 | | | | | | | | | 95 | | | | | | 240 | | | | | | | 492 |
| 5/31 | | | | | | | | | | | | | | | 240 | | | | | | | 492 |
| Summer Season | | | | | | | | | | | | | | | | | | | | | | |
| 9/6 | | | | | | | | | | | | | | | | | | | | | | |
| 9/13 | | | | 468 | | | | | | | | | | | | | | | | | | |
| 9/20 | | | | 468 | | | | | | | | | | | | | | | | | | |
| 9/27 | | | | 468 | | | | | | | | | | | | | | | | | | |
| 10/4 | | | | 481 | | | | 71 | | | | | 155 | | | | | | | | | |
| 10/11 | | | | 481 | 102 | | | 71 | | | | | 155 | | | | | | | | | |
| 10/18 | | | | 481 | 102 | | | 71 | | | | | 155 | | | | | | | | | |
| 10/25 | | | | 481 | 102 | | | 71 | | | | | | | | | | | | | | |
| 11/1 | | | | 481 | 102 | | | | | | | | | | | | | | | | | |
| 11/8 | | | | 481 | 102 | | | | | | | | | | | | | | | | | 571 |
| 11/15 | | | | 481 | 102 | | | | | | | | | | | | | | | | | 571 |
| 11/22 | | | | 481 | | | | | | | | | | | | | | | | | | 571 |
| 11/29 | | | | 481 | | 169 | | | | | | | | | | 303 | | | | | | 571 |
| 12/6 | | | | | | 169 | | | | | | | | | | 303 | | | | | | 571 |
| 12/13 | | | 482 | | | 169 | | | | | | | | | | 303 | | | | | | 571 |
| 12/20 | | | | | | | | | | | | | | | | 303 | | | | | | 571 |
| 12/27 | | | | | | | | | | | | | | | | 303 | | | | | | 571 |

2009 Reforecast Schedule

2010 MTP Schedule

Weekly Maintenance Comparison

2011

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/3 | | | | | | | | | | | | | | | | | | | |
| 1/10 | | | | | | | | | | | | | | | | | | | |
| 1/17 | | | | | | | | | | | | | | | | | | | |
| 1/24 | | | | | | | | | | | | | | | | | | | |
| 1/31 | | | | | | | | | | | | | | | | | | | |
| 2/7 | | | | | | | | | | | | | | | | | | | |
| 2/14 | | | | | | | | | | | | | | | | | | | |
| 2/21 | | 462 | | | | | | | | | | | | | | | | | |
| 2/28 | | 462 | | | | | | | | | | | | | | | | | |
| 3/7 | | | | | | | | | | 71 | | | | | | | | 397 | |
| 3/14 | | | | 482 | | | | | | 71 | | | | | | | | 357 | |
| 3/21 | | | | 482 | | | | | | 71 | | | | | | | | 357 | |
| 3/28 | | | | 482 | 98 | | 424 | | | 71 | | | | | | | | 357 | |
| 4/4 | | | | 462 | 97 | | 420 | | | 71 | | | | | | | | 371 | |
| 4/11 | | | | 462 | | | 420 | | 95 | 71 | | | | | | | | 371 | |
| 4/18 | | | | 462 | | | | | 95 | 71 | | 168 | | | | | | 371 | |
| 4/25 | | | | 462 | | | | | 95 | 71 | | 168 | | | | | | | |
| 5/2 | | | | 462 | | | | | 95 | | | 168 | | | | | | 477 | |
| 5/9 | | | | 462 | | | | | | | | | | | | | | | |
| 5/16 | | | | | | | | | | | | | | | | | | | |
| 5/23 | | 469 | | | | | | | | | | | | | | | | | |
| 5/30 | | | | | | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 9/5 | | | | | | | | | | | | | | | | | | | |
| 9/12 | | | | | | | | | | | | | | | | | | | |
| 9/19 | | | | | | | | | | | | | | | | | | | |
| 9/26 | | | | | | | | | | | 155 | | | | | | | | |
| 10/3 | | | | | | | | | | | 155 | | | | | | | | |
| 10/10 | | | | 481 | | | | 71 | | | 155 | | | | | | | | |
| 10/17 | | | | | | | | | | | 155 | | | | | | | | 571 |
| 10/24 | | | | | | | 165 | | | | 155 | | | | 299 | | | | 571 |
| 10/31 | | | | | | | 165 | | | | 155 | | | 303 | 299 | | | | |
| 11/7 | | | | | | | 165 | | | | 155 | | | | 299 | | | | 386 |
| 11/14 | | | | | | | 165 | | | | 155 | | | | 299 | | | | 386 |
| 11/21 | | | | | | | | | | | | | | | 299 | | | | 386 |
| 11/28 | | | | | | | | | | | | | | | 299 | | | | 386 |
| 12/5 | | | | | | | | | | | | | | | 299 | | | | |
| 12/12 | | | | | | | | | | | | | | | 299 | | | | |
| 12/19 | | | | | | | | | | | | | | | | | | | |
| 12/26 | | | | | | | | | | | | | | | | | | | |

2009 Reforecast Schedule

2010 MTP Schedule

Weekly Maintenance Comparison

2012

| | GH1 | GH2 | GH3 | GH4 | BR1 | BR2 | BR3 | GR3 | GR4 | TY3 | CR4 | CR5 | CR6 | MC1 | MC2 | MC3 | MC4 | TC1 | TC2 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1/2 | | | | | | | | | | | | | | | | | | | |
| 1/9 | | | | | | | | | | | | | | | | | | | |
| 1/16 | | | | | | | | | | | | | | | | | | | |
| 1/23 | | | | | | | | | | | | | | | | | | | |
| 1/30 | | | | | | | | | | | | | | | | | | | |
| 2/6 | 462 | | | | | | | | | | | | | | | | | | |
| 2/13 | 462 | | | | | | | | | | | | | | | | | | |
| 2/20 | 462 | | | | | | | | | | | | 240 | | | | | | |
| 2/27 | | | | | | | | | | | | | 240 | | | | | | |
| 3/5 | | | | | | | | | | | | | 240 | | | | | | |
| 3/12 | | | 482 | | | | | | | | | | 240 | | | | 492 | | |
| 3/19 | | | 482 | | | | | | | | | | 240 | | | | | 492 | |
| 3/26 | 451 | | 482 | | | | | | | | | | 240 | | | | | 492 | |
| 4/2 | 469 | | | | | | | | 95 | | | | 240 | | | | | 477 | |
| 4/9 | 469 | | | | | | | | | | | | 240 | | | | | | |
| 4/16 | 469 | | | | | | | | | 71 | | | | | | | | | |
| 4/23 | 469 | | | | | | | | | | | | | | | 371 | | | |
| 4/30 | 469 | | | | | | | | | | | | | | | | | | |
| 5/7 | 469 | | | | | | | | | | | | | | | | | | |
| 5/14 | 469 | | | | | | | | | | | | | | | | | | |
| 5/21 | 469 | | | | | | | | | | | | | | | | | | |
| 5/28 | | | | | | | | | | | | | | | | | | | |
| Summer Season | | | | | | | | | | | | | | | | | | | |
| 9/3 | | | | | | | | | | | | | | | | | | | |
| 9/10 | | | | | | | | | | | | | | | | | | | |
| 9/17 | | | 468 | | | | | | | | | | | | | | | | |
| 9/24 | | | 468 | | 163 | | | | | | | | | 303 | | | | | |
| 10/1 | | | 481 | | | | | | | | | | | 303 | | | | | |
| 10/8 | | | | 98 | | | | | | | | | | 303 | | | | | |
| 10/15 | | | | 98 | | | 418 | 71 | | | | | | 303 | | | | | 571 |
| 10/22 | | | | 98 | | | 418 | 71 | | | | | | 303 | | | | | 571 |
| 10/29 | | | | | | | 418 | 71 | | | | | | 303 | | | | | 571 |
| 11/5 | | | | | | | 418 | 71 | | | | | | 303 | | | | | 571 |
| 11/12 | | | | | | | 418 | 71 | | | | | | 303 | | | | | |
| 11/19 | | | | | | | 418 | 71 | | | | | | | | | | | |
| 11/26 | | | | | | | 418 | 71 | | | | | | | 299 | | | | |
| 12/3 | | | | | | | 418 | 71 | | | | | | | | | | | |
| 12/10 | | | | | | | | | | | | | | | | | | | |
| 12/17 | | | | | | | | | | | | | | | | | | | |
| 12/24 | | | | | | | | | | | | | | | | | | | |

2009 Reforecast Schedule

2010 MTP Schedule

CT Operation Comparison to Actual (for plant maint. planning)

CT Generation (GWh)

| | ACTUAL | | | 6+6 FORECAST | 2010 MTP | | |
|--------------|------------|------------|------------|-----------------|------------|------------|------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| BR5 | 31 | 20 | 2 | 12 | 7 | 7 | 6 |
| BR6 | 98 | 89 | 22 | 43 | 22 | 23 | 15 |
| BR7 | 99 | 52 | 33 | 44 | 60 | 50 | 65 |
| BR8 | 46 | 20 | 7 | 14 | 12 | 7 | 4 |
| BR9 | 27 | 11 | 3 | 10 | 9 | 7 | 5 |
| BR10 | 21 | 5 | 2 | 11 | 5 | 4 | 3 |
| BR11 | 13 | 4 | 1 | 11 | 10 | 7 | 5 |
| PR13 | 88 | 71 | 4 | 8 | 7 | 10 | 12 |
| TC5 | 12 | 93 | 74 | 85 | 86 | 66 | 72 |
| TC6 | 24 | 84 | 70 | 72 | 80 | 62 | 48 |
| TC7 | 51 | 113 | 59 | 66 | 76 | 38 | 57 |
| TC8 | 77 | 150 | 63 | 57 | 60 | 54 | 43 |
| TC9 | 60 | 148 | 58 | 46 | 55 | 38 | 40 |
| TC10 | 71 | 131 | 51 | 44 | 36 | 38 | 39 |
| TOTAL | 717 | 991 | 449 | 522 | 525 | 412 | 412 |

| 2009 Reforecast | | | |
|-----------------|-----|-----|-----|
| 816 | 556 | 453 | 532 |

CT Starts (# starts)

| | ACTUAL | | | 6+6 FORECAST | 2010 MTP | | |
|--------------|------------|--------------|------------|-----------------|------------|------------|------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| BR5 | 34 | 44 | 9 | 23 | 21 | 17 | 27 |
| BR6 | 89 | 93 | 46 | 82 | 44 | 44 | 30 |
| BR7 | 91 | 61 | 39 | 90 | 126 | 96 | 121 |
| BR8 | 99 | 62 | 32 | 57 | 41 | 23 | 17 |
| BR9 | 70 | 37 | 18 | 44 | 22 | 31 | 19 |
| BR10 | 49 | 28 | 12 | 40 | 16 | 15 | 11 |
| BR11 | 35 | 22 | 12 | 36 | 33 | 27 | 15 |
| PR13 | 68 | 56 | 17 | 16 | 8 | 15 | 16 |
| TC5 | 12 | 119 | 88 | 73 | 124 | 88 | 102 |
| TC6 | 31 | 98 | 116 | 89 | 102 | 90 | 80 |
| TC7 | 65 | 123 | 74 | 109 | 115 | 62 | 90 |
| TC8 | 82 | 179 | 83 | 87 | 91 | 71 | 75 |
| TC9 | 62 | 168 | 68 | 75 | 80 | 56 | 67 |
| TC10 | 78 | 140 | 72 | 78 | 56 | 50 | 59 |
| TOTAL | 865 | 1,230 | 686 | 899 | 880 | 683 | 731 |

| 2009 Reforecast | | | |
|-----------------|-----|-----|-------|
| 1,218 | 983 | 898 | 1,051 |



*Project Engineering
2010-2012 MTP*

October 9, 2009

Financial Performance

ÿ *Capital*

ÿ *Risks and Sensitivities*

ÿ *Headcount and Safety*

ÿ *Highlight Major Projects*

Appendix

ÿ *Major Assumptions*

ÿ *2010 – 2019 MTP/LTP IFRS – Cash (Excel attachment)*

2008-2012 Project Engineering Capital (Excluding COR) (\$000)

| Project | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|
| Expansion Plan | | | | | | | |
| TC 2 (Net) | \$155,140 | \$113,045 | \$161,733 | \$109,557 | \$15,262 | \$0 | \$0 |
| Combined Cycle CT 2017 | \$428 | \$7,500 | \$479 | \$300 | \$2,500 | \$11,000 | \$8,000 |
| Expansion Plan Total | \$155,568 | \$120,545 | \$162,212 | \$109,857 | \$17,762 | \$11,000 | \$8,000 |
| ECR | | | | | | | |
| TC 2 (Net) | \$115,010 | \$19,133 | \$19,133 | \$44,679 | \$2,739 | \$0 | \$0 |
| Brown FGD | \$132,050 | \$159,653 | \$165,153 | \$155,901 | \$97,660 | \$29,781 | \$0 |
| Ghent FGD | \$140,990 | \$69,434 | \$90,934 | \$53,230 | \$20,000 | \$0 | \$0 |
| Brown 3 SCR | \$1,010 | \$0 | \$0 | \$3,470 | \$30,736 | \$58,149 | \$69,207 |
| Brown CCP | \$10,802 | \$6,723 | \$11,723 | \$6,635 | \$28,360 | \$10,220 | \$8,776 |
| Cane Run CCP | \$349 | \$1,441 | \$1,441 | \$1,400 | \$1,440 | \$7,801 | \$5,005 |
| Ghent CCP | \$744 | \$1,580 | \$1,580 | \$3,849 | \$42,156 | \$59,007 | \$72,092 |
| Trimble County CCP (Net) | \$1,050 | \$6,000 | \$6,000 | \$12,900 | \$20,600 | \$34,047 | \$36,090 |
| SO3 Sorbent Injection - MC3 | \$0 | \$0 | \$0 | \$0 | \$2,200 | \$4,200 | \$0 |
| SO3 Sorbent Injection - MC4 | \$0 | \$0 | \$0 | \$0 | \$1,400 | \$5,000 | \$0 |
| Other Project Engineering Projects | \$6,862 | \$3,201 | \$3,201 | \$2,813 | \$0 | \$0 | \$0 |
| ECR Total | \$408,867 | \$267,165 | \$299,165 | \$284,877 | \$247,291 | \$208,205 | \$191,170 |
| Special Projects | | | | | | | |
| TC 2 Spares (Net) | \$80 | \$11,123 | \$11,123 | \$11,123 | \$0 | \$0 | \$0 |
| Black Start | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,000 |
| Ohio Falls | \$4,000 | \$1,799 | \$1,799 | \$1,006 | \$2,796 | \$20,827 | \$21,876 |
| Special Projects Total | \$4,080 | \$12,922 | \$12,922 | \$12,129 | \$2,796 | \$20,827 | \$22,876 |
| Total Capital (107001) - US GAAP | \$568,515 | \$400,633 | \$474,300 | \$406,863 | \$267,849 | \$240,032 | \$222,046 |
| IFRS Adjustments (Including Cash Adj) | \$495 | (\$4,760) | (\$4,760) | \$22,214 | \$4,673 | \$31,915 | \$10,960 |
| Total IFRS (Cash) | \$569,010 | \$395,873 | \$469,540 | \$429,078 | \$272,522 | \$271,947 | \$233,006 |

2009-2012 Capital Reconciliation – IFRS Cash Basis (\$000)

| | 2009 <i>Forecast</i> | 2010 <i>Budget</i> | 2011 <i>Plan</i> | 2012 <i>Plan</i> |
|------------------------------------|-------------------------|-----------------------|---------------------|---------------------|
| Current Plan | \$429,078 | \$272,522 | \$271,947 | \$233,006 |
| Contingency Plan | \$469,540 | | | |
| Prior Plan | | \$235,821 | \$242,129 | \$346,266 |
| Variance | <u>\$40,463</u> | <u>(\$36,701)</u> | <u>(\$29,819)</u> | <u>\$113,259</u> |
| <i>Variance Explanations</i> | | | | |
| TC 2 (Net) | \$7,760 | (\$24,666) | \$597 | \$0 |
| TC 2 Spares (Net) | \$8,370 | (\$8,370) | \$0 | \$0 |
| Brown FGD | \$327 | \$91 | (\$37,784) | \$0 |
| Ghent FGD | \$24,571 | (\$6,592) | (\$2,700) | \$0 |
| Brown 3 SCR | (\$1,959) | (\$3,525) | \$21,691 | \$876 |
| Brown CCP | \$4,927 | (\$3,953) | \$920 | \$663 |
| Cane Run CCP | (\$279) | \$1,918 | (\$2,278) | \$3,947 |
| Ghent CCP | (\$2,235) | \$5,056 | (\$572) | (\$4,252) |
| Trimble County CCP (Net) | (\$3,245) | (\$7,747) | (\$5,821) | \$5,510 |
| SO3 Sorbent Injection - MC3 | \$0 | (\$1,833) | \$1,704 | \$117 |
| SO3 Sorbent Injection - MC4 | \$0 | (\$1,167) | \$1,037 | \$117 |
| Ohio Falls | \$2,554 | \$10,281 | (\$2,980) | (\$4,998) |
| Combined Cycle CT 2017 | (\$264) | \$3,806 | (\$3,633) | \$111,033 |
| Combined Cycle CT 2022 | \$0 | \$0 | \$0 | \$1,247 |
| Black Start | \$0 | \$0 | \$0 | (\$1,000) |
| Other Project Engineering Projects | (\$65) | \$0 | \$0 | \$0 |
| Total Variance | <u>\$40,463</u> | <u>(\$36,701)</u> | <u>(\$29,819)</u> | <u>\$113,259</u> |

2009-2012 Project Engineering Capital Sensitivities (\$000)

| <u>Project</u> | <u>2009 Forecast</u> | <u>2010 Budget</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|---|--------------------------|------------------------|----------------------|----------------------|
| Sensitivities | | | | |
| <i>Renewables - Bio Mass (Co-firing 500 MW Nominal)</i> | \$200 | \$13,000 | \$40,000 | \$37,000 |
| <i>Renewables - Landfill Gas</i> | \$200 | \$19,000 | \$32,000 | \$0 |
| <i>Ghent 2 SCR</i> | \$0 | \$0 | \$0 | \$15,437 |
| <i>Cooling Tower - Cane Run</i> | \$0 | \$0 | \$0 | \$122 |
| <i>Cooling Tower - Mill Creek</i> | \$0 | \$0 | \$0 | \$122 |
| Total Capital Sensitivities (107001) - US GAAP | \$400 | \$32,000 | \$72,000 | \$52,680 |
| <i>IFRS Adjustments (Including Cash Adj)</i> | (\$33) | (\$2,633) | (\$667) | (\$1,057) |
| Total IFRS (Cash) Sensitivities | <u>\$367</u> | <u>\$29,367</u> | <u>\$71,333</u> | <u>\$51,623</u> |

- *Bio Mass cash flow is very preliminary and shown for a 2011 and 2013 implementation.*

2008-2012 Project Engineering Other Costs (\$000)

| Project | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|--|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| Other Balance Sheet | | | | | | | |
| <i>Mercury Compliance Strategy Development</i> | \$0 | \$500 | \$500 | \$300 | \$700 | \$0 | \$0 |
| Other Balance Sheet Total - US GAAP | \$0 | \$500 | \$500 | \$300 | \$700 | \$0 | \$0 |
| <i>IFRS Adjustments (Including Cash Adj)</i> | \$0 | (\$42) | (\$42) | (\$25) | \$25 | \$0 | \$0 |
| Other Balance Sheet Total IFRS (Cash) | \$0 | \$458 | \$458 | \$275 | \$725 | \$0 | \$0 |

Risks and Sensitivities

Capital

- *TC2 contains no dollars for contingency issues such as extended start-up and commissioning time, increased fuel & consumables cost or future Bechtel claims.*
- *All CCP projects are cash flowed in agreement with the ECR filing and based on expected duration of permitting. Any extension of time necessary to get permits has the potential to significantly impact the cash flows of the affected projects.*
- *Timing and investments for pending environmental regulations, for issues such as controls for Mercury or PM2.5 air emissions, are not included in this plan (i.e. WESPs).*

2008-2012 Headcount (FTE) & Safety

| Project Engineering - Position | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| Director | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Managers - Major Capital Projects | 3 | 4 | 4 | 3 | 3 | 3 | 3 |
| Procurement Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| HR/IR Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Contract Administrator | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Lead | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Engineers - Chemical | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Engineers - Civil | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Engineers - Electrical | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Engineers - Mechanical | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Project Coordinators | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Safety Specialists | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Project Manager Admin Assistants | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Staff Admin Assistants | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Coop/Intern Student | 5 | 4 | 4 | 6 | 5 | 5 | 5 |
| Total | 47 | 47 | 47 | 48 | 47 | 47 | 47 |
| <i>Project Engineering Contracted Staff</i> | <i>16</i> | <i>16</i> | <i>16</i> | <i>16</i> | <i>10</i> | <i>1</i> | <i>0</i> |
| Safety IR Target | | | | | 1.50 | 1.50 | 1.50 |

- PE's Headcount remains consistent through the 2010 MTP even though large projects such as TC2 and the FGDs will be completed during this period. This is due to reducing the number of contracted staff from the current 16 to 7 by the end of 2010 (2010 average is 10), to 1 by the end of 2011 and to zero in 2012.
- Brown FGD site team to stay on the Brown SCR through 2012.
- TC 2 and Ghent FGD teams to manage new CCP Projects at Ghent, Trimble and Cane Run, as well as the Ohio Falls rehabilitation project which was not in Project Engineering's 2009 MTP.

2009-2012 Headcount Changes

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|------------------------------|---------------------|---------------------|---------------------|
| Budget /Plan | 47 | 47 | 47 |
| Prior Year | 48 | 47 | 47 |
| Variance | <u>(1)</u> | <u>0</u> | <u>0</u> |
| <i>Variance Explanations</i> | | | |
| Coop/Intern Student | (1) | | |
| Total Variance | <u>(1)</u> | <u>0</u> | <u>0</u> |

Capital Review - Trimble County 2 (Generation Scope Only)

**Project Engineering
2010-2012 MTP**

IFRS (Excluding Cap. Interest), \$Millions

Sanction Comparison

| | <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|-----------------------------|-----------------------------|---------------------------|---------------------------------|
| Sanction Comparison - Gross | \$1,146 | \$1,056 | (\$90) |
| Sanction Comparison - Net | \$867 | \$800 | (\$67) |

MTP Comparison - Net

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> |
|--|-----------------|-------------|---------------|-------------|-------------|---------------|
| 2009 MTP Before Fuel & Power Credit | \$715 | \$98 | \$42 | \$1 | \$0 | \$855 |
| 2009 MTP Commission & Start Up Consumables | \$0 | \$23 | \$53 | \$0 | \$0 | \$76 |
| 2009 MTP Power Credit | <u>\$0</u> | <u>\$0</u> | <u>(\$78)</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$78)</u> |
| 2009 MTP Total | \$715 | \$120 | \$17 | \$1 | \$0 | \$853 |
| 2009 MTP Target | \$669 | \$169 | \$14 | \$1 | \$0 | \$853 |
| 2010 MTP Before Fuel & Power Credit | \$664 | \$159 | \$43 | \$0 | \$0 | \$866 |
| 2010 MTP Commission & Start Up Consumables | \$0 | \$2 | \$33 | \$0 | \$0 | \$35 |
| 2010 MTP Power Credit | <u>\$0</u> | <u>\$0</u> | <u>(\$34)</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$34)</u> |
| 2010 MTP Total | \$664 | \$161 | \$42 | \$0 | \$0 | \$867 |
| Variance to 2009 MTP | \$51 | (\$41) | (\$25) | \$1 | \$0 | (\$14) |
| Variance to 2009 MTP Target | \$5 | \$8 | (\$28) | \$1 | \$0 | (\$14) |

Key Messages

- Current expected PRB cost is \$11M net.
- Numbers are net IMPA/IMEA.

Capital Review - Trimble County 2 (Generation Scope Only)

**Project Engineering
 2010-2012 MTP**

IFRS (Excluding Cap. Interest), \$Millions

| Key Drivers to Sanction - Net | Pre-2009 | 2009 | 2010 | Total |
|---|------------|-------------|--------------|-------------|
| Hexavalent Chromium - Change in Law | \$0 | \$4 | \$0 | \$4 |
| Bechtel Labor Settlement | \$0 | \$10 | \$18 | \$28 |
| Bechtel Misc Change Orders | \$2 | \$5 | \$0 | \$8 |
| PRB | \$0 | \$11 | \$0 | \$11 |
| Fuel Blend | \$0 | \$14 | \$0 | \$14 |
| Property Tax | \$1 | \$1 | \$0 | \$2 |
| Increase/Decrease in AFUDC | \$1 | (\$1) | (\$0) | (\$0) |
| Total w/out Fuel and Power credit | \$4 | \$44 | \$18 | \$66 |
| Fuel Costs | \$0 | \$2 | \$33 | \$35 |
| Power Credit | \$0 | \$0 | (\$34) | (\$34) |
| Total Fuel and Power Credit | \$0 | \$2 | (\$1) | \$1 |
| Grand total with Fuel and Power Credit | \$4 | \$47 | \$16 | \$67 |

Capital Review - KU FGD's

**Project Engineering
2010-2012 MTP**

IFRS (Excluding Cap. Interest), \$Millions
Sanction Comparison

| <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|-----------------------------|---------------------------|---------------------------------|
| \$1,178 | \$1,182 | \$4 |

MTP Comparison

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> |
|-----------------------------|-----------------|--------------|--------------|-------------|-------------|----------------|
| 2009 MTP | \$826 | \$233 | \$113 | \$10 | \$0 | \$1,182 |
| 2009 MTP Target | \$775 | \$235 | \$137 | \$35 | \$0 | \$1,182 |
| 2010 MTP | <u>\$773</u> | <u>\$235</u> | <u>\$119</u> | <u>\$51</u> | <u>\$0</u> | <u>\$1,178</u> |
| Variance to 2009 MTP | \$54 | (\$2) | (\$7) | (\$40) | \$0 | \$4 |
| Variance to 2009 MTP Target | \$3 | (\$0) | \$17 | (\$16) | \$0 | \$4 |

Key Messages

- Variance to sanction is due to removal of AFUDC from the forecast.

Capital Review - Brown 3 SCR

Project Engineering 2010-2012 MTP

IFRS (Excluding Cap. Interest), \$Millions

Sanction Comparison

| <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|-----------------------------|---------------------------|---------------------------------|
| \$168 | \$185 | \$18 |

MTP Comparison

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$2 | \$0 | \$18 | \$84 | \$70 | \$11 | \$185 |
| 2009 MTP Target | \$2 | \$2 | \$16 | \$84 | \$70 | \$11 | \$185 |
| 2010 MTP | \$1 | \$2 | \$22 | \$62 | \$70 | \$11 | \$168 |
| Variance to 2009 MTP | \$1 | (\$2) | (\$4) | \$22 | \$1 | \$0 | \$18 |
| Variance to 2009 MTP Target | \$1 | \$0 | (\$6) | \$22 | \$1 | \$0 | \$18 |

Key Messages

- Variance to sanction is due to removal of AFUDC from the forecast and a \$15M reduction in 2012 due to anticipated responses to the EPC request for quotations.

Capital Review - Brown Ash Pond Phase I, II & III

Project Engineering 2010-2012 MTP

IFRS (Excluding Cap. Interest), \$Millions Sanction Comparison

| | <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|----------|-----------------------------|---------------------------|---------------------------------|
| Phase I | \$69 | \$73 | \$4 |
| Phase II | \$25 | \$25 | \$0 |

- Currently there is no sanction for Phase III.

MTP Comparison

| Phase I | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$43 | \$8 | \$18 | \$1 | \$0 | \$0 | \$69 |
| 2009 MTP Target | \$38 | \$8 | \$23 | \$1 | \$0 | \$0 | \$69 |
| 2010 MTP | \$40 | \$8 | \$22 | \$0 | \$0 | \$0 | \$69 |
| Variance to 2009 MTP | \$3 | (\$0) | (\$4) | \$1 | \$0 | \$0 | \$0 |
| Variance to 2009 MTP Target | (\$2) | \$0 | \$1 | \$1 | \$0 | \$0 | \$0 |

| Phase II | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|----------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$0 | \$0 | \$8 | \$11 | \$10 | \$22 | \$49 |
| 2010 MTP | \$0 | \$0 | \$8 | \$10 | \$7 | \$0 | \$25 |
| Variance | \$0 | \$0 | (\$0) | \$0 | \$3 | \$22 | \$25 |

| Phase III | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$0 | \$0 | \$0 | \$0 | \$0 | \$104 | \$104 |
| 2010 MTP | \$0 | \$0 | \$0 | \$0 | \$2 | \$108 | \$110 |
| Variance | \$0 | \$0 | \$0 | \$0 | (\$2) | (\$4) | (\$6) |

| Total | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$43 | \$8 | \$26 | \$11 | \$10 | \$125 | \$222 |
| 2009 MTP Target | \$38 | \$8 | \$31 | \$11 | \$10 | \$125 | \$222 |
| 2010 MTP | \$40 | \$8 | \$30 | \$10 | \$9 | \$108 | \$204 |
| Variance to 2009 MTP | \$3 | (\$0) | (\$4) | \$1 | \$1 | \$18 | \$18 |
| Variance to 2009 MTP Target | (\$2) | \$0 | \$1 | \$1 | \$1 | \$18 | \$18 |

Key Messages

- Elevation 928 was included in Phase II of the 2009 MTP, it is included in Phase III of the 2010 MTP.
- Phase II cash flows agree to 2009 ECR filing.

Capital Review - Cane Run CCP Phase I

Project Engineering 2010-2012 MTP

IFRS (Excluding Cap. Interest), \$Millions
Sanction Comparison

| <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|-----------------------------|---------------------------|---------------------------------|
| \$19 | \$19 | \$0 |

MTP Comparison

| <u>Phase I</u> | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|----------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$0 | \$1 | \$3 | \$5 | \$9 | \$0 | \$19 |
| 2010 MTP | \$0 | \$2 | \$1 | \$7 | \$5 | \$3 | \$19 |
| Variance | \$0 | (\$0) | \$2 | (\$2) | \$4 | (\$3) | \$0 |

Key Messages

- In service date is 2012, but capital spend will continue through 2014.
- Cash flows agree to 2009 ECR filing in total.

Capital Review - Ghent CCP Phase I

Project Engineering 2010-2012 MTP

IFRS (Excluding Cap. Interest), \$Millions
Sanction Comparison

| Total <u>Projection</u> | Total <u>Sanction</u> | Variance <u>to Sanction</u> |
|----------------------------|--------------------------|--------------------------------|
| \$205 | \$205 | \$0 |

MTP Comparison

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| Phase I | | | | | | | |
| 2009 MTP | \$1 | \$2 | \$22 | \$68 | \$77 | \$28 | \$198 |
| 2009 MTP Target | \$1 | \$4 | \$20 | \$68 | \$77 | \$28 | \$198 |
| 2010 MTP | \$1 | \$4 | \$17 | \$69 | \$81 | \$32 | \$205 |
| Variance to 2009 MTP | \$0 | (\$2) | \$5 | (\$1) | (\$4) | (\$5) | (\$6) |
| Variance to 2009 MTP Target | \$0 | (\$0) | \$3 | (\$1) | (\$4) | (\$5) | (\$6) |

Key Messages

- Values shown above are based on Scenario 37 (landfill).
- In service date is 2014, but capital spend will continue through 2017.
- Cash flows agree to 2009 ECR filing.
- The Ghent Gypsum fines project scope has been incorporated into the overall Ghent CCP project.

Capital Review - Trimble County CCP BAP/GSP, Phase I Landfill & Holcim Barge Loading

IFRS (Excluding Cap. Interest), \$Millions

Sanction Comparison

| | <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|---------|-----------------------------|---------------------------|---------------------------------|
| BAP/GSP | \$25 | \$25 | \$0 |

MTP Comparison

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| BAP/GSP | | | | | | | |
| 2009 MTP | \$2 | \$4 | \$11 | \$0 | \$0 | \$0 | \$18 |
| 2009 MTP Target | \$2 | \$7 | \$11 | \$0 | \$0 | \$0 | \$21 |
| 2010 MTP | \$0 | \$8 | \$17 | \$0 | \$0 | \$0 | \$25 |
| Variance to 2009 MTP | \$2 | (\$3) | (\$6) | \$0 | \$0 | \$0 | (\$7) |
| Variance to 2009 MTP Target | \$2 | (\$0) | (\$6) | \$0 | \$0 | \$0 | (\$4) |

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| Phase I Landfill | | | | | | | |
| 2009 MTP | \$0 | \$2 | \$6 | \$27 | \$43 | \$24 | \$101 |
| 2009 MTP Target | \$0 | \$1 | \$4 | \$27 | \$43 | \$24 | \$98 |
| 2010 MTP | \$1 | \$1 | \$0 | \$32 | \$38 | \$0 | \$73 |
| Variance to 2009 MTP | (\$1) | \$1 | \$5 | (\$6) | \$6 | \$24 | \$29 |
| Variance to 2009 MTP Target | (\$1) | \$0 | \$3 | (\$6) | \$6 | \$24 | \$26 |

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|----------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| Holcim Barge Loading | | | | | | | |
| 2009 MTP | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2010 MTP | \$0 | \$1 | \$7 | \$0 | \$0 | \$0 | \$8 |
| Variance | \$0 | (\$1) | (\$7) | \$0 | \$0 | \$0 | (\$8) |

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| Total | | | | | | | |
| 2009 MTP | \$2 | \$6 | \$17 | \$27 | \$43 | \$24 | \$119 |
| 2009 MTP Target | \$2 | \$8 | \$15 | \$27 | \$43 | \$24 | \$119 |
| 2010 MTP | \$2 | \$9 | \$25 | \$32 | \$38 | \$0 | \$106 |
| Variance to 2009 MTP | \$0 | (\$3) | (\$8) | (\$6) | \$6 | \$24 | \$13 |
| Variance to 2009 MTP Target | \$0 | (\$1) | (\$10) | (\$6) | \$6 | \$24 | \$13 |

Key Messages

- All numbers are net IMPA/IMEA.

October 6, 2009 BAP/GSP and Landfill Phase I cash flows agree to 2009 ECR filing in total.

Capital Review - Ohio Falls

Project Engineering 2010-2012 MTP

IFRS (Excluding Cap. Interest), \$Millions
Sanction Comparison

| | | |
|-----------------------------|---------------------------|---------------------------------|
| <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
| \$109 | \$76 | (\$33) |

MTP Comparison

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$28 | \$4 | \$13 | \$16 | \$17 | \$16 | \$94 |
| 2009 MTP Target | \$28 | \$2 | \$14 | \$16 | \$17 | \$16 | \$93 |
| 2010 MTP | <u>\$29</u> | <u>\$1</u> | <u>\$3</u> | <u>\$19</u> | <u>\$22</u> | <u>\$35</u> | <u>\$109</u> |
| Variance to 2009 MTP | (\$2) | \$3 | \$10 | (\$3) | (\$5) | (\$18) | (\$15) |
| Variance to 2009 MTP Target | (\$2) | \$1 | \$11 | (\$3) | (\$5) | (\$18) | (\$16) |

Key Messages

- Above figures do not include removal cost of \$1.8M Pre-2009, \$6.7M 2010-2012 and \$7.7M post 2012.
- Cash flows are based on station provided estimates.
- 2010 MTP reflects upgrades to two units per year in 2011, 2012 and 2013 compared to the 2009 MTP of one unit per year.

Capital Review - Combined Cycle CT 2017

Project Engineering 2010-2012 MTP

IFRS (Excluding Cap. Interest), \$Millions Sanction Comparison

- No sanction to date other than initial \$4M, for up-front engineering.

MTP Comparison

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Post 2012</u> | <u>Total</u> |
|-----------------------------|-----------------|-------------|-------------|-------------|-------------|----------------------|--------------|
| 2009 MTP | \$3 | \$7 | \$6 | \$7 | \$119 | \$672 | \$814 |
| 2009 MTP Target | \$3 | \$0 | \$7 | \$13 | \$119 | \$672 | \$814 |
| 2010 MTP | <u>\$3</u> | <u>\$0</u> | <u>\$2</u> | <u>\$11</u> | <u>\$8</u> | <u>\$795</u> | <u>\$818</u> |
| Variance to 2009 MTP | \$0 | \$7 | \$4 | (\$4) | \$111 | (\$123) | (\$5) |
| Variance to 2009 MTP Target | \$0 | (\$0) | \$5 | \$2 | \$111 | (\$123) | (\$5) |

Key Messages

- The Combined Cycle CT 2017 was modeled on a 533MW (summer, net) plant.
- The 2010 MTP assumes a 2011 land purchase whereas the 2009 MTP assumed a land purchase in 2010.
- The date for a CCN filing will have to be re-visited for a 2017 in-service.

Appendix

Major Assumptions (PE Related Assumptions in Bold)

1. Regulatory

- 1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.
- 1.2 Target Reserve Margin of 14%, within a range of 12%-14%.
 - No reserve margin purchases are planned.
- 1.3 Reserve sharing is modeled under the TVA/EKPC ALTERNATIVE (~ 200 MW).

2. Expansion/Capacity

- 2.1 Tyrone will be back in active status at 10/1/2011.
- 2.2 **TC2 will be in commercial operations June 30, 2010 (the contract effective date is June 15th). Initial reliability expected to be lower than normal for the first year which has been reflected in the EFOR system target.**
- 2.3 OMU has provided termination notice (effective May 2010), therefore that supply is removed after May 2010.
- 2.4 **The six Ohio Falls units still to be rehabilitated will be staged two units per year 2011-2013.**
- 2.5 **A combined cycle unit (533 Mw Net) will be installed in 2017.**
- 2.6 **Landfill gas projects are a sensitivity, not included in the base MTP.**
- 2.7 **Biomass co-firing projects for 2 units are a sensitivity, not included in the base MTP.**
- 2.8 Wind power purchase agreements are not included in the base MTP.

Major Assumptions (PE Related Assumptions in Bold)

2. Expansion/Capacity (Continued)

- 2.9 **Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2013.**
- 2.10 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.
- No units are being retired in the plan.
- 2.11 **Ghent 4 ID fan replacement takes place in the Fall, 2010.**

3.1 Coal Combustion By-Products (CCP)

- 3.1 **The 2009 ECR Filing will be approved by the KSPC along with the CCN filing for the Landfills and the Brown 3 SCR by the end of 2009.**
- 3.2 **Trimble County Bottom Ash Pond extension will be substantially completed by Spring, 2010. Trimble County Gypsum Pond will be completed by late 2010.**
- 3.3 **Trimble County Landfill Phase I will be substantially completed by 2014, with significant O&M starting in 2013.**
- **Holcim off-takes are included, as well as the barge load-out facility.**
- 3.4 **Brown Ash Pond Phase 2 will be completed by late 2012.**
- 3.5 **Ghent landfill Phase 1 will be completed by 2014, with significant O&M starting in 2013.**
- **Ghent Trans Ash contract will remove 1.5 million tons of gypsum between 2010 and 2011 (hauling costs included in 2010 MTP).**
- 3.6 **Cane Run Landfill Phase 1 will be completed in 2012 with significant O&M starting in 2012.**
- 3.7 **All CCP Capital Projects use an annual escalation rate of 6.0%.**
- 3.8 **Source for Ghent, Trimble, and Cane Run Landfill Capital and O&M is the "RS Means 2008 Heavy Construction Cost Data."**

Major Assumptions (PE Related Assumptions in Bold)

4. Environmental (other than CCP)

4.1 CAIR compliance will stay in effect.

4.2 Mercury MACT regulations are expected in 2010, with compliance in 2015.

- No mercury specific capital is in the MTP or LTP, only technology studies are included.

4.3 The Brown 3 SCR will be in-service in the fourth quarter of 2012.

- Operating parameters under the consent decree will be very tight for Brown 3.

4.4 The Ghent 2 SCR that was in the 2009 LTP has been removed (shown as sensitivity). Based on forward NO_x prices, it is not currently economical to build that SCR during the MTP/LTP period.

4.5 The Brown FGD will go in-service for Unit 3 in May 2010 and Units 1 & 2 in November 2010. (Reliability impacts are expected from fuel switching and new equipment quality and have been reflected in the EFOR targets).

4.6 FGD renovations at Cane Run and Mill Creek.

- Cane Run FGD structural evaluation is complete.
- The detailed engineering study for Cane Run FGD life extension is scheduled to be completed by November of this year.
- Mill Creek detailed condition studies are complete, with preliminary designs, constructability study, and price estimates finished.
- Significant capital dollars will be required but appears favorable compared to new build of Wet FGD.

Major Assumptions (PE Related Assumptions in Bold)

4. Environmental (Continued)

4.7 CO₂ emissions are regulated beginning in 2013, ramping up through 2015.

- Production model pricing based on “climate concerns scenario”.
- Carbon price per metric short ton: \$4.87 in 2013, \$9.74 in 2014, and \$14.61 in 2015.
- \$1.0 million for RFP work related to renewable sources is included as expense in 2010 (in the development budget).
- No funds for carbon offsets are included.

4.8 **SO₃ mitigation is in place on all SCR units except Mill Creek 3 and 4, which are scheduled for commercial operation by summer 2011.**

- **The Brown 3 SCR project includes SO₃ mitigation.**

4.9 Neither the STAR program in Jefferson County nor the state air toxics program are expected to have an impact on facility emissions controls.

4.10 The regional Haze Rule (BART) modeling completed in 2007 revealed impacts on national park visibility.

- The state has agreed to SO₃ mitigation for Mill Creek 3 and 4, and Region IV is also expected to approve this as well.
- The wet ESP from the 2008 LTP was removed due to no current regulatory requirement. It is a sensitivity.

4.11 **No significant impacts from Clean Water Act 316(a) are in the base MTP; however, cooling towers for Cane Run 4-6 and Mill Creek 1 are a sensitivity in the 2013/2014 timeframe.**

Major Assumptions (PE Related Assumptions in Bold)

5. Operational and Other

5.1 Annual escalation rates for non-employee labor are as follows:

- Contract/services labor: 2.5% for general, 5.0% for highly skilled (welders).
- Chemicals: 6.0% for specialty (GE Betz), 8.0% for commodity (Univar).
- Fuels and additives 2.0%, copper 2.5%, boiler tubing 5.0%.
- Steel 5.0% for light, heavy, and non-fabricated, 4.0% for fabricated.

5.2 By the end of the MTP period, planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years.

5.3 Due to increased starts and run-times, the CT service cycles are beginning to require significant investments in the current plan.

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense) vs. new parts (capital).
- Number of Trimble units undergoing the hot gas path inspection include one in 2010, two in 2011, two in 2012, and the final one in 2013.
- Paddy's Run 13 major outage is scheduled for 2011, though driven by current conditions of the unit, not increased run-times.

5.4 Significant generator rewind/stator rewind dollars are included in the 2011-2016 timeframe.

- Brown 3 generator rewind in 2012, spare stator bars ordered and received for all Ghent and Mill Creek units, and TC 1 between 2011 - 2016.

5.5 Significant corrosion fatigue inspection dollars are included in the 2010 MTP (Mill Creek 1 & 2, Green River 3, Brown 1 & 3, Ghent 2 and Cane Run 4 & 6).

- Any needed repairs are not included.

5.6 The plan includes \$2M capital for NERC Cyber Security resolution (four plants, \$0.5M each).

5.7 The FutureGen expense is \$5M each year.



Energy Marketing

2010-2012 MTP

October, 2009

Executive Summary

- *Key Objectives* *p. 3*
- *Strategy* *p. 4*
- *Key Issues* *p. 5*

Financial Performance

ÿ *OSS Margin* *p. 6*

ÿ *OSS Revenues and Volumes* *p. 7*

ÿ *O&M Reconciliation* *p. 8*

ÿ *O&M* *p. 9*

ÿ *Capital* *p. 10*

ÿ *Headcount* *p. 11*

Appendix *p. 12-18*

Key Objectives

- Optimize the utilization of existing assets to provide reliable, low cost energy.*
- Procure coal and gas necessary to cost-effectively operate generating plants.*
- Provide high quality analysis to enhance decision-making.*
- Develop and maintain infrastructure to support significant business information needs.*
- Enhance processes required to meet reliability standards.*
- Improve analysis capability & knowledge related to retail customer energy usage to support energy efficiency efforts.*

Strategy

- *Utilize financial and physical trading instruments to manage risk and meet financial targets.*
- *Maintain focus on changing rules and regulations to ensure reliable supply and optimal financial performance with dynamic market rule changes.*
- *Maintain a diversified portfolio of coal supply.*
- *Pursue opportunities to improve operational and analytical performance.*
- *Provide information and analysis to improve decision quality within Energy Services and E.ON U.S.*

Key Issues

- Developing trading “tools” to enable the hedging of off-peak, weekend and excess CT energy.*
- Managing uncertainty of commodity prices, native load and generation unit performance.*
- Uncertainty of future emissions regulations.*
- Recruiting quality people to fill open positions.*

2008-2012 OSS Margin (\$000)

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Volumes (GWh)</i> | 3,142 | 1,482 | 1,482 | 662 | 1,380 | 2,593 | 2,284 |
| <i>Achieved Price 5x 16</i> | \$ 51.13 | \$ 67.40 | \$ 67.40 | \$ 39.96 | \$ 45.06 | \$ 47.39 | \$ 49.34 |
| <i>Achieved Price (Around the Clock)</i> | \$ 46.62 | \$ 49.67 | \$ 49.67 | \$ 38.41 | \$ 43.60 | \$ 45.71 | \$ 47.75 |
| <i>Revenue External</i> | \$ 146,466 | \$ 73,611 | \$ 73,611 | \$ 25,428 | \$ 60,173 | \$ 118,521 | \$ 109,053 |
| <i>Net Hedging</i> | \$ 3,744 | \$ - | \$ - | \$ 10,456 | \$ - | \$ - | \$ - |
| <i>less Cost of Generation</i> | \$ 90,159 | \$ 44,008 | \$ 44,008 | \$ 17,826 | \$ 36,225 | \$ 68,050 | \$ 63,256 |
| <i>less Other (ECR, Transmission ...)</i> | \$ 15,511 | \$ 10,175 | \$ 10,175 | \$ 2,847 | \$ 11,498 | \$ 22,947 | \$ 21,626 |
| <i>plus Corporate Adjustment</i> | \$ - | \$ - | \$ - | \$ - | \$ 3,000 | \$ 5,000 | \$ 5,000 |
| <i>OSS Margin</i> | <u>\$ 44,540</u> | <u>\$ 19,428</u> | <u>\$ 19,428</u> | <u>\$ 15,211</u> | <u>\$ 15,450</u> | <u>\$ 32,524</u> | <u>\$ 29,171</u> |
| <i>EEl Earnings</i> | \$ 29,549 | \$ 28,078 | \$ 28,078 | \$ 434 | \$ 4,557 | \$ 6,052 | \$ 10,517 |

2008-2012 OSS Revenues and Volumes (\$000)

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|--------------------------------|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Volumes (GWh)</i> | | | | | | | |
| 5x 16 | 1,531 | 460 | 460 | 332 | 658 | 1,277 | 1,061 |
| 7x 8 | 931 | 580 | 580 | 133 | 77 | 370 | 359 |
| 2x 16 | 680 | 442 | 442 | 197 | 645 | 946 | 864 |
| Total | 3,142 | 1,482 | 1,482 | 662 | 1,380 | 2,593 | 2,284 |
| <i>Achieved Price (\$/MWh)</i> | | | | | | | |
| 5x 16 | \$ 51.13 | \$ 67.40 | \$ 67.40 | \$ 39.96 | \$ 45.06 | \$ 47.39 | \$ 49.34 |
| 7x 8 | \$ 38.99 | \$ 37.72 | \$ 37.72 | \$ 35.26 | \$ 41.90 | \$ 40.10 | \$ 40.71 |
| 2x 16 | \$ 46.91 | \$ 46.91 | \$ 46.91 | \$ 37.93 | \$ 42.32 | \$ 45.64 | \$ 48.71 |
| ATC | \$ 46.62 | \$ 49.67 | \$ 49.67 | \$ 38.41 | \$ 43.60 | \$ 45.71 | \$ 47.75 |
| <i>Revenues (\$000's)</i> | | | | | | | |
| 5x 16 | \$ 78,279 | \$ 31,002 | \$ 31,002 | \$ 13,266 | \$ 29,651 | \$ 60,511 | \$ 52,355 |
| 7x 8 | \$ 36,301 | \$ 21,876 | \$ 21,876 | \$ 4,690 | \$ 3,226 | \$ 14,837 | \$ 14,614 |
| 2x 16 | \$ 31,897 | \$ 20,733 | \$ 20,733 | \$ 7,472 | \$ 27,296 | \$ 43,173 | \$ 42,084 |
| | \$ 146,477 | \$ 73,611 | \$ 73,611 | \$ 25,428 | \$ 60,173 | \$ 118,521 | \$ 109,053 |
| <i>Swap Margin (\$000's)</i> | \$ 3,744 | \$ - | \$ - | \$ 10,456 | \$ - | \$ - | \$ - |

2008-2012 O&M (\$000)

| <i>Energy Marketing</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Opex Expenses</i> | | | | | | | |
| <i>Raw Labor</i> | 4,400 | 5,656 | 5,061 | 4,605 | 5,447 | 5,916 | 6,123 |
| <i>Burdens</i> | 3,364 | 4,327 | 4,545 | 4,071 | 4,773 | 5,184 | 5,365 |
| <i>Dues & Subscriptions</i> | 289 | 393 | 393 | 393 | 454 | 465 | 476 |
| <i>Outside Services</i> | 129 | 578 | 228 | 183 | 385 | 394 | 403 |
| <i>Education & Training</i> | 80 | 184 | 84 | 50 | 120 | 105 | 107 |
| <i>Travel & Meals</i> | 125 | 507 | 207 | 120 | 200 | 204 | 210 |
| <i>Other Non-labor</i> | 160 | 126 | 78 | 88 | 99 | 102 | 106 |
| <i>Cost Reduction</i> | - | (500) | - | - | - | - | - |
| <i>Cost Recovery from BREC</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting US GAAP EBIT</i> | 8,547 | 11,271 | 10,596 | 9,510 | 11,478 | 12,370 | 12,790 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 8,547 | 11,271 | 10,596 | 9,510 | 11,478 | 12,370 | 12,790 |

2009-2012 O&M Reconciliation - IFRS (\$000)

| Energy Marketing | 2010 MTP | | |
|---|--------------|-------------|-------------|
| 2010 MTP vs. 2010 TARGET | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| 2010 MTP | 11,478 | 12,370 | 12,790 |
| 2010 Target | 11,108 | 13,037 | 13,463 |
| Fav (Unfav) Variance | <u>(370)</u> | <u>667</u> | <u>673</u> |
| 5 headcount open in '09 for savings. Staggered hiring in '10. | (337) | (715) | (740) |
| Gen Planning 6% Loc Eng in 2011('09 MTP) to 0% in 2011 ('10 MTP). | - | (87) | (90) |
| Other | (33) | (31) | 3 |
| Remove 2009 Corporate Savings target from 2011 and 2012 | - | 1,500 | 1,500 |
| | <u>(370)</u> | <u>667</u> | <u>673</u> |

2008-2012 Capital (Excluding COR) (\$000)

| <i>Project</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|-------------------------------|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Expansion Plan | - | - | - | - | - | - | - |
| ECR | - | - | - | - | - | - | - |
| Ongoing Capital | - | - | - | - | - | - | - |
| Special Projects | | | | | | | |
| <i>Process Improvements</i> | - | 150 | 150 | 150 | 250 | 250 | 250 |
| <i>Budgetworx</i> | 185 | 150 | 150 | 150 | | | |
| Total Capital (107001) | <u>185</u> | <u>300</u> | <u>300</u> | <u>300</u> | <u>250</u> | <u>250</u> | <u>250</u> |
| <i>IFRS Adjustments</i> | - | - | - | - | - | - | - |
| Total IFRS | <u>185</u> | <u>300</u> | <u>300</u> | <u>300</u> | <u>250</u> | <u>250</u> | <u>250</u> |

2008-2012 Headcount (FTE)

| <i>Department</i> | <i>2008 Year End</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---------------------------------------|--------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>SVP on Assignment *</i> | 1 | 1 | 1 | 1 | 1 | - | - |
| <i>Executive Management</i> | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| <i>Regulated Trading</i> | 25 | 27 | 27 | 27 | 27 | 27 | 27 |
| <i>Non-regulated Trading</i> | 7 | 6 | 6 | 6 | 6 | - | - |
| <i>Energy Planning & Analysis</i> | 22 | 29 | 23 | 23 | 28 | 28 | 28 |
| <i>Business Information</i> | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| <i>Energy Marketing</i> | 61 | 69 | 63 | 63 | 68 | 61 | 61 |
| <i>Fuels</i> | 16 | 15 | 15 | 15 | 15 | 15 | 15 |
| <i>Energy Marketing & Fuels</i> | 77 | 84 | 78 | 78 | 83 | 76 | 76 |

*Moved to Other Generation in 2011.

Appendix

2008-2012 OSS Margin (\$000)

| | 2008 Actual | 2009 Budget | 7+5 2009 Forecast | 2009 MTP 2010 | 2010 MTP | | |
|---------------------------------|----------------|----------------|----------------------|------------------|---------------|---------------|---------------|
| | | | | | 2010 | 2011 | 2012 |
| OSS Margin | 51,483 | 22,989 | 18,746 | 33,339 | 15,577 | 32,400 | 28,550 |
| Transmission Expense (Internal) | 6,943 | 3,561 | 3,535 | 5,096 | 3,127 | 4,876 | 4,379 |
| Stretch | - | - | | 5,000 | 3,000 | 5,000 | 5,000 |
| Total OSS Margin | <u>44,540</u> | <u>19,428</u> | <u>15,211</u> | <u>33,243</u> | <u>15,450</u> | <u>32,524</u> | <u>29,171</u> |

2009 MTP

| | | |
|--------------------------------------|---------------|---------------|
| Modeled OSS Margin for 2010 and 2011 | 28,243 | 40,992 |
| Stretch | 5,000 | 5,000 |
| MTP Margin | <u>33,243</u> | <u>45,992</u> |

Generation Volume GWh

| | | | | | | | |
|----------|-------|-----|-----|-----|-----|-------|-------|
| On-peak | 1,531 | 460 | 332 | 850 | 658 | 1,277 | 1,061 |
| Off-peak | 931 | 580 | 133 | 801 | 77 | 370 | 359 |
| Weekend | 680 | 442 | 197 | 638 | 645 | 946 | 864 |

2009-2012 O&M Reconciliation - IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|-------------|---------------------|---------------------|---------------------|
| Budget/Plan | 11,478 | 12,370 | 12,790 |
| Prior Year | 9,510 | 11,478 | 12,370 |
| Variance | <u>1,968</u> | <u>892</u> | <u>420</u> |

Note: 2009 = 2009 7+5 Forecast

Variance Explanations

| | | | |
|---|--------------|------------|------------|
| Labor - Hiring for positions open during 2009 | 1,527 | 378 | - |
| Higher outside services spending in 2010 | 202 | | |
| Higher dues, training and travel in 2010 | 211 | | |
| Other Non-labor | 28 | | |
| Merit Increase | | 357 | 388 |
| Non-labor inflation increase | | 157 | 32 |
| Total Variance | <u>1,968</u> | <u>892</u> | <u>420</u> |

2008-2012 O&M (\$000)

| <u>Line of Business</u> | <u>2008 Actual</u> | <u>2009 Budget</u> | <u>2009 Contingency Plan</u> | <u>2009 Forecast</u> | <u>2010 Budget</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|------------------------------------|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Energy Marketing | 8,547 | 11,271 | 10,596 | 9,510 | 11,478 | 12,370 | 12,790 |
| Total Items Affecting US GAAP EBIT | <u>8,547</u> | <u>11,271</u> | <u>10,596</u> | <u>9,510</u> | <u>11,478</u> | <u>12,370</u> | <u>12,790</u> |
| Total IFRS Adjustments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Items Affecting IFRS EBIT | <u><u>8,547</u></u> | <u><u>11,271</u></u> | <u><u>10,596</u></u> | <u><u>9,510</u></u> | <u><u>11,478</u></u> | <u><u>12,370</u></u> | <u><u>12,790</u></u> |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

Note: Detail Non opps 2008 & 2009 for storm cost (IFRS)

2009-2012 Capital Reconciliation –IFRS Cash Basis (\$000)

| | <i>2010</i> | <i>2011</i> | <i>2012</i> |
|---------------------|---------------|-------------|-------------|
| | <i>Budget</i> | <i>Plan</i> | <i>Plan</i> |
| | <hr/> | <hr/> | <hr/> |
| <i>Current Plan</i> | <i>250</i> | <i>250</i> | <i>250</i> |
| <i>Prior Plan</i> | <i>250</i> | <i>250</i> | <i>250</i> |
| <i>Variance</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Variance Explanations

No changes

| | | | |
|-----------------------|-------------|-------------|-------------|
| <i>Total Variance</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

2009-2012 Headcount Changes

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| Budget/Plan | 83 | 76 | 76 |
| Prior Year | 78 | 83 | 76 |
| Variance | <u>5</u> | <u>(7)</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | |
| Fill Positions held open to reach '09 savings | 5 | | |
| SVP returning from assignment to Other Gen. | | (1) | |
| Non-reg Traders - end of Dispatch Agreement | | (6) | |
| Total Variance | <u>5</u> | <u>(7)</u> | <u>-</u> |

2009-2012 O&M Reconciliation - IFRS (\$000)

Corporate Fuels

2010 MTP

2010 MTP vs. 2010 TARGET

2010 MTP

2010 Target

Fav (Unfav) Variance

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|-------------|-------------|-------------|
| 2010 MTP | 3,185 | 3,282 | 3,392 |
| 2010 Target | 3,185 | 3,282 | 3,392 |
| Fav (Unfav) Variance | - | - | - |



Regulated Generation / Power Production

2010-2012 MTP

October 2009

- **Key Initiatives**
- **Major Assumptions**
- **Financial Performance**
 - **Operating Expense (O&M, BTL & Outside Services for FH & OCOS)**
 - **Cost of Sales / Gross Margin**
 - **Target Reconciliation**
 - **Headcount**
 - **Risks & Sensitivities**
 - **Operational Performance**
 - **Initiatives**
 - **Key Performance Indicators**
- **Appendix**

| Area of Focus | Activities |
|---|--|
| <p>Safety</p> | <ul style="list-style-type: none"> • Further advancement of the safety culture for employees and contractors building on the exceptional performance to date. • Relentless repetition of safety related expectations with ‘Focus on Fundamentals’. • Further incorporation of Wellness initiatives into Safety processes. |
| <p>Workforce Development</p> | <ul style="list-style-type: none"> • Continued focus on addressing the aging workforce issues while working within existing approved staffing levels. • Focus on the development of the next generation of leadership by providing training and assignment opportunities to enhance leadership skills. • Expanded engagement of Front Line Leaders in planning and cost monitoring. • Targeted training of maintenance personnel based on needs assessment. |
| <p>Process Improvement and Standardization</p> | <ul style="list-style-type: none"> • Standardization of major plant processes with consistent application of best practices, work rules and policies across the fleet. • Expand the utilization of plant performance metrics with focus on cost identification and controls. • Revamp planning format and cost accounting structure consistently across all plants. • Enhance communication and management of interfaces between plants and all support groups by focus on end result processes. |

| Area of Focus | Activities |
|-----------------------------|--|
| <p>Reliability</p> | <ul style="list-style-type: none"> • Increased level of granularity in Outage Planning Process. • Expanded utilization of Predictive Maintenance Programs. • Increased emphasis on unit inspection process and protocols. • Finite development of boiler condition monitoring to determine short and long term investment requirements in order to reduce BTF related outages. • Implementation of efficiency monitoring programs with potential utilization of 3rd party engineering expertise. • Utilization of System Audits to determine short and long term investment requirements. |
| <p>Environmental</p> | <ul style="list-style-type: none"> • Active engagement with regulation/permit development and aggressively pursue appropriate permit limits. • Clear and concise articulation of permit requirements and process responsibilities between plants and respective support organizations. • Continually monitor pending and potential regulations for business impact. |

| Area of Focus | Activities |
|--|--|
| <p>NERC Reliability Standards</p> | <ul style="list-style-type: none"> • Proactive engagement in new standard development and existing standard revisions. • Enhanced compliance monitoring and metrics for applicable standards. • Aggressive promotion of a Compliance Culture. |
| <p>Other Regulatory</p> | <ul style="list-style-type: none"> • Actively support recovery of appropriate environmental costs through defined regulatory processes. |

1. Regulatory

- 1.1 The State of Kentucky remains regulated throughout the plan period and the Environmental Cost Recovery (ECR) and Fuel Adjustment Clause (FAC) remain in place.
- 1.2 Target Reserve Margin of 14%, within a range of 12%-14%.
 - No reserve margin purchases are planned.
- 1.3 Reserve sharing is modeled under the TVA/EKPC ALTERNATIVE (~ 200 MW).

2. Expansion/Capacity

- 2.1 Tyrone will be back in active status at 10/1/2011. Based on economic assumptions and budget planning needs, Tyrone 3 was moved out by nine months.
- 2.2 TC2 will be in commercial operations June 30, 2010 (the contract effective date is June 15th). Initial reliability expected to be lower than normal for the first year which has been reflected in the EFOR system target.
- 2.3 OMU has provided termination notice (effective May 2010), therefore that supply is removed after May 2010.
- 2.4 The six Ohio Falls units still to be rehabilitated will be staged two units per year 2011-2013.
- 2.5 A combined cycle unit (533 Mw Net) will be installed in 2017.
- 2.6 Landfill gas projects are a sensitivity, not included in the base MTP.
- 2.7 Biomass co-firing projects for 2 units are a sensitivity, not included in the base MTP.
- 2.8 Wind power purchase agreements are not included in the base MTP.

2. Expansion/Capacity (Continued)

- 2.9 Black start supply side capacity additions will balance any additional Group 3 retirements. Capital spending starts in 2013.
- 2.10 Group 3 retirements will be considered based on a Retire vs. Repair cost analysis if there is a failure.
- No units are being retired in the plan.
- 2.11 Ghent 4 ID fan replacement takes place in the Fall, 2010.

3. Coal Combustion By-Products (CCP)

- 3.1 The 2009 ECR Filing will be approved by the KSPC along with the CCN filing for the Landfills and the Brown 3 SCR by the end of 2009.
- 3.2 Trimble County Bottom Ash Pond extension will be substantially completed by Spring, 2010. Trimble County Gypsum Pond will be completed by late 2010.
- 3.3 Trimble County Landfill Phase I will be substantially completed by 2014, with significant O&M starting in 2013.
- Holcim off-takes are included, as well as the barge load-out facility.
- 3.4 Brown Ash Pond Phase 2 will be completed by late 2012.
- 3.5 Ghent landfill Phase 1 will be completed by 2014, with significant O&M starting in 2013.
- Ghent Trans Ash contract will remove 1.5 million tons of gypsum between 2010 and 2011 (hauling costs included in 2010 MTP).
- 3.6 Cane Run Landfill Phase 1 will be completed in 2012 with significant O&M starting in 2012.
- 3.7 All CCP Capital Projects use an annual escalation rate of 6.0%.
- 3.8 Source for Ghent, Trimble, and Cane Run Landfill Capital and O&M is the "RS Means 2008 Heavy Construction Cost Data."

4. Environmental (other than CCP)

4.1 CAIR compliance will stay in effect.

4.2 Mercury MACT regulations are expected in 2010, with compliance in 2015.

- No mercury specific capital is in the MTP or LTP, only technology studies are included.

4.3 The Brown 3 SCR will be in-service in the fourth quarter of 2012.

- Operating parameters under the consent decree will be very tight for Brown 3.

4.4 The Ghent 2 SCR that was in the 2009 LTP has been removed (shown as sensitivity). Based on forward NO_x prices, it is not currently economical to build that SCR during the MTP/LTP period.

4.5 The Brown FGD will go in-service for Unit 3 in May 2010 and Units 1 & 2 in November 2010. (Reliability impacts are expected from fuel switching and new equipment quality and have been reflected in the EFOR targets).

4.6 FGD renovations at Cane Run and Mill Creek.

- Cane Run FGD structural evaluation is complete.
- The detailed engineering study for Cane Run FGD life extension is scheduled to be completed by November of this year.
- Mill Creek detailed condition studies are complete, with preliminary designs, constructability study, and price estimates finished.
- Significant capital dollars will be required but appears favorable compared to new build of Wet FGD.

4. Environmental (Continued)

4.7 CO₂ emissions are regulated beginning in 2013, ramping up through 2015.

- Production model pricing based on “climate concerns scenario”.
- Carbon price per metric short ton: \$4.87 in 2013, \$9.74 in 2014, and \$14.61 in 2015.
- \$1.0 million for RFP work related to renewable sources is included as expense in 2010 (in the development budget).
- No funds for carbon offsets are included.

4.8 SO₃ mitigation is in place on all SCR units except Mill Creek 3 and 4, which are scheduled for commercial operation by summer 2011.

- The Brown 3 SCR project includes SO₃ mitigation.

4.9 Neither the STAR program in Jefferson County nor the state air toxics program are expected to have an impact on facility emissions controls.

4.10 The regional Haze Rule (BART) modeling completed in 2007 revealed impacts on national park visibility.

- The state has agreed to SO₃ mitigation for Mill Creek 3 and 4, and Region IV is also expected to approve this as well.
- The wet ESP from the 2008 LTP was removed due to no current regulatory requirement. It is a sensitivity.

4.11 No significant impacts from Clean Water Act 316(a) are in the base MTP; however, cooling towers for Cane Run 4-6 and Mill Creek 1 are a sensitivity in the 2013/2014 timeframe.

5. Operational and Other

5.1 Annual escalation rates for non-employee labor are as follows:

- Contract/services labor: 2.5% for general, 5.0% for highly skilled (welders).
- Chemicals: 6.0% for specialty (GE Betz), 8.0% for commodity (Univar).
- Fuels and additives 2.0%, copper 2.5%, boiler tubing 5.0%.
- Steel 5.0% for light, heavy, and non-fabricated, 4.0% for fabricated.

5.2 By the end of the MTP period, planned outages on coal-fired units are on a 24-month cycle, with 1-week pit stop outages in alternate years.

5.3 Due to increased starts and run-times, the CT service cycles are beginning to require significant investments in the current plan.

- Dollars are split between O&M and capital based on the estimated scope of work that is reconditioning (expense) vs. new parts (capital).
- Number of Trimble units undergoing the hot gas path inspection include one in 2010, two in 2011, two in 2012, and the final one in 2013.
- Paddy's Run 13 major outage is scheduled for 2011, though driven by current conditions of the unit, not increased run-times.

5.4 Significant generator rewind/stator rewind dollars are included in the 2011-2016 timeframe.

- Brown 3 generator rewind in 2012, spare stator bars ordered and received for all Ghent and Mill Creek units, and TC 1 between 2011 - 2016.

5.5 Significant corrosion fatigue inspection dollars are included in the 2010 MTP (Mill Creek 1 & 2, Green River 3, Brown 1 & 3, Ghent 2 and Cane Run 4 & 6).

- Any needed repairs are not included.

5.6 The plan includes \$2M capital for NERC Cyber Security resolution (four plants, \$0.5M each).

5.7 The FutureGen expense is \$5M each year.

5.8 No demolition cost are included in the 2010 MTP for retired assets such as Paddy's Run coal-fired plant.

2008-2012 OPERATING EXPENSES (\$000)

| Item | 2008 Actual | 2009 Budget | 2009 Cont. Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|------------------------------------|----------------|----------------|--------------------|------------------|----------------|----------------|----------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 59,426 | 66,068 | 64,121 | 63,924 | 66,723 | 72,536 | 76,089 |
| Burdens | 43,325 | 48,202 | 64,407 | 62,410 | 64,465 | 70,357 | 73,669 |
| Non labor (Outages) | 24,994 | 33,966 | 29,897 | 31,351 | 30,495 | 51,417 | 42,317 |
| Non labor (Non-outage maintenance) | 55,913 | 47,121 | 46,721 | 55,189 | 62,959 | 66,118 | 68,335 |
| Non labor O/S FH and OCOS | 10,127 | 12,519 | 12,519 | 10,158 | 15,363 | 16,526 | 15,447 |
| Non labor (Operations) | 23,782 | 28,018 | 28,014 | 23,782 | 29,977 | 32,921 | 31,357 |
| Non labor (FutureGen) | - | 2,000 | 0 | 200 | 5,000 | 5,000 | 5,000 |
| Subtotal OPEX for US GAAP EBIT | <u>217,568</u> | <u>237,894</u> | <u>245,679</u> | <u>247,014</u> | <u>274,982</u> | <u>314,875</u> | <u>312,213</u> |
| Total IFRS Adjustments (COR) | <u>3,880</u> | <u>5,558</u> | <u>5,558</u> | <u>4,810</u> | <u>3,739</u> | <u>15,026</u> | <u>14,474</u> |
| Total Items for IFRS EBIT | <u>221,448</u> | <u>243,451</u> | <u>251,237</u> | <u>251,824</u> | <u>278,721</u> | <u>329,901</u> | <u>326,687</u> |
| Gross Margin Expenses * | 29,159 | 39,250 | 39,250 | 37,136 | 41,779 | 51,535 | 57,462 |
| * (see next slide for detail) | | | | | | | |
| Total Items for IFRS EBIT | <u>250,607</u> | <u>282,701</u> | <u>290,487</u> | <u>288,960</u> | <u>320,500</u> | <u>381,436</u> | <u>384,150</u> |

2009 Contingency Plan includes \$10.5M in plan reductions plus \$18.3M increase in burden costs driven by pension estimates.

2009 Forecast include \$17M in approved burden increases for pension and other areas.

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2008-2012 Margin Expenses / Cost of Sales (\$000)

| Item | 2008 Actual | 2009 Budget * | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|-------------------------------------|----------------|------------------|------------------|----------------|---------------|---------------|
| Margin Expenses (list major items) | | | | | | |
| Fuel Handling | 1,645 | 1,633 | 1,451 | 1,606 | 1,708 | 1,759 |
| Scrubber Reactant | 20,411 | 26,173 | 22,273 | 24,035 | 27,170 | 27,693 |
| Emission Allowances - SO2 | 429 | 2,191 | 1,309 | 16 | 7 | 3 |
| Emission Allowances - NOx | - | 482 | 44 | 285 | 216 | 125 |
| SCR Ammonia | 4,274 | 4,109 | 4,619 | 5,947 | 6,835 | 6,827 |
| SO3 Mitigation | 2,518 | 4,111 | 7,905 | 7,686 | 11,565 | 16,823 |
| Activated Carbon | - | - | - | 2,296 | 4,115 | 4,302 |
| Other Waste Disposal | (119) | 551 | (465) | (91) | (81) | (70) |
| Total Items for US GAAP EBIT | 29,159 | 39,250 | 37,136 | 41,779 | 51,535 | 57,462 |
| Total IFRS Adjustments EBIT | - | - | - | - | - | - |
| Total Items for IFRS EBIT | 29,159 | 39,250 | 37,136 | 41,779 | 51,535 | 57,462 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

* No 2009 Contingency Plan for Cost of Sales due to the recoverability through rate mechanisms.

2010-2012 Combined Cost Reconciliation - IFRS (\$000)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------------------|----------------|----------------|----------------|
| OPEX Target from FP | 274,124 | 316,211 | 314,034 |
| Gross Margin Target from FP * | 45,408 | 55,125 | 58,468 |
| TC CT HGPI Transfer | (5,683) | (14,597) | (6,686) |
| Transfer Proj Dev from MRMD | 1,344 | 1,381 | 1,419 |
| Cost of Removal Target (for IFRS) | 7,786 | 13,898 | 14,107 |
| Final Target By Year | <u>322,979</u> | <u>372,018</u> | <u>381,342</u> |
| | | | |
| MTP OPEX & GM Combined Costs | <u>320,500</u> | <u>381,436</u> | <u>384,150</u> |
| | | | |
| Total Variance To Target | <u>2,479</u> | <u>(9,418)</u> | <u>(2,808)</u> |

*Note: Target from Prosym model does not include FH nonlabor & emission costs - \$1.9M/yr

2010-2012 Target Variance Reduction - IFRS (\$000)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------------------|--------------|----------------|----------------|
| Total OPEX Variance To FP Target | (1,150) | (13,008) | (3,813) |
| Total Gross Margin to FP Target | 3,629 | 3,590 | 1,005 |
| Total Variance To Adjusted Target | <u>2,479</u> | <u>(9,418)</u> | <u>(2,808)</u> |

Major Variance Contributors:

| | | | |
|---|--------------|--------------|--------------|
| ECR Beneficial Reuse Opportunity at Ghent | 3,939 | 4,030 | 1,270 |
| Wind Energy RFP Expenses | <u>1,000</u> | <u>675</u> | <u>695</u> |
| | <u>4,939</u> | <u>4,705</u> | <u>1,965</u> |

| | | | |
|------------------------|--------------|----------------|--------------|
| Net Variance To Target | <u>7,418</u> | <u>(4,713)</u> | <u>(843)</u> |
|------------------------|--------------|----------------|--------------|

Possible Efforts to Meet Target in 2011:
 (Full risks & impact have not been quantified):

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-------------|-------------|-------------|
| Reduction of plant based discretionary spend | | 3,000 | |
| Continuation of TY3 Layup (Additonal 3 months in 2011) plus BR Contractor reduction due to TY employee shift | | 1,700 | 850 |

Note: Tyrone 3 layup has been extended through 9/30/2011. Production Model runs of these layup scenarios by Gen Planning indicated a likely increase in full year costs (purchased power) of \$0.2M in 2011 and \$0.6M in 2012 as projected in model.

2010-2012 Capital Comparison - IFRS (\$000)

| <u>Plant Location</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|------------------------------|---------------|----------------|----------------|
| Mill Creek | 20,008 | 39,730 | 36,632 |
| Trimble County | 6,006 | 10,500 | 6,587 |
| Cane Run | 9,805 | 13,833 | 29,786 |
| Ghent | 14,079 | 13,877 | 22,186 |
| Brown | 6,913 | 10,996 | 23,165 |
| Green River | 1,159 | 326 | 917 |
| Tyrone | 137 | 1,399 | 1,448 |
| Total Steam | 58,072 | 90,661 | 120,722 |
| Trimble CT | 5,866 | 14,699 | 6,911 |
| Louisville CT | 1,496 | 11,222 | - |
| Brown CT | 1,447 | 3,463 | 3,193 |
| Total CT | 8,809 | 29,384 | 10,104 |
| Ohio Falls | 184 | 102 | 386 |
| Dix | 350 | 8,197 | 5,874 |
| Total Hydro | 534 | 8,299 | 6,260 |
| Generation Services | 3,210 | 5,694 | 11,404 |
| Other Generation | - | - | - |
| Total Support | 3,210 | 5,694 | 11,404 |
| Total Reg Gen Capital | 70,660 | 134,038 | 148,490 |
| Targets (from FP) | 77,703 | 136,930 | 150,982 |
| Variance To Targets | 7,043 | 2,892 | 2,492 |

2008-2012 Headcount (FTE)

| Department | 2008 Year End | 2009 Budget | 2009 Cont. Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|----------------------------|------------------|----------------|--------------------|------------------|----------------|--------------|--------------|
| Mill Creek | 217 | 220 | 216 | 216 | 220 | 221 | 221 |
| Trimble County | 94 | 96 | 90 | 90 | 89 | 89 | 98 |
| Trimble County - TC2 | 31 | 40 | 40 | 40 | 47 | 50 | 50 |
| Cane Run | 124 | 131 | 123 | 123 | 132 | 136 | 137 |
| Ghent | 173 | 180 | 173 | 172 | 172 | 172 | 172 |
| Ghent - FGD | 21 | 30 | 30 | 30 | 32 | 32 | 32 |
| Brown w/CTs | 125 | 127 | 124 | 124 | 124 | 126 | 126 |
| Brown FGD | 6 | 14 | 7 | 7 | 9 | 14 | 14 |
| Green River | 56 | 60 | 55 | 55 | 55 | 55 | 55 |
| Tyrone | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Total Steam | 871 | 922 | 882 | 881 | 904 | 919 | 929 |
| Ohio Falls | 4 | 4 | 4 | 4 | 3 | 3 | 3 |
| Dix Dam | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Hydro | 6 | 6 | 6 | 6 | 5 | 5 | 5 |
| Total Stations | 877 | 928 | 888 | 887 | 909 | 924 | 934 |
| Generation Services | 45 | 54 | 42 | 42 | 54 | 54 | 55 |
| Project Engineering | 47 | 47 | 47 | 48 | 47 | 47 | 47 |
| Other Generation | 37 | 45 | 45 | 45 | 45 | 46 | 46 |
| TOTAL | 1,006 | 1,074 | 1,022 | 1,022 | 1,055 | 1,071 | 1,082 |
| From 2009 MTP | | <u>1,074</u> | | <u>1,074</u> | <u>1,095</u> | <u>1,114</u> | |

- **Commercial operation date for TC2 by June 30, 2010.**
- **Any “green development” projects that materialize would be incremental to the MTP/LTP (currently shown as sensitivities).**
- **Inspection results of Dix Dam may reveal maintenance requirements sooner than the timeframe included in the LTP.**
- **Timing and requirements for pending environmental regulations could accelerate future environmental investments into the planning window (i.e. Mercury, wet ESP’s).**
- **Corrosion fatigue repairs are not in the MTP (only the inspection amounts).**
- **Natural gas prices in the \$2.00 range could result in CT dispatch over coal, some units bringing forward the hot gas path and “C” inspections.**
- **Any significant impacts at Ghent resulting from the NOV/NSR are not factored in (additional controls or fuel limitations).**
- **Additional NERC/SERC Standards that would require further investment in Cyber-Security at multiple generating facilities.**

| Event/Action | Risks | Mitigation Steps |
|--|---|--|
| <p>Ohio Falls Rehab</p> <ul style="list-style-type: none"> - Delayed to 2014 for final completion | <ul style="list-style-type: none"> • Unfavorable FERC response • Continued cost escalations | <ul style="list-style-type: none"> • Project Engineering engaged to manage balance of project • Evaluate contracting strategy for packaging remaining work to achieve more favorable pricing |
| <p>Generator stator leaks have been occurring across the GE fleet (industry-wide)</p> <ul style="list-style-type: none"> - Mill Creek 1-4 - Ghent 2-4 - Trimble County 1 | <ul style="list-style-type: none"> • Long lead-time on forced outages | <ul style="list-style-type: none"> • Stator leak monitoring systems for early leak detection have been installed. • Stator bar purchases starting in 2011 • Back-up multiple units where possible |
| <p>Outage cycles for Ghent, Cane Run, and Brown extended to 24 months</p> | <ul style="list-style-type: none"> • Higher EFOR during the transition period; additional costs | <p>See backup slides</p> |

| Event/Action | Risks | Mitigation Steps |
|---|---|--|
| <p>Cane Run 6 Precip replacement</p> <p>— Delayed from 2012 to 2017</p> | <ul style="list-style-type: none"> • Derates/Outages from higher opacity • Higher O&M costs for repairs during outages | <ul style="list-style-type: none"> • Patch (additional O&M) during outages • Add particulate monitor • Periodic internal inspections |
| <p>Paddy's Run 13 repairs</p> <p>— Delayed to 2011 (No change from 2009 MTP)</p> | <ul style="list-style-type: none"> • Limited run-times • Complete unit failure • Long-lead time outage • Transmission constraints in the S.W. Louisville area • Exacerbated by potential retirement of two Duke Units at Gallagher | <ul style="list-style-type: none"> • Limit run times to low voltage conditions. • Engage Transmission on alternatives to mitigate low voltage conditions in that area • Consider other replace vs. repair options |
| <p>Dix Dam Maintenance</p> | <ul style="list-style-type: none"> • Leakage rates may require maintenance sooner than contemplated in the LTP | <ul style="list-style-type: none"> • Manage external special interest groups • Perform a thorough inspection to determine leakage rate/location in order to determine schedule and scope of dam repairs |

| Event/Action | Risks | Mitigation Steps |
|---------------------------|---|--|
| NERC CIP Standards | <ul style="list-style-type: none"> • Cyber security requirements may be expanded to include Ghent, Mill Creek, Trimble County, and Brown Stations | <ul style="list-style-type: none"> • \$2M capital included in 2010 (in addition to \$0.5M at Cane Run in 2009) |
| | | |

Key Performance Indicators

| <u>KPI</u> | <u>2008 Year End</u> | <u>2009 Budget</u> | <u>2009 Forecast⁵</u> | <u>2010 Budget</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|--------------------------------------|--------------------------|------------------------|--------------------------------------|------------------------|----------------------|----------------------|
| Generation (Twh) ¹ | 35.4 | 33.0 | 31.4 | 34.9 | 38.5 | 39.1 |
| EAF (Steam) | 86.1% | 83.7% | 83.0% | 84.8% | 87.9% | 86.9% |
| EFOR (Steam) | 4.0% | 4.6% | 5.8% | 4.7% | 4.6% | 4.2% |
| UU - Unplanned Unavailability | 9.63% | 6.00% | 7.85% | 7.49% | 6.96% | 6.65% |
| Controllable Cost (\$M) ² | \$ 250.61 | \$ 282.70 | \$ 288.96 | \$ 320.50 | \$ 381.44 | \$ 384.15 |
| Controllable Cost/mwh ² | \$ 7.08 | \$ 8.57 | \$ 9.20 | \$ 9.18 | \$ 9.91 | \$ 9.82 |
| Recordable Injuries ³ | 2.92 | 2.00 | 0.46 | 1.72 | 1.72 | 1.72 |
| Lost Workday Case Rate ⁴ | 0.28 | 0.40 | 0.00 | 0.40 | 0.40 | 0.40 |

¹ Steam Generation includes 75% of Trimble County 1 and 2

² Controllable Costs include Utility O&M, Other Cost of Sales, COR, Fuel Handling, and Below -the-Line expenses.

³ The 2009 forecast for RIR is the July YTD value, hearing tests currently underway.

⁴ The 2009 forecast for Lost Workday Case Rate is the July YTD value.

⁵ 2009 Forecast is from the 7&5 forecast.

Appendix

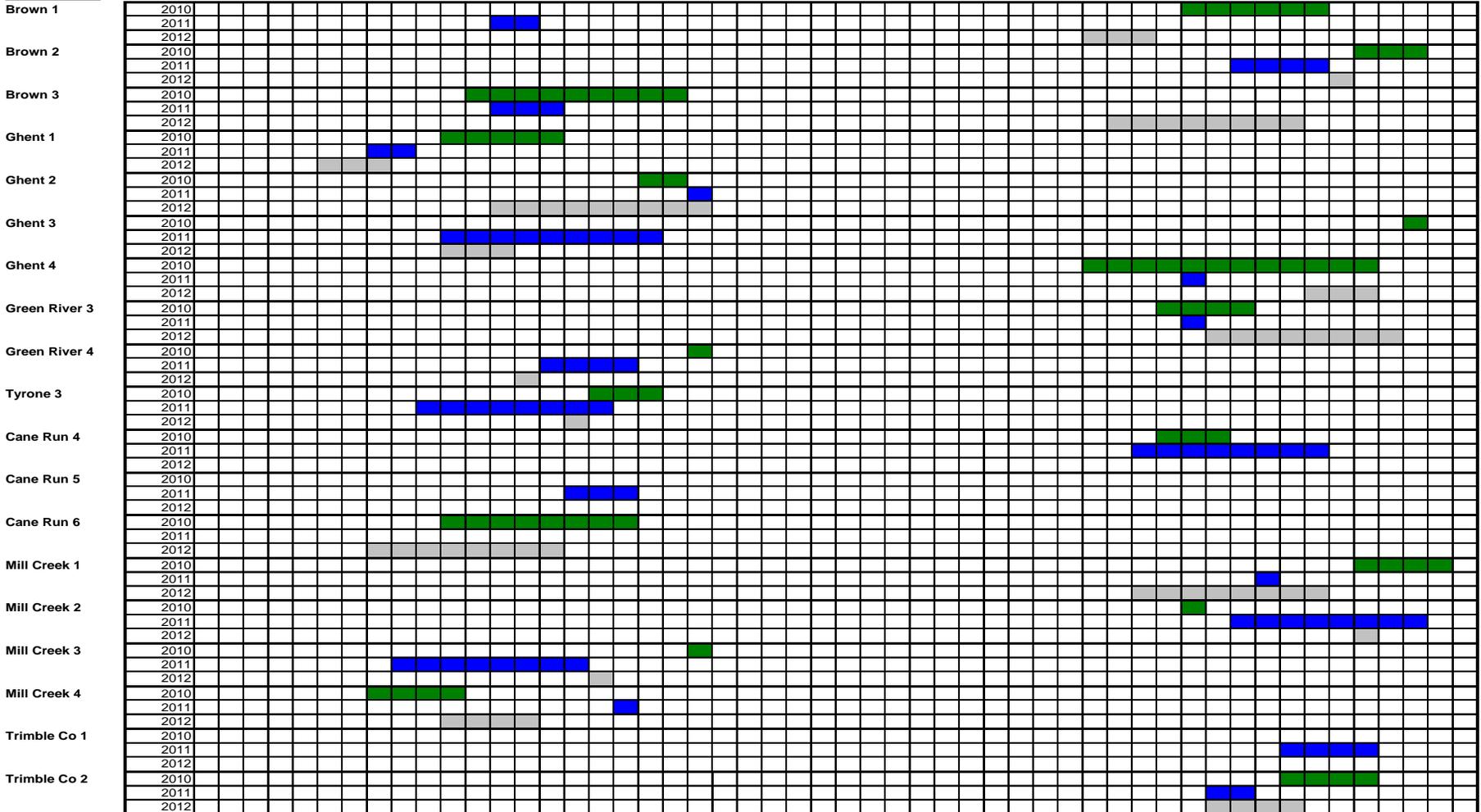
2010 - 2012 Maintenance Schedule

2010
 First year of schedule shown

Week of: 1/5 1/12 1/19 1/26 2/2 2/9 2/16 2/23 3/2 3/9 3/16 3/23 3/30 4/6 4/13 4/20 4/27 5/4 5/11 5/18 5/25 6/1 6/8 6/15 6/22 6/29 7/6 7/13 7/20 7/27 8/3 8/10 8/17 8/24 8/31 9/7 9/14 9/21 9/28 10/5 10/12 10/19 10/26 11/2 11/9 11/16 11/23 11/30 12/7 12/14 12/21 12/28

Week # 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52

Steam Units



2010-2012 Turbine Overhaul Schedule

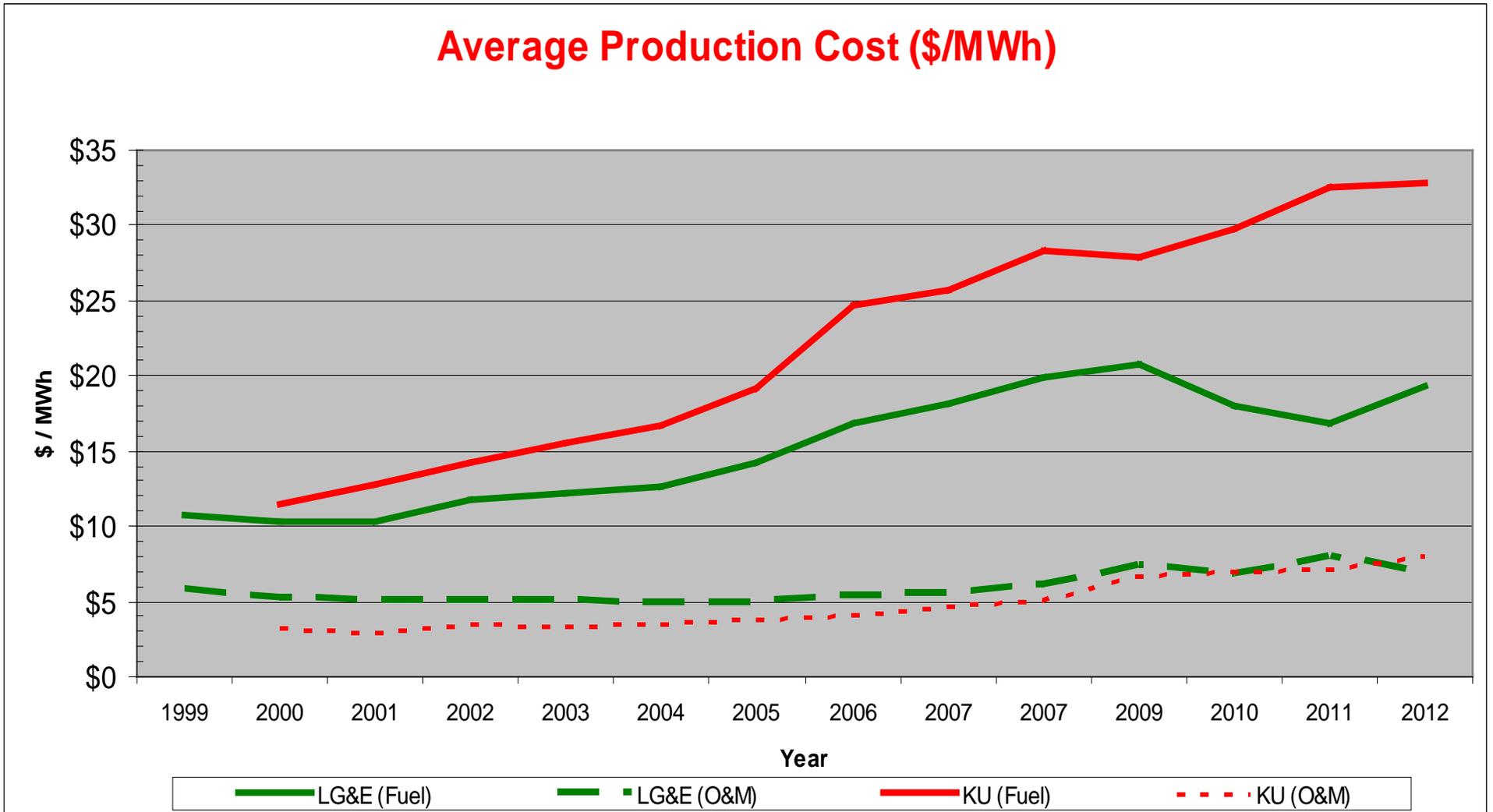
| | '91 | '92 | '93 | '94 | '95 | '96 | '97 | '98 | '99 | '00 | '01 | '02 | '03 | '04 | '05 | '06 | '07 | '08 | '09 | '10 | '11 | '12 | '13 | '14 | '15 | '16 | |
|-----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---|
| MC1 | | | | | | | | | | | | VG | | T | | | | | | | | | | | | | |
| MC2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MC3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MC4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GH1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GH2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GH3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GH4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TC1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CR4 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CR5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CR6 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BR1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BR2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BR3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GR3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GR4* | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TY3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Overhauls | 4 | 1 | 2 | 3 | 5 | 6 | 2 | 0 | 1 | 1 | 3 | 4 | 4 | 3 | 3 | 1 | 2 | 2 | 2 | 2 | 1 | 5 | 4 | 1 | 3 | 2 | 1 |

Historical

Most Recent 2010 MTP/LTP VG - Valves and Generator

T - Turbine only

Average Production Cost (\$/MWh)



2008-2012 Capital (Excluding COR) \$000

| Project | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|--------------------------------|----------------|----------------|------------------|----------------|---------------|---------------|
| ECR projects | | | | | | |
| BR2 PRECIP PLT REPL 08 | 271 | 1,465 | 1,085 | - | - | - |
| GH1 SCR CATALYST ADDITION 10 | | | | 1,046 | 2,088 | - |
| GH3 SCR CATALYST ADDITION | | | | - | 194 | 1,940 |
| GH4 SCR CATALYST ADDITION | | | | - | 987 | 2,496 |
| CR Landfill Vertical Expansion | 895 | 550 | 550 | 650 | 325 | 163 |
| MC Landfill Expansion | 5 | 3,000 | 2,959 | 270 | 812 | 399 |
| MC3 SCR Catalyst | | | | 656 | 1,808 | - |
| MC4 SCR Catalyst 2010 | | | | 1,864 | - | - |
| TC1 Catalyst Layer Install | | | | 474 | 652 | - |
| CR FGD Rehabilitation | | | | 500 | 4,000 | 20,000 |
| Other ECR Projects | | 906 | 1,479 | | | |
| Sub-total, ECR Projects | <u>1,171</u> | <u>5,921</u> | <u>6,073</u> | <u>5,460</u> | <u>10,866</u> | <u>24,998</u> |

On Going Projects Continued on next slide.

2008-2012 Capital (Excluding COR) \$000 Continued

| Project | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|-----------------------------------|----------------|----------------|------------------|----------------|--------------|--------------|
| On-Going | | | | | | |
| BR Lightning Strike Prev Syst 12 | - | - | - | - | - | 1,307 |
| BR Locomotive Repl 12 | - | - | - | - | 1,620 | - |
| BR SEP OIL SEPARATORS 05 | - | - | - | - | - | - |
| BR1 CONTROLS UPGR 06-07 | 31 | - | - | - | - | - |
| BR1 COOLING TWR RBLD 07 | - | - | - | - | - | - |
| BR1 RH Intermediate Banks Repl 12 | - | - | - | - | - | 1,400 |
| BR1 Turb Cntrl Repl 10 | - | 1,920 | - | 1,930 | - | - |
| BR2 Controls Repl 10-11 | - | 879 | - | 471 | 2,719 | - |
| BR2 E Heater Repl 10-11 | - | - | - | 64 | 1,040 | - |
| BR2 RH INLET & OUTLET HDR 07-09 | 2,898 | 2,041 | 1,233 | - | - | - |
| BR3 Generator Rewind 11-12 | - | - | - | - | 5,843 | 9,720 |
| BR3 Primary SH Repl 11-12 | - | - | - | - | 1,050 | 2,645 |
| BRCT 11N2 Controls Upgr 11-12 | - | - | - | - | 1,796 | 937 |
| BRCT 11N2 SFC Addition 10 | - | - | - | - | - | - |
| BRCT10 C Inspection 12-13 | - | - | - | - | - | - |
| BRCT9 C Inspection 11-12 | - | - | - | - | - | 1,451 |
| CR4 Superheater Repl | - | - | - | 2,038 | 2,148 | - |
| CR5 4KV Switchgear Upgrade | 1,060 | 1,360 | 695 | - | - | - |
| CR5 Primary RH Partial Repl | - | - | - | - | - | 1,162 |
| CR5 SH Pendant Repl | 1,314 | - | - | - | - | - |
| CR6 Burner Corner Repl | - | 1,099 | 950 | 400 | - | - |
| CR6 Precipitator Rebuild | - | - | - | - | - | - |
| CR6 Reheat Pendant Repl | 472 | 2,068 | 1,113 | 968 | - | - |
| CR6 SH Pendant/Platen Repl | - | - | - | - | 1,834 | 1,804 |
| CR6 SPP Upgrade | (133) | - | - | - | - | - |
| CT6 A/B CONVERSION 07 | 61 | - | - | - | - | - |
| DX1 OVERHAUL 11-12 | - | - | - | - | 1,621 | 3,317 |
| DX2 JOHNSON VLV REFURB 10 | - | - | - | - | 1,337 | - |
| DX2 Overhaul 10 | - | - | - | - | 4,780 | - |
| DX3 OVERHAUL 08-09 | 1,399 | 3,600 | 2,712 | - | - | - |
| GH 3 Absorber Agitator Blades | - | - | - | 1,100 | - | - |

2008-2012 Capital (Excluding COR) \$000 Continued

| Project | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|-----------------------------------|----------------|----------------|------------------|----------------|--------------|--------------|
| On-Going | | | | | | |
| GH Scraper | - | - | - | - | - | - |
| GH SPCC COMPLIANCE MOD | 1,208 | 1,103 | 1,103 | - | - | - |
| GH1 Air Heater Basket Repl | - | - | - | - | 250 | 2,850 |
| GH1 CONDENSER RETUBE | - | 2,000 | 2,000 | 979 | - | - |
| GH1 CONTROLS MODERNIZATION | 581 | | | | | |
| GH1 GENERATOR REFURB 06 | (10) | | | | | |
| GH1 SCR CATALYST ADDITION 06 | - | | | | | |
| GH1 SCR CATALYST ADDITION 10 | - | - | - | 1,046 | 2,088 | - |
| GH1 SCR WEATHER PROOFING | - | - | - | - | - | - |
| GH2 CONTROLS MODERNIZATION | 1,686 | 1,969 | 1,969 | - | - | - |
| GH2 CT CELL REBUILD 08 | 3,511 | | | | | |
| GH2 ECONOMIZER REPL | - | - | - | - | 2,980 | 2,850 |
| GH2 REHEAT PENDANT ASSY | - | - | - | - | 2,219 | 2,581 |
| GH2 SH Platen Replacement | - | - | - | - | 1,237 | 2,031 |
| GH3 CONTROLS MODERNIZATION | (0) | | | | | |
| GH3 ECONOMIZER REPL | - | 1,000 | 1,000 | 1,010 | 1,456 | - |
| GH3 SCR CATALYST ADDITION | 1,142 | - | - | - | 194 | 1,940 |
| GH4 CONTROLS MODERNIZATION | 2,437 | - | - | - | - | - |
| GH4 ECONOMIZER REPL | 1,967 | - | - | - | - | - |
| GH4 SCR CATALYST ADDITION | - | - | - | - | 987 | 2,496 |
| GS CEMS Shelter Replacement | - | - | - | 200 | 690 | 4,844 |
| GS Cyber Security 1500MW Limit | - | - | - | 2,000 | - | - |
| KU BRCT7 A/B Conversion 08 | 6,392 | - | - | - | - | - |
| LGE - CEMS Mercury Monitoring | 1,726 | - | - | - | - | - |
| LGE BRCT6 A/B Conv 07 | 45 | - | - | - | - | - |
| LGE BRCT7 A/B Conversion 08 | 3,871 | - | - | - | - | - |
| LGE-Gen Stator Bar Study (123599) | - | - | - | - | 2,510 | 5,040 |
| MC Boiler Water Make-Up System | 2,045 | - | - | - | - | - |
| MC Horizontal Limestone Mill | 87 | 1,500 | 290 | 3,700 | 4,500 | 7,500 |
| MC Limestone Excavator | - | - | - | - | 2,400 | - |
| MC1 Boiler Lower Sidewall Tubing | - | - | - | 1,100 | - | - |
| MC1 FGD Refurbishment | - | - | - | - | 1,100 | 14,200 |

2008-2012 Capital (Excluding COR) \$000 Continued

| Project | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|------------------|----------------|--------------|--------------|
| On-Going | | | | | | |
| MC1 Final Superheater (DMWs) | - | - | - | - | - | 1,400 |
| MC1 Partial Radiant Reheater | - | - | - | - | - | 1,074 |
| MC1 RH Replacement | 2,166 | - | - | - | - | - |
| MC1 Waterwall Weld Overlay | 2,093 | - | - | - | - | - |
| MC2 Boiler Lower Sidewall Tubing | - | - | - | - | 1,100 | - |
| MC2 Condenser Tubing | - | - | - | - | 1,800 | - |
| MC2 FGD Refurbishment | - | 500 | 500 | 500 | 20,250 | - |
| MC2 Waterwall Weld Overlay | - | 2,700 | 4,200 | - | - | - |
| MC3 Cooling Tower Fill | 0 | - | - | - | - | - |
| MC3 EHC Upgrade | - | - | - | 600 | 1,300 | - |
| MC3 Final Superheat Tubing | 30 | - | - | - | - | - |
| MC3 Intermediate SH - 2007 | - | - | - | - | - | - |
| MC3 SCR Catalyst | - | - | - | 656 | 1,808 | - |
| MC3 SCR Catalyst (ECR) | - | - | - | - | - | - |
| MC3 Turbine L-0 Buckets | - | - | - | - | - | - |
| MC4 Boiler Tubing | - | - | - | - | - | - |
| MC4 EHC Upgrade | - | - | - | - | - | - |
| MC4 Intermediate SH - 2008 | 1,716 | - | - | - | - | - |
| MC4 SCR Catalyst 2010 | - | - | 753 | 1,864 | - | - |
| MC4 SCR Catalyst and Ductwork Modifi | - | - | - | - | 1,000 | 1,475 |
| OHIO FALLS REDEVELOPMENT 2004 | 4,000 | 1,641 | 627 | - | - | - |
| PR Compressor Upgrade KU | - | - | - | 226 | 1,410 | - |
| PR Compressor Upgrade LGE | - | - | - | 255 | 1,590 | - |
| PR13 Guide Vane Repl | 3,922 | - | - | - | - | - |
| PR13 Turbine Blade and Vane Repl KU | - | - | - | 470 | 3,525 | - |
| PR13 Turbine Blade and Vane Repl LGE | - | - | - | 530 | 3,975 | - |
| TC Controls Upgrade 2006 | 838 | 3,653 | 3,653 | 221 | - | - |
| TC CT HGP Inspection | - | - | 618 | 8,033 | 12,247 | 8,348 |
| TC ID FAN VFD REPLACEMENT | 994 | 1,394 | 1,394 | - | - | - |
| TC Install Transformer 6 in Switching St: | - | - | - | - | - | 1,954 |

2008-2012 Capital (Excluding COR) \$000 Continued

| Project | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|--|----------------|----------------|------------------|----------------|----------------|----------------|
| On-Going | | | | | | |
| TC PRECIP REBUILD 5TH FLD | - | - | - | - | 2,128 | - |
| TC PURCHASE LARGE DOZER #1 | 1,411 | - | - | - | - | - |
| TC PURCHASE LARGE DOZER 2 | - | - | - | - | 1,680 | - |
| TC RECYC PUMP PIPING ELBOW | - | - | - | - | 1,504 | - |
| TC RELINE FGD MODULE FL | - | - | - | - | - | - |
| TC REPLACE W BOILER SLP TUBE | - | 1,927 | 2,157 | - | - | - |
| TC2 SCR Third Layer Catalyst and Insta | - | - | - | - | - | 2,546 |
| TY3 Retube Main Condenser 12 | - | - | - | - | - | 731 |
| Other On-Going Projects < \$1.0m | 24,110 | 21,037 | 20,707 | 25,006 | 30,610 | 26,973 |
| Sub-total, On-Going Projects | <u>75,071</u> | <u>53,391</u> | <u>47,673</u> | <u>55,367</u> | <u>134,325</u> | <u>114,576</u> |
| Grand Total Capital | <u>76,242</u> | <u>59,312</u> | <u>53,746</u> | <u>60,827</u> | <u>145,191</u> | <u>139,574</u> |

2009-2012 Capital Reconciliation IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 70,625 | 134,038 | 148,490 |
| Prior Year | <u>46,812</u> | <u>70,625</u> | <u>134,038</u> |
| Variance | <u>(23,813)</u> | <u>(63,413)</u> | <u>(14,452)</u> |
| <u>Variance Explanations</u> | | | |
| TC CT HGP Inspections | (5,065) | (8,914) | (523) |
| MC Horizontal Limestone Mill | (3,410) | (800) | (3,000) |
| MC2 Waterw all Weld Overlay | (2,760) | 3,480 | - |
| MC, GH & TC SCR Catalyst | (4,558) | (3,077) | (4,292) |
| CR4 Superheater Replacement | (2,038) | (110) | 2,148 |
| CR FGD Rehabilitation | (250) | (3,500) | (16,000) |
| MC2 FGD Refurbishment | (800) | (16,050) | 13,250 |
| DX Overhauls & Dam Work | (350) | (7,847) | 2,323 |
| Gen Svcs Stator Bar Program | - | (2,510) | (2,530) |
| BR2 Controls Replacement | (471) | (2,034) | 2,291 |
| MC Limestone Excavator | - | (2,400) | 2,400 |
| GH2 Reheat Pendant Assembly | - | (2,219) | (362) |
| Paddy's 13 Major Work | (1,207) | (9,726) | 11,222 |
| GH1 Air Heater Basket Repl. | - | (250) | (2,600) |
| BR3 Generator Rew ind | - | (1,397) | (12,769) |
| All other smaller projects | <u>(2,904)</u> | <u>(6,059)</u> | <u>(6,010)</u> |
| Total Variance | <u>(23,813)</u> | <u>(63,413)</u> | <u>(14,452)</u> |

2009-2012 OPEX Reconciliation IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--------------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 278,721 | 329,950 | 326,687 |
| Prior Year | <u>251,825</u> | <u>278,721</u> | <u>329,950</u> |
| Variance | <u>(26,896)</u> | <u>(51,229)</u> | <u>3,263</u> |
| <u>Variance Explanations</u> | | | |
| Wage & Headcount Increases | (4,866) | (11,050) | (7,521) |
| TC2 Incremental Nonlabor | (3,303) | (1,612) | 1,480 |
| FutureGen Participation | (4,936) | - | - |
| Beneficial Reuse | (3,939) | (91) | 2,760 |
| Outage Timing (Net) | (2,097) | (20,922) | 9,100 |
| FGD Maintenance Higher | (1,040) | (321) | (27) |
| Corrosion Fatigue Program | (1,348) | (27) | (27) |
| Non-outage NL inflationary increases | (1,541) | (1,787) | (1,870) |
| SO3 Mitigation contract support | (803) | (28) | (29) |
| Project Development New Programs | (1,265) | 284 | (63) |
| Cost of Removal Expenses | 912 | (11,287) | 552 |
| All other smaller items | <u>(2,671)</u> | <u>(4,388)</u> | <u>(1,091)</u> |
| Total Variance | <u>(26,896)</u> | <u>(51,229)</u> | <u>3,263</u> |

2009-2012 Cost of Sales Reconciliation IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 41,779 | 51,486 | 57,462 |
| Prior Year | <u>37,136</u> | <u>41,779</u> | <u>51,486</u> |
| Variance | <u>(4,643)</u> | <u>(9,707)</u> | <u>(5,976)</u> |
| <u>Variance Explanations</u> | | | |
| Scrubber Reactant | (1,762) | (3,135) | (523) |
| Emissions | 1,052 | 78 | 95 |
| Waste Disposal | (374) | (10) | (11) |
| Ammonia | (1,328) | (888) | (179) |
| SO3 Sorbent Injection | 219 | (3,879) | (5,072) |
| Activated Carbon | (2,296) | (1,819) | (187) |
| Nonlabor Fuel Handling | <u>(154)</u> | <u>(53)</u> | <u>(99)</u> |
| Total Variance | <u>(4,643)</u> | <u>(9,707)</u> | <u>(5,976)</u> |

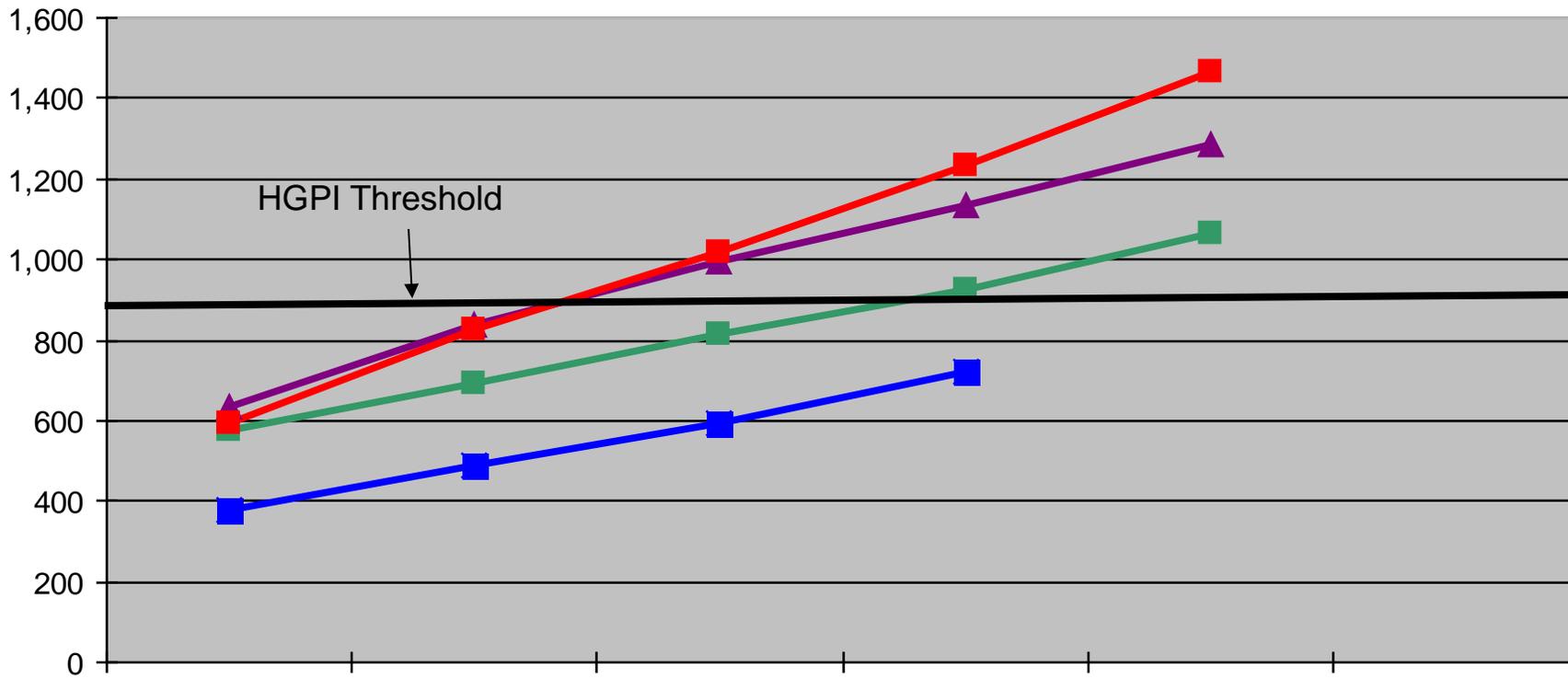
2009-2012 Headcount Changes

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--------------------------|---------------------|---------------------|---------------------|
| 12/31 Prior Year | 1,022 | 1,056 | 1,072 |
| 12/31 Current Year | <u>1,056</u> | <u>1,072</u> | <u>1,083</u> |
| Variance | <u>34</u> | <u>16</u> | <u>11</u> |
| <u>Additions</u> | | | |
| Mill Creek | 4 | 1 | |
| Trimble County | 6 | 3 | 9 |
| Cane Run | 8 | 4 | 1 |
| Ghent | 2 | | |
| Brown | 2 | 7 | |
| Green River | | | |
| Generation Services | 12 | | 1 |
| Other Generation Support | <u> </u> | <u>1</u> | <u> </u> |
| Total Variance | <u>34</u> | <u>16</u> | <u>11</u> |

Trimble County CT's Average Number of Cumulative Factored Starts per Unit

**Factored
Starts
Cumulative**

Trimble CT run-times have declined, net change of 1 less HGPI in 2010.

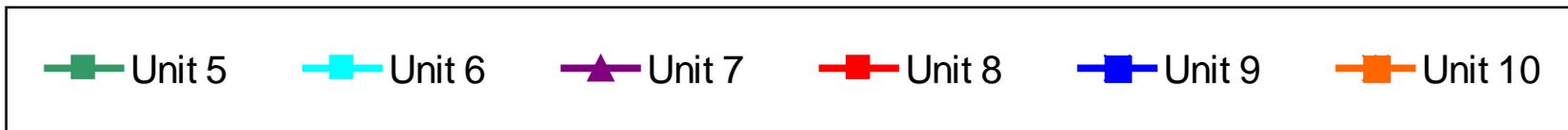
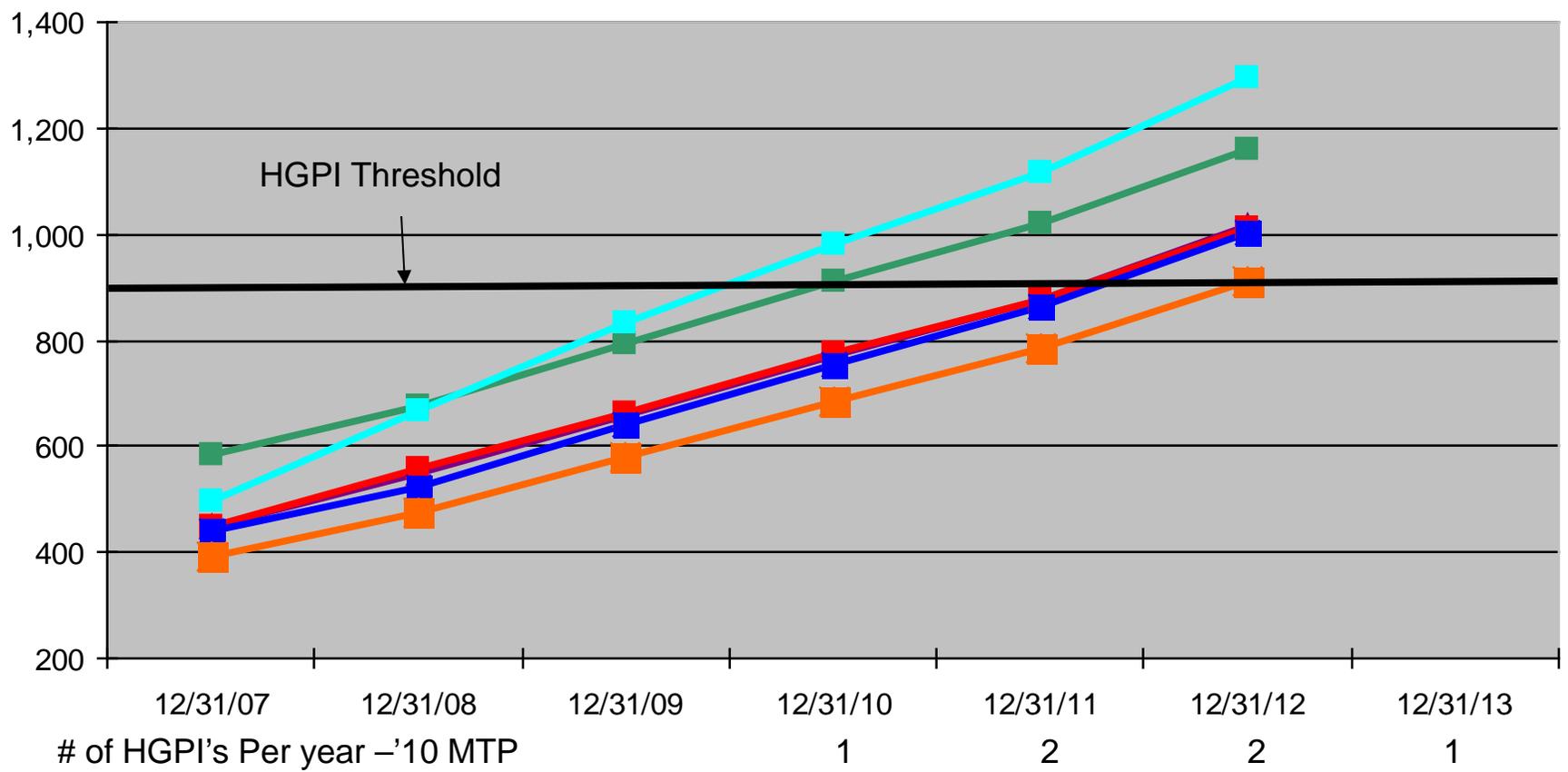


| | 12/31/08 | 12/31/09 | 12/31/10 | 12/31/11 | 12/31/12 | 12/31/13 |
|-------------------------------|----------|----------|----------|----------|----------|----------|
| # of HGPI's Per year -'10 MTP | | | 1 | 2 | 2 | 1 |
| -'09 MTP | | | 2 | 2 | 2 | 0 |

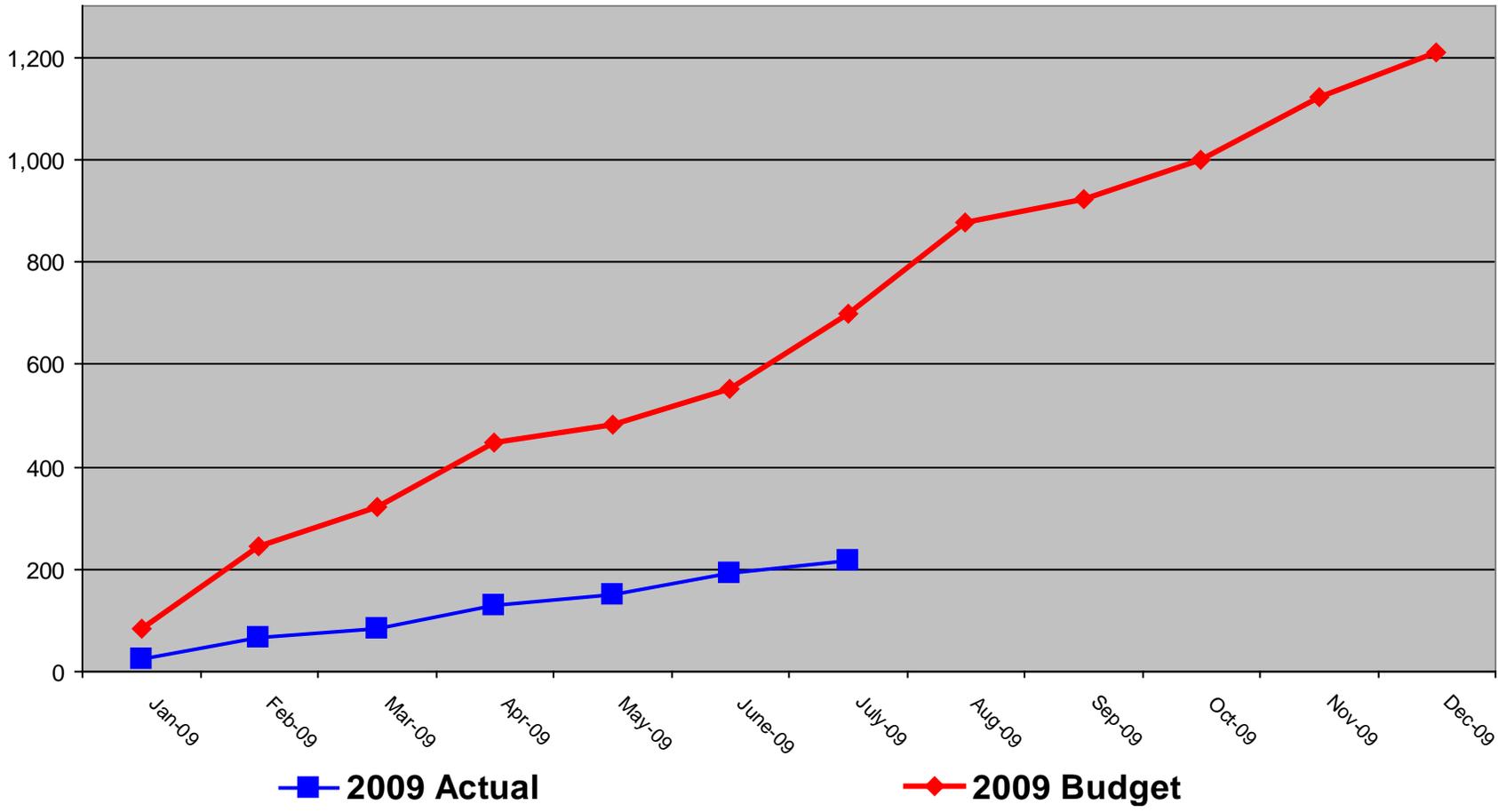


Trimble County CT's Cumulative Factored Starts per Unit

**Factored
 Starts
 Cumulative**



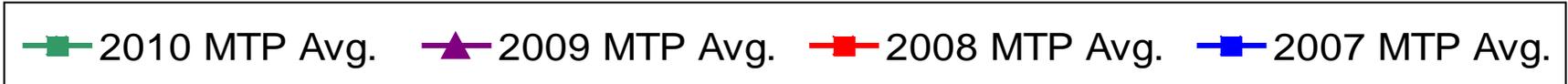
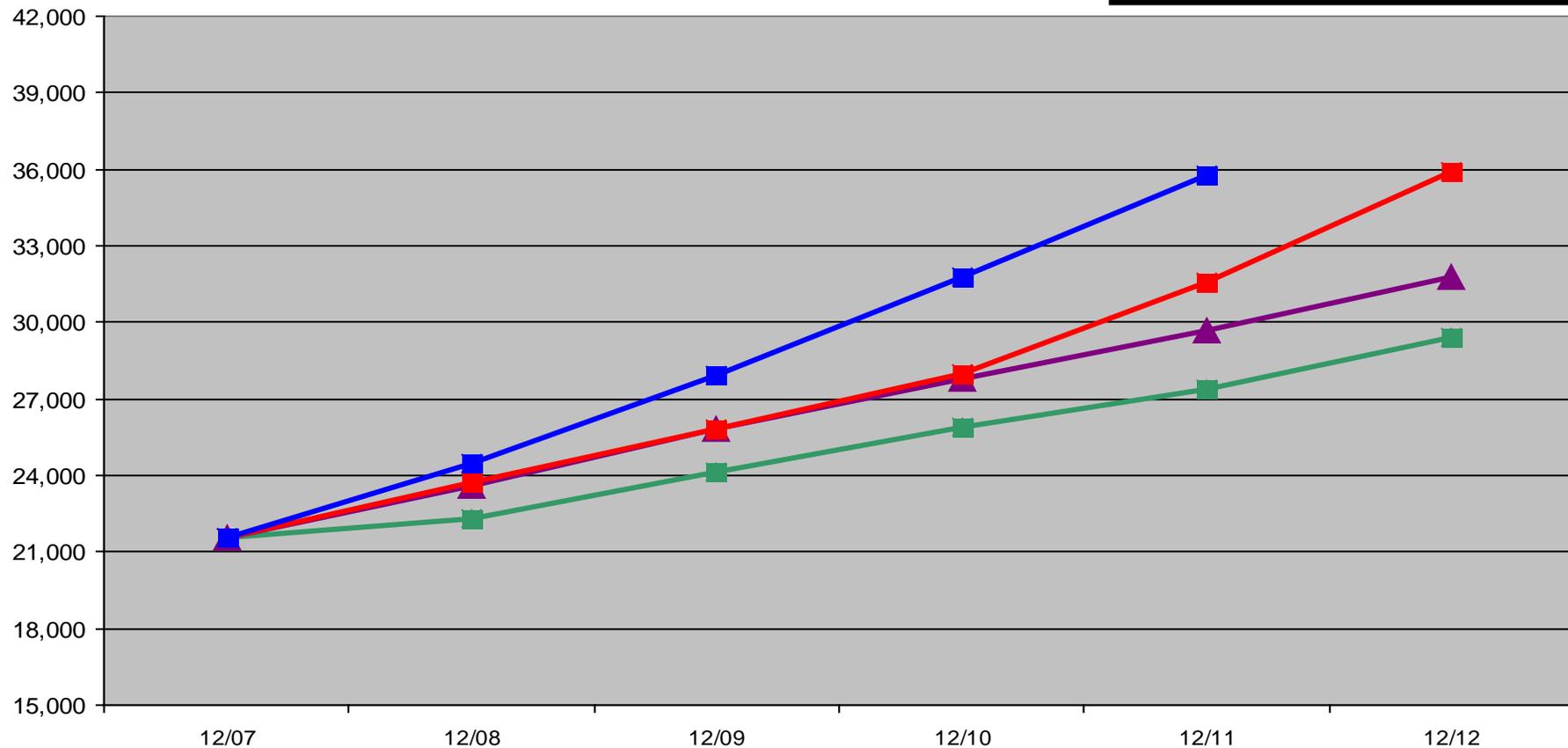
Trimble County CT's Cumulative (YTD) Factored Starts 2009 Actual vs. Budget



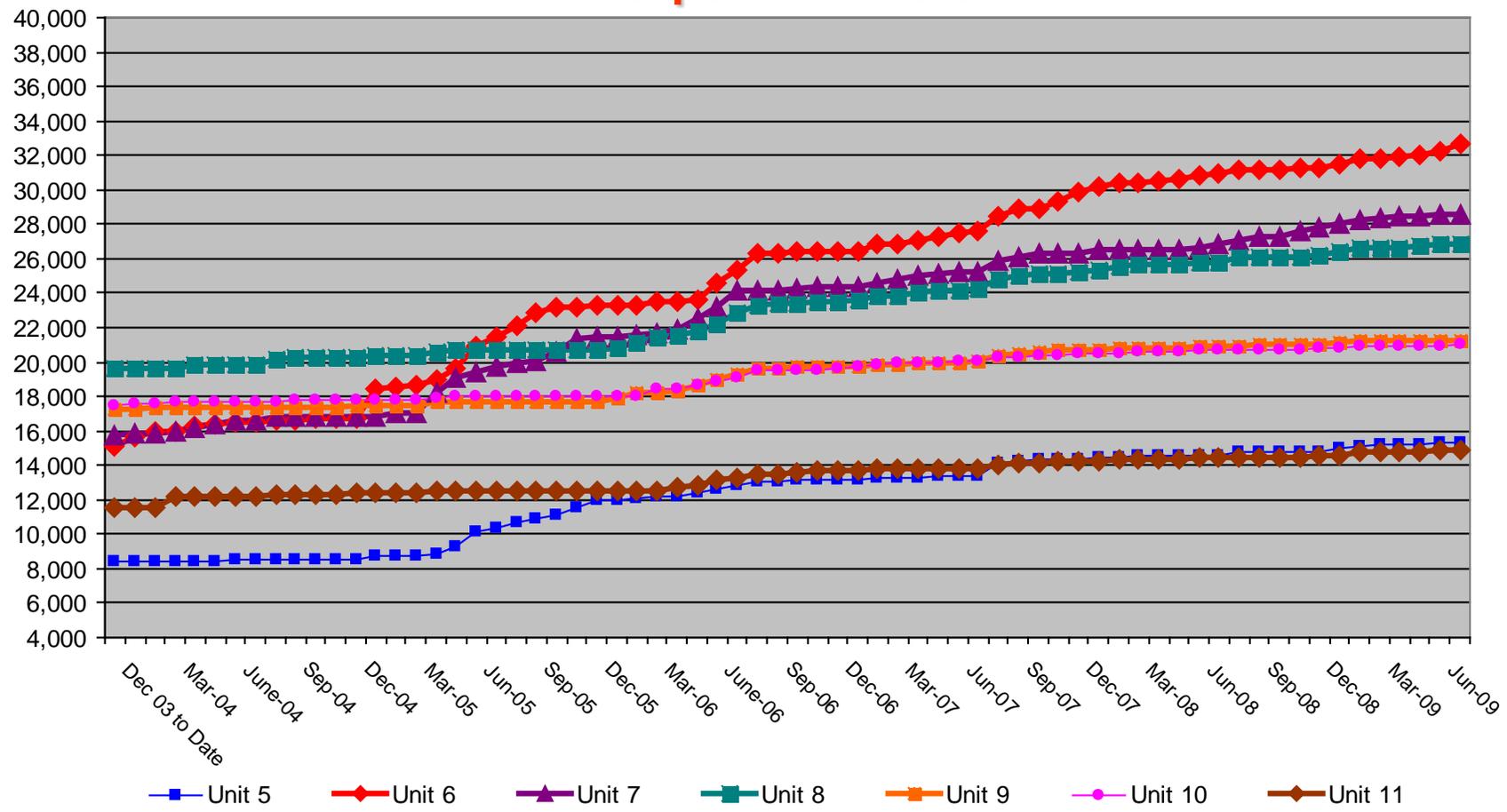
Brown CT's Equivalent Operating Hours Average Per Unit

Brown CT run-times continue trend of declining each MTP.

EOH



Brown CT Equivalent Operating Hours (EOH) Inception To-Date





**Transmission
2010-2012 MTP**

October 9, 2009

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Appendix

Executive Summary

The 2010-12 Transmission Mid Term Plan is designed to meet the overall goals of safety, regulatory compliance, system reliability, and financial/budget performance.

Plan challenges and considerations:

- NERC Mandatory Reliability Standards will continue to impact the transmission business and resources as new standards emerge and requirements increase.
- Cyber security (Critical Infrastructure Protection or CIP) will continue to be a national concern and focus requiring more resources focused on protecting cyber assets and standards compliance.
- Significant weather events have impacted system assets and performance requiring upgrades to equipment in substations and lines.
- Interconnection activity has been increasing (KMPA, OMU, EKPC, TVA) impacting both capital and human resources.
- The plan addresses the transition from SPP to a new ITO or FERC approved construct.
- The plan reflects the transmission organizations continuing challenges of meeting a rigorous major project and reliability construction schedule while maintaining system performance and regulatory compliance.
- The plan includes resources to maintain compliance, safe and reliable system operations, limited “Smart Grid” technology deployment, engineering capability, and meet customer demands.

- Safety – maintain focus and enhance overall safety performance.
- System Reliability and Power Quality – continue focus on system performance, power quality, and customer needs (NAS, Corning, Ford, UPS).
- Regulatory compliance – maintain and enhance regulatory compliance culture.
- Finance and budget – achieve business goals within financial and budgetary targets while maintaining focus on the commercial process and enhanced shareholder value.
- Strategic Planning – the transmission organization will transition to a new ITO partner or FERC approved ITO/RC construct during the planning period. Focus on the annual Transmission Expansion Plan as the basis for Capital investment.
- Employee Development – focus development in leadership, engineering, project management, and system operations.

Major Assumptions

1. NERC Standards

- 1.1 No significant changes in FERC, NERC, SERC, OSHA, or NESC policy and requirements.
- 1.2 Maintaining current compliance levels will require increased training and potentially personnel to assist in the training effort (PER-005 requirements add a significant burden in documentation, evaluation, and simulation).
- 1.3 As “smart” technologies are developed and deployed, CIP standards implications must be a consideration.
- 1.4 Cyber Security:
 - Version 2 of the CIP standards was recently adopted by NERC and there is a newer version that is still being drafted and is subject to influence by FERC, congress, and the industry.
 - CIP2-9 requires a secure network to the substations (pre-cursor to smart grid).
- 1.5 Movement of Distribution SCADA Operations to Distribution will not impact Transmission headcount but will allow additional time for required Compliance activities and training.
- 1.6 Vegetation management standard will continue to focus on 200 KV and above. It is estimated to cost an incremental \$2.5 million if a 100 KV threshold is adopted.

2. Expansion Plan

- 2.1 The transmission expansion plan (TEP) is based on the 2009 MTP load forecast and considers reliability requirements only.**
- 2.2 Facilities ratings verification will not yield significant additional capital projects.**
- 2.3 *The number of mitigation plans required as a part of the TEP does not grow over the MTP.***
- 2.4 The overall peak load growth and Central KY regional peak exceed energy projections which further exacerbates ability to move excess generation from LG&E to KU.**
- 2.5 A combined cycle unit from the generation expansion plan will be installed in 2017. No spending prior to 2013.**
- 2.6 The transmission expansion plan does not contain any provisions for the utilization of the Bluegrass Facility by any other companies.**
- 2.7 No significant additional system loads.**
- 2.8 No significant Network Inter-connect Transmission Service (NITS) activity.**
- 2.9 No significant economic development projects requiring transmission system upgrades – ie. NATTBATT.**

3. Asset Management

- 3.1 Asset Management system in place by the end of 2011.
- 3.2 Continue to purchase transformers to maintain/replenish critical spare inventory.
- 3.3 Static wire upgrade program (equipment >50 years old) to take place over the next 10 years.
- 3.4 Other Asset Management initiatives: Breaker Replacement program for underrated breakers, Ground grid repairs, surge arrestor replacements, battery replacements, instrument transformer replacements.

4. ITO & RC

- 4.1 FERC will approve a new ITO/RC business partner or construct.
- 4.2 Assume current ITO construct costs will increase by \$1m over the original contract cost annually.
- 4.3 Assume RC (TVA) costs remain flat relatively flat.
- 4.4 Plan allows for re-integrating some ITO functions internally (with FERC approval) and retaining an external Transmission monitor (will require incremental headcount). Will require incremental headcount, shifting non labor dollars currently in the plan to labor.

5. Headcount

- 5.1 No incremental headcount above the previously adopted Workforce planning recommendations.
- 5.2 Potential ITO changes, additional compliance training requirements, and additional reliability standards adoption/implementation will increase demands on current headcount and may require increased headcount to address these needs.

6 Operational and Other

6.1 Transmission revenues will increase associated with OMU contracts.

6.2 Transmission revenues will increase from all customers due to KMPA.

6.3 Customer sensitivity and awareness to reliability and power quality will continue to elevate.

6.4 No Federal or State mandated Smart Grid initiatives.

6.5 No major project assumed for integration of renewable energy at this time.

7 Non Labor Escalation Rates

- Fuels and Additives 2.0%**
- Copper 2.5%**
- Fabricated Steel 4.0%**

| | 2010 MTP | | | 2009 MTP | | Fav(Unfav) | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> |
| Margin | | | | | | | |
| OATT & Grandfathered Rev. | 6,428 | 8,113 | 8,984 | 4,583 | 4,736 | 1,845 | 3,377 |
| Cost of Sales | 10,824 | 9,646 | 10,287 | 10,736 | 10,098 | (88) | 452 |
| Net Margin (excludes Interco) | <u>(4,396)</u> | <u>(1,533)</u> | <u>(1,303)</u> | <u>(6,153)</u> | <u>(5,362)</u> | <u>1,757</u> | <u>3,829</u> |
| O&M | | | | | | | |
| Labor - Direct | 11,246 | 11,646 | 12,075 | 9,568 | 9,898 | (1,678) | (1,748) |
| Labor - Distribution/Sys Lab. | 2,658 | 2,751 | 2,847 | 2,617 | 2,709 | (41) | (42) |
| Non-labor | 12,269 | 12,572 | 12,880 | 13,856 | 14,199 | 1,587 | 1,627 |
| Total O&M | <u>26,172</u> | <u>26,968</u> | <u>27,802</u> | <u>26,041</u> | <u>26,806</u> | <u>(131)</u> | <u>(162)</u> |
| Cost of Removal | 4,994 | 4,168 | 3,890 | 7,059 | 6,200 | 2,065 | 2,032 |



2008-2012 O&M (\$000)

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Opex Expenses</i> | | | | | | | |
| <i>Raw Labor</i> | 5,332 | 6,586 | 6,640 | 6,533 | 7,410 | 7,673 | 7,553 |
| <i>Burdens</i> | 3,916 | 5,180 | 5,738 | 5,852 | 6,493 | 6,724 | 7,369 |
| <i>Non labor</i> | | | | | | | |
| <i>Storms</i> | - | - | - | 1,083 | - | - | - |
| <i>Right of Way</i> | 3,560 | 4,211 | 4,205 | 4,211 | 4,211 | 4,316 | 4,424 |
| <i>Inspections</i> | 587 | 1,104 | 1,097 | 1,104 | 1,104 | 1,132 | 1,160 |
| <i>Other Non-labor</i> | 7,444 | 7,706 | 8,126 | 7,509 | 6,954 | 7,123 | 7,296 |
| <i>Total Items Affecting US GAAP EBIT</i> | <u>20,839</u> | <u>24,787</u> | <u>25,806</u> | <u>26,292</u> | <u>26,172</u> | <u>26,968</u> | <u>27,802</u> |
| <i>Non-Operating Adjustment</i> | | | | (1,083) | | | |
| <i>Cost of Removal</i> | 5,206 | 4,672 | 3,353 | 7,981 | 4,994 | 4,168 | 3,890 |
| <i>Cost of Removal - Non-Operating Adj.</i> | - | - | - | (5,509) | - | - | - |
| <i>Total IFRS Adjustments</i> | <u>5,206</u> | <u>4,672</u> | <u>3,353</u> | <u>1,389</u> | <u>4,994</u> | <u>4,168</u> | <u>3,890</u> |
| <i>Total Items Affecting IFRS EBIT</i> | <u><u>26,045</u></u> | <u><u>29,459</u></u> | <u><u>29,159</u></u> | <u><u>27,681</u></u> | <u><u>31,166</u></u> | <u><u>31,136</u></u> | <u><u>31,692</u></u> |

O&M and Cost of Removal

| | 2010 Plan | 2011 Plan | 2012 Plan |
|------------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 31,166 | 31,136 | 31,692 |
| Target | 33,107 | 33,326 | 34,380 |
| Variance | <u>1,941</u> | <u>2,190</u> | <u>2,688</u> |
| <u>Variance Explanations</u> | | | |
| Labor | (1,718) | (1,790) | (1,853) |
| Outside Services | 1,426 | 1,461 | 1,498 |
| Relocation | 381 | 391 | 401 |
| Substation Tools & Safety Signage | (123) | (126) | (129) |
| Travel / Training | (108) | (110) | (113) |
| Other Non-labor | 18 | 32 | (35) |
| Remove Corp Savings from '11 & '12 | - | 300 | 300 |
| Cost of Removal | <u>2,065</u> | <u>2,032</u> | <u>2,619</u> |
| Total Variance | <u><u>1,941</u></u> | <u><u>2,190</u></u> | <u><u>2,688</u></u> |

The 2010 MTP is designed sustain the compliance levels that were addressed in the 2009 MTP, through the duration of the plan.

Capital Plan

- The Capital Plan includes funding for Major projects, Compliance, and Ongoing system needs.
- TC2 funding to complete project in 2010.
- Temporary work around for Mill Creek to Hardin County energized in 2010.
- Funding to address compliance and reliability in substations and lines projects.
 - Planning Projects
 - Breaker Replacements
 - Transformer Purchases
 - Control House upgrades
 - Interconnect projects (KMPA, TVA, EKPC, Duke, E.ON U.S. Distribution, etc.)

2008-2012 Capital (Excluding COR) (\$000)

| Project | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---------------------------------------|----------------|----------------|-----------------------------|------------------|----------------|--------------|--------------|
| Generation Expansion Plan | | | | | | | |
| TC2 | 26,336 | 22,850 | 22,850 | 28,634 | 4,162 | - | - |
| Ongoing Capital | | | | | | | |
| Base Capital | 28,078 | 28,238 | 25,438 | 26,128 | 44,168 | 31,484 | 27,230 |
| Special Projects | | | | | | | |
| TC2 Work Around | | | | 3,900 | 4,403 | | |
| KMPA Projects | - | - | - | 2,776 | 1,657 | 500 | 1,000 |
| Ice Storm | | | | 12,569 | | | |
| Total Capital (107001) | 54,414 | 51,088 | 48,288 | 74,007 | 54,390 | 31,984 | 28,230 |
| IFRS Adjustments (Including Cash Adj) | 4,522 | (1,474) | (1,474) | 3,876 | 1,369 | 1,218 | 104 |
| Total IFRS | 58,936 | 49,614 | 46,814 | 77,883 | 55,759 | 33,202 | 28,334 |

Capital Review - Trimble County 2, Transmission

US GAAP, \$Millions

Sanction Comparison

| | <u>Total Projection</u> | <u>Total Sanction</u> | <u>Variance to Sanction</u> |
|---------------------------|-----------------------------|---------------------------|---------------------------------|
| Sanction Comparison - Net | \$93.8 | \$85.7 | (\$8.1) |

MTP Comparison - Net

| | <u>Pre-2009</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> |
|--|-----------------|-------------|-------------|-------------|-------------|--------------|
| 2010 MTP | \$60.7 | \$29.0 | \$4.2 | \$0.0 | \$0.0 | \$93.8 |
| 2009 MTP | \$57.9 | \$22.9 | \$0.0 | \$10.8 | \$0.0 | \$91.6 |
| Variance from 2009 MTP | (\$2.7) | (\$6.2) | (\$4.2) | \$10.8 | \$0.0 | (\$2.2) |
| <i>Cause of Variance from Prior Plan</i> | | | | | | |
| Mill Creek - Hardin County (line) | \$1.1 | (\$2.9) | (\$3.1) | \$0.0 | \$0.0 | (\$4.9) |
| Trimble County - PSI (line) | (\$5.3) | \$1.5 | \$0.0 | \$0.0 | \$0.0 | (\$3.8) |
| Higby Mill - West Lexington (line and sub) | \$0.4 | (\$1.0) | (\$1.1) | \$0.0 | \$0.0 | (\$1.6) |
| East Frankfort - West Frankfort (line and sub) | \$1.2 | (\$2.7) | \$0.0 | \$8.0 | \$0.0 | \$6.5 |
| Ghent - Owen County (line) | (\$0.0) | (\$1.1) | \$0.0 | \$2.8 | \$0.0 | \$1.6 |
| Other | (\$0.2) | \$0.1 | \$0.0 | \$0.0 | \$0.0 | (\$0.1) |
| Total | (\$2.7) | (\$6.2) | (\$4.2) | \$10.8 | \$0.0 | (\$2.2) |

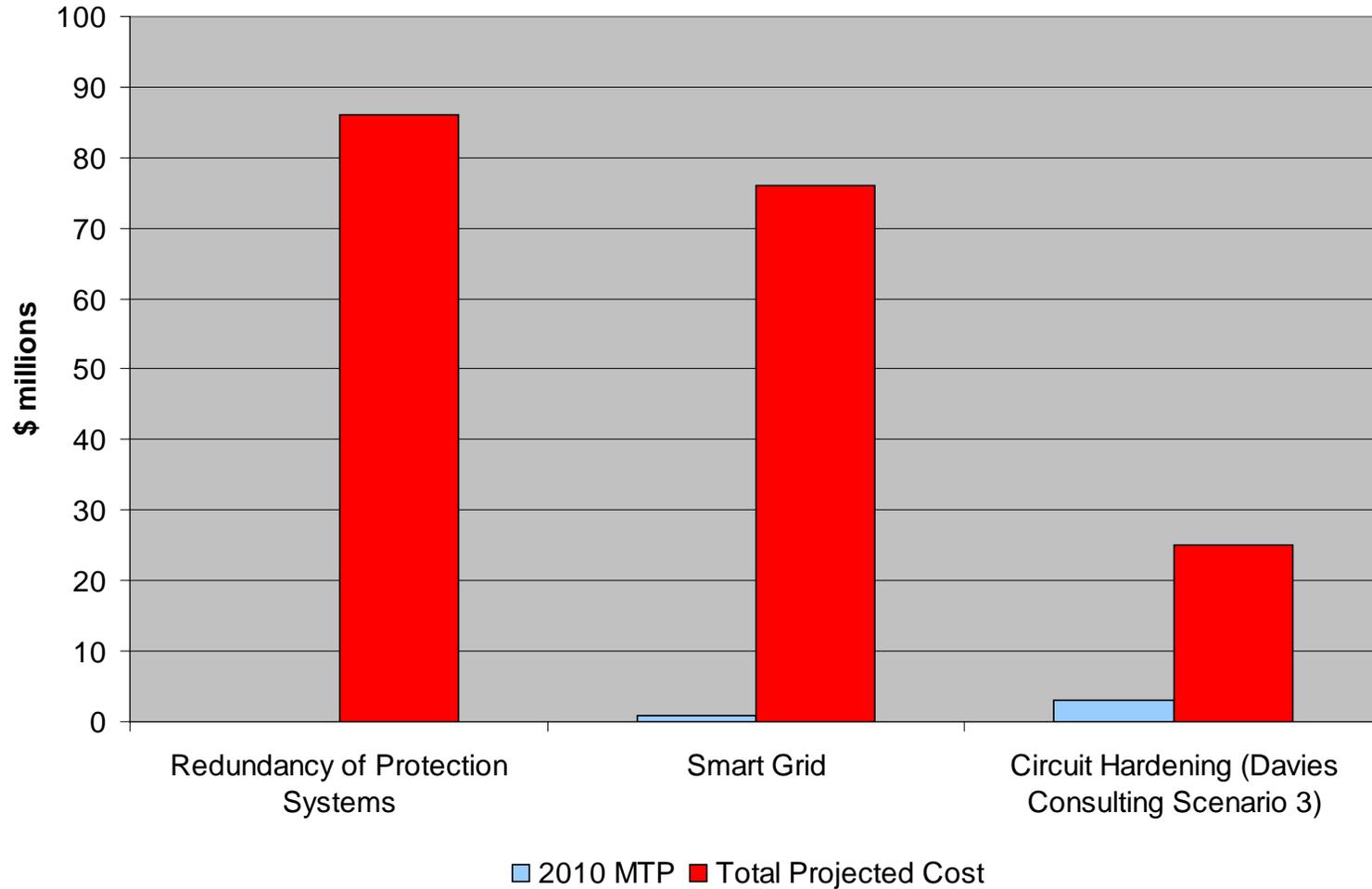
Key Message

- Mill Creek – Hardin County higher due to additional substation work, higher underground costs, and IN Bats mitigation.
- River Crossing is \$3.8m higher than the prior plan.
- Higby Mill – West Lexington higher due to addition of the SE Transformer project and the need for a new section of Bus
- 2011 Lines from the 2009 MTP not required, partially offset by higher East Frankfort to Tyrone line to be completed in 2009 and higher communication costs.

Risks and Sensitivities

- NERC reliability standards will continue to drive Transmission through stricter interpretation of existing standards and the addition of new standards, penalty and fine assessment, and increasing audit scrutiny.
- Cyber Security will be an expanding area of compliance standards and scrutiny.
- Growth in the underrated breaker replacement backlog associated with major projects completion (TC2, KMPA, etc.).
- System protection asset replacement (Remote Terminal Unit's (RTU), relays, station control houses).
- ITO/RC construct revisited by FERC potentially requiring more oversight and cost.
- Unverified system ratings – lines and equipment (NERC – Transmission planning standards).
- Key Asset failure – transformer/breakers.
- Network Interconnect Transmission Service Requests (ie.KMPA, OMU, Cash Creek) impacts.
- Knowledge transfer and retention as employees retire.
- Federal and State mandatory Smart Grid initiatives.
- KYPSC mandated system hardening investment.

| <i>\$ millions</i> | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|--------------|--------------|
| Redundancy of Protection Systems (proposed NERC standard - 100kV and above ~ \$86M total) | 9 | 15 | 15 |
| Smart Grid - \$76M total over 10 years | 1 | 5 | 8 |
| Additional DFR requirements | 5 | 5 | 5 |
| Circuit Hardening (see 4 scenarios below) | - | - | - |
| > report generated by Davies Consulting | - | - | - |
| Transmission Scenario 1 - \$42M total of which 5%, 20% and 30% assumed in '10, '11, and '12 | 2 | 8 | 13 |
| Transmission Scenario 2 - \$31M total of which 5%, 20% and 30% assumed in '10, '11, and '12 | 2 | 6 | 9 |
| Transmission Scenario 3 - \$25M total of which 5%, 20% and 30% assumed in '10, '11, and '12 | 1 | 5 | 7 |
| Transmission Scenario 4 - \$12M total of which 5%, 20% and 30% assumed in '10, '11, and '12 | 1 | 3 | 4 |
| Transformer Purchases (proposed NERC standard relating to timeframe for failure replacements) | 3 | 2 | 0 |
| Network Inter-connection Transmismission Service (NITS) | 1 | 3 | 5 |
| Cash Creek IPP Transmission Service (completion est. by 2014, total project \$100M, reimbursable) | 10 | 15 | 15 |
| West Irvine-Transformer, etc. Upgrades | (0) | 0 | (0) |
| Estill County Partners | - | - | (1) |



2008-2012 Headcount (FTE)

| <i>Department</i> | <i>2008 Year End</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|-------------------------------------|--------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Director Transmission</i> | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| <i>Transmission Lines</i> | 27 | 29 | 28 | 28 | 29 | 29 | 29 |
| <i>Substations & Protection</i> | 20 | 23 | 22 | 22 | 23 | 23 | 23 |
| <i>Systems Control / EMS</i> | 37 | 40 | 39 | 39 | 40 | 40 | 40 |
| <i>Strategy and Planning</i> | 12 | 17 | 15 | 15 | 17 | 17 | 17 |
| <i>Reliability</i> | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| <i>Total</i> | 101 | 115 | 110 | 110 | 115 | 115 | 115 |

Notes:

- (1) Combined premerger KU/LGE transmission staffing was at 97 (RFT) employees in 1997/1998.
- (2) By year-end 2001, transmission staffing had dropped to 77 (RFT) due to merger (1998), One Utility (2000) and WTSP (2001).
- (3) Staffing reduction of 20 (RFT) employees between 1998 and 2001 included a net reduction of 8 experienced engineers.

Initiatives

- Continue development of Compliance culture, documentation, and process improvement.
- Continue integration of KU and LG&E transmission system management and processes.
- Asset management tool implementation.
- 10 Year static wire upgrade program.
- Capital Project Management committee and processes.
- Combined E.D. and E.S. reliability team.
- Align accounting and financial reporting and analysis by management and organizational structure.

Long-Term Considerations

- Develop and coordinate internal resources to participate in regulatory process and committees (FERC, NERC, SERC).
- Focus on renewable and smart grid technologies for Transmission role definition and commercial opportunities.
- Enhance relationships and policy development effectiveness with state and federal legislative and regulatory agencies.
- Develop a strategic plan focused on business value optimization.
- Explore alternatives to current ITO/RC structure.

Key Performance Indicators

| KPI | 2008 Year End | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---------------------------------------|------------------|----------------|------------------|----------------|--------------|--------------|
| <i>Recordable Injuries Employee</i> | 0.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| <i>Recordable Injuries Contractor</i> | 6.00 | 3.00 | 6.00 | 3.00 | 3.00 | 3.00 |
| <i>SAIDI</i> | 6.90 | 7.00 | 10.40 | 7.00 | 7.00 | 7.00 |

Transmission Recordable Injury targets are combined with the Energy Services overall target for RIIR. The figures above are the actual injury targets for Transmission.

SAIDI overage for 2009 can be attributed to two outages:

February – pole failure in Shelbyville 0.8 minutes

April – static failure in Louisville at Clifton Substation >2 minutes

Various capital projects are included in the Plan to help improve SAIDI, these include:

- Static Replacement Program
- Danville Breakers
- Fiber replacements
- High side breaker projects

- Key Issues
- Post Audit
- Substation Capital
- Ongoing NERC Compliance
- Expansion Plan
- Reliability
- Network Inter-connection Transmission Service - NITS
- Other Costs
- O&M Detail
- Cost of Sales
- Integrated Utility System Operation
- ITO
- Smart Grid
- Circuit hardening

- Regulatory Oversight and Compliance
- System Reliability and Power Quality
- Major Capital Projects
- ITO/RC construct and cost
- Workforce planning
- Employee training and development (minimal experience in key areas)

- Continues to be labor intensive
- Have implemented processes to continually assess our compliance status, including:
 - weekly status reviews.
 - additional documentation.
 - evidence collection.
- Documentation software implementation will continue into 2010.
- Ensuring non-audited standards are in being met.
- System impacts due to KMPA, OMU, and ITO changes force us to review compliance.
- Current functions performed by Generation dispatch will move to Transmission.
- Protection system compliance activities are continuing to drive capital and O&M needs:
 - Capital – proposed redundancy standard (sensitivity), relay replacement program, carrier replacement program (both driven by NERC system protection standards).
 - O&M – extensive time required for testing. Requires cooperation and support from telecom and distribution resources.

- **Interconnection Activity:**

- EKPC – West Garrard, Central Hardin
- TVA – Meredith
- KMPA – North Princeton, Paducah Primary, Coleman Road

- **Control House Replacement Program**

- Updating aging equipment with modern controls technology. Improves reliability of the system and provides better operational information, Compliance and SAIDI implications.

- **New maintenance initiatives to strategically replace equipment**

- Batteries, Instrument Transformers, Surge Arrestors

- **Ice Storm Lessons Learned**

- Improve station service supply, harden communications circuits

- **PER-005 Task Based System Personnel Training**
- Timing: adopted NERC Board of Trustees, awaiting FERC approval, effective +2 yrs
- Content: define, train, verify Electric System Coordinator capability, document, simulator training
- Risk: Violation Risk Factor (VRF) Medium-High
- Issues/Resources: personnel time, trainers, engineering, documentation
- **NERC Project 2009-07 Protection System Enhancements**
- Timing: in development, possible implement by 2011, effective +2-3 yrs after
- Content: Proposed relay and carrier redundancy requirements
- Risk: VRF High
- Issues/Resources: capital to update & duplicate protection equipment
- **FAC-003 Vegetation Management (Facilities Design, Connections, & Maintenance)**
- Timing: FAC-003-2 will be issued for comments in Sept 2009
- Content: More stringent right of way clearing requirements
- Risk: VRF High
- Issues / Resources: increased ROW clearing O&M costs

2009-2012 Headcount Changes

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 115 | 115 | 115 |
| <i>Prior Year</i> | 110 | 115 | 115 |
| <i>Variance</i> | <u>(5)</u> | <u>-</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Project Coordinator (Lines)</i> | (1) | | |
| <i>Co-op Student Engineer</i> | (4) | | |
| <i>Total Variance</i> | <u>(5)</u> | <u>-</u> | <u>-</u> |

- The 2009 Contingency plan reduced headcount by 5 from the budget.
- The 2010 MTP is consistent with the Workforce Plan adopted in the 2009 MTP.

2009-2012 Capital Reconciliation –IFRS Cash Basis (\$000)

| | 2010 <i>Budget</i> | 2011 <i>Plan</i> | 2012 <i>Plan</i> |
|---|-----------------------|---------------------|---------------------|
| <i>Current Plan</i> | 55,759 | 33,202 | 28,334 |
| <i>Prior Plan</i> | 39,144 | 45,502 | 25,162 |
| <i>Variance</i> | <u>(16,615)</u> | <u>12,300</u> | <u>(3,172)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>List major items that are driving plan over plan variances</i> | | | |
| <i>Trimble 2 Trans. Projects</i> | (4,589) | 10,800 | |
| <i>TC2 Workaround</i> | (5,361) | - | |
| <i>KMPA</i> | (1,696) | (540) | |
| <i>Static Replacements</i> | (1,000) | (1,100) | |
| <i>Middletown-Collins 138kV Line</i> | (1,684) | - | |
| <i>Campbellsville-Greensburg</i> | 3,200 | - | |
| <i>Brown North- Tyrone</i> | 1,780 | 1,445 | |
| <i>Skylight-Penal Farm 69kV</i> | 2,200 | 2,565 | |
| <i>Bardstown-Transformer Upgrade</i> | (1,500) | - | |
| <i>West Cliff Rebuild</i> | (1,733) | (267) | |
| <i>Bardstown-Transformer Upgrade</i> | (1,500) | - | |
| <i>Cynthiana Switch - Brkr Conversion</i> | (1,000) | - | |
| <i>Work Management/FRP software</i> | (2,433) | (567) | |
| <i>Other</i> | (1,299) | (36) | (3,172) |
| <i>Total Variance</i> | <u>(16,615)</u> | <u>12,300</u> | <u>(3,172)</u> |

- The Transmission Expansion Plan (TEP) identifies the need for and timing of reliability projects.
- TEP is developed in compliance with the NERC Transmission Planning Standards and the E.ON U.S. Transmission Planning Guidelines
- Major changes from the prior transmission expansion plan include:
 - Use of the 2009 MTP load forecast – Current expansion planning is based on a load forecast delivered in 12/2008, which has since been revised downward.
 - The 2010 summer forecast being used is 4.7% lower than the previous one (7,193 MW down to 6,854 MW), and this trend continues throughout the planning horizon. This has a significant impact on the timing of projects – and they are not always delayed.
 - A proposed 610 MW generator at Green River expected in 2014 has been removed from the planning models.

Expansion Plan

- A project to convert the East Frankfort/West Frankfort 69 kV line to 138 kV is no longer needed. This project was originally identified in MISO's Trimble County Unit 2 study.
- A second 345/138 kV transformer scheduled for Hardin County is no longer needed in the planning horizon.
- A project to install three breakers at Scott County has been initiated. This was initiated in part by a significant load addition to the Lemons Mill distribution substation.

| IFRS, \$000s | 2010 MTP | | | 2009 MTP | | | Variance | |
|--|--------------|--------------|--------------|----------|--------------|--------------|----------------|----------------|
| | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2010 | 2011 |
| Transmission Expansion Plan (Excl. TC2) | 6,743 | 6,089 | 1,950 | - | 3,000 | 4,225 | (6,743) | (3,089) |
| Variance | | | | | | | | |
| Bardstown Ind Tap-Bardstown Ind 69kv recon. | - | 2,295 | - | - | - | - | - | (2,295) |
| MT 138kV Collins termination | 50 | - | - | - | - | - | (50) | - |
| Bardstown-Transformer Upgrade | 1,500 | - | - | - | - | - | (1,500) | - |
| Higby Mill 138/69 112 MVA | 1,573 | 97 | - | - | - | - | (1,573) | (97) |
| West Irvine-Transformer, etc. Upgrades | - | - | - | - | - | - | - | - |
| Brown North- Tyrone | 1,220 | 2,780 | - | - | 3,000 | 4,225 | (1,220) | 220 |
| Cynthiana Switch - Breaker Conversion | 1,000 | - | - | - | - | - | (1,000) | - |
| KY State Hosp-Danville East - Thermal Upgrade | 600 | - | - | - | - | - | (600) | - |
| 3 mi 161kv W.Irvine-Lake Reba Tap/Delvinta | - | - | - | - | - | - | - | - |
| Planning Projects | - | 917 | 1,950 | - | - | - | - | (917) |
| Higby Mill Breaker Replacement | 800 | - | - | - | - | - | (800) | - |
| Other | | | | | | | | |
| Totals | 6,743 | 6,089 | 1,950 | - | 3,000 | 4,225 | (6,743) | (3,089) |

| IFRS, \$000s | 2010 MTP | | | 2009 MTP | | | Variance | |
|--|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2010 | 2011 |
| Reliability | 9,437 | 8,781 | 7,475 | | 2,971 | 2,502 | 6,466 | 6,279 |
| Variance | | | | | | | | |
| West Cliff Rebuild | 1,733 | 267 | - | - | - | - | 1,733 | 267 |
| Static Replacement | 1,000 | 1,100 | 1,210 | - | - | - | 1,000 | 1,100 |
| Breakers Replacements | 1,481 | 1,657 | 1,747 | 868 | 1,551 | 1,659 | (70) | (2) |
| Station Service Transformers | 624 | 720 | 720 | - | - | - | 624 | 720 |
| High Side Breaker Additions | - | 933 | 1,000 | - | - | - | - | 933 |
| Oxmoor Underground 6650 & 6653 | 58 | - | 650 | - | - | - | 58 | - |
| Millersburg Control Hse Repl | - | - | 691 | - | - | - | - | - |
| Dist Eastwood West Tap | 285 | - | - | - | - | - | 285 | - |
| Danville Breakers - adding bkrs to distribution stations | - | 600 | - | - | - | - | - | 600 |
| Distribution Reliability - Beattyville, Mt Vernon | - | - | - | - | - | - | - | - |
| Surge Arrestors-KU | 373 | 211 | 200 | - | - | - | 373 | 211 |
| Other | 3,883 | 3,293 | 1,257 | - | - | - | 3,883 | 3,293 |
| Totals | 9,437 | 8,781 | 7,475 | 868 | 1,551 | 1,659 | 7,886 | 7,122 |

| IFRS, \$000s | 2010 MTP | | | 2009 MTP | | | Variance | |
|--------------------------|--------------|--------------|--------------|----------|--------------|--------------|----------------|--------------|
| | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2010 | 2011 |
| NITS | 3,715 | 1,995 | 3,463 | | 1,000 | 1,000 | (3,715) | (995) |
| Polo Club Substation | - | 458 | 1,423 | - | - | - | - | (458) |
| Old Henry | 740 | - | - | - | - | - | (740) | - |
| NITS 10 | 1,000 | - | - | - | - | - | (1,000) | - |
| NITS 11 | - | 1,000 | - | - | - | - | - | (1,000) |
| NITS 12 | - | - | 1,000 | - | - | - | - | - |
| KMPA Substation Projects | 1,696 | 540 | 1,040 | - | - | - | (1,696) | (540) |
| Other | 279 | (3) | - | - | 1,000 | 1,000 | (279) | 1,003 |
| Totals | 3,715 | 1,995 | 3,463 | - | 1,000 | 1,000 | (3,715) | (995) |

2008-2012 Other Costs (\$000)

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|----------------------------|------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Stores Expense</i> | | | | | | |
| <i>Labor</i> | - | - | - | - | - | - |
| <i>Non labor</i> | - | - | - | - | - | - |
| <i>Total</i> | - | - | - | - | - | - |
| <i>Local Engineering</i> | | | | | | |
| <i>Labor</i> | 2,859 | 2,056 | 2,056 | 2,514 | 2,602 | 2,693 |
| <i>Non labor</i> | 629 | - | - | - | - | - |
| <i>Total</i> | 3,488 | 2,056 | 2,056 | 2,514 | 2,602 | 2,693 |
| <i>Other Balance Sheet</i> | | | | | | |
| <i>Labor</i> | - | - | - | - | - | - |
| <i>Non labor</i> | - | - | - | - | - | - |
| <i>Total</i> | - | - | - | - | - | - |
| <i>Total Other Costs</i> | <u>3,488</u> | <u>2,056</u> | <u>2,056</u> | <u>2,514</u> | <u>2,602</u> | <u>2,693</u> |

2009-2012 O&M Reconciliation - IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 31,166 | 31,136 | 31,692 |
| <i>Prior Year</i> | 34,273 | 31,166 | 31,136 |
| <i>Variance</i> | <u>3,107</u> | <u>30</u> | <u>(556)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Cost of Removal (excl Storms)</i> | (2,022) | 326 | 278 |
| <i>Major Storm Costs</i> | 6,592 | | |
| <i>Other</i> | (1,463) | (296) | (834) |
| <i>Total Variance</i> | <u>3,107</u> | <u>30</u> | <u>(556)</u> |

| O&M | 2010 MTP | | | 2009 MTP | | Fav(Unfav) | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2010 | 2011 |
| Direct Raw Labor | 5,944 | 6,154 | 6,380 | 5,352 | 5,539 | (592) | (615) |
| Direct Burdens | 5,209 | 5,393 | 5,592 | 4,093 | 4,237 | (1,116) | (1,156) |
| Distribution / System Lab Labor | 1,466 | 1,519 | 1,572 | 1,533 | 1,587 | 67 | 68 |
| Distribution / System Lab Burdens | 1,284 | 1,331 | 1,378 | 1,172 | 1,213 | (112) | (118) |
| Total Labor | 13,903 | 14,397 | 14,922 | 12,150 | 12,576 | (1,753) | (1,821) |
| Vegetation Management | 3,961 | 4,060 | 4,162 | 4,060 | 4,162 | 99 | 101 |
| Indiana Bat Mitigation | 250 | 256 | 263 | 769 | 788 | 519 | 532 |
| Routine Maintenance | 672 | 689 | 706 | 689 | 706 | 17 | 17 |
| Pole Inspections | 1,104 | 1,132 | 1,160 | 1,132 | 1,160 | 28 | 29 |
| Lines G&A Nonlabor | 91 | 93 | 96 | 93 | 96 | 2 | 2 |
| Subtotal Lines | 6,078 | 6,230 | 6,386 | 6,743 | 6,912 | 665 | 682 |
| Substation Maintenance | 2,397 | 2,455 | 2,515 | 2,308 | 2,372 | (89) | (83) |
| Contract Inspections | - | - | - | 246 | 252 | 246 | 252 |
| Relocation | - | - | - | 123 | 126 | 123 | 126 |
| Outside Engineering & Compliance | 148 | 152 | 155 | 127 | 130 | (21) | (21) |
| Protection System Maintenance | 60 | 62 | 63 | 369 | 378 | 309 | 317 |
| Breaker Transformer Testing | 36 | 37 | 38 | 197 | 202 | 161 | 165 |
| Telecommunications Protection Testing | 288 | 295 | 303 | 295 | 303 | 7 | 7 |
| Substations Other G&A Nonlabor | 252 | 258 | 265 | 195 | 200 | (57) | (59) |
| Subtotal Substations | 3,181 | 3,259 | 3,339 | 3,860 | 3,962 | 679 | 704 |
| System Controls | 703 | 720 | 738 | 1,059 | 1,085 | 356 | 365 |
| EMS | 431 | 442 | 454 | 427 | 438 | (4) | (4) |
| Strategy & Planning and Reliability | 232 | 240 | 245 | 214 | 219 | (18) | (21) |
| Subtotal | 1,366 | 1,402 | 1,437 | 1,700 | 1,743 | 334 | 341 |
| NERC/FERC Fees | 1,250 | 1,281 | 1,313 | 1,281 | 1,313 | 31 | 32 |
| Director Nonlabor G&A | 153 | 157 | 161 | 125 | 128 | (28) | (29) |
| SVP, VP Nonlabor, Budgeting G&A | 241 | 242 | 244 | 181 | 181 | (60) | (61) |
| Stretch Gap | - | - | - | - | - | - | - |
| Total O&M | 26,172 | 26,968 | 27,802 | 26,041 | 26,815 | (131) | (153) |

| | 2010 MTP | | | 2009 MTP | | Fav(Unfav) | |
|---------------------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2010 | 2011 |
| O&M | | | | | | | |
| Raw Labor | 7,410 | 7,673 | 7,553 | 6,905 | 7,144 | (505) | (529) |
| Burdens | 6,493 | 6,724 | 7,369 | 5,280 | 5,463 | (1,213) | (1,261) |
| <u>Non-labor</u> | | | | | | | |
| Lines | 6,038 | 6,189 | 6,344 | 6,743 | 6,911 | 705 | 722 |
| Substations | 1,347 | 1,382 | 1,415 | 1,960 | 2,009 | 613 | 627 |
| Sys Control, EMS | 1,134 | 1,162 | 1,192 | 1,481 | 1,518 | 347 | 356 |
| Strategy & Planning | 94 | 97 | 100 | 22 | 23 | (72) | (74) |
| Reliability | 138 | 143 | 146 | 214 | 219 | 76 | 76 |
| NERC/FERC Fees | 1,281 | 1,313 | 1,346 | 1,281 | 1,313 | - | - |
| Alloc from Distribution | 1,871 | 1,918 | 1,966 | 1,870 | 1,917 | (1) | (1) |
| G&A Support | 366 | 367 | 371 | 285 | 298 | (81) | (69) |
| Total O&M | 26,172 | 26,968 | 27,802 | 26,041 | 26,815 | (131) | (153) |
| | | | | | | | |
| Cost of Removal | 4,994 | 4,168 | 3,890 | 7,059 | 6,200 | 2,065 | 2,032 |
| | | | | | | | |
| Total IFRS O&M | 31,166 | 31,136 | 31,692 | 33,100 | 33,015 | 1,934 | 1,879 |

Cost of Sales

- OATT revenue increased from the 2009 MTP due to
 - The Trimble County to Speed 345 kV completed in 2009
 - The expected execution of the OMU NITSA for Service in May 2010.
 - The attachment of OMU facilities revenue requirement of approximately \$800k to the Attachment O rate.
- Amounts exclude the monthly amortization of the EKPC Settlement regulatory asset, and the monthly amortization of the MISO Exit fee.

2009-2012 Cost of Sales Reconciliation - IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 10,824 | 9,646 | 10,287 |
| <i>Prior Year</i> | 10,223 | 10,824 | 9,646 |
| <i>Variance</i> | <u>(601)</u> | <u>1,178</u> | <u>(641)</u> |
| <i>Prior Year is 2009 7+5 Forecast</i> | | | |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Increase in SPP ITO</i> | (960) | - | (314) |
| <i>Decrease 3rd Party Trans Exp</i> | 128 | 702 | |
| <i>Payments to IMEA/IMPA</i> | - | 250 | - |
| <i>RTO Admin Costs on Purchases</i> | 31 | 377 | (207) |
| <i>Other</i> | 200 | (151) | (120) |
| <i>Total Variance</i> | <u>(601)</u> | <u>1,178</u> | <u>(641)</u> |

| | 2010 MTP | | | 2009 MTP | | Fav(Unfav) | |
|--|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2010</u> | <u>2011</u> | <u>2009</u> | <u>2010</u> |
| <u>Cost of Sales</u> | | | | | | | |
| EKPC NITS Costs | 2,016 | 2,083 | 2,117 | 2,016 | 2,083 | - | - |
| Intercompany Transmission - Native Load | 1,409 | 952 | 1,165 | 2,802 | 2,039 | 1,393 | 1,087 |
| Intercompany Transmission - MUNI | 3,695 | 4,249 | 4,733 | - | - | (3,695) | (4,249) |
| SPP - ITO | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | - | - |
| TVA - Reliability Coordination Agreement | 1,665 | 1,749 | 1,835 | 1,665 | 1,749 | - | - |
| RTO Costs | 954 | 577 | 784 | 1,148 | 784 | 194 | 207 |
| 3rd Party Transmission Expense | 1,639 | 937 | 1,251 | 1,357 | 932 | (282) | (5) |
| Payment to IMEA/IMPA | 250 | - | - | 250 | 250 | - | 250 |
| Total | 15,928 | 14,847 | 16,185 | 13,538 | 12,137 | (2,390) | (2,710) |
| Total excluding Intercompany | 10,824 | 9,646 | 10,287 | 10,736 | 10,098 | (88) | 452 |

Excludes Off-System Sales related expenses

Revenue and Cost of Sales (\$000)

| | 2008 Actual | 2009 Budget | 2009 7+5 F'cst | 2010 MTP | | | 2009 MTP | | Var. '10 MTP vs. '09 MTP | |
|--|-----------------|----------------|-------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|----------------|
| | | | | 2010 | 2011 | 2012 | 2010 | 2011 | 2010 | 2011 |
| Revenues: | | | | | | | | | | |
| Grandfathered - NL | 483 | 483 | 522 | 345 | 240 | 240 | 498 | 506 | (153) | (266) |
| Intercompany Transmission - OSS | 6,943 | 3,560 | 3,930 | 3,127 | 4,876 | 4,379 | 5,096 | 6,644 | (1,969) | (1,768) |
| Intercompany Transmission - NL | 1,886 | 3,817 | 2,714 | 1,409 | 952 | 1,165 | 2,802 | 2,039 | (1,393) | (1,087) |
| Intercompany Transmission - MUNI | 0 | 0 | 626 | 3,695 | 4,249 | 4,733 | 0 | 0 | 3,695 | 4,249 |
| OATT - NL | 3,261 | 3,924 | 3,396 | 6,083 | 7,872 | 8,744 | 4,085 | 4,230 | 1,998 | 3,642 |
| From Other MISO members - NL | 202 | 0 | 243 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RSG for Off-System | 0 | 0 | (542) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | 12,775 | 11,784 | 10,889 | 14,659 | 18,189 | 19,261 | 12,481 | 13,419 | 2,178 | 4,770 |
| Cost of Sales: | | | | | | | | | | |
| Interco Transmission Expense - OSS | 6,943 | 3,560 | 3,930 | 3,127 | 4,876 | 4,379 | 5,096 | 6,644 | 1,969 | 1,768 |
| Intercompany Transmission Expense - NL | 1,886 | 3,818 | 2,695 | 1,409 | 952 | 1,165 | 2,802 | 2,039 | 1,393 | 1,087 |
| Intercompany Transmission Expense - MUNI | 0 | 0 | 626 | 3,695 | 4,249 | 4,733 | 0 | 0 | (3,695) | (4,249) |
| 3rd Party Transmission Expense - NL | 2,186 | 1,905 | 1,737 | 1,639 | 937 | 1,251 | 1,357 | 932 | (282) | (5) |
| EKPC NITS Costs | 1,863 | 1,949 | 1,978 | 2,016 | 2,083 | 2,117 | 2,016 | 2,083 | 0 | 0 |
| Payments to IMEA/IMPA (TC TLR's) | 220 | 250 | 280 | 250 | 0 | 0 | 250 | 250 | 0 | 250 |
| SPP - ITO Expense | 3,292 | 3,340 | 4,340 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 0 | 0 |
| TVA - Reliability Coordination Agreement | 1,511 | 1,586 | 1,873 | 1,665 | 1,749 | 1,835 | 1,665 | 1,749 | 0 | 0 |
| RTO Costs - NL | 325 | 1,614 | 985 | 954 | 577 | 784 | 1,148 | 784 | 194 | 207 |
| Other | 68 | 0 | (294) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RTO Costs - OSS | 4,898 | 1,498 | 1,203 | 3,316 | 5,995 | 5,107 | 2,312 | 3,169 | (1,004) | (2,826) |
| 3rd Party Transmission Expense - OSS | 303 | 0 | (570) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other - OSS | 107 | 0 | (1,217) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Cost of Sales | 23,602 | 19,520 | 17,566 | 22,371 | 25,718 | 25,671 | 20,946 | 21,950 | (1,425) | (3,768) |
| Total Gross Margin | (10,827) | (7,736) | (6,677) | (7,712) | (7,529) | (6,410) | (8,465) | (8,531) | 753 | 1,002 |

The actual SPP settlement in 2009 is \$2.3m. The 7+5 includes \$1.0m

FERC Annual Revenue Requirement is \$71.8M in 2008



*Energy Delivery
2010-2012 MTP*

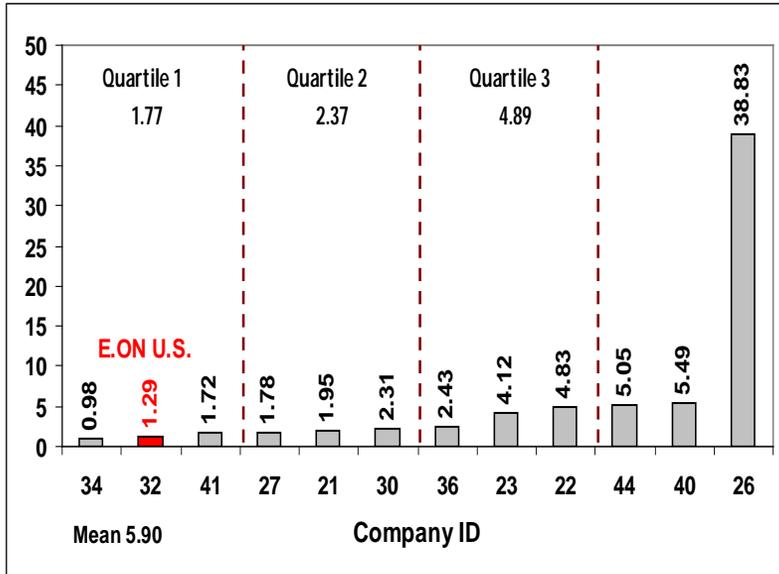
October 9, 2009

| | |
|-------------------------------------|-------|
| <i>Executive Summary</i> | 3-8 |
| <i>Financial Performance</i> | |
| <i>ÿ O&M</i> | 9-10 |
| <i>ÿ Cost of Sales</i> | 11 |
| <i>ÿ Capital</i> | 12 |
| <i>ÿ Headcount Update</i> | 13 |
| <i>ÿ Risks & Sensitivities</i> | 14-15 |
| <i>Operational Performance</i> | |
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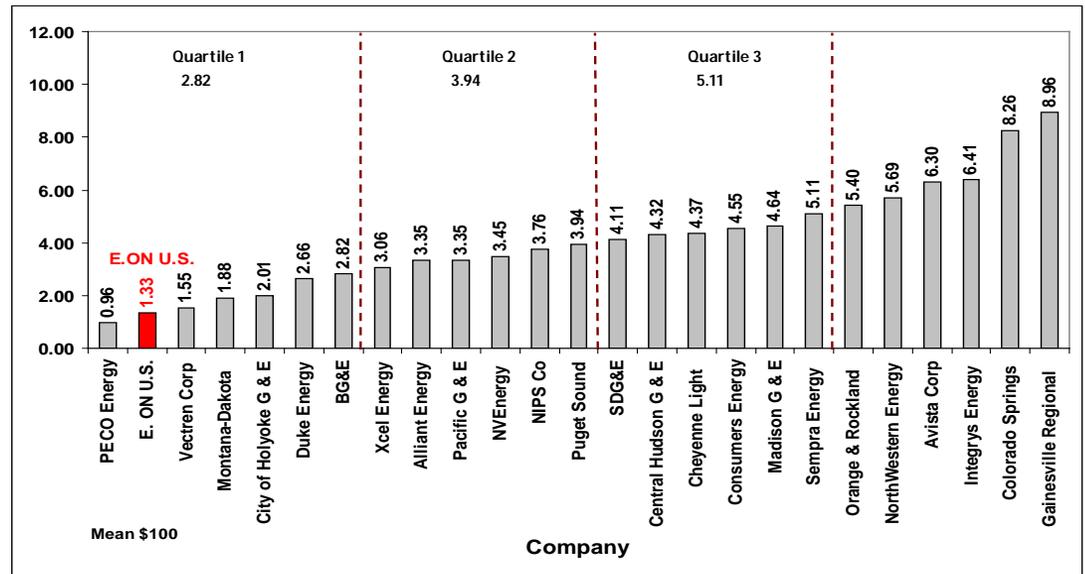
Energy Delivery provides safe, reliable, and high quality service to our customers. The objective of the attached plan is to maintain or enhance service levels to our customers over the long term.

Safety Performance

Recordable Incident Rate Distribution Organization
First Quartile Benchmarking – 2008 Data
(Electric Only)

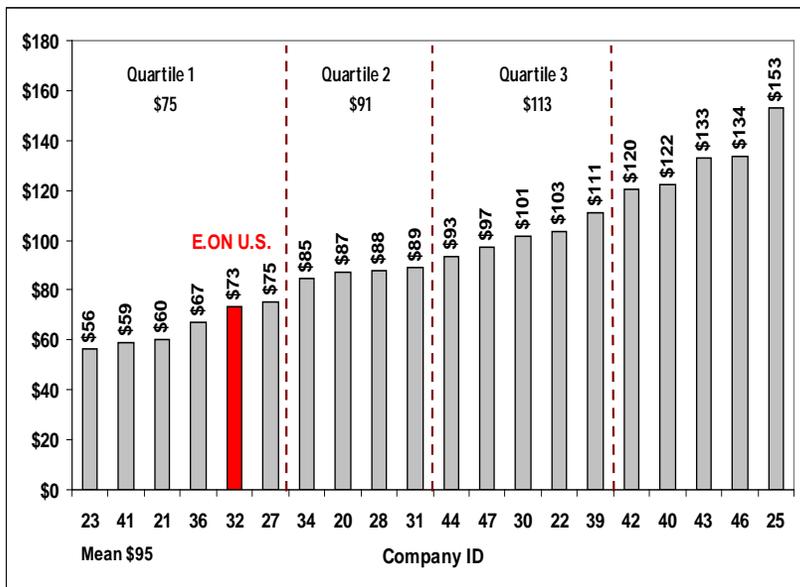


Recordable Incident Rate Combination Companies
Natural Gas Industry Annual Safety Performance Report
American Gas Association - 2008 Data

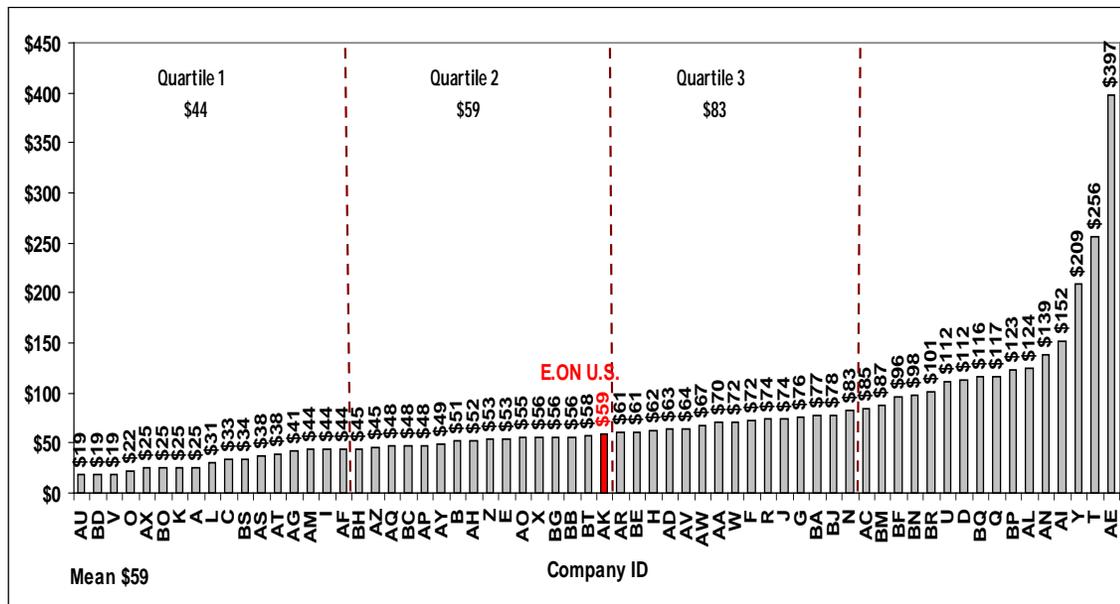


O&M Cost per Customer Performance

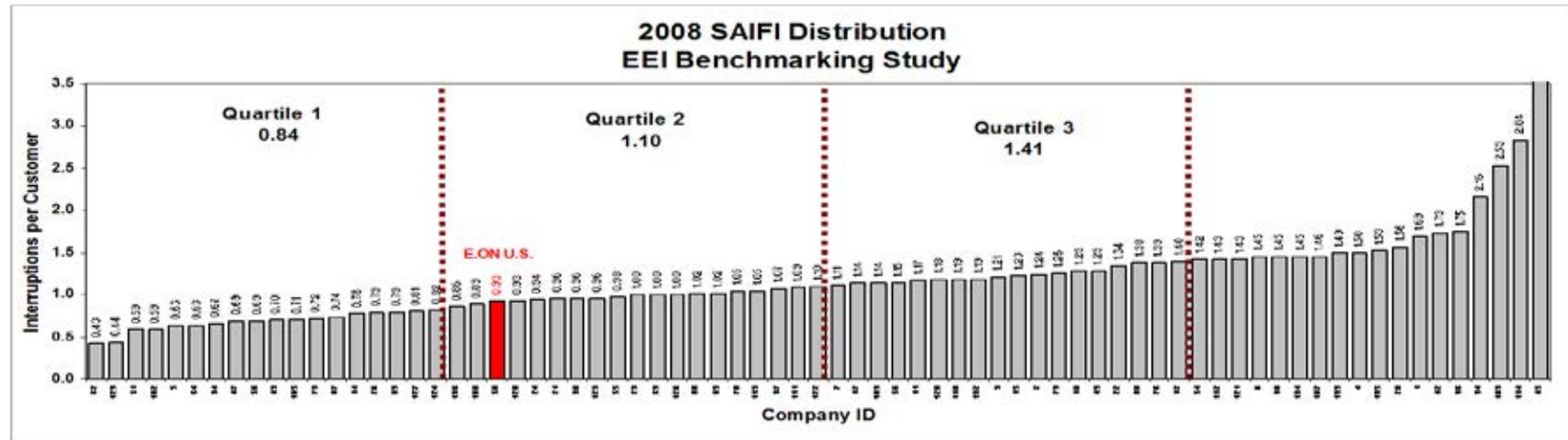
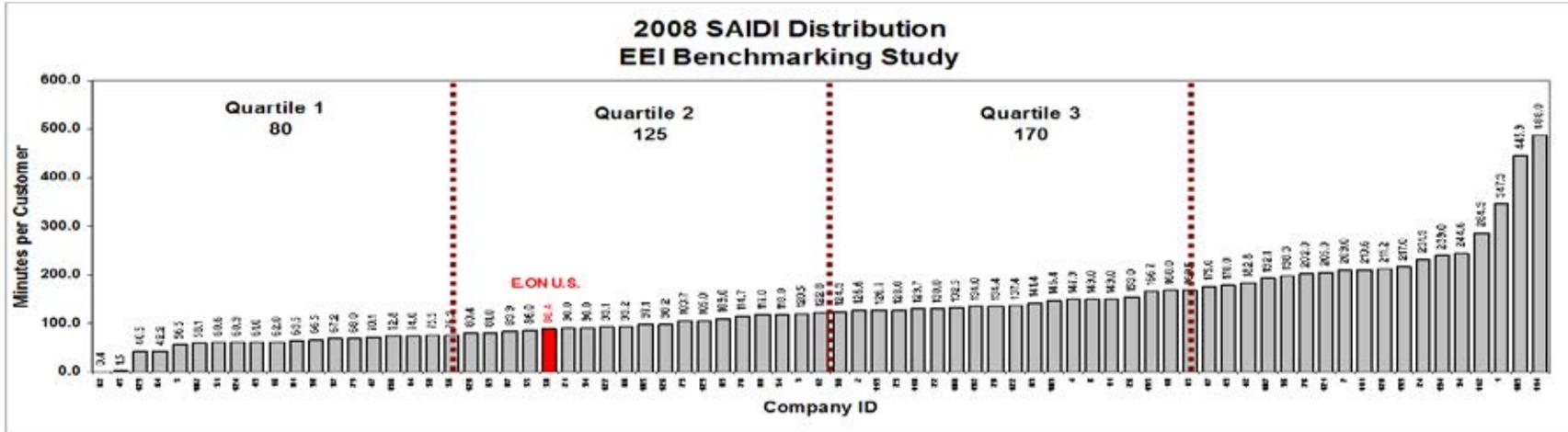
Overall Distribution Expenditures Per Distribution Customer
 First Quartile Benchmarking – 2008 Data
 (Electric Only)



Overall Gas Distribution Expenditures Per Customer
 American Gas Association
 2008 Data
 (Gas Only)



Reliability Performance



Y Safety

- Y Continue partnership with Energy Services and the "Bridge to Safety Excellence"*
- Y Continue focus on motor vehicle safety*
- Y Continue with national and international sharing of safety best practices and information*
- Y Have won 8 international, national and state awards to date*
- Y Maintain or enhance customer satisfaction in the current challenging environment*
- Y Continue progress on CCS performance*
- Y Increased investment in electric and gas infrastructure*
- Y Implementation of outage communication strategy*
- Y Continue to expand the portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency*

ÿ *O&M*

ÿ *2009 forecast of \$224.1M is \$26M higher than the 2009 Contingency Plan:*

- DSM transfer from corporate \$22M*
- Winter storm costs \$ 4M*

ÿ *Achieved O&M target in the 3-year MTP period.*

ÿ *Through the MTP, year over year increases are due primarily to labor/wage increases, additional DSM costs, storms, tree trimming, and bad debt expense.*

ÿ *Compounded Annual Growth Rate (CAGR) from 2009 to 2012 is 5.4%.*

ÿ *Major Risks:*

- Storm restoration*
- Bad debt*

Y CAPEX

Y *2009 forecast of \$166.7M is \$1M lower than the 2009 Contingency Plan.*

Y *Compounded Annual Growth Rate (CAGR) from 2009 to 2012 is 11.2%.*

Y *New business is expected to recover in the plan period.*

Y *Major Initiatives:*

- *Pole Inspection & Treatment Program*
- *Gas Leak Mitigation*
- *Mobile Technology for Outage Communication Strategy*
- *Continued Substation Enhancements*
- *Muldraugh Gas Compressor Addition*
- *West Call Center*
- *Smart Metering - Advanced Metering Infrastructure Pilot*

2008-2012 O&M (\$000)

ENERGY DELIVERY

| Line of Business | 2008 Actual | 2009 Budget | 2009 | | 2010 Budget | 2011 Plan | 2012 Plan |
|---|-----------------|----------------|---------------------|------------------|----------------|----------------|----------------|
| | | | Contingency Plan | 2009 Forecast | | | |
| <i>Distribution</i> | 134,215 | 102,011 | 201,392 | 218,513 | 111,600 | 119,675 | 123,525 |
| <i>Retail</i> | 39,608 | 40,882 | 43,287 | 65,870 | 80,745 | 84,437 | 83,385 |
| <i>Metering</i> | 22,532 | 25,754 | 27,833 | 26,798 | 27,998 | 28,408 | 29,086 |
| <i>Operating Services</i> | 15,585 | 17,204 | 17,347 | 18,136 | 19,617 | 20,299 | 20,766 |
| Total Items Affecting US GAAP EBIT | 211,940 | 185,851 | 289,859 | 329,317 | 239,960 | 252,819 | 256,762 |
| <i>Distribution - Non-Operating Adj.</i> | (39,520) | - | (99,314) | (115,045) | - | - | - |
| <i>Cost of Removal</i> | 7,286 | 5,500 | 7,807 | 9,784 | 5,500 | 5,500 | 5,775 |
| Total IFRS Adjustments | (32,234) | 5,500 | (91,507) | (105,261) | 5,500 | 5,500 | 5,775 |
| Total Items Affecting IFRS EBIT | 179,706 | 191,351 | 198,352 | 224,056 | 245,460 | 258,319 | 262,537 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

CAGR from 2009 - 2012 is 5.4%.

Variance 2008 Actuals to 2009 Forecast - Major drivers are DSM (not included in ED in 2008) and burden increases.

2008-2012 O&M (\$000)

ENERGY DELIVERY

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|-----------------|----------------|-----------------------------|------------------|----------------|----------------|----------------|
| OPEX Expenses | | | | | | | |
| Raw Labor | 45,080 | 51,531 | 51,234 | 54,604 | 53,518 | 57,504 | 60,478 |
| Labor Burdens | 33,208 | 38,146 | 51,257 | 46,416 | 52,226 | 56,668 | 59,427 |
| Subtotal | 78,288 | 89,677 | 102,491 | 101,020 | 105,744 | 114,172 | 119,905 |
| Ice/Ike Storm Expenses | 8,577 | - | 9,476 | 9,781 | - | - | - |
| Total Labor | 86,865 | 89,677 | 111,967 | 110,801 | 105,744 | 114,172 | 119,905 |
| Non Labor: | | | | | | | |
| Vegetation Management | 14,783 | 15,541 | 15,541 | 14,941 | 15,600 | 18,022 | 19,068 |
| Bad Debt | 6,700 | 5,200 | 5,200 | 5,786 | 5,200 | 6,300 | 6,300 |
| Outside Services | 38,380 | 37,196 | 33,630 | 52,586 | 73,263 | 78,837 | 75,162 |
| Other Non labor | 36,227 | 38,237 | 36,330 | 44,741 | 40,153 | 35,488 | 36,327 |
| Subtotal | 96,090 | 96,174 | 90,701 | 118,054 | 134,216 | 138,647 | 136,857 |
| Ice/Ike Storm Expenses | 28,985 | - | 87,191 | 100,462 | - | - | - |
| Total Non Labor | 125,075 | 96,174 | 177,892 | 218,516 | 134,216 | 138,647 | 136,857 |
| Total Items Affecting US GAAP EBIT | 211,940 | 185,851 | 289,859 | 329,317 | 239,960 | 252,819 | 256,762 |
| Distribution - Non-Operating Adj. | (39,520) | - | (99,314) | (115,045) | - | - | - |
| Ice/Ike Storm - Cost of Removal | 1,958 | - | 2,647 | 4,802 | - | - | - |
| Other Cost of Removal | 5,328 | 5,500 | 5,160 | 4,982 | 5,500 | 5,500 | 5,775 |
| Total IFRS Adjustments | (32,234) | 5,500 | (91,507) | (105,261) | 5,500 | 5,500 | 5,775 |
| Total Items Affecting IFRS EBIT | 179,706 | 191,351 | 198,352 | 224,056 | 245,460 | 258,319 | 262,537 |

2008-2012 Cost of Sales (\$000)

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget *</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|--------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Margin Expenses</i> | | | | | | |
| <i>Gas Supply</i> | 31 | 122 | 122 | 126 | 130 | 134 |
| <i>Total Items Affecting US GAAP EBIT</i> | <u>31</u> | <u>122</u> | <u>122</u> | <u>126</u> | <u>130</u> | <u>134</u> |
| <i>Total IFRS Adjustments EBIT</i> | | | | | | |
| <i>Total Items Affecting IFRS EBIT</i> | <u><u>31</u></u> | <u><u>122</u></u> | <u><u>122</u></u> | <u><u>126</u></u> | <u><u>130</u></u> | <u><u>134</u></u> |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

** No 2009 Contingency Plan for Cost of Sales due to the recoverability through rate mechanisms.*

2008-2012 Capital (Excluding COR) (\$000)

ENERGY DELIVERY

| <i>Project</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---------------------------------|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Distribution | | | | | | | |
| New Business | 59,470 | 66,876 | 60,034 | 55,157 | 59,964 | 67,757 | 72,874 |
| Enhance the Network | 38,384 | 43,772 | 34,072 | 33,858 | 56,379 | 54,983 | 63,139 |
| Maintain the Network | 36,153 | 37,878 | 38,978 | 38,563 | 51,175 | 49,988 | 54,861 |
| Repair the Network | 16,397 | 6,869 | 21,235 | 26,034 | 8,361 | 8,519 | 8,775 |
| Miscellaneous | 3,112 | 3,701 | 4,008 | 4,189 | 7,257 | 8,710 | 8,305 |
| Total Distribution | 153,516 | 159,096 | 158,327 | 157,801 | 183,136 | 189,957 | 207,954 |
| Retail | 951 | 869 | 1,020 | 1,026 | 4,475 | 935 | 805 |
| Metering | 4,575 | 5,544 | 4,667 | 4,692 | 6,201 | 10,991 | 17,319 |
| Operating Services | 1,608 | 2,834 | 2,225 | 2,386 | 3,495 | 3,000 | 4,116 |
| Total Capital (107001) | 160,650 | 168,343 | 166,239 | 165,905 | 197,307 | 204,883 | 230,194 |
| Cost of Removal | 7,286 | 5,500 | 7,807 | 9,784 | 5,500 | 5,500 | 5,775 |
| Total (US-GAAP) | 167,936 | 173,843 | 174,046 | 175,689 | 202,807 | 210,383 | 235,969 |
| Less Cost of Removal | (7,286) | (5,500) | (7,807) | (9,784) | (5,500) | (5,500) | (5,775) |
| Less Cash Adjustment - Accruals | 766 | (34) | 1,827 | 831 | (500) | (100) | (1,100) |
| Total (IFRS) | 161,416 | 168,309 | 168,066 | 166,736 | 196,807 | 204,783 | 229,094 |

CAGR from 2009 - 2012 is 11.2%.

2008-2012 Headcount (FTE)

| <u>Department</u> | <u>2008 Year End</u> | <u>2009 Budget</u> | <u>2009 Contingency Plan</u> | <u>2009 Forecast</u> | <u>2010 Plan</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|----------------------------------|--------------------------|------------------------|----------------------------------|--------------------------|----------------------|----------------------|----------------------|
| <i>Distribution</i> | | | | | | | |
| Support Groups | 28 | 29 | 28 | 28 | 28 | 28 | 28 |
| Asset Management | 57 | 63 | 59 | 59 | 60 | 61 | 64 |
| Distribution Operations | 671 | 707 | 698 | 698 | 699 | 701 | 705 |
| Gas Control and Storage | 112 | 115 | 115 | 115 | 116 | 121 | 120 |
| Gas Planning and Supply | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total Distribution | 873 | 919 | 905 | 905 | 908 | 916 | 922 |
| <i>Retail and Metering</i> | | | | | | | |
| Retail Executive and Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Customer Service and Marketing | 252 | 280 | 283 | 283 | 291 | 281 | 281 |
| Revenue Processes & Metering | 194 | 215 | 211 | 211 | 217 | 207 | 208 |
| Energy Efficiency | 11 | 18 | 18 | 20 | 30 | 33 | 36 |
| Transportation | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Retail and Metering | 462 | 518 | 517 | 519 | 543 | 526 | 530 |
| <i>Operating Services</i> | | | | | | | |
| Director and Support | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Contact Management | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Facility Services | 14 | 14 | 15 | 15 | 15 | 15 | 15 |
| Administration Services | 4 | 5 | 4 | 4 | 4 | 4 | 4 |
| Real Estate Right of Way | 7 | 8 | 8 | 8 | 8 | 9 | 9 |
| Total Operating Services | 29 | 31 | 31 | 31 | 31 | 32 | 32 |
| Total Energy Delivery | 1,364 | 1,468 | 1,453 | 1,455 | 1,482 | 1,474 | 1,484 |

Risks and Sensitivities (\$000)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|---------------|---------------|---------------|
| <u>OPEX</u> | | | |
| Reduction in Tree Trimming | 1,500 | | |
| Repairs in Gas and Electric Operations | 1,000 | 1,000 | 1,000 |
| Bad Debt | 2,500 | 1,900 | 1,900 |
| Potential increases in Operating Services Contracts | 1,400 | 1,400 | 1,400 |
| Total | 6,400 | 4,300 | 4,300 |
| <u>CAPEX</u> | | | |
| Storm Restoration (to current 5 yr average) | 400 | 400 | 400 |
| Circuit Hardening | 11,132 | 36,614 | 50,913 |
| Total | 11,532 | 37,014 | 51,313 |

Risks and Sensitivities

- Y Customer Satisfaction*
- Y Material and Equipment Price Increases*
- Y Fuel Prices*
- Y Increased Regulation*
- Y Energy Efficiency Regulatory Approvals*
- Y Pace of the Economic Recovery*

Initiatives

- ÿ *Safety – Destination Zero*
- ÿ *Outage Communication Strategies*
- ÿ *Circuit Hardening Evaluation*
- ÿ *Pole Inspection and Treatment Program*
- ÿ *Energy Efficiency Strategy*
- ÿ *Wellness Initiatives*
- ÿ *Employee Development*
- ÿ *CCS Implementation & Stabilization*
- ÿ *Business Continuity Planning*
- ÿ *Energy Star Partnership / Green Initiatives*
- ÿ *Smart Meter / Smart Grid*

Key Performance Indicators

| <u>KPI</u> | <u>2008 Year End</u> | <u>2009 Budget</u> | <u>2009 Forecast</u> | <u>2010 Budget</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|---|--------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Safety (Energy Delivery)</i> | 1.29 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| <i>SAIFI</i> | 0.90 | 0.77 | 0.95 | 0.93 | 0.91 | 0.89 |
| <i>SAIDI</i> | 85.34 | 75.18 | 99.73 | 98.00 | 96.00 | 94.00 |
| <i>Cash Cost per Customer (rolling 12 months)</i> | \$237 | \$207 | \$300 | \$238 | \$249 | \$264 |

Appendix

2008-2012 O&M (\$000)

DISTRIBUTION OPERATIONS

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|-----------------|----------------|--------------------------|------------------|----------------|----------------|----------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 25,510 | 27,325 | 26,434 | 28,518 | 27,484 | 28,114 | 28,959 |
| Burdens | 18,406 | 19,792 | 27,867 | 23,246 | 26,771 | 32,012 | 32,971 |
| Subtotal | 43,916 | 47,117 | 54,301 | 51,764 | 54,255 | 60,126 | 61,930 |
| Ice/Ike Storm Expenses | 8,577 | - | 9,476 | 9,781 | - | - | - |
| Total Labor | 52,493 | 47,117 | 63,777 | 61,545 | 54,255 | 60,126 | 61,930 |
| Non labor: | | | | | | | |
| Vegetation Management | 14,783 | 15,541 | 15,541 | 14,941 | 15,600 | 18,022 | 19,068 |
| Storm Restoration | 653 | 3,700 | 5,100 | 5,100 | 6,500 | 6,500 | 6,500 |
| Fuel Gas and Gas Losses | 5,852 | 8,614 | 8,614 | 7,814 | 4,646 | 5,204 | 5,828 |
| Outside Services | 16,098 | 12,536 | 7,230 | 11,194 | 15,446 | 19,396 | 20,350 |
| Other Non labor | 15,351 | 14,503 | 13,939 | 17,457 | 15,153 | 10,427 | 9,849 |
| Subtotal | 52,737 | 54,894 | 50,424 | 56,506 | 57,345 | 59,549 | 61,595 |
| Ice/Ike Storm Expenses | 28,985 | - | 87,191 | 100,462 | - | - | - |
| Total Non Labor | 81,722 | 54,894 | 137,615 | 156,968 | 57,345 | 59,549 | 61,595 |
| Total Items Affecting US GAAP EBIT | 134,215 | 102,011 | 201,392 | 218,513 | 111,600 | 119,675 | 123,525 |
| Distribution - Non-Operating Adj. | (39,520) | - | (99,314) | (115,045) | - | - | - |
| Ice/Ike Storm - Cost of Removal | 1,958 | - | 2,647 | 4,802 | - | - | - |
| Other Cost of Removal | 5,328 | 5,500 | 5,160 | 4,982 | 5,500 | 5,500 | 5,775 |
| Total IFRS Adjustments | (32,234) | 5,500 | (91,507) | (105,261) | 5,500 | 5,500 | 5,775 |
| Total Items Affecting IFRS EBIT | 101,981 | 107,511 | 109,885 | 113,252 | 117,100 | 125,175 | 129,300 |

In 2008 actual, \$950K of storm restoration is included in labor.

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2008-2012 O&M (\$000)

RETAIL

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|---------------|---------------|
| Opex Expenses | | | | | | | |
| Raw Labor | 12,707 | 15,832 | 16,543 | 17,703 | 17,415 | 19,214 | 20,922 |
| Burdens | 9,627 | 11,974 | 14,986 | 14,861 | 16,419 | 16,225 | 17,656 |
| Total Labor | 22,334 | 27,806 | 31,529 | 32,564 | 33,834 | 35,439 | 38,578 |
| <i>Non labor:</i> | | | | | | | |
| Bad Debt | 6,700 | 5,200 | 5,200 | 5,786 | 5,200 | 6,300 | 6,300 |
| Outside Services | 6,981 | 4,944 | 4,944 | 20,236 | 34,283 | 34,936 | 30,701 |
| Other Non labor | 3,593 | 2,932 | 1,614 | 7,284 | 7,428 | 7,762 | 7,806 |
| Total Non labor | 17,274 | 13,076 | 11,758 | 33,306 | 46,911 | 48,998 | 44,807 |
| Total Items Affecting US GAAP EBIT | 39,608 | 40,882 | 43,287 | 65,870 | 80,745 | 84,437 | 83,385 |
| Total IFRS Adjustments | | | | | | | |
| Total Items Affecting IFRS EBIT | 39,608 | 40,882 | 43,287 | 65,870 | 80,745 | 84,437 | 83,385 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2008-2012 O&M (\$000)

METERING

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Opex Expenses | | | | | | | |
| <i>Raw Labor</i> | 5,876 | 7,074 | 6,957 | 6,291 | 6,870 | 8,016 | 8,341 |
| <i>Burdens</i> | 4,434 | 5,382 | 7,254 | 7,162 | 7,461 | 6,538 | 6,823 |
| Total Labor | 10,310 | 12,456 | 14,211 | 13,453 | 14,331 | 14,554 | 15,164 |
| <i>Non labor:</i> | | | | | | | |
| <i>Outside Services</i> | 10,197 | 11,088 | 11,428 | 11,101 | 11,562 | 11,813 | 11,813 |
| <i>Non labor</i> | 2,025 | 2,210 | 2,194 | 2,244 | 2,105 | 2,041 | 2,109 |
| Total Non labor | 12,222 | 13,298 | 13,622 | 13,345 | 13,667 | 13,854 | 13,922 |
| Total Items Affecting US GAAP EBIT | 22,532 | 25,754 | 27,833 | 26,798 | 27,998 | 28,408 | 29,086 |
| Total IFRS Adjustments | | | | | | | |
| Total Items Affecting IFRS EBIT | 22,532 | 25,754 | 27,833 | 26,798 | 27,998 | 28,408 | 29,086 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2008-2012 O&M (\$000)

OPERATING SERVICES

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Opex Expenses | | | | | | | |
| <i>Raw Labor</i> | 987 | 1,300 | 1,300 | 2,092 | 1,749 | 2,160 | 2,256 |
| <i>Burdens</i> | 741 | 998 | 1,150 | 1,147 | 1,575 | 1,893 | 1,977 |
| <i>Total Labor</i> | 1,728 | 2,298 | 2,450 | 3,239 | 3,324 | 4,053 | 4,233 |
| <i>Non labor:</i> | | | | | | | |
| <i>Outside Services</i> | 4,451 | 4,928 | 4,928 | 4,955 | 5,472 | 6,192 | 5,798 |
| <i>Other Non labor</i> | 9,406 | 9,978 | 9,969 | 9,942 | 10,821 | 10,054 | 10,735 |
| Total Non labor | 13,857 | 14,906 | 14,897 | 14,897 | 16,293 | 16,246 | 16,533 |
| Total Items Affecting US GAAP EBIT | 15,585 | 17,204 | 17,347 | 18,136 | 19,617 | 20,299 | 20,766 |
| Total IFRS Adjustments | | | | | | | |
| Total Items Affecting IFRS EBIT | 15,585 | 17,204 | 17,347 | 18,136 | 19,617 | 20,299 | 20,766 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--------------------|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 245,460 | 258,319 | 262,537 |
| <i>Prior Year</i> | 224,056 | 245,460 | 258,319 |
| <i>Variance</i> | <u>(21,404)</u> | <u>(12,859)</u> | <u>(4,218)</u> |

Variance Explanations

See next slide for details.

2009-2012 O&M Reconciliation - IFRS (\$000)

| <u>Variance Explanations</u> | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--|------------------------|------------------------|-----------------------|
| Labor/Wage Increases | (4,724) | (8,428) | (5,733) |
| Vegetation Management | (659) | (2,422) | (1,046) |
| Storm Restoration | (1,400) | - | - |
| Street Light Audit | 500 | (850) | 350 |
| Pole Inspection Program | (500) | (200) | (300) |
| Gas Control and Storage (Non-Labor Only) | (2,391) | - | - |
| Fuel Gas | 3,168 | (558) | (624) |
| Cost of Removal | (518) | - | (275) |
| Bad Debt | 586 | (1,100) | - |
| DSM (Non-Labor Only) | (14,744) | (1,294) | 2,431 |
| Metering Non-Labor | (322) | (187) | (68) |
| Operating Services Non-Labor | (1,396) | 320 | (287) |
| Non-labor reductions to Meet Target | 996 | 1,860 | 1,334 |
| Total Variance | <u>(21,404)</u> | <u>(12,859)</u> | <u>(4,218)</u> |

2009-2012 Cost of Sales Reconciliation - IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 126 | 130 | 134 |
| <i>Prior Year</i> | 122 | 126 | 130 |
| <i>Variance</i> | <u>(4)</u> | <u>(4)</u> | <u>(4)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Inflation</i> | (4) | (4) | (4) |
| <i>Total Variance</i> | <u>(4)</u> | <u>(4)</u> | <u>(4)</u> |

2009-2012 Capital Reconciliation –IFRS Cash Basis (\$000)

| | 2010 Budget | 2011 Plan | 2012 Plan |
|--------------|-----------------|--------------|--------------|
| Current Plan | 196,807 | 204,783 | 229,094 |
| Prior Plan | 184,273 | 208,252 | 233,925 |
| Variance | <u>(12,534)</u> | <u>3,469</u> | <u>4,831</u> |

Variance Explanations

See next slide for details.

2009-2012 Capital Reconciliation -IFRS Cash Basis (\$000)

| | 2010 Budget | 2011 Plan | 2012 Plan |
|---------------------------------------|------------------------|----------------------|----------------------|
| <u>Variance Explanations</u> | | | |
| New Business | 10,146 | 6,172 | 4,146 |
| System Enhancements | (3,028) | (1,657) | 6,210 |
| Lg. Scale Main Repl. (Shift from 09) | (4,500) | - | - |
| Gas Control and Storage | (5,196) | 661 | (12,859) |
| Distribution IT | (2,938) | (2,825) | (1,600) |
| Purchase of Vehicles | (600) | - | 8,000 |
| Tools and Equipment | (1,437) | 216 | 222 |
| Repair/Replace and Trouble Orders | (3,130) | (2,183) | (485) |
| Transportation (Increase in 2009) | 1,880 | 1,974 | 2,033 |
| West Call Center | (2,265) | 710 | - |
| Retail IT | (950) | 250 | (145) |
| New Business Office | - | 985 | - |
| Smart Grid | - | 3,500 | (2,500) |
| Meter Purchases and IT Upgrades | (700) | 700 | 330 |
| Facility Improvements (Shift from 09) | (609) | - | - |
| Other | (127) | 154 | 379 |
| Cash Adjustment for Accruals | 920 | (5,188) | 1,100 |
| Total Variance | (12,534) | 3,469 | 4,831 |

2009-2012 Headcount Changes

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 1,482 | 1,474 | 1,484 |
| Prior Year | 1,455 | 1,482 | 1,474 |
| Variance | <u>27</u> | <u>(8)</u> | <u>10</u> |
| <u>Variance Explanations</u> | | | |
| IT | 1 | 1 | 1 |
| Asset Information | | | 2 |
| System Ops & Dispatch | | 1 | |
| Substation Const. & Maint. | 1 | (1) | 2 |
| Transformer Services | | 1 | |
| Louisville Gas Services | | 1 | 1 |
| Pineville Operations | | | 1 |
| Magnolia Operations | 1 | | |
| Gas Control | | 1 | (1) |
| Gas Regulatory | | 4 | |
| Residential Service Center | 8 | (8) | |
| Business Offices | (1) | (1) | |
| Business Service Center | | (1) | |
| Mktg & Performance - Retail (DSM) | 1 | | |
| Billing Integrity | 3 | (9) | |
| Field Services Operations | 2 | (1) | |
| Meter Assets | 1 | | 1 |
| Energy Efficiency | 10 | 3 | 3 |
| Real Estate and Right of Way | | 1 | |
| Total Variance | <u>27</u> | <u>(8)</u> | <u>10</u> |

2008-2012 Other Costs (\$000)

| Item | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|--|----------------|----------------|------------------|----------------|--------------|--------------|
| <i>Local Engineering</i> | | | | | | |
| Labor | 13,473 | 12,284 | 14,307 | 15,359 | 15,873 | 16,464 |
| Non labor | 4,535 | 4,095 | 4,095 | 2,832 | 2,927 | 3,036 |
| Total | 18,008 | 16,379 | 18,402 | 18,191 | 18,800 | 19,500 |
| | | | | | | |
| Transportation | 17,704 | 19,539 | 18,154 | 19,351 | 20,319 | 21,334 |
| <i>Operating Services Clearing</i> | | | | | | |
| Labor (1) | 852 | 956 | - | - | - | - |
| Non labor | 2,968 | 3,061 | 3,061 | 3,239 | 3,317 | 3,396 |
| Total | 3,820 | 4,017 | 3,061 | 3,239 | 3,317 | 3,396 |
| | | | | | | |
| Total Other Costs | 39,532 | 39,935 | 39,617 | 40,781 | 42,436 | 44,230 |

(1) Transferred to OPEX in 2009.

Major Assumptions

- ÿ *No significant changes to regulation that will affect plans.*
- ÿ *Maintaining a top position in the residential J.D. Power survey and maintaining top ratings from business customers will continue to be corporate goals.*
- ÿ *Customer expectations regarding levels of service and availability of information will continue to increase.*
- ÿ *Energy Efficiency projects and education will increase and continue to be an area of focus.*
- ÿ *Storms will be at the current 5-year average in 2010 - 2012.*
- ÿ *Bad debt will be lower than expected 2009 levels.*
- ÿ *Fuel costs will continue to remain at current levels.*
- ÿ *New business activity will bottom out in 2009 with a slight rise in 2010 and expected return to more normal levels in 2012.*

Major Assumptions

- Y Public works spending will be maintained at historic levels, unaffected by stimulus funding.*
- Y No significant economic development projects requiring distribution investment (beyond what is currently known) are included in the plan.*
- Y Large Scale and Priority Main replacement costs will increase in downtown areas.*
- Y Investment in IT to improve communications with customer will be a high priority.*
- Y Pole Inspection and Treatment Program begins in 2010.*
- Y Advanced Metering Infrastructure (Smart Metering) expanding as part of DSM Responsive Meter Pilot.*
- Y New call center in the west is needed due to high turnover in the Louisville area.*
- Y Circuit hardening investments are dependent on recovery and are not included in the plans.*



*General Counsel Organization
2010-2012 MTP*

October 9, 2009

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- *O&M*
- *Capital*
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Operational Performance

- *Initiatives*

- *The 2009 OPEX forecast for General Counsel and Human Resource Organization is \$673K favorable to the 2009 Contingency Plan. The favorable variance is attributable to the labor charges to WKE, additional reductions in charitable contributions, and a headcount transfer out of GC.*
- *General Counsel and Human Resources are slightly favorable to target during the MTP period due to the lower amortization of rate case expenses associated with the 2008 and 2009 test year cases.*

2008-2012 O&M (\$000) – General Counsel Org Summary

| Line of Business | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|---------------|---------------|
| Legal/EVP | 20,216 | 18,685 | 18,069 | 18,193 | 19,234 | 21,907 | 22,768 |
| Corporate Communications | 4,914 | 6,228 | 5,843 | 5,712 | 5,965 | 6,267 | 6,427 |
| Corporate Responsibility | 1,331 | 1,522 | 1,482 | 1,382 | 1,524 | 1,659 | 1,703 |
| Compliance | 827 | 1,103 | 1,100 | 1,100 | 1,052 | 1,090 | 1,125 |
| Environmental | 5,945 | 5,798 | 5,695 | 5,695 | 6,157 | 6,265 | 6,611 |
| External Affairs | 858 | 874 | 872 | 872 | 926 | 962 | 990 |
| Federal Regulation & Policy | 636 | 663 | 916 | 916 | 828 | 859 | 887 |
| State Regulation & Rates | 1,839 | 2,846 | 2,603 | 2,303 | 2,502 | 2,594 | 2,678 |
| Human Resources | 4,956 | 6,842 | 6,729 | 6,462 | 7,193 | 7,691 | 7,762 |
| EON Graduate | 378 | 672 | 411 | 411 | 198 | 608 | 626 |
| Rate Case Amortization* | - | - | - | - | 1,257 | 1,572 | 1,656 |
| Total Items Affecting US GAAP EBIT | 41,900 | 45,233 | 43,718 | 43,045 | 46,836 | 51,473 | 53,233 |
| Total IFRS Adjustments | - | - | - | - | - | - | - |
| Total Items Affecting IFRS EBIT | 41,900 | 45,233 | 43,718 | 43,045 | 46,836 | 51,473 | 53,233 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

*Prior to 2010, amortizations were included in Corporate Cost Center.

2008-2012 O&M (\$000) – General Counsel Org Summary

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Labor Expenses</i> | | | | | | | |
| Raw Labor | 8,972 | 10,574 | 10,318 | 9,878 | 10,585 | 11,297 | 11,688 |
| Burdens | 6,663 | 8,068 | 9,130 | 9,096 | 9,262 | 9,886 | 10,228 |
| Other Labor Benefits | 252 | 444 | 440 | 440 | 391 | 371 | 379 |
| <i>Non Labor Expenses</i> | | | | | | | |
| Outside Services | 14,792 | 14,289 | 13,515 | 13,515 | 14,662 | 14,492 | 15,054 |
| Contributions/Sponsorships | 1,655 | 3,277 | 3,063 | 2,863 | 3,129 | 3,207 | 3,251 |
| Fees, Permits, & Licenses | 2,719 | 2,270 | 2,270 | 2,270 | 2,407 | 2,339 | 2,494 |
| Advertising | 1,207 | 1,128 | 817 | 817 | 828 | 844 | 861 |
| Operating G&A | 5,640 | 5,183 | 4,166 | 4,166 | 4,315 | 7,465 | 7,622 |
| Rate Case Amortization | - | - | - | - | 1,257 | 1,572 | 1,656 |
| <i>Total Items Affecting US GAAP EBIT</i> | 41,900 | 45,233 | 43,718 | 43,045 | 46,836 | 51,473 | 53,233 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 41,900 | 45,233 | 43,718 | 43,045 | 46,836 | 51,473 | 53,233 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) – General Counsel Org

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 46,836 | 51,473 | 53,233 |
| <i>Prior Year</i> | 43,718 | 46,836 | 51,473 |
| <i>Variance</i> | <u>(3,118)</u> | <u>(4,637)</u> | <u>(1,760)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (219) | (692) | (399) |
| <i>Burdens</i> | (133) | (624) | (342) |
| <i>Legal 3rd Party</i> | (1,599) | (105) | (594) |
| <i>Outside Services</i> | 452 | 274 | 33 |
| <i>Contributions/Sponsorships</i> | (66) | (78) | (44) |
| <i>Fees, Permits & Licenses</i> | (137) | 68 | (155) |
| <i>Operating G&A Expense</i> | (159) | (191) | (174) |
| <i>Rate Case Amortization</i> | (1,257) | (315) | (84) |
| <i>Contingency Relief</i> | - | (2,975) | - |
| <i>Total Variance</i> | <u>(3,118)</u> | <u>(4,637)</u> | <u>(1,760)</u> |

2008-2012 Capital (\$000) – General Counsel Org Summary

| <i>Project</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|--|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Human Resources | | | | | | | |
| <i>PeopleSoft 8.9 Enhancements</i> | - | 150 | 150 | 70 | 150 | 150 | 150 |
| <i>Performance Management Module</i> | - | - | - | 470 | - | - | - |
| <i>Career Website Technology</i> | - | - | - | - | 450 | - | - |
| <i>Upgrade to PeopleSoft 9.1</i> | - | - | - | - | - | 350 | 400 |
| <i>Total Capital (107001)</i> | - | 150 | 150 | 540 | 600 | 500 | 550 |
| <i>IFRS Adjustments (Including Cash Adj)</i> | - | - | - | - | - | - | - |
| <i>Total IFRS</i> | - | 150 | 150 | 540 | 600 | 500 | 550 |

2008-2012 Headcount (FTE) – General Counsel Org Summary

| <i>Department</i> | <i>2008 Year End</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|--|--------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Legal/EVP</i> | 27.0 | 27.0 | 27.0 | 26.0 | 26.0 | 26.0 | 26.0 |
| <i>Corporate Communications</i> | 16.0 | 16.5 | 16.0 | 16.0 | 16.0 | 17.0 | 17.0 |
| <i>Corporate Responsibility</i> | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 |
| <i>Compliance</i> | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| <i>Environmental</i> | 12.5 | 13.5 | 12.5 | 12.5 | 13.5 | 13.5 | 13.5 |
| <i>External Affairs</i> | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| <i>Federal Regulation & Policy</i> | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| <i>State Regulation & Rates</i> | 12.5 | 14.5 | 12.5 | 12.5 | 13.5 | 13.5 | 13.5 |
| <i>Human Resources</i> | 34.5 | 34.5 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 |
| <i>EON Graduate</i> | 4.0 | 7.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 |
| Total Headcount | 122.5 | 129.0 | 120.0 | 119.0 | 121.0 | 126.0 | 126.0 |

Full time person = 1 FTE; part time count as .5 FTE

Risks and Sensitivities – OPEX

Legal/EVP

- ***Environmental legislation, regulation and litigation could lead to significant unbudgeted activity***
- ***Asbestos litigation costs could increase significantly if indirect contact cases are adversely decided***
- ***ITO Exit's PSC and FERC proceedings to terminate ITO agreement with SPP and enter into new contract with new ITO or an independent monitor become prolonged***
- ***No contingency for unbudgeted matters has been made***

Risks and Sensitivities – OPEX Continued

Communications

- ***Given increased ECR, pending rate cases, possible coal price increases and pending federal carbon legislation, customer bills will continue to increase resulting in lower customer satisfaction levels***
- ***With growing concern regarding the environment, the public will expect a strong partnership between energy producers, energy consumers to provide energy efficiency programs and address and resolve environmental quality issues***
- ***Energy companies are likely to face increased legislative and regulatory scrutiny in the near-term, given rising prices and reliability concerns***
- ***Potential employee/retiree morale dip due to WKE Unwind and price increases and uncertainty related to our status with E.ON***

Risks and Sensitivities – OPEX Continued

Corporate Responsibility & Community Affairs

- Increased demand for community investment in non-profits given status of the economy and decreased government funding***
- Need for increased dialogue with community stakeholder groups and elected officials resulting from heightened political focus on environmental issues and company's planned infrastructure hardening***
- Challenge to continue employee interest in group-wide environmental programs***
- Need to maintain supportive relationships and continuous dialogue with all elected officials during upcoming gubernatorial election cycle***
- Continual need to enhance company's profile as CR leader in climate of increased corporate criticism and distrust***
- Need to promote CR awareness and help actualize CR principles among employees during time of significant business activity and fiscal challenge***
- Necessity to identify adequate resources in order to fully integrate CR principles into the company's business processes***

Risks and Sensitivities – OPEX Continued

Compliance

- ***Changes in FERC/NERC Requirements***
 - ***Federal energy regulation continues to grow, and regulator expectations continue to be clarified, in ways that require enhanced compliance efforts***
 - ***NERC Reliability Standards, including the Cyber Security Standards, are very likely to be expanded***
 - ***Although not anticipated currently, certain changes may require expansion of Compliance Department's supporting role***

Risks and Sensitivities – OPEX Continued

Environmental

- ***Sharp increase in new regulatory initiatives requiring additional outside training of EA staff***
- ***Significant increase in the number of environmental permits required for daily company operations which necessitate outside contractors for specialized modeling, monitoring and testing***
- ***Increased costs for disposal of hazardous wastes, PCB wastes and spill clean-up materials***
- ***Increased annual operation fees for Title V air permits, KPDES water permits, KY River Authority and special waste landfills***

Risks and Sensitivities – OPEX Continued

External Affairs

- ***Intense pressure on electric rates due to increased capital expenditures for pollution control and base load generation construction. Greenhouse gas legislation places substantial environmental compliance costs on the company and its customers.***
- ***Local, State and Federal Budget shortfalls result in increased efforts to levy taxes upon the company***
- ***Foreign ownership***
- ***Amount of revenue raised by the Political Action Committee must increase in order for the company to maintain credibility and move to the next level of public policy shaping***

Risks and Sensitivities – OPEX Continued

Federal Regulation & Policy

- ***Increased operating expenses due to expanded regulation at the federal level and/or compliance related activities***
- ***Regulatory activities relating to implementing renewable portfolio standards regulation, smart-grid, demand response, and climate change imperatives***
- ***Potential for assertion of FERC jurisdiction over the licensing of Dix Dam under the Federal Power Act***
- ***Abandonment of Independent Transmission Operator with implementation of a self-administered transmission services monitor***
- ***Unplanned addition of new headcount due to increased regulatory jurisdiction and pursuit of strategic objectives from FERC and Congress***

Risks and Sensitivities – OPEX Continued

State Regulation & Rates

- ***Growing rate base and operating expenses, coupled with regulatory lag, could make target returns difficult to achieve***
- ***Commission and intervenor sensitivity to rising costs could result in punitive actions beyond what reason would dictate – prudence could be challenged more often particularly where actual costs exceed estimates***
- ***Personnel changes among Commission staff and intervenors, as well as company staff, could also present a challenge to proceedings before the Commission***
- ***Outstanding legal challenge to KPSC's authority to develop rate mechanisms could have broad reaching impacts to existing recovery mechanisms***
- ***Failure to get timely regulatory approvals for generation and transmission investment could put reliability, customer service and utility economics at risk***
- ***Initiation of management audit during rate case would strain resources***

Risks and Sensitivities – OPEX Continued

Human Resources

- *Economic pressures and impact on human resource management*
- *Effects of possible Federal legislation relating to benefits, compensation, labor, safety, and taxation*
- *Ensuring appropriate monitoring, compliance, reporting and disclosure*
- *Maintaining key recruiting relationships during restricted hiring phase*

Initiatives – General Counsel Org Summary

Legal/EVP

- *Plan to implement new matter management/e-billing system to enhance outside counsel management*
- *Implement follow-up items from outside counsel summit*

Initiatives – General Counsel Org Summary

Communications

Provide proactive/positive external messages to U.S. media, customers and other stakeholders concerning company initiatives; be proactive/reactive in addressing issues to reduce company risk. Critical company initiatives during this budget period requiring external communications support include:

- Enhanced environmental profile – carbon strategy and new energy efficiency programs***
- Increases in commodity prices***
- Ongoing regulatory matters – including future rate cases***

Communicate/educate E.ON U.S. employees about strategy, mission, vision, corporate identity and key company/industry initiatives, news and information. Critical company initiatives during this budget period requiring internal communications support include:

- Enhanced environmental profile and new customer tools***
- Changes to benefits/health care offerings; H1N1 flu***
- ePerformance – new online performance management system***

Initiatives – General Counsel Org Summary

Corporate Responsibility & Community Affairs

- ***Provision of ongoing administrative support – PO1 Campaign***
- ***Administrative support/management of E.ON U.S. Foundation***
- ***Management of community investment team and general grant process***
- ***Management of “Plant for the Planet” tree planting grant program***
- ***Member of E.ON Group-wide CR volunteer and data collection work-groups***
- ***Environmental Champions initiative***
- ***Enhanced community investment tracking***
- ***Energy for Children program management***
- ***Stakeholder engagement and ongoing community group relations***
- ***Lead partner - statewide CR professionals organization***
- ***JCPS environmental magnet school taskforce***
- ***Public safety program – public appearances and internet tools***

Initiatives – General Counsel Org Summary

Compliance

- ***Further Enhancement of FERC and NERC Compliance Programs***
 - ***Developing FERC compliance programs for electric and gas businesses to pursue changing industry norms***
 - ***Sustaining efforts with newly implemented NERC compliance program***
- ***Revision of Records Retention Program and Related Education Effort***
 - ***Existing policy has been updated***
 - ***Substantial education efforts Company-wide will follow***

Initiatives – General Counsel Org Summary

Environmental

- ***Enhance communication between the Environmental Affairs, Compliance/Systems Lab and Operations teams***
- ***Enhance our environmental risk assessment in order to anticipate, identify, and mitigate risks. Increase number of pro-active/preventative audits/assessments***
- ***To maximum extent possible, shape the structure of environmental regulatory programs to maintain maximum flexibility for LOB operations and minimize overall cost impact***
- ***Inform, educate and assist LOBs in preparing for anticipated changes in environmental policies, rules and regulations***
- ***Work cooperatively with environmental regulators to achieve optimal permit conditions***
- ***Environmental staff development in order to maintain support for internal customer needs and minimize overall corporate risk and liability***

Initiatives – General Counsel Org Summary

External Affairs

- ***Enhance partnerships with relevant company departments to facilitate refinement of company position on federal legislative and regulatory matters, CO2, Tax, Transmission and Energy Efficiency***
- ***Continue to publish the "Legislative Update" which provides real-time information on state legislative activities***
- ***Manage relationship with the Governor's Office of Energy Policy, Kentucky General Assembly, state regulatory agencies and industry groups in order to ensure the company's views are reflected in the State's Energy Policy***
- ***Maximize alliances with community leadership and seek partnership opportunities***
- ***Educate and build awareness of E.ON, its outstanding records, and its plans for the future***

Initiatives – General Counsel Org Summary

Federal Regulation & Policy

- ***Ongoing support for climate change related activities in the Congress***
- ***Identifying and obtaining regulatory approvals for an alternative to the Independent System Operator model***
- ***Continued coordination of NERC/SERC reliability standards development and implementation***
- ***Continuing support for compliance related activities involving reliability standards, OATT administration, and overall FPA requirements***
- ***Ongoing relationship building and positioning with regulators and key stakeholders in support of Company's strategic objectives***

Initiatives – General Counsel Org Summary

State Regulation & Rates

- *Base rate cases – strategy, planning, communication, execution*
- *Continue efforts regarding optimization of existing cost recovery mechanisms – ECR, FAC, GSC, and others*
- *Continue coordination of state regulatory calendar and strategies – improve on documentation for the latter – maintain emphasis on interaction between proceedings and consistency of positions*
- *Implement regulatory plan for IRP and CPCNs for related construction activity.*
- *Prepare for KPSC general management audit*
- *Assist in ensuring approval of new energy efficiency programs.*
- *Expand on education efforts and continue relationship building with new KPSC and intervenor staff*

Initiatives – Human Resources

Safety

- ***Ensure safety excellence as an uncompromised core expectation for all employees and business partners***
- ***Promote safety expectations, procedures and actions that meet or exceed regulatory requirements***
- ***Drive improvements in safety performance by benchmarking practices against the top U.S. utility performers***

Employee Wellness

- ***Promote a workplace culture supportive of good health practices and healthy lifestyle choices by our employees, retirees and their family members through management support, educational initiatives and targeted interventions***
- ***Evaluate wellness and health management strategies and design initiatives that address the major cost drivers in our benefit plans***

Initiatives – Human Resources

Quality and Composition of the Workplace

- ***Continue development of programs to attract, enhance and retain a high quality, inclusive, workforce while addressing the key challenges of:***
 - ***an aging workforce***
 - ***achieving proper balance between employees and contingent workers***
 - ***increasing diversity of candidate and employee pools***
 - ***providing competitive compensation and benefits***
 - ***managing generational differences***

Initiatives – Human Resources

Leadership Development

- ***Continually identify talent and potential within the organization through the Succession Planning processes***
- ***Continue emphasis on the Company's vision, mission, values and behaviors and incorporate them into our daily work practices***
- ***Emphasize development of new leaders to ensure appropriate competencies are developed***
- ***Support development of managers in areas of business knowledge, competencies and networking across the lines of business***

Initiatives – Human Resources

Labor Relations

- *Maintain an environment at non-union sites that preserves that status*
- *Continue to build cooperative relationships between management and established unions that encourage win-win solutions to support success and future growth of the business*
- *Effectively manage the labor community's agenda to exclusively utilize unionized workers on E.ON U.S. capital projects*

Employee Benefits

- *Control escalation and volatility of benefits costs while maintaining competitive policies, programs and plans*
- *Continue to educate employees regarding the value of their total rewards package; and, how they can personally impact benefits costs*
- *Study and, as appropriate, adopt changes related to a "consumer-driven" healthcare option along with taking steps toward minimizing network restrictions for medical plans*

Initiatives – Human Resources

Business Practices and Processes

- ***Build and maintain HR processes consistent with the reporting, disclosure and auditing requirements of applicable laws, including the EU-8 Act***
- ***Communicate to reinforce the company's culture of integrity and compliance***
- ***Develop and maintain HR policies and practices that support a positive, inclusive and productive work environment***
- ***Develop key performance measures to ensure strategic business partner alignment with our management team***

Appendix

2008-2012 O&M (\$000) – Legal/EVP

| <u>Item</u> | <u>2008 Actual</u> | <u>2009 Budget</u> | <u>2009 Contingency Plan</u> | <u>2009 Forecast</u> | <u>2010 Budget</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 2,346 | 2,892 | 2,892 | 2,750 | 2,902 | 3,017 | 3,122 |
| Burdens | 1,759 | 2,206 | 2,206 | 2,523 | 2,537 | 2,637 | 2,728 |
| Non Labor | | | | | | | |
| Legal 3rd Party | 11,383 | 10,097 | 9,564 | 9,564 | 10,663 | 10,768 | 11,362 |
| Outside Services | 1,543 | 912 | 861 | 1,162 | 881 | 898 | 926 |
| Contributions/Sponsorships | 303 | 327 | 327 | 327 | 315 | 337 | 343 |
| Dues & Subscriptions | 1,046 | 1,209 | 1,209 | 1,209 | 1,136 | 1,159 | 1,182 |
| Operating G&A Expense | 1,836 | 1,042 | 659 | 658 | 800 | 3,091 | 3,105 |
| Total Items Affecting US GAAP EBIT | <u>20,216</u> | <u>18,685</u> | <u>17,718</u> | <u>18,193</u> | <u>19,234</u> | <u>21,907</u> | <u>22,768</u> |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| Total Items Affecting IFRS EBIT | <u>20,216</u> | <u>18,685</u> | <u>17,718</u> | <u>18,193</u> | <u>19,234</u> | <u>21,907</u> | <u>22,768</u> |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) – Legal/EVP

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 19,234 | 21,907 | 22,768 |
| <i>Prior Year</i> | 18,685 | 19,234 | 21,907 |
| <i>Variance</i> | <u>(549)</u> | <u>(2,673)</u> | <u>(861)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (10) | (115) | (105) |
| <i>Burdens</i> | (331) | (100) | (91) |
| <i>Legal 3rd Party</i> | (566) | (105) | (594) |
| <i>Outside Services</i> | 31 | (17) | (28) |
| <i>Contributions/Sponsorships</i> | 12 | (22) | (6) |
| <i>Dues & Subscriptions</i> | 73 | (23) | (23) |
| <i>Operating G&A Expense</i> | 242 | (16) | (14) |
| <i>Contingency Relief</i> | - | (2,275) | - |
| <i>Total Variance</i> | <u>(549)</u> | <u>(2,673)</u> | <u>(861)</u> |

2009-2012 Headcount Changes – Legal/EVP

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 26.0 | 26.0 | 26.0 |
| <i>Prior Year</i> | 27.0 | 26.0 | 26.0 |
| <i>Variance</i> | <u>1.0</u> | <u>-</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>One Headcount Transferred to CFO</i> | 1.0 | - | - |
| <i>Total Variance</i> | <u>1.0</u> | <u>-</u> | <u>-</u> |

2008-2012 O&M (\$000) - Communications

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 1,024 | 1,089 | 1,089 | 1,059 | 1,120 | 1,240 | 1,283 |
| Burdens | 777 | 831 | 831 | 962 | 979 | 1,084 | 1,121 |
| Other Labor Benefits | - | - | - | - | 12 | 12 | 13 |
| Non Labor | | | | | | | |
| Outside Services | 798 | 870 | 870 | 870 | 887 | 905 | 923 |
| Brand Sponsorships | 34 | 1,020 | 951 | 851 | 969 | 988 | 1,008 |
| Sports Sponsorships | 782 | 1,050 | 981 | 981 | 1,001 | 1,021 | 1,041 |
| Advertising | 1,206 | 1,113 | 802 | 802 | 818 | 834 | 851 |
| Operating G&A Expense | 293 | 255 | 187 | 187 | 179 | 183 | 187 |
| Total Items Affecting US GAAP EBIT | 4,914 | 6,228 | 5,711 | 5,712 | 5,965 | 6,267 | 6,427 |
| Total IFRS Adjustments | - | - | - | - | - | - | - |
| Total Items Affecting IFRS EBIT | 4,914 | 6,228 | 5,711 | 5,712 | 5,965 | 6,267 | 6,427 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) - Communications

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 5,965 | 6,267 | 6,427 |
| <i>Prior Year</i> | 6,228 | 5,965 | 6,267 |
| <i>Variance</i> | <u>263</u> | <u>(302)</u> | <u>(160)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (43) | (43) | (44) |
| <i>Burdens</i> | (148) | (39) | (37) |
| <i>Additional FTE added 2010</i> | - | (143) | - |
| <i>Outside Services</i> | (17) | (18) | (18) |
| <i>Brand Sponsorship</i> | 51 | (19) | (20) |
| <i>Sports Sponsorship</i> | 49 | (20) | (20) |
| <i>Advertising</i> | 295 | (16) | (17) |
| <i>Operating G&A Expense</i> | 76 | (4) | (4) |
| <i>Total Variance</i> | <u>263</u> | <u>(302)</u> | <u>(160)</u> |

2009-2012 Headcount Changes - Communications

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 16.0 | 17.0 | 17.0 |
| <i>Prior Year</i> | 16.5 | 16.0 | 17.0 |
| <i>Variance</i> | <u>0.5</u> | <u>(1.0)</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>One PT Position not filled in 2009</i> | 0.5 | - | - |
| <i>Additional FTE added 2011</i> | - | (1.0) | - |
| <i>Total Variance</i> | <u>0.5</u> | <u>(1.0)</u> | <u>-</u> |

2008-2012 O&M (\$000) – Corporate Responsibility

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 241 | 299 | 299 | 299 | 310 | 370 | 383 |
| Burdens | 184 | 227 | 228 | 264 | 270 | 323 | 334 |
| Non Labor | | | | | | | |
| Outside Services | 149 | 101 | 101 | 101 | 103 | 106 | 108 |
| Contributions/Sponsorships | 524 | 821 | 745 | 645 | 766 | 782 | 798 |
| Operating G&A Expense | 233 | 74 | 73 | 73 | 75 | 78 | 80 |
| <i>Total Items Affecting US GAAP EBIT</i> | 1,331 | 1,522 | 1,446 | 1,382 | 1,524 | 1,659 | 1,703 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 1,331 | 1,522 | 1,446 | 1,382 | 1,524 | 1,659 | 1,703 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation (\$000) – Corporate Responsibility

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 1,524 | 1,659 | 1,703 |
| <i>Prior Year</i> | 1,522 | 1,524 | 1,659 |
| <i>Variance</i> | <u>(2)</u> | <u>(135)</u> | <u>(44)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (11) | (11) | (13) |
| <i>Burdens</i> | (43) | (11) | (11) |
| <i>Additional FTE added in 2010</i> | - | (91) | - |
| <i>Contributions/Sponsorships</i> | 55 | (16) | (16) |
| <i>Operating G&A Expense</i> | (3) | (6) | (4) |
| <i>Total Variance</i> | <u>(2)</u> | <u>(135)</u> | <u>(44)</u> |

2009-2012 Headcount Changes – Corporate Responsibility

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 4.0 | 5.0 | 5.0 |
| <i>Prior Year</i> | 4.0 | 4.0 | 5.0 |
| <i>Variance</i> | <u>-</u> | <u>(1.0)</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>One additional FTE in 2011</i> | - | (1.0) | - |
| <i>Total Variance</i> | <u>-</u> | <u>(1.0)</u> | <u>-</u> |

2008-2012 O&M (\$000) - Compliance

| <u>Item</u> | <u>2008 Actual</u> | <u>2009 Budget</u> | <u>2009 Contingency Plan</u> | <u>2009 Forecast</u> | <u>2010 Budget</u> | <u>2011 Plan</u> | <u>2012 Plan</u> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 391 | 477 | 477 | 477 | 464 | 482 | 499 |
| Burdens | 300 | 364 | 364 | 422 | 403 | 420 | 434 |
| Other Labor Benefits | 4 | 5 | 5 | - | - | - | - |
| Non Labor | | | | | | | |
| Outside Services | 37 | 87 | 59 | 59 | 60 | 61 | 62 |
| Operating G&A Expense | 95 | 170 | 142 | 142 | 125 | 127 | 130 |
| Total Items Affecting US GAAP EBIT | <u>827</u> | <u>1,103</u> | <u>1,047</u> | <u>1,100</u> | <u>1,052</u> | <u>1,090</u> | <u>1,125</u> |
| Total IFRS Adjustments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Items Affecting IFRS EBIT | <u>827</u> | <u>1,103</u> | <u>1,047</u> | <u>1,100</u> | <u>1,052</u> | <u>1,090</u> | <u>1,125</u> |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) - Compliance

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 1,052 | 1,090 | 1,125 |
| <i>Prior Year</i> | 1,103 | 1,052 | 1,090 |
| <i>Variance</i> | <u>51</u> | <u>(38)</u> | <u>(35)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | 18 | (18) | (17) |
| <i>Burdens</i> | (39) | (17) | (14) |
| <i>Operating G&A Expense</i> | 72 | (3) | (4) |
| <i>Total Variance</i> | <u>51</u> | <u>(38)</u> | <u>(35)</u> |

2009-2012 Headcount Changes - Compliance

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 6.0 | 6.0 | 6.0 |
| <i>Prior Year</i> | 6.0 | 6.0 | 6.0 |
| <i>Variance</i> | - | - | - |
| <u><i>Variance Explanations</i></u> | | | |
| | - | - | - |
| <i>Total Variance</i> | - | - | - |

2008-2012 O&M (\$000) - Environmental

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 1,022 | 1,115 | 1,041 | 1,041 | 1,149 | 1,188 | 1,229 |
| Burdens | 777 | 852 | 795 | 922 | 1,006 | 1,040 | 1,076 |
| Non Labor | | | | | | | |
| Outside Services | 284 | 566 | 531 | 531 | 560 | 571 | 583 |
| Contributions/Sponsorships | 11 | 20 | 20 | 20 | 20 | 20 | 21 |
| Fees, Permits & Licenses | 2,688 | 2,254 | 2,254 | 2,254 | 2,392 | 2,323 | 2,478 |
| Operating G&A | 1,163 | 991 | 927 | 927 | 1,030 | 1,123 | 1,224 |
| <i>Total Items Affecting US GAAP EBIT</i> | 5,945 | 5,798 | 5,568 | 5,695 | 6,157 | 6,265 | 6,611 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 5,945 | 5,798 | 5,568 | 5,695 | 6,157 | 6,265 | 6,611 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) - Environmental

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 6,157 | 6,265 | 6,611 |
| <i>Prior Year</i> | 5,798 | 6,157 | 6,265 |
| <i>Variance</i> | <u>(359)</u> | <u>(108)</u> | <u>(346)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Raw Labor</i> | (34) | (39) | (41) |
| <i>Burdens</i> | (154) | (34) | (36) |
| <i>Title V Fees</i> | (138) | 69 | (155) |
| <i>EPRI Dues</i> | (82) | (90) | (99) |
| <i>Operating G&A</i> | 49 | (14) | (15) |
| <i>Total Variance</i> | <u>(359)</u> | <u>(108)</u> | <u>(346)</u> |

2009-2012 Headcount Changes - Environmental

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 13.5 | 13.5 | 13.5 |
| <i>Prior Year</i> | 13.5 | 13.5 | 13.5 |
| <i>Variance</i> | - | - | - |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Total Variance</i> | - | - | - |

2008-2012 O&M (\$000) – External Affairs

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Opex Expenses</i> | | | | | | | |
| <i>Raw Labor</i> | 349 | 348 | 348 | 348 | 354 | 370 | 382 |
| <i>Burdens</i> | 266 | 265 | 265 | 306 | 308 | 322 | 332 |
| Non Labor | | | | | | | |
| <i>Outside Services</i> | 110 | 116 | 116 | 116 | 116 | 118 | 121 |
| <i>Operating G&A</i> | 133 | 145 | 101 | 102 | 148 | 152 | 155 |
| <i>Total Items Affecting US GAAP EBIT</i> | <u>858</u> | <u>874</u> | <u>830</u> | <u>872</u> | <u>926</u> | <u>962</u> | <u>990</u> |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | <u><u>858</u></u> | <u><u>874</u></u> | <u><u>830</u></u> | <u><u>872</u></u> | <u><u>926</u></u> | <u><u>962</u></u> | <u><u>990</u></u> |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) – External Affairs

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 926 | 962 | 990 |
| <i>Prior Year</i> | 874 | 926 | 962 |
| <i>Variance</i> | <u>(52)</u> | <u>(36)</u> | <u>(28)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (6) | (16) | (12) |
| <i>Burdens</i> | (43) | (14) | (10) |
| <i>Operating G&A Expense</i> | (3) | (6) | (6) |
| <i>Total Variance</i> | <u>(52)</u> | <u>(36)</u> | <u>(28)</u> |

2009-2012 Headcount Changes – External Affairs

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 3.0 | 3.0 | 3.0 |
| <i>Prior Year</i> | 3.0 | 3.0 | 3.0 |
| <i>Variance</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Total Variance</i> | <u>-</u> | <u>-</u> | <u>-</u> |

2008-2012 O&M (\$000) – Federal Regulation & Policy

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 285 | 303 | 303 | 430 | 380 | 395 | 409 |
| Burdens | 218 | 231 | 231 | 377 | 333 | 346 | 358 |
| Non Labor | | | | | | | |
| Outside Services | 6 | 21 | 16 | 16 | 16 | 16 | 17 |
| Operating G&A | 127 | 108 | 93 | 93 | 99 | 102 | 103 |
| <i>Total Items Affecting US GAAP EBIT</i> | 636 | 663 | 643 | 916 | 828 | 859 | 887 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 636 | 663 | 643 | 916 | 828 | 859 | 887 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) – Federal Reg

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 828 | 859 | 887 |
| <i>Prior Year</i> | 663 | 828 | 859 |
| <i>Variance</i> | <u>(165)</u> | <u>(31)</u> | <u>(28)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (77) | (15) | (14) |
| <i>Burdens</i> | (102) | (13) | (12) |
| <i>Operating G&A Expense</i> | 14 | (3) | (2) |
| <i>Total Variance</i> | <u>(165)</u> | <u>(31)</u> | <u>(28)</u> |

2009-2012 Headcount Changes – Federal Regulation & Policy

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 3.0 | 3.0 | 3.0 |
| <i>Prior Year</i> | 3.0 | 3.0 | 3.0 |
| <i>Variance</i> | - | - | - |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Total Variance</i> | - | - | - |

2008-2012 O&M (\$000) – State Regulation & Rates

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 955 | 1,142 | 1,034 | 1,034 | 1,143 | 1,188 | 1,229 |
| Burdens | 723 | 872 | 790 | 914 | 999 | 1,039 | 1,075 |
| Other Labor Benefits | - | - | - | - | 10 | 10 | 10 |
| Non Labor | | | | | | | |
| Outside Services | 43 | 580 | 509 | 209 | 200 | 204 | 208 |
| Operating G&A Expense | 118 | 252 | 146 | 146 | 150 | 153 | 156 |
| Rate Case Amortization* | - | - | - | - | 1,257 | 1,572 | 1,656 |
| Total Items Affecting US GAAP EBIT | 1,839 | 2,846 | 2,479 | 2,303 | 3,759 | 4,166 | 4,334 |
| Total IFRS Adjustments | - | - | - | - | - | - | - |
| Total Items Affecting IFRS EBIT | 1,839 | 2,846 | 2,479 | 2,303 | 3,759 | 4,166 | 4,334 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

*Prior to 2010, amortizations were included were included in Corporate Cost Center.

2009-2012 O&M Reconciliation - IFRS (\$000) – State Reg & Rates

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 3,759 | 4,166 | 4,334 |
| <i>Prior Year</i> | 2,846 | 3,759 | 4,166 |
| <i>Variance</i> | <u>(913)</u> | <u>(407)</u> | <u>(168)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Labor</i> | (1) | (45) | (41) |
| <i>Burdens</i> | (127) | (40) | (36) |
| <i>Other Labor Benefits</i> | (10) | - | - |
| <i>Outside Services</i> | 380 | (4) | (4) |
| <i>Operating G&A Expense</i> | 102 | (3) | (3) |
| <i>Rate Case Amortization</i> | (1,257) | (315) | (84) |
| <i>Total Variance</i> | <u>(913)</u> | <u>(407)</u> | <u>(168)</u> |

2009-2012 Headcount Changes – State Regulation & Rates

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 13.5 | 13.5 | 13.5 |
| <i>Prior Year</i> | 14.5 | 13.5 | 13.5 |
| <i>Variance</i> | <u>1.0</u> | <u>-</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Additional FTE position not filled in 2009</i> | 1.0 | - | - |
| <i>Total Variance</i> | <u>1.0</u> | <u>-</u> | <u>-</u> |

2008-2012 O&M (\$000) – Human Resources

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 2,204 | 2,598 | 2,537 | 2,270 | 2,668 | 2,774 | 2,870 |
| Burdens | 1,532 | 1,983 | 1,935 | 2,254 | 2,342 | 2,435 | 2,520 |
| Other Labor Benefits | 236 | 439 | 439 | 439 | 369 | 349 | 356 |
| Non Labor | | | | | | | |
| Outside Services | 413 | 938 | 903 | 886 | 1,176 | 845 | 744 |
| Sponsorships/Contributions | 48 | 34 | 34 | 34 | 34 | 35 | 15 |
| Operating G&A Expense | 523 | 850 | 579 | 579 | 604 | 1,253 | 1,257 |
| <i>Total Items Affecting US GAAP EBIT</i> | 4,956 | 6,842 | 6,427 | 6,462 | 7,193 | 7,691 | 7,762 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 4,956 | 6,842 | 6,427 | 6,462 | 7,193 | 7,691 | 7,762 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) – Human Resources

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 7,193 | 7,691 | 7,762 |
| <i>Prior Year</i> | 6,842 | 7,193 | 7,691 |
| <i>Variance</i> | <u>(351)</u> | <u>(498)</u> | <u>(71)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Raw Labor</i> | (70) | (106) | (96) |
| <i>Burdens</i> | (359) | (93) | (85) |
| <i>Other Labor Benefits</i> | 70 | 20 | (7) |
| <i>Outside Services</i> | (238) | 331 | 101 |
| <i>Operating G&A Expense</i> | 246 | 50 | 16 |
| <i>Contingency Relief</i> | - | (700) | - |
| <i>Total Variance</i> | <u>(351)</u> | <u>(498)</u> | <u>(71)</u> |

2008-2012 Capital (\$000) – Human Resources

| <i>Project</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|--|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| Human Resources | | | | | | | |
| <i>PeopleSoft 8.9 Enhancements</i> | - | 150 | 150 | 70 | 150 | 150 | 150 |
| <i>Career Website Technology</i> | - | - | - | - | 450 | - | - |
| <i>Upgrade to PeopleSoft 9.1</i> | - | - | - | - | - | 350 | 400 |
| <i>Performance Management Module</i> | - | - | - | 470 | - | - | - |
| <i>Total Capital (107001)</i> | - | 150 | 150 | 540 | 600 | 500 | 550 |
| <i>IFRS Adjustments (Including Cash Adj)</i> | | | | | | | |
| <i>Total IFRS</i> | | | | | | | |

2009-2012 Capital Reconciliation (\$000) – Human Resources

| | <i>2010</i> <i>Budget</i> | <i>2011</i> <i>Plan</i> | <i>2012</i> <i>Plan</i> |
|---|------------------------------|----------------------------|----------------------------|
| <i>Current Plan</i> | <i>600</i> | <i>500</i> | <i>550</i> |
| <i>Prior Plan</i> | <i>540</i> | <i>600</i> | <i>500</i> |
| <i>Variance</i> | <i>(60)</i> | <i>100</i> | <i>(50)</i> |
| <i><u>Variance Explanations</u></i> | | | |
| <i>PeopleSoft 8.9 Enhancements</i> | <i>(80)</i> | <i>-</i> | <i>-</i> |
| <i>Performance Management Module</i> | <i>470</i> | <i>-</i> | <i>-</i> |
| <i>Career Website Technology</i> | <i>(450)</i> | <i>450</i> | <i>-</i> |
| <i>Upgrade to PeopleSoft 9.1</i> | <i>-</i> | <i>(350)</i> | <i>(50)</i> |
| <i>Total Variance</i> | <i>(60)</i> | <i>100</i> | <i>(50)</i> |

2009-2012 Headcount Changes – Human Resources

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 33.0 | 33.0 | 33.0 |
| <i>Prior Year</i> | 34.5 | 33.0 | 33.0 |
| <i>Variance</i> | <u>1.5</u> | <u>-</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Eliminated additional staffing position</i> | 1.0 | - | - |
| <i>Eliminated PT position</i> | 0.5 | - | - |
| <i>Total Variance</i> | <u>1.5</u> | <u>-</u> | <u>-</u> |

2008-2012 O&M (\$000) – EON Graduate

| Item | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| <i>Opex Expenses</i> | | | | | | | |
| Raw Labor | 168 | 311 | 171 | 171 | 96 | 274 | 283 |
| Burdens | 134 | 238 | 132 | 154 | 85 | 240 | 248 |
| Operating G&A | 76 | 123 | 86 | 86 | 17 | 94 | 95 |
| <i>Total Items Affecting US GAAP EBIT</i> | 378 | 672 | 389 | 411 | 198 | 608 | 626 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 378 | 672 | 389 | 411 | 198 | 608 | 626 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2009-2012 O&M Reconciliation - IFRS (\$000) – EON Graduate

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 198 | 608 | 626 |
| <i>Prior Year</i> | 672 | 198 | 608 |
| <i>Variance</i> | <u>474</u> | <u>(410)</u> | <u>(18)</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Postponed hiring of 4 additional FTE's</i> | 368 | - | - |
| <i>3 Additional FTE's</i> | - | (333) | (17) |
| <i>Operating G&A Expense</i> | 106 | (77) | (1) |
| <i>Total Variance</i> | <u>474</u> | <u>(410)</u> | <u>(18)</u> |

2009-2012 Headcount Changes – EON Graduate

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|---|---------------------|---------------------|---------------------|
| <i>Budget/Plan</i> | 3 | 6 | 6 |
| <i>Prior Year</i> | 7 | 3 | 6 |
| <i>Variance</i> | <u>4</u> | <u>(3)</u> | <u>-</u> |
| <u><i>Variance Explanations</i></u> | | | |
| <i>Grads not hired in June 2009</i> | 4 | - | - |
| <i>Grads to be hired in June 2010</i> | - | (3) | - |
| <i>Total Variance</i> | <u>4</u> | <u>(3)</u> | <u>-</u> |

2008-2012 Regulatory Asset (\$000) – General Counsel

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|----------------------------------|------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| LG&E | | | | | | |
| <i>Gen Mgmt Audit LGE - Elec</i> | - | 101 | - | - | 600 | - |
| <i>Gen Mgmt Audit LGE - Gas</i> | - | 83 | - | - | 200 | - |
| <i>LGE Rate Case - Elec</i> | 684 | 447 | 447 | 983 | - | 1,023 |
| <i>LGE Rate Case - Gas</i> | 228 | 221 | 221 | 336 | - | 351 |
| Total LG&E | <u>912</u> | <u>852</u> | <u>668</u> | <u>1,319</u> | <u>800</u> | <u>1,374</u> |
| KU | | | | | | |
| <i>Gen Mgmt Audit KU - Elec</i> | - | 157 | - | - | 600 | - |
| <i>KU VA State Rate Case</i> | - | 1,658 | 1,158 | - | 500 | - |
| <i>KU KY State Rate Case</i> | 1,298 | 1,077 | 1,077 | 1,917 | - | 2,002 |
| Total KU | <u>1,298</u> | <u>2,892</u> | <u>2,235</u> | <u>1,917</u> | <u>1,100</u> | <u>2,002</u> |
| Total Regulatory Asset | <u><u>2,210</u></u> | <u><u>3,744</u></u> | <u><u>2,903</u></u> | <u><u>3,236</u></u> | <u><u>1,900</u></u> | <u><u>3,376</u></u> |

Major Assumptions

Legal/EVP

- *No significant unbudgeted litigation matters arise*
- *Internal resources are leveraged through new electronic discovery software*
- *No unanticipated WKE post-closing issues arise*

Communications

- *While sponsorship investments are being reduced, we must take advantage of non-traditional tools to gain positive brand recognition*
- *Energy Efficiency programs will continue to grow. We will need to support these projects, in the most cost-effective manner through targeted advertising programs.*
- *As new mediums become available to our customers and employees we will not only monitor and use the most effective tools, but we will need to potentially increase our staff to support any significant actions*

Major Assumptions

Corporate Responsibility & Community Affairs

- *Plan assumes the addition of one new FTE by 1st Quarter of 2011*
- *Plan assumes Corporate Center's continued support of Energy for Children Program through \$25,000 discount of O&M expenses*
- *Continued implementation of Environmental Champions program assumed*
- *Corporate Center has adopted a Group-wide CR strategic plan requiring all CR departments to focus on Energy for Children, as well as activities related to climate Change, access to energy, and next generation energy issues going forward. This mandate means new group-wide CR programs will be required.*

Major Assumptions

Compliance

- *No Significant Need to Procure Software or Incur Other External Cost*
 - *More industry peers are procuring some form of software to facilitate compliance tracking and oversight; currently we rely on readily available MicroSoft tools, such as Access and Excel*
 - *Participation in Compliance and Ethics Leadership Council has been shelved due to budget constraints*

Major Assumptions

Environmental

- Coal fired utilities will continue to face increasing scrutiny from the government, special interest groups and the media on multiple environmental fronts resulting in increased regulatory burden and difficulty in obtaining necessary and timely permits for existing and new facilities*
- Increased volume and complexity of environmental issues will require additional internal and external resources*
- Analysis of environmental risk will require more robust comprehensive environmental audits/assessments*

External Affairs

- Increased restriction by local, state and federal governmental entities upon company's activities in the regulatory and environmental areas*
- Pressure by local, state and federal governmental entities upon the company to use its monopolistic status to enhance governmental revenue*

Major Assumptions

Federal Regulation & Policy

- *FERC to emphasize greater reliance on conservation, efficiency and demand response pricing*
- *Increased socialization of transmission costs in the name of reliability and integration of renewables*
- *Imposition of carbon restrictions, renewable energy standards, efficiency standards, and regional or super-regional transmission planning requirements*
- *Reliability and cyber-security concerns will justify further erosion of exclusive state jurisdiction, e.g., planning, siting, permitting, cost allocation, etc.*
- *Democrats to maintain majority on FERC*

Major Assumptions

State Regulation & Rates

- *Three separate rate case filings during MTP:*
 - *Filing of two base rate cases for LG&E and KU in KY*
 - *Filing of one base rate case for KU/ODP in VA*
- *Implementation of ECR Plan filed in 2009*
- *Renewable Wind PPA order issued in 2009*
- *Number of CPCN proceedings for transmission facilities*
- *Increase in smart-meter rollout and Responsive Pricing Program*
- *Possible Federal climate change and renewable portfolio legislation passed during MTP*
- *Increase in energy efficiency programs as stated in 2008 IRP*
- *Potential rate impact with KPSC Storm Investigation*
- *Possible KPSC General Management Audit during MTP*

Major Assumptions

Human Resources

- *Current and potential Federal legislative initiatives may significantly affect the existing landscape and costs associated with virtually every aspect of the workforce (benefits, compensation, union relations, safety, etc.)*
- *Employee and retiree healthcare costs will continue to rise*
- *Macro-economic challenges, especially inflation, could affect wage and benefits offerings*
- *The impact of demographic and generational shifts presents an immediate challenge*
- *Stakeholders will increasingly look for transparency in business practices*
- *The pace and complexity of regulatory compliance will continue to escalate*
- *The unions will continue to work to increase their membership*
- *Competition for talent will require more non-traditional sourcing*



*Information Technology
2010-2012 MTP*

October 9, 2009

Executive Summary

Financial Performance

ÿ *O&M*

ÿ *Capital*

ÿ *Headcount Update*

ÿ *Risks & Sensitivities*

Operational Performance

ÿ *Initiatives*

Operational

- Y *NERC Critical Infrastructure Protection (CIP) – funding needed \$1.3M – covered \$484K within IT*
- Y *WKE Transition Services Support*
- Y *Project Mirror*
- Y *CCS Investment – Rate Case, CRM Upgrade, Patches and Releases*
- Y *Network Expansion/Upgrades through 2012*

Financial Highlights

| Key Figures (\$000s) | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|------------------------------|----------------|----------------|--------------------------|------------------|----------------|--------------|--------------|
| Operating Expenses | 37,472 | 45,021 | 45,347 | 44,261 | 49,913 | 53,623 | 56,800 |
| GAP/Stretch | | | | | (816) | | |
| Capital Expenses | | | | | | | |
| Captive: | 15,844 | 17,541 | 14,741 | 14,741 | 18,797 | 14,739 | 22,127 |
| Rate Case/CRM Upgrd/Patches: | | | | | 5,152 | 4,779 | 373 |
| CCS Hardware Rotation: | | | | | - | - | 3,400 |
| LOB Capital: | | 3,835 | | 2,852 | 5,231 | 11,785 | 26,245 |

2008-2012 O&M (\$000)

| <i>Item</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Opex Expenses</i> | | | | | | | |
| <i>Raw Labor</i> | 11,234 | 15,974 | 15,287 | 14,631 | 17,057 | 17,784 | 19,012 |
| <i>Burdens</i> | 8,411 | 12,011 | 13,644 | 13,141 | 14,938 | 15,578 | 16,656 |
| <i>Non labor:</i> | | | | | | | |
| <i>Outside Services</i> | 4,994 | 2,108 | 1,883 | 2,629 | 1,283 | 1,607 | 1,639 |
| <i>Computer/Office Supplies</i> | 681 | 469 | 391 | 356 | 1,178 | 1,202 | 1,226 |
| <i>Travel/Transportation</i> | 535 | 693 | 493 | 471 | 609 | 621 | 633 |
| <i>Telecommunications/ Leased Line</i> | 2,350 | 2,959 | 2,959 | 2,454 | 2,809 | 2,865 | 2,922 |
| <i>License / Maintenance Fees</i> | 8,669 | 10,370 | 10,218 | 10,139 | 11,364 | 12,316 | 13,074 |
| <i>Dues & Subscriptions</i> | 137 | 47 | 47 | 47 | 47 | 48 | 49 |
| <i>Training</i> | 303 | 419 | 219 | 226 | 425 | 433 | 442 |
| <i>Other</i> | 157 | 365 | 207 | 167 | 205 | 1,170 | 1,148 |
| <i>O&M Mitigation</i> | - | (393) | 0 | 0 | (816) | - | - |
| <i>Total Items Affecting US GAAP EBIT</i> | 37,472 | 45,021 | 45,347 | 44,261 | 49,097 | 53,623 | 56,800 |
| <i>Total IFRS Adjustments</i> | - | - | - | - | - | - | - |
| <i>Total Items Affecting IFRS EBIT</i> | 37,472 | 45,021 | 45,347 | 44,261 | 49,097 | 53,623 | 56,800 |

Above EBIT excludes allocated actual and forecasted charges for labor and non labor to WKE Disco Ops.

2008-2012 Capital (Excluding COR) (\$000)

| Project | 2008 Actual | 2009 Budget | 2009 Contingency Plan | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|-------------------------------|----------------|----------------|--------------------------|------------------|----------------|---------------|---------------|
| INFORMATION TECHNOLOGY | | | | | | | |
| Service Delivery | 694 | 259 | 259 | 259 | 391 | 264 | 443 |
| Desktop Operations | 1,567 | 2,632 | 2,207 | 2,207 | 2,528 | 2,914 | 4,140 |
| Operations/Capacity Mgmt | 140 | 386 | 356 | 356 | 726 | 902 | 2,105 |
| Telecommunications | 5,133 | 7,635 | 6,910 | 6,910 | 4,568 | 5,942 | 8,244 |
| Computing Architecture | 1,784 | 2,377 | 1,895 | 1,895 | 2,065 | 1,507 | 2,221 |
| Project Mirror | - | 2,100 | 1,600 | 1,600 | 1,416 | 600 | 500 |
| Data Networks | 1,000 | 1,225 | 1,000 | 1,000 | 1,853 | 1,180 | 2,466 |
| New Technology | 212 | 110 | 94 | 94 | 326 | 490 | 540 |
| Security | 376 | 567 | 420 | 420 | 632 | 865 | 908 |
| Client Support Services | 0 | 0 | 0 | 0 | 697 | 75 | 75 |
| Program Management Office | 0 | 0 | 0 | 0 | 100 | - | - |
| Data Center initiatives | 4938 | 250 | 0 | 0 | 2,748 | - | 485 |
| NERC CIP | 0 | 0 | 0 | 0 | 750 | - | - |
| SAP Enh/Upgrade/Rate Case | 0 | 0 | 0 | 0 | 5,152 | 4,779 | 3,773 |
| Total Capital (107001) | 15,844 | 17,541 | 14,741 | 14,741 | 23,949 | 19,518 | 25,900 |

2008-2012 Headcount (FTE)

| <i>Department</i> | <i>2008 Year End</i> | <i>2009 Budget</i> | <i>2009 Contingency Plan</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|--------------------------------------|--------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>IT Service Delivery</i> | 55.0 | 98.0 | 94.0 | 92.5 | 96.5 | 96.5 | 96.5 |
| <i>IT Operations</i> | 81.0 | 87.0 | 86.0 | 86.0 | 90.0 | 90.0 | 90.0 |
| <i>IT Strategy & Client Svcs</i> | 47.0 | 50.0 | 47.0 | 50.0 | 54.0 | 54.0 | 54.0 |
| <i>IT SVP</i> | 10.0 | 14.0 | 13.0 | 11.0 | 12.0 | 12.0 | 12.0 |
| <i>Interns/Coops</i> | 2.0 | 1.5 | 2.0 | 3.0 | 2.5 | 2.5 | 2.5 |
| TOTAL | 195.0 | 250.5 | 242.0 | 242.5 | 255.0 | 255.0 | 255.0 |

Risks and Sensitivities

- NERC CIP Program compliance requirements are still developing; IT's compliance could be compromised if incremental funds are not approved
- FTEs at risk to Capital

| | Raw Labor Dollars to Capital (\$000s) | | | FTE | | |
|--------|--|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| ITSD | 1377 | 1212 | 728 | 18 | 15 | 9 |
| ITO | 830 | 858 | 886 | 11 | 11 | 11 |
| ITS&CS | 192 | 200 | 207 | 2.5 | 2.5 | 2.5 |
| ITSVP | 19 | 20 | 20 | 0 | 0 | 0 |
| | <u>2418</u> | <u>2290</u> | <u>1841</u> | <u>31.5</u> | <u>28.5</u> | <u>22.5</u> |

- Storage requirements – projected increase in storage demand (eDiscovery, NERC CIP)
- Loss of SAP trained resources could result in reduced support and increased costs.
- Remote Access Infrastructure limitation of 500+ users could impact ability to work from off-site locations during a pandemic occurrence or other serious situation that would prevent access to work locations.

Initiatives

- *NERC CIP program*
- *Network Expansion/Upgrade*
- *IT Asset Management*
- *IT Security – Data Protection*
- *Windows 7*
- *Smart Grid – IT Resources involved*

Appendix

2009-2012 O&M Reconciliation - IFRS (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|--|---------------------|---------------------|---------------------|
| Budget/Plan | 49,097 | 53,623 | 56,800 |
| Prior Year | <u>44,261</u> | <u>49,097</u> | <u>53,623</u> |
| Variance | <u>(4,836)</u> | <u>(4,526)</u> | <u>(3,177)</u> |
| <u>Variance Explanations</u> | | | |
| Annual Salary Increases | (591) | (597) | (622) |
| Unfilled Positions | 383 | | |
| New NERC CIP Positions | (641) | | |
| New Positions | (243) | | |
| Other Labor | (1,334) | (130) | (606) |
| Burden Adjustment | (1,797) | (640) | (1,078) |
| Outside Services | 1,346 | (300) | |
| License/Maintenance Exp - CCS | (1,938) | | |
| License/Maintenance Exp - NERC CIP | (400) | | |
| Licenses/Maintenance Exp-Other | (560) | (606) | (613) |
| Savings from Elimination of Mainframe | 1,195 | | |
| Other - Relocation Expenses, Telecom, Travel | (1,072) | (1,091) | (113) |
| O&M Mitigation | 816 | (816) | - |
| O&M Implications for Capital Projects | - | (346) | (145) |
| Total Variance | <u>(4,836)</u> | <u>(4,526)</u> | <u>(3,177)</u> |

2009-2012 Capital Reconciliation –IFRS Cash Basis (\$000)

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 23,949 | 19,518 | 25,900 |
| Prior Year | 14,741 | 23,949 | 19,518 |
| Variance | <u>(9,208)</u> | <u>4,431</u> | <u>(6,382)</u> |
| <u>Variance Explanations</u> | | | |
| Service Delivery | (132) | 127 | (179) |
| Desktop Operations | (321) | (387) | (1,225) |
| Operations/Capacity Mgmt | (370) | (177) | (1,203) |
| Telecommunications | 2,343 | (1,374) | (2,303) |
| Computing Architecture | (170) | 558 | (714) |
| Project Mirror | 184 | 816 | 100 |
| Data Networks | (852) | 673 | (1,286) |
| New Technology | (232) | (164) | (50) |
| Security | (212) | (233) | (42) |
| Client Support Services | (697) | 622 | - |
| Program Management Office | (100) | 100 | - |
| Data Center initiatives | (2,748) | 2,748 | (485) |
| NERC CIP | (750) | 750 | - |
| SAP Enh/Upgrade/Rate Case | (5,152) | 373 | 1,005 |
| Total Variance | <u>(9,208)</u> | <u>4,431</u> | <u>(6,382)</u> |

2009-2012 Headcount Changes

| | <u>2010 vs 2009</u> | <u>2011 vs 2010</u> | <u>2012 vs 2011</u> |
|----------------------------------|---------------------|---------------------|---------------------|
| Budget/Plan | 255.0 | 255.0 | 255.0 |
| Prior Year | 242.5 | 255.0 | 255.0 |
| Variance | <u>(12.5)</u> | <u>-</u> | <u>-</u> |
| <u>Variance Explanations</u> | | | |
| New Positions for NERC CIP | (7.0) | | |
| Unfilled Positions | (6.0) | | |
| Interns/Coops | 0.5 | | |
| Total Variance | <u>(12.5)</u> | <u>-</u> | <u>-</u> |

Major Assumptions

- NERC CIP – investments expected to continue to expand significantly although scope is indeterminate at this time*
- All 2010-2012 MTP Capital projects will be approved*
- WKE transition support provided through 2010*



*CFO Organization
2010-2012 MTP*

October 9, 2009

| | |
|------------------------------------|----------|
| <i>Executive Summary</i> | <i>3</i> |
| <i>Financial Performance</i> | |
| <i>ÿ O&M</i> | <i>4</i> |
| <i>ÿ Capital</i> | <i>5</i> |
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| <i>Operational Performance</i> | |
| <i>ÿ Initiatives</i> | <i>8</i> |

- Y *The July forecast anticipates that 2009 results will be \$279k favorable to our target. Most of the variance is due to labor allocated to WKE, partially offset by higher contractor costs. All other costs are consistent with the targets.*
- Y *The capital forecast is expected to be \$250k favorable. Funds have been given back to the RAC. Work on the PowerPlan budgeting module will begin in the last quarter of 2009.*
- Y *Operating expenses in all MTP years are consistent with the MTP targets.*
- Y *Considerable capital spending is assumed in 2012 due to the planned reimplementations of Oracle. The capital plan was part of the RAC MTP review process and has been approved by the Investment Committee.*

2008-2012 O&M : (\$000)

| Item | 2008 Actual | 2009 Budget | 2009 Target | 2009 Forecast | 2010 Budget | 2011 Plan | 2012 Plan |
|---|----------------|----------------|----------------|------------------|----------------|---------------|---------------|
| Raw Labor | 9,896 | 10,868 | 10,553 | 10,410 | 11,355 | 11,803 | 12,232 |
| Burdens | 7,184 | 8,015 | 9,038 | 8,862 | 9,529 | 9,908 | 10,266 |
| Contractors & Consultants | 351 | 244 | 105 | 175 | 122 | 208 | 410 |
| Bank Fees | 1,417 | 2,562 | 2,562 | 2,214 | 2,078 | 2,120 | 2,162 |
| Audit Fees | 1,411 | 1,451 | 1,451 | 1,799 | 1,814 | 1,927 | 2,022 |
| Risk Management Fees | 1,223 | 1,188 | 1,188 | 1,125 | 1,169 | 1,192 | 1,216 |
| Education & Training | 296 | 460 | 230 | 223 | 278 | 460 | 460 |
| Other Non-Labor | 1,346 | 1,780 | 1,216 | 1,255 | 1,327 | 2,385 | 2,163 |
| Total Items Affecting US GAAP EBIT | 23,123 | 26,567 | 26,342 | 26,063 | 27,671 | 30,003 | 30,929 |
| Total IFRS Adjustments | - | - | - | - | - | - | - |
| Total Items Affecting IFRS EBIT | 23,123 | 26,567 | 26,342 | 26,063 | 27,671 | 30,003 | 30,929 |
| Targets | | | | | 27,711 | 30,003 | 30,929 |

2008-2012 Capital : (Excluding COR) : (\$000)

| <i>Project</i> | <i>2008 Actual</i> | <i>2009 Budget</i> | <i>2009 Target</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|--|------------------------|------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>Oracle Upgrade / Reimplementation</i> | 10 | - | - | - | - | - | 6,000 |
| <i>PowerPlan Implementations</i> | 1,126 | 600 | 139 | 144 | 501 | - | - |
| <i>PowerPlan Upgrades</i> | - | - | - | - | 350 | - | 640 |
| <i>PeopleSoft Time-Keeping System</i> | - | - | - | - | - | 300 | 300 |
| <i>Inventory Management</i> | - | - | - | - | - | - | 250 |
| <i>Services Management</i> | - | 250 | 250 | - | - | - | 250 |
| <i>Stellent Digital Imaging</i> | - | - | - | - | 250 | - | - |
| <i>Oracle Servers</i> | - | 500 | 500 | 243 | - | - | - |
| <i>Other Capital Projects</i> | 480 | - | - | 252 | 370 | 125 | 25 |
| <i>Total Capital (107001)</i> | <u>1,616</u> | <u>1,350</u> | <u>889</u> | <u>639</u> | <u>1,471</u> | <u>425</u> | <u>7,465</u> |
| <i>IFRS Adjustments (Including Cash Adj)</i> | | | | | | | |
| <i>Total IFRS</i> | <u><u>1,616</u></u> | <u><u>1,350</u></u> | <u><u>889</u></u> | <u><u>639</u></u> | <u><u>1,471</u></u> | <u><u>425</u></u> | <u><u>7,465</u></u> |
| <i>Targets</i> | | | | | 1,079 | 272 | 6,250 |

2008-2012 Headcount : (FTE)

| <i>Department</i> | <i>2008 Year-End</i> | <i>2009 Budget</i> | <i>2009 Target</i> | <i>2009 Forecast</i> | <i>2010 Budget</i> | <i>2011 Plan</i> | <i>2012 Plan</i> |
|---|--------------------------|------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| <i>CFO</i> | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| <i>Audit</i> | 12.0 | 14.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| <i>Treasurer</i> | 16.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| <i>Controller</i> | 49.5 | 50.5 | 50.5 | 52.5 | 53.5 | 53.5 | 53.5 |
| <i>Corporate Tax & Payroll</i> | 17.0 | 16.0 | 16.0 | 17.0 | 16.0 | 16.0 | 16.0 |
| <i>Corporate Planning & Development</i> | 21.0 | 23.5 | 21.0 | 24.0 * | 25.0 | 25.0 | 25.0 |
| <i>Supply Chain</i> | 47.0 | 49.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 |
| <i>Total FTEs</i> | 164.5 | 170.0 | 165.5 | 171.5 | 172.5 | 172.5 | 172.5 |

* The three additional positions in the 2009 forecast compared to the target is due to the realignment of budget coordinators previously included in the General Counsel and IT organizations.

Risks and Sensitivities

Commodity & Labor Markets

WKE & Argentina

Credit Markets

Reporting Requirements

New Accounting Pronouncements

Changing Technology

US GAAP / IFRS Convergence

New Initiatives

Regulatory Issues

Depreciation Study

Initiatives & Achievements

Internal Control Systems

PowerPlan Implementations

Rate Case Support

German FREP Audit

WKE Support

Long-Term Plan Modeling

2010 Plan Assumptions

- Seven rate case decisions from three jurisdictions assumed in MTP – 2 at the KPSC, 2 at the VSCC and 3 annual rate adjustments by FERC.
- Storm cost regulatory assets recovered over 10 year period
- Some economic recovery assumed in 2nd half of MTP with load CAGR of 2.8% for MTP
- CO₂ / RPS legislation not effective for MTP
- TC2 in-service June 30, 2010
- FGDs in service as scheduled (Brown 3 in May 2010, Brown 1&2 in November 2010), Brown 3 SCR in Q4 2012
- Total capital expenditures of \$2b, with \$790m being ECR recoverable
- No significant “system hardening” or “smart grid” deployment in MTP
- Newly issued debt rates for Utilities and EON U.S. of 6% and 9%, respectively