COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES	**)**	**CASE NO.**
COMPANY FOR AN ADJUSTMENT OF	**)**	**2014-00371**
ITS ELECTRIC RATES	**)**	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
DATED FEBRUARY 6, 2015

FILED: FEBRUARY 20, 2015

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

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

Daniel K. Arbough
Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

STATE OF Texas)

) **SS:**

COUNTY OF Hays)

The undersigned, **William E. Avera**, being duly sworn, deposes and says he is President of FINCAP, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

William E. Avera

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10 day of Febrary 2015.

_____________________________(SEAL)
Notary Public

My Commission Expires:

____

NOTARY PUBLIC · STATE OF TEXAS
Robert Middelton Avera
Notary Public,
State of Texas
Expires:06-17-2018

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

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

Kent W Blake

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Dr. Martin J. Blake**, being duly sworn, deposes and states that he is a Principal of The Prime Group, LLC, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Martin J Blake
Dr. Martin J. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, Donald Ralph Bowling, being duly sworn, deposes and says that he is Vice President, Power Production, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Donald R Bowling
Donald Ralph Bowling

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

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

Robert M. Conroy

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Director – Accounting and Regulatory Reporting for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Christopher M. Garrett

Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Russel A. Hudson
Russel A. Hudson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2018~~
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **David E. Huff**, being duly sworn, deposes and says that he is Director – Customer Energy Efficiency Smart Grid Strategy for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

David E. Huff
David E. Huff

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Thomas A. Jessee

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of February 2015.

(SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

STATE OF TEXAS)
) **SS:**
COUNTY OF TRAVIS)

The undersigned, **Adrien M. McKenzie**, being duly sworn, deposes and says he is Vice President of FINCAP, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

A. M. McKenzie
Adrien M. McKenzie

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 11 day of February 2015.

______________________________(SEAL)
Notary Public

My Commission Expires:

____

Robert Middelton Avera
Notary Public,
State of Texas
Expires:06-17-2018

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

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

John P. Malloy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Paula H. Pottinger, Ph.D.**, being duly sworn, deposes and says that she is Senior Vice President, Human Resources for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Paula H. Pottinger

Paula H. Pottinger, Ph.D.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2015.

Judy Schooler (SEAL)

Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **David S. Sinclair**, being duly sworn, deposes and says that he is Vice President, Energy Supply and Analysis for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

David S. Sinclair

David S. Sinclair

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of February 2015.

Judy Schooler (SEAL)

Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) **SS:**
COUNTY OF CUMBERLAND)

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Senior Vice President for Gannett Fleming Valuation and Rate Consultants, LLC, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

John J. Spanos
JOHN J. SPANOS

Subscribed and sworn to before me, a Notary Public in and before said County and Commonwealth, this 12th day of February 2015.

Cheryl Ann Rutter (SEAL)
Notary Public

My Commission Expires:
February 20, 2019

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Cheryl Ann Rutter, Notary Public
East Pennsboro Twp., Cumberland County
My Commission Expires Feb. 20, 2019
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Paul Gregory Thomas

Paul Gregory Thomas

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 1

Responding Witness: Robert M. Conroy / Dr. Martin J. Blake

Q-1. Refer to Tab 65 of the application, Schedule M-2.3.

a. Refer to page 8 of 21. KU is proposing a slight increase in the energy charge and an increase of $2.71 per kW to the demand charges for the Power Service-Secondary class to achieve the increase. Explain the basis for the proposed rate design.

b. Refer to page 9 of 21. KU is proposing an increase to the basic service charge, a decrease in the energy charge, and an increase of $3.22 per kW to the demand charges for the Power Service-Primary class to achieve the increase. Explain the basis for the proposed rate design.

c. Refer to page 10 of 21. KU is proposing a decrease in the energy charge and an increase of $1.37 per kW to the demand charges for the Time-of-Day Secondary class to achieve the increase. Explain the basis for the proposed rate design.

d. Refer to page 11 of 21. KU is proposing a decrease in the energy charge and an increase of $1.50 per kW to the demand charges for the Time-of-Day Primary class to achieve the increase. Explain the basis for the proposed rate design.

e. Refer to page 12 of 21. KU is proposing an increase to the basic service charge, a decrease in the energy charge, and an increase of various amounts to the demand charges for the Retail Transmission Service class to achieve the increase. Explain the basis for the proposed rate design.

f. Refer to page 13 of 21. KU is proposing an increase to the basic service charge and an increase of $.45 per kW to the demand charges for the Fluctuating Load Service class to achieve the increase. Explain the basis for the proposed rate design.

g. Refer to pages 11-12 of 21. For each page, explain the row "Adjustment to Reflect Change in Metering" and how the present revenue was calculated.

A-1.

a. When designing rates, KU tried to make changes to each rate component that would move the charges closer to the cost of providing service. We also wanted the customer charges to be consistent between the LG&E and KU. In this case, there was no cost justification for increasing the customer charge, so it was not increased. The energy charge was set to the cost based energy charge from the cost of service study. The demand charge increase was necessary to produce the overall percentage increase needed for the class.

b. When designing rates, KU tried to make changes to each rate component that would move the charges closer to the cost of providing service. We also wanted the customer charges to be consistent between the LG&E and KU. The customer charge for Power Service – Primary was increased to match LG&E's customer charge for the same rate. The energy charge was set to the cost based energy charge from the cost of service study. The demand charge increase was necessary to produce the overall percentage increase needed for the class.

c. When designing rates, KU tried to make changes to each rate component that would move the charges closer to the cost of providing service. We also wanted the customer charges to be consistent between the LG&E and KU. The Time-of-Day Secondary customer charge for KU was not increased in order to maintain consistency with the LG&E customer charge for the same rate. The energy charge was set to the cost based energy charge from the cost of service study. The demand charge increase was necessary to produce the overall percentage increase needed for the class.

d. When designing rates, KU tried to make changes to each rate component that would move the charges closer to the cost of providing service. We also wanted the customer charges to be consistent between the LG&E and KU. The Time-of-Day Primary customer charge for KU was not increased in order to maintain consistency with the LG&E customer charge for the same rate. The energy charge was set to the cost based energy charge from the cost of service study. The demand charge increase was necessary to produce the overall percentage increase needed for the class.

e. When designing rates, KU tried to make changes to each rate component that would move the charges closer to the cost of providing service. We also wanted the customer charges to be consistent between the LG&E and KU. The cost of service study for KU indicated an increase in the customer charge was justified for RTS. The energy charge was set to the cost based energy charge from the cost of service study. The demand charge increase was necessary to produce the overall percentage increase needed for the class.

f. When designing rates, KU tried to make changes to each rate component that would move the charges closer to the cost of providing service. We also wanted the customer charges to be consistent between the LG&E and KU. The cost of service study for KU indicated an increase in the customer charge was justified for FLS. The energy charge was set to the cost based energy charge from the cost of service study. The demand charge increase was necessary to produce the overall percentage increase needed for the class.

g. Please see the prefiled testimony of Mr. Conroy, page 12, line 17 through page 13, line 12. In his testimony, Mr. Conroy explains certain contractual changes KU made with two customers, each of which results in a decrease to forecasted demand revenues through consolidated billing. The pro forma revenue reduction was calculated by comparing historic demand readings under the current billing method to what those demand readings would have been under the newly agreed to billing method. Current demand rates were applied to each set of demand readings, and the difference in demand revenue is presented on Schedule M-2.3. Consolidated demand readings reflecting the new billing method were obtained from KU's meter translation system. See Exhibits RMC-4 and RMC-5 for the calculation of the pro forma revenue adjustment.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 2

Responding Witness: Robert M. Conroy

Q-2. Refer to KU's response to Item 5 of Commission Staff's Second Request for Information ("Staff's Second Request").

a. The response states that the telephone payment fee has been reduced from $2.95 to $2.25 on Sheet No. 104.

(1) Explain why the fee is being reduced.
(2) Explain whether the current charge is $2.95 or $2.25 for telephone payments.
(3) State whether this fee is charged for other types of payment. If yes, explain.
(4) State whether this fee is paid directly by the customer to a third party providing a payment service or is collected by KU.
(5) If the fee is not paid directly to a third party by the customer, provide the case number or Tariff system number in which this fee was approved by the Commission. If Commission approval was not sought, explain why KU believed it was not necessary to obtain approval.

b. Confirm that the reason KU is removing the reference to "Franchise Fee-Lexington" is because it serves areas outside of Lexington.

c. The response states that the "Environmental Surcharge" information has been removed from the billing information section. Explain why the language has been removed.

d. Explain how KU informs customers without computers or Internet access about the option to enroll in Demand Conservation.

A-2.

a. See answers to subparts below:

(1) The fee was reduced as a result of a competitive bid process that was conducted in early 2013. As a result of the bidding, a new third-party

vendor was selected for processing customer utility payments made by credit / debit cards and ACH payments.

(2) The current charge is $2.25 for telephone payments which are paid directly by the customer to the third-party, Paymentus. See the response to part a(4).

(3) This fee is also charged to customers paying by credit and debit card via the web.

(4) This fee is paid directly by the customer to the third-party vendor, Paymentus, who processes the payment. No part of the fee, known in the industry as a convenience fee, is collected by KU, nor does KU receive any portion of the fee.

(5) See the response to part a(4).

b and c.

In responding to PSC 2-5, KU was simply attempting to identify all bill format text changes contained in the "Sample Bill." Said changes were based on the side by side bill formats shown as original sheet Nos. 104 and 104.1 (current and proposed). The "Sample Bill" is not meant to reflect all possible items contained on the various customers bill, but to be representative of the typical bill format.

The "Franchise Fee-Lexington" reference was omitted on proposed Sheet No. 104 due to the sample bill not indicating a particular city. Not all KU communities assess a Franchise Fee, therefore it would have been inaccurate to reference a franchise fee. If a Franchise Fee is assessed, it would be reflected on the customer's bill within the "TAXES AND FEES" section.

KU has not permanently removed the Environmental Surcharge message. The Environmental Surcharge message is one of several messages that KU publishes on customers' bills throughout the year on a rotational basis. Other examples of rotating messages that may appear on a customer's bill are related to Franchise Fees and Demand Side Management.

d. The Companies use both direct mail and telemarketing for Demand Conservation.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 3

Responding Witness: Daniel K. Arbough

Q-3. Refer to the attachment to the response to Item 12a. of Staff's Second Request. Explain why the variance between KU's short-term rate and the "3 Month LIBOR Rate" increased in the fourth quarter of 2014 to a greater level than in any of the eight previous quarters.

A-3. The increase in KU's short-term rate relative to the 3 Month LIBOR rate during the fourth quarter of 2014 was primarily driven by a flight to quality by investors. Investors preferred A1/P1 rated Commercial Paper ("CP") to A2/P2 rated CP (KU CP is rated A2/P2). There was also an abundance of supply of A2/P2 rated CP in December 2014 that needed to be placed into 2015 before year-end that coincided with diminishing investor demand for A2/P2 rated CP. Also, the Federal Reserve's Reverse Repurchase Agreements' interest rates were elevated during December 2014 and some investors chose to invest in these securities as opposed to CP.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 4

Responding Witness: Robert M. Conroy

Q-4. Refer to the response to Item 13 of Staff's Second Request. Continue to provide income statements, updated monthly, during the pendency of this processing.

A-4. See attached for the January 2015 Comparative Statement of Income. The Company will provide monthly updates during the pendency of this proceeding.

Kentucky Utilities Company
Comparative Statement of Income
January 31, 2015

	Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	Increase or Decrease %
Electric Operating Revenues....................................	$ 167,122,984.43	$ 189,727,601.34	$ (22,604,616.91)	(11.91)
Rate Refunds..	-	-	-	-
Total Operating Revenues.....................................	167,122,984.43	189,727,601.34	(22,604,616.91)	(11.91)
Fuel for Electric Generation.....................................	53,521,050.91	63,747,925.94	(10,226,875.03)	(16.04)
Power Purchased..	8,888,617.34	15,738,067.00	(6,849,449.66)	(43.52)
Other Operation Expenses.......................................	22,939,843.65	22,277,626.49	662,217.16	2.97
Maintenance...	7,785,923.49	7,828,269.26	(42,345.77)	(0.54)
Depreciation...	16,612,627.14	15,053,920.87	1,558,706.27	10.35
Amortization Expense..	865,217.06	719,549.02	145,668.04	20.24
Regulatory Credits...	-	-	-	-
Taxes				
Federal Income..	15,311,070.71	18,022,700.23	(2,711,629.52)	(15.05)
State Income...	2,792,292.52	3,286,814.63	(494,522.11)	(15.05)
Deferred Federal Income - Net..............................	-	-	-	-
Deferred State Income - Net..................................	-	-	-	-
Property and Other..	3,317,673.02	3,095,463.13	222,209.89	7.18
Investment Tax Credit..	-	-	-	-
Loss (Gain) from Disposition of Allowances...........	-	-	-	-
Accretion Expense...	-	-	-	-
Total Operating Expenses.....................................	132,034,315.84	149,770,336.57	(17,736,020.73)	(11.84)
Net Operating Income..	35,088,668.59	39,957,264.77	(4,868,596.18)	(12.18)
Other Income Less Deductions				
Amortization of Investment Tax Credit.............	155,938.00	155,938.00	-	-
Other Income Less Deductions..........................	(273,594.77)	(276,567.41)	2,972.64	1.07
AFUDC - Equity...	50,845.80	102,056.07	(51,210.27)	(50.18)
Total Other Income Less Deductions....................	(66,810.97)	(18,573.34)	(48,237.63)	(259.71)
Income Before Interest Charges............................	35,021,857.62	39,938,691.43	(4,916,833.81)	(12.31)
Interest on Long-Term Debt.....................................	5,903,244.57	5,900,993.72	2,250.85	0.04
Amortization of Debt Expense - Net........................	303,470.49	343,486.33	(40,015.84)	(11.65)
Other Interest Expenses...	464,402.04	273,977.95	190,424.09	69.50
AFUDC - Borrowed Funds......................................	(18,169.13)	(32,755.20)	14,586.07	44.53
Total Interest Charges...	6,652,947.97	6,485,702.80	167,245.17	2.58
Net Income...	$ 28,368,909.65	$ 33,452,988.63	$ (5,084,078.98)	(15.20)

February 20, 2015

Kentucky Utilities Company
Case No. 2014-00371
Comparative Income Statement
Base Period: Twelve Months Ended February 28, 2015
Forecasted Test Period: Twelve Months Ended June 30, 2016

Total Company	Most Recent Five Calendar Years					Base Period	Test Year	Forecasted		
	2009	2010	2011	2012	2013	2/28/2015	6/30/2016	2016	2017	2018
INCOME STATEMENT										
Operating Revenues										
Electric Operating Revenues	$ 1,356,658,234	$ 1,512,342,096	$ 1,547,516,986	$ 1,523,825,929	$ 1,634,793,983	$ 1,714,320,924	$ 1,838,424,883	$ 1,851,427,354	$ 1,901,284,227	$ 1,952,086,261
Rate Refunds	(469,231)	(632,384)	-	-	-	(2,700,607)	-	-	-	-
Total Operating Revenues	1,356,189,003	1,511,709,712	1,547,516,986	1,523,825,929	1,634,793,983	1,711,620,317	1,838,424,883	1,851,427,354	1,901,284,227	1,952,086,261
Operating Expenses										
Fuel for Electric Generation	433,697,314	496,084,188	522,648,642	504,482,305	535,625,319	562,542,729	638,109,266	639,901,720	665,867,227	667,156,659
Power Purchased	198,813,399	174,621,937	109,114,948	105,046,895	79,098,106	95,500,776	77,959,172	76,887,422	79,818,059	101,184,193
Other Operation Expenses	196,300,642	216,647,228	233,508,691	231,533,083	260,213,804	270,086,392	326,075,013	330,326,533	338,447,316	347,243,397
Maintenance	103,274,108	107,813,985	116,303,369	142,533,486	111,758,016	130,435,961	139,747,049	135,395,224	134,195,118	150,902,629
Depreciation & Amortization Expense	133,320,861	144,234,852	186,161,709	193,711,065	185,756,680	200,264,116	239,971,068	245,193,480	253,493,535	264,677,404
Federal & State Income Taxes	(3,134,848)	74,415,842	(2,486,273)	(20,748,788)	64,134,664	(93,849,920)	19,769,998	2,515,596	20,474,406	13,636,388
Deferred Federal & State Income Taxes	53,274,660	25,586,490	111,563,239	115,043,640	69,874,797	225,373,512	87,644,254	106,377,612	87,328,687	88,374,837
Property and Other Taxes	20,956,613	19,893,479	28,115,766	31,089,947	32,726,804	36,228,180	40,737,389	41,591,919	43,191,379	44,676,740
Amortization of Investment Tax Credit	21,416,455	-	-	-	-	-	-	-	-	-
Loss(Gain) from Disposition of Allowances	(84,708)	(56,751)	(3,293)	(887)	(360)	(546)	-	-	-	-
Total Operating Expenses	1,157,834,496	1,259,241,250	1,304,926,798	1,302,690,746	1,339,187,830	1,426,581,200	1,570,013,209	1,578,189,506	1,622,815,727	1,677,852,247
Net Operating Income	198,354,507	252,468,462	242,590,188	221,135,183	295,606,153	285,039,117	268,411,674	273,237,848	278,468,500	274,234,014
Other Income less deductions	10,039,029	1,650,166	4,478,792	(6,330,749)	2,714,427	2,742,507	1,464,391	1,410,712	1,396,599	1,378,443
Income before Interest Charges	208,393,536	254,118,628	247,068,980	214,804,434	298,320,580	287,781,624	269,876,065	274,648,560	279,865,099	275,612,457
Interest Charges	75,066,582	78,624,210	70,333,584	68,803,504	70,304,985	77,841,208	93,970,481	99,390,497	104,195,898	110,298,961
Net Income	$ 133,326,954	$ 175,494,418	$ 176,735,396	$ 146,000,930	$ 228,015,595	$ 209,940,416	$ 175,905,584	$ 175,258,063	$ 175,669,201	$ 165,313,496

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 5

Responding Witness: Kent W. Blake

Q-5. Refer to the response to Item 14 of Staff's Second Request, which indicates that KU expects to receive an updated estimate of its 2015 expense in February of 2015. Include that update in the response to this request, if available at the time the response is due. If not available at that time, provide a more specific date by which the updated expense will be available.

A-5. KU received the updated estimate of 2015 and 2016 pension and postretirement expense on February 6, 2015. See the summary below and details in the attachment.

2015 Pension Expense	**KU**
5/30/14 Estimate	27,498,158
2/6/15 Revised Estimate	27,695,717
Variance	$ 197,559

2016 Pension Expense	**KU**
5/30/14 Estimate	24,255,510
2/6/15 Revised Estimate	21,732,663
Variance	$ (2,522,848)

2016 Postretirement Expense	**KU**
5/30/14 Estimate	4,507,861
2/6/15 Revised Estimate	5,016,272
Variance	$ 508,411

2015 Postretirement Expense	**KU**
5/30/14 Estimate	4,919,963
2/6/15 Revised Estimate	5,379,213
Variance	$ 459,250

The Company expects to have final 2015 expense and updated projections for periods beyond 2015 in May 2015.

TOWERS WATSON

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February 6, 2015

Ms. Kelli Higdon
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202

Dear Kelli:

2015 AND 2016 BUDGET ESTIMATES – LKE RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

LG&E and KU Energy LLC ("LKE" or "you") requested Towers Watson ("we" or "us") provide a projection of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 715 accounting cost for the following plans/company allocations:

Regulatory Accounting

- LG&E Company Bargaining Employees' Retirement Plan (LG&E Union)
- LG&E, ServCo, and KU allocations of the LG&E and KU Retirement Plan
- LG&E, ServCo, and KU allocations of the LG&E and KU Postretirement Benefit Plan

Financial Accounting

- ServCo allocation of the LG&E and KU Retirement Plan
- ServCo allocation of the LG&E and KU Postretirement Benefit Plan

Overview

These budget estimates are an update to our previous projections provided on May 30, 2014, and reflect updated assumptions, plan provisions, and asset values as of December 31, 2014. With the exception of LG&E union pension, these estimates are generally in line with the prior projections. The 2015 and 2016 estimates for LG&E union pension declined from the prior projections, primarily due to the adoption of a mortality assumption with higher rates of death than those modeled previously, partially offset by additional plan improvements beyond what was previously modeled. Other changes, including the recognition of a lower discount rate, updated demographic assumptions, and actual December 31, 2014 asset values, generally had offsetting effects in the 2015 and 2016 estimates.

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These projections reflect the following key assumptions, methods, data and plan provisions:

- Annual contributions were assumed for the qualified pension plans and the 401(h) subaccount of the Postretirement Benefit Plan as follows:

	Qualified Pension*		Postretirement Benefit	
$ millions	January 14, 2015	January 14, 2016	June 30, 2015	June 30, 2016
LG&E Union	13.4	9.6	0.0	0.0
LG&E Nonunion	7.7	7.5	0.8	0.8
ServCo	14.7	12.5	3.5	3.5
KU	13.1	15.2	2.5	2.5
Total	48.9	44.8	6.8	6.8

*2016 contribution estimate based on projected 2015 net periodic pension cost

- Discount rates as shown below and consistent with year-end disclosure information:

	December 31, 2014 and December 31, 2015
LG&E Company Bargaining Employees' Retirement Plan	4.20%
LG&E and KU Retirement Plan	4.27%
LG&E and KU Retiree Postretirement Benefit Plan	4.06%

- An expected rate of return on asset assumption as shown below and consistent with year-end disclosure information. The actual return on assets during 2015 is assumed to be equal to the expected return.

	December 31, 2014 and December 31, 2015
LG&E Company Bargaining Employees' Retirement Plan	7.00%
LG&E and KU Retirement Plan	7.00%
LG&E and KU Retiree Postretirement Benefit Plan - Union VEBA - Nonunion VEBA - 401(h) sub-account	 0.00% 0.00% 7.00%

- The service cost is projected to increase annually at varying rates, depending on whether the plan is open or closed as well as the type of benefits provided by the plan. The annual service cost for the LG&E and KU Retirement Plan is projected to increase by 2.00% in 2015 and 1.75% in 2016. The annual service cost for the other plans in the projection are projected to increase by the discount rate used for the 2015 actuarial valuation.

- The expected future working lifetime used in the development of the unrecognized (gain) / loss amortization is equal to the amount developed in the December 31, 2014 disclosure results and is projected to decrease 0.5 per year for most plans to reflect the aging of the closed populations. The Postretirement Benefit Plan is not closed to new entrants, so there is no assumed decrease in the amortization period.

- The projections are based on the December 31, 2014 year-end disclosure results published on January 20, 2015. Except where otherwise noted, the assumptions, methods, data and plan provisions used to develop these projections are the same as those used to develop the year-end 2014 results.

- As noted previously, we anticipate completing the 2015 valuation and communicating the 2015 net periodic benefit cost in April/May 2015.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. As directed by LKE, the accounting calculations reflect our understanding of the historical allocation methodology.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, claims data, obligations, contributions and assets provided by LKE and other persons or organizations designated by LKE, including the prior actuary. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, and information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by LKE, may produce materially different results that could require that a revised report be issued.

Assumptions and methods under ASC 715

As required by ASC 715-30 and ASC 715-60, the actuarial assumptions and methods employed in the development of the net periodic benefit costs have been selected by the plan sponsor. Towers Watson has concurred with these assumptions and methods. ASC 715-30 and ASC 715-60 require that each significant assumption “individually represent the best estimate of a particular future event.”

Accumulated and other comprehensive (income) / loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with LKE’s tax advisors and auditors.

Nature of actuarial calculations

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, we consider reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Assumptions may be made, in consultation with LKE about participation data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded, but this is for convenience only and should not imply precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future pension contributions, but we can do so upon request.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter signed on March 28, 2013 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of LKE, its auditors, and any organization which provides benefit administration services for the plan, in connection with our determination as described in this report. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. LKE may distribute this report to the appropriate authorities who have the legal or contractual right to require LKE to provide them this report, in which case LKE will use best efforts to notify Towers Watson in advance of this distribution, and will include a non-reliance notice. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. In the absence of such consent and an express assumption of responsibility, we accept no responsibility whatsoever for any consequences arising from any other party relying on this report or any advice relating to its contents. There are no other intended beneficiaries of this report or the work underlying it.

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Professional Qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to retirement plans. Our objectivity is not impaired by any relationship between LKE and our employer, Towers Watson Delaware Inc.

Jennifer a. DellaPietra

Jennifer Della Pietra, ASA, EA
Senior Retirement Consulting Actuary
(215) 246-6861

Royce Kosoff

Royce Kosoff, FSA, EA, CFA
Senior Retirement Consulting Actuary
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CC:

- Dan Arbough – LG&E and KU Energy, LLC
- Elliott Horne – LG&E and KU Energy, LLC
- Ken Mudd – LG&E and KU Energy, LLC
- Jeanne Kugler – LG&E and KU Energy, LLC
- Kristin May – Towers Watson
- Bill Loth – Towers Watson

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LG&E and KU Energy LLC
January 1, 2015 Budget Projections

	Regulatory								Financial		Regulatory	
	Qualified Plans				Post Retirement Benefit Plan							
		NonUnion Retirement Plan				NonUnion			NonUnion Retirement Plan	Post Retirement Benefit Plan	Union & NonUnion Retirement Plans	Union & NonUnion Post Retirement Welfare Plan
Estimated 2015 Net Periodic Pension Cost	LG&E Union	LG&E	ServCo	KU	LG&E Union	LG&E	ServCo	KU	ServCo	ServCo	LG&E	LG&E
Service cost	2,212,015	2,323,767	14,331,195	8,918,382	608,062	633,788	2,697,368	2,160,194	14,331,195	2,697,368	4,535,782	1,241,850
Interest cost	13,542,858	10,020,333	21,299,706	18,458,574	2,297,232	1,455,983	2,010,763	3,411,453	21,299,706	2,010,763	23,563,191	3,753,215
Expected return on assets	(20,344,455)	(14,415,267)	(26,473,014)	(25,849,265)	-	(679,290)	(2,589,755)	(2,423,063)	(26,473,014)	(2,589,755)	(34,759,722)	(679,290)
Amortization of:												
Transition obligation (asset)	-	-	-	-	-	-	-	-	-	-	-	-
Prior service cost (credit)	3,166,370	1,824,525	3,520,645	1,257,146	1,185,365	362,458	644,568	725,261	1,022,630	644,568	4,990,895	1,547,823
Actuarial (gain) loss	11,053,285	7,779,002	10,170,952	12,461,523	-	-	-	-	2,328,718	-	18,832,287	-
Net periodic benefit cost	$ 9,630,073	$ 7,532,360	$ 22,849,484	$ 15,246,360	$ 4,090,659	$ 1,772,939	$ 2,762,944	$ 3,873,845	$ 12,509,235	$ 2,762,944	$ 17,162,433	$ 5,863,598
Additional charges:												
Special termination benefit charge	-	-	-	-	-	-	-	-	-	-	-	-
Curtailment charge	-	-	-	-	-	-	-	-	-	-	-	-
Settlement charge	-	-	-	-	-	-	-	-	-	-	-	-
Estimated 2015 net periodic pension cost	$ 9,630,073	$ 7,532,360	$ 22,849,484	$ 15,246,360	$ 4,090,659	$ 1,772,939	$ 2,762,944	$ 3,873,845	$ 12,509,235	$ 2,762,944	$ 17,162,433	$ 5,863,598
Key assumptions:												
Discount Rate	4.20%	4.27%	4.27%	4.27%	4.06%	4.06%	4.06%	4.06%	4.27%	4.06%	Varies by Plan	4.06%
EROA on 401(h) assets	7.00%	7.00%	7.00%	7.00%	0.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Salary Scale	N/A	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	Varies by Plan	3.50%
Trend	N/A	N/A	N/A	N/A	7.2% in 2015 decreasing to ultimate trend of 5.0% in 2020				N/A	7.2% in 2015 decreasing to ultimate trend of 5.0% in 2020	N/A	7.2% in 2015 decreasing to ultimate trend of 5.0% in 2020
Mortality	Non-union: RP-2014 with white collar adjustment (removing MP-2014 improvements) increased by 2% and applying Scale BB 2-Dimensional mortality improvements from 2006 on a generational basis. Union: RP-2014 with blue collar adjustment (removing MP-2014 improvements) increased by 7% and applying Scale BB 2-Dimensional mortality improvements from 2006 on a generational basis.											

The results contained in this document are based on the same data, assumptions, methods and plan provisions that were used to develop the year-end 2014 financial disclosures delivered to LG&E and KU Energy LLC on January 20, 2015, except as noted in the attached letter. The descriptions of the data, assumptions, methods, plan provisions and limitations as set forth in the year-end 2014 financial disclosure letter should be considered part of these results.

TOWERS WATSON

LG&E and KU Energy LLC
January 1, 2016 Budget Projections

	Regulatory								Financial		Regulatory	
	Qualified Plans				Post Retirement Benefit Plan							
		NonUnion Retirement Plan				NonUnion			NonUnion Retirement Plan	Post Retirement Benefit Plan	Union & NonUnion Retirement Plans	Union & NonUnion Post Retirement Welfare Plan
Estimated 2016 Net Periodic Pension Cost	LG&E Union	LG&E	ServCo	KU	LG&E Union	LG&E	ServCo	KU	ServCo	ServCo	LG&E	LG&E
Service cost	2,304,920	2,364,433	14,581,991	9,074,454	632,749	659,520	2,806,881	2,247,898	14,581,991	2,806,881	4,669,353	1,292,269
Interest cost	13,547,710	10,058,543	22,399,254	18,830,062	2,255,630	1,430,871	2,117,684	3,419,760	22,399,254	2,117,684	23,606,253	3,686,501
Expected return on assets	(21,582,783)	(15,286,119)	(28,814,734)	(27,661,239)	-	(782,840)	(3,016,038)	(2,767,677)	(28,814,734)	(3,016,038)	(36,868,902)	(782,840)
Amortization of:												
Transition obligation (asset)	-	-	-	-	-	-	-	-	-	-	-	-
Prior service cost (credit)	3,166,370	1,296,694	3,413,276	591,509	785,717	362,456	644,568	725,258	1,022,630	644,568	4,463,064	1,148,173
Actuarial (gain) loss	8,210,982	5,877,925	8,742,394	9,825,500	-	-	-	-	1,365,299	-	14,088,907	-
Net periodic benefit cost	$ 5,647,199	$ 4,311,476	$ 20,322,181	$ 10,660,286	$ 3,674,096	$ 1,670,007	$ 2,553,095	$ 3,625,239	$ 10,554,440	$ 2,553,095	$ 9,958,675	$ 5,344,103
Additional charges:												
Special termination benefit charge	-	-	-	-	-	-	-	-	-	-	-	-
Curtailment charge	-	-	-	-	-	-	-	-	-	-	-	-
Settlement charge	-	-	-	-	-	-	-	-	-	-	-	-
Estimated 2016 net periodic pension cost	$ 5,647,199	$ 4,311,476	$ 20,322,181	$ 10,660,286	$ 3,674,096	$ 1,670,007	$ 2,553,095	$ 3,625,239	$ 10,554,440	$ 2,553,095	$ 9,958,675	$ 5,344,103
Key assumptions:												
Discount Rate	4.20%	4.27%	4.27%	4.27%	4.06%	4.06%	4.06%	4.06%	4.27%	4.06%	Varies by Plan	4.06%
EROA on 401(h) assets	7.00%	7.00%	7.00%	7.00%	0.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	0.00%
Salary Scale	N/A	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	Varies by Plan	3.50%
Trend	N/A	N/A	N/A	N/A	7.2% in 2015 decreasing to ultimate trend of 5.0% in 2020				N/A	7.2% in 2015 decreasing to ultimate trend of 5.0% in 2020	N/A	7.2% in 2015 decreasing to ultimate trend of 5.0% in 2020
Mortality	Non-union: RP-2014 with white collar adjustment (removing MP-2014 improvements) increased by 2% and applying Scale BB 2-Dimensional mortality improvements from 2006 on a generational basis. Union: RP-2014 with blue collar adjustment (removing MP-2014 improvements) increased by 7% and applying Scale BB 2-Dimensional mortality improvements from 2006 on a generational basis.											

The results contained in this document are based on the same data, assumptions, methods and plan provisions that were used to develop the year-end 2014 financial disclosures delivered to LG&E and KU Energy LLC on January 20, 2015, except as noted in the attached letter. The descriptions of the data, assumptions, methods, plan provisions and limitations as set forth in the year-end 2013 financial disclosure letter should be considered part of these results.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 6

Responding Witness: Paul Gregory ("Greg") Thomas

Q-6. Refer to the response to Item 20.b. of Staff's Second Request. Explain how, and provide the relevant supporting spreadsheets, work papers, etc., the contractor reduction of seven is reflected in the forecasted test period.

A-6. See the attachment being provided in Excel format for the contractor offset of seven and incremental headcount reflected in the forecasted test period. The attachment contains personal confidential information and is being provided under seal pursuant to a Petition for Confidential Protection.

Attachment
Confidential

The entire attachment is Confidential and provided separately under seal.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 7

Responding Witness: John P. Malloy

Q-7. Refer to the response to Item 22.b. of Staff's Second Request. Explain how, and provide the relevant supporting spreadsheets, work papers, etc., the contractor reduction of 20 is reflected in the forecasted test period.

A-7. See the attachment being provided in Excel format for the contractor offset of 20 and incremental headcount reflected in the forecasted test period. The attachment contains personal confidential information and is being provided under seal pursuant to a Petition for Confidential Protection.

Attachment
Confidential

The entire attachment is Confidential and provided separately under seal.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 8

Responding Witness: David S. Sinclair

Q-8. Refer to the response to Item 23 of Staff's Second Request and page 23 of the Testimony of David S. Sinclair ("Sinclair Testimony"). Continue to provide updates of the table included in the response on a monthly basis for the pendency of this proceeding.

A-8. The table originally provided in response to PSC 2-23 has been updated through January 2015 (see below). The company will provide monthly updates during the pendency of this proceeding.

Month	Price ($/ MWh)	OSS Vol. (GWh)	OSS Margin ($M)
Aug 2014	32	8	0.1
Sep 2014	33	5	0.1
Oct 2014	35	11	0.1
Nov 2014	34	1	0.0
Dec 2014	30	2	0.0
Jan 2015	31	0	0.0

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 9

Responding Witness: Dr. William E. Avera / Adrien M. McKenzie

Q-9. Refer to the response to Item 31 of Staff's Second Request. Provide any updates of analyses contained in the Testimony and exhibits of Avera and McKenzie based on more current information.

A-9. In their response to PSC 2-31, Dr. Avera and Mr. McKenzie noted that a general upward trend in stock prices for utilities since the time their analyses were prepared would suggest that dividend yields have decreased somewhat. It is important to note that capital market data is never static. For example, while the Dow Jones Utility Average ("DJUA") generally trended higher from November 2014 through mid-January 2015, since that time the DJUA has trended downward. As a result, there is no basis to conclude that intervening stock price movements would result in a material impact on DCF results. Moreover, stock prices are only one input to the DCF model. The fact that stock prices may trend up or down since the time a DCF analysis was completed does not demonstrate a similar movement in the cost of equity. This is because investors may also revise their expectations of forward-looking dividend payments and future growth, which are key inputs in the application of the DCF model. Thus, while a complete update of DCF analyses could be warranted in the case of a clear capital market "break," that is not the case currently. As a result, Dr. Avera and Mr. McKenzie do not presently plan to conduct a formal update of the DCF analyses presented in their direct testimony; however, if a clear capital market "break" occurs, Dr. Avera and Mr. McKenzie will provide an update to their analyses.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 10

Responding Witness: John J. Spanos

Q-10. Refer to the responses to Items 37 and 39.b. of Staff's Second Request.

a. For each of the combined-cycle production facilities listed in the attachment to the Item 37 response, provide the year it went into service.

b. The response to Item 39.b. generally explains how the 40-year life span for Cane Run 7 was determined, but it does not explain why the 40-year life span is appropriate, which was part of the request in Item 50.b.

(1) Explain whether the "life spans of other similar facilities in the industry" referenced in the response refers to all or just a portion of the facilities listed in the attachment to the Item 37 response. If just a portion, identify the specific facilities used in determining the 40-year life span for Cane Run 7.

(2) Explain in detail why the 40-year life span is appropriate for Cane Run 7.

A-10. a. The attached document sets forth the major year of service for the facility or the year the facility will go into service, which was the year considered when reviewing age. The attachment also includes the original year of installation if the unit was acquired or converted to a combined-cycle facility.

b. (1) All of the facilities listed in the response to Item 37 were considered in determining the most appropriate life span for Cane Run Unit 7.

(2) The 40-year life span for Cane Run Unit 7 takes into consideration the type of facility constructed, the manner at which the facility will be operated, the expectation of required maintenance, and capital improvements required over time before the unit will need to be retired or rebuilt. Cane Run 7 will be operated based on demand which requires starts daily, weekly or seasonally. The unit is not scheduled to run at peak capacity, but will be maintained in spinning reserve in order to meet demand quickly. Major overhauls are scheduled based on hours of operation and number of starts, which will determine anticipated life span. With all those factors in mind, the 40-year life is most reasonable at this time.

Kentucky Utilities

Life Spans of Combined Cycle Gas Power Plants

UTILITY	UNIT	LOCATION	LIFE SPAN	MAJOR INSTALL YEAR	MAJOR OPERATIONS YEAR
Combined Cycle Production					
Dominion Resources, Inc.	Bellemeade	Virginia	36	1997	2010
Dominion Resources, Inc.	Rosemary	North Carolina	36	2006	2006
Dominion Resources, Inc.	Gordonsville	Virginia	34	2004	2004
Dominion Resources, Inc.	Chesterfield 7	Virginia	36	1990	2007
Dominion Resources, Inc.	Chesterfield 8	Virginia	36	1992	2007
Dominion Resources, Inc.	Possum Point	Virginia	33	1996	2008
Kansas City Power and Light	Hawthorn 6	Missouri	33	2001	2001
Midamerican Energy Co.	GDMEC	Iowa	28	2003	2003
Chugach Electric Assoc.	Beluga 6	Alaska	24, 40	2000	1977
Chugach Electric Assoc.	Beluga 7	Alaska	24, 40	2001	1979
Alliant Energy - Iowa	Emery	Iowa	27	2004	2004
Entergy Arkansas, Inc.	Ouachita Unit 1	Louisiana	30	2008	2008
Entergy Arkansas, Inc.	Ouachita Unit 2	Louisiana	30	2008	2008
Entergy Arkansas, Inc.	Ouachita Unit 3	Louisiana	30	2008	2008
Duke Energy Indiana	Noblesville Units 1 & 2	Indiana	35	2003	2003
Duke Energy Indiana	Noblesville Units 3	Indiana	35	2003	2003
Duke Energy Indiana	Noblesville Units 4	Indiana	35	2003	2003
Duke Energy Indiana	Noblesville Units 5	Indiana	35	2003	2003
Duke Energy Carolinas	Dan River	North Carolina	25, 40	1993	2003
Oklahoma Gas & Electric Co.	Redbud	Oklahoma	31	2004	2004
Oklahoma Gas & Electric Co.	McClain Gas 1	Oklahoma	31	2004	2004
Oklahoma Gas & Electric Co.	McClain Gas 2	Oklahoma	31	2004	2004
Oklahoma Gas & Electric Co.	McClain Steam 1	Oklahoma	31	2004	2004
Puget Sound Energy	Encogen	Washington	35	2000	2000
Puget Sound Energy	Frederickson 1	Washington	35	2004	2004
South Carolina Electric & Gas Co.	Urquhart 5 & 6	South Carolina	35	2002	2002
South Carolina Electric & Gas Co.	Jasper	South Carolina	35	2004	2004
Pacific Gas & Electric Company	Gateway Generating Station	California	30	2009	2009
Pacific Gas & Electric Company	Colusa Generating Station	California	30	2010	2010
Florida Power and Light Company	Lauderdale Unit 4	Florida	30	1993	2003
Florida Power and Light Company	Lauderdale Unit 5	Florida	30	1993	2003
Florida Power and Light Company	Ft. Meyers Unit 2	Florida	31	2002	2002
Florida Power and Light Company	Manatee Unit 3	Florida	30	2005	2005
Florida Power and Light Company	Martin Unit 3	Florida	30	1994	2004
Florida Power and Light Company	Martin Unit 4	Florida	30	1994	2004
Florida Power and Light Company	Martin Unit 8	Florida	30	2005	2005
Florida Power and Light Company	Putnam Unit 1	Florida	25, 42	1992	2002
Florida Power and Light Company	Putnam Unit 2	Florida	25, 43	1992	2002
Florida Power and Light Company	Sanford Unit 4	Florida	30	2003	2003
Florida Power and Light Company	Sanford Unit 5	Florida	30	2002	2002
Florida Power and Light Company	Turkey Point Unit 5	Florida	30	2007	2007
Florida Power and Light Company	West County Unit 1	Florida	30	2009	2009
Florida Power and Light Company	West County Unit 2	Florida	30	2009	2009
Florida Power and Light Company	West County Unit 3	Florida	30	2011	2011
Black Hills Corporation	Pueblo Area	Colorado	35	2012	2012
Chugach Electric Assoc.	South Central Project	Alaska	35	2012	2012
Idaho Power	Danskin	Idaho	35	2008	2008
Idaho Power	Langley Gulch	Idaho	30	2012	2012
Idaho Power	Bennett Mountain	Idaho	35	2006	2006
Sierra Pacific Power Company	Tracy 8, 9, 10	Nevada	35	2008	2008
Nevada Power Company	Harry Allen	Nevada	35	2011	2011
Nevada Power Company	Higgins	Nevada	35	2004	2004
Nevada Power Company	Lenzie CC 1	Nevada	35	2006	2006
Nevada Power Company	Lenzie CC 2	Nevada	35	2006	2006
Nevada Power Company	Silverhawk	Nevada	35	2004	2004
Arizona Public Service	West Phoenix	Arizona	31	2000	2000
Pacificorp	Currant Creek	Utah	40	2005	2005

Kentucky Utilities

Life Spans of Combined Cycle Gas Power Plants

UTILITY	UNIT	LOCATION	LIFE SPAN	MAJOR INSTALL YEAR	MAJOR OPERATIONS YEAR
Combined Cycle Production					
Dominion Resources, Inc.	Bellemeade	Virginia	36	1997	2010
Dominion Resources, Inc.	Rosemary	North Carolina	36	2006	2006
Dominion Resources, Inc.	Gordonsville	Virginia	34	2004	2004
Dominion Resources, Inc.	Chesterfield 7	Virginia	36	1990	2007
Dominion Resources, Inc.	Chesterfield 8	Virginia	36	1992	2007
Dominion Resources, Inc.	Possum Point	Virginia	33	1996	2008
Kansas City Power and Light	Hawthorn 6	Missouri	33	2001	2001
Midamerican Energy Co.	GDMEC	Iowa	28	2003	2003
Chugach Electric Assoc.	Beluga 6	Alaska	24, 40	2000	1977
Chugach Electric Assoc.	Beluga 7	Alaska	24, 40	2001	1979
Alliant Energy - Iowa	Emery	Iowa	27	2004	2004
Entergy Arkansas, Inc.	Ouachita Unit 1	Louisiana	30	2008	2008
Entergy Arkansas, Inc.	Ouachita Unit 2	Louisiana	30	2008	2008
Entergy Arkansas, Inc.	Ouachita Unit 3	Louisiana	30	2008	2008
Duke Energy Indiana	Noblesville Units 1 & 2	Indiana	35	2003	2003
Duke Energy Indiana	Noblesville Units 3	Indiana	35	2003	2003
Duke Energy Indiana	Noblesville Units 4	Indiana	35	2003	2003
Duke Energy Indiana	Noblesville Units 5	Indiana	35	2003	2003
Duke Energy Carolinas	Dan River	North Carolina	25, 40	1993	2003
Oklahoma Gas & Electric Co.	Redbud	Oklahoma	31	2004	2004
Oklahoma Gas & Electric Co.	McClain Gas 1	Oklahoma	31	2004	2004
Oklahoma Gas & Electric Co.	McClain Gas 2	Oklahoma	31	2004	2004
Oklahoma Gas & Electric Co.	McClain Steam 1	Oklahoma	31	2004	2004
Puget Sound Energy	Encogen	Washington	35	2000	2000
Puget Sound Energy	Frederickson 1	Washington	35	2004	2004
South Carolina Electric & Gas Co.	Urquhart 5 & 6	South Carolina	35	2002	2002
Pacificorp	Hermiston 1	Oregon	40	1996	2006
Pacificorp	Hermiston 2	Oregon	40	1996	2006
Pacificorp	Lake Side	Utah	40	2007	2007
Pacificorp	Chehalis	Washington	40	2003	2003
Cheyenne Light & Power	Cheyenne Prairie	Wyoming	40	2014	2014

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 11

Responding Witness: Dr. Martin J. Blake

Q-11. Refer to KU's response to Item 47.a. of Staff's Second Request.

a. The response states, "Also, the Company desired the TOD rate should be approximately revenue neutral to the standard rate so that potential customs do not see risk associated with trying the TOD rate." Explain how the on-peak and offpeak kWh amounts were determined for use in the calculation, given that typical residential meters do not measure usage at particular times each day.

b. The response states that one criterion was that KU and Louisville Gas and Electric ("LG&E") rates for RTOD-Energy be somewhat similar. LG&E's proposed off-peak rate for RTOD-Energy is higher than KU's, and its on-peak rate for RTOD-Energy is less than KU's. Explain why KU and LG&E are not proposing to equalize either the off-peak or on-peak rates for the two companies.

A-11.

a. The on-peak and off-peak kWh were determined based on the forecasted load data for the residential class provided in response to PSC 2-60. The calculation can be found in the file "Attachment to PSC 2-60 – LGE-KU Residential TOU kWh Calculation."

b. The primary reason LG&E and KU did not propose to equalize either the on-peak or off-peak charge for the two Companies is because they wanted to preserve an on-peak/off-peak rate differential that resembled the cost-based differential for each Company

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 12

Responding Witness: Dr. Martin J. Blake

Q-12. Refer to KU's response to Item 49.b. of Staff's Second Request. Confirm that the response means that the cost-of-service study used actual average coincident peak demands based on the 12 months ended June 30, 2014, and not estimated based on the forecasted 12 months ending June 30, 2016.

A-12. The cost of service study does not use average coincident peak demands to allocate production demand related costs. The cost of service study utilizes a Base, Intermediate, Peak (BIP) methodology to allocate production demand related costs. The BIP allocator is based on forecasted 12 months ended June 30, 2016.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 13

Responding Witnesses: Robert M. Conroy / David E. Huff

Q-13. Refer to KU's response to Item 54 of Staff's Second Request. The response states that KU is proposing to provide customers the option to have a smart meter through the demand-side management ("DSM") Advanced Meter Opt-In and be a RTOD-Energy or RTOD-Demand customer, or to be a RTOD-Energy or RTOD-Demand customer without a smart meter. Explain why KU is not making the use of a smart meter a requirement for a customer to be a RTOD-Energy or RTOD-Demand customer in order to control costs and therefore remove the cap on the number of customers able to choose service under the tariffs.

A-13. Because smart meters are not technologically required to participate in RTOD-Energy or RTOD-Demand the Companies did not want to eliminate customers from being able to participate in the new rates customers who do not have smart meters.

Also, as Mr. Conroy testified at pages 23-24 of his direct testimony, the initial cap on participation results from billing-labor constraints. In particular, the cap results from billing-labor constraints related to transferring multiple-register meter data into the Companies' billing system, and to reviewing and analyzing the data. Using smart meters rather than digital meters will not relieve these particular constraints; the Companies' billing systems are not currently configured to accept data from multiple meter-registers for residential customers, regardless of the kind of meter supplying the data. But as Mr. Conroy further testified at page 24, "If the Company's customers show a much greater interest than the proposed cap on participation, the Company will evaluate the costs and benefits of the optional rates to enable greater participation." Therefore, if the RTOD rates create high levels of customer interest, the Companies will evaluate the costs and benefits of making the necessary changes to their systems and processes to accommodate participation in excess of the initial participation cap.

Finally, please note that any meter-reading-related savings and other operational benefits smart meters might provide depend in large part on geographical concentration. If RTOD participants are geographically dispersed, equipping them with smart meters likely would not provide operational benefits.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 14

Responding Witness: Robert M. Conroy

Q-14. Refer to KU's response to Item 56 of Staff's Second Request. For each current Low Emission Vehicle customer, provide the percentage increase the customer would receive if switched to the standard residential rate at proposed rates.

A-14. See the table below for a comparison of the Rate LEV customer revenues at their current rate and at the proposed Rate RS.

Comparison of Current LEV Customers and Revenues to Proposed RS Revenues

	Revenue at Current Rate LEV	Revenue at Proposed Rate RS	Change	Percent Change
Customer 1	$ 1,350.80	$ 1,518.24	$ 167.44	12.40%
Customer 2	$ 913.84	$ 1,048.51	$ 134.67	14.74%
Customer 3	$ 1,279.36	$ 1,354.92	$ 75.56	5.91%
Customer 4	$ 719.01	$ 774.53	$ 55.52	7.72%
Customer 5	$ 642.07	$ 817.98	$ 175.91	27.40%
Customer 6	$ 1,068.28	$ 1,312.08	$ 243.80	22.82%
Customer 7	$ 609.75	$ 683.58	$ 73.83	12.11%
Customer 8	$ 306.52	$ 332.65	$ 26.13	8.52%
Total	$ 6,889.63	$ 7,842.49	$ 952.86	13.83%

Note: Revenues were calculated on actual usage for the period March-December 2014 or for the period the customers were on Rate LEV (some customers came onto the rate after March 2014).

KENTUCKY UTILITIES COMPANY

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Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 15

Responding Witness: John P. Malloy / Robert M. Conroy

Q-15. Refer to KU's response to Item 62 of Staff's Second Request.

a. Refer to the response to Item 62.c.(1). What accounts for the decline in the number of customers receiving service under industrial tariffs from 2,965 in April 2014 to 1,982 in January 2015?

b. Refer to the response to Item 62.c.(4).

(1) The response refers to two criteria used in determining exemption from the DSM charge, one of the criteria being the North American Industry Classification System ("NAICS") codes. Identify the second of the criteria.

(2) Explain why the NAICS code is unavailable for 264 accounts and why these accounts are exempt from the DSM charge.

(3) KU's DSM tariff lists the following NAICS codes as being exempt from the DSM charge: 21, 22, 31, 32, and 33. This response shows a number of exempt accounts with codes that are not listed in KU's DSM tariff. Provide a description of each of those codes (those codes outside of 21, 22, 31, 32, and 33) and explain why the accounts shown with those codes are exempt from the DSM charge, in light of KU's response to Item 62.b. that "the remaining NAICS sections are comprised predominantly of customers that are not primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product."

c. Refer to the response to Item 62.c.(6). For each customer with a NAICS code other than 21, 22, 31, 32, and 33, explain how the customer qualifies to be exempt from the DSM charge.

A-15. In preparing the response to this request for information, the Company has determined that the data it provided in its responses to the subparts of PSC 3-62 is not accurate and should be revised. The Company is working to assemble corrected data and will file a supplemental response to PSc 3-62 no later than

Friday, February 27. The Company will file a corresponding supplemental response to this request at the same time.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 16

Responding Witness: Dr. Martin J. Blake

Q-16. Refer to the Excel spreadsheet attached to the response to Item 60 of Staff's Second Request titled "Att KU_2-60_ElecScheduleM.xlsx", Tab "Sch M-2.3 pg 1-2". Numerous cells in the cell range C20 through Y54 contain the error message "#NAME?." Provide a revised Excel spreadsheet with the cells corrected.

A-16. See a corrected attachment being provided in Excel format.

Attachment in Excel

The attachment(s) provided in separate file(s) in Excel format.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 17

Responding Witness: Dr. Martin J. Blake

Q-17. Refer to the Excel spreadsheet attached to the response to Item 60 of Staff's Second Request titled "Att KU_PSC_2-60_ElecScheduleM.xlsx", Tab "Sch M-2.3 pgs 3-14". Explain the origin and purpose of the amount shown in cell K29.

A-17. Cell K29 shows the target revenue increase for the residential class. The amount was calculated by applying the overall Company percentage increase to the class's total revenue.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 18

Responding Witness: Russel A. Hudson

Q-18. Refer to the response to Item 72 of Staff's Second Request. Explain what is meant by "incremental employees charging the account."

A-18. There are several changes that are contributing to more employees charging their labor to FERC 920. First, we did a detailed review of the description of FERC 920 and determined that several of the Officers in Operating areas should be charging their time to FERC 920. Previously, they had been allocating to various operating FERC accounts when they had responsibility for more than one Line of Business. The second change was for employees in the information technology department. Some of their time had been charged to FERC 935 when they were doing maintenance work on existing systems. The labor for this type of work is now charged to FERC 920. Also, there has been an increase in headcount in the administrative departments, as noted previously.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 19

Responding Witness: Kent W. Blake

Q-19. The response to Item 75.a. of Staff's Second Request did not directly respond to the request. Explain whether there is a percentage at which KU believes it would be appropriate to apply a slippage factor.

A-19. The Company has not determined a specific percentage at which it believes it would be appropriate to apply a slippage factor. The Company was simply taking the position that its 10-year history suggested that its capital forecasts have been reasonably accurate, as indicated by its average variance of only 2.2%. In addition, the Company believes that it had reasonable explanations for years where the Company's actual capital spent was higher or lower than the amounts forecasted. Finally, the Company believes it has a very robust process for forecasting its capital expenditures and managing to that forecast as described in my testimony at pages 7-8 and 15. It is for these reasons that the Company believes it is not necessary to apply a Slippage Factor in this case. Having said that, the Company respectfully acknowledges the Commission's precedent concerning Slippage Factors.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 20

Responding Witness: Kent W. Blake / Russel A. Hudson

Q-20. Refer to the response to Item 76.a. of Staff's Second Request and the attachment to the response to Item 32 of the Commission Staff's First Request for Information.

a. Confirm that the response to Item 76.a. means that the budgeted employee headcounts in the attachment to the Item 32 response have been used to develop the labor costs in the forecasted period. If this cannot be confirmed, in the same categories as in the attachment, provide the employee headcounts that have been used.

b. Provide an update to the attachment to the Item 32 response which includes actual employee headcounts for the months since October 2014.

A-20. a. It is correct that budgeted employee headcounts have been used to develop the labor costs in the forecasted period. The Company's workforce includes LKS, LG&E and KU employees. LKS employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM.

b. See attached.

KENTUCKY UTILITIES COMPANY
Case No. 2014-00371
Headcount by Employee Type by Month - Actuals

2011	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Exempt	598	597	600	602	605	605	605	608	609	616	621	623
Non-exempt	374	373	373	370	384	388	386	388	393	400	403	409
Union-Hourly	600	599	599	598	596	593	595	595	593	593	593	591
Part-time Other	20	20	21	20	28	27	25	23	23	22	21	20
Total	1,592	1,590	1,593	1,590	1,613	1,614	1,611	1,615	1,618	1,632	1,638	1,642

2012	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Exempt	622	625	626	630	634	634	635	635	638	641	644	647
Non-exempt	411	419	420	419	424	422	421	421	417	414	418	415
Union-Hourly	592	589	590	591	586	581	579	579	580	585	586	587
Part-time Other	23	24	23	23	30	32	33	33	26	24	24	27
Total	1,648	1,657	1,659	1,663	1,675	1,669	1,667	1,667	1,661	1,665	1,673	1,677

2013	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Exempt	652	652	657	658	667	665	668	668	670	675	677	683
Non-exempt	410	421	421	418	414	413	413	418	424	433	431	431
Union-Hourly	594	588	589	594	595	599	601	606	604	602	600	599
Part-time Other	39	40	38	38	48	48	48	44	44	44	45	45
Total	1,696	1,701	1,704	1,708	1,724	1,725	1,730	1,736	1,743	1,754	1,753	1,757

Base Year: March 2014 - Feb 2015	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
Exempt	697	702	706	709	709	707	710	707	710	718	714	
Non-exempt	448	443	442	440	439	444	442	450	449	448	448	
Union-Hourly	598	600	599	603	606	598	596	596	595	599	598	
Part-time Other	45	44	48	55	55	50	46	44	45	44	44	
Total	1,787	1,789	1,795	1,806	1,810	1,799	1,794	1,797	1,800	1,810	1,804	

Forecast Test Year July 2015-June 2016	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Exempt												
Non-exempt												
Union-Hourly												
Part-time Other												
Total												

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 21

Responding Witness: Christopher M. Garrett

Q-21. Refer to the response to Item 90 of the Attorney General's Initial Request for Information ("AG's First Request"). Provide support for the expected level of test- year revenues, as compared to the previous years' level of revenues, for the following:

a. Transmission of Electricity to Others;

b. Other Electric Revenue;

A-21. a. See attached. The information contains non-public transmission function information. FERC's Standards of Conduct for Transmission Providers prohibit providing such information to the marketing-function personnel of any entity, including the Company's own marketing-function employees. The Company is therefore filing the attachment under seal pursuant to a Petition for Confidential Protection.

b. See attached.

Attachment
Confidential

The entire attachment is Confidential and provided separately under seal.

Other Electric Revenues

The miscellaneous revenue is calculated by utilizing the historical trends and applying an inflation factor to the next five years.

	Test Year	2014	2013	2012	2011	2010
Other Electric Revenues	$332,924	$685,120	$209,884	$190,757	$346,884	$1,356,444

Account Description	Jan 2013 -July 2014 Actual Total	Actual Average
Comp-tax remit-electricity [1]	($11,409)	($600)
Returned check charges electric	($225,248)	($11,855)
Other miscellaneous electric revenues	($19,695)	($1,037)
Excess facilities charges	($48,924)	($2,575)
Forfeited Refundable Advances	($221,410)	($11,653)
Other electric revenues	**($526,686)**	**($27,720)**
Inflation Rate	1.02	1.02

	Budget 2015	Budget 2016	Test Year July 2015-June 2016
Comp-tax remit-electricity [1]	$7,206	$7,206	$7,206
Returned check charges electric	$142,262	$142,262	$142,262
Other miscellaneous electric revenues	$12,688	$12,941	$12,814
Excess facilities charges	$31,517	$32,147	$31,832
Forfeited Refundable Advances	$139,838	$139,838	$139,838
Other electric revenues	**$333,510**	**$334,394**	**$333,952**
Jurisdictional Factor			99.7%
Jurisdiction Total			**$332,924**

[1] Vendor's compensation credit

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 22

Responding Witness: Paula H. Pottinger, Ph.D. / D. Ralph Bowling

Q-22. Refer to the responses to Item 141 of the AG's First Request, which state that $1.7 million in severance expense is included in the forecasted period. Identify the specific events upon which this amount is based and explain how the amount was derived.

A-22. The severance expense is based upon the estimate of 15 employees at the Green River steam plant taking severance at the time Green River units 3 and 4 are retired. The amount was based upon our current severance policy and those employees estimated to be considering retirement at the time the business plan was developed.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 23

Responding Witness: John J. Spanos

Q-23. Refer to the response to Item 165 of the AG's First Request which states that all of the generating facilities shown in the response to AG Question No. 116 are less than ten years old. The list of generating facilities in the response to AG Question No. 116 is the same list provided in response to Item 48 of Staff's Second Request.

a. Explain whether there are other existing combined-cycle gas-fired generating units less than ten years old that Mr. Spanos could have been included in forming the basis of his testimony.

b. Explain whether there are any existing combined-cycle gas-fired generating units that are ten years old or older that Mr. Spanos could have included in forming the basis of his testimony.

c. Explain whether the list of combined-cycle gas-fired generating units provided in the aforementioned responses all reflect life spans developed by Mr. Spanos. If all were not developed by Mr. Spanos, identify those that were not.

A-23. a. There may be other combined-cycle gas-fired generating units that are less than 10 years old; however, Mr. Spanos is not aware of all the components or factors in order to establish an understanding of how those life spans were determined. Please see the attachment to PSC 3-10 to determine the age of some of the facilities in the list of units.

b. There are some combined-cycle units that are older than 10 years that could be considered. However, Mr. Spanos is not aware if those units are operated in the same fashion as Cane Run 7 is scheduled to be operated, or whether the age is the original year of installation or the converted date. Also, Mr. Spanos is not aware if other units have been acquired so past use of the units is unknown.

c. The entire list includes life spans recommended by Mr. Spanos or other Gannett Fleming witnesses with the assistance of utility personnel.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 24

Responding Witness: Thomas A. ("Tom") Jessee

Q-24. Refer to the response to Item 10.d. of the First Request for Information of the Kroger Company ("Kroger's First Request"), which states that the offsetting contractor expense reduction related to the increase in the transmission employee headcount for KU is $550,921. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

A-24. See the attachment being provided in Excel format for incremental headcount and corresponding contractor offsets reflected in the forecasted test period. The attachment contains personal confidential information and is being provided under seal pursuant to a Petition for Confidential Protection.

Attachment
Confidential

The entire attachment is Confidential and provided separately under seal.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 25

Responding Witness: Paul Gregory ("Greg") Thomas

Q-25. Refer to the response to Item 11.d. of Kroger's First Request, which states that the offsetting contractor expense reduction related to the increase in the distribution employee headcount for KU is $751,634. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

A-25. See the response to Question No. 6.

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 26

Responding Witness: John P. Malloy

Q-26. Refer to the response to Item 12.d. of Kroger's First Request, which states that the offsetting contractor expense reduction related to the increase in the customer service employee headcount for KU is $764,672. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

A-26. See the response to Question No. 7.

KENTUCKY UTILITIES COMPANY

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Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 27

Responding Witness: Robert M. Conroy

Q-27. Refer to the response to Item 24 of the Kentucky Cable Telecommunications Association's First Data Request. Provide the supporting calculation for the $.10502 per kWh shown in this response.

A-27. The supporting calculation is shown below. It is the result of dividing the Total Proposed Bill by the average kWh usage.

From Schedule N, Page 1 of 22:
Residential (Rate RS) / Volunteer Fire Department (Rate VFD)

kWh	Base Rate Proposed Bill	FAC	DSM	ECR	Total Proposed Bill	Average Rate per kWh
1200	$ 114.68	$ 3.02	$ 1.75	$ 6.57	$ 126.02	$0.10502

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Commission Staff's Third Request for Information
Dated February 6, 2015

Question No. 28

Responding Witness: Dr. Martin J. Blake

Q-28. Refer to the response to Item 11 of the First Request for Information of the KSBA (Kentucky School Boards Association.)

a. Refer to page 5 of 11. Explain why KU is proposing to increase the Basic Service Charge from $170 to $200 for Power Service-Primary customers when this response shows that the cost-of-service study justifies a customer charge of $173.20 for these customers.

b. Refer to pages 10 and 11 of 11. Explain why both of these pages are titled "Rate LE."

A-28.

a. The Company wanted the customer charge for the KU and LG&E rates to be the same for each rate schedule. In this particular instance, the LG&E cost of service study supported a customer charge of $200.88, so we set the customer charge for both the KU and LG&E rate at $200.

b. Page 10 of 11 is labeled correctly and contains the calculations for Rate LE. Page 11 of 11 should have been labeled Rate TE.