

**Kroger Estimated Impact of Removing Non-Fuel, Non-Labor O&M Inflation - Louisville Gas & Electric Company**

Line No.		(\$000)			Notes/ Data Source
1	<b>Business Plan Factors</b>				<i>a</i>
2	Known contracts	\$47,818			<i>a</i>
3	Specific scopes of work	\$52,414			<i>a</i>
4	Variable costs based on levels of production	\$21,604			<i>a</i>
5	Storm outage restoration costs	\$2,548			<i>a</i>
6	Bad debt expense	\$3,502			<i>a</i>
7	Total Quantified Factors	\$127,886			<i>b</i>
8	Total Non-Fuel, Non-Labor O&M Expense	\$151,492			<i>c</i>
9	Non-Fuel, Non-Labor O&M Subject to Inflation Assumption	\$23,606			<i>d</i>
10			Ann. Inflation	Months Inflation	
11	Compounded Inflation Rate Applied to Av. 2013 Actuals (Jul '13 - Dec '15)	5.12%	2.00%	30	<i>e</i>
12	2013 Non-Fuel, Non-Labor O&M Prior to Inflation	\$22,456			<i>f</i>
13	<b>Estimated Impact of Removing Inflation</b>	<b>(\$1,150)</b>			<i>g</i>

Notes/Data Sources

- a* LG&E Response to Kroger RFIs 1-7(b) and 2-7.
- b* Sum of Lines 2 - 6.
- c* LG&E Response to Kroger RFI 2-6.
- d* (Line 8 - Line 7)
- e* Derived from LG&E Response to Kroger RFI 2-5. Inflation calculated from mid-2013 through mid-Forecast Test Period, compounded monthly.  $(1+(0.02/12))^{30-1}$
- f* Line 9/(1+inflation rate)
- g* Line 12 - Line 9