

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO.
ELECTRIC AND GAS RATES) 2014-00372

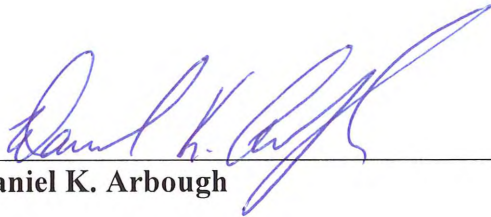
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
DATED JANUARY 8, 2015

FILED: JANUARY 23, 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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.



Notary Public (SEAL)

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, **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

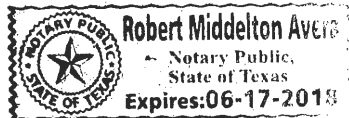
William E. Avera

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17 day of January 2015.

[Signature]

Notary Public (SEAL)

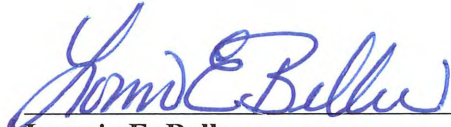
My Commission Expires:



VERIFICATION

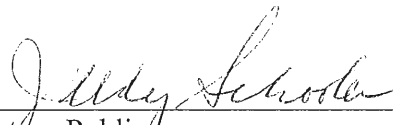
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President – Gas Distribution, for Louisville Gas and Electric 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.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2015.



Notary Public (SEAL)

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, **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.

KTWBlake

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of January 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 19th day of January 2015.

Judy Schooler (SEAL)
Notary Public

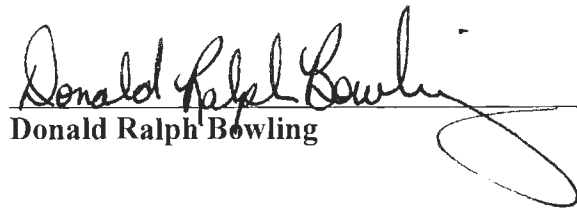
My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2016
Notary ID # 512743

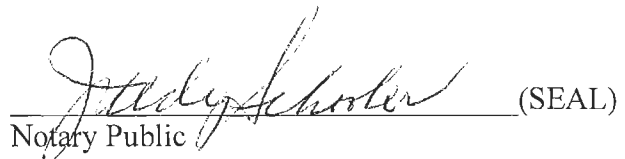
VERIFICATION

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 Ralph Bowling

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 14th day of January 2015.

 (SEAL)
Notary Public

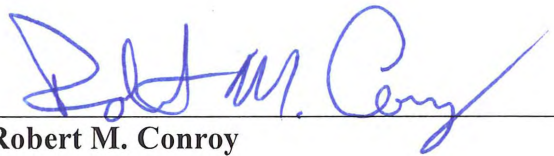
My Commission Expires:

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

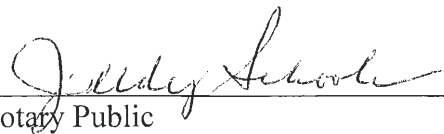
VERIFICATION

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 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

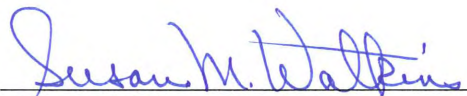
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.



Notary Public (SEAL)

My Commission Expires:

SUSAN M. WATKINS
Notary Public, State at Large, KY
My Commission Expires Mar. 19, 2017
Notary ID # 485723

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 14th day of January 2015.

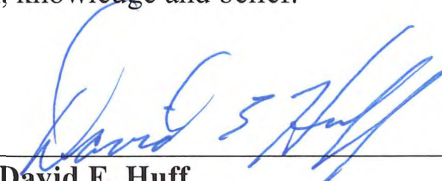
Judy Schooler (SEAL)
Notary Public

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

VERIFICATION

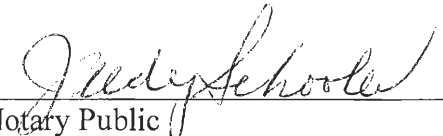
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 14th day of January 2015.



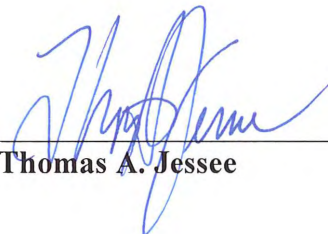
Notary Public (SEAL)

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

VERIFICATION

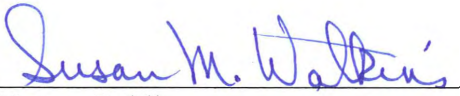
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 19th day of January 2015.



Notary Public (SEAL)

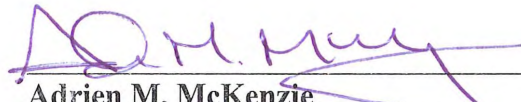
My Commission Expires:

~~SUSAN M. WATKINS~~
Notary Public, State at Large, KY
My Commission Expires Mar. 19, 2017
Notary ID # 435723

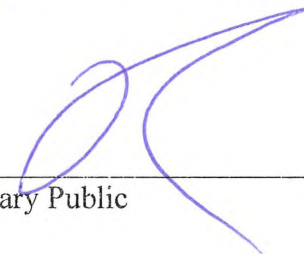
VERIFICATION

STATE OF TEXAS)
) SS:
COUNTY OF TRAVIS)

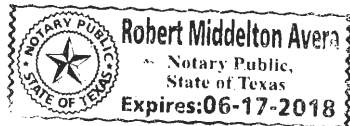
The undersigned, **Adrien M. McKenzie**, being duly sworn, deposes and says he is Vice President of FINCAP, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his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


Adrien M. McKenzie

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17 day of January 2015.


_____(SEAL)
Notary Public

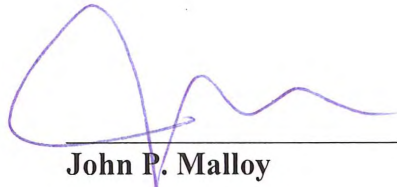
My Commission Expires:



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 20th day of January 2015.

 (SEAL)

Notary Public

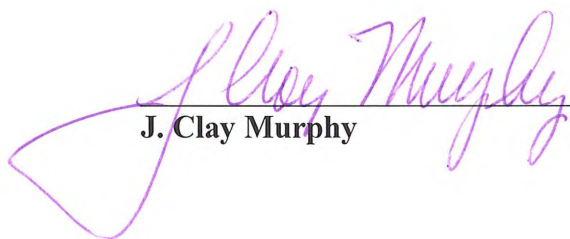
My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018

Notary ID # 512743

VERIFICATION

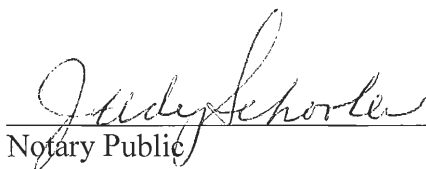
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **J. Clay Murphy**, being duly sworn, deposes and says that he is Director – Gas Management, Planning, and Supply for Louisville Gas and Electric 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.



J. Clay Murphy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.



Notary Public (SEAL)

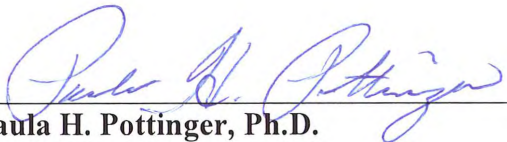
My Commission Expires:

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

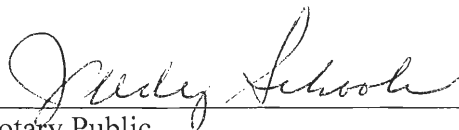
VERIFICATION

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, Ph.D.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of January 2015.

 (SEAL)
Notary Public

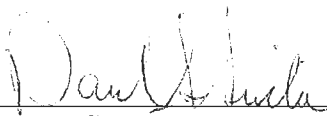
My Commission Expires:

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

VERIFICATION

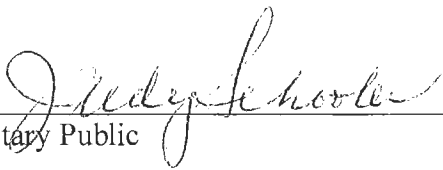
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.

 (SEAL)

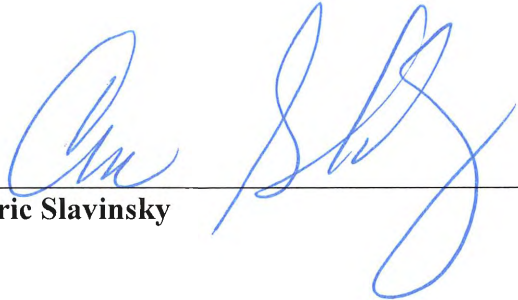
Notary Public

My Commission Expires:
JUDY SCHOULER
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, **Eric Slavinsky**, being duly sworn, deposes and says that he is Chief Information 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.


Eric Slavinsky

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.


Notary Public (SEAL)

My Commission Expires:

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

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF CUMBERLAND) SS:

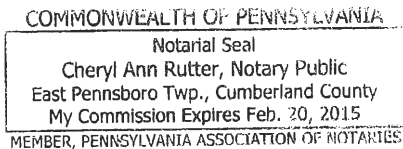
The undersigned, John J. Spanos, being duly sworn, deposes and says that he is the Senior Vice President for Gannett Fleming Valuation and Rate Consultants, LLC, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained 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 16th day of January 2015.

Cheryl Ann Rutter (SEAL)
Notary Public

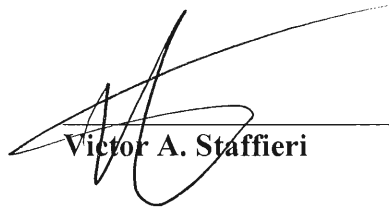
My Commission Expires:
February 20, 2015



VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Victor A. Staffieri**, being duly sworn, deposes and says that he is Chief Executive Officer of 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.



Victor A. Staffieri

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2015.



Notary Public (SEAL)

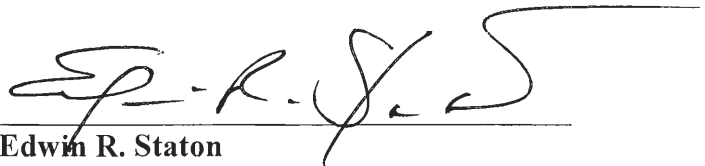
My Commission Expires:

03/29/2018

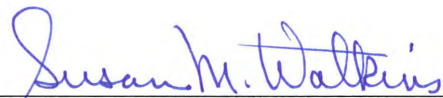
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Edwin R. Staton**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, 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.


Edwin R. Staton

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.

 (SEAL)
Notary Public

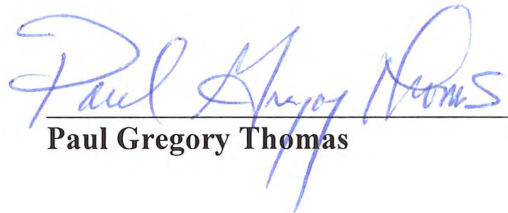
My Commission Expires:

SUSAN M. WATKINS
Notary Public, State at Large, KY
My Commission Expires Mar. 19, 2017
Notary ID # 485723

VERIFICATION

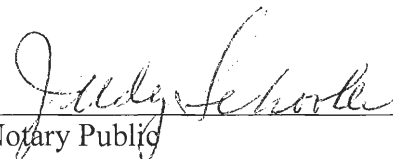
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2015.



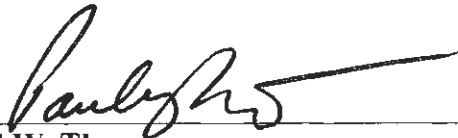
Notary Public (SEAL)

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

VERIFICATION

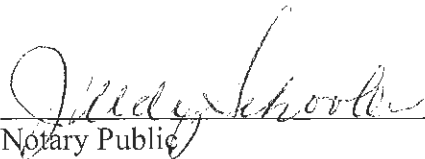
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is Chief Operating 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.



Paul W. Thompson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2015.



Notary Public (SEAL)

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2016~~
Notary ID # 512743

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 1

Responding Witness: Robert M. Conroy

- Q-1. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet Nos. 22-22.1, Time-of-Day Primary Service ("TODP"). For an average example commercial and an average example industrial customer to be served under the proposed TODP tariff, provide the effect of all proposed tariff changes, including the combination of the existing Commercial Time-of-Day Primary Service and Industrial Time-of-Day Primary Service rates, on the customers' bills in sufficient detail to show the individual effect of each proposed rate/tariff change.
- A-1. See attached.

			Commercial Time of Day Primary Current Rates					
kVA	Load Factor	kWh	Current Customer Charge	Current Energy Charge \$0.03810 per kWh	Current Peak Demand Charge \$5.83 per kVA	Current Intermediate Demand Charge \$4.13 per kVA	Current Base Demand Charge \$3.98 per kVA	Current Total Bill
500	30%	109,500	\$300.00	\$4,171.95	\$2,915.00	\$2,065.00	\$1,990.00	\$11,441.95
	50%	182,500	\$300.00	\$6,953.25	\$2,915.00	\$2,065.00	\$1,990.00	\$14,223.25
	70%	255,500	\$300.00	\$9,734.55	\$2,915.00	\$2,065.00	\$1,990.00	\$17,004.55
5,000	30%	1,095,000	\$300.00	\$41,719.50	\$29,150.00	\$20,650.00	\$19,900.00	\$111,719.50
	50%	1,825,000	\$300.00	\$69,532.50	\$29,150.00	\$20,650.00	\$19,900.00	\$139,532.50
	70%	2,555,000	\$300.00	\$97,345.50	\$29,150.00	\$20,650.00	\$19,900.00	\$167,345.50
10,000	30%	2,190,000	\$300.00	\$83,439.00	\$58,300.00	\$41,300.00	\$39,800.00	\$223,139.00
	50%	3,650,000	\$300.00	\$139,065.00	\$58,300.00	\$41,300.00	\$39,800.00	\$278,765.00
	70%	5,110,000	\$300.00	\$194,691.00	\$58,300.00	\$41,300.00	\$39,800.00	\$334,391.00
25,000	30%	5,475,000	\$300.00	\$208,597.50	\$145,750.00	\$103,250.00	\$99,500.00	\$557,397.50
	50%	9,125,000	\$300.00	\$347,662.50	\$145,750.00	\$103,250.00	\$99,500.00	\$696,462.50
	70%	12,775,000	\$300.00	\$486,727.50	\$145,750.00	\$103,250.00	\$99,500.00	\$835,527.50
50,000	30%	10,950,000	\$300.00	\$417,195.00	\$291,500.00	\$206,500.00	\$199,000.00	\$1,114,495.00
	50%	18,250,000	\$300.00	\$695,325.00	\$291,500.00	\$206,500.00	\$199,000.00	\$1,392,625.00
	70%	25,550,000	\$300.00	\$973,455.00	\$291,500.00	\$206,500.00	\$199,000.00	\$1,670,755.00

			Time of Day Primary Proposed Rates (proposed for current TOD Primary Commercial and Industrial customers)							
kVA	Load Factor	kWh	Proposed Basic Service Charge	Proposed Energy Charge \$0.03823 per kWh	Proposed Peak Demand Charge \$5.04 per kVA	Proposed Intermediate Demand Charge \$3.69 per kVA	Proposed Base Demand Charge \$3.54 per kVA	Proposed Total Bill	\$ Difference	% Difference
500	30%	109,500	\$300.00	\$4,186.19	\$2,520.00	\$1,845.00	\$1,770.00	\$10,621.19	-\$820.76	-7.17%
	50%	182,500	\$300.00	\$6,976.98	\$2,520.00	\$1,845.00	\$1,770.00	\$13,411.98	-\$811.28	-5.70%
	70%	255,500	\$300.00	\$9,767.77	\$2,520.00	\$1,845.00	\$1,770.00	\$16,202.77	-\$801.79	-4.72%
5,000	30%	1,095,000	\$300.00	\$41,861.85	\$25,200.00	\$18,450.00	\$17,700.00	\$103,511.85	-\$8,207.65	-7.35%
	50%	1,825,000	\$300.00	\$69,769.75	\$25,200.00	\$18,450.00	\$17,700.00	\$131,419.75	-\$8,112.75	-5.81%
	70%	2,555,000	\$300.00	\$97,677.65	\$25,200.00	\$18,450.00	\$17,700.00	\$159,327.65	-\$8,017.85	-4.79%
10,000	30%	2,190,000	\$300.00	\$83,723.70	\$50,400.00	\$36,900.00	\$35,400.00	\$206,723.70	-\$16,415.30	-7.36%
	50%	3,650,000	\$300.00	\$139,539.50	\$50,400.00	\$36,900.00	\$35,400.00	\$262,539.50	-\$16,225.50	-5.82%
	70%	5,110,000	\$300.00	\$195,355.30	\$50,400.00	\$36,900.00	\$35,400.00	\$318,355.30	-\$16,035.70	-4.80%
25,000	30%	5,475,000	\$300.00	\$209,309.25	\$126,000.00	\$92,250.00	\$88,500.00	\$516,359.25	-\$41,038.25	-7.36%
	50%	9,125,000	\$300.00	\$348,848.75	\$126,000.00	\$92,250.00	\$88,500.00	\$655,898.75	-\$40,563.75	-5.82%
	70%	12,775,000	\$300.00	\$488,388.25	\$126,000.00	\$92,250.00	\$88,500.00	\$795,438.25	-\$40,089.25	-4.80%
50,000	30%	10,950,000	\$300.00	\$418,618.50	\$252,000.00	\$184,500.00	\$177,000.00	\$1,032,418.50	-\$82,076.50	-7.36%
	50%	18,250,000	\$300.00	\$697,697.50	\$252,000.00	\$184,500.00	\$177,000.00	\$1,311,497.50	-\$81,127.50	-5.83%
	70%	25,550,000	\$300.00	\$976,776.50	\$252,000.00	\$184,500.00	\$177,000.00	\$1,590,576.50	-\$80,178.50	-4.80%

Assumptions:

Average usage = 786,183 kWh per month

Analysis assumes Peak Demand occurs in the Peak Period

Calculations may vary from other schedules due to rounding

Industrial Time of Day Primary Current Rates								
kVA	Load Factor	kWh	Current Customer Charge	Current Energy Charge \$0.03538 per kWh	Current Peak Demand Charge \$4.63 per kVA	Current Intermediate Demand Charge \$3.79 per kVA	Current Base Demand Charge \$3.63 per kVA	Current Total Bill
500	30%	109,500	\$300.00	\$3,874.11	\$2,315.00	\$1,895.00	\$1,815.00	\$10,199.11
	50%	182,500	\$300.00	\$6,456.85	\$2,315.00	\$1,895.00	\$1,815.00	\$12,781.85
	70%	255,500	\$300.00	\$9,039.59	\$2,315.00	\$1,895.00	\$1,815.00	\$15,364.59
5,000	30%	1,095,000	\$300.00	\$38,741.10	\$23,150.00	\$18,950.00	\$18,150.00	\$99,291.10
	50%	1,825,000	\$300.00	\$64,568.50	\$23,150.00	\$18,950.00	\$18,150.00	\$125,118.50
	70%	2,555,000	\$300.00	\$90,395.90	\$23,150.00	\$18,950.00	\$18,150.00	\$150,945.90
10,000	30%	2,190,000	\$300.00	\$77,482.20	\$46,300.00	\$37,900.00	\$36,300.00	\$198,282.20
	50%	3,650,000	\$300.00	\$129,137.00	\$46,300.00	\$37,900.00	\$36,300.00	\$249,937.00
	70%	5,110,000	\$300.00	\$180,791.80	\$46,300.00	\$37,900.00	\$36,300.00	\$301,591.80
25,000	30%	5,475,000	\$300.00	\$193,705.50	\$115,750.00	\$94,750.00	\$90,750.00	\$495,255.50
	50%	9,125,000	\$300.00	\$322,842.50	\$115,750.00	\$94,750.00	\$90,750.00	\$624,392.50
	70%	12,775,000	\$300.00	\$451,979.50	\$115,750.00	\$94,750.00	\$90,750.00	\$753,529.50
50,000	30%	10,950,000	\$300.00	\$387,411.00	\$231,500.00	\$189,500.00	\$181,500.00	\$990,211.00
	50%	18,250,000	\$300.00	\$645,685.00	\$231,500.00	\$189,500.00	\$181,500.00	\$1,248,485.00
	70%	25,550,000	\$300.00	\$903,959.00	\$231,500.00	\$189,500.00	\$181,500.00	\$1,506,759.00

Time of Day Primary Proposed Rates (proposed for current TOD Primary Commercial and Industrial Customers)										
kVA	Load Factor	kWh	Proposed Basic Service Charge	Proposed Energy Charge \$0.03823 per kWh	Proposed Peak Demand Charge \$5.04 per kVA	Proposed Intermediate Demand Charge \$3.69 per kVA	Proposed Base Demand Charge \$3.54 per kVA	Proposed Total Bill	\$ Difference	% Difference
500	30%	109,500	\$300.00	\$4,186.19	\$2,520.00	\$1,845.00	\$1,770.00	\$10,621.19	\$422.08	4.14%
	50%	182,500	\$300.00	\$6,976.98	\$2,520.00	\$1,845.00	\$1,770.00	\$13,411.98	\$630.13	4.93%
	70%	255,500	\$300.00	\$9,767.77	\$2,520.00	\$1,845.00	\$1,770.00	\$16,202.77	\$838.17	5.46%
5,000	30%	1,095,000	\$300.00	\$41,861.85	\$25,200.00	\$18,450.00	\$17,700.00	\$103,511.85	\$4,220.75	4.25%
	50%	1,825,000	\$300.00	\$69,769.75	\$25,200.00	\$18,450.00	\$17,700.00	\$131,419.75	\$6,301.25	5.04%
	70%	2,555,000	\$300.00	\$97,677.65	\$25,200.00	\$18,450.00	\$17,700.00	\$159,327.65	\$8,381.75	5.55%
10,000	30%	2,190,000	\$300.00	\$83,723.70	\$50,400.00	\$36,900.00	\$35,400.00	\$206,723.70	\$8,441.50	4.26%
	50%	3,650,000	\$300.00	\$139,539.50	\$50,400.00	\$36,900.00	\$35,400.00	\$262,539.50	\$12,602.50	5.04%
	70%	5,110,000	\$300.00	\$195,355.30	\$50,400.00	\$36,900.00	\$35,400.00	\$318,355.30	\$16,763.50	5.56%
25,000	30%	5,475,000	\$300.00	\$209,309.25	\$126,000.00	\$92,250.00	\$88,500.00	\$516,359.25	\$21,103.75	4.26%
	50%	9,125,000	\$300.00	\$348,848.75	\$126,000.00	\$92,250.00	\$88,500.00	\$655,898.75	\$31,506.25	5.05%
	70%	12,775,000	\$300.00	\$488,388.25	\$126,000.00	\$92,250.00	\$88,500.00	\$795,438.25	\$41,908.75	5.56%
50,000	30%	10,950,000	\$300.00	\$418,618.50	\$252,000.00	\$184,500.00	\$177,000.00	\$1,032,418.50	\$42,207.50	4.26%
	50%	18,250,000	\$300.00	\$697,697.50	\$252,000.00	\$184,500.00	\$177,000.00	\$1,311,497.50	\$63,012.50	5.05%
	70%	25,550,000	\$300.00	\$976,776.50	\$252,000.00	\$184,500.00	\$177,000.00	\$1,590,576.50	\$83,817.50	5.56%

Assumptions:

Average usage = 1,983,900 kWh per month

Analysis assumes Peak Demand occurs in the Peak Period

Calculations may vary from other schedules due to rounding

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 2

Responding Witness: David S. Sinclair / Robert M. Conroy

- Q-2. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 50, Curtailable Service Rider 10 ("CSR10"), and P.S.C. No. 10, Original Sheet No. 51, Curtailable Service Rider 30 ("CSR30").
- a. Explain the reason for the decrease from 375 hours to 100 hours in the number of hours the curtailment cannot exceed.
 - b. Confirm that the text changes to the current tariffs would prohibit the purchase of buy-through power during a curtailment.
 - c. State the number of customers LG&E has on CSR10 and CSR 30.
 - d. State whether LG&E has discussed the proposed changes with its CSR10 and CSR30 customers. If yes, provide the customers' responses.
- A-2.
- a. The Company's CSR riders currently have 100 hours of physical curtailment and 275 hours of buy-through curtailment for a total of 375 hours. As discussed in the testimony of Mr. Sinclair, the Company is proposing to eliminate the buy-through provisions and remain with only physical curtailment. See the response to Question No. 35.
 - b. Yes. The Company is proposing physical curtailment only.
 - c. LG&E currently has 2 customers on CSR10 and zero on CSR30.
 - d. No.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 3

Responding Witness: David S. Sinclair / Robert M. Conroy

- Q-3. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 50.2, CSR10, and P.S.C. No. 10, Original Sheet No. 51.2, CSR30. Explain the reason for the deletion of the following text in the Terms and Conditions section: "Upon request by the Customer, the Company will provide, once per month, to the Customer an explanation of the reasons for any request for curtailment."
- A-3. Because the Company has proposed for requests for curtailment to be at the sole discretion of the Company, the referenced sentence is no longer necessary. However, the Company's major account representatives maintain ongoing communications with the customers.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 4

Responding Witness: Robert M. Conroy

- Q-4. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C.No. 10, Original Sheet No. 100, Terms and Conditions, Residential Rate Specific Terms and Conditions. Provide the reasons the text changes on this page are necessary and the effect the changes will have on current customers.
- A-4. The proposed text changes reflected in LG&E Electric tariff, P.S.C. No. 10, Original Sheet No. 100, Terms and Conditions, Residential Rate Specific Terms and Conditions are made to clarify the application of LG&E's Residential Service, P.S.C. No. 10, Original Sheet No. 5 and simplify its administration. The changes are not intended to have an adverse effect on any current or future customers and actually may be to the customers' benefit.

As an example, the existing tariff's definition of a residential unit used by multiple families is based on the number of kitchens in the structure. LG&E has no practical method of tracking the number of kitchens in a structure. By eliminating the "kitchen parameter," instances of multiple families living in a single residential structure will be billed as would a single family thus eliminating application of an additional Basic Service Charge.

Similarly, LG&E has no practical method to track "boarders." So the provision for counting rooms was eliminated.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 5

Responding Witness: Robert M. Conroy

Q-5. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet Nos. 104 and 104.1, Terms and Conditions, Bill Format. Identify and explain the text changes made to the bill format.

A-5. The changes to Sheet No. 104 are:

The Telephone Payment fee has been reduced from \$2.95 to \$2.25.

The last sentence in the paragraph at the top left corner has been corrected to read: "Please have *your* account number available when calling to discuss your account."

The section "Pay This Amount After Due Date" has been changed to "Amount Due After Due Date."

The changes to Sheet No. 104.1 are:

Note: The "Late Charge to be Assessed After Due Date" of \$2.73 under the Billing Information section is incorrect. The correct amount should be \$3.90 as indicated on Sheet No. 104.

The "Environmental Surcharge" information has been removed from the Billing Information section.

The last sentence of the first paragraph under the Important Information section has been modified to read: "Visit our *website* at www.lge-ku.com/savingenergy for *energy-saving* tips...."

The option "I would like to enroll in Demand Conservation" has been removed. This option was removed from the bill in August 2013 in order to encourage customers to utilize the Company's website to request participation in demand side management programs.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 6

Responding Witness: Robert M. Conroy

- Q-6. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 106.2, Section G., Mobile Home Line Extensions. Explain the reason for the deletion of text relating to an August 9, 1991 Order in Case No. 91-213.¹
- A-6. In its effort to further harmonize the KU and LG&E tariffs, said reference to Case No. 91-213 was removed for both LG&E and KU.

The reason is two-fold: The Case was specific to KU and the companies' existing language satisfies the Order.

The Commission's Order in 91-213 gave permission to KU to no longer charge \$50 to mobile home customers whose line extensions were between 150 and 300 feet. Both KU and LG&E tariffs (Sheet No. 106.2 Section G) continue to state that the Companies shall provide, at no cost, a line extension of up to 300' to customer requesting permanent service to a mobile home.

Furthermore, two Orders from the 1990s clarified permanent mobile home foundations. LG&E and KU believe referencing as Commission Orders accurately defines both issues.

LG&E notes a numbering error in its filing whereby Section G shows six sections yet only five sections exist. LG&E intended to continue to have six sections as original line number two was inadvertently combined onto line number one. LG&E will make the correction. KU's 106.2 Section G will be unchanged.

¹ Case No. 91-213, In the matter of application of Kentucky Utilities Company for a Deviation from Commission Regulation 807 KAR 5:041, Section 12(2), Regarding Distribution Line Extensions to Mobile Homes (Ky. PSC Aug. 9, 1991),

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 7

Responding Witness: J. Clay Murphy / Dr. Martin J. Blake

- Q-7. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 20.1 and 20.2, As-Available Gas Service ("AAGS") and to page 40 of the Testimony of Dr. Martin Blake ("M. Blake Testimony").
- a. Explain why LG&E is proposing a 45 percent increase to the Basic Service Charge, from \$275 to \$400. The explanation should include specific customer related costs not currently included in the \$275 Basic Service Charge, as well as justification for increasing the class rate of return of this class from approximately 58 percent to approximately 84 percent.
 - b. Explain the circumstances that caused LG&E to propose the text additions to the Penalty for Failure to Interrupt section on Original Sheet No. 20.2. Specifically, describe the historical magnitude of customers failing to interrupt, the penalties charged, and any shortfall in collecting gas cost from AAGS customers resulting from the existing tariff language.
- A-7.
- a. Based on the natural gas cost of service study, an electronic copy of which is submitted in the response to Question No 70, (see specifically "Att-PSC2-70-File10" under Description of Document in the files uploaded in response to Question No. 70), the cost based rate for the basic service charge for As-Available Gas Service ("AAGS") should be \$1,767.15. Increasing the basic service charge from \$275 to \$400 is a movement in the direction of a cost based basic service charge, but falls \$1,367.15 short of fully reflecting a cost based rate to customers. Because an increase of almost 540% would be needed to completely recover non-volumetric, customer-related fixed distribution costs through the basic service charge, the proposed increase in the basic service charge represents a gradual increase toward recovery of these costs using the proper cost based rate component. The reason that the class rate of return for this class increases from approximately 58 percent to approximately 84 percent is because all classes were increased by the same percentage rather than reducing interclass subsidies.
 - b. The "Penalty for Failure to Interrupt" under Rate AAGS is in addition to any other gas costs incurred under the rate schedule. Gas costs incurred by

customers under Rate AAGS (even those that might be incurred during an interruption period) are charged pursuant to the Gas Supply Cost Component of LG&E's Gas Supply Clause. Therefore, no shortfall in collecting gas costs from AAGS customers has occurred. However, if a Rate AAGS customer does not discontinue using gas during an interruption period, LG&E may be required to purchase incrementally more expensive gas to meet its gas system requirements. The cost of this more expensive gas would be recovered from all sales customers through the Gas Supply Clause.

In exchange for lower distribution charges, customers served under Rate AAGS agree to discontinue gas service when called upon by LG&E to do so. The "Penalty for Failure to Interrupt" is intended to act as an economic deterrent by incenting customers to interrupt if they are directed to do so. Any penalty revenues are credited to sales customers through the Gas Supply Clause.

The proposed penalty structure under Rate AAGS is in line with the proposed penalty structure for service under other rate schedules, notably Rate FT and Rider PS-TS-2. By updating the penalty structure to reflect current market conditions, appropriate price signals will be sent to customers so that they are encouraged to interrupt as required by the rate. Please refer also to LG&E's response to Question No. 8(e).

Prior to 2014, LG&E had not interrupted its interruptible gas customers served under Rate AAGS (or the applicable predecessor rate schedules Rate G-6 and Rate G-7) since the winter of 2000/2001. At the start of 2014, LG&E served 11 customers under Rate AAGS. LG&E notified these gas customers to interrupt for 3 days during January 2014 and 6 days during February 2014. Three customers indicated that, despite their representations to the contrary, they could not sustain an interruption of gas service. As provided for in Rate AAGS, these customers were transferred to the otherwise applicable firm gas sales rate schedule and, therefore, not required to interrupt. The 8 remaining customers complied with the interruption, so these customers were assessed no penalties.

LOUISVILLE GAS AND ELECTRIC COMPANY

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Response to Commission Staff's Second Request for Information
Dated January 8, 2015

Question No. 8

Responding Witness: J. Clay Murphy

- Q-8. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 30.1,30.4, and 30.6-30.10, Firm Transportation Service ("FT").
- a. Explain why LG&E is proposing a 38 percent increase to the Administrative Charge, from \$400 to \$550. The explanation should include specific customer-related costs not currently included in the \$400 Basic Service Charge.
 - b. Explain the circumstances that caused LG&E to propose the text additions to the Cash-out Provision for Monthly Imbalances section on Original Sheet No. 30.4. Specifically, describe the historical magnitude of customers' imbalances and the impact on gas cost collection from FT customers resulting from the proposed change to the existing tariff language.
 - c. Explain the circumstances that caused LG&E to propose the text additions to the Utilization Charge for Daily Imbalances section on proposed Original Sheet No. 30.6. Specifically, describe the historical magnitude of customers failing to comply with Operational Flow Orders ("OFO") and the impact on existing FT customers of the proposed text change.
 - d. State whether there is any change to the current text of the OFO section on proposed Original Sheet Nos. 30.6 and 30.7 other than the text addition to the pricing paragraph of Sheet No. 30.7.
 - e. Explain the circumstances that caused LG&E to propose the text additions to the pricing paragraph of the OFO section on proposed Original Sheet No. 30.7. Specifically, describe the historical magnitude of customers failing to comply with an OFO and the impact on gas cost collection from FT customers resulting from the proposed change to the existing tariff language.
 - f. State whether there is any change to the current text of the Special Terms and Conditions section on proposed Original Sheet Nos. 30.8-30.10.

A-8.

- a. In Case No. 2012-00222, LG&E proposed to increase the monthly Administrative Charge to \$600. As a result of the settlement in that case, the monthly Administrative Charge placed into effect was \$400. The percentage increase of 38% is being proposed in this proceeding because the costs that LG&E supported in its last rate case (and is also supporting in this case) are not fully covered by the \$400 monthly Administrative Charge.

The costs included in the monthly Administrative Charge are the costs to administer the gas transportation program. The Administrative Charge proposed in this case includes the same types of costs at similar levels as those included by LG&E in the Administrative Charge proposed in its prior rate case. The Administrative Charge is based upon costs actually incurred by LG&E. These costs include contract administration, processing of daily nominations, answering customer enquiries, billing, and data acquisition and maintenance costs. Absent the transportation programs offered by LG&E, LG&E would not be required to incur these costs.

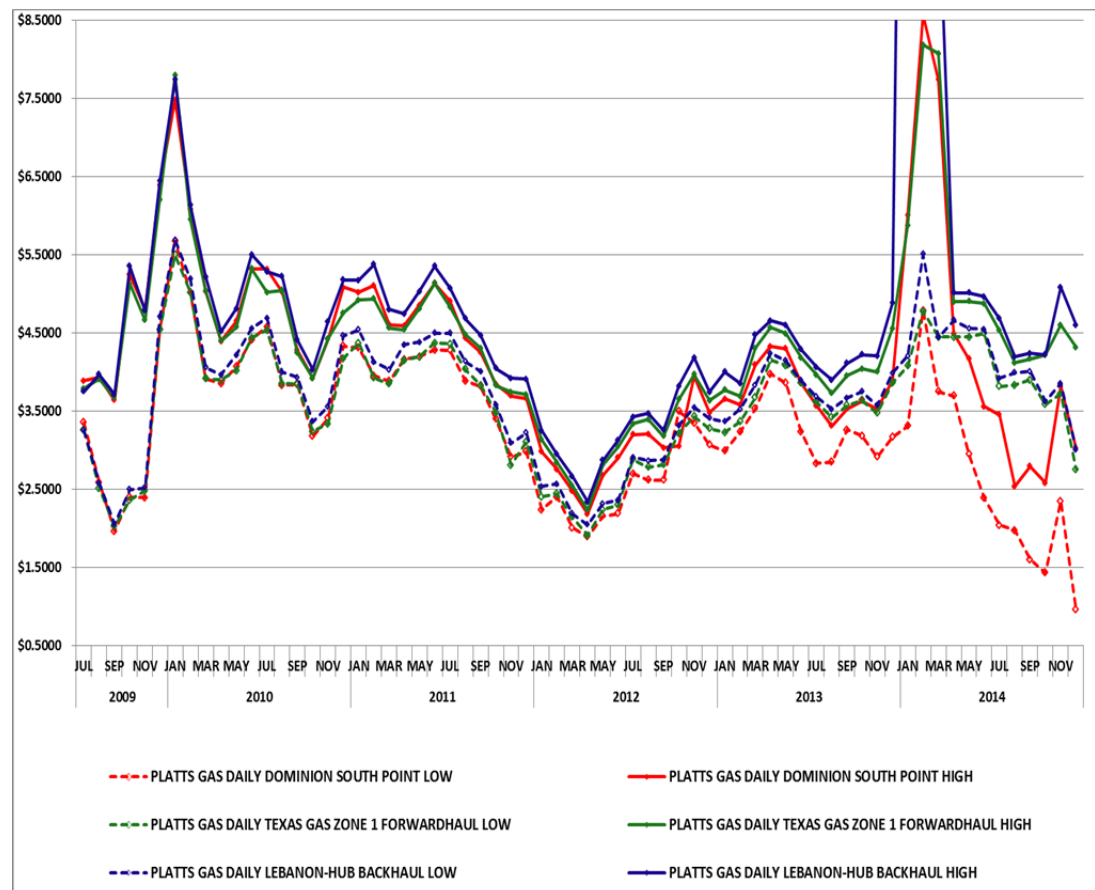
- b. During the course of a month, deliveries on behalf of gas transportation customers may be either more or less than the volume actually used by the customer. The cash-out mechanism is used to resolve these monthly over- and under-deliveries by gas transportation customers at the end of each month. Customer over-deliveries are purchased from customers by LG&E at the cash-out price. Customer under-deliveries are sold by LG&E to customers at the cash-out price.

The cost of gas purchased from gas transportation customers pursuant to the cash-out mechanism is included with other purchased gas costs in LG&E's Gas Supply Clause. These gas supply costs are recovered from sales customers. The cost of gas sold to gas transportation customers pursuant to the cash-out mechanism is reflected with other gas cost revenues in LG&E's Gas Supply Clause.

LG&E has used a cash-out price based on a posted index for a number of years. Using a cash-out price based on an index price is an industry-accepted method for resolving these over- and under-deliveries. A posted index provides a readily observable, objective, and transparent price mechanism that customers, LDCs, and others can easily reference. LG&E's cash-out reference price has been modified on more than one occasion to better reflect the cost of gas in the marketplace used to resolve these over- and under-deliveries. It is important that the index chosen be reflective of the marketplace in which gas is delivered, i.e., LG&E's city-gate.

In LG&E’s case, the index price currently used is the price posting found in *Platts Gas Daily* for Dominion-South Point. LG&E’s tariff currently contains a number of references to the *Platts Gas Daily* price posting for “Dominion-South Point.” For a number of years, that price posting proved an adequate surrogate for gas that might be delivered to LG&E’s city-gate. As the gas market has evolved in recent years, the Dominion-South Point price no longer adequately represents an appropriate cash-out price. This is largely the result of the changing supply situation in the Marcellus producing areas. As gas has become more abundant and supply outpaces demand in that region, new supplies in the area must find non-traditional homes and new routes to the marketplace. This marketplace dislocation has suppressed the Dominion-South Point price posting, and it is no longer a meaningful price for cashing out over- or under-deliveries.

The graph below shows that until about 2013, the Dominion-South Point index and those proposed as cash-out reference prices by LG&E in this proceeding have moved together and at similar levels. Beginning in 2013, the indices have taken on divergent characteristics.



When the cash-out price fails to represent the price of gas delivered to LG&E’s city-gate, “gaming” can occur causing aberrant behaviors that can create cross-subsidies between gas transportation and gas sales customers and also adversely impact system reliability. For example, if the cash-out price is \$2/MMBtu and the relevant market price is \$4/MMBtu, gas transportation customers will be incented to under-deliver gas so that they can purchase gas from LG&E at \$2/MMBtu that might have otherwise cost \$4/MMBtu. To some extent, this aberrant behavior can be addressed by using other tariff mechanisms (such as Operational Flow Orders or “OFOs”) to ensure that customers match deliveries to LG&E with the gas used at their facility. However, on the whole, it is better to rely upon appropriate price signals incorporated in the tariff that alleviate the need to take other tariff measures, such as issuing frequent OFOs. LG&E’s proposal is designed to correct potential gaming problems, alleviate cross-subsidies, and improve system reliability. LG&E’s proposed revisions to the cash-out mechanism incorporate relevant pipeline tariffed rates and price indices in order to calculate a cost of gas delivered to LG&E’s city-gate.

With respect to over-deliveries, selecting the lowest price for gas delivered to LG&E based upon either Texas Gas Zone 1 or the Lebanon-Hub ensures that the lowest cash-out price is applied to purchases from transportation customers to resolve over-deliveries. This methodology discourages customers from over-delivering gas. Conversely, with respect to under-deliveries, selecting the highest price for gas delivered to LG&E based upon either Texas Gas Zone 1 or the Lebanon-Hub ensures that the highest cash-out price is applied to sales to transportation customers to resolve under-deliveries. This methodology discourages customers from under-delivering gas. The mechanism is, therefore, symmetrical and consistent with an economic dispatch protocol that ensures the lowest cost gas is made available to sales customers.

Below is a table showing the impact of the proposed revision to the cash-out prices during 2014.

	CASH-OUT PRICE FOR OVER-DELIVERIES		
	CURRENT	PROPOSED	DIFFERENCE
JAN	\$3.3100	\$4.0774	\$0.7674
FEB	\$4.7850	\$4.7774	(\$0.0076)
MAR	\$3.7500	\$4.4377	\$0.6877
APR	\$3.6900	\$4.4480	\$0.7580
MAY	\$2.9450	\$4.4480	\$1.5030
JUN	\$2.3850	\$4.4943	\$2.1093
JUL	\$2.0400	\$3.8149	\$1.7749
AUG	\$1.9700	\$3.8304	\$1.8604
SEP	\$1.6000	\$3.8973	\$2.2973

OCT	\$1.4250	\$3.5835	\$2.1585
NOV	\$2.3450	\$3.7176	\$1.3726
DEC	\$0.9550	\$2.7522	\$1.7972

CASH-OUT PRICE FOR UNDER-DELIVERIES

	CURRENT	PROPOSED	DIFFERENCE
JAN	\$6.0050	\$20.2242	\$14.2192
FEB	\$8.5750	\$22.0052	\$13.4302
MAR	\$7.7400	\$10.2798	\$2.5398
APR	\$4.4900	\$5.0142	\$0.5242
MAY	\$4.1650	\$5.0142	\$0.8492
JUN	\$3.5550	\$4.9627	\$1.4077
JUL	\$3.4500	\$4.6796	\$1.2296
AUG	\$2.5300	\$4.1907	\$1.6607
SEP	\$2.7900	\$4.2370	\$1.4470
OCT	\$2.5750	\$4.2217	\$1.6467
NOV	\$3.8250	\$5.0855	\$1.2605
DEC	\$3.0200	\$4.6003	\$1.5803

Below is a table showing the impact of the proposed revision to the cash-out mechanism on Rate FT customers (or Rider PS-FT pool managers).

	MCF OVER-DELIVERIES	AS BILLED	AS PROPOSED	DIFFERENCE
JAN	(97,024.5)	(\$310,819)	(\$391,820)	\$81,002
FEB	(146,177.6)	(\$680,288)	(\$649,522)	(\$30,766)
MAR	(84,615.7)	(\$333,979)	(\$401,982)	\$68,002
APR	(46,670.4)	(\$172,487)	(\$205,282)	\$32,795
MAY	(42,116.8)	(\$124,732)	(\$186,814)	\$62,082
JUN	(14,837.3)	(\$44,692)	(\$70,143)	\$25,451
JUL	(19,504.6)	(\$43,776)	(\$76,815)	\$33,039
AUG	(18,261.5)	(\$40,267)	(\$72,710)	\$32,443
SEP	(17,634.1)	(\$38,318)	(\$70,753)	\$32,435
OCT	(12,137.9)	(\$29,264)	(\$50,109)	\$20,845
NOV	(53,573.2)	(\$121,310)	(\$190,414)	\$69,104
DEC	(84,947.0)	(\$78,975)	(\$227,596)	\$148,621
TOTAL	(637,500.6)	(\$2,018,907)	(\$2,593,960)	\$575,053

	MCF UNDER-DELIVERIES	AS BILLED	AS PROPOSED	DIFFERENCE
JAN	3,185.1	\$19,126	\$64,416	(\$45,290)
FEB	7,396.9	\$63,428	\$162,770	(\$99,342)
MAR	3,919.7	\$30,338	\$40,294	(\$9,955)
APR	10,182.3	\$45,719	\$51,056	(\$5,338)
MAY	308.8	\$1,286	\$1,548	(\$262)
JUN	14,362.6	\$51,225	\$71,509	(\$20,284)

JUL	3,539.2	\$12,210	\$16,562	(\$4,352)
AUG	48,137.5	\$130,378	\$215,958	(\$85,580)
SEP	51,187.4	\$150,522	\$228,589	(\$78,067)
OCT	42,589.2	\$110,995	\$181,976	(\$70,981)
NOV	7,447.3	\$28,507	\$37,901	(\$9,394)
DEC	0.0	\$0	\$0	\$0
TOTAL	192,256.0	\$643,734	\$1,072,578	(\$428,844)

In summary, LG&E would have paid about \$575,053 more for the purchase of 637,500.6 Mcf of over-deliveries and would have charged about \$428,844 more for the sale of 192,256.0 Mcf to cover under-deliveries.

Of course, gas transportation customers are able to avoid all cash-out charges to the extent that they can appropriately manage their deliveries to LG&E.

- c. LG&E was prompted to add the additional text in response to a question from pool managers under Rider PS-FT seeking clarification as to how the Utilization Charge For Daily Imbalance (“UCDI”) provision should be billed when an Operational Flow Order (“OFO”) is in effect. The proposed text additions clarify how this provision is billed (and has been billed historically) during a period when an OFO is in effect. Because the proposed text changes merely clarify how this provision is billed (consistent with how it has been historically billed), it has no impact on Rate FT customers or pool managers under Rider PS-FT.
- d. Yes, a sentence has been added to the third paragraph of the OFO section. This paragraph begins on proposed Original Sheet No. 30.6 and carries over to proposed Original Sheet No. 30.7. The additional sentence is located on proposed Original Sheet No. 30.7 and is the second to last sentence of the paragraph referenced above. It states, “Unauthorized receipts or deliveries during the effectiveness of an OFO shall be subject to an OFO charge per Mcf for each Mcf of unauthorized receipts or deliveries as applicable.” This sentence has been added for clarification purposes only and does not impact how the OFO charge has been billed historically.
- e. Operational Flow Orders (“OFOs”) are critical to maintaining system reliability by providing LG&E with a tool to ensure that deliveries made to LG&E on behalf of gas transportation customers under Rate FT match the volume of gas that they are using at their respective facilities. LG&E’s current OFO mechanism provides that during an OFO, customers are subject to a charge equal to \$15.00 per Mcf plus the “Dominion-South Point” posting for the day on which the OFO was violated. For example, if LG&E had an OFO in effect directing customers served under Rate FT to use no more gas than the volume of gas being delivered on their behalf, and if a customer delivered 100 Mcf that day, but used 110 Mcf, the customer would be subject

to an OFO charge on the gas used in excess of the volume delivered, or 10 Mcf (110 Mcf – 100 Mcf). If the “Dominion-South Point” posting on that day was \$5, then the customer would be subject to a charge of \$200 [10 Mcf x (\$15 + \$5)].

Without the use of a relevant index to calculate the daily OFO charge, the value of the tool to appropriately incent customers to follow the directive of the OFO would be undermined. Incorporating an indexed adder to the fixed charge per Mcf ensures that, regardless of the calculated price of gas at LG&E’s city-gate, the OFO charge will always be higher. The OFO charge can, therefore, act as a meaningful incentive to customers served under Rate FT to deliver appropriate quantities of gas. Ensuring that customers served under Rate FT follow the directive of the OFO is critical to ensuring gas system reliability. Customers under Rate FT are responsible for procuring and delivering their own gas supplies. LG&E does not have pipeline capacity, gas supplies, or storage in place to serve these customers, nor are they charged for such. Without a relevant tool for managing these customer deliveries, system reliability can be degraded.

As described in LG&E’s response to Question No. 8(b), the “Dominion-South Point” price is no longer a relevant reference price. Using the revised calculation proposed by LG&E maintains the viability of the OFO as a tool in managing system reliability.

During 2014, LG&E issued Operational Flow Orders (“OFOs”) to customers served under Rate FT (or pool managers served under Rider PS-FT) during the months of January (12 days), February (14 days), March (3 days), November (10 days), and December (2 days) 2014. During that period, LG&E collected \$149,590 in OFO charges. Those amounts are credited to sales customers through the application of the Gas Supply Clause. Under the proposed mechanism, the total amount of the OFO charges to customers under Rate FT (or pool managers under Rider PS-FT) would have increased by \$13,649 as shown in the table below.

	AS BILLED	AS PROPOSED	DIFFERENCE
JAN	\$77,845	\$84,331	\$6,486
FEB	\$24,149	\$28,443	\$4,294
MAR	\$6	\$6	\$0
NOV	\$47,589	\$50,458	\$2,869
DEC	\$0	\$0	\$0
	\$149,589	\$163,238	\$13,649

Of course, gas transportation customers are able to avoid all OFO charges to the extent that they can appropriately manage their deliveries to LG&E.

- f. LG&E is not proposing any changes to the Special Terms and Conditions section on proposed Original Sheet Nos. 30.8, 30.9 and 30.10. However, “Special Term and Condition” Number 2 contains an editing error that has resulted in a portion of the original text being unnecessarily repeated. Specifically, on proposed Original Sheet No. 30.9, beginning on the eighth line under “Special Terms And Conditions (continued)”, the following language should be deleted as redundant:

“Transporter shall be provided by Customer to Company no later than 10:00 a.m. Eastern Clock Time on the day prior to the day(s) for which volumes are scheduled to flow. Only those volumes actually confirmed by Company and scheduled on the Pipeline Transporter are considered nominated volumes. Company shall not be obligated to accept from customer daily nominations, or changes thereto, that are made after the daily deadline for”

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Question No. 9

Responding Witness: Robert M. Conroy

- Q-9. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 45, Special Charges, the proposed addition of the last sentence to the Disconnect/Reconnect Service Charge section. Explain the addition of this sentence and its impact on existing customers.
- A-9. Customers taking service under Riders TS-2, GMPS, and EF are receiving incremental services they have specifically requested that are not otherwise provided by the Company. The tariffs covering these riders have additional provisions that would either be violated with a temporary suspension of service or, in the case of Excess Facilities, would require the Company to provide the additional equipment with no way to fully recover the costs. Rider TS-2, for example, requires the customer to meet a Minimum Annual Threshold. If customers utilizing these riders ask for temporary suspension of service, the appropriate response for the Company would be to question whether they should be on the rider in the first place. There should be no impact on existing customers since no customer utilizing any of these riders has ever expressed interest in temporarily suspending service.

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Question No. 10

Responding Witness: J. Clay Murphy

Q-10. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 51.1 through 51.5, the proposed Gas Transportation Service/Firm Balancing Service ("TS-2") tariffs.

- a. Explain why LG&E is proposing a 38 percent increase to the Administrative Charge, from \$400 to \$550. The explanation should include specific customer-related costs not currently included in the \$400 Basic Service Charge.
 - b. State whether the text change from Rider TS to Rider FT in the third line of the Gas Cost True-Up Charge section on Sheet No. 51.2 is correct.
 - c. Explain why the Adjustment Clauses section located on current Sheet No. 51.3 is not included on proposed Sheet No. 51.3.
 - d. State whether there are any text changes proposed for TS-2 Special Terms and Conditions.
- A-10. a. See LG&E's response to Question No. 8(a).
- b. Yes, the text change is correct. Rider TS is no longer effective so the reference to "Rider TS" is no longer required and should be removed. "Rate FT" has been inserted in its place because customers transferring from Rate FT to Rider TS-2 are not required to pay the "Gas Cost True-Up Charge." This is the case because Rate FT customers are not former sales customers subject to the Gas Supply Clause.
 - c. Rider TS-2 is available to qualifying customers served under Rates AAGS, CGS, and IGS. The Adjustment Clauses section currently located on Sheet No. 51.3 is not included on proposed Sheet No. 51.3 because the applicable Adjustment Clauses are already set forth in Rates AAGS, CGS, and IGS and apply regardless of the customer's election of service under Rider TS-2. Including the Adjustment Clauses in Rider TS-2 is redundant.

- d. One minor change is being proposed to the text for TS-2 Special Terms And Conditions. That change is in the second paragraph of “Special Terms And Conditions” Number 1. In the fifth line of that paragraph, the word “rider” is being changed to “Rider” because the word should be capitalized.

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Question No. 11

Responding Witness: J. Clay Murphy

Q-11. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 59.1 through 59.8, Pooling Service —Rider-TS-2 ("PS-TS-2").

- a. Explain the circumstances that caused LG&E to propose the text additions to the Action Alert Charge paragraph of the Action Alerts section on proposed Original Sheet No. 59.1. Specifically, describe the historical magnitude of customers failing to comply with Action Alerts and the impact on gas cost collection from PS-TS-2 customers resulting from the proposed change to the existing tariff language.
- b. Explain the circumstances that caused LG&E to propose the text additions to the Cash-out Provision for Monthly Imbalances section on Original Sheet Nos. 59.2 and 59.3. Specifically, describe the historical magnitude of customers' imbalances and the impact on gas cost collection from PS-TS-2 customers resulting from the proposed change to the existing tariff language.
- c. State whether LG&E is proposing any text changes to the Nominations and Nominated Volume, Supplier Code of Conduct, or Special Terms and Conditions sections of the PS-TS-2 tariff other than shifting of text.

A-11. a. The Action Alert Charge is not intended to compensate LG&E for gas costs. The Action Alert Charge is a penalty intended to incent Rider PS-TS-2 pool managers to obey the directive of the Action Alert ("AA"). Action Alert charges are credited to sales customers through the operation of the Gas Supply Clause.

Since the effectiveness of Rider TS-2 on November 1, 2013, LG&E has issued Action Alerts for 3 days during January 2014 and 6 days during February 2014. During those periods, pool managers operating under Rider PS-TS-2 followed the directive of the action (to deliver a specified volume). Therefore, no Action Alert charges were assessed.

Because the index that is added to the \$5.00 component of the Action Alert Charge is no longer relevant in the LG&E market place, LG&E is proposing

to revise all references to *Platts Gas Daily* “Dominion-South Point” index. This change is more fully discussed in and is consistent with LG&E’s response to Question No. 8(b).

Of course, gas transportation customers are able to avoid all Action Alert charges to the extent that they can appropriately manage their deliveries to LG&E and match them with the volume that they are directed to deliver pursuant to the Action Alert directive.

- b. The cash-out mechanism as it operates under Rider PS-TS-2 is identical to the cash-out mechanism as it operates under Rate FT. The cash-out mechanism as it operates under Rate FT is discussed at length in the response to Question No. 8(b).

Below is a table showing the impact of the proposed revision to the cash-out mechanism on Rider PS-TS-2 pool managers.

	<u>MCF OVER- DELIVERIES</u>	<u>AS BILLED</u>	<u>AS PROPOSED</u>	<u>DIFFERENCE</u>
JAN	(342.0)	(\$2,054)	(\$6,917)	\$4,863
FEB	(755.1)	(\$3,613)	(\$3,607)	(\$6)
MAR	(389.0)	(\$3,011)	(\$3,999)	\$988
APR	(575.0)	(\$2,122)	(\$2,558)	\$436
MAY	(205.0)	(\$854)	(\$1,028)	\$174
JUN	(99.0)	(\$352)	(\$491)	\$139
JUL	(88.0)	(\$304)	(\$412)	\$108
AUG	(120.0)	(\$304)	(\$503)	\$199
SEP	(187.0)	(\$522)	(\$792)	\$271
OCT	(201.0)	(\$518)	(\$849)	\$331
NOV	(278.0)	(\$1,063)	(\$1,414)	\$350
DEC	(583.0)	(\$1,761)	(\$2,682)	\$921
TOTAL	(3,822.1)	(\$16,476)	(\$25,251)	\$8,775

	<u>MCF UNDER- DELIVERIES</u>	<u>AS BILLED</u>	<u>AS PROPOSED</u>	<u>DIFFERENCE</u>
JAN	2,489.0	\$15,895	\$53,532	(\$37,637)
FEB	0.0	\$0	\$0	\$0
MAR	137.6	\$1,065	\$1,415	(\$349)
APR	0.0	\$0	\$0	\$0
MAY	350.3	\$1,459	\$1,756	(\$297)
JUN	176.2	\$626	\$874	(\$248)
JUL	979.6	\$3,628	\$4,921	(\$1,293)
AUG	255.9	\$647	\$1,072	(\$425)

SEP	1,523.4	\$4,588	\$6,967	(\$2,379)
OCT	948.4	\$2,475	\$4,058	(\$1,583)
NOV	3,100.6	\$12,471	\$16,580	(\$4,110)
DEC	3,381.2	\$10,982	\$16,728	(\$5,746)
TOTAL	13,342.2	\$53,836	\$107,904	(\$54,069)

In summary, LG&E would have paid about \$8,775 more for the purchase of 3,822.1 Mcf of over-deliveries and would have charged about \$54,069 more for the sale of 13,342.2 Mcf to cover under-deliveries.

- c. LG&E is not proposing any text changes to the Nominations and Nominated Volume, Supplier Code of Conduct, or Special Terms And Conditions sections of the PS-TS-2 tariff other than the shifting of text.

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Question No. 12

Responding Witness: J. Clay Murphy

- Q-12. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 61 through 61.1, Pooling Service —Rate FT ("PS-FT"). Explain why application of the Daily Utilization Charge to imbalances exceeding plus or minus five percent is removed from the Character of Service section at the bottom of proposed Sheet No. 61.
- A-12. The referenced sentence was removed from Rider PS-FT because the daily balancing provisions set forth in Rate FT (to which Rider PS-FT is applicable) are controlling. Since both Rate FT and Rider PS-FT provide for a daily balance tolerance of plus or minus five percent, the deleted sentence was redundant.

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Question No. 13

Responding Witness: Robert M. Conroy

- Q-13. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 84, Proposed Gas Line Tracker ("GLT"). Explain LG&E's intention with regard to including its GLT plant investment in rate base, given that it has not done so as part of this application.²
- A-13. LG&E is not proposing to change the operation of the GLT mechanism in this proceeding. Since the mechanism was originally designed as a five year program, LG&E's intention is to continue collecting all GLT costs (including rate base investments) through the mechanism until the program is complete. At that time, all costs, including the plant investment in rate base, will be included in the determination of base rates.

² In Case No. 2013-00167, Application of Columbia Gas of Kentucky, Inc. for an Adjustment in Rates for Gas Service (Ky. PSC Dec. 13, 2013) and in Case No. 2013-00148, Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications (Ky. PSC April 22, 2014), Columbia Gas of Kentucky, Inc. and Atmos Energy Corporation included pipe replacement program net plant additions in rate base and filed proposed pipe replacement program rates of \$0 in their respective rate case applications.

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Question No. 14

Responding Witness: Robert M. Conroy

Q-14. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 104—104.3. Identify and explain the text changes made to the bill format.

A-14. The changes to Sheet No. 104 are:

The Telephone Payment has been reduced from \$2.95 to \$2.25.

Weather Normalization charge not shown due to bill being part of summer season.

Taxes and Fees section was added.

“Please Return This Portion With Your Payment” has been changed to \$24.57 will be deducted from your bank account on payment due date.

The section “Pay This Amount After Due Date” has been changed to “Amount Due After Due Date.”

The changes to Sheet No. 104.1 are:

The option “I would like to enroll in Demand Conservation” has been removed.

This option was removed from the bill in August 2013 in order to encourage customers to utilize the Company's website to request participation in demand side management programs.

The language “Processing Auto Pay requests can take up to two billing cycles. Please continue making regular payments until you receive a bill that indicates the amount due will be deducted from your bank account on the payment due date” has been removed.

The changes to Sheet No. 104.2 are:

The phone numbers for Customer Service and Telephone Payments have changed.

The Telephone Payment fee has been reduced from \$2.95 to \$2.25.

The language “Late Payment Fees will be applied to current charges if the current amount due is not received in full by the payment due date on this bill even if payment arrangements have been made. Please have your account number available when calling to discuss your account” has changed to “ ** ATTENTION ** See the Billing Information section of this bill for important information regarding a possible problem with your meter(s)”.

The section “Pay This Amount After Due Date” has been changed to “Amount Due After Due Date.”

The changes to Sheet No. 104.3 are:

Gas Distribution Charge has been removed.

Gas Supply Component has been removed.

Weather Normalization charge not shown due to bill being part of summer season.

Gas DSM charge has been removed.

“Environmental Surcharge: A monthly charge or credit passed on to customers to pay for the cost of pollution-control equipment needed to meet government-mandated air emission reduction requirements” has been changed to “ATTENTION: Your electric meter or gas meter did not register usage for the month. If you were not using this service please disregard this message unless you wish to discontinue this service. However, if you are using this service at this location, there may be a meter malfunction. Please contact our Customer Service Department at 1-502-589-1444. A Company representative will then come by to test the meter’s accuracy and condition. By finding these problems early, we can minimize your future liability for any unbilled service.

The website address www.lge-ku.com has been changed to www.lge-ku.com/savingenergy.

The option “I would like to enroll in Demand Conservation” has been removed.

This option was removed from the bill in August 2013 in order to encourage customers to utilize the Company's website to request participation in demand side management programs.

The language "Processing Auto Pay requests can take up to two billing cycles. Please continue making regular payments until you receive a bill that indicates the amount due will be deducted from your bank account on the payment due date" has been added.

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Question No. 15

Responding Witness: Victor A. Staffieri

- Q-15. Refer to page 11, lines 17-21, of the Testimony of Victor A Staffieri ("Staffieri Testimony"). Provide all articles, press releases, etc. regarding the Business First newspaper's "Partners in Philanthropy Award" LG&E received in 2014.
- A-15. See the attachment for the external articles and press releases regarding the Business First "Partners in Philanthropy" Award that LG&E and KU Energy received in 2014.

CORPORATE PHILANTHROPISTS

LARGE COMPANIES (REVENUE MORE THAN \$50 MILLION¹) - AREA'S LARGEST RANKED BY CASH DONATIONS OUT OF LOCAL OFFICES

	Name / Prior rank Website(s)	Address Phone	2013 cash contributions ²	2012 cash contributions ³	2013 in-kind donations	Local employees ⁴	Top nonprofits donated to ⁵	Year founded locally	Top local official(s), e-mail(s)
1	Horseshoe Southern Indiana ① www.horseshoeindiana.com	11999 Casino Center Drive S.E. Elizabeth, Ind. 47117 812-969-6000	\$12.3 million	\$13.5 million	\$134,889	1,404	Horseshoe Foundation of Floyd County, Harrison County Community Foundation	1998	John D. Smith
2	Humana Foundation/Humana Inc. ② www.humanafoundation.org www.humana.com	500 W. Main St. Louisville, Ky. 40202 502-580-4140	\$10.51 million	\$11.68 million	NA	12,154	KaBOOM!, Washington D.C.; Scholarship America, Saint Peter, Minn.; Actors Theatre of Louisville Inc.	1981	Bruce Broussard Virginia Kelly Judd vkjudd@humana.com ⁶
3	LG&E and KU Energy LLC ③ www.lge-ku.com	220 W. Main St. Louisville, Ky. 40202 502-589-1444	\$5.04 million	\$4.19 million	NA	3,539	Kentucky Derby Festival Inc., Community Winterhelp Inc., Project Warm	1838	Victor A. Staffieri
4	PNC Foundation ④ www.pnc.com	101 S. Fifth St. Louisville, Ky. 40202 877-762-2000	\$1.88 million	\$1.88 million	\$11,400	NA	Metro United Way Inc. Inc., Kentucky Educational Television, Fund for the Arts Inc. Inc.	1858	Charles P. Denny
5	Anthem Blue Cross and Blue Shield of Kentucky ⑤ www.anthem.com	13550 Triton Park Blvd. Louisville, Ky. 40223 800-880-2583	\$1.5 million	NA	NA	1,110	Special Olympics Kentucky, Boys & Girls Club of America, American Diabetes Association	1938	Deb Moessner
6	United Parcel Service Inc. ⑥ www.ups.com	1400 N. Hurstbourne Parkway Louisville, Ky. 40223 502-329-3000	\$1.45 million	\$1.29 million	\$385,462	20,931	Metro United Way Inc.	1963	Brendan Canavan
7	Republic Bank & Trust Co. ④ www.republicbank.com	601 W. Market St. Louisville, Ky. 40202 502-584-3600	\$1.27 million	\$3.1 million	\$4,820	638	The Children's Hospital Foundation Inc., University of Louisville, Fund for the Arts Inc.	1982	Steve Trager
8	Fifth Third Bank Kentucky ⑧ www.53.com	401 S. Fourth St. Louisville, Ky. 40202 502-562-5300	\$968,251	\$845,000	NA	358	Fund for the Arts Inc., Norton Hospitals Foundation, Waterfront Development Corp.	1994	Tom Partridge tom.partridge@53.com
9	Thorntons Inc. ⑨ www.thorntonsinc.com	10101 Linn Station Road, Suite 200 Louisville, Ky. 40223 502-425-8022	\$939,105	NA	\$10,000	679	Norton Healthcare Inc., Metro United Way Inc., The Parklands of Floyds Fork, 21st Century Parks Inc.	1971	Matthew Thornton
10	JPMorgan Chase Foundation ⑦ www.jpmorganchase.com/giving	416 W. Jefferson St. Louisville, Ky. 40202 502-566-2000	\$690,000	\$1.1 million	NA	640	Greater Louisville Inc., KentuckianaWorks, Community Foundation of Louisville	1835	Paul Costel
11	Texas Roadhouse Inc. ⑩ www.texasroadhouse.com	6040 Dutchmans Lane Louisville, Ky. 40205 502-426-9984	\$602,000	\$386,000	\$150,000	710	Special Olympics of Kentucky, The Healing Place, The Children's Hospital Foundation Inc.	1993	W. Kent Taylor
12	Stites & Harbison PLLC ⑬ www.stites.com	400 W. Market St., Suite 1800 Louisville, Ky. 40202 502-587-3400	\$280,000	\$260,000	NA	151	Legal Aid Society, Metro United Way Inc., Fund for the Arts Inc.	1832	Kenneth R. Sagan ksagan@stites.com
13	U.S. Bank NA ⑭ www.usbank.com	1 Financial Square Louisville, Ky. 40202 502-562-6331	\$265,000	\$133,000	NA	240	Metro United Way Inc., Fund for the Arts Inc., Louisville Urban League	1915	David A. Wombwell david.wombwell@usbank.com Dick Swope dswope@samswope.com Patti Swope pswope@samswope.com
14	Sam Swope Auto Group LLC ⑨ www.samswope.com	10 Swope AutoCenter Drive Louisville, Ky. 40299 502-499-5000	\$250,000	\$500,000	\$50,000	874	Kosair Charities, Lincoln Heritage Council Boy Scouts of America, Junior Achievement of Kentuckiana Inc.	1951	Franklin K. Jelsma fjelsma@wyattfirm.com Donald J. Kelly
15	Wyatt Tarrant & Combs LLP ⑫ www.wyattfirm.com	500 W. Jefferson St. Suite 2800 Louisville, Ky. 40202 502-589-5235	\$125,415	\$285,871	NA	151	Legal Aid Society; 21st Century Parks Inc.; Owensboro Medical Health System, Owensboro, Ky.	1812	James R. Allen
16	Hilliard Lyons/Hilliard Lyons Foundation ⑭ www.hilliard.com	500 W. Jefferson St. Louisville, Ky. 40202 502-588-8400	\$106,776	\$243,000	NA	456	University of Kentucky, Lexington; Metro United Way Inc.; Fund for the Arts Inc.	1854	Monica Bohn
17	Century Mortgage Co. ⑰ www.cmcloans.com	9931 Corporate Campus Drive, Suite 1000 Louisville, Ky. 40223 502-753-4155	\$103,000	\$70,000	NA	134	St. Nick Fund, Mercy Academy, Jefferson Street Baptist Center Inc.	1996	David C. Hussung hussungdc@hussung.com
18	Hussung Mechanical Contractors/HMC Service Co. ⑱ www.hussung.com	6913 Enterprise Drive Louisville, Ky. 40214 502-375-3500	\$102,500	NA	\$7,800	242	Hosparus Inc.; University of Louisville; Christian Academy of Indiana, New Albany	1966	Fred E. Durham III
19	CafePress Inc. ⑲ www.cafepress.com	6901A Riverport Drive Louisville, Ky. 40258 502-995-2220	\$84,483	\$173,000	\$5 million	320	Breast Cancer Research Foundation, New York; Kosair Charities; American Red Cross	2005	Bruce E. Blue bruce@freedommetals.com Spencer Blue spencer@freedommetals.com
20	Freedom Metals Inc. ⑳ www.freedommetals.com	1401 W. Ormsby Ave. Louisville, Ky. 40210 502-637-7657	\$75,000	\$150,000	\$1,000	130	Congregation Adath Jeshurun, University of Louisville	1983	Gregory Daunhauer
21	Byerly Ford-Nissan Inc. ㉑ www.byerly.com	4041 Dixie Highway Louisville, Ky. 40216 502-448-1661	\$49,722	\$57,395	\$15,000	120	Metro United Way Inc., Little Sisters of the Poor, Shively Area Ministries	1944	

1. 2013 revenue for the local area of Jefferson, Bullitt, Henry, Meade, Nelson, Oldham, Shelby, Spencer and Trimble counties in Kentucky and Clark, Floyd, Harrison and Washington counties in Indiana.
2. Amount is the sum of cash paid to charities in fiscal 2013. Information provided from company representatives includes the local offices only.
3. This information appeared on last year's list or was provided by the company.
4. Number of local full-time employees and/or full-time equivalents (FTEs). Two, 20-hour employees

equal one FTE.
5. Nonprofits are in the Louisville area unless noted.
6. Bruce Broussard is CEO of Humana Inc., and Virginia Kelly Judd is executive director of the Humana Foundation.
⑩ Not ranked on the 2013 list.
NA - not applicable, not available or not approved.

► CLOSER LOOK

ABOUT THE LIST
Information was obtained from representatives of listed companies. Other companies might have been eligible but did not respond to requests for information. The list is limited to companies in the Louisville metropolitan statistical area of Jefferson, Bullitt, Henry, Meade, Nelson, Oldham, Shelby, Spencer and Trimble counties in Kentucky and Clark, Floyd, Harrison and Washington counties in Indiana.

The list includes nonprofit organizations that are the philanthropic arms of companies. Other nonprofit entities or educational institutions are not included.

Some businesses appear on different corporate philanthropist lists this year because their revenue level changed.

First Urology PSC and Encompass Develop Design & Construct LLC, ranked Nos. 21 and 23, respectively, on the 2013 list, are listed on the medium company category list on page 16.

Enterprise, ranked No. 20 on the 2012 list, is listed on the small company category list on page 22.

Neil Huffman Automotive Group and Pegasus Transportation Inc., ranked Nos. 15 and 24, respectively, on the 2013 list, declined to participate.

NEED A COPY OF THE LIST?
For information for obtaining reprints, Web permissions and commemorative plaques, call 877-397-5134. More information can be found online at LouisvilleBusinessFirst.com by clicking the "Store" tab near the top of the site.

WANT TO BE ON THE LIST?
If you wish to be surveyed when The List is next updated, or if you wish to be considered for other Lists, email your contact information to Allison Stines at astines@bizjournals.com.



Family Scholar House is so proud of all our families! As of 2014, participants have earned 176 college degrees and 23 participants' children are pursuing post-secondary opportunities. One of the most powerful predictors of college enrollment, regardless of previous academic achievement, is whether or not a student's parent attended college.

Marian Development Group is proud to partner with Family Scholar House and looks forward to helping expand their efforts through development of new Family Scholar House affiliate campuses.

To learn more about Family Scholar House, visit us at FamilyScholarHouse.org, visit us on Facebook, or contact our offices at 502.584.8090.



Corporate generosity: Large companies

Business First asked the top local officials of the top 10 companies on the list of Corporate Philanthropists, Large Companies, to answer questions about their philanthropic efforts. Their emailed responses, which sometimes were edited for space reasons, appear below. Companies are listed in the order that they appear on the list.

1 Horseshoe Southern Indiana has an employee volunteer program called the Hero program. Tell us about the program.

Caesars Entertainment Corp., parent company of Horseshoe Southern Indiana, "has a code of commitment which guides how we operate as a company, and one of these codes is to support the communities where our employees live and work," said John D. Smith, regional president and general manager of Horseshoe Southern Indiana.

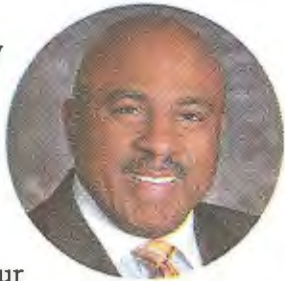
"The Hero program plays a very important role for our team members, allowing them to lend their time, skills, expertise and caring to make noteworthy, visible contributions to the community.

"At Horseshoe we encourage team members to participate in scheduled Hero events, and if business demands dictate, we provide them time off work for them to do so.

"In addition, we provide resources and assistance to volunteer in civic and charitable causes to strengthen relationships with organizations.

"We participate in a variety of programs and causes," including Relay For Life, Habitat for Humanity in Floyd and Harrison counties, and the Metro United Way Inc. and Fund for the Arts Inc. annual campaigns.

"We also hold a golf scramble annually, which benefits Honor Flight (Network) to send veterans to Washington, D.C." to visit memorials that honor their service.



John D. Smith

2 The Humana Volunteer Network was formalized in 2007. Tell us about this network.

"At Humana, we recognize the importance of giving back and the effect it has on the health of our communities, including our own associate community," said Bruce Broussard, Humana Inc.'s president and CEO.

"And over the last six years, through the Humana Volunteer Network, our associates have contributed thousands of hours to the communities in which we live and serve.

"We're proud of the work we have done and know that truly instigating change starts with each one of us – within and outside our walls.

"That's why we've set a goal to more than double our level of volunteer participation over the next three years.

"Through a newly defined framework designed to connect volunteerism to the way we do business, we are striving to make it easier for our associates to make a difference in the health and well-being of others."



Bruce Broussard

Read more about Humana's philanthropic efforts on page 6.

3 Why does LG&E and KU Energy LLC partner with Project Warm?

Project Warm is a nonprofit that serves elderly, disabled and economically challenged citizens in the Louisville area.

The nonprofit promotes energy affordability, safety and comfort through its year-round energy conservation and education programs.

LG&E and KU Energy LLC is a founding partner and has been involved with the nonprofit since its inception in 1982.

LG&E has supported Project Warm for more than 30 years through volunteerism and nearly \$2.5 million to support services, resources, weatherization kit materials and community events.

"We're proud to support an organization that provides such vital services to people throughout our community, and we look forward to continuing to make a positive impact through our partnership," said Vic Staffieri, chairman, CEO and president.

"Our relationship with Project Warm dates back more than 30 years and is something the company and our employees value not just because of our history together but because our employees take pride in playing an active role in making the neighborhoods, communities and cities where we live and work better places where all residents and families can thrive."



Vic Staffieri



At left: Volunteers apply plastic to windows during Project Warm's annual Winter Blitz event. Below: Volunteers gather and grab weatherization supplies before heading out to help area residents during Project Warm's annual Winter Blitz event.

PHOTOS PROVIDED BY LG&E AND KU ENERGY LLC



4 Tell us about the PNC Foundation's signature philanthropic volunteer initiative, Grow Up Great.

"The PNC Foundation supports organizations that provide services for the benefit of communities in which it has a significant presence," said Charles P. Denny, regional president of PNC Bank in Greater Louisville and Tennessee.

The foundation focuses its philanthropic efforts on early childhood education and community and economic development.

"Through Grow Up Great, its signature cause that began in 2004, PNC has created a \$350 million, multiyear initiative to help prepare children from birth to age 5 for success in school and life."

As part of the 10-year anniversary of Grow Up Great, the foundation award-

ed a grant to KET. The grant will be used to launch the Early Childhood Science, Technology, Engineering & Math (STEM) Initiative this year in under-resourced areas in Western Kentucky.

"The funding supports specific STEM children's programs that align with KET's early childhood curriculum, training for 525 early childhood professionals, the dissemination of tool kits and three assessments evaluating the impact of classroom and home instruction."



Charles P. Denny

Corporate generosity: Large companies

5

What is Anthem Blue Cross and Blue Shield of Kentucky's Dollars for Doers program?

"Dollars for Doers was launched in 2014 in response to our associates' preference to volunteer at organizations that are important to them, at times that work for their busy schedules," said Deb Moessner, president of Anthem Blue Cross Blue Shield of Kentucky.

"It enables Anthem BCBS associates in Kentucky to earn financial grants for the charities they support through their volunteer time.

"Associates also receive up to eight hours of paid time off to volunteer, making it even easier to earn money for that charity.

"The grants are doubled for featured charities, selected for their alignment to our

company strategy, their national recognition and the local impact to the health of our communities. Some of these charities are American Cancer Society, American Heart Association, American Red Cross, Boys & Girls Clubs of America, Community Health Charities, Feeding America and the (Metro) United Way.

"The program is new but has taken off with active participation. We expect to report great results in the future."



Deb Moessner

{

"THE PROGRAM IS NEW BUT HAS TAKEN OFF WITH ACTIVE PARTICIPATION. WE EXPECT TO REPORT GREAT RESULTS IN THE FUTURE." - Deb Moessner, president of Anthem Blue Cross Blue Shield of Kentucky.

}

6

United Parcel Service Inc. offers a program to employees called Neighbor to Neighbor. Tell us about the program.

"Neighbor to Neighbor provides UPS employees (with) hands-on volunteer opportunities to serve the communities where we live and work," said Brendan Canavan, president of UPS Airlines.

"Implemented in Atlanta in 1993

and then launched globally, the program helps us heighten awareness for community needs and promote the importance of volunteerism.

"The program is administered through coordinators, which are local UPS employees who help other UPSers find appropriate volunteer opportunities based on skills, interests and time availability.

"Opportunities are posted on our UPS intranet, and volunteers can even win grants for the organizations for which they do work.

"Our employees do a little of everything when it comes to volunteerism, including organizing food drives, working in soup kitchens, mentoring troubled youth and volunteering time as members of boards of directors of nonprofit and nongovernmental organizations.

"Last year, 4,225 UPSers participated in the program locally, logging 385,462 volunteer hours at more than 100 different charities."



Brendan Canavan

By the numbers

\$38.59 million

The combined 2013 cash donations for the 21 companies on the 2014 Corporate Philanthropists, Large Companies, list on page 12.

18,174

The combined pro bono hours donated by companies on the list.

\$5.77 million

The total value of in-kind donations by companies on the list.

1

The number of companies on the list that support the area of health only.

44,980

The total combined number of full-time and/or full-time equivalent employees of companies on the list.

- DATA COMPILED BY BUSINESS FIRST RESEARCH DIRECTOR ALLISON STINES

7

Republic Bank & Trust Co. started a partnership this year with the Jefferson County Public Schools Blessings in a Backpack Food Program. Why did Republic Bank and JCPS decide to partner for this cause?



"Sixty-two percent, or 59,532, of Jefferson County Public School students are fed during the week by the free or reduced-price meal program," said Steve Trager, chairman and CEO of Republic Bank & Trust Co.

"Blessings in a Backpack fills the weekend gap for nearly 3,500 JCPS students at 30 schools by providing backpacks full of food for them to take home over the weekend.

"Republic Bank is a proud

sponsor of the Blessings in a Backpack program and sponsored the backpacks at two JCPS elementary schools" - Dixie Elementary School and Roosevelt-Perry Elementary School.

"Our associates were given the opportunity to go to these two elementary schools to help fill backpacks and distribute them to the children who are eligible to participate in this program.

"We had a total of 80 associates fill backpacks in teams of three to six.

"Between 300 and 400 bags were filled at Roosevelt-Perry and 100 at Dixie elementary school.

"We are very proud of our associates' participation in this worthwhile program that helps so many of our young children in their time of need."

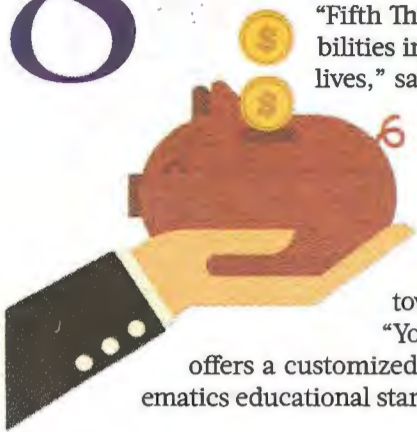


Steve Trager

Corporate generosity: Large companies

8

Two of Fifth Third Bank Kentucky's philanthropic initiatives are the Young Bankers Program for fifth graders and the Dave Ramsey program for high school students. Tell us more about these programs and why helping area students is a priority for the bank.



"Fifth Third is committed to increasing financial capabilities in our community because we want to improve lives," said Tom Partridge, president and CEO of Fifth Third Bank Kentucky.

"Our financial empowerment programs provide access to information and tools which contribute to good financial decisions.

"Because reaching individuals at an early age is important, our programs are also geared toward children and teens.

"Young Bankers Club (YBC), for fifth-graders, offers a customized curriculum that meets local and state mathematics educational standards.

"YBC teaches children money basics, including what it is and how people get it, the importance of saving, and how education and career choices affect their future.

"We introduced YBC in Louisville two years ago, partnering with community centers and Engelhard Elementary.

"Fifth Third has provided Dave Ramsey's Foundations in Personal Finance course (for 43 Louisville area high schools) since 2011.

"This course for juniors teaches students about the importance of their financial future," Partridge said. "Students learn the value of saving, spending and giving."



Tom Partridge

9

Thorntons Inc. supports the Susan G. Komen foundation through event participation and in-kind donations. Why does your company partner with this foundation?

"Thorntons Inc. holds the Susan G. Komen foundation dear to its heart due to the many members of the organization affected in some way by breast cancer," said president and CEO Matt Thornton.

"According to the (American Cancer Society), more than 200,000 women begin their fight against invasive breast cancer each year. Of that 40,000 will lose that battle.

"These women are our employees, our family members and our friends.

"We are passionate about finding a cure and giving these women and those they love the resources they need to overcome breast cancer, and the Susan G. Komen foundation gives Thorntons an outlet to further this goal.

"Thorntons is proud to support the foundation through sponsorship of events, financial contributions, in-kind donations and cause promotions.

"This commitment is evident walking into any Thorntons stores across six states. Thorntons sells several products (the proceeds of which) benefit breast cancer research.

"In 2006, Thorntons created Living Life Natural Spring Water, and a portion of each bottle or case of water sold goes toward the fight against breast cancer.

"Since Thorntons first began the Pink Ribbon Campaign in October 2007, customers have donated over \$100,000 for this cause.

"Another way customers can help Thorntons support the cause is by purchasing a cup of coffee in Thorntons new Pink Cause coffee cup," which will be available in late August and in September.

"Thorntons is also a proud sponsor of several Susan G. Komen races and provides on-site coffee tents and race participation."



Matt Thornton

Read more about Thorntons' philanthropic efforts on page 8.

10

In December 2013, the JPMorgan Chase Foundation awarded \$200,000 over two years to Greater Louisville Inc., the metro chamber of commerce, to further regional collaboration and to help support the Bluegrass Economic Advancement Movement. Why did your company choose to award this money?

The Bluegrass Economic Advancement Movement (BEAM) was launched in 2011 by Louisville Mayor Greg Fischer and Lexington Mayor Jim Gray "to address shared challenges and leverage common strengths of the region," said Paul Costel, market president for JPMorgan Chase & Co. in Kentucky.

"JPMorgan Chase helped seed these conversations.

"As part of BEAM, a regional export plan was developed. The strategy to focus on export development for small companies not only appeals to our company but advances the movement's overall goal of supporting strong, sustainable growth for the 22 BEAM counties.

"In an effort to determine how JPMorgan Chase could be most effective in supporting this work, we decided to fund the BEAM Kentucky Export Promotion Program.

"The program provides grant awards up to \$4,500 to small businesses looking to prepare to export into the international marketplace or identify and execute on new international sales opportunities.

"In the spring of 2013, 40 companies were selected to receive a grant.

"Kentucky's small businesses comprise the majority of all businesses in the state, employ almost half of all Kentucky workers and strongly contribute to the innovation and expansion activities in the region," Costel said.

"JPMorgan Chase believes the success of these small companies in the global marketplace is critical to the future of the region as a whole.

"We are extremely proud to support BEAM.

"Our work locally aligns well with the recent launch of the Global Cities Initiative, which is poised to help communities think about local economic development in a more global context."



Paul Costel

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 16

Responding Witness: Victor A. Staffieri

Q-16. Refer to page 12, lines 1-5, of the Staffieri Testimony.

- a. Provide the amounts awarded by the LG&E and KU Foundation ("Foundation") in each of the calendar years 2011, 2012, and 2013.
- b. For the shareholder contributions that are in addition to those made by the Foundation, provide a list of the organizations to which LG&E contributed in each of the calendar years 2011, 2012, and 2013.

A-16. a. The LG&E and KU Foundation made the following charitable contributions for the calendar years 2011, 2012 and 2013:

2011	\$678,550
2012	\$761,537
2013	\$839,948

- b. See attached.

Organization	LG&E 2011 Contributions
100 Black Men of Louisville	\$ 5,000.00
Actors Theatre of Louisville	7,500.00
Actors Theatre of Louisville	1,850.00
Actors Theatre of Louisville	25,000.00
Actors Theatre of Louisville	1,000.00
American Heart Association	10,000.00
Americana Community Center, Inc.	1,000.00
Bellemeade, City of	4,900.00
Blackacre Conservancy	1,500.00
Brightside	5,000.00
Brooklawn Child & Family Services	1,000.00
Brown Community Development Center	2,000.00
Cabbage Patch Settlement House	2,500.00
Catholic Education Foundation	5,000.00
Catholic Education Foundation	2,500.00
Cave Hill Heritage Foundation	2,315.00
Cedar Lake Foundation	2,500.00
Center for Women and Families	10,000.00
Chestnut Street YMCA	2,500.00
Chuck Olmstead Memorial Fund	2,000.00
CLOUT - Citizens of Louisville Organized & United Together	1,000.00
Court Appointed Special Advocates (CASA)	2,500.00
Dare to Care Food Bank	300.00
Darrell Griffith Foundation	5,000.00
Dream Factory	2,000.00
Dress for Success	1,000.00
Dress for Success	2,000.00
Eastern Area Community Ministries (EACM)	2,500.00
Eastern High School Band Parents Assn	100.00
ECHO (Exploited Children's Help Organization)	2,500.00
ElderServe	1,000.00
Family & Children's Place	25,000.00
Family Scholar House, Inc.	2,500.00
Food Literacy Project	250.00
Frankfort Avenue Business Association	2,000.00
Friends of Indian Summer, Inc.	100.00
Gilda's Club of Louisville	100.00
Girl Scouts of Kentuckiana	5,000.00
Girl Scouts of Kentuckiana	100.00
Greater Louisville Foundation	5,000.00
Greater Louisville Rowing Foundation	1,000.00
Green Convene 2010	500.00

Organization	LG&E 2011 Contributions
GuardiaCare Services, Inc.	2,000.00
Habitat for Humanity of Metro Louisville	12,500.00
Habitat for Humanity of Metro Louisville	12,500.00
Harbor House of Louisville	500.00
Hosparus Foundation	100.00
Housing Partnership Inc.	2,500.00
JCPS Academic Competition	2,195.00
Jefferson County Public Education Foundation	13,750.00
Junior Achievement (Louisville)	10,000.00
Kentuckiana Blues Society	2,500.00
Kentucky Center for African American Heritage	2,500.00
Kentucky Center for African American Heritage	25,000.00
Kentucky Council on Economic Education	2,000.00
Kentucky Minority Scholarship Fund	5,000.00
Kentucky Museum of Art and Craft	1,500.00
Kentucky Museum of Art and Craft	300.00
Kentucky Museum of Art and Craft	3,000.00
Kentucky Opera	4,500.00
LCCC, Inc. (Louisville Central Community Centers)	12,500.00
LCCC, Inc. (Louisville Central Community Centers)	5,000.00
Leadership Louisville	2,200.00
Leadership Louisville	10,000.00
Leadership Louisville	50.00
Leadership Louisville Center	7,500.00
Leadership Louisville Center	5,000.00
Leadership Louisville Center	275.00
Leadership Louisville Center	960.00
Leadership Louisville Center	1,060.00
Leadership Louisville Center	665.93
Leadership Louisville Center	3,360.00
Leadership Louisville Center	2,547.24
Leadership Louisville Center	9,450.00
Leadership Louisville Center	50.00
Library Foundation	2,500.00
Library Foundation	25,000.00
Lincoln Foundation	10,000.00
Louisville Armed Forces Committee	350.00
Louisville Branch NAACP	500.00
Louisville Defender Newspaper, Inc.	700.00
Louisville Education & Employment Partnership (LEEP)	100.00
Louisville Fire Department	5,000.00
Louisville Metro Parks - Jefferson Memorial Forest	5,000.00

Organization	LG&E 2011 Contributions
Louisville Urban League	2,000.00
Louisville Zoo	25,000.00
Louisville Zoo	4,981.00
Metro United Way, Inc.	1,000.00
National Center for Family Literacy, Inc.	5,000.00
Nichols Elementary School PTA	2,000.00
Old Louisville Information Center, Inc.	2,000.00
Olmsted Parks Conservancy	5,000.00
Power of One Campaign (2011)	3,080.00
Power of One Campaign (2011)	250.00
Presbyterian Community Center	5,000.00
Project One	15,000.00
Rotary Club of Louisville, Inc.	50.00
Rotary Club of Louisville, Inc.	50.00
SeniorCare Experts	2,500.00
Shamrock Foundation Inc.	100.00
Southwest Community Festival	5,000.00
Speed Art Museum	2,500.00
St. George's Community Center	2,000.00
St. George's Community Center	500.00
St. James Court Association Charitable Foundation	5,000.00
St. Joseph Children's Home	2,500.00
Summerbridge Louisville	5,000.00
Susan G. Komen for the Cure	2,500.00
Teach Kentucky	2,000.00
University of Louisville	5,000.00
University of Louisville	10,000.00
University of Louisville	5,000.00
University of Louisville	850.00
University of Louisville Foundation	20,000.00
Volunteers of America	2,500.00
West Louisville Community Ministries	2,500.00
West Louisville Performing Arts Academy	6,000.00
West Louisville Performing Arts Academy	1,000.00
Women 4 Women	20,000.00
YMCA Mayor's Community Thanksgiving Breakfast	195.00
YMCA Safe Place Services	1,500.00
Masonic Homes of Kentucky, Inc.	5,000.00
Links Incorporated, The	5,000.00
Taylorsville Main Street Program	5,000.00
American Red Cross	50,000.00
American Red Cross Louisville Chapter	2,000.00

Organization	LG&E 2011 Contributions
Barnstable Brown Gala	1,000.00
Better Business Bureau	600.00
Blessings in a Backpack	5,000.00
Dare to Care Food Bank	5,000.00
Greater Louisville Inc.	8,500.00
Greater Louisville Inc.	2,000.00
Home Builders Association of Louisville	20,000.00
Home Builders Association of Louisville	20,000.00
Jewish Family & Career Services	1,500.00
Junior Achievement (Cubero Group)	32,636.52
Kentucky Derby Festival	2,100.00
Kentucky Derby Festival Box Office	750.00
Kentucky Derby Festival Box Office	72.49
Kentucky Derby Festival Box Office	7,534.96
Kentucky Derby Festival Foundation	700.00
Kentucky Derby Foundation	500.00
Kentucky Derby Foundation	1,000.00
Kentucky Derby Foundation	1,500.00
Leadership Louisville Center	5,000.00
Library Foundation	25,000.00
Light Up Louisville/Toys for Tots	349.67
Lincoln Heritage Center Boy Scouts of America	800.00
Louisville Baseball Club, Inc.	60,000.00
Louisville Downtown Management District	5,000.00
Louisville Zoo	25,000.00
Louisville/Jefferson County Metro Government	50,000.00
WHAS TV	53,000.00
EDGE Outreach	1,000.00
Juventus L.S.	10,000.00
American Red Cross	100.00
American Red Cross - Ft. Knox	500.00
AUSA Golf Scramble	250.00
Fort Knox Core Committee	2,500.00
Fort Knox High School PTO Project Graduation	100.00
Lindsey Golf Course	150.00
Association of Community Ministries	199,146.22
Association of Community Ministries	25,853.78
Beechmont Youth Sports	250.00
Bellarmino University	10,000.00
Boy Scout Troup 51	1,000.00
Boy Scouts of America - Lincoln Heritable Council	2,000.00
Business Diversity Network of Kentucky	450.00

Organization	LG&E 2011 Contributions
Business First - Fast 50 Luncheon	13,000.00
Cabbage Patch Settlement House	766.67
Catholic Education Foundation	5,000.00
Catholic Education Foundation	2,500.00
Cedar Lake Foundation	10,000.00
Churchill Downs Race Day for Surviving Families	1,000.00
Churchill Downs, Inc.	200,000.00
Community WinterHelp	12,497.12
Community WinterHelp	10,659.03
Community WinterHelp	9,937.99
Community WinterHelp	9,769.01
Community WinterHelp	7,292.76
Community WinterHelp	8,457.55
Community WinterHelp	7,316.64
Community WinterHelp	7,531.75
Community WinterHelp	7,791.44
Community WinterHelp	8,425.86
Community WinterHelp	8,954.11
Community WinterHelp	8,954.11
Community WinterHelp	8,280.47
Congressional Medal of Honor Society - CMOHS 2011 Convention Committee	25,000.00
Court Appointed Special Advocates (CASA)	2,500.00
Court Appointed Special Advocates (CASA)	1,000.00
DuPont Manual Regional Science Fairs Inc.	2,500.00
Eastern High School LaCrosse Booster Club	250.00
Energy Conservation Associates/Project Warm	100,000.00
Energy Conservation Associates/Project Warm	15,000.00
Family & Children's Place	25,000.00
Family and Children's Place	1,000.00
FEAT of Louisville	2,500.00
FEAT of Louisville	900.00
Friends of Louisville Zoo	3,250.00
Friends of the Salvation Army Boys & Girls	500.00
Fund For The Arts	150.00
Gilda's Club of Louisville	5,000.00
Greater Louisville Inc.	20,000.00
Greater Louisville Inc.	5,000.00
Greater Louisville Inc.	94,000.00
Greater Louisville Rowing Foundation	1,000.00
Hosparus, Inc.	5,000.00
Jefferson County Public Education Foundation	100,000.00

Organization	LG&E 2011 Contributions
Junior Achievement	375.00
Junior Achievement	375.00
Junior Achievement	375.00
Junior Achievement (Louisville)	5,000.00
Junior Achievement Business Hall of Fame	2,645.00
Junior Achievement of Kentuckiana	250.00
Kentucky CCIM Chapter	300.00
Kentucky Derby Museum	4,000.00
Kentucky Opera	3,000.00
Kosair Charities	1,000.00
LCCC, Inc. (Louisville Central Community Centers)	12,500.00
Leadership Louisville Foundation	1,000.00
Leadership Louisville Foundation	750.00
Legal Aid Society	500.00
Library Foundation	5,000.00
Library Foundation	25,000.00
Lincoln Heritage Council	1,500.00
Lincoln Heritage Council	1,500.00
Lincoln Heritage Council	895.28
Lincoln Heritage Council	1,000.00
Locker Room Sports	250.00
Locker Room Sports	250.00
Louisville Central Community Centers	2,500.00
Louisville Convention and Visitor's Bureau	1,500.00
Louisville Downtown Development Corp	275.00
Louisville Downtown Development Corp	20,000.00
Louisville Downtown Management District	700.00
Louisville Heritage Council, BSA	1,500.00
Louisville Metro Community Action Partnership	8,808.70
Louisville Metro Government	250.00
Louisville Orchestra	3,000.00
Louisville Orchestra	10,000.00
Louisville Science Center	10,000.00
Louisville Spartans	500.00
Louisville Titans Baseball	200.00
Louisville Urban League	2,500.00
March of Dimes, Ohio Valley Division (Bruner)	1,500.00
National Center for Literacy	750.00
National Kidney Foundation	5,000.00
National Kidney Foundation	5,000.00
Nichols Elementary School PTA	3,000.00
Nichols Elementary School PTA	3,000.00

Organization	LG&E 2011 Contributions
One Southern Indiana, Inc.	750.00
Parkland Advisory Board	236.02
Porcini (The) Farmer Children's Foundation	1,600.00
Power of One (Baseball Team)	250.00
Power of One (Baseball Team)	250.00
Project One, Inc.	5,000.00
Raptor Rehabilitation of Kentucky	2,500.00
Ronald McDonald House	2,500.00
Schreck Challenge "Fore" A Cure	300.00
Shamrock Foundation	1,000.00
Southwest Ministries	20,000.00
Speed Art Museum	3,600.00
St. Joseph Children's Home	5,000.00
St. Vincent de Paul	1,700.00
TriState MSCD	8,000.00
TriState MSCD	2,000.00
TSMSSDC Agave Awards	5,000.00
University of Louisville - Speed Research Admin	5,000.00
UofL - Athletics - Cardinal Athletic Fund	26,666.67
UofL - Cardinal Athletic Fund	10,000.00
UofL - Cardinal Athletic Fund	10,003.00
UofL - Civil Engineering	250.00
UofL Athletic Department/Daniel Pitino Foundation	5,000.00
UofL Foundation	500.00
Voice Tribune	1,000.00
Watson Lane Family Resource Center	500.00
Woodrow Wilson International Center for Scholars	15,000.00
YMCA of Greater Louisville	1,000.00
YMCA of Greater Louisville	1,500.00
YMCA Spirit Campaign Association Services	1,000.00
2011 LG&E Contributions \$	2,240,266.99

Organization	LG&E 2012 Contributions
100 Black Men of Louisville	4,000.00
Actors Theatre of Louisville	1,950.00
Actors Theatre of Louisville	25,000.00
Actors Theatre of Louisville	7,500.00
Actors Theatre of Louisville	4,000.00
American Heart Association	10,000.00
American Red Cross	833.33
Americana Community Center	2,500.00
Bernheim Arboretum and Research Forest	937.00
Bernheim Arboretum and Research Forest	5,000.00
Blackacre Conservancy	2,500.00
Brightside	5,000.00
Cabbage Patch Settlement House, Inc.	2,500.00
Catholic Education Foundation	5,000.00
Center for Women and Families	10,000.00
Cherokee Triangle Association	1,000.00
Clifton Cultural Center	5,000.00
Crescent Hill Community Council Forum	500.00
Darrell Griffith Foundation	10,000.00
Dream Factory	2,000.00
Dress For Success	2,000.00
Dress For Success	1,000.00
Eastern Area Community Ministries	2,500.00
ECHO (Exploited Children's Help Org)	2,500.00
ElderServe	1,000.00
Family & Children's Place	25,000.00
Family & Children's Place	100.00
Girl Scouts of Kentuckiana	5,000.00
Girl Scouts of Kentuckiana	100.00
God's Pantry Food Bank	5,000.00
Greater Louisville Foundation	25,000.00
GuardiaCare Services	1,500.00
Habitat for Humanity of Metro Louisville	12,500.00
Heart of Kentucky United Way	100.00
Henderson Music Preservation Society, Inc.	8,500.00
Hosparus Inc.	5,000.00
Housing Partnership Inc.	20,000.00
Housing Partnership Inc. / United Graphics	394.03
James Graham Brown Cancer Center	25,000.00
Jefferson County Public Schools	2,000.00
Jewish Family & Career Services	500.00
Junior Achievement	10,000.00

Organization	LG&E 2012 Contributions
Junior Achievement of the Bluegrass	100.00
Kentuckiana Blues Society	1,000.00
Kentucky Center for African American Heritage	10,000.00
Kentucky Center for African American Heritage	300.00
Kentucky Council on Economic Education (KCEE)	2,000.00
Kentucky Council on Economic Education (KCEE)	100.00
Kentucky Derby Festival Foundation	100.00
Kentucky Humane Society	100.00
Kentucky Minority Scholarship Fund	5,000.00
Kentucky Museum of Art and Craft	1,500.00
Kentucky Museum of Art and Craft	3,000.00
Kentucky Opera	1,000.00
LCCC (Louisville Central Community Centers)	5,000.00
LCCC (Louisville Central Community Centers)	12,500.00
Leadership Louisville Center	7,500.00
Leadership Louisville Center	7,500.00
Library Foundation	2,500.00
Lincoln Foundation	10,000.00
Lincoln Foundation	10,000.00
Lincoln Foundation	1,500.00
Links Incorporated, The	5,000.00
Louisville Armed Forces Committee	350.00
Louisville Bar Center, Inc.	2,000.00
Louisville Branch NAACP	500.00
Louisville Defender Newspaper	1,500.00
Louisville Defender Newspaper	1,650.00
Louisville Fire Department	5,000.00
Louisville Landsharkes Multisport Club	1,000.00
Louisville Urban League	600.00
Louisville Zoo	4,452.00
Louisville Zoo	25,000.00
Louisville/Jefferson County Metro	5,000.00
Louisville/Jefferson County Metro	5,000.00
Louisville/Jefferson County Metro	5,000.00
March of Dimes - Ohio Valley	100.00
Masonic Homes of Kentucky	3,564.00
Muhammad Ali Center	2,000.00
Olmsted Parks Conservancy	5,000.00
Power of One Campaign	250.00
Power of One Campaign	2,320.00
Presbyterian Community Center	5,000.00
Preservation Louisville	1,000.00

Organization	LG&E 2012 Contributions
Project One	10,000.00
Rotary Club of Louisville	50.00
Shamrock Pet Foundation	200.00
Southwest Breast Cancer Awareness Group	100.00
Southwest Community Festival	5,000.00
Southwest Community Ministries Inc.	10,000.00
St. Andrew Academy	100.00
St. George's Community Center	500.00
Summerbridge Louisville	5,000.00
Summerbridge Louisville	800.00
Teach Kentucky, Inc.	2,000.00
Theta Omega Inc.	2,500.00
Trimble County Apple Festival	2,500.00
United Way (Boys & Girls Club of Kentuckiana)	25,000.00
University of Louisville - Rauch Planetarium	15,000.00
Volunteers of America	2,000.00
Waterfront Development Corp	5,000.00
West Louisville Performing Arts Academy	6,000.00
Whitehall House & Gardens	1,500.00
Women 4 Women	5,000.00
Women 4 Women	1,000.00
Women 4 Women	20,000.00
YMCA Safe Place Services	1,500.00
Youth Build Louisville	4,600.00
American Red Cross	50,000.00
American Red Cross	833.33
American Red Cross	50,000.00
Better Business Bureau	600.00
DJ Steel Will Music Services	500.00
Greater Louisville Inc.	4,500.00
Greater Louisville Inc.	5,000.00
Home Builders Association of Louisville	20,000.00
Home Builders Association of Louisville	20,000.00
Housing Partnership	3,057.78
Jefferson County Public Education Foundation	13,000.00
Juventus L.S.	10,000.00
Kentucky Center for the Arts	5,000.00
Kentucky Chamber	247.50
Kentucky Derby	66.10
Kentucky Derby Festival, Inc.	4,000.00
Kentucky Derby Festival, Inc.	163,000.00
Kentucky Derby Festival, Inc.	8,000.00

Organization	LG&E 2012 Contributions
Kentucky Derby Festival, Inc.	1,700.00
Kentucky Derby Festival, Inc.	1,000.00
Kentucky Derby Festival, Inc.	1,500.00
Kentucky Derby Festival, Inc.	8,094.00
Kentucky Derby Marathon	7,500.00
Leadership Louisville Center	7,500.00
Louisville Bats	52.50
Louisville Downtown Management Dist	5,000.00
Louisville Downtown Management District	5,000.00
Louisville Metro - Alison & Assoc	2,939.00
Louisville Metro - Alison & Assoc	840.00
Louisville Metro - Alison & Assoc	386.50
Louisville Metro - Sams Club	301.99
Louisville Metro Government	25,000.00
Louisville Regional Science Fair	2,500.00
Louisville Zoo	25,000.00
March of Dimes, Ohio Valley Division	1,500.00
Olmsted Parks Conservancy	2,500.00
Sign A Rama	760.02
Spirit of Louisville Foundation	1,000.00
Toys for Tots	5,000.00
American Red Cross	500.00
AUSA 2012 Golf Scramble	250.00
American Cancer Society	500.00
American Heart Association	328.63
American Lung Association of Kentucky	500.00
American Red Cross	833.34
Association of Community Ministries	136,087.50
Association of Community Ministries	71,815.40
Association of Community Ministries	17,097.10
Bellarmino University	10,000.00
Bellarmino University	1,500.00
Boy Scouts of America - Lincoln Heritage Council	1,500.00
CASA , Inc.	250.00
CASA of the River Region	1,000.00
Catholic Education Foundation	5,000.00
Catholic Education Foundation	5,000.00
Churchill Downs	200,000.00
Community Winterhelp	8,215.22
Community Winterhelp	7,830.49
Community Winterhelp	7,934.08
Community Winterhelp	10,318.20

Organization	LG&E 2012 Contributions
Community Winterhelp	10,496.47
Community WinterHelp	10,093.51
Community WinterHelp	9,393.00
Community WinterHelp	6,318.41
Community WinterHelp	6,142.51
Community WinterHelp	6,513.49
Community WinterHelp	7,371.09
Community WinterHelp	7,509.66
Daniel Pitino Foundation, Inc., The	5,000.00
Downtown Development Corporation	20,000.00
DuPont Manual Regional Science Fairs	2,500.00
Eastern High School	250.00
Eastern High School	1,000.00
Energy Conservation Assoc/Project Warm	100,000.00
Energy Conservation Assoc/Project Warm	10,000.00
Energy Conservation Assoc/Project Warm	15,000.00
Family & Childrens Place	698.87
Family & Childrens Place	25,000.00
Family Scholar House, Inc.	2,500.00
FEAT of Louisville (Families for Effective Autism Treatment)	2,500.00
Friends of the Louisville Zoo	3,250.00
Friends of the Ville	50,000.00
Fund For the Arts	25,000.00
Gilda's Club	5,000.00
Greater Louisville Inc.	20,000.00
Greater Louisville Inc.	94,000.00
Greater Louisville UK Young Alumni Club	500.00
Hearing Institute - Heuser Hearing & Language Academy	1,000.00
Hosparus Inc.	5,000.00
Jefferson County League of Cities	300.00
Jefferson County Public Education Foundation	10,000.00
Jefferson County Public Education Foundation	30,000.00
Jefferson County Public Schools - Elementary Counselors	400.00
Junior Achievement	5,000.00
Junior Achievement	375.00
Junior Achievement	375.00
Junior Achievement	375.00
Junior Achievement	375.00
Juvenile Diabetes Research Foundation International	2,500.00
Kentucky Association of Economic Dev	4,000.00
Kentucky Association of Economic Dev	2,000.00
Kentucky Chamber of Commerce	1,500.00

Organization	LG&E 2012 Contributions
Kentucky Chamber of Commerce	2,500.00
Kentucky Chamber of Commerce	901.00
Kentucky Dept. of Fish and Wildlife Resources	5,000.00
Kentucky Derby Museum	4,800.00
Kentucky Lions Eye Foundation	3,006.00
Kentucky Opera	3,000.00
Kentucky Safety and Health Network	10,000.00
Kentucky Science Center	15,000.00
KJHS Jefferson County Homeschool Chapter	500.00
Kosair's Charities	1,000.00
Kosair's Children's Hospital	1,000.00
LCCC (Louisville Central Community Centers)	12,500.00
LCCC (Louisville Central Community Centers)	2,500.00
Leadership Louisville Foundation	1,000.00
Library Foundation	5,000.00
Lincoln Heritage Council	1,500.00
Lincoln Heritage Council	50.00
Lincoln Heritage Council	1,750.00
Lincoln Heritage Council - BSA	2,500.00
Lincoln Heritage Council - BSA	929.46
Lincoln Heritage Council - BSA	1,500.00
Locker Room Sports	250.00
Louisville Alumni Chapter - TSU	2,500.00
Louisville Ballet	10,000.00
Louisville Defender Newspaper	1,650.00
Louisville Downtown Development Corp	400.00
Louisville Downtown Management Dist	700.00
Louisville Metro Government	25,000.00
Louisville Orchestra	3,000.00
Louisville Orchestra	10,000.00
Louisville Orchestra	1,400.00
Louisville Orchestra	50,000.00
Louisville Titans Baseball	200.00
Louisville Urban League	2,000.00
Louisville Urban League	2,500.00
Louisville Urban League	10,000.00
Metro United Way	1,300.00
Metro United Way/Red Feather Society	2,698.00
Metroban Kiwanis Foundation	300.00
Metropolitan Housing Coalition	500.00
National Center for Family Literacy, Inc.	750.00
National Kidney Foundation	2,000.00

Organization	LG&E 2012 Contributions
National Kidney Foundation	5,000.00
National Kidney Foundation	5,000.00
NSHMBA	3,000.00
Ohio River Valley Water Sanitation	5,000.00
Porcini	160.00
Porcini	1,600.00
Power of One Golf Scramble	300.00
Raptor Rehabilitation of Kentucky	2,500.00
Ronald McDonald House	2,500.00
Saint Vincent de Paul	1,700.00
Shamrock Foundation	1,000.00
Southwest Community Ministries	10,000.00
Southwest Community Ministries	76.00
Southwest Community Ministries	350.00
Speed Art Museum	3,600.00
Third Division Police Advisory Board	500.00
YMCA of Greater Louisville	1,000.00
2012 LG&E Contributions \$	2,252,196.51

Organization	LG&E 2013 Contributions
City of Goshen	\$ 3,907.50
Creasey Mahan Nature Preserve	3,780.00
100 Black Men of Louisville	4,500.00
2020 Women on Boards	2,020.00
Actors Theatre of Louisville	5,000.00
Actors Theatre of Louisville	7,000.00
Actors Theatre of Louisville	25,000.00
Actors Theatre of Louisville	9,371.00
Actors Theatre of Louisville	1,000.00
Actors Theatre of Louisville	11,198.68
Actors Theatre of Louisville	5,000.00
American Heart Association	10,000.00
Americana Community Center, Inc.	2,500.00
Blessings in a Backpack	5,000.00
Boys & Girls Clubs of Kentuckiana	10,000.00
Cabbage Patch Settlement House, The	2,500.00
Catholic Education Foundation	12,500.00
Center for Women and Families	10,000.00
City of Druid Hills	1,800.00
Coalition for the Homeless	2,500.00
Crohn's & Colitis Foundation of America	100.00
Custom Quality Services, Inc.	2,500.00
Dare to Care Food Bank	2,500.00
Darrell Griffith Foundation, The	2,500.00
Dress for Success Louisville	2,000.00
Eastern Area Community Ministries	2,500.00
ElderServe, Inc.	100.00
ElderServe, Inc.	2,500.00
Energy Conservation Assoc (Project Warm)	100.00
Exploited Children's Help Organization (ECHO)	2,500.00
Family & Children's Place	2,500.00
FEAT of Louisville, Inc.	100.00
Friends of Indian Summer	100.00
Fund for the Arts	25,000.00
Gilda's Club	100.00
Gilda's Club	10,000.00
Girl Scouts of Kentuckiana	5,000.00
Greater Louisville, Inc.	1,500.00
Habitat for Humanity of Metro Louisville	19,000.00
Habitat for Humanity of Metro Louisville	19,000.00
Habitat for Humanity of Metro Louisville	19,000.00
Healing Place	2,500.00

Organization	LG&E 2013 Contributions
Historic Lucust Grove, Inc.	1,000.00
Holy Cross High School	100.00
Home of the Innocents	2,500.00
Housing Partnership, Inc.	100.00
Housing Partnership, Inc.	20,000.00
JCPS Academic Competition	2,650.15
Jefferson County Board of Education	2,500.00
Jewish Family & Career Services	100.00
Jewish Hospital & St. Mary's Foundation	2,500.00
Junior League of Louisville	100.00
Kentuckiana Blues Society	1,000.00
Kentucky Center	2,500.00
Kentucky Center for African American Heritage	2,000.00
Kentucky Council on Economic Education (KCEE)	2,000.00
Kentucky Council on Economic Education (KCEE)	100.00
Kentucky Derby Festival	1,500.00
Kentucky Humane Society	100.00
Kentucky Minority Scholarship Fund	5,000.00
Kentucky Show, Inc.	5,000.00
Kosair Charities Committee	5,000.00
Leadership Louisville Center	7,500.00
Leadership Louisville Center	7,500.00
Library Foundation	2,500.00
Library Foundation	2,710.65
Lincoln Foundation	10,000.00
Lincoln Foundation	1,500.00
Lincoln Foundation	10,000.00
Louisville (KY) Chapter, The Links, Inc.	5,000.00
Louisville Armed Forces Committee	350.00
Louisville Central Community Center (LCCC)	5,000.00
Louisville Central Community Center (LCCC)	12,500.00
Louisville Defender Newspaper	1,500.00
Louisville Landsharks	1,000.00
Louisville Nature Center	1,000.00
Louisville Olmsted Parks Community	4,000.00
Louisville Regional Science Fair	2,500.00
Louisville Urban League	2,500.00
Louisville Urban League	10,000.00
Louisville Urban League	2,000.00
Louisville Zoo Foundation	4,000.00
Make-A-Wish Foundation of Ohio, Kentucky and Indiana	3,000.00
March of Dimes	100.00

Organization	LG&E 2013 Contributions
Metro United Way	3,750.00
National Center for Families Learning, Inc.	2,500.00
National Center for Family Literacy, Inc.	2,500.00
Olmsted Parks Conservancy	2,500.00
Portland Christian School	100.00
Power of One Campaign	2,396.00
Presbyterian Community Center	5,000.00
Project One	10,000.00
Rotary Club of Louisville	180.00
Sacred Heart School for the Arts	100.00
Shamrock Pet Foundation	100.00
Shamrock Pet Foundation	100.00
Shamrock Pet Foundation	100.00
Simmons College of Kentucky	10,000.00
South Louisville Community Ministries	5,000.00
Southwest Breast Cancer Awareness Group	100.00
Southwest Community Festival	5,000.00
Southwest Community Ministries Inc.	10,000.00
St. George's Community Center	2,500.00
St. George's Community Center	1,500.00
Summerbridge Louisville	5,000.00
Summerbridge Louisville	1,600.00
Theta Omega Inc.	2,500.00
University of Louisville	15,000.00
University of Louisville Foundation	25,000.00
University of Louisville Physical Plant Dept.	4,000.00
University of Louisville, College of Arts and Sciences	5,000.00
Wesley House Community Services	2,000.00
West Louisville Performing Arts Academy	6,000.00
Women 4 Women	15,000.00
Women 4 Women	3,000.00
YMCA of Greater Louisville	195.00
YMCA of Greater Louisville/Chestnut Street YMCA	3,000.00
YMCA of Greater Louisville/Southeast Family Branch	100.00
YMCA Safe Place Services	1,500.00
YouthBuild Louisville	5,000.00
Operation Open Arms	5,000.00
Actors Theatre of Louisville	35,000.00
American Red Cross	55,150.00
American Red Cross	55,150.00
Best Buy #333	678.38
Charlie Wilson's Appliance	185.50

Organization	LG&E 2013 Contributions
Family & Children's Place - Caper Event	990.38
Greater Louisville, Inc.	4,500.00
Home Builders Association of Louisville	2,000.00
Jeff Ruby's	100.00
Kentucky Center	5,000.00
Kentucky Derby Festival	65.00
Kentucky Derby Festival	65.00
Kentucky Derby Festival	3,993.80
Kentucky Derby Festival	4,632.80
Kentucky Derby Festival	175,000.00
Kentucky Derby Festival	89.25
Kentucky Derby Festival	2,000.00
Kentucky Derby Festival	254.40
Kentucky Derby Festival	141.89
Leadership Louisville Center	7,500.00
Light Up Louisville (Fast Signs)	556.04
Louisville Downtown Management District	5,000.00
Louisville Metro Government	75,000.00
Louisville Zoo	25,000.00
Special Olympics Kentucky	1,500.00
Toys for Tots	5,000.00
WLKY Bell Awards	1,000.00
American Cancer Society	500.00
American Public Works Association	240.00
American Public Works Association	240.00
American Public Works Association	240.00
Association of Community Ministries	412,500.00
Bellarmino University	10,000.00
Bellarmino University	1,500.00
Boy Scouts of Merica/Lincoln Heritage Council	2,500.00
Boys & Girls Clubs of Kentuckiana	1,000.00
Canaan Community Development Corporation	500.00
Cardinal Athletic Fund	10,000.00
Cardinal Athletic Fund	30,000.00
CASA of the River Region	5,000.00
CASA of the River Region	1,000.00
Catholic Education Foundation	12,500.00
Catholic Education Foundation	5,000.00
Cedar Lake Foundation, Inc.	2,500.00
Children's Healthcare Foundation	3,000.00
Children's Hospital Foundation	600.00
Churchill Downs Inc.	200,000.00

Organization	LG&E 2013 Contributions
CoAlliance of Business Association	5,000.00
Community WinterHelp	11,494.89
Community WinterHelp	9,966.17
Community WinterHelp	11,470.17
Community WinterHelp	8,889.17
Community WinterHelp	7,802.19
Community WinterHelp	7,771.59
Community WinterHelp	7,733.38
Community WinterHelp	7,429.07
Community WinterHelp	7,584.21
Community WinterHelp	8,139.95
Community WinterHelp	18,805.34
Cystic Fibrosis Foundation	1,200.00
DuPont Manual Regional Science Fairs Inc.	2,500.00
Eastern Boys Basketball Booster Club	500.00
Eastern High School Lacrosse Booster Club	250.00
Energy Conservation Associates/Project Warm	100,000.00
Energy Conservation Associates/Project Warm	10,000.00
Energy Conservation Associates/Project Warm	15,000.00
FEAT of Louisville	2,500.00
Friends of the Louisville Zoo	3,250.00
Friends of the Ville	50,000.00
Gilda's Club Louisville	3,000.00
Greater Louisville International Professionals	5,000.00
Greater Louisville, Inc.	20,000.00
Greater Louisville, Inc.	10,000.00
Greater Louisville, Inc.	94,000.00
Healing Place	1,500.00
Jefferson County School Counselors	400.00
Junior Achievement	4,795.00
Junior Achievement	15,000.00
Junior Achievement	1,950.00
Junior Achievement	15,000.00
Junior Achievement	1,950.00
Junior Achievement	2,338.00
Juvenile Diabetes Research Foundation	250,000.00
Kentuckiana Health Collaborative	5,000.00
Kentuckiana Health Collaborative	5,000.00
Kentucky Chapter of The Wildlife Society	200.00
Kentucky Clean Fuels Coalition	500.00
Kentucky Country Day School	2,500.00
Kentucky Derby Festival	3,950.00

Organization	LG&E 2013 Contributions
Kentucky Opera	1,750.00
Kentucky Science Center	2,500.00
Kentucky Science Center	100,000.00
Kentucky US Green Building Council	1,000.00
Kosair Charities	6,000.00
Kosair Charities	10,000.00
Kosair Charities Committee (CASA)	5,000.00
Leukemia & Lymphoma Society	24.00
Library Foundation	5,000.00
Lincoln Heritage Council - Boy Scouts of America	2,500.00
Lincoln Heritage Council - Boy Scouts of America	100.00
Lincoln Heritage Council - Boy Scouts of America	1,500.00
Lincoln Heritage Council - Boy Scouts of America	2,000.00
Louisville Alumni Chapter of Tennessee State	400.00
Louisville Ballet	12,000.00
Louisville Ballet	12,000.00
Louisville Ballet	3,000.00
Louisville Central Community Center (LCCC)	12,500.00
Louisville Downtown Development Corp	500.00
Louisville Downtown Development Corp	20,000.00
Louisville Mayor's Music & Art Series	10,000.00
Louisville Metro Government	400.00
Louisville Orchestra	1,400.00
Louisville Orchestra	2,500.00
Louisville Science Center	2,195.00
Louisville Sports Commission	1,500.00
Louisville Urban League	2,500.00
Louisville Urban League	2,000.00
Louisville Urban League	2,000.00
Marine Corps Reserve - Toys for Tots	1,666.00
Marine Corps Reserve - Toys for Tots	1,666.00
Marine Corps Reserve - Toys for Tots	1,668.00
Maryhurst	1,200.00
Metro United Way	3,750.00
Muhammad Ali Center	25,000.00
National Center for Family Literacy	750.00
National FFA Foundation	25,000.00
National Kidney Foundation	2,000.00
National Kidney Foundation	2,000.00
National Kidney Foundation	5,000.00
New Directions Housing Corporation	2,500.00
Norton Healthcare Foundation	4,000.00

**LG&E 2013
Contributions**

Organization	
Riverside, the Farnsley-Moremen Landing, Inc.	30,000.00
Simmons College of Kentucky	10,000.00
Southwest Community Festival	497.46
Southwest Community Ministries Inc.	10,000.00
Southwest Community Ministries Inc.	2,000.00
Spaulding University	1,500.00
Speed Art Museum	3,600.00
St. Matthews Area Chamber of Commerce	1,000.00
St. Vincent de Paul	1,700.00
St. Xavier High School Office of Advancement	2,500.00
The Daniel Pitino Foundation	5,000.00
TSMSSDC	11,500.00
Twenty-First Century Plaza	1,000.00
University of Louisville	500.00
University of Louisville	1,000.00
VIPS Yum Brand Corporate Golf Tourney	1,800.00
Waterfront Development Corporation	75,000.00
West End School (Grace at the Race)	5,000.00
Women4Women	50,000.00
YMCA Black Achievers	750.00
YMCA of Greater Louisville	1,000.00
YMCA of Greater Louisville	1,000.00
YUM Brand Corp Golf Tournament	1,800.00
2013 LG&E Contributions	\$ 2,990,267.01

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 17

Responding Witness: Victor A. Staffieri

- Q-17. Refer to page 13, lines 5-7, of the Staffieri Testimony. Provide all articles, press releases, etc. regarding the recognition LG&E received in the September 2014 issue of Site Selection magazine.
- A-17. See the attachment for the external articles and press releases regarding the recognition by Site Selection magazine.

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KU requests rate adjustment for new generation

Forced coal unit retirements lead to Kentucky's first natural gas combined-cycle generating unit

Last updated: November 05, 2014 11:00PM - 675 Views

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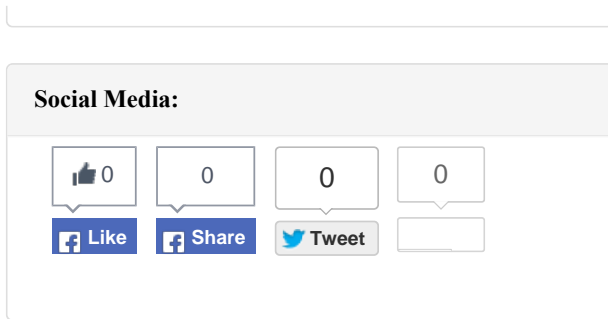
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Kentucky Utilities Company anticipates submitting a request for a base rate adjustment Nov. 26 with the Kentucky Public Service Commission, in large part, to recover costs associated with Kentucky's first natural gas combined-cycle generating unit as well as other infrastructure projects to continue to improve reliability.

Due to environmental mandates issued by the U.S. Environmental Protection Agency, KU, and its sister company Louisville Gas and Electric Company, announced in 2011 the retirement of 13 percent, 800 megawatts, of their older coal-fired generation. While the company still depends on coal for much of its current generation, the stricter environmental regulations made building new coal-fired generation uneconomical to pursue. After years of studying extensive supply options, KU and LG&E received

KU requests rate adjustment for new generation Forced coal unit retirements lead to Kentucky's first natural gas combined-cycle generating unit - Grayson County ...



approval to build a 640-megawatt natural gas combined-cycle unit, which was the least expensive solution. The new unit, which is being constructed at an existing facility, will provide energy with less emissions and help cover the loss of generation from the coal units' retirement.

KU serves approximately 543,000 customers in 77 Kentucky counties and five counties in Virginia. To meet their energy needs, KU will own 78 percent of the new \$563 million unit that is scheduled to be commercially operational in May.

"We continue to work diligently to maintain high-quality and efficient service at some of the lowest rates in the nation. We use prudent financial measures to achieve savings that benefit our customers, and don't go before the Kentucky Public Service Commission with requests to recover our costs unless it's absolutely necessary," said Victor A. Staffieri, chairman, CEO and president of LG&E and KU Energy. "Our customers have trusted us for more than 100 years to keep their lights on and they expect us to be there when they need us. The investments we're seeking to recover in this rate case represent our commitment to prudently plan for Kentucky's energy future while continuing to keep rates among the lowest in the nation."

In addition to building Cane Run, KU also is making investments in its transmission and distribution systems to maintain its high reliability into the future. While storms and their severity impact reliability, overall electric reliability across the service territory has improved since 2009. Outages are occurring less often and, when they do occur, customers are without power for less time. This is, in large part, due to circuit hardening and a proactive hazardous tree removal program. KU also is using technological enhancements to improve response times when crews are working in the field and restoring customers' power. Today, most KU field employees receive work orders directly from an outage management system through specialized laptops installed in their trucks.

KU continues to have some of the lowest energy costs in the nation. Currently, the national residential average cost per kilowatt hour is 12.43 cents while KU's cost per kWh is 8.99 cents. If approved, that average cost per kWh would be 10.50 cents. Kentucky Utilities is requesting a \$153 million revenue increase, 9.6 percent. For a residential customer using an average of 1,200 kWh, the increase is expected to be approximately \$11 per month if approved. This increase is 37 cents per day.

Combined, KU and LG&E continue to work diligently to maintain high-quality and efficient service and to hold costs down. The companies' careful financial approach has paid off. Based on information filed by utilities annually with the Federal Energy Regulatory Commission, LG&E and KU's costs are well below industry averages in all five cost segments—generation, transmission, administrative and general, retail and distribution.

KU and LG&E's low rates have been a significant factor in the commonwealth's ability to attract and expand businesses with high-quality jobs. In fact, the utilities were recently ranked in the top 10 in the country by an international economic development magazine, Site Selection, for their job creation efforts. LG&E and KU's Economic Development team was honored for helping Kentucky create more than 80 percent of the 12,500 new jobs created in the state in 2013. In fact, since 2000, KU and LG&E have helped create nearly 110,000 new jobs in Kentucky.

Growing companies in KU's and LG&E's service territories include Toyota, Martinrea, Nestle Prepared Foods, Asahi

KU requests rate adjustment for new generation Forced coal unit retirements lead to Kentucky's first natural gas combined-cycle generating unit - Grayson County ...

Forge, Total Quality Logistics, Ford, North American Stainless, Carbide, CertainTeed, Johnson Controls and a number of major distilleries. In addition, KU and LG&E have created approximately 3,200 construction jobs as part of its ongoing \$6 billion investment environmental upgrade projects.

"We understand the financial impact these increases have on our customers," said Staffieri. "We've worked hard to minimize the consequences of federal environmental mandates. We continue to demonstrate fiscal restraint to ensure our customers continue to receive some of the lowest cost, most reliable energy in the country."

If approved by the KPSC, the rate adjustments will take effect in July 2015.

Kentucky Utilities, part of the PPL Corporation (NYSE: PPL) family of companies, is a regulated utility that serves 543,000 customers in 77 Kentucky counties and five counties in Virginia. It has consistently ranked among the best companies for customer service in the United States. More information is available at www.lge-ku.com and www.pplweb.com.

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LG&E and KU are known for delivering power safely and reliably to nearly 1 million customers every day.

But the utilities’ reputation for dependability is growing in another way — one that’s also crucial to communities statewide. For the sixth time, [Site Selection](#) magazine has named LG&E and KU among its top 10 U.S. utilities for supporting economic growth within their service areas.

Site Selection’s top 10

Site Selection magazine’s 2014 list is based on utilities’ efforts to support economic development in their service areas. The magazine lists all 10 equally and does not assign ranks among them

Utility	Headquarters
LG&E and KU	Louisville, Ky.
Alabama Power	Birmingham, Ala.
American Electric Power (AEP)	Columbus, Ohio
Duke Energy	Charlotte, NC
Entergy	New Orleans, La.
FirstEnergy	Akron, Ohio
Florida Power & Light	Juno Beach, Fla.
Georgia Power	Atlanta, Ga.
Gulf Power	Pensacola, Fla.

Tennessee Valley Authority (TVA)

Nashville, Tenn.

“This recognition is especially gratifying when you consider what it represents,” said **Alan McGinnis**, manager of Economic Development and Major Accounts. “It’s not just about our company, although many employees work tirelessly to make this happen. It’s about Kentucky’s ability to grow businesses, draw high-paying jobs and win in the global marketplace.”

The announcement marks the third consecutive year LG&E and KU has been recognized. In addition to the past three years, the company appeared in 2000, 2002 and 2004. *Site Selection* recognizes all 10 as industry leaders rather than assigning ranks among them.

In compiling its 2014 list, the magazine praised LG&E and KU for helping companies create 10,303 jobs and invest nearly \$2.6 billion in facility location or expansion projects during the prior year.

“Those are hefty chunks of the 12,598 jobs and overall \$3.1 billion the state as a whole attracted last year,” wrote *Site Selection* reporter Alan Burns. “Growing companies in the service territory included Toyota, Martinrea, Nestle Prepared Foods, Asahi Forge, Total Quality Logistics, CertainTeed, Johnson Controls and a number of major distilleries.”

Selection was based on a study of corporate customers’ project activity in 2013, which is derived from the publication’s new plant database plus utility and community reports. Other factors are the strength of utilities’ website tools and data; innovative programs and incentives for business; and the utility’s job-creating infrastructure and facility-investment trends.

During 2013, LG&E and KU worked closely with the Kentucky Workforce Investment Board as it ramped up the new Work Ready Community program. LG&E and KU also partnered with the Location One Information System, a Web-based interface that provides communities a platform to market commercial property to prospective customers.

Additionally, LG&E and KU’s Economic Development Rider — an incentive rate for existing industry expansions, new project locations and redevelopment initiatives within the service area — continues to be recognized as an exemplary business-attraction tool.

The company’s Economic Development and Major Accounts team works with state, county and local officials, regional partners, site consultants, real estate developers and industry associations, etc. to achieve the results praised by the magazine.

Site Selection, which has print and online editions, serves an elite readership, reaching tens of thousands of manufacturing, corporate real estate and other decision makers. Many hold positions of influence within Fortune 1000 companies.



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Main Story

TOP UTILITIES OF 2014

From Site Selection magazine, September 2014



The Shape of Success

This year's Top Utilities in Economic Development exhibit resourcefulness and resilience on behalf of those they serve.



This summer marked the 25th anniversary of the start of operations of Unit 2 at Georgia Power's Plant Vogtle nuclear power plant near Waynesboro, Ga. The construction of Vogtle units 3 and 4 is the largest job-producing project in the state, employing approximately 5,000 people during peak construction and creating 800 permanent jobs when the plant begins operating.

Photo courtesy of Southern Co.

by ADAM BRUNS
adam.bruns@siteselection.com

Utility economic development was born a century or so ago so more customers would use more electrons. Gradually it came to expand its mission to include plugging into business networks and clusters. Its future may have more to do with the ability to unplug - or at least to squeeze every electron for all it's worth.

Each year Site Selection salutes the top utility economic development teams in the US. Chief among the criteria is analysis of corporate end-user project activity in 2013 in those utilities' territories, based on data from Site Selection's New Plant Database and from utility and community reports. Other criteria include website tools and data; innovative programs and incentives for business, including energy efficiency and renewable energy programs; and the utility's own job-creating infrastructure and facility investment trends.



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Here are some highlights from the 10 leaders in their field, presented in alphabetical order:

Alabama Power

Birmingham, Ala.
amazingalabama.com

Serving 1.4 million customers across the southern two-thirds of Alabama, the Southern Company subsidiary's economic development team helped companies create 1,810 new jobs in 2013 with total capital investment closing in on \$2 billion.

Corporate facility investors include BASF, Evonik, Commercial Jet, Knauf Insulation, Gestamp, Royal Cup, Infitus Energy, Kennametal Tricon, Bolta Werke GmbH, Comau, Atlas Roofing Corp. and Toyota Boshoku.

The team has partnered with others in a recruitment effort for the tool-and-die sector, part of a larger effort to fill supply chain gaps for automotive companies in the Southeast. Similar efforts are under way for the chemical sector, and for aerospace suppliers, as Airbus prepares to begin production in Mobile in 2015.

The utility's economic development team also has partnered with its GIS Department to develop a comprehensive ESRI-based site identification tool to identify new potential industrial property in Alabama Power territory.

American Electric Power

Columbus, Ohio
aeped.com



TVA's completion of Watts Bar Nuclear Plant Unit 2 continues to meet targets for safety, quality, cost, and schedule. Once complete in December 2015, the unit will produce the first new nuclear generation of the 21st century in the United States.

Photo courtesy of TVA

site.

In 2013, AEP hosted 10 educational forums across its service territory attended by more than 400 community partners and elected officials.

The utility's national accounts team in April earned the Edison Electric Institute's Outstanding National Key Accounts Customer Service Award. The AEP National Accounts team manages 250 large, multi-site customers representing more than 56,000 billing accounts.

Duke Energy

Charlotte, N.C.

to train nuclear power pros, Chevron's expansion in Pascagoula, and much more! (Oct 6, 2014)

SMART GRID: Back at the Ranch (Jan 9, 2015)

ONLINE INSIDER: Checkup Time (Feb 6, 2014)

FLORIDA: Into the Stratosphere (Mar 20, 2014)

LOGISTICS HUBS: Cities of Commerce (Feb 20, 2014)

INVESTMENT PROFILE: Greater Fort Lauderdale (Mar 13, 2014)

BRIEFLY BIO: Stories about State healthcare workforce strategies and more! (Feb 28, 2014)

SALE/LEASEBACK TRANSACTIONS: Sale-Leasebacks (Jun 28, 2012)



AEP's Economic & Business Development team, led by Mark James, serves a territory comprising 5 million customers, 3,000 communities and 11 states. They continue to pursue a data center site certification program that includes nine sites, as well as a more general Quality Sites program that currently encompasses 11 candidate sites working toward certification by early 2015.

Because its territory overlaps with a number of active shale plays, AEP's team, led by four oil & gas industry specialists, is also working with the utility's field personnel to install substations faster, including AEP's "Station in a Box," which comes pre-packaged and stored in a portable steel container for shipment directly to a prepared

locationdukeenergy.com

In 2013 Duke's economic development team "successfully deployed an Enterprise-wide economic development strategy across our six-state service area," says Stuart N. Heishman, vice president, economic development, business development and territorial strategies. "This included an aggressive rollout of 'best practices' such as our nationally recognized Site Readiness Program, our unique Business Recruitment & Site Location Team and the introduction of a new Target Market Site Certification program."

The calendar year 2013 saw the team helping to garner more than 100 project wins, approximately \$3 billion in corporate capital investment and the addition of over 13,700 new jobs in its multi-state territory, where it serves 7.2 million customers amid a population of 21 million. Investing firms included MetLife, Herbalife and Syngenta in North Carolina; Nucor, JN Fibers and Michelin in South Carolina; Tsuda Industries, GEICO and Alcoa in Indiana; Hutamaki and GE Aviation in Ohio; and CapTel Service Specialists, Instrument Transformers and Pall Corp. in Florida.

Duke enacted a new economic development rider in Florida in October 2013, and funded a Strategic Sites Inventory Program in the state in December 2013. In North Carolina Duke successfully launched the Green Source Rider. Duke continues to carry out its data center and food & beverage site certification programs in the Carolinas.

Entergy

New Orleans, La.

entergysiteselection.com

A total of 9,221 new jobs and more than \$20.7 billion in corporate facility investment was all Entergy had to show for 2013, marked by dramatic growth in the Gulf Coast economy.

"Entergy Corporation has dramatically stepped up its economic development efforts with the formation of a Corporate Business and Economic Development Department," says Mark Kleehammer, vice president of business development. Projects came from such companies as Big River Steel in Arkansas; G2X Energy in Louisiana; OCI/Natgasoline in Texas and Feuer Powertrain in Mississippi. Texas led the way with 3,183 jobs, while Louisiana led in corporate capital investment activity with more than \$17 billion planned.

Entergy's major system-level initiatives include the team's Strategic Sites Initiative; Entergy's Certified Sites Program; and a planned rebuild and redesign of the Entergy Site Selection Center, the team's GIS building & site database. To aid customer speed to market, Large Project Services - a team of project managers with engineering backgrounds - was created.

The Entergy team helped launch the Central East Texas Alliance, and a farmer education program in Louisiana which Entergy plans to replicate in its other three states in 2014.

FirstEnergy

Akron, Ohio

firstenergycorp.com/ed

FirstEnergy and its 10 utility operating companies helped corporate end users invest nearly \$3 billion and create a planned 7,792 jobs across its service territory of 6 million customers amid a population of 13.4 million across six states. Projects came from such investors as Amazon and Bayer in New Jersey; Volvo in Maryland; BASF, Sherwin-Williams and H.J. Heinz in Ohio; and Albemarle and Procter & Gamble in Pennsylvania.

The utility has formed a Shale Task Force to help firms "better facilitate future growth, explore mutual business opportunities, real estate transactions and mutual planning of infrastructure enhancements to help electrify the new load."

FirstEnergy in 2013 became a member of the Board of Directors for Choose New Jersey and launched a plan to identify potential sites for data center operations. As part of the Electric Security Plan in Ohio, FirstEnergy has pledged \$3 million toward providing assistance for economic development in its Ohio service territory.

Florida Power & Light

Juno Beach, Fla.

poweringflorida.com

The team at FPL helped companies in its territory create 11,997 jobs with nearly \$15 billion in project investments,

among 4.6 million customers in a 35-country area of Florida populated by 13.3 million people. Headlining the list was the headquarters move by Hertz to the Greater Fort Myers area - a project aided by FPL's PoweringFlorida Resource Center.

"FPL's economic development efforts blossomed in 2013," says the FPL team. As of December 2013, 16 businesses bringing 1,187 new jobs qualified for FPL's economic development rider (EDR) rate, which requires 25 jobs per 350 kWh of new demand. EDR represented savings of nearly \$200,000 to those growing businesses. An additional 12 businesses had applied for EDR and would qualify upon completion of construction projects adding over 3,300 new jobs. In late 2013, FPL petitioned the Florida Public Service Commission to authorize a negotiated rate or Commercial/Industrial Service Rate (CISR), designed to attract new, large power users to the state as part of a competitive location project. It was authorized in early 2014.

Georgia Power
Atlanta, Ga.
selectgeorgia.com

Serving a population of 10.2 million in 155 of its state's 159 counties, this Southern Co. subsidiary continues to show the way in how to align with and enhance state economic development goals. The utility's Community & Economic Development team helped attract 18,532 new jobs and \$2.7 billion in private-sector capital investment last year via 78 projects from such companies as Alcon Labs in Johns Creek; Engineered Floors in Dalton and Eton; Medient Studios in Effingham County just north of Savannah; and India's Shrivallabh Pittie Group in Sylvania.

New programs and services included an overhaul of the already impressive SelectGeorgia Database; speeding up IT systems throughout the network as well as at the showcase Georgia Resource Center in Atlanta; new and updated industry reports and publications; a program to repurpose 15 coal- and oil-fired power plants the utility is closing; ESRI-enabled "story maps"; and a new "Select Success" seminar series to help prepare local economic development teams to welcome and respond to prospects.

During 2013, the Georgia Resource Center hosted 537 events with more than 4,500 visitors, the highest level in the facility's 22-year history.

Gulf Power
Pensacola, Fla.
floridafirstsites.com

This Southern Co. utility serving 10 counties across Northwest Florida helped companies create 3,436 jobs last year with total facility investments of \$386 million. Investing companies included Navy Federal Credit Union and CHCS Services in Pensacola, FedEx Ground in Panama City, and West Fraser Mill in McDavid.

Gulf Power in 2013 introduced a new job creation rate rider incentive, as well as a reoccupancy incentive that pays cash incentives to business owners who are willing to occupy existing vacant buildings - four customers already

2014 Honorable Mention Top Utilities in Economic Development

Ameren
St. Louis, Mo.
www.ameren.com/ecdev

CenterPoint Energy
Houston, Texas
www.centerpointenergy.com/ecodev

ComEd (Exelon)
Chicago, Ill.
www.comed.com/about-us/economic-development

Hoosier Energy
Bloomington, Ind.
www.hoosiersites.com

National Grid
Syracuse, N.Y.
www.shovelready.com

Nebraska Public Power District
Columbus, Neb.
econdev.nppd.com

NV Energy
Las Vegas, Nev.
www.nvenergy.com/business/economicdevelopment

Omaha Public Power District
Omaha, Neb.
www.oppd.com

Santee Cooper/SC Power Team
Columbia, S.C.
www.scpowerteam.com

Southern California Edison - Economic Development
Services
Rosemead, Calif.
www.sce.com/economicdevelopment

have moved into previously unused space. The utility also hired a full-time researcher who completed over 100 projects for community partners.

This summer the company launched a new website to market 13 key industrial sites in Northwest Florida that are going through the company's new site certification program. "Having great sites is key to being competitive for new jobs," said John Hutchinson, Gulf Power's director of Community and Economic Development.

LG&E/KU (PPL)
Louisville, Ky.
site-selection.com

Serving a population of 3.5 million, this Kentucky utility helped companies create 10,303 jobs and invest nearly \$2.6 billion in facility location or expansion projects in 2013. Those are hefty chunks of the 12,598 jobs and overall \$3.1 billion the state as a whole attracted last year. Growing companies in the service territory included Toyota, Martinrea, Nestlé Prepared Foods, Asahi Forge, Total Quality Logistics, CertainTeed, Johnson Controls and a number of major distilleries.

During 2013, LG&E and KU worked closely with the Kentucky Workforce Investment Board as it ramped up the new Work Ready Community program. LG&E and KU also are among several smart utilities partnered with the Location One Information System (LOIS), a Web-based interface. Also like other smart utilities, it is retiring a number of coal-fired power plants.

The utilities continue to provide leadership to a number of state and local organizations, councils and chambers. They also continue a long-term investment strategy to support the development of industrial land in two Kentucky communities, where the company has invested \$380,140 in zero-interest loans.

Tennessee Valley Authority
Nashville, Tenn.
TVAed.com or
TVAsites.com

Last in our alphabetical list, but first in so many ways that count, TVA's economic development team continues to be a leader among leaders in such categories as total new jobs it helped companies create (52,000) and total capital investment associated with that job creation (\$5 billion) across its huge seven-state territory serving a population of 9 million people.

TVA's economic development team continues to focus on the target sectors of data centers, advanced manufacturing, transportation manufacturing and food processing. The team's Enterprise Data Center Site identification program selected its first Enterprise Data Center Site, Tiger Jones Technology in Jackson, Tenn.

To date, a total of 23 data center sites are designated as "ready for development" across the TVA service area.

TVA's sites and buildings database, TVAsites.com, was completely redesigned and re-launched in 2013.

In 2013, 13 Valley communities were part of the utility's new Valley Sustainable Communities Program, and Community Development staff conducted a total of 69 training and development workshops throughout the TVA region.

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Blah blah — It is excellent to see corporations falling in line behind civil rights and equality. The rest of the States will not be far behind.

Authoring - The Time Is Now

1 comment • 2 months ago

AJK — Excellent and important piece, Mr. Bruns.

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LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 18

Responding Witness: Eric Slavinsky

- Q-18. Refer to page 11, lines 4-9, of the Testimony of Kent W. Blake (" K. Blake Testimony").
- a. Of the headcount increase of 53 in the information technology group, provide the number applicable to LG&E.
 - b. Provide the number of new LG&E information technology positions that will involve a contractor offset.
 - c. Provide the number of LG&E information technology employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
- A-18. a. All incremental information technology positions are employees of LG&E and KU Services Company ("LKS"). Employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the Cost Allocation Manual ("CAM"). Based on this cost allocation the full time equivalent headcount increase between the end of LG&E's and KU's previous test year ended March 31, 2012, and the end of the forecast test year ended June 30, 2016 attributable to KU is 28 and LG&E is 25.
- b. None of the new LKS information technology positions will involve a contractor offset.
 - c. The number of full time equivalent information technology positions attributable to LG&E:
 - (1) as of the beginning of the base year is 137;
 - (2) as of December 31, 2014 is 141; and
 - (3) included in the proposed test year is 149.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 19

Responding Witness: Kent W. Blake

- Q-19. Refer to page 12, lines 4-6, of the K. Blake Testimony.
- a. Of the headcount increase of 17 in the administrative departments, provide the number applicable to LG&E.
 - b. Provide the number of new LG&E administrative positions that will involve a contractor offset.
 - c. Provide the number of LG&E administrative employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
- A-19. a. All incremental administrative positions are employees of LKS. Employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. Based on this cost allocation the full time equivalent headcount increase between the end of LG&E's and KU's previous test year ended March 31, 2012, and the end of the forecast test year ended June 30, 2016 attributable to KU is 9 and LG&E is 8.
- b. None of the new LKS administrative positions will involve a contractor offset.
 - c. The number of full time equivalent administrative positions attributable to LG&E:
 - (1) as of the beginning of the base year is 87;
 - (2) as of December 31, 2014 is 89; and
 - (3) included in the proposed test year is 91.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information
Dated January 8, 2015

Question No. 20

Responding Witness: Daniel K. Arbough

- Q-20. Refer to page 22, line 19 to page 23, line 3, of the K. Blake Testimony and Filing Schedule J-2, page 3 of 3.
- a. By quarter, for years 2012, 2013, and 2014, provide a comparison of LG&E's actual short-term interest rates and LIBOR rates.
 - b. Identify and describe the factors, expectations, assumptions, etc. cited by LIBOR in developing forward curves in which short-term rates are increasing by approximately 1 percent from 2015 to 2016.
- A-20. a. See attached
- b. Forward LIBOR rates are market equilibrium rates which are set based on where market participants are willing to conduct transactions for forward periods. The forward rates are directly influenced by the bond yield curve. LIBOR rates for 2015 and 2016 were determined by using intra-day quotes of the 3-Month Libor Rate curve per Bloomberg as of August 22, 2014. Provided below is the Bloomberg data as of end of day August 21, 2014. Rates increased by approximately one percent from 2015 to 2016.

<HELP> for explanation.

Enter all values and hit <Go>

91) Actions		92) Products		94) Data & Settings		95) Info		Swap Manager	
3 Main	4 Curves	9 Cashflow	7 Details	18 Resets	19 Risk	19 Scenario	19 CVA	17 Matrix	
Fixed Float Swap		CCP	DTC	Cpty	SWAP CNTRPARTY	Deal ID		Properties	
Reset	Index	US0003M				Export to Excel		Page 1/1	
Stub Info		Not Available							
Reset Date	Reset Rate	Reset Date	Reset Rate	Reset Date	Reset Rate	Reset Date	Reset Rate	Reset Date	Reset Rate
08/22/2014	0.23490	11/25/2019	2.97697						
11/26/2014	0.24858	02/25/2020	3.06573						
02/25/2015	0.31703	05/22/2020	3.15180						
05/22/2015	0.48270	08/25/2020	3.14376						
08/25/2015	0.68799	11/25/2020	3.22042						
11/25/2015	0.92305	02/24/2021	3.29421						
02/25/2016	1.16445	05/25/2021	3.36536						
05/25/2016	1.41181	08/25/2021	3.30025						
08/25/2016	1.66858	11/25/2021	3.36191						
11/24/2016	1.92632	02/24/2022	3.41979						
02/23/2017	2.14513	05/25/2022	3.47895						
05/25/2017	2.33416	08/25/2022	3.53739						
08/24/2017	2.32851	11/24/2022	3.59145						
11/23/2017	2.43096	02/23/2023	3.64437						
02/23/2018	2.59188	05/25/2023	3.69520						
05/24/2018	2.74884	08/24/2023	3.55711						
08/23/2018	2.78441	11/23/2023	3.59828						
11/23/2018	2.92350	02/23/2024	3.63774						
02/25/2019	3.05835	05/23/2024	3.67579						
05/23/2019	3.18962								
08/22/2019	2.88477								

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2014 Bloomberg Finance L.P.
 SH 521682 EST GMT-5:00 6617-2261-1 17-Nov-2014 14:56:56

Louisville Gas & Electric (Actual Short-Term Rates vs. LIBOR Rates)

	<u>Short-Term Rate</u>	<u>3 Month LIBOR Rate</u>	<u>Variance</u>
2012 Qtr 1	n/a	0.514%	n/a
2012 Qtr 2	n/a	0.466%	n/a
2012 Qtr 3	n/a	0.424%	n/a
2012 Qtr 4	0.400%	0.317%	0.083%
2013 Qtr 1	0.364%	0.292%	0.072%
2013 Qtr 2	0.335%	0.275%	0.060%
2013 Qtr 3	0.303%	0.261%	0.041%
2013 Qtr 4	0.296%	0.241%	0.055%
2014 Qtr 1	0.272%	0.236%	0.036%
2014 Qtr 2	0.269%	0.228%	0.041%
2014 Qtr 3	0.283%	0.234%	0.049%
2014 Qtr 4	0.360%	0.237%	0.123%

Note:

Quarterly actual rates calculated using the average rate as of the last day of each month.

There was no commercial paper outstanding as of the last day of the month for January-October 2012 and November 2013.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 21

Responding Witness: Kent W. Blake

- Q-21. Refer to page 26, lines 11-16, of the K. Blake Testimony and the response to Item 45 of Commission Staff's First Request for Information ("Staff's First Request").
- a. The response to Staffs First Request contained monthly income statements for September and October of 2014. For the months for which they are available, provide monthly income statements for the months since October 2014.
 - b. Provide an updated base period income statement in which actual results for the months since August 2014 are substituted for the forecasted amounts for those same months in the base period income statement in LG&E's application.
- A-21. a. See attached.
- b. See attached.

Louisville Gas and Electric Company
Comparative Statement of Income
November 30, 2014

	Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	\$ 88,651,952.80	\$ 82,280,410.63	\$ 6,371,542.17	7.74
Gas Operating Revenues.....	40,812,903.40	38,135,396.36	2,677,507.04	7.02
Total Operating Revenues.....	129,464,856.20	120,415,806.99	9,049,049.21	7.51
Fuel for Electric Generation.....	30,612,675.61	28,847,038.37	1,765,637.24	6.12
Power Purchased.....	3,436,419.23	3,915,197.12	(478,777.89)	(12.23)
Gas Supply Expenses.....	23,694,667.87	20,773,838.64	2,920,829.23	14.06
Other Operation Expenses.....	18,036,033.69	19,578,481.27	(1,542,447.58)	(7.88)
Maintenance.....	11,673,075.77	7,629,172.58	4,043,903.19	53.01
Depreciation.....	12,438,220.14	11,844,046.64	594,173.50	5.02
Amortization Expense.....	830,726.49	722,153.43	108,573.06	15.03
Regulatory Credits.....	-	-	-	-
Taxes				
Federal Income.....	7,151,458.97	6,773,936.97	377,522.00	5.57
State Income.....	1,304,217.46	1,235,368.45	68,849.01	5.57
Deferred Federal Income - Net.....	-	-	-	-
Deferred State Income - Net.....	-	-	-	-
Property and Other.....	2,871,441.19	2,737,697.90	133,743.29	4.89
Amortization of Investment Tax Credit.....	(149,066.00)	(188,974.00)	39,908.00	21.12
Loss (Gain) from Disposition of Allowances.....	-	-	-	-
Accretion Expense.....	-	-	-	-
Total Operating Expenses.....	111,899,870.42	103,867,957.37	8,031,913.05	7.73
Net Operating Income.....	17,564,985.78	16,547,849.62	1,017,136.16	6.15
Other Income Less Deductions.....	(64,887.17)	(153,052.13)	88,164.96	57.60
Income Before Interest Charges.....	17,500,098.61	16,394,797.49	1,105,301.12	6.74
Interest on Long-Term Debt.....	3,689,238.59	3,431,371.76	257,866.83	7.52
Amortization of Debt Expense - Net.....	276,690.88	265,661.27	11,029.61	4.15
Other Interest Expenses.....	168,209.42	81,206.92	87,002.50	107.14
Total Interest Charges.....	4,134,138.89	3,778,239.95	355,898.94	9.42
Net Income.....	\$ 13,365,959.72	\$ 12,616,557.54	\$ 749,402.18	5.94

December 19, 2014

Louisville Gas and Electric Company
Comparative Statement of Income
December 31, 2014

	Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	\$ 91,328,492.25	\$ 95,436,440.06	\$ (4,107,947.81)	(4.30)
Gas Operating Revenues.....	47,806,386.74	49,698,092.45	(1,891,705.71)	(3.81)
Total Operating Revenues.....	139,134,878.99	145,134,532.51	(5,999,653.52)	(4.13)
Fuel for Electric Generation.....	31,539,615.25	33,929,499.52	(2,389,884.27)	(7.04)
Power Purchased.....	3,787,350.42	5,271,315.06	(1,483,964.64)	(28.15)
Gas Supply Expenses.....	27,569,699.91	28,612,670.32	(1,042,970.41)	(3.65)
Other Operation Expenses.....	21,305,673.12	20,968,252.81	337,420.31	1.61
Maintenance.....	8,542,230.93	8,887,515.87	(345,284.94)	(3.89)
Depreciation.....	12,911,698.48	11,868,715.92	1,042,982.56	8.79
Amortization Expense.....	838,773.25	734,800.14	103,973.11	14.15
Regulatory Credits.....	-	-	-	-
Taxes				
Federal Income.....	(76,970,790.19)	6,605,096.89	(83,575,887.08)	(1,265.32)
State Income.....	608,050.15	2,167,228.27	(1,559,178.12)	(71.94)
Deferred Federal Income - Net.....	87,255,220.92	1,949,913.81	85,305,307.11	4,374.82
Deferred State Income - Net.....	771,844.99	(766,863.64)	1,538,708.63	200.65
Property and Other.....	2,091,854.61	2,843,885.78	(752,031.17)	(26.44)
Amortization of Investment Tax Credit.....	(149,063.00)	(188,972.00)	39,909.00	21.12
Loss (Gain) from Disposition of Allowances.....	-	-	-	-
Accretion Expense.....	-	-	-	-
Total Operating Expenses.....	120,102,158.84	122,883,058.75	(2,780,899.91)	(2.26)
Net Operating Income.....	19,032,720.15	22,251,473.76	(3,218,753.61)	(14.47)
Other Income Less Deductions.....	(226,650.14)	(504,181.83)	277,531.69	(55.05)
Income Before Interest Charges.....	18,806,070.01	21,747,291.93	(2,941,221.92)	(13.52)
Interest on Long-Term Debt.....	3,733,427.34	3,683,172.93	50,254.41	1.36
Amortization of Debt Expense - Net.....	293,726.02	1,076,880.70	(783,154.68)	(72.72)
Other Interest Expenses.....	189,324.07	136,437.18	52,886.89	38.76
Total Interest Charges.....	4,216,477.43	4,896,490.81	(680,013.38)	(13.89)
Net Income.....	\$ 14,589,592.58	\$ 16,850,801.12	\$ (2,261,208.54)	(13.42)

January 27, 2015

Louisville Gas & Electric Company
Case No. 2014-00372
Comparative Income Statement
Base Period: Twelve Months Ended February 28, 2015
Forecasted Test Period: Twelve Months Ended June 30, 2016

Total Company	<u>Most Recent Five Calendar Years</u>					Base	Test	Forecasted		
	2009	2010	2011	2012	2013	Period 2/28/2015	Year 6/30/2016	2016	2017	2018
INCOME STATEMENT										
Operating Revenues										
Electric Operating Revenues	\$ 919,364,692	\$ 1,015,611,567	\$ 1,059,750,303	\$ 1,069,346,402	\$ 1,096,596,442	\$ 1,151,068,984	\$ 1,193,551,594	\$ 1,208,270,441	\$ 1,254,292,152	\$ 1,304,951,156
Gas Operating Revenues	361,627,856	302,947,356	304,574,422	254,278,399	324,221,274	350,541,612	342,873,578	352,507,550	371,736,719	379,903,062
Total Operating Revenues	1,280,992,548	1,318,558,923	1,364,324,725	1,323,624,802	1,420,817,715	1,501,610,596	1,536,425,171	1,560,777,992	1,626,028,872	1,684,854,218
Operating Expenses										
Fuel for Electric Generation	328,232,997	368,556,326	360,968,393	385,916,157	379,035,049	398,273,841	360,596,257	360,572,184	380,611,433	405,768,850
Power Purchased	58,430,270	54,379,719	74,894,547	52,477,768	48,124,184	45,794,123	68,182,202	65,252,110	69,046,744	68,500,930
Gas Supply Expenses	249,805,269	169,517,478	161,865,706	115,461,798	159,274,580	184,043,203	167,629,363	169,281,115	174,921,640	179,815,305
Other Operation Expenses	219,071,987	226,299,135	235,647,275	230,522,003	245,282,973	254,835,786	265,213,041	272,910,077	289,860,981	300,886,425
Maintenance	96,204,959	111,701,105	116,359,069	118,770,589	113,413,021	109,981,494	110,075,024	111,778,467	118,640,242	113,903,520
Depreciation & Amortization Expense	136,466,990	137,951,366	147,046,078	152,140,316	147,663,032	159,219,926	167,488,297	175,584,089	187,996,613	197,689,621
Federal & State Income Taxes	29,166,099	34,921,775	20,228,383	1,991,653	69,186,223	(17,958,218)	52,346,288	34,571,410	38,220,141	39,720,057
Deferred Federal & State Income Taxes	9,776,428	30,037,029	54,235,400	70,969,611	25,067,465	119,983,790	56,764,049	75,423,397	67,111,081	67,373,080
Property and Other Taxes	23,544,541	22,571,624	28,121,584	31,025,991	32,517,048	34,590,448	40,948,753	43,094,687	45,675,626	47,282,976
Investment Tax Credit	3,649,346	-	-	-	-	-	-	-	-	-
Amortization of Investment Tax Credit	(3,044,107)	(2,501,774)	(2,805,732)	(2,847,617)	(2,100,342)	(1,712,648)	(1,283,934)	(1,229,230)	(1,107,034)	(969,780)
Loss(Gain) from Disposition of Allowances	(66,274)	(34,460)	(2,578)	(694)	(282)	(427)	-	-	-	-
Total Operating Expenses	1,151,238,504	1,153,399,323	1,196,558,124	1,156,427,575	1,217,462,951	1,287,051,318	1,287,959,340	1,307,238,305	1,370,977,467	1,419,970,985
Net Operating Income	129,754,044	165,159,600	167,766,601	167,197,226	203,354,764	214,559,278	248,465,832	253,539,686	255,051,405	264,883,233
Other Income less deductions	13,106,401	10,717,472	1,079,398	(2,051,782)	(2,656,846)	(2,330,147)	(1,524,045)	(1,605,283)	(1,614,460)	(1,688,480)
Income before Interest Charges	142,860,445	175,877,072	168,845,999	165,145,444	200,697,919	212,229,131	246,941,787	251,934,403	253,436,945	263,194,753
Interest Charges	47,743,250	48,162,687	44,659,694	42,222,666	41,997,315	49,675,898	67,479,003	72,931,435	81,725,495	89,018,188
Net Income	\$ 95,117,195	\$ 127,714,386	\$ 124,186,305	\$ 122,922,778	\$ 158,700,603	\$ 162,553,233	\$ 179,462,784	\$ 179,002,968	\$ 171,711,450	\$ 174,176,565

Louisville Gas & Electric Company
Case No. 2014-00372
Comparative Income Statement
Base Period: Twelve Months Ended February 28, 2015
Forecasted Test Period: Twelve Months Ended June 30, 2016

Electric Only	<u>Most Recent Five Calendar Years</u>					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	\$ 919,364,692	\$ 1,015,611,567	\$ 1,059,750,303	\$ 1,069,346,402	\$ 1,096,596,442	\$ 1,151,068,984	\$ 1,193,551,594	\$ 1,208,270,441	\$ 1,254,292,152	\$ 1,304,951,156
Total Operating Revenues	919,364,692	1,015,611,567	1,059,750,303	1,069,346,402	1,096,596,442	1,151,068,984	1,193,551,594	1,208,270,441	1,254,292,152	1,304,951,156
Operating Expenses										
Fuel for Electric Generation	328,232,997	368,556,326	360,968,393	385,916,157	379,035,049	398,273,841	360,596,257	360,572,184	380,611,433	405,768,850
Power Purchased	58,430,270	54,379,719	74,894,547	52,477,768	48,124,184	45,794,123	68,182,202	65,252,110	69,046,744	68,500,930
Other Operation Expenses	171,917,469	182,493,504	191,550,323	187,293,192	198,769,150	206,175,275	208,763,800	211,376,429	216,678,837	224,708,980
Maintenance	79,813,890	94,158,027	96,235,088	97,601,940	95,645,484	90,886,338	89,018,332	91,273,572	97,831,541	91,992,588
Depreciation & Amortization Expense	116,390,168	116,613,181	124,634,432	128,381,713	121,609,186	129,055,252	133,336,688	139,997,818	149,563,675	157,231,963
Federal & State Income Taxes	17,441,435	28,105,569	37,411,239	8,463,356	54,304,064	2,410,863	44,815,682	30,294,064	33,670,916	36,778,422
Deferred Federal & State Income Taxes	16,418,734	23,164,076	12,115,729	51,212,094	17,163,020	76,431,026	48,520,201	63,726,609	57,015,729	57,430,562
Property and Other Taxes	17,898,172	17,193,678	21,610,184	23,824,390	25,031,903	26,428,456	31,185,102	32,845,534	34,838,137	36,103,748
Investment Tax Credit	3,649,346	-	-	-	-	-	-	-	-	-
Amortization of Investment Tax Credit	(2,891,307)	(2,357,054)	(2,670,412)	(2,721,997)	(1,987,122)	(1,619,548)	(1,214,862)	(1,168,810)	(1,060,510)	(944,560)
Loss(Gain) from Disposition of Allowances	(66,274)	(34,460)	(2,578)	(694)	(282)	(427)	-	-	-	-
Total Operating Expenses	807,234,899	882,272,566	916,746,946	932,447,919	937,694,636	973,835,199	983,203,402	994,169,511	1,038,196,501	1,077,571,484
Net Operating Income	112,129,793	133,339,001	143,003,357	136,898,483	158,901,806	177,233,785	210,348,192	214,100,931	216,095,651	227,379,672
Other Income less deductions	10,725,045	8,575,506	1,197,573	(1,539,334)	(2,102,802)	(1,723,551)	(1,202,228)	(1,267,020)	(1,272,911)	(1,332,001)
Income before Interest Charges	122,854,838	141,914,506	144,200,931	135,359,150	156,799,003	175,510,234	209,145,964	212,833,911	214,822,740	226,047,671
Interest Charges	38,056,200	38,289,141	35,225,878	33,357,269	33,183,860	40,249,587	54,657,993	59,074,462	66,197,651	72,104,732
Net Income	\$ 84,798,638	\$ 103,625,365	\$ 108,975,052	\$ 102,001,881	\$ 123,615,143	\$ 135,260,647	\$ 154,487,972	\$ 153,759,449	\$ 148,625,089	\$ 153,942,939

Louisville Gas & Electric Company
Case No. 2014-00372
Comparative Income Statement
Base Period: Twelve Months Ended February 28, 2015
Forecasted Test Period: Twelve Months Ended June 30, 2016

Gas Only	<u>Most Recent Five Calendar Years</u>					Base	Test	Forecasted		
	2009	2010	2011	2012	2013	Period 2/28/2015	Year 6/30/2016	2016	2017	2018
INCOME STATEMENT										
Operating Revenues										
Gas Operating Revenues	\$ 361,627,856	\$ 302,947,356	\$ 304,574,422	\$ 254,278,399	\$ 324,221,274	\$ 350,541,612	\$ 342,873,578	\$ 352,507,550	\$ 371,736,719	\$ 379,903,062
Total Operating Revenues	361,627,856	302,947,356	304,574,422	254,278,399	324,221,274	350,541,612	342,873,578	352,507,550	371,736,719	379,903,062
Operating Expenses										
Gas Supply Expenses	249,805,269	169,517,478	161,865,706	115,461,798	159,274,580	184,043,203	167,629,363	169,281,115	174,921,640	179,815,305
Other Operation Expenses	47,154,518	43,805,630	44,096,952	43,228,811	46,513,823	48,660,511	56,449,241	61,533,648	73,182,144	76,177,445
Maintenance	16,391,069	17,543,078	20,123,981	21,168,649	17,767,537	19,095,156	21,056,692	20,504,894	20,808,701	21,910,932
Depreciation & Amortization Expense	20,076,822	21,338,185	22,411,645	23,758,603	26,053,846	30,164,674	34,151,610	35,586,271	38,432,938	40,457,658
Federal & State Income Taxes	11,724,664	6,816,205	(17,182,856)	(6,471,702)	14,882,159	(20,369,081)	7,530,606	4,277,346	4,549,225	2,941,635
Deferred Federal & State Income Taxes	(6,642,305)	6,872,953	42,119,671	19,757,517	7,904,444	43,552,764	8,243,848	11,696,788	10,095,352	9,942,518
Property and Other Taxes	5,646,369	5,377,946	6,511,399	7,201,601	7,485,145	8,161,992	9,763,651	10,249,153	10,837,489	11,179,228
Amortization of Investment Tax Credit	(152,800)	(144,720)	(135,320)	(125,620)	(113,220)	(93,100)	(69,072)	(60,420)	(46,524)	(25,220)
Total Operating Expenses	344,003,605	271,126,756	279,811,178	223,979,656	279,768,315	313,216,119	304,755,938	313,068,795	332,780,966	342,399,500
Net Operating Income	17,624,251	31,820,599	24,763,244	30,298,743	44,452,959	37,325,493	38,117,640	39,438,755	38,955,754	37,503,561
Other Income less deductions	2,381,356	2,141,966	(118,175)	(512,449)	(554,044)	(606,596)	(321,817)	(338,264)	(341,548)	(356,480)
Income before Interest Charges	20,005,607	33,962,566	24,645,069	29,786,294	43,898,915	36,718,897	37,795,823	39,100,492	38,614,205	37,147,082
Interest Charges	9,687,050	9,873,546	9,433,815	8,865,397	8,813,455	9,426,311	12,821,011	13,856,973	15,527,844	16,913,456
Net Income	\$ 10,318,557	\$ 24,089,020	\$ 15,211,253	\$ 20,920,897	\$ 35,085,460	\$ 27,292,586	\$ 24,974,812	\$ 25,243,519	\$ 23,086,361	\$ 20,233,626

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 22

Responding Witness: Kent W. Blake

- Q-22. Refer to page 29, lines 14-16, of the K. Blake Testimony. Indicate the approximate time by which LG&E expects to have validated its pension assumptions.
- A-22. LG&E finalized its determination of assumptions to be used in the calculation of year-end 2014 benefit obligations on January 7, 2015. The Company expects to have an updated estimate of 2015 expense from Towers Watson in February 2015 and will provide the estimate once it is available. The Company expects to have final 2015 expense and updated projections for periods beyond 2015 in May 2015.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 23

Responding Witness: Kent W. Blake

Q-23. Refer to Exhibit KWB-1, which is titled "5 Year Capital Expenditures." In the same categories as in the exhibit, provide LG&E's actual capital expenditures for calendar year 2014.

A-23. See attached.

LG&E Capex 2014 Actuals

\$000s

<u>LG&E</u>	2014
Environmental	408,930.86
Generating Facilities	85,663.56
Distribution Facilities	145,748.08
Transmission Facilities	44,052.95
Other	25,934.73
Total Capital Expenditures	710,330.17

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 24

Responding Witness: Kent W. Blake

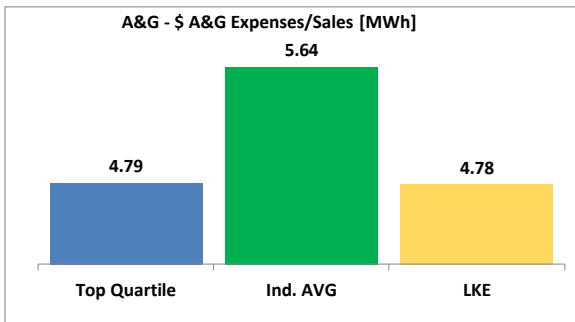
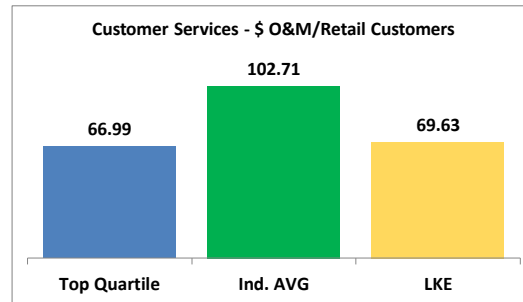
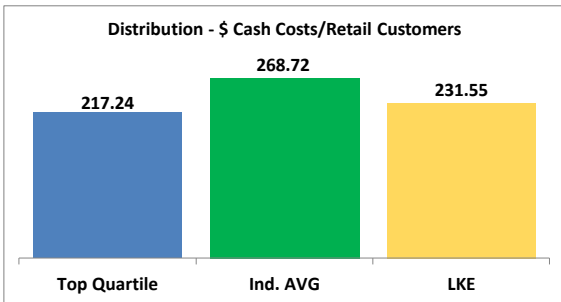
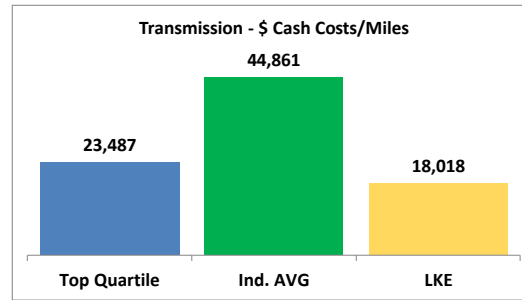
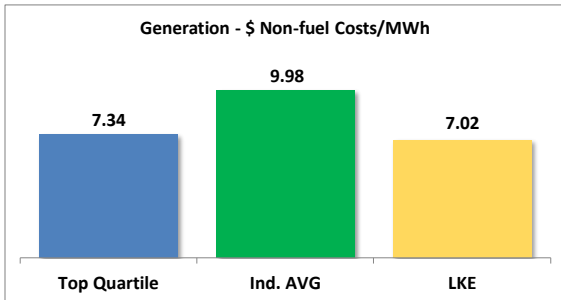
- Q-24. Refer to Exhibit KWB-3. Provide the same benchmark comparison as in the exhibit on an annual basis for calendar years 2011, 2012, and 2013.
- A-24. See attached.

FERC Benchmarking Metric Comparisons - 2011 (Single Year)

Source: SNL

Prepared: As of July 2012 for the Year 2011 information

	Generation	Transmission	Distribution	Customer Services	A&G
Top Quartile	7.34	23,487	217.24	66.99	4.79
Ind. AVG	9.98	44,861	268.72	102.71	5.64
LKE	7.02	18,018	231.55	69.63	4.78

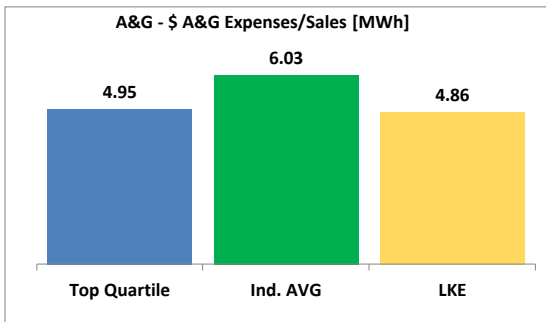
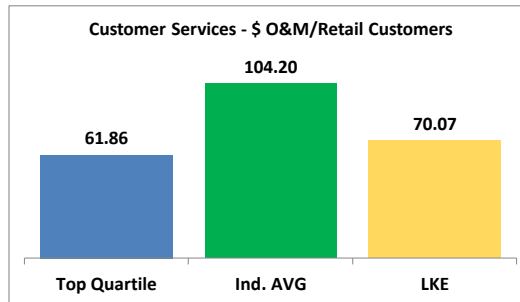
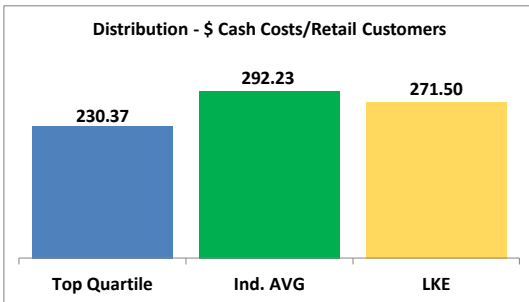
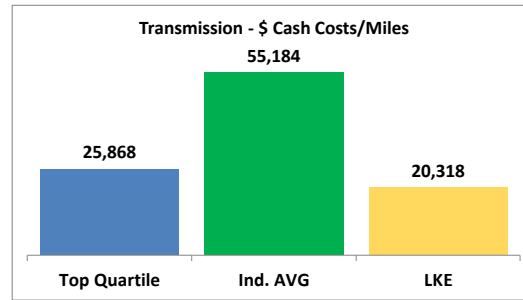
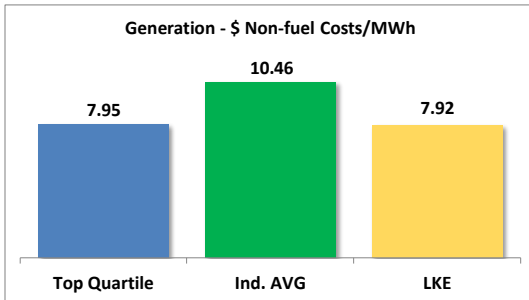


FERC Benchmarking Metric Comparisons - 2012 (Single Year)

Source: SNL

Prepared: As of July 2013 for the Year 2012 information

	Generation	Transmission	Distribution	Customer Services	A&G
Top Quartile	7.95	25,868	230.37	61.86	4.95
Ind. AVG	10.46	55,184	292.23	104.20	6.03
LKE	7.92	20,318	271.50	70.07	4.86

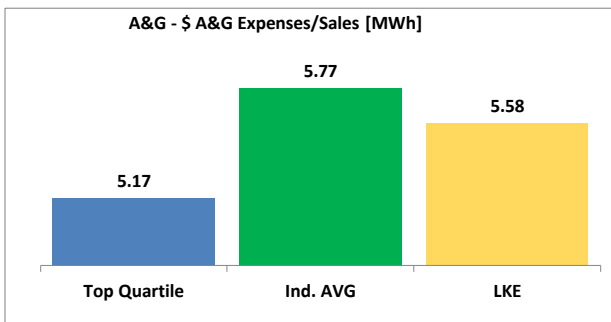
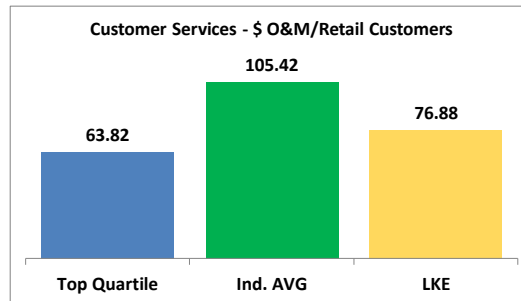
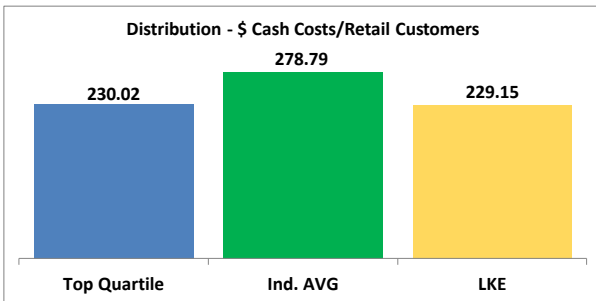
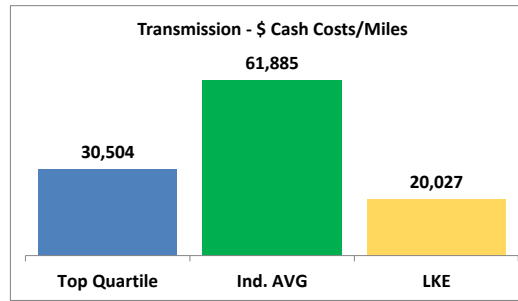
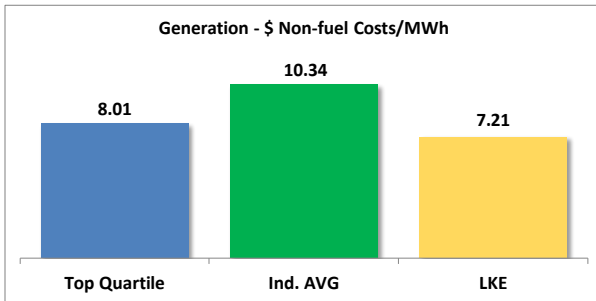


FERC Benchmarking Metric Comparisons - 2013 (Single Year)

Source: SNL

Prepared: As of July 2014 for the Year 2013 information

	Generation	Transmission	Distribution	Customer Services	A&G
Top Quartile	8.01	30,504	230.02	63.82	5.17
Ind. AVG	10.34	61,885	278.79	105.42	5.77
LKE	7.21	20,027	229.15	76.88	5.58



LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 25

Responding Witness: Paul W. Thompson

- Q-25. Refer to page 23, line 23, continuing to page 24, line 3, of the Testimony of Paul W. Thompson ("Thompson Testimony"). Identify the key positions that LG&E has determined should be filled by company employees rather than have the required work performed by contractors.
- A-25. The Company has determined that certain core skills, mainly engineering and craft, should be performed primarily by direct employees. These core skills include, but are not limited to systems control specialists, network technicians, DSC controls technicians, and instrument technicians. While many of these functions are currently performed by contractors, a review of the contractors' demographics indicates that many of them are approaching retirement. Going forward, it is prudent to have the work performed by employees.

For a more detailed discussion of the contractor strategy, see pages 11 and 62 of the attached 2015 – 2019 workforce planning document. Certain information is being held confidential and proprietary and is being provided pursuant to a petition for confidential protection.

Workforce Planning 2015-2019

OVERVIEW

The Workforce Plan (WFP) was initiated in 2005 when demographics and our industry began to change rapidly. The Business and Budget Planning process did not include a strategic, in-depth discussion of workforce needs and their relationship to key internal and external variables. The WFP process was designed to instill a discipline in the organization to rigorously consider and discuss on an annual basis issues such as:

- What external forces (technology, political, regulatory, legislative, customer) will impact our business?
- Can we eliminate, change or subcontract work?
- Do we have the core work in-house?
- Do we have the optimal organizational design to meet business objectives?
- Can process redesign improve our efficiencies?
- Can positions or responsibilities be reconfigured to avoid headcount additions?
- Do we have the right skills and competencies now and for the future; and are developmental plans in place?
- Have we identified employees who possess critical knowledge, and are we ensuring effective knowledge transfer and succession and development plans?
- Do we have sufficient documentation and thorough action plans to ensure knowledge transfer?

It is imperative that the WFP process continues to **push the organization to ask these strategic questions**. If this fails to occur we are at risk of doing little more than backfilling positions in kind.

PROCESS

The discussion process should include a number of debates between staff and the senior executive and result in documentation of key challenges, opportunities and a proposed number of supported positions. **The greatest value to the business comes from these strategic discussions.** In discussing incremental positions the baseline is always the prior year's approved business plan over the plan period. In preparation for meeting with the executive, the HR manager works with the client manager and asks the above strategic questions; a business case is built for any incremental position. With respect to headcount, the client manager should work from a baseline of the prior year's approved business plan. After the executive of the area approves positions in his/her area, the WFP process closes with respect to headcount. The WFP is closed to allow finalization of the WFP narrative. Key strategies, themes, and proposed headcount are captured in the WFP document. Further adjustment of headcount numbers will then be adjusted during the budgeting process.

When the senior executives gather to discuss WFP, the discussion should center on key strategic issues which emerged from their discussions with staff and each should be supportive of the incremental

positions or other changes being proposed within their respective areas. The discussion should remain at a strategic level which may include sharing significant debates about headcount and other matters that occurred within their prior staff discussions. There should also be healthy debate among the executives about these proposals. From WFP, the executive should have been provided the information necessary to distinguish the criticality/priority of each headcount in preparation for the business planning cycle. When the business planning phase begins, the number of headcount that are approved in the budget will be based on the resources available.

Although the WFP process is very time intensive, it is key to the organization's continued success. Among other benefits:

- It allows for **more effective and efficient use of workers**. This becomes increasingly important as we need to perform the same or more work with fewer employees.
- It helps to ensure that **replacements are available to fill important vacancies**. Filling vacancies is especially critical as we face an increasing number of workers eligible for retirement, combined with potential labor market shortages and specialized skill-set requirements.
- It **serves as a resource to aid in establishing the Business Plan**.
- It provides a **clear rationale for linking expenditures** for training and retraining, development, career counseling and recruiting efforts.
- It supports a **diversified workforce**.

Assumptions

The following assumptions are in place throughout the WFP document unless otherwise noted.

- All charts and tables represent data on Jan. 1, 2014.
- WKE is excluded from historic data.
- Co-ops and interns are excluded in calculations.
- The prior year's approved Business Plan is used as the baseline to establish the proposed incremental headcount in the new WFP.

Key Issues

The 2015-2019 WFP was built upon the previous year's efforts by conducting a full analysis of the key issues outlined below:

- diversity;
- the aging workforce;
- retention strategies;
- overtime;
- use of contractors;
- employee training;
- retirement outlook; and
- knowledge-loss risk.

CURRENT WORKFORCE PROFILE

Environmental Scanning Analysis

External Demand

Efforts have been made to bring more businesses to Kentucky. In 2009, Kentucky's business incentive program was enhanced to attract new businesses to Kentucky and motivate existing Kentucky businesses to expand. Since the program was expanded Kentucky has seen an investment of approximately \$2 billion within the state. In 2013, Forbes ranked Kentucky number 34 on their best places to do business list. This is up from their number 43 ranking in 2009.

Internal Demand

LKE experienced many organizational changes in 2013. Bringing two lines of business together under a Chief Operating Officer provided additional organizational synergies. The Information Technology portion of the business was also reorganized in 2013. Power Production will be affected during this planning period as changes are forecasted for the Cane Run and Green River Plants. These major changes in the structure of the workforce require some shifting of labor resources and create a need for new skills to be acquired or developed.

External Supply

The Kentucky Education and Workforce Development Cabinet expects the Kentucky economy to average 69,000 job openings per year through the year 2020. Of those job openings, approximately 35 percent are expected to be new jobs. Other job openings would come from retirements, promotions, transfers, and other exits from existing jobs. By 2020, 20,000 veterans will be seeking employment in Kentucky. The external labor supply has met the demands of our previously identified openings. Going forward, we do not expect a lack of supply or skillset that would prevent us from filling future vacancies.

Internal Supply

With a large portion of the workforce predicted to retire over the course of the planning period it is essential to develop a talented pool of employees to step into leadership positions. LKE will mitigate some risk of retirements and turnover by developing a strong talent pipeline. This is achieved through some internal initiatives, including developing the skills and competencies of our current workforce. There are several initiatives in place to develop existing employees and this is documented in the Workforce Solutions section of this document. In addition, it is vital that we focus on attracting future workers and engage in relationships with external partners that support our needs.

Diversity

One of LKE's core strategies is to attract, retain and develop the best people. As our communities and customers become more diverse, so too must our workforce. Our success depends upon a diverse and creative work environment, blending cultural and ethnic diversity through teamwork. We value, respect and utilize each individual employee's talents, perspectives and knowledge in order to achieve our goals.

Recruiting top talent is critical to our organization's continued success. The company is enriched by the diverse experiences, backgrounds, ethnicities, education, lifestyles and cultural differences of our employees. At its core, LKE's commitment to an inclusive workforce is about treating everyone — customers and colleagues — with dignity and respect.

A comparison of gender and ethnicity of LKE's workforce to that of Kentucky and the United States is provided below. LKE has a disproportionate number of female employees compared with the workforces of both Kentucky and the U.S. The percentage of minorities is also below the national average, but is in line with Kentucky percentages. As our retirement numbers continue to increase, LKE will have more opportunities to increase diversity throughout the organization. Based on discussions with EU-HRMG members, the utility industry is generally weak in this regard. Several attempts have been made through survey requests to gain utility specific data. However, utilities are reluctant to officially disclose.

Gender and Ethnicity Mix - Year End 2013					
	Male	Female	White	Black	Other
LG&E KU Regular active employees	73%	27%	91%	7%	2%
Kentucky Employed workers	52%	48%	89%	8%	4%
United States Employed workers	53%	47%	80%	11%	9%
Totals may not equal 100% due to rounding					

In the past five years, LKE has made some progress in increasing female and minority percentages. As of Jan. 1, 2008, 24 percent of the LKE workforce was female and 8 percent of the workforce was minority — compared to today, when 27 percent of the LKE workforce is female and 9 percent is minority. The company has established solid recruiting practices and has created many good-faith efforts to maximize diversity.

The purpose of applicant testing is to help ensure the hiring and promotion of qualified individuals. Edison Electric Institute (EEI) tests are designed and validated to objectively predict performance and the likelihood of employee success on the job before hiring or promotion decisions are made. Even though these tests are validated and administered in accordance with the EEOC's Uniform Guidelines for Selection Testing, studies show that adverse impact related to the percentages of females and minorities recommended does exist.

LGE-KU continues to work closely with EEI to evaluate and implement program changes that are expected to help minimize adverse impact of the tests while maintaining their effectiveness. Recent examples of such changes include:

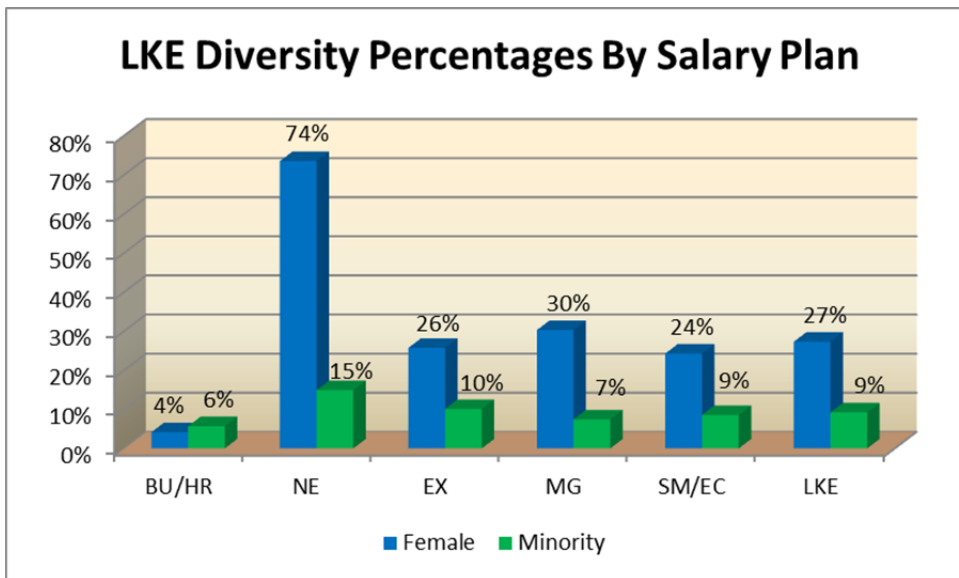
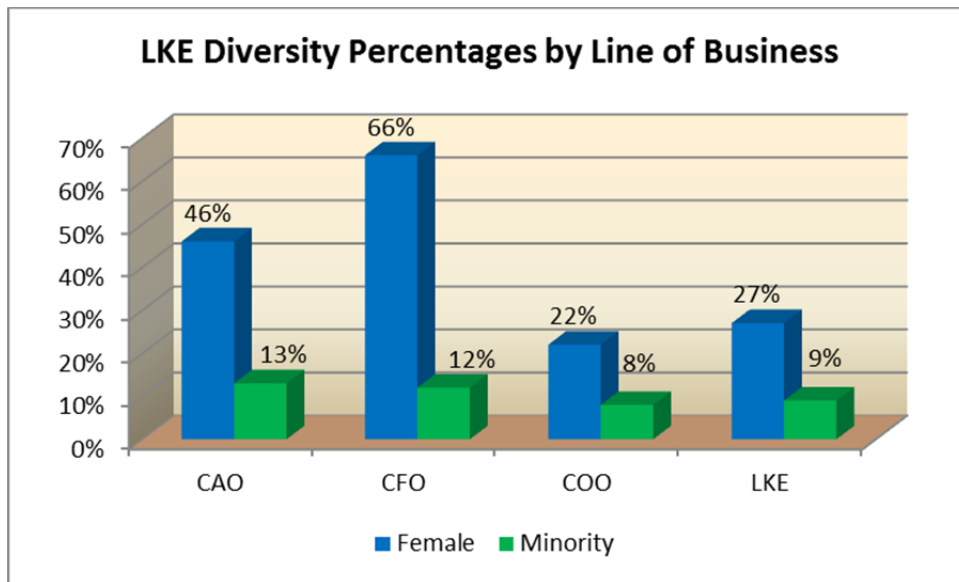
- Discontinuation of Background Opinion Questionnaire (BOQ) Subtest – 2007
- Implementation of On-Line Practice Tests – 2008
- Implementation of 1-on-1 Candidate Feedback – 2010
- Implementation of On-Line Math Tutorial – 2011
- Elimination of Weighted Scoring – 2013 (TECH)

- Transition to “POSS” vs “MASS” Testing (in lieu of combined POSS/MASS testing) – 2013
- Elimination of Weighted Scoring – 2014 (POSS, MASS, CAST)

Although sufficient data is not yet available to be statistically valid, preliminary findings are that recommend rates for females and minority applicants are up an average of about 8-10% over the past 5 years when consolidating all four tests (CAST, TECH, POSS, and MASS).

In addition to above, our company continues to identify and implement various communication and diversity strategies with community partners (i.e., Urban League, CCDC, JFCS, professional organizations).

The charts below show a current view of the diversity mix by line of business and salary plan.



With respect to veterans, our percentage is 5% female and 11% minority. Between 2012 and 2013 the company more than doubled its hiring rate among reservists and veterans.

Aging Workforce

As is the case with many U.S. industries, LKE is addressing an aging workforce. According to industry estimates, 45 percent of the workforce in electric and natural gas utilities is expected to reach retirement age in the next several years. A recent study by the American Public Power Association (APPA) indicates that approximately one-third of utility employees are currently between the ages of 45 and 54.

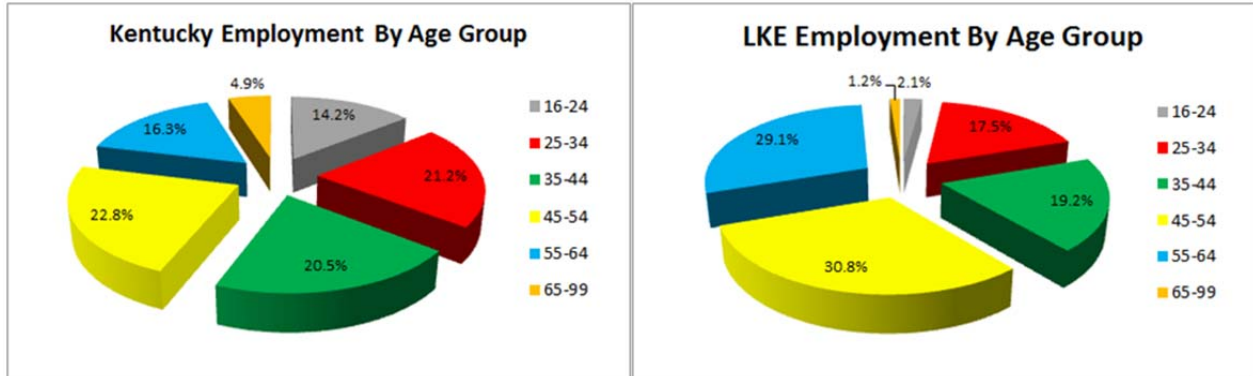
Over the past five years, the LKE workforce average age has increased by 1.11 years. It is now 47 years of age. This trend will reverse over the next several years as older employees retire and are replaced with younger employees.

With more workers approaching retirement, strategies are being developed to address turnover, recruiting, training, rewards and knowledge transfer. The following challenges will be faced:

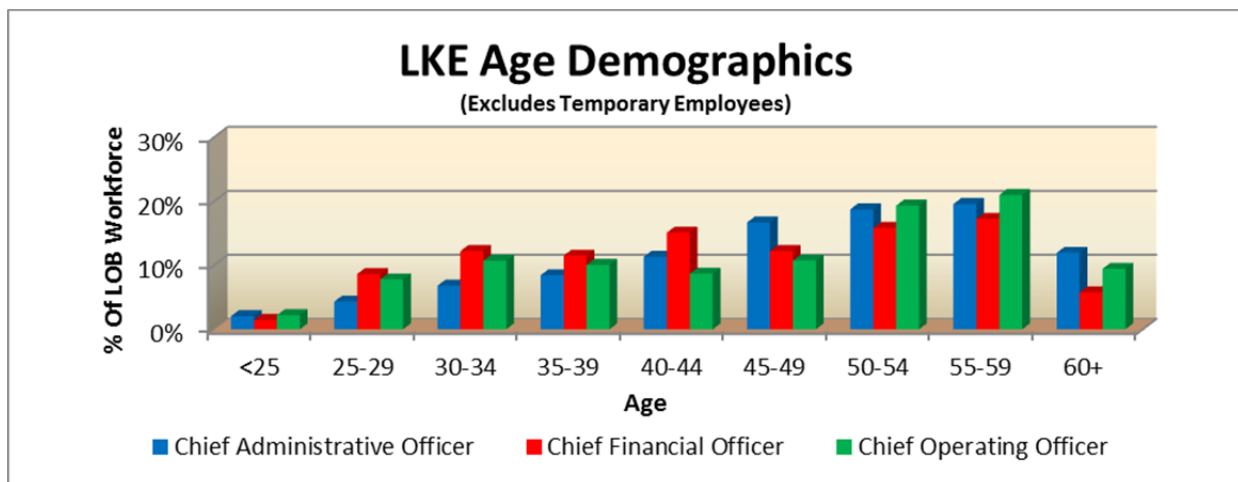
- **Keeping the older workforce engaged.** Older employees need to feel their contributions are valued by the company. To maintain their motivation, older workers will need to be given fulfilling jobs and access to any training they need to update their skill sets.
- **Technical training.** As technology is becoming more advanced in the industry, many front-line workers will have to train and develop new competencies in their jobs. Technical training can be more difficult for the Baby Boomer generation.
- **Safety concerns.** As workers age, they can experience loss of former strength and flexibility, decreased range of motion, deterioration of vision and slower reaction times. All of these changes can have an impact on safety in the workplace.

As “Boomers” reach late middle age, we may begin to see increasing absenteeism, disability claims and long-term disability applications. Options to address these concerns include targeted focus on the development of employees, job rotation and creating new assignments.

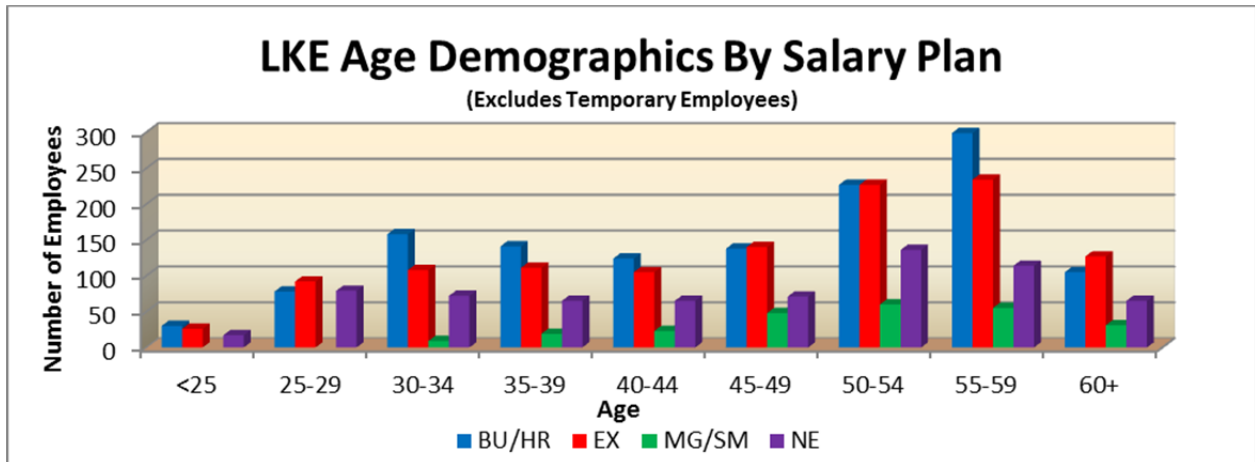
The chart below compares the LKE workforce to that of Kentucky. As illustrated, LKE has a much larger population of employees who are 45 and older. Nearly two thirds of the company falls into this range. Meanwhile, the state of Kentucky has only 44 percent of the workforce in the 45 and older categories. Over 30 percent of the company is 55 or older. The potential loss of knowledge is tremendous when most of these 55 and older employees will retire in the next five to seven years.



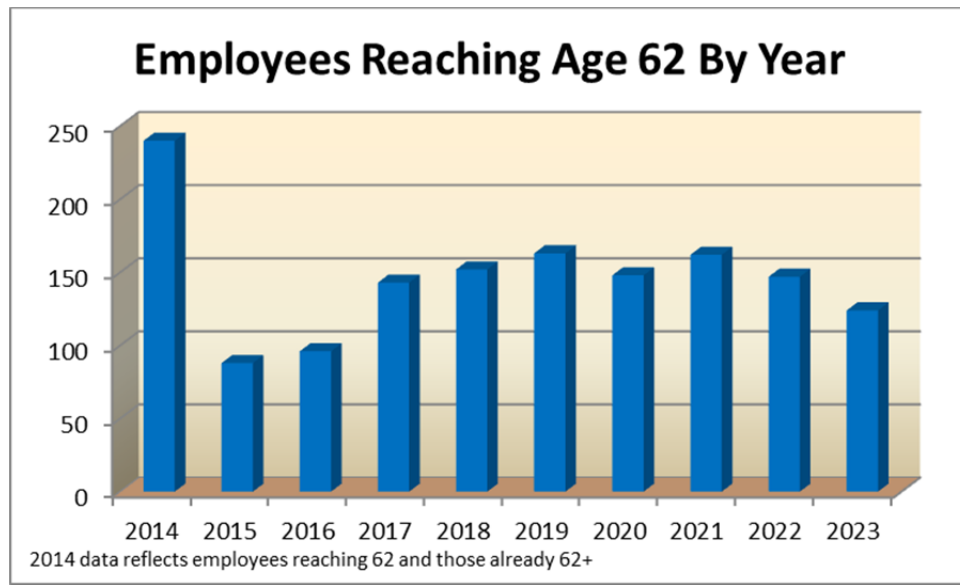
The following charts illustrate our uneven hiring over the years. Hiring has been especially irregular over the past twelve years due to the WTSP in 2001. An optimum distribution would be much more leveled across the age demographics. Both the administrative and operational areas of the company have a large percentage of the workforce over the age of 50.



When looking at the data by salary plan it is clear the uneven distribution is not limited to one area, but it is especially prevalent in bargaining unit, hourly and exempt categories.



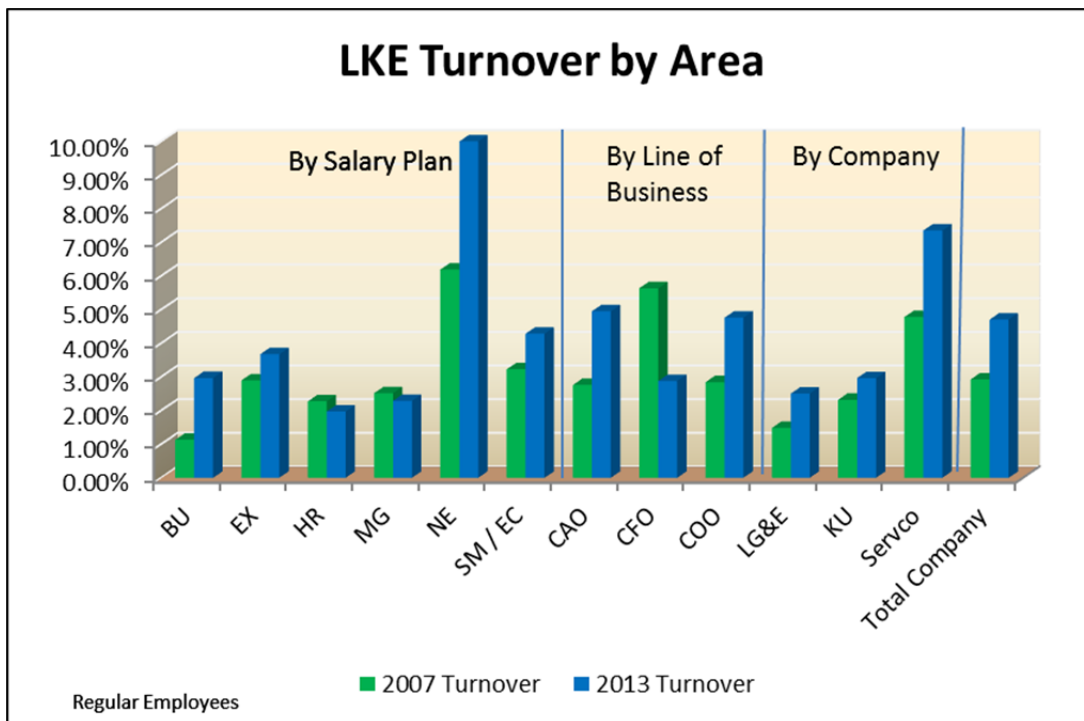
As shown below, from 2014 through the end of 2023, 1,463 employees will reach age 62. This represents almost 43 percent of the current LKE population. The company projects that employees on average will retire at age 62.



Retention Strategies

LKE is fortunate to be in an industry that traditionally experiences low turnover. According to *Electric Light and Power*, however, many utility companies expect turnover to increase, once we see a positive change in the economy. Companies across the country list retaining high-performing employees as the biggest human resources challenge. With the job market opening up, employees want to take their next career step, and employers are focusing on keeping these employees satisfied. In 2013, LKE had a 4.77 percent total turnover rate and a 2.30 percent voluntary turnover rate. Customer Service has the highest turnover rate. Analysis of the total turnover rate for LKE shows that 2.03 percent of the total 4.77 percent and 1.16 percent of the 2.30 percent voluntary turnover is from Customer Services. (Retirements are not included in the voluntary turnover percentage. Additionally, this is inclusive of both our desirable and undesirable turnover metric.)

The chart below is a snapshot of turnover percentages in 2013 versus 2007 (4.77 percent and 2.93 percent, respectively). The turnover rate for LKE has increased due to the number of retirements increasing nearly 500% in this timeframe. LKE like other companies has also experienced an increase in turnover of employees with less than three years of service. Over the next several years, our turnover rates will increase as our aging workforce retires. The low number of retirements from 2001 to 2010 was expected due to the WTSP in 2001.



In 2010, a comprehensive study of employee exit interviews began. Although overall employee satisfaction is high, the analysis is used to look for key areas of employee dissatisfaction, and to look for high turnover in particular departments.

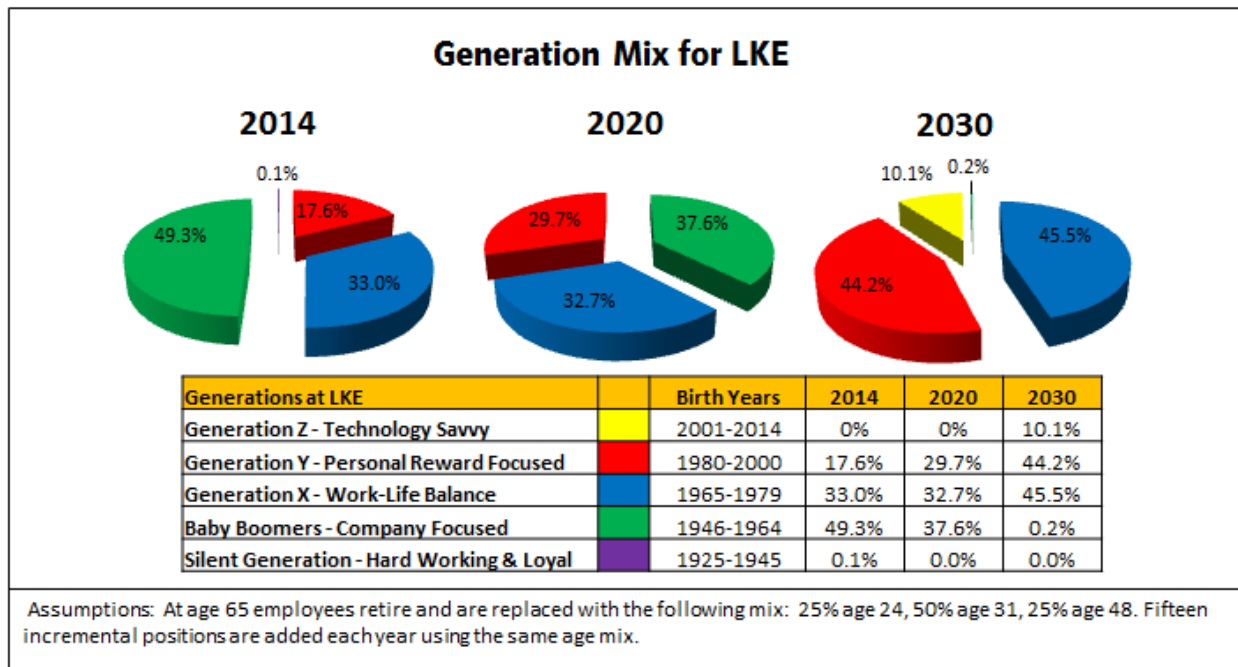
According to the exit interviews, the most common themes for employee dissatisfaction are:

- stress related to the job;
- ability to balance family and work life;
- dissatisfaction with performance appraisal process;
- lack of opportunity for advancement; and
- hours required to work.

Often, an employee will not hesitate to leave an employer if unable to see a career path. This frequently happens within the first five years of employment. This is especially true with Generation X and Generation Y employees. Seventy-three percent of employees who voluntarily left LKE in 2013 had three years or less of tenure. An analysis of the turnover reveals the themes are consistent with all separations.

To assist us in keeping employees engaged, LKE will continue to focus on talent development, our mentoring program and our succession planning process. Additionally, by providing our employees with the proper tools for career development, it should result in higher retention and engagement, and a more qualified workforce.

Currently, we have four different generations working side-by-side in the workplace. This provides managers with a challenge, as each generation has its own focus and priorities. These differences can affect everything including recruiting, building teams, dealing with change, motivating, managing, and maintaining and increasing productivity. The table below shows the current generation mix for LKE.



As more Baby Boomers leave the company, the percentage of Generation Y employees will increase. Here are a few facts about Generation Y employees that could lead to higher turnover rates in the future.

- About 37 percent of Generation Ys have been underemployed or out of work during the recession.
- 13 percent of all Generation Ys are students who do not work for pay.
- Almost 6 in 10 employed Generation Ys say they already have switched careers at least once.
- About 60 percent of younger workers say it is “not very likely” or “not likely at all” that they will stay with their current employers for the remainder of their working life. (In contrast, 62 percent of Generation X workers say it’s likely they will never leave their current employer, while 84 percent of Baby Boomers expect to remain with their current employer for the rest of their working life.)
- Only 1/3 of Generation Ys say their current job is their career.

Source: Pew Research Center 2010 report, *Millennials: A Portrait of Generation Next*.

LOB Overtime Analysis

Due to the nature of our business, overtime hours are expected. For example, shift workers at power plants, line techs reacting to storm restoration and corporate employees all work extra hours throughout the year. Although a certain volume of overtime is expected, a high number of overtime hours can indicate employee shortages. High overtime volume can also be a leading contributor to low employee morale and poor work-life balance, which can lead to higher turnover.

Overall, the Operations leadership team is comfortable with the current overtime rates. Operations overtime trends between 10 and 15% for the overtime eligible workforce, which is between 250 and 312 hours a year on a per capita basis. Overtime is largely driven by unit outages, distribution system trouble and large capital projects. However, the retirements of the Cane Run and Green River plants could have presented several business challenges including not only high overtime rates but also retention of employees, loss of skills, inability to attract/replace employees, and employee morale. To address these business challenges, the company secured, through our last contract negotiations, agreements with each of the unions addressing retention and the company’s ability to secure contractors in non-traditional roles including operations.

It is not uncommon for corporate exempt employees to be required to work overtime hours during major projects, such as monthly and year-end closings and rate cases. No concerns were found for excessive overtime in any of the corporate departments in 2013.

Regular Employees/Contractors

Partnering with contractors plays an important role at LKE. LKE Operations utilizes contractor labor, with almost 2,500 contracted in 2013.

Contractor utilization has increased due to several factors including expanded Energy Efficiency programs and major capital projects pertaining to electric reliability and gas riser and main replacement projects. When these multiyear projects have reached completion, we expect the contractor numbers to go down. Although skills and resources are being brought back “in-house” in a number of highly technical areas across the company, increased resident contractor utilization has been strategically applied within certain power plant functional areas over the past 5 years. This is due to business and

staffing model strategies in the specific areas of material handling, warehouse/inventory management, and mechanical maintenance technical support.

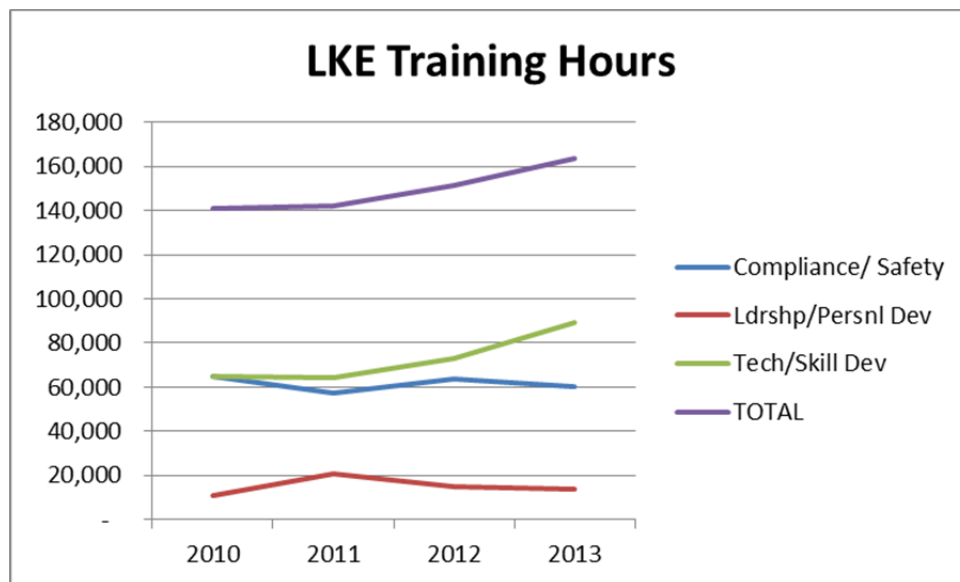
Training

Proper employee training is necessary for LKE to succeed. Although employees and managers understand the importance of training, it can often be viewed as a secondary priority. Additionally, managers may be tempted to cut training dollars due to budgetary constraints. It is important to note that proper training can maximize the productivity and efficiency of an employee. Based upon the logged training hours, LKE shows a strong dedication and investment in its employees by providing the training that is needed.

Training provides the following benefits for the company and our employees:

- educating workers about the effective use of technology;
- ensuring a competitive edge in the market;
- promoting safety and health among employees;
- creating opportunities for career development and personal growth (an important factor in retaining workers);
- helping employers comply with laws and regulations; and
- improving productivity and profitability.

The following chart shows internal training hours for the past four years. Training has remained relatively flat over this time frame. In 2013, there was an increase in technical/skill development training.



	2010	2011	2012	2013
Compliance/ Safety	63,611	57,439	63,653	60,098
Ldrshp/Persnl Dev	10,810	20,541	14,712	13,914
Tech/Skill Dev	64,101	64,055	73,042	89,510
TOTAL	138,521	142,035	151,407	163,522
Employee Headcount	3,119	3,205	3,302	3,399
Trng Hrs per Employee	44	44	46	48

Training hours for all regular employees are included in the total. This report is dependent upon self-reporting; therefore, these numbers are conservative.

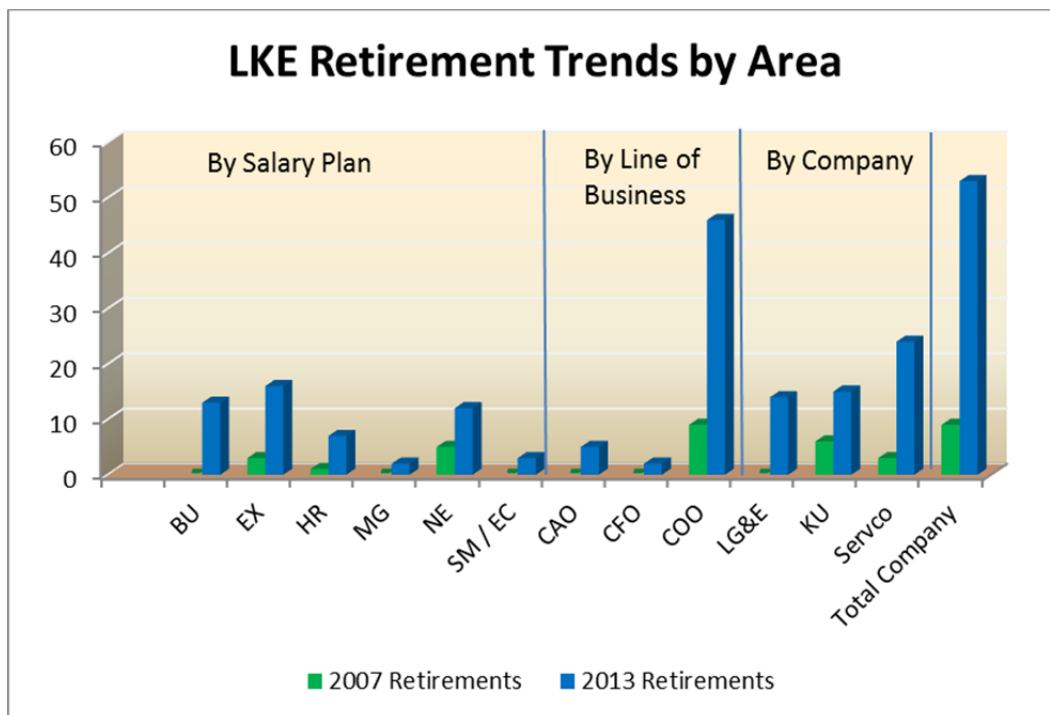
FUTURE WORKFORCE PROFILE

Retirement Outlook

From 2002 to 2009, LKE experienced low numbers of retiring employees. This is due to two main factors.

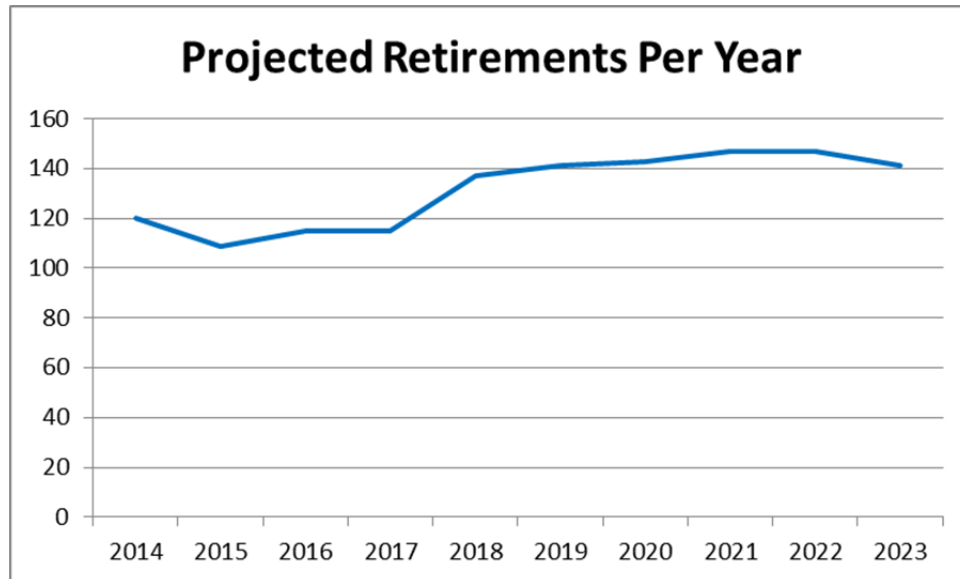
- In 2001, more than 1,100 employees left the company due to the **WTSP**. With the departure of so many retirement-ready people leaving the organization, few retirements would be expected for a period of several years.
- Because of the **economic down-turn** in the middle of the decade, many people who might have considered retirement decided to delay.

Now that a large group of employees is reaching retirement age and the economy is showing signs of improvement, the number of retirements is on the rise. The chart below compares the number of retirements for LKE in 2007 (9) versus 2013 (53). Retirements have increased in every salary plan, line of business and company within LKE. This trend is expected to increase over the next decade.



The following chart outlines retirements forecast to occur through 2023, utilizing the actuarial assumptions provided to the company by Mercer. Through 2023, 1,315 employees are predicted to retire. This is nearly 39 percent of the workforce. If our current employee mix remains constant, by 2023, 61 percent would be retirement-eligible, and nearly 43 percent will be age 62 or older. As evident in the chart, LKE will continue to realize an increasing number of retirements that will require timely staffing of backfills. Where operationally critical, a hiring overlap of the incumbent and successor may be needed to ensure effective transfer of knowledge. Additionally, the company must implement proper

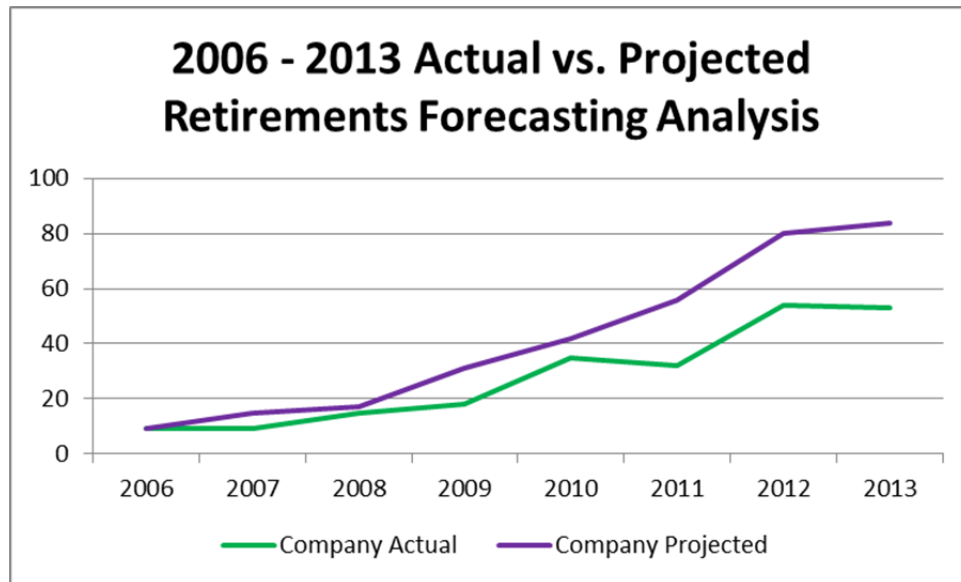
knowledge-transfer plans for those employees with critical skills. The duration of the knowledge-transfer plans vary based on the complexity of each plan put in place.



Mercer’s calculations use a percentage retirement rate based upon employee’s age (age 56 and above). It is assumed that, each year, a certain percentage of employees in each age category will retire. The ages of the employees are as of Jan. 1, 2014.

One of the most frequent and talked-about workforce challenges facing the utility industry is the retirement of “Baby Boomer” employees and its impact on operations. This analysis acknowledges the impact of these increasing retirements on the business, as evident from the ten-year forecast noted above. It is important, however, to specify that the retirements of most concern are from those operational areas in “critical” positions. Further retirement analysis is conducted at the department and operational location level to determine the impact these “position-critical” retirements will have on operations.

Again in 2013, LKE retirements were fewer than were projected, with 53 retirements for the year — versus a projection of 84. The past three years’ retirements have been below projected levels. This is largely due to a significant number of employees aged 65 and older who did not retire as expected. The increase in Social Security Normal Retirement Age from 65 to 66 and 67 may have played a part. For now, Towers Watson is not making any changes to the assumption percentages. Towers Watson plans to compare actual retirement experience under LKE’s plans to the current assumptions as part of a demographic experience study during the second half of 2014 and will have more details once that study is complete. The actual vs. predicted retirement assumptions will be examined to ensure that the forecasting model will serve as a reliable tool for workforce planning purposes. Metrics will be important to track and measure the impact of the aging workforce, sick time/short-term disability/long-term disability utilization and the impact this may have on overtime.



Knowledge-Loss Risk Analysis

Some positions within LKE require years of experience and extensive knowledge to be performed correctly. These “critical positions” can be very difficult to replace. These jobs can significantly impact performance measures such as revenue, quality of customer engagement and costs. LKE has a well-established knowledge base and specialized skills which reinforce the importance of ensuring thorough knowledge-transfer plans.

This process identifies each employee’s criticality factor. In this process, HR and LOB management work together to assign each employee a 1-5 criticality rating based on the employee’s specialized or unique skill set, including the impact on safety, reliability, customer service, geographic isolation and potential successors. The employees in critical positions may not necessarily be the highest positions on the organizational chart, but they possess critical and unique knowledge. The positions where the employee has a high impact on the company’s business strategy, cannot be easily replaced, and lacks another employee in the company who can succeed them are classified as “critical positions.” Next, it is determined how soon each employee is likely to retire. The positions classified as critical with a high retirement risk receive increased focus from HR and LOB management to implement a proper knowledge-transfer plan.

The chart below summarizes the number of employees in each line of business who will receive increased focus, and a knowledge-transfer plan will be created. Depending on the complexity of the knowledge-transfer plan it may take a year or more to establish and effectively transfer the knowledge.

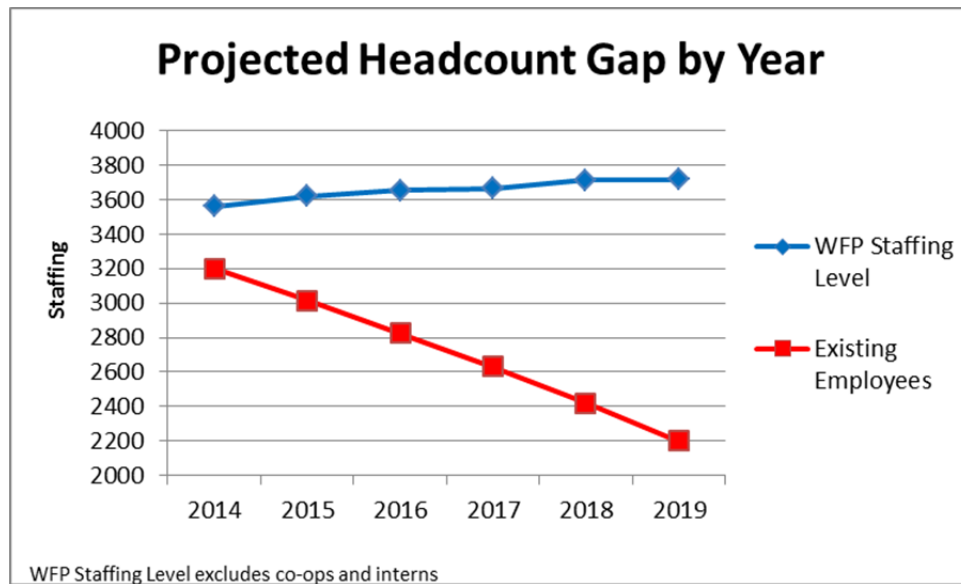


By zeroing in on these positions, HR and management can start to develop a method and timing of replacement, recruitment efforts and the method by which knowledge will be transferred. The goal is to properly identify the critical positions and to ensure the knowledge and specialized skill set have been documented within the organization and transferred to another employee well in advance of the employee's retirement.

Solving our workforce planning challenges over the next 10 to 15 years will be an extreme challenge, requiring us to rethink how we do business — considering advances in technology, complying with environmental regulations, properly identifying our talent needs and gaining a better understanding of generational differences. We must continue to seek better processes to support our core business and eliminate or outsource those non-core areas.

Projected Headcount Gap

The following chart shows the headcount gap and resultant hiring needs during the five-year plan. The red line shows the expected decrease in employees. The blue line shows expected staffing from the 2015 plan. The gap between the lines shows the expected staffing needs. Using preliminary headcount numbers, minus projected turnover, our net hiring needs are expected to be over 1400 new employees through 2019. When the “churn” associated with backfilling employees is taken into account, an estimated 1500 - 2000 positions will be filled through 2019. By the end of the year 2019 approximately 40 percent of our workforce will have less than five years of service. With churn an additional 25 percent of the workforce will be in their roles less than five years.



WORKFORCE SOLUTIONS RESPONDING TO OUR FUTURE NEEDS

It is critical that we mitigate the risk of anticipated turnover and skill gaps by developing a strong talent pipeline. This will be achieved through continued internal initiatives, including the development of skills and competencies of our current workforce. In addition, it is imperative that we continue to aggressively focus on the attraction of future workers and engage in relationships with external partners that support our needs.

Knowledge Transfer Plans

- A process is in place to identify critical roles requiring a knowledge transfer plan. Action plans have been developed to document and capture this knowledge, along with the actual transfer of the knowledge to other employees. Fourteen (14) action plans were implemented in 2013.

Leadership and Employee Development

Internal training initiatives continue to broaden the skills and competencies of our current workforce, both in business acumen and leadership skills. Key programs include:

- **Strategic Business Integration (SBI)** is a 14-day program over a nine-month period. Participants experience well-rounded, company-wide learning, allowing them to increase strategic knowledge and skills while finding new ways to enhance professional effectiveness. The program is committed to developing the capabilities of all participants by offering in-depth utility industry content, building a strategic mind-set to operate today and in the future, and providing an opportunity to build professional networks within the company. The closing event allowed the participants to demonstrate their growth and learning by presenting their strategic plans to executives and senior leaders in the organization. The target group is exempt employees and managers who have demonstrated high performance and potential for the next level. Through 2013, one hundred forty-four (144) employees completed this program. Forty (40) of them have been promoted to manager or senior manager and fourteen (14) others made lateral moves.
- **Personal Awareness and Effective Leadership (PAEL)** is a two-module program, designed specifically for managers. The focus is to increase their personal self-awareness and impact on others. PAEL develops managers to be more self-aware, thereby increasing their ability to better lead others and adapt their leadership style to be more effective with their staff. One hundred twenty-nine (129) managers have completed this program which started in 2010.
- **Leading One-on-One** was developed in 2011 for front-line leaders. This program focuses on communication styles, giving feedback, accountability, and strengthens the participants' skills as people leaders. Approximately 200 leaders participated. This program is being updated for **Front-line Leader Development**. A pilot program was implemented at Trimble County during the third quarter of 2013 and is currently under review. In addition to this, a team is developing a specific curriculum required for all new leaders which will include some online modules for just-in-time learning and will be completed by year-end.

- **Utility Business Fundamentals (UBF)** is designed to broaden all employees' knowledge of our business. It gives an overview of the company's various departments including generation, transmission, distribution, retail, and some corporate functions. All new employees are expected to attend this program within the first 18 months of employment.
- **New Leader Onboarding** focuses on employees new in their leadership roles (supervisor, team leader, manager, etc.) to support them during the transition. An OD Specialist and the HR Manager meet with the leader to discuss the new role, staff interaction, performance management, competencies, and leader and staff development opportunities. There are also online tools available on the OD website. The new leader receives a copy of the book, *The First 90 Days*, which focuses on transitioning into a leadership role and the critical areas of focus to achieve success. Operations leaders also receive *From Bud to Boss*. This program started in 2012. There have been 24 new leaders through December 2013 that have benefitted from this opportunity.
- It is imperative that we have a comprehensive training program in place in the **operations group** to ensure that the new employees entering our organization, as well as those moving into new roles, are well prepared to maintain operations in a safe, efficient and reliable fashion and be prepared for future challenges. An analysis of current training programs was conducted, noting our strengths and identifying areas where additional focus is needed. A plan has been developed and appropriate programs are implemented as identified.

Military Recruitment

- LKE has developed and implemented a focused strategy to enhance its **military recruiting efforts**. The Manager Staffing Services has developed relationships with selected business partners that specialize in military recruiting and implemented a strategy to enhance the company's relationship with government and community organizations that assist veterans transitioning into civilian roles. These relationships are critical to attract skilled workers as they fulfill their military obligations and seek opportunities in the private sector. In 2013, 11.1% of our hires were veterans. Through the first quarter of 2014, 9.17% of our external hires were veterans.
- The company has established a **Military Veterans Business Resource Network**. The veteran network group emphasizes four key areas of interest for veterans and employee supporters in the following areas:
 - Recognition and Rewards
 - Filling the Talent Pipeline
 - Professional Development and Marketing
 - Communication, Education and Marketing

This network will be instrumental in helping the company mentor military veterans within LG&E and KU and reach out to potential job candidates interested in a career here.

The military media campaign included placing ads in 4 print media in March 2014. We also placed a press release to the areas where the ads were published which was picked up by

multiple media outlets. Plans are to repeat the advertising near patriotic holidays such as Armed Forces, Memorial and Veterans Days. We also plan to place ads in locations where LKE will be recruiting, such as in the Lexington Herald June 26 for the 'Hiring Our Heroes' summit.

Co-ops and interns

The co-op and intern program strongly supports the recruitment and retention of top performing students and enhances our reputation as an employer of choice. The program consists of mentoring, a formal performance review process, and educational and professional networking events to learn more about our business and meet professionals in their field. Through this program, the students gain real life career experiences, while our management team has the opportunity to interact with them and learn more about the skills and talent the next generation will bring to the company.

Focused relationships have been developed with colleges and universities to support the co-op and intern program. We have worked closely with regional schools and participated in career fairs, mock interviews and information sessions at the University of Kentucky, Tennessee State University, University of Louisville, Western Kentucky University, Indiana University Southeast, Kentucky State University, and the University of Cincinnati. In addition to our recruiting specialists and HR managers, some of our full-time employees who are alumni of these institutions are being utilized to market and promote energy careers to current students.

During 2013, LKE employed 151 co-op/intern students. These students worked on a variety of assignments, including Accounting and Finance, Human Resources and Engineering projects. Eighteen former co-ops/interns were hired into full-time positions.

Diversity recruitment

The Company continues to follow our established solid recruitment practices and has created many good-faith efforts to maximize diversity. These include:

- Requiring a diverse slate of candidates for every job opening
- Posting every external position on the company's website and sending the notice of the posting to the applicable Department for Employment Services office, the Department for Vocational Rehabilitation, the Urban League, and the Center for Accessible Living, the local Job Corps, YouthBuild Louisville, the Kentucky Community and Technical College System, and the Department for the Blind.
- In addition to posting positions on the "typical" websites, all external job postings (up to manager level), are posted on the Commonwealth's Employer Service Delivery Agencies and diverse websites, such as the Lexington and Louisville Urban Leagues.
- Participation in the National Society of Black Engineers annual conference and job fair in Indianapolis, IN.
- Participation on several boards, advisory committees and support of the workforce development efforts of several organizations, including the Louisville Urban League, National Black MBA Association, National Society of Black Engineers, and the Greater Louisville International Professionals.

- Participating on the board of directors for both the Business Diversity Network of Kentucky — of which LKE was a founding member — and the Kentucky Industry Liaison Group (member since the late 1990s).
- A commitment from the senior leadership team to hire outstanding external candidates when identified even when we are not recruiting for a specified position. Full attention will be given to diversity and monies will be diverted from other O&M if necessary.

Aging Workforce

In an effort to retain our aging workforce, the **WorkSmart** ergonomics program was implemented to address some of the concerns of physically aging workers. The program helps reduce the physical stressors created by some jobs and offers ergonomically correct ideas to improve work processes. A website has been created where employees can share ideas to help individuals work more productively and improve their work environments. Also available are suggestions on improving work equipment usage, methods to reduce the risk of injury in performing routine tasks, and alternative tool, equipment, and techniques that reduce physical exertion.

Numerous **wellness initiatives** are in place across the businesses to support employees in their mental and physical wellbeing. These include walking competitions, weight loss programs, exercise programs/facilities, wellness newsletters, and nutrition and fitness programs, to name a few. Employees are encouraged to participate in these programs. In 2013, we implemented a program focused on educating and supporting employees with hypertension through a third party vendor, Edumedics. In 2014, the program was extended to include disease management for hyperlipidemia and diabetes.

The company recently introduced the “Game Plan for Aging” by Occupational Athletics. This program covers how to make a plan for the “four quarters” of life, sharing how to increase body awareness, improve posture and more. Being physically ready for work reduces muscle tension, improves coordination and develops awareness, flexibility, balance and strength. Employees from various groups at Auburndale, Simpsonville, Green River, KU General Office and the LG&E Center participated.

Talent Management

To support the engagement and development of employees, LKE will continue to focus on talent development, mentoring and succession planning. By providing our employees with the proper tools for career development, we anticipate higher retention and engagement, and more a qualified workforce.

Succession Planning – Our annual integrated succession planning process has been in place since 1988. Replacement candidates are identified for all executive and senior manager positions. High potential pools are also created for executive, senior manager, manager, and female/minority candidates. Diverse employees at all levels are reviewed. The plan is discussed with the senior executives and CEO and implemented appropriately. We have also integrated our plan with PPL’s process.

Formal Mentoring – High potential employees are mentored by executives, senior managers and managers. Mentorees and Mentors receive training prior to the start of the mentoring year. Three month and six month follow up “check ins” are conducted and changes made when necessary. We continue to receive high evaluations on this development program. A total of 170 employees have been mentored since 2006.

Engineering Mentoring - A program was developed for more senior engineers to mentor newer engineers. In 2012, five engineers were mentored by senior level engineers and/or managers. In the 2013-2014 program, there are 10 relationships. Good feedback from the participants.

Engineer Professional Development – OD supported the Engineering Council and built a library of resources, along with creating a dedicated page on the OD website, to have available for engineers to attain professional development hours for license recertification.

New Hire Assessments – We have broadened the use of TriMetrics pre-hire assessments. Previously used in the Call Center, the use of assessments has been expanded to HR and Accounting. These assessments have been helpful in identifying successful candidates. By using this tool, we anticipate decreased turnover, supporting the retention of top talent.

The company uses pre-employment technical assessments for a large majority of its field and craft technician roles throughout the power generation, electric distribution and gas distribution businesses. These assessments were developed and validated by the Edison Electric Institute and are used by many investor owned utilities across the country. Currently, the company is participating in a validation study to expand the use of these assessments for additional job roles within the business (i.e., gas controller, energy dispatcher, transmission operator).

Urban Leadership Alliance Seminar (ULAS) – The Urban League of Louisville designed this program as a vehicle through which African American men exhibiting high potential as future leaders are coached, educated and prepared for higher levels of leadership and responsibility within their respective companies. We sponsored one participant from our high potential pool to participate in this program in 2013 and have two in 2014. The objectives of the program are to provide peer-to-peer and small group learning opportunities including gender and race-specific communication. Facilitators include experienced local leaders and participants have the opportunity to self-initiate mentor relationships with area African American leaders.

External Partnerships

Partnering with external organizations increases the company's exposure to potential workers by informing the marketplace of opportunities within the energy industry. Critical partnerships have been established or are under development.

- **Center for Energy Workforce Development (CEWD)** – Through PPL, we have membership status in the Center for Energy Workforce Development. CEWD has developed an energy industry competency model which is available to all member companies. We are also learning more about their Troops into Energy resources. All of our open positions are posted on the CEWD careers website.
- **Degrees at Work** - LKE was an original member that supported GLI in the development of materials for the Degrees at Work (DAW) program in support of Louisville's 55,000 Degrees initiative. We have committed to 150 new Bachelor's and Associate's degrees among our workforce by the year 2020. The Degrees at Work program supports this commitment by providing LKE employees with support as they seek their degree. We have a dedicated contact

at LKE that meets regularly with the DAW team. Two career fairs were conducted in 2013 with approximately 50 attendees.

- In 2008, we began offering **on-site college courses** through KCTCS at East Operations Center to support employees who are working on their college degrees. The program is also offered at the Lexington Operations Center. To date, fifteen (15) employees have completed the program and twelve (12) more are currently working on their associate degree. These programs are very convenient for Line Technicians and other employees working on their college degrees.
- **Gas operations employees can attain an associate degree** through a partnership with West Kentucky Community and Technical College (WKCTC) in Paducah, KY. Employees are granted credit hours for technical training they have accumulated in their jobs. Two employees have achieved their associate degree and two others have an additional module to complete for the degree.
- Our partnership with **Southern High School** was designed to develop a long-term relationship with school administrators, faculty and students to identify potential candidates for utility careers early. The program provides a first-hand look at job possibilities across the company by providing training opportunities to students through bi-weekly, 40-minute meetings in a dedicated classroom. We just completed our third year with Southern. We will stay in contact with eight graduating seniors; two of them are entering the military, one is entering UK in the fall. While the program has resulted in good public relations, the results don't warrant the use of resources to expand to other schools.
- **Line Technician - Schools/Development** - We continue to recruit from the Line Technician School in Trenton, Georgia. LG&E/KU is their number one employer of choice due in part to our exceptional safety record. We also recruit from the **Line Technician Center at Somerset Community and Technical College**; however the majority of these graduates are accepting positions with municipals and co-ops. Evaluation of this program and potential candidates will continue.
- **Project Lead the Way (PLTW)** partners schools and local industries across the United States to promote science, technology, engineering and math — STEM-based education — in local schools. KU committed to providing classroom computer equipment in Elizabethtown when their school board approved incorporating the program at T.K. Stone Middle School starting in the 2012-2013 school year. Twenty-five (25) desktop computers with upgraded memory and video cards were installed in a classroom, as well as desktop lab stations, a printer and a teacher's laptop. The computers support CAD design software, which is used as part of the program's curriculum. Supporting STEM-based education is a critical opportunity for our company, as well as for Kentucky, because today's students are our communities' future workforce and civic leaders. LG&E and KU have actively participated in Project Lead the Way in Kentucky as a founding partner and one of 12 major partners across the state. Our vice president of State Regulation and Rates is a current University of Kentucky College of Engineering Project Lead the Way council member, and our chief operating officer was a founding council member for the University of Kentucky College of Engineering Project Lead the Way.

- **National Energy Education Development (NEED) Project** – The NEED Project sets out to promote an energy conscious and educated society by creating effective networks of students, educators, business, government and community leaders to design and deliver objective, multi-sided energy education programs. LKE has a liaison to the Kentucky State chapter of NEED to work with local teachers on curriculum and educational experiences for students to learn more about energy efficiency.

Solving our workforce planning challenges over the next 10 years brings unique challenges which will require us to rethink how we do business — considering advances in technology, complying with environmental regulations, cyber security regulations, new federal regulations, properly identifying our talent needs and gaining a better understanding of generational differences.

PROPOSED HEADCOUNT

The goal of the WFP is to identify the needs of the business. Therefore, this is the initial stage in the development of the Business Plan with respect to needed headcount.

Proposed Incremental Headcount*	2014	2015	2016	2017	2018	2019	Total
Corporate							
Proposed Incremental Headcount		8					8
Chief Operating Officer							
Proposed Incremental Headcount	3	44	16	21	3	0	87
LKE Total							
Proposed Incremental Headcount	3	52	16	21	3	0	95

*Incremental means additional headcount requested relative to the approved 2014-2018 headcount in the Business Plan.

Corporate Workforce Planning 2015-2019

OVERVIEW

The purpose of this five year workforce plan (WFP) is to take a systematic approach to analyzing business strategies and resource needs to ensure continued success of the CFO and CAO organizations. The 2015 Corporate WFP is summarized by the CFO and functional areas reporting to the CAO.

Our corporate groups are similar to the rest of the organization in dealing with an aging workforce. Forty-one percent of the corporate workforce will reach age 62 by 2023. This will drive a significant amount of churn within the employee population requiring focused attention to staffing needs as well as knowledge transfer. Previous workforce planning cycles have begun to address the identified concerns such as: (1) establishment of action plans related to knowledge risk-loss, (2) utilization of technology to advance the business and (3) reorganization of various departments (i.e., Human Resources, Information Technology and Corporate Communications). Although the CFO organization did not have a formal restructuring, the organization did transfer headcount and work responsibilities in order to achieve a more positive work life balance. A continued review and alignment with the business strategies and cross-company prioritization will drive the need for flexible skill sets to assign to the highest priority initiatives.

During the WFP analysis, challenges were identified such as:

Chief Financial Officer

- The Controller group currently has one open intern position. In the recent past, open Accounting Analyst positions have been filled from outside the company due to the skill level needed and the lack of qualified or interested candidates within the company. In the past the departments have had difficulty attracting candidates from outside the company and positions typically take several weeks to fill. Recently the group has increased the hiring of high-performing interns to fill open Accounting Analyst positions.
- The manager level positions are the most critical positions within the Controller group. These positions require more highly skilled and experienced employees who may be more difficult to recruit. Management within the organization is continually working to coach and mentor accounting analysts to help develop them for management positions; however, currently there are very few senior level accounting analysts who are ready to make that transition. Other options for successors include other managers within the Controller's organization, or senior analysts or managers in other areas of the company.

Chief Administrative Officer

- Over the past six years, HR has had the opportunity (primarily through replacement hiring) to bring in more than 10 highly skilled employees into key positions. These hires have added bench strength and provided greater opportunity for knowledge transfer.
- Difficulty exists in both attracting and retaining core/key IT skill sets. This is true both in the local and national markets and for our contractor base and suppliers as well.
- 104 IT employees will reach age 62 by the year 2023 (representing 36% of the current IT population).

- Key attorney positions that focus on the FERC and construction are difficult to fill and will require a national search for candidates.
- Currently contract resources are utilized in both Material Logistics and Services and Sourcing Support. However, for the rural areas the strategy includes moving away from the contractor workforce. This will require the contractor at the London storeroom to be replaced with a company resource.
- Supply Chain has implemented a formal intern program with the University of Louisville and has worked with HR to strengthen the relationship with both the University of Kentucky School of Business and Kentucky State University. These programs will allow a college junior, senior or MBA student to work part-time in supply chain. This program is intended to introduce local college students to the supply chain discipline, enhance the quality of the company's college relations program, and identify potential future LKE regular employees.
- A formal internal development and succession plan has been developed for the sourcing leader group. This plan, which is reviewed quarterly by the SC management team has and will continue to ensure a smooth transition as this group incurs potential retirements and/or other turnover.
- A high level succession plan has been discussed for the balance of the key positions in the Supply Chain department. The challenge will be to draw interested internal candidates from other parts of the company, or recent college graduates, vetted through the intern initiative, into Supply Chain to ensure long-term success and sustainability in these key positions.

CONFIDENTIAL INFORMATION REDACTED

CURRENT WORKFORCE PROFILE**CHIEF FINANCIAL OFFICER ORGANIZATION****Key Assumptions**

- Financing assumptions are based on existing capital plan.
- Annual rate case filings, alternating each year between KY and VA.
- Continue to report on three SEC registrants with no significant changes to SEC filing requirements or schedules.
- No significant system implementations in next five years.
- Maintain hybrid service model across PPL (three shared service groups based on location – PA, UK, KY).

CFO Summary

No change to total headcount is contemplated. The CFO group expects to maintain current 144 FTE positions.

Action plans included in the 2013 Workforce Plan have been executed.

- The Financial Systems and Trading Controls departments were eliminated with resources redeployed to other areas of the CFO group where needed or to other groups in the company (Supply Chain). One manager position was eliminated in the process.

No near term organization changes are expected. Consideration will be given to realignment of the existing Financial Planning & Analysis and Operations Budgeting & Forecasting groups upon the expected retirement of the Director of the latter group within the next few years. Other potential realignments will be considered based on changes in workload, needs of the organization and changes in personnel.

All CFO employees completed a follow-up Employee Opinion Survey in the 4th quarter of 2013 to determine if action plans from the 2012 survey improved overall employee satisfaction. The results of the survey were reported for the entire CFO organization and showed positive improvement in the response rate and all five categories including: Roles & Responsibilities, Communication, Work Environment, Training & Development and Overall Satisfaction. The table below shows the average % of positive (Strongly Agree or Agree) to the 4-6 questions in each section of the survey:

Category	This Year	Last Year
Roles & Responsibilities	92.1%	87.9%
Communications	78.3%	70.2%
Work Environment	82.7%	65.1%
Training & Development	85.0%	79.0%
Overall Satisfaction	86.7%	72.6%

The results also indicated most employees feel morale is generally high in the CFO organization and that management has made an effort to improve work/life balance. A company-wide Employee Opinion Survey will be deployed in the 2nd quarter of 2014. Results will be reported to provide greater insight on employee engagement at the manager/department level.

The continued use of interns is being encouraged, where necessary, to lessen the entry-level workload on accounting analysts, enabling focus on more complex work assignments. Improving the workload of employees will allow more time for necessary cross-training, knowledge retention, professional development and better communication across departments. The CFO group currently employs 11 interns, representing approximately 7% of its workforce. The continued and potentially expanded use of interns also provides a pipeline for full-time employment either after the intern receives their college degree or completes any desired public accounting experience. Six of the most recent (past twelve months) eight new hires in the CFO group had previously worked as interns for the company. Efforts will continue to maintain relationships with successful interns.

Succession plans and individual development plans are robust in the CFO group and should be adequate to address the ongoing needs of the organization, expected turnover and development opportunities for high potential employees. During the next 5 years, approximately 15% of employees in the CFO group will reach age 62 (3 of whom are currently there) and 37.5% of employees will reach the retirement eligible age of 55.

CHIEF ADMINISTRATIVE OFFICER ORGANIZATION

HUMAN RESOURCES

HR's goals are to deliver strategic value and operational excellence. The primary objectives are to attract the right talent, develop the workforce in alignment with our key values, and retain high performers. The strategic areas of focus include:

- Health and wellness
- Competitive benefits programs
- Competitive compensation strategy
- A culture of inclusion
- Formalized workforce and succession planning
- Professional development programs
- Performance management
- Effective recruiting programs
- Cooperative relations with unions
- Positive public image as employer of choice

HR has the talent in place to lead and execute these initiatives. Employees are experienced in their functional disciplines, understand the business and are able to respond to company and employee needs. Over the last several years, transactional work has been outsourced to leverage the available headcount for strategic organizational development work. Coordination with PPL will continue to impact the HR workload as we align processes such as succession planning and identify and evaluate potential cost savings (e.g., actuarial services, savings plan options, systems integration such as CAAMS, BrassRing and administration of the savings and pension plans).

During ongoing workforce planning discussions, we look at factors such as external and internal forces which would impact how we do business; whether any work could be eliminated or streamlined; whether we've hired the right skill sets for the future; whether we've sufficiently focused on knowledge transfer; and organizational design.

Organizational Structure

One of the major challenges we continue to face is the amount of current and projected staffing required to meet business needs along with all that is associated with an influx of new hires (e.g., onboarding, training). With the increase in hiring, we restructured to centralize hiring of co-ops and interns in 2011. The hiring of engineers was also centralized. To more effectively and efficiently address the hiring challenges, a fully centralized staffing function was established last year. This structure supports a strategic focus on superior hiring practices, ensuring consistency of processes and standardized data input. The requisitions, postings, screening of candidates, interview scheduling and the onboarding process now reside in this centralized area. HR managers continue to retain responsibility for final interviewing and candidate selection to support the hiring managers. These changes align with the company's broader restructuring.

To support the new staffing organization a headcount was transferred from HRIS to Staffing. This was the only potential area where we could redeploy to avoid an incremental headcount. We tested this by having a new manager identify what we could stop doing, how we could improve processes and efficiencies, etc. Ultimately the conclusion was that this arrangement would not meet the company's

needs. It was determined that the headcount which was redeployed from HRIS during the HR reorganization was necessary; therefore, an HR Business Analyst was hired in 2014. As a result, HRIS has streamlined several processes and implemented a number of system enhancements which has added value not only to HR but the business as well.

With the centralization of HR, it is now possible to achieve greater consistency in process and measurement. This allows us to improve our analytics. Additionally, for the first time we have access to real-time data through the BI tool.

With increased hiring, it will be critical to ensure that new hires are receiving the necessary training at the right time. With the Learning Management System we expect to eliminate all of the manual processes associated with scheduling, enrolling and tracking of participants.

Previously, the management of the company's competitive benefits associated with short-term and long-term disability, as well as FMLA, was decentralized. As part of the 2013 restructuring, we created a centralized absence management function within Benefits to deliver a consistent application of processes, policies and enhanced data integrity related to all "absence" issues, including STD, LTD, FMLA and Limited Service Administration. The goal was to take a function that is both very complex (in terms of compliance with a host of laws) and heavily transactional and centralize it so dedicated specialists could manage it. This, in turn, streamlined the work of the other HR Associates.

Similarly, to ensure greater data integrity and consistency and to more fully utilize metrics analysis across HR, the HRIS function was consolidated to include metrics and workforce planning analysis.

Finally HR policies, such as, drug and alcohol testing, Sarbanes-Oxley, etc., (those that involve compliance matters) were centralized this year.

In addition to streamlining processes and ensuring greater consistency, this overall centralization of responsibilities should ultimately allow the HR field managers to serve additional organizational development functions with their client groups.

Knowledge Transfer

The senior HR leadership team is approximately of the same age, so knowledge transfer has been a major area of internal focus for several years. Approximately 50% of the group is age 55 and older. To facilitate both knowledge transfer and planning for the future, a strategic description of key events and turning points detailing the paths that led us to where we are, along with strategic challenges and plans for the future is available on SharePoint. Extensive employee participation in the process in and of itself has provided a meaningful way to facilitate knowledge transfer. Within the document the key events and turning points have links related to analyses, programs and other relevant information. This serves as a roadmap where senior employees share key history with junior employees, involve them in planning and thereby provide a pathway to the future. It also allows officers and other key people outside the department (e.g., external hire) to quickly assess each area's history and status of key issues and strategies.

We continue to use HR Forums to support knowledge transfer. Teams are established around functional issues (e.g., benefits, workforce planning, etc.) as a way to stretch and build resource capacity and to transfer knowledge from senior to more junior employees. This broadens the exposure of virtually every

employee in the department and maximizes the team's depth and overall strategic contribution. Also, we will use major projects such as the savings and pension plans vendor conversions as opportunities to transfer knowledge to newer employees.

We have focused on building bench strength and ensured that knowledge transfer processes are in place to allow for seamless transfer of responsibilities as workers retire. In the last five years, HR has hired, mostly due to replacements, more than 10 employees in key positions such as HR Manager, Workforce Analytics Specialist and Staffing Specialist. These hires have significantly enhanced the strength of the organization. We have also rotated HR Managers on a very regular basis to learn different areas of the business and to allow for more options as we plan for succession.

Specific Workforce Issues

Benefits – The incumbents in the two senior exempt positions are ages 58 and 56. Over the past several years, we hired two new Benefits Analysts to support current needs and to prepare them for senior roles in the future. We are expecting another retirement at the end of this year and will be using an MBA intern to understudy the incumbent, pending a broader evaluation of whether and how to backfill the role.

Absence Management – The exempt-level person over this function is retiring later this year. We will fill that role through an internal promotion and hire a new HR Associate.

Compensation – There is no identified risk of losing any of these incumbents. However, they have been specializing in their areas of focus; therefore, intensive cross-training has been taking place to ensure that critical knowledge and responsibilities are shared among employees. This cross-training includes routinely exposing these employees to Benefits work. We have internal talent who could assume the manager role.

Diversity – This manager role was filled in 2011. The affirmative action and EEOC work previously done by a Policy and Compliance Coordinator was transferred to this role to ensure we have several individuals trained in this work.

Health and Safety – Safety, for strategic reasons, was transferred to operations and a manager was hired for Wellness, who retains Safety responsibility for the corporate group. The new Wellness manager is qualified and equipped to develop the long-term strategies necessary to develop a culture of health and wellness that aligns with and supports related objectives for our medical plan while staying connected to Safety.

HR Managers – We currently have one HR Manager who retired this year and another who is age 62. We have used this and related openings to promote or develop other HR employees while hiring more junior employees externally. This strategy has proven very effective in positioning HR to service clients in the future.

Labor Relations/HRIS – The current manager assumed this role in May 2010. Knowledge transfer and development of this incumbent have been taking place over the past several years. This area is solid with no identified risks. Successors are in place.

Organization Development – We currently have a successor in place for the manager role.

Staffing – The staffing organization has a new manager and there is no identified risk of losing this manager; nonetheless, there is bench strength. This organization is developing as new processes and procedures are being evaluated and implemented.

INFORMATION TECHNOLOGY

In 2013, the IT organization went through a restructuring to address the current and future needs of the business. The assumptions for IT remain:

- Expanded use of co-sourcing will be embraced.
- No incremental headcount is included for Smart Grid, Smart Meter (AMI) or joint overall corporate initiatives. It is expected that business cases would identify those needs and be included in subsequent WFPs when identified.
- IT will continue to see growth in the demand for IT Services. These demands include business process improvements, emerging technologies, NERC/CIP and other regulations (although the impact is not known or included at this time).
- Few, if any, applications, infrastructure or services will be removed from the current IT Portfolio.
- Project Investment Proposals need to include funding for incremental support. The approval of the IP needs to be the understood mechanism for the funding.

IT continues to see four key issues for the 2014-2019 WFP. The four areas include emerging technologies, security and compliance, changing needs for the business and smart meter/smart grid. A full analysis of each of the four key issues is explained below.

Emerging Technologies

All areas of IT partner with business areas to develop roadmaps where existing solutions are analyzed and new technologies are evaluated. Over the next several years, the roadmaps continue to show significant system upgrade cycles: expansion of web services and business analytics, increased mobile build-out, implementation of solutions such as Unified Communications and Collaboration, Smart Grid/Smart Meter, Transmission Applications, Records Management and Call Center technologies. These new technologies will continue to bring the need to expand the technical skill sets of our staff and expand the resources required to implement and support these technologies. In some areas, like mobile, we have found that dedicated support resources have enabled us to provide the level of service expected by the business.

Security and Compliance

Increasing numbers of information security threats are documented almost daily. Additionally, actual breaches of large corporations' networks (e.g., Target, Skype, Neiman Marcus) wherein millions of leaked financial and customer records and/or instances of malicious code bringing down entire corporate networks, are more and more frequently reported. The results include work stoppages and recovery efforts costing millions of dollars; reputational degradation, and increased regulatory (and expected legislative) oversight and requirements. At the same time, attackers are focusing increasing attention on industrial control systems. A report published in the fourth quarter, 2012, by the Department of Homeland Security's Industrial Control Systems Cyber Emergency Response Team (ICS-CERT), reported 198 cyber incidents in the fiscal year that ended September 30, 2012. Of these attacks, approximately 40 percent were directed against companies operating in the energy sector. The potential consequences of a significant cyber security breach of a public utility could be catastrophic, conceivably resulting in exposed confidential customer information, blackouts of entire sections of the grid, and

even loss of life. As the number of Web-based and Internet-facing applications continues to grow, vectors for attacking IT systems and data grow exponentially, as well, as do actual attacks on systems and networks.

In response to increasing threats, expanding regulatory requirements and recommendations from the 2013 maturity assessment conducted by Accenture against the SANS Top 20 Critical Security Controls, IT Security continues to mature its log monitoring function. Logs from corporate, as well as CIP assets are being integrated into LogRhythm which is being developed over time into a Security Information and Event Management (SIEM) system. Such a system allows for log monitoring, alerting, aggregation, correlation, and reporting.

On November 22, 2013 FERC approved Version 5 of the cyber security standards for Critical Infrastructure Protection (CIP), designed to protect the integrity and reliability of the nation's bulk electric system. As Version 5 includes changes to the requirements within the framework itself, effort for LKE compliance is expected to be significant. IT continues to work with the Compliance, Transmission Operations, Generation Services, and Corporate Security areas to understand the changes required by version 5 and the resources necessary for implementation and ongoing sustainability while ensuring the company's compliance with the current version of the standards. Standardized and unified processes are in place across the company for most requirements providing consistency in interpretation and compliance. It is anticipated that the company will take this opportunity to participate in the voluntary Reliability Assurance Initiative (RAI) which takes more of a risk assessment, control-based focus. Version 5 implementation is required by April 1, 2016.

In addition to the modified CIP standards, additional regulatory and legislative cyber and physical security requirements and expectations have been issued and/or are anticipated. On February 12, 2014, the National Institute of Standards and Technology's (NIST) "Framework for Improving Critical Infrastructure Cybersecurity" (the Framework), developed in response to the 2013 Executive Order -- Improving Critical Infrastructure Cyber security (EO) and the Presidential Policy Directive #21 on Critical Infrastructure Security and Resilience (PPD-21) were issued. While individual companies' adoption of the Framework is voluntary, various Federal agencies (Department of Energy (electric) and the Transportation Security Administration now under the Department of Homeland Security (oil and natural gas)) were directed to clarify the Federal government role in critical infrastructure security. Issued on that same day were the new versions of the Electricity Sector – and Oil and Natural Gas-Cybersecurity Capability Maturity Model (ES-C2M2 and ONG-C2M2, respectively) as the respective agencies' selected tools for meeting the Framework. Use of consistent tools across the industry allows for joint understanding, collaboration, and benchmarking. Cyber and physical security have become topics of interest at the state level, as well. As a result, IT Security is taking a much more active role in external cyber security industry and governmental groups, responding to inquiries, providing input into policy, and knowledge sharing with industry peers.

Support changing needs of the business

As noted in the overview, IT reorganized to better address current and future technology needs of the company. Two key features of the revised organization are the forming of Centers of Excellence and Communities of Practice.

A Center of Excellence (CoE) is a centralized, shared team of resources to provide leadership, best practice, research, standardization, support and training for a focused area. Employees and a manager will be formally assigned to a CoE. These are being established for Business Analysis, Program

Management and Quality/Testing. This will include an additional resource to mature the project management practices within IT.

A Community of Practice (CoP) refers to a loose affiliation of a distributed set of resources that formally report into different groups that collaborate on research, standardization and best practices for a domain. In the ITI&O several are being established.

To enable us to fully realize the benefits of the collaboration and productivity tools, additional resources will be needed in training/personal productivity.

Reliance on Technology

All areas of the business increasingly rely on the use of technology to perform their jobs. The ability to revert to manual business processes in the event of disasters or system outages is diminishing. This is due to the increasingly complex technological footprint and processes which cross multiple applications, devices and infrastructures from start to finish. As long-term employees retire across the company, those who knew how to perform manual processes will be replaced by workers who've never encountered the need for those processes. These factors combine to make reliability of the technology infrastructure and applications of paramount importance. Both planned and unplanned outages must be minimized and higher-availability designs must be contemplated to address these needs. Additional focus on proactive monitoring and management of the infrastructure is also required.

Supporting Growth

The company's technology landscape has become increasingly complex. Drivers include industry regulations including the SEC, FERC and NERC and increased reliance on the computing infrastructure to provide business reliability. We currently have 453 physical servers, 1035 virtual servers, 853 TB of used storage, hundreds of miles of fiber-optic cable, thousands of networking and security devices, 1300+ databases, and two data centers. These technologies have grown at more than 30% CAGR over the past three years and are expected to continue at this rate for the foreseeable future. Growth is expected to continue in areas such as SharePoint, Business Intelligence, Unified Communications and Enterprise Content Management. In addition, several areas which have historically been light consumers of corporate IT services are continuing to bring new requirements and support needs to IT. While these may not require introduction of new technology, they add to the overall volume.

Smart Meter/Smart Grid

The company is in the process of developing a strategy to implement Smart Grid technology. When this strategy is fully deployed across our service territory, it is expected to require a significant number of IT resources specifically in IT Security, Applications and Network Infrastructure – both for implementation and ongoing support. At the present time, we are not able to determine the quantity and the specific skill sets required for this initiative. The business case for these initiatives must include the needed headcount and any backfill strategies. The Downtown Network AMI project will help define the resource needs for a full deployment.

The operating model framework for IT segments the "Change" and "Run" functions to help meet future needs of the business – addressing the pace of changing technology, responding to the company's overall structure and further recognizing demographics issues of the IT workforce.

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Primary objectives for IT continue to be effective business alignment to increase levels of partnership and trust, enhanced productivity of IT resources to maximize value delivery, and optimized sourcing model to maximize IT spend.

Training, re-tooling, and recruiting for key skills, as well as looking at optional sourcing models to optimize flexibility will need to be considered and pursued by IT management in these plan years as we continue to transition the organization to this new model.

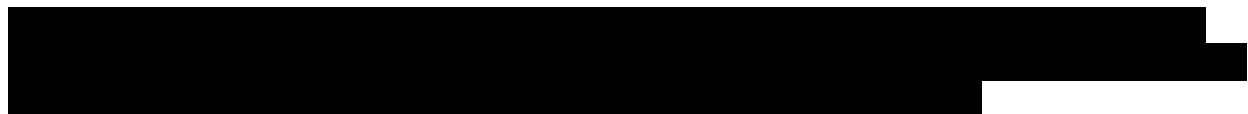
The external and internal influence of cyber security will also continue to be a key driver in both the staffing levels and skillsets to complete the work.

To stay abreast of the constant changing technologies, the IT organization finds it is necessary to train the staff on a regular basis through conferences, classes, webinars, and other learning opportunities. Without this constant upgrading of skills, it would be impossible to meet the needs of the business. Where possible, we are grouping employees across the organization to offer technical courses on-site. This can provide an overall reduced cost as well as allowing the training to be tailored to our examples. Speaking opportunities for our employees at conferences provide a way to stretch the training budget and develop presentation skills. Retooling and/or expansion of skill sets to additional IT employees have been and will continue to be necessary. Specialization through staffing of Centers of Excellence requires training in those specific areas to provide support across multiple areas of the company. Additional technical training has started in 2014 due to the combination of development and support skills into similar areas based on core applications, and may continue for multiple years. These may involve several proprietary languages; depth of skill in internal platform, currently .Net web; and new infrastructure and security technology solutions.

SUPPLY CHAIN

Supply Chain currently has an approved budgeted headcount of 53 personnel. This total includes interns, the 2 headcount added to the department as a result of the Oracle Business group decentralization in late 2013 and the 2 incremental positions (System Analyst, Storeroom Specialist) approved as part of the 2013 Workforce Plan. No additional incremental headcount is requested during the plan period.

From a demographic perspective, 17 are greater than 57 years of age and 10 of those 17 are 60 years of age or older.



This demographic will present an ongoing challenge to the stability of the overall department as most long-serving incumbents are in critical knowledge positions and have accumulated significant experience. The backfill process of these positions, as they occur, will have to be thoughtful and conducted well in advance of actual retirement dates to allow ample time for transfer of knowledge and transition. While no formal retirement announcements have been made (outside of what is stated above) the recommendations in this plan continue to address the critical positions with both internal moves and external hires within the approved headcount.

A formal internal development and succession plan has been developed for our Sourcing Leader group. This plan, which is reviewed quarterly by the SC management team, has, and will continue to ensure that all internal stakeholder work is covered and a smooth transition can be planned in the event of potential retirements and/or other potential turnover.

In 2014, focused effort will be placed on a detailed succession and development plan for the Support Analyst group. The initial step in this process will be to use an external third party, TriMetrix, to conduct a detailed skill assessment of the applicable positions, determine the key characteristics needed to be successful in the position, fill the two open positions and develop detailed development plans for each member of the group. The challenge will be to draw interested internal candidates from other parts of the Company, or recent college graduates, vetted through our intern initiative, into Supply Chain to ensure long term success and sustainability in these key positions.

College Relations

Supply Chain has implemented a formal relationship with both the University of Louisville MBA program and the University of Kentucky, School of Business through *Project Connect*. These programs will allow a college junior, senior or MBA student to work part-time in the supply chain department. This program is intended to introduce local college students to the supply chain discipline, enhance the quality of the Company's college relations program, and identify potential future LKE permanent employees.

PPL

The ongoing interaction and formal collaboration effort with PPL Supply Chain will continue to challenge all areas of the supply chain group. The current disparate "views of the future" will mean that workload and effort will have to be continually assessed and adjusted/balanced to generally support overall PPL Supply Chain initiatives without compromising the expected high level of quality and service currently being provided to internal LKE stakeholders.

In addition, PPL has recently purchased the Ariba Procure-to-Pay software. While LKE has been exposed to this software and sees benefits in adopting specific pieces of it, particularly as related to the ability to better manage Supplier documents and Sourcing and Payables automation, there has been no formal assessment as to the effort, costs or ability of this system to meet and/or improve our current processes.

Outsourcing

Currently contract resources are utilized in both Material Logistics and Services and Sourcing Support. (Brownstown Electric) Contract storeroom personnel are located primarily in the Lexington and Louisville metropolitan areas. An incremental company headcount was approved in the 2013 plan and will be filled in the 2nd Quarter 2014 to offset one of the Brownstown contract resources.

The (Xerox) contract resource in the Sourcing Support group will continue to be utilized until the new IPM/Open Test solution is implemented in mid-2014.

An assessment is currently underway across the Supply Chain area to determine if additional non-core tasks are candidates for outsourcing or technology improvement. One such specific effort is the Supplier Certification and Insurance update process.

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Sourcing Support

As a result of the latest Oracle ERP upgrade, Supply Chain assumed direct responsibility for all system administration and maintenance of the Oracle material modules.

The two open System Analyst positions in this area will be used to begin building bench strength in our Analyst functions, an area where we are demographically challenged. TriMetrix will be utilized to perform a comprehensive skills assessment of these functions and positions as well as an interview assessment to ensure that the right position fit is achieved. Comprehensive development plans will then be established for all of the personnel in this group. This will be done by mid-year.

Supplier Diversity

The incumbent Supplier Diversity Manager has been in this position for 6 years. The typical length of this assignment, up to now, has been approximately 4 years. While the incumbent has significantly enhanced the SD initiative, the initiative is at a point where “step” improvements will require incremental resources and increased funding. It is reasonable to assume that Stephanie Pryor will take another position in the Company and a new incumbent will be in this position in the planning period.

To adequately support the Supplier Diversity function, we created a Supplier Diversity Assistant position and filled that position from within the SC group in 2013.

GENERAL COUNSEL GROUP

LEGAL

Greg Cornett transitioned to the role of Associate General Counsel in 4th quarter 2012 to oversee natural gas regulatory matters, litigation and provide leadership for all paralegals in the department. Travis Crump, Corporate Attorney, was hired in 2013 to assist Cornett with litigation and also to provide back up support for other attorneys on the legal team.

STATE REGULATIONS & RATES

A more solid contingency plan is needed for unplanned, lengthy absences and terminations for key employees, particularly those who have been identified for management positions in succession planning. Establishing the department as a necessary rotational stop along the career path to executive leadership, while retaining key employees with historical knowledge, would promote a better understanding of the rate design process across the company.

CONFIDENTIAL INFORMATION REDACTEDCOMPLIANCE

The LKE Compliance Department is currently properly staffed to manage its existing roles. However, those roles could change in light of a recent NERC initiative (RAI) to change its enforcement and audit approach. The RAI is likely to drive a need for 2 new FTEs in 2015 to complete specific duties in a new SOX-like internal controls program. However, it is not clear that the headcount would be added in the Compliance Department; it is equally possible that this staffing would occur within the line of business teams. Further guidance from NERC and discussion internally is required to finalize our approach to the NERC RAI.

CORPORATE COMMUNICATIONS

The key assumption for the Corporate Communications department is an increased focus on customer satisfaction will drive LKE Brand & Advertising, Customer and Digital Communication Strategy and statewide Community Relations strategy. The Corporate Communications department restructured to focus on aligning advertising, digital and customer communications and strengthening the LKE brand. Cindy Stairs will continue to manage Internal Communications. Brian Phillips was promoted to Director, Brand, Advertising, Customer and Digital Communications. His focus will be on advertising and external communications. Natasha Collins was hired in 2013 and has been successful in leading Media Relations for the state. Since the department restructuring all data points (website, customer commitment, social media and media relations) have improved.

CORPORATE RESPONSIBILITY & COMMUNITY AFFAIRS

As expectations for corporate environmental stewardship and corporate responsibility increase, the Corporate Responsibility group will be required to develop and manage an effective new strategy to illustrate our stewardship to the public. The open Community Relations Specialist position was filled in March 2014 by Maryanne Butler to execute a strategy to further extend LKE reach in uncharted territories of the state, placing more emphasis on the Latino community. A Corporate Responsibility Manager position is budgeted to be filled in 2014.

ENVIRONMENTAL AFFAIRS

A key assumption for Environmental Affairs is new Federal EPA regulations and permitting requirements will drive an increase in the number of Environmental Scientist/Engineer positions. This is based on seeing a continuation of new Federal EPA environmental requirements for electric generation facilities. Environmental permitting and compliance activities continue to increase. Because of significant increases in contractor testing cost and the increase risk of non-compliance due to contractor unavailability, the Environmental Affairs Department has begun developing an in-house emission testing team. An Environmental Scientist position has been filled in 2014 to assist with the growth in demand for the program. Increased demand and work from the operations group and Legal team further justifies the previously approved Environmental Scientist/Engineer II position which is budgeted for 2014 and a

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second additional Environmental Scientist/Engineer II position budgeted for 2015. No additional incremental headcount is expected through 2019.

[REDACTED]

EXTERNAL AFFAIRS

External Affairs is responsible for the development, implementation and communication of the Company's public policy strategy on the local, state and federal levels. The External Affairs department has no planned incremental hiring needs [REDACTED]

[REDACTED]

FEDERAL REGULATION & POLICY

Federal Regulation & Policy develops and implements the Company's federal regulatory strategy and energy policy. It is also responsible for the management of the federal regulatory process before the Federal Energy Regulatory Commission and other related federal agencies and coordinates the company's internal processes relating to the North American Electric Reliability Corporation's mandatory transmission standards development process. There are no plans to add incremental headcount in this department. Neither the manager nor the senior analyst is within the age where retirement is being considered. Neither position would be critical given the requisite degree of transition or training. Expertise lies elsewhere within the organization to assume all or a portion of their respective duties and obligations. [REDACTED]

[REDACTED]

Diversity

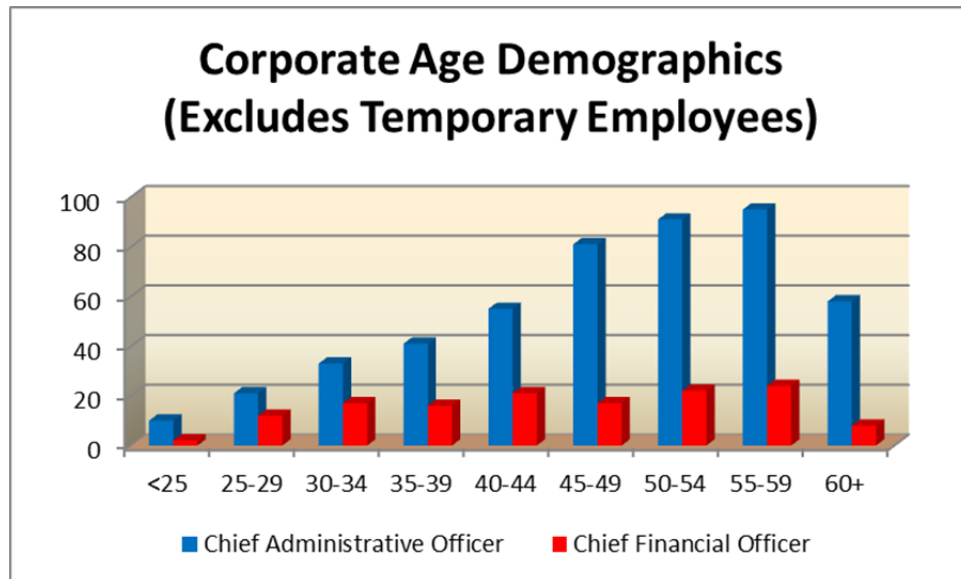
As of 12-31-07, 49.7% of the Corporate workforce was female and 11.8% of the workforce was minority.

As of 01-01-14, 50.6% of the Corporate workforce is female and 13.0% of the workforce is minority.

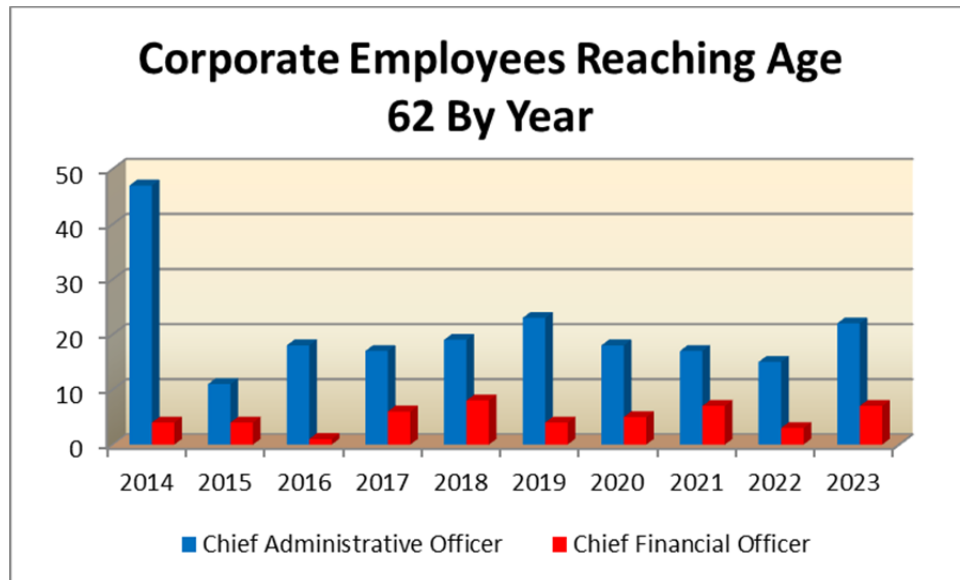
To continue to drive improved diversity within the workforce, managers are required to consider a diverse slate of candidates when hiring new or replacement staff. While the CAO organization remained relatively flat over this period, the CFO organization saw an increase in their minority workforce from 6.6% in 2007 to 12.2% in 2013.

Aging Workforce

Consistent with many industries across the county, the utility business is facing challenges associated with an aging workforce. The chart below shows the CAO organization has a large volume of employees over the age of 45. Most of these employees work in an office environment. Much has been published about the challenges of aging personnel in labor intensive positions, but the office environment also poses challenges such as repetitive motion injuries etc. LKE has been proactive by incorporating Wellness Programs, ergonomic assessments, workout facilities, and Health Fairs.



As shown below, from 2014 through the end of 2023, 256 employees will reach age 62. This represents 41% of the current Corporate population. In IT, 104 employees will reach age 62 by the end of 2023. This represents 36% of the current IT population. (These numbers exclude temporary employees.)



Retention Strategies

As noted below, overall turnover is relatively low. With the expectation of increased retirements, turnover in both the CAO and CFO organizations will increase over the next ten years. As additional senior employees leave the company, it will offer additional leadership opportunities for high performing employees. In preparation of the forecasted turnover, it is important for each organization to be proactive in knowledge transfer and employee development.

A further analysis does not indicate any particular area experiencing a higher turnover rate than others. The CFO organization lost 39 employees and the CAO organization lost 66 employees.

	2009	2010	2011	2012	2013
Total Terms	12	25	17	21	30
Actual Headcount	568	571	584	604	624
Turnover Rate	2.11%	4.38%	2.91%	3.48%	4.8%

Turnover was determined by using yearend headcount and departures excluding temporary employees.

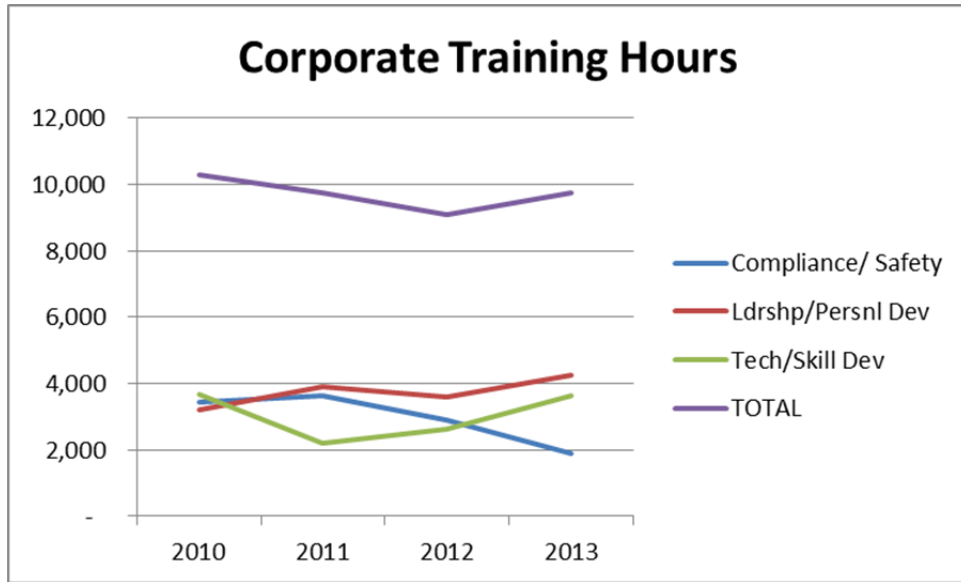
LOB Overtime Analysis

It is not uncommon for corporate exempt employees to be required to work overtime hours during major projects, such as monthly and year-end closings and rate cases. No concerns were found for excessive overtime in any of the corporate departments in 2013. However, the CFO organization did transfer headcount and work responsibilities from one department to another to better allow for cross-training and to achieve a more positive work/life balance. Excessive overtime hasn't been an issue in IT but as workload increases the overtime has increased as well. Exempt IT employees are expected to work weekends and provide after hour support. Major project implementations can drive peaks of overtime, but that typically diminishes once the project has been implemented.

Training

All Corporate employees are asked to complete Individual Development Plans to identify action plans necessary to sharpen job-specific, technical, leadership, administrative, and interpersonal skills with input from their manager. The plan addresses both technical and soft skills needed to improve the employees' overall effectiveness. Organization Development partners to develop strong leaders through the various in-house course offerings. Participation in the company's SBI and PAEL programs provide important opportunities for leadership and personal development of the staff. Ongoing development opportunities are possible through off-site seminars/conferences, a contract consulting firm that provides in-house training, lunch and learns, online training programs and individual coaching as necessary. All groups need increased exposure to compliance topics and understanding of its importance.

To stay abreast of the constant changing technologies, the IT organization finds it is necessary to train the staff on a regular basis through conferences, classes, webinars, and other learning opportunities. Without this constant upgrading of skills, it would be impossible to meet the needs of the business. Where possible, we are grouping employees across the organization to offer technical courses on-site. This can provide an overall reduced cost and allows the training to be tailored to LKE examples. Speaking opportunities for our employees at conferences provide a way to stretch the training budget and develop presentation skills. Retooling and/or expansion of skill sets to additional IT employees is likely necessary. Specialization through staffing of Centers of Excellence will require training in those specific areas to provide support across multiple areas of the company. Additional technical training is anticipated due to the combination of development and support skills into similar areas based on core applications. These may involve several proprietary languages; depth of skill in internal platform, currently .Net web; and new infrastructure and security technology solutions.

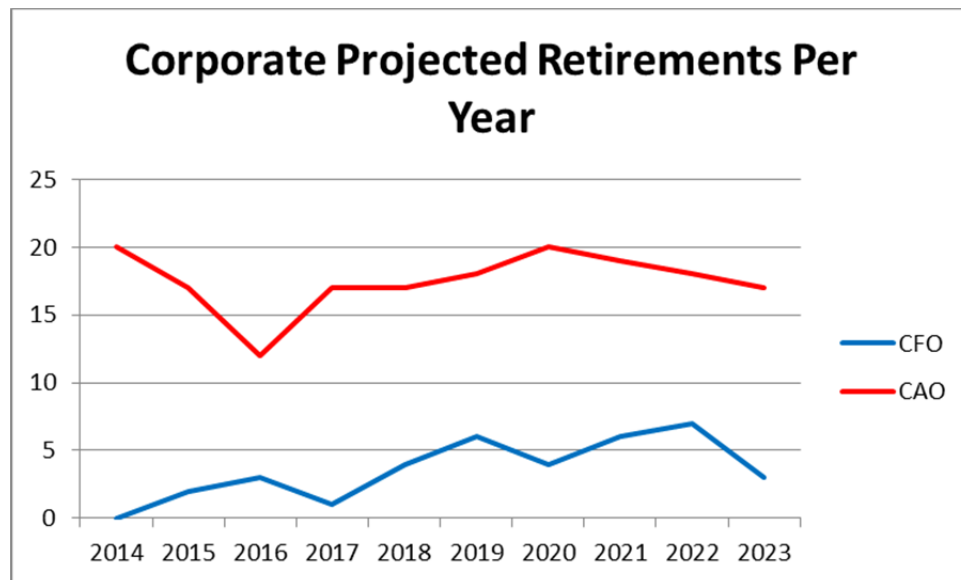


	2010	2011	2012	2013
Compliance/ Safety	3,430	3,628	2,908	1875
Ldrshp/Persnl Dev	3,189	3,906	3,574	4247
Tech/Skill Dev	3,655	2,209	2,607	3613
TOTAL	10,274	9,743	9,089	9,735
Employee Headcount	571	584	604	624
Trng Hrs per Employee	18	17	15	16

FUTURE WORKFORCE PROFILE

Retirement Outlook

The following chart outlines the forecasted retirements to occur through 2023 utilizing actuarial assumptions from Mercer. The increasing projected number of retirements will require strong efforts to ensure knowledge transfer, staffing of new employees, and training.



Knowledge Loss Risk Analysis / Knowledge Retention

With concerns of the large number of retirements facing the utility industry, Corporate HR has engaged management in the quantification of potential knowledge loss risk (KLR). This process is intended to identify where KLR exists within the business as a result of aging workforce issues, and where work may have become centralized over the years. This best practice was adapted and refined from the experiences of EPRI utilizing a scoring matrix to assess Retirement Risk and Position Criticality factors. HR and LOB management quantified the potential for KLR by focusing on the following two areas:

- Retirement Risk Factor: A 1-5 Likert scale was used to quantify the anticipated retirement of an employee; and
- Position Criticality Factor: A 1-5 Likert scale was used to quantify the criticality and uniqueness of a position for an employee based upon that employee's impact on reliability, customer service, operations, potential successors to that employee and the recruitment challenges that exist to backfilling the position.

The following definitions were used to categorize each employee below manager level.

Criticality Factor – Definition

Score	Description:
5	<u>Critical and unique knowledge or skills</u> Individual possesses critical knowledge or skills with the potential impact on reliability, regulatory, safety, and/or customer service operations. Company or site-specific knowledge. Knowledge/information is undocumented. Requires 5+ years of relevant industry training and experience to possess the critical knowledge. No ready replacements have been identified and/or available. Substantial challenge exists within the market to source talent
4	<u>Critical knowledge and skills</u> Individual possess critical knowledge/skills. Some limited duplication exists at other plants/geographic locations. Limited documentation exists regarding the critical knowledge. Requires 2-4 years of focused training and experience. Limited external training opportunities exist to obtain knowledge/information.
3	<u>Important, systematized knowledge and skills</u> Documentation exists and/or other personnel onsite possess the knowledge/skills. Recruits generally available and can be trained in 1 to 2 years. Formal external training opportunities exist and are regularly available.
2	<u>Proceduralized or non-mission-critical knowledge and skills</u> Clear, up-to-date procedures exist. Training programs are current and effective and can be completed in ≤ 1 year. Formal internal training programs are regularly available.
1	<u>Common knowledge and skills</u> External hires possessing the knowledge/skills are readily available and require little additional training (≤ 6 months).

Retirement Risk Factor - Definition

This assessment identifies an individual’s projected retirement date using the default age of 62. Managers and supervisors should modify the default risk factor based on age should additional information be known regarding the individual's retirement intentions.

Score	Description:
5	Default retirement age is currently met or will be met in the 1-2 fiscal years.
4	Default retirement age will be met in the upcoming 3rd fiscal year.
3	Default retirement age will be met in the upcoming 4th fiscal year.
2	Default retirement age will be met in the upcoming 5th fiscal year.
1	Default retirement age will be met in the upcoming 6th or greater fiscal year.

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Knowledge Critical – individual possesses undocumented knowledge, possesses unique capabilities or skills, knowledge based on rare/infrequent events, knowledge/processes not documented in procedures or work practices, able to interpret vague or hidden clues/data.

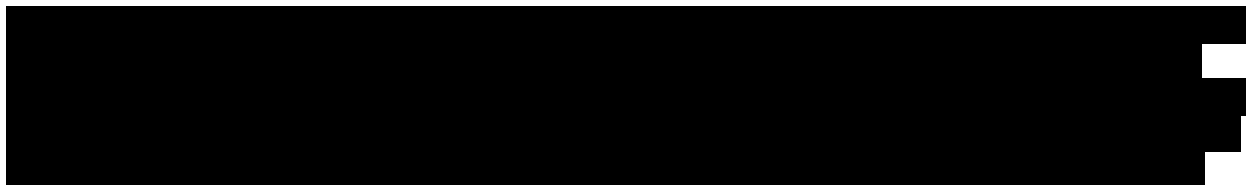
Position Critical – individual serves in a role that may be geographically isolated, no formal successors identified or “ready”, no one within the area knows how to “do what they do.”

The chart below represents the number of employees in each area who have been designated as possessing either unique knowledge or position critical. A total of 5 Corporate employees fall into these categories.



For purposes of action plans, employees who were ranked a 4 or 5 will be evaluated further to determine if they are “knowledge critical” or “position critical” as defined above. Those possessing critical knowledge will have action plans created and documented by the end of 2014. Some action plans are already in place and will be formally documented via a database created by IT and HR.

CFO



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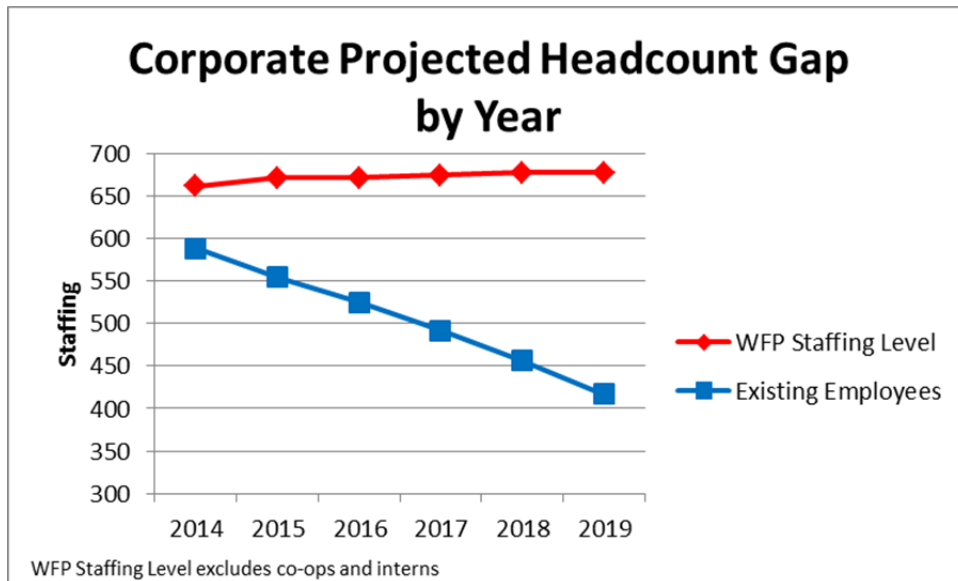
CAO

[REDACTED]

[REDACTED]

Gap Analysis

The following graph represents the anticipated hiring gap needed to fill workforce demand over the next five years. The red line represents the anticipated staffing needs and the blue line represents the projected retirements and employee departures of the existing workforce. This shows a gap of over 250 employees. Associated “churn” will increase this number substantially with some position openings resulting in multiple employee moves before getting to the final opening that leads to a new hire. Efficient staffing processes, including approvals, will be necessary to meet the demand.



Conclusion

The Corporate organization will see a tremendous amount of change in the next five years. The aging workforce as well as changes in technology, compliance and the regulatory environment will continue to drive efforts to prepare the future workforce to take on highly skilled roles in the absence of the experienced employees who will be exiting the organization. Succession planning, mentoring, leadership development, competency training and timely staffing of positions will be key for the Corporate organizations' continued success.

PROPOSED HEADCOUNT

Proposed Incremental Headcount* for 2015-2019

Proposed Incremental Headcount*	2014	2015	2016	2017	2018	2019	Total
Chief Financial Officer							
CAO Organization							
Chief Information Officer							
IT Development & Support		5					5
IT Business Services							
IT Infrastructure Technologies- Flannery							
IT Infrastructure Services – Reffett							
IT Architecture and Engineering - Snyder							
IT Client Support Services							
IT Security		1					1
Chief Information Officer Total	0	6	0	0	0	0	6
Environmental Affairs							
Supply Chain							
Compliance							
Human Resources							
State Regulations and Rates		2					2
Chief Administrative Officer Total	0	2	0	0	0	0	2
Total Incremental Additions	0	8	0	0	0	0	8

*Incremental means additional headcount requested relative to the approved 2014-2018 headcount in the Business Plan.

Operations Workforce Planning 2015-2019

OVERVIEW

The purpose of this five year workforce plan is to take a systematic approach to analyzing business strategies and resource needs to ensure continued economic and operational viability of the Operations organization. In 2013, Energy Services and Energy Delivery were combined into one central operating group comprising nearly 80% of the total LG&E and KU Energy workforce. This change has allowed for a unified operation and ensures appropriate strategies for efficient and safe operations.

In January 2014, the Safety and Technical training groups for distribution, transmission, and generation were reorganized and consolidated under one director. This centralization enables Operations to maximize resources as it prepares for the significant number of new additions to our workforce with anticipated retirements over the next 10 years. Developing the core skills sets of our new hires through training will be critical as our most experienced employees exit the organization. This new structure will support our new employees in learning and living the exceptional safety culture we have built in our organization.

Forty-four percent of the current operations workforce will reach age 62 by the end of 2023. This will drive a significant amount of churn within the employee population requiring focused attention to staffing needs as well as knowledge retention of a highly skilled and knowledgeable workforce. Previous workforce planning cycles have begun to address concerns of the aging workforce through steps such as: (1) advanced hiring where needed, and (2) reduced reliance on contractors in certain core areas of the business such as Substation Construction and Maintenance, Network Technicians, and Lines Inspectors. Other areas have maintained contractor relationships for lesser skilled work such as security, material handling, janitorial services, meter reading, tree trimming, etc., to allow for more flexibility during down economic times.

Regulatory and legal compliance will continue to drive changes in processes and procedures and in some areas drive needs for additional headcount, specifically in Gas Distribution and Transmission. Environmental compliance will similarly drive changes within the generating stations.

Customer expectations are evolving which will change the way the company educates and interacts with its customers. Customers want more information in a timely manner and want to be able to access information and make account changes and requests at any time. Continued refinement of communications channels and understanding of customer expectations will be a focus over the next five years.

Assumptions

The following assumptions are applicable throughout the WFP unless otherwise noted.

- Retirement eligibility is age 55.
- Full retirement eligibility is age 62.
- Headcount data referenced herein is as of January 1, 2014.

Key Issues

Key issues strategically impacting workforce planning in the next five years are:

- Aging Workforce
- Regulatory and Legal Compliance
- Knowledge Retention and Leadership Development
- Capital Projects and Infrastructure Development

CURRENT WORKFORCE PROFILE

Environmental Scanning Analysis

External Demand

Regulatory, legal and environmental compliance are significant drivers of business change over the next five years. Ongoing evaluation and monitoring of these changes will allow the business to make timely and effective changes. Administrative and technical support will be needed to help maintain compliance with the ever changing landscape. Customer expectations for low cost and reliable service in addition to changing expectations regarding information sharing and communications will shape processes and communication channels.

Economic development has been slow due to the downturned economy over the past five years. However, efforts have been made to boost Kentucky's standing as a premier place to do business. In 2013, 52 new company and 222 expansion projects were announced related to new business entering our service territory or existing companies that will expand operations. The overall impact to operations remains to be seen, but the situation will be monitored to ensure the proper resources are in place to meet customer demand.

The regulatory environment may impact the existing structure of gas operations in the areas of the Transmission Integrity Management Program (TIMP) and the Distribution Integrity Management Programs (DIMP). The DIMP program is less than three years old and regulatory agency expectations for the program are growing. The (TIMP) program is very technical and complex requires an extensive level of documentation and has increasing enforcement. Future regulatory scrutiny and expansion of these regulations may require the Company to separate these programs to provide more direct focus than the current integrated operations structure.

Internal Demand

The previously mentioned reorganization to form a unified operations organization will allow for better communication and sharing of resources. Areas such as Transmission and Distribution will explore opportunities to gain efficiencies and avoid duplication of work. One change that is being considered is the transfer of the EMS SCADA system for Louisville from the Transmission Control center in Simpsonville to the Restoration and Dispatch group within Electric Distribution.

Technology enhancements will also play a part in internal changes. Employees will need to be trained on new systems and processes. Employees will need to either have the necessary computer skills or have the ability to learn the skills to operate and navigate these systems. Consolidation of the Safety and Technical training groups under one centralized organization will help facilitate development of skills necessary for the technology changes and regulatory requirements of the future related to operations.

The replacement of the current customer information system (C CS) by CRM 7.X will require approximately 750 operational processes to be touched in some way. It is anticipated that additional positions will be necessary to ensure Customer Services has an adequate number of trained resources to allow for other team members to move into full time project roles associated with the upgrade,

including testing, training, deployment readiness and change management. The majority of these positions would be eliminated post Go-live through the normal attrition process in Customer Services.

External Supply

The utility industry as a whole recognizes challenges related to an aging workforce and impending retirement projections over the next ten years. LG&E and KU Energy are not immune to the same concerns. As the business becomes more technical, the need for a higher level skill set among new hires has also grown. Craft positions such as I&E Techs, Protection Techs, and Substation Techs have historically required two year technical degrees, and this emphasis on formal education is becoming even more essential as the work processes and tools required for these jobs continues to evolve. Relationships with career and technical colleges will be key to providing the needed pipeline of candidates. Many military veterans possess the knowledge and skills needed to be successful in many of our craft and technical positions. Enhanced recruiting efforts in this area have been beneficial to the company.

Finding a sufficient pool of qualified line technicians has historically been a significant concern. However, the growth of line tech training schools and strong relationships with the Southeast Lineman Training Center and the Somerset Lineman Tech Center have allowed for a strong pipeline of candidates willing and able to perform the needed work. LKE does not have issues recruiting line technicians for the majority of positions. Certain rural areas cause some challenges, but those have been mitigated through previous workforce planning cycles.

Many areas of our company, particularly Transmission and Project Engineering, rely heavily on degreed engineers for design and project management work as well as leadership positions. The company's relationship with regional engineering schools and our expanding co-op/intern program is proving to be valuable in introducing new talent into our organization.

Internal Supply

Impending retirements, particularly among front line leaders, highlight the need to have a clear focus on leadership development for our less experienced workforce. Programs exist to assist with development of employees, such as the IUS Front Line Leader program. Roughly 300 employees have completed this program to date, and the next session is tentatively planned for mid-2015. The geographic diversity of the distribution side of the business does not lend itself to being able to utilize this program for distribution employees. Human Resource Managers and the lines of business are partnering to develop a curriculum to address the needs of distribution employees. Two associate degree programs do exist within Gas and Electric distribution which allow employees to apply their on-the-job training toward an associate's degree. To date, fifteen employees have completed the program and twelve more are currently working on their associate degree. Human Resource Managers will continue to work with LOB management to market these programs and determine if any strategy changes are needed.

While not a part of the formal process, succession planning efforts have reached to the front line leader level to identify individuals with potential for leadership positions. Efforts to encourage and promote their development will focus on individual development discussions with their respective managers, internal mentoring opportunities within the line of business and the company's formal mentoring program where applicable.

Diversity

The Operations Organization continues to support and advance company diversity initiatives through active participation in community outreach efforts, representation at career fairs, and recruiting events to identify minority candidates for craft positions. Initiatives with the Urban League and the Canaan Center have not proven effective to date at yielding candidates.

Our company uses a number of Edison Electric Institute (EEI) tests as selection tools for various craft positions across the Operations Organization. These tests are re-evaluated against our company's jobs by EEI on an ongoing basis to ensure both reliability and validity. Although still administered in combination, the plant operations (POSS) test was separated from the plant maintenance (MASS) test for selection purposes in 2012 to more specifically predict applicant performance. Our internal research (which is supported by broader EEI studies) shows an unintended but favorable consequence of this change on minority and female recruiting initiatives. Based on LGE/KU five year historical data, minority recommend rates went from 7% to 16% and female recommend rates for MASS went from 16% to 25%. This will support several other steps EEI and LGE/KU have taken in recent years to minimize adverse impact of the tests, while maintaining validity and quality of recommended applicants:

- Discontinuation of Background Opinion Questionnaire (BOQ) Subtest – 2007
- Implementation of On-Line Practice Tests - 2008
- Implementation of 1-on-1 Candidate Feedback – 2010
- Implementation of On-Line Math Tutorial – 2011
- Scoring Changes (Weighted Scoring & Corrections for Guessing) - 2012

The company has completed the second year of its partnership with Southern High School to educate students on the type of careers available within the utility industry. A diverse cohort of 14 students met with company representatives and learned about various craft positions. With more of our craft positions requiring two year technical degrees, it will be well into the future before any of these students could be eligible for openings.

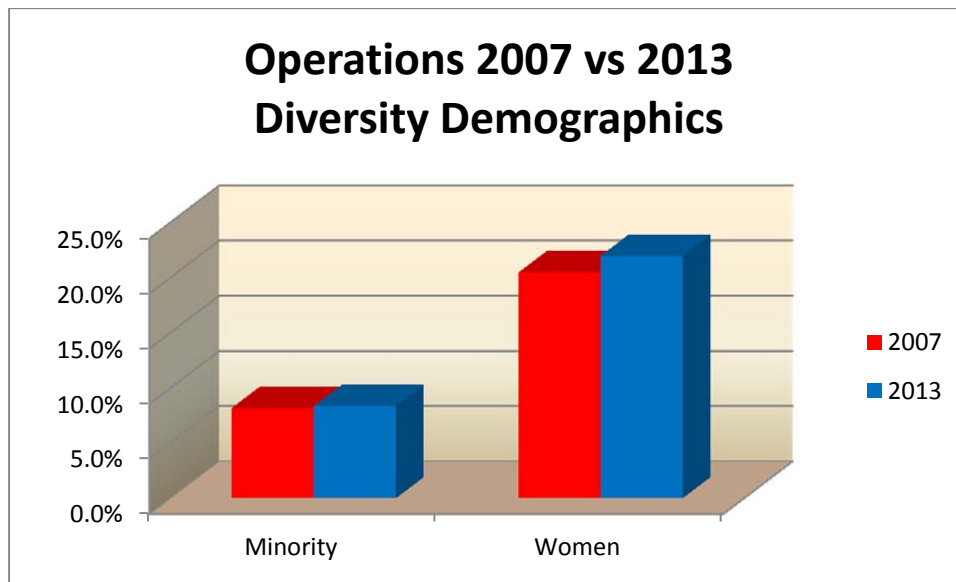
Former military personnel will be an avenue of increased recruiting focus for future craft workers. Military skillsets can be successfully transferred to some operations positions within the company. The recently formed Military Resource Network will also be an avenue to identify former military candidates as current veteran employees are educated on opportunities for veteran hires. We will be looking for experience and technical skills that would be equivalent to the two year technical associate degree requirement of many of our craft positions. This may also provide minority candidates.

In 2012, we began a focused recruiting relationship with Tennessee State University Engineering School (TSU). This summer's co-op program has five engineering co-ops from TSU. We have also initiated a relationship with the TSU alumni association in Louisville (one of the largest TSU alumni chapters in the country). These efforts provide exposure for our company to an engineering school with students from within or close to our service territory. Through positive co-op assignments within the company and opportunities to work near home, we expect these efforts to provide high caliber minority engineer hires for the company in the future. Five TSU engineer student assignments were provided within Operations in the summer of 2014.

In 2012, the Residential Service Center began a concerted targeted recruitment effort of Spanish speaking customer representatives. These efforts were initiated to assist in the handling of an increasing volume of Spanish speaking phone calls and included the following:

- Open house with Hispanic based community organizations to learn about career opportunities within the Customer Services business
- Targeted recruitment advertising in Hispanic focused publications
- Direct notification of career opportunities to Hispanic based community organizations

As a result of these efforts, the company has hired four bilingual customer representatives within the Residential Service Center. The company will continue to pursue efforts to attract and recruit bilingual customer service representatives.

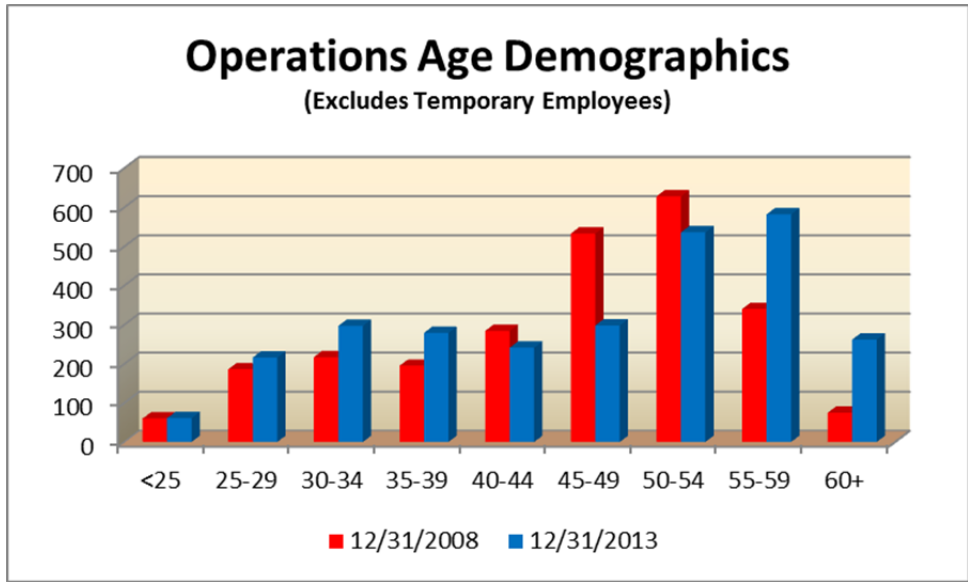


As of 12-31-07, 8.2% of the Operations workforce was minority and 20.5% of the workforce was female.

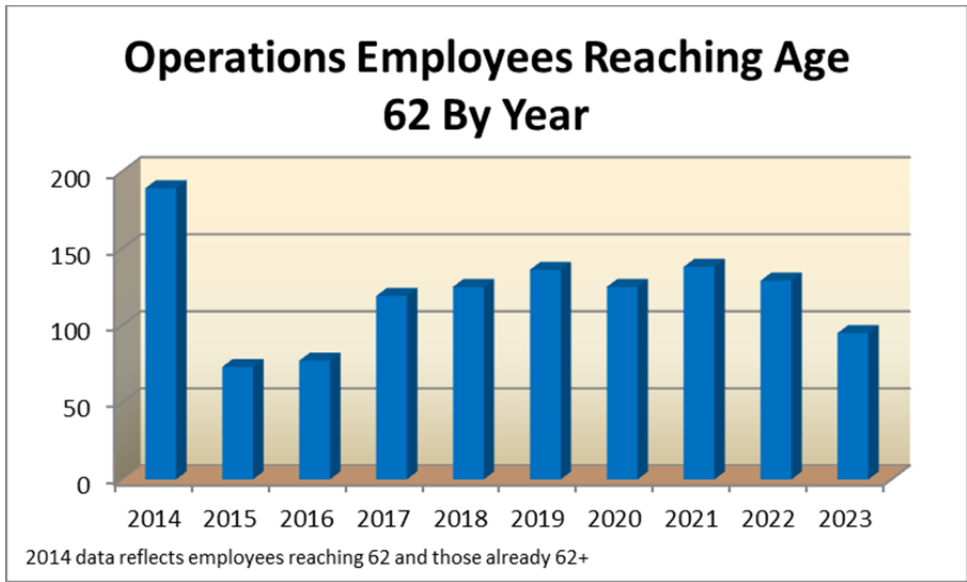
As of 12-31-13, 8.4% of the Operations workforce is minority and 22.0% of the workforce is female.

Aging Workforce

Consistent with many industries across the country, the utility business is facing challenges associated with an aging workforce.



As shown below, from 2014 through the end of 2023, 1,206 employees will reach age 62. This represents 44% of the current Operations population. These numbers exclude temporary employees.



Similar to our internal workforce, demographics and anticipated turnover due to retirement of resident contractor resources (many of them former employee “retirees”) will create its own set of challenges. While strategic utilization of contractor resources will continue to be a critical component of our company’s workforce plan, from a longer term perspective the reliance on retiree contractors will not be sustainable in all areas of the business. Previous workforce planning efforts have resulted in adding

employee headcount to shift certain core work back in house. The 2015 WFP process will continue to evaluate the contractor/employee mix and is outlined in more detail later in this plan.

In addition to knowledge loss risk, the aging workforce poses risk for increased muscular skeletal injuries, and more absenteeism through higher utilization of short-term and long-term disability. An Absence Management group has been created within HR to track, coordinate, and manage off-duty programs to ensure consistencies across the organization. Also, Health and Safety has partnered with Operations to create a program called WorkSmart! which helps provide ideas and solutions to make work less physically demanding and more ergonomically sound.

Finally, many employees are “baby boomers” and are in the role of caregiver for both parents and children, sandwiched between two generations. The company will need to be mindful of such demands that could take focus off of safe work practices. Allowing for flexible schedules where feasible and encouraging utilization of the Family Assistance Program can help employees navigate these challenges.

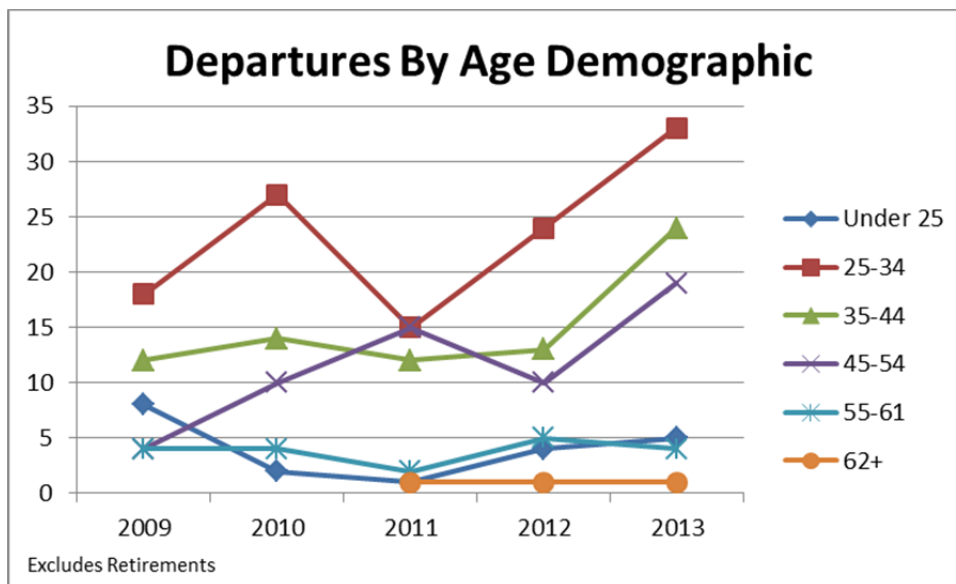
Retention Strategies

Turnover was determined by using year-end headcount and departures excluding temporary employees. As noted below, overall turnover is relatively low. With impending retirements, these numbers will increase over the next ten years. Exit interviews indicate that lack of opportunity for advancement is an area of concern; however as retirements increase, more opportunities for promotions will open. In addition to upward movement, the organization will work to encourage employees to seek lateral moves to foster additional growth and development.

	2009	2010	2011	2012	2013
Total Terms	61	84	75	105	132
Actual Headcount	2,516	2,545	2,618	2,695	2772
Turnover Rate	2.4%	3.3%	2.9%	3.9%	4.8%

Note: Includes retirements.

Many positions within the Operations organization require significant overtime (i.e., planned, unplanned, built-in, etc.) and non-traditional schedules to meet the 24/7/365 nature of the business. No widespread concerns are evident to date associated with willingness to work these hours, and a strong benefits and compensation package continues to allow us to attract and retain qualified individuals. However, generational differences and changing attitudes about work life balance is something the company will continue to monitor. The following chart identifies resignations by age demographic. The age group seeing the highest level of resignations is in the 25-34 age group and resides mostly in Customer Services. The majority of these employees have less than three years of service with the company.



Call center turnover has been one specific area of focus as it is much higher than the overall Operations rate. However, through transitioning to a direct hire model and a focus on performance management, the majority of turnover is classified as positive as lower performing employees have been managed out of the business.

Turnover continues to be a significant challenge within certain areas of the Transmission organization as well. From January 2013 – February 2014, the turnover rate within Transmission was 9.6%, which was slightly higher than the 5 year average. Recognized factors include: (1) growing pains associate with an organization undergoing significant growth in terms of services, scope, and internal/external visibility, (2) influx of relatively inexperienced yet highly qualified and motivated/career driven employees, and (3) unique skill sets of employees within the organization that are in high demand throughout the industry. From January 2013 – February 2014, six out of fifteen departures were due to voluntary resignation or transfer out and characterized as “unfavorable” turnover. The remaining were due to retirement, medical, and involuntary terminations. Tracking and analysis of unfavorable turnover is monitored on an ongoing basis. While the organization has been successful in attracting strong new talent to backfill the loss of seasoned contributors, this flux still creates its own challenges related to stability within the workgroup. Following an organizational assessment, our company’s internal Organizational Development group is currently working very closely with the transmission team to assess, develop, and implement programs and processes for: (1) new employee on-boarding and check-ins, and (2) leadership development. In addition to adding staff and new leadership to address volume and process issues, it is important that we recognize transmission “skills” as a new high demand area. As a consequence, our inexperienced, but capable employees are sought after by other employers. We will continue to regularly review compensation against the market and adjust to remain fully competitive.

The pending decisions to build CCGTs at Cane Run and Green River Generating stations will result in a reduction in workforce at Cane Run from approximately 120 employees to 45 employees. Of the 75 staff reductions, it is estimated that half will be transferred into other positions in the generating fleet. Eleven Meter Readers will be added into Customer Services as a result of the Green River Plant closing. Although the staffing numbers for Green River CCGT operation are anticipated to be relatively flat against current headcount, there will be associated challenges in the strategic placement of current employees due to existing versus needed skill-sets.

Insights from exit interviews for Operations employees identify stress related to the job and lack of opportunities for advancement as common factors. As more employees in leadership positions exit the organization, more opportunities for advancement will be available. Further evaluation regarding stress associated with the job will need to be completed to determine action plans to address.

LOB Overtime Analysis

Operations overtime averaged 10% (206 hours per employee) for 2013, which was down slightly from 2012 for the overtime eligible workforce. This percentage is generally in line with expectations and workforce utilization strategies. Overtime is largely driven by unit outages, distribution system trouble and large capital projects. Customer Services is lower at 146 hours per capita, down from 194 hours per capita in 2009. Additional headcount coupled with representatives becoming fully trained has resulted in lower overall overtime rates.

Overall, the Operations leadership team is comfortable with the current overtime rates. One area where overtime is above the desired rate is within the Network technician workforce and will be mitigated by additional headcount in 2014.

Regular Employees / Contractors

Since the 2001 WTSP, Operations has relied upon the use of a contracted workforce to staff both core and non-core business operations. This supplemental workforce exists in nearly all areas of Operations and is held to the same safety, performance, and operational policies and standards. Additionally, the company has mandated in some of its craft worker service agreements with contract business partners that a percentage of the contractor workforce be local talent that is available to respond to emergency situations.

In certain areas of the business, such as Transmission, Substation Construction and Maintenance and Underground and 3 Phase Network, strategies have been initiated to begin rebalancing the contractor workforce in favor of more employees. This is intended to mitigate knowledge loss risk and bring the core technical work in house.

The Generating stations routinely track and analyze contractor utilization strategies to ensure consistencies and best practices across the fleet. Resident contractor resources are a critical component of the labor force across Power Production. While plant specific skill occupations such as operators and I/E techs continue to be staffed primarily with regular full-time employees, common areas of contractor support include:

- Material Handling (Coal Yard Operations)
- Mechanical Maintenance
- Cleaning/Janitorial Services
- Warehouse/Tool Room Services

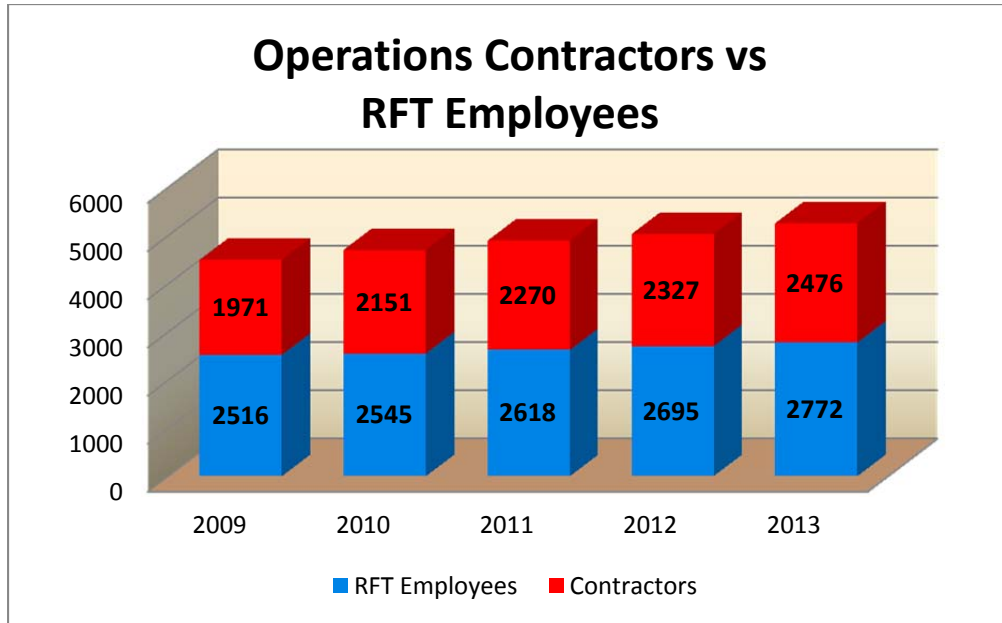
Craft level construction and maintenance activities within the Transmission Lines organization is performed almost completely with a contract workforce, with oversight and direction provided by in-house inspectors. Transmission Substations relies similarly on contractors, with some additional support from Distribution employees. While additional inspectors have been added within both of these departments over recent years, there is no plan to change the general staffing model.

Distribution Operations has maintained a strategy to keep core high level technical work in house and maintain a contractor workforce for areas such as meter reading, tree trimming and security. With regards to line technicians, the company maintains a contractor workforce of 35% statewide. This helps to ensure sound relationships with these contracting partners to assist with storm and other outage emergencies.

Customer Services has focused on returning customer contact centers such as call centers and business offices to an employee workforce. All call center agents are now company employees. Additionally, plans to convert 31 business office contractors to company employees in 2014 and 2015 have been approved.

Contractor utilization has increased due to several factors including expanded Energy Efficiency programs and major capital projects pertaining to electric reliability and gas riser and main replacement projects. When these multiyear projects have reached completion, we expect the contractor numbers to go down. Although skills and resources are being brought back "in-house" in a number of highly technical areas across the company, increased resident contractor utilization has been strategically

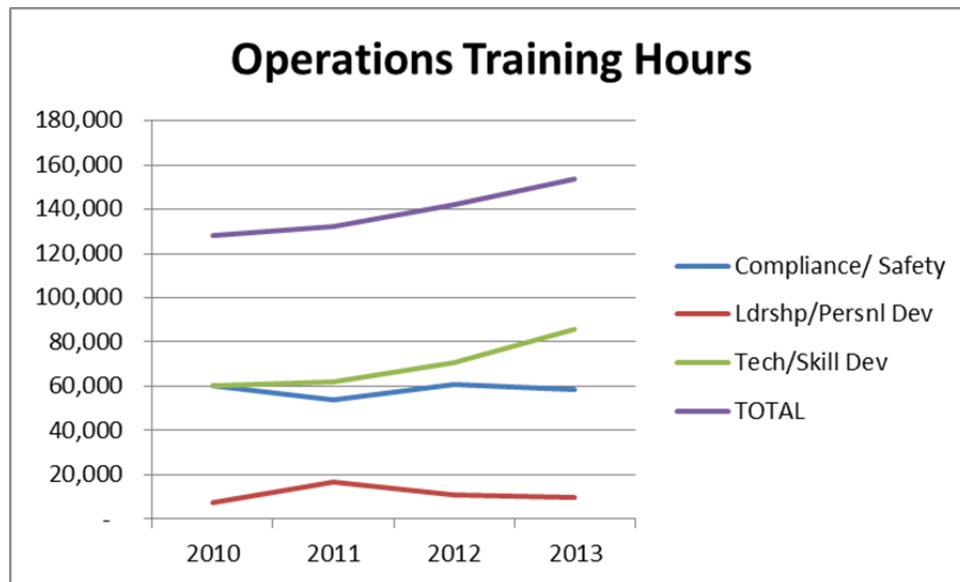
applied within certain power plant functional areas over the past 5 years. This is due to business and staffing model strategies in the specific areas of material handling, warehouse/inventory management, and mechanical maintenance technical support.



Training

The Operations workforce completed 153,000 hours of training in 2013 equating to 55 hours per employee. Average hours have increased five hours per employee since 2010. This is reflective of an increase in new hires and related technical training in their respective fields. The majority of hours are in safety/compliance as well as technical and skill development, which is expected for a workforce comprised largely of craft workers. Technology changes will drive more training needs, as will regulatory and compliance training requirements.

An area of needed improvement is within leadership and personal development, especially as many leaders exit the organization. The company is making a concerted effort to provide appropriate classes and promoting existing training opportunities. Succession planning and knowledge retention plans will help to identify individuals for focused development efforts.

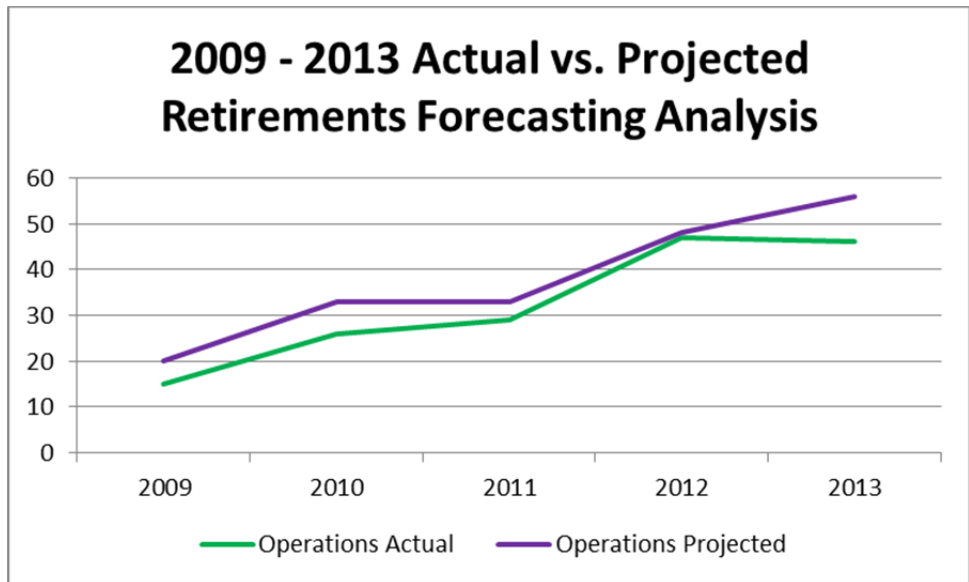
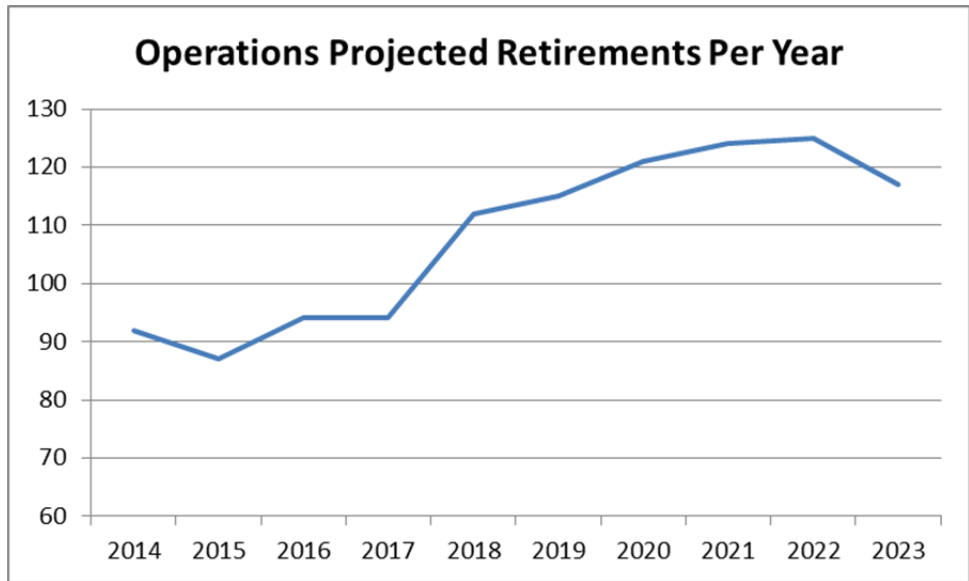


	2010	2011	2012	2013
Compliance/ Safety	60,181	53,811	60,745	58,223
Ldrshp/Persnl Dev	7,621	16,635	11,138	9,667
Tech/Skill Dev	60,445	61,846	70,435	85,897
TOTAL	128,247	132,292	142,318	153,787
Employee Headcount	2,545	2,618	2,695	2,772
Trng Hrs per Employee	50	51	53	55

FUTURE WORKFORCE PROFILE

Retirement Outlook

The following chart outlines the forecasted retirements to occur through 2023 utilizing actuarial assumptions from Mercer. Operations will continue to realize an increasing number of retirements that will require timely staffing of backfills and associated ramped up training programs. A newly formed centralized staffing department has streamlined hiring processes to meet operational demand. Where operationally critical, a hiring overlap of the incumbent and successor may be needed to ensure transfer of knowledge.



Knowledge Loss Risk Analysis / Knowledge Retention

With concerns about the large number of retirements facing the utility industry, Operations HR has engaged management across the company in the quantification of potential knowledge loss risk (“KLR”) since 2008. This process is intended to identify where KLR exists within the business as a result of aging workforce issues, and where work may have become centralized over the years. This best practice was adapted and refined from the experiences of TVA and Arizona Public Service utilizing a scoring matrix to assess Retirement Risk and Position Criticality factors. HR and Operations management quantified the potential for KLR by focusing on the following two areas:

- Retirement Risk Factor: A 1-5 Likert scale was used to quantify the anticipated retirement of an employee; and
- Position Criticality Factor: A 1-5 Likert scale was used to quantify the criticality and uniqueness of a position for an employee based upon that employee’s impact on reliability, safety, customer service, geographic isolation of the employee, potential successors to that employee and the recruitment challenges that exist to backfilling the position.

The following definitions were used to categorize each employee below manager level.

Criticality Factor – Definition

Score	Description:
5	<u>Critical and unique knowledge or skills</u> Individual possesses critical knowledge or skills with the potential impact on reliability, regulatory, safety, and/or customer service operations. Company or site-specific knowledge. Knowledge/information is undocumented. Requires 5+ years of relevant industry training and experience to possess the critical knowledge. No ready replacements have been identified and/or available. Substantial challenge exists within the market to source talent
4	<u>Critical knowledge and skills</u> Individual possess critical knowledge/skills. Some limited duplication exists at other plants/geographic locations. Limited documentation exists regarding the critical knowledge. Requires 2-4 years of focused training and experience. Limited external training opportunities exist to obtain knowledge/information.
3	<u>Important, systematized knowledge and skills</u> Documentation exists and/or other personnel onsite possess the knowledge/skills. Recruits generally available and can be trained in 1 to 2 years. Formal external training opportunities exist and are regularly available.
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1	<u>Common knowledge and skills</u> External hires possessing the knowledge/skills are readily available and require little additional training (≤ 6 months).

Retirement Risk Factor - Definition

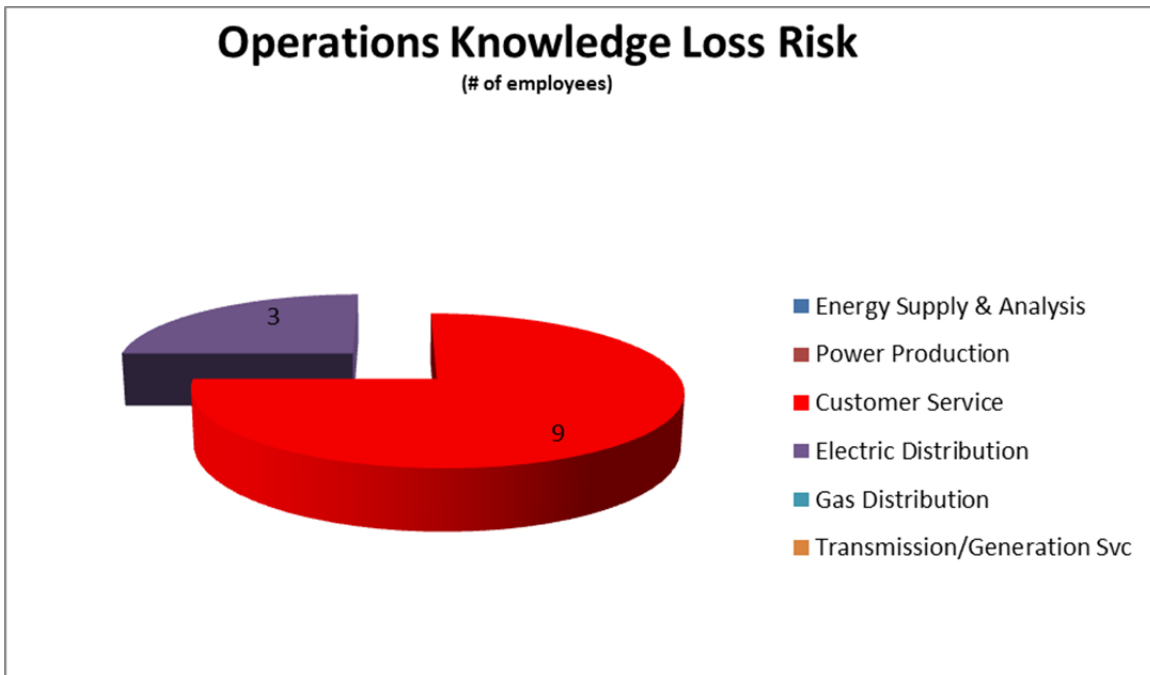
This assessment identifies an individual’s projected retirement date using the default age of 62. Managers and supervisors should modify the default risk factor based on age should additional information be known regarding the individual's retirement intentions.

Score	Description:
5	Default retirement age is currently met or will be met in the 1-2 fiscal years.
4	Default retirement age will be met in the upcoming 3rd fiscal year.
3	Default retirement age will be met in the upcoming 4th fiscal year.
2	Default retirement age will be met in the upcoming 5th fiscal year.
1	Default retirement age will be met in the upcoming 6th or greater fiscal year.

Knowledge Critical – individual possesses undocumented knowledge, possesses unique capabilities or skills, knowledge based on rare/infrequent events, knowledge/processes is not documented in procedures or work practices, able to interpret vague or hidden clues/data.

Position Critical – individual serves in a role that may be geographically isolated, no formal successors identified or “ready”, no one within the area knows how to “do what they do.”

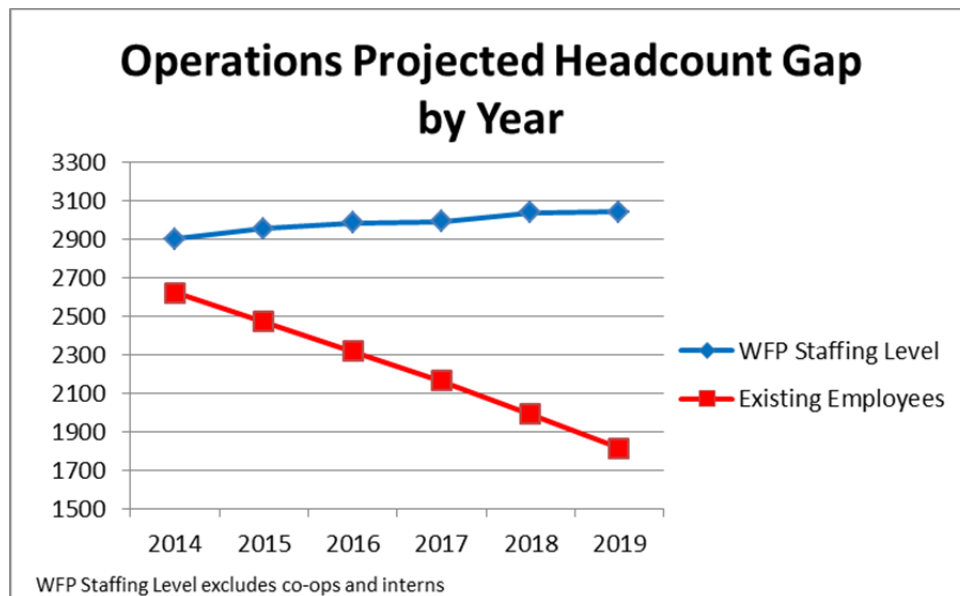
The chart below represents the number of employees in each area who have been designated as either knowledge or position critical. A total of 12 Operations employees fall into these categories.



For purposes of action plans, employees who were ranked a 4 or 5 will be evaluated further to determine if they are “knowledge critical” or “position critical” as defined above. Those possessing critical knowledge will have action plans implemented and documented by the end of 2014. Some actions plans are already in place and are formally documented via an HR database.

Gap Analysis

The following graph represents the anticipated hiring gap needed to fill workforce demand over the next five years and the “churn” associated with this hiring. The red line represents the anticipated staffing needs and the gap represents the expected staffing needs based upon projected retirements and employee departures. This represents a gap of over 1000 employees. Associated “churn” will increase this number substantially with some position openings resulting in multiple employee moves before getting to the final opening that leads to a new hire. Efficient staffing processes, including approvals, will be necessary to meet the demand.



Conclusion

The Operations Organization will see a tremendous amount of change over the next five years. The aging workforce as well as changes within the regulatory framework and new technology and infrastructure changes will drive efforts to prepare the future workforce to take on highly skilled roles in the absence of the experienced employees who are exiting the organization. Continuous monitoring of overtime rates, training hours and requirements, pending regulatory and legal changes will be necessary to ensure staffing levels are appropriate. Additionally, succession planning, mentoring, leadership development and timely staffing of positions will be key to transferring both technical knowledge and the safety culture that is at the heart of the operations culture.

PROPOSED HEADCOUNT

Proposed Incremental Headcount* for 2015-2019

Proposed Incremental Headcount*	2014	2015	2016	2017	2018	2019	Total
Gas Operations	1	20	2	7	(1)	(4)	25
Customer Services	3	7	6	(1)	1		16
Electric Distribution	(1)	4	4	4	3		14
Mill Creek		1					1
Trimble County		1	1	7			9
Cane Run / Ohio Falls							0
Ghent							0
E.W. Brown		1					1
Green River							0
Commercial Operations		2					2
Other Generation - Power Production		1					1
Energy Supply & Analysis		1					1
Project Engineering		3					3
Generation Services							0
Transmission		3	3	4		4	14
Other Generation - Trans & Gen Svcs							0
Total Incremental Additions	3	44	16	21	3	0	87

*Incremental means additional headcount requested relative to the approved 2014-2018 headcount in the Business Plan.

Glossary

Benefits (benefits package): Benefits are a form of compensation paid by employers to employees over and above the amount of pay specified as a base salary or hourly rate of pay. Benefits are a portion of a total compensation package for employees.

Diversity: The collective mixture of differences and similarities that may include: individual and organizational characteristics, values, beliefs, experiences, backgrounds, preferences and behaviors.

Employee engagement: Employee engagement, also called worker engagement, is a business management concept. An "engaged employee" is one who is fully involved in, and enthusiastic about their work, and thus will act in a way that furthers their organization's interests.

Employee retention: Practices and policies designed to create a work environment that makes employees want to stay with the organization, thus reducing turnover.

Generating Unit: Any combination of physically connected generator(s), reactor(s), boiler(s), combustion turbine(s), or other prime mover(s) operated together to produce electric power.

Incremental Headcount: Additional headcount requested relative to the approved 2012-2017 headcount in the Business Plan.

Knowledge Critical: Individual possesses undocumented knowledge, possesses unique capabilities or skills, knowledge based on rare/infrequent events, knowledge/processes is not documented in procedures or work practices, able to interpret vague or hidden clues/data.

Mentoring: A formal training process between a more experienced person and a junior employee.

Minority: A group differing, especially in race, religion, or ethnic background, from the majority of a population.

Outage: The period during which a generating unit, transmission line, or other facility is out of service.

Position Critical: Individual serves in a role that may be geographically isolated, no formal successors identified or "ready", no one within the area knows how to "do what they do."

Reliability: The ability of the power system to provide customers uninterrupted electric service at their point of service.

Resident Contractors: Those contractors with an annual contract and who provide day-to-day services for LG&E and KU Services Company.

Scheduled Outage: The shutdown of a generating unit, transmission line, or other facility, for inspection or maintenance, in accordance with an advance schedule.

Staffing: A method of finding, evaluating, and establishing a working relationship with future employees. They may be current employees or future employees.

Substation: An electric power station which serves as a control and transfer point on an electrical transmission system. Substations route and control electrical power flow, transform voltage levels, and serve as delivery points to individual customers.

Succession Planning: The process of identifying long-range needs and cultivating a supply of internal talent to meet those future needs. Used to anticipate the future needs of the organization and assist in finding, assessing and developing the human capital necessary to the strategy of the organization.

Transmission: The act or process of transporting electric energy in bulk from one point to another in the power system, rather than to individual customers.

Turbine: The part of a generating unit which is spun by the force of water or steam to drive an electric generator. A turbine usually consists of a series of curved vanes or blades on a central spindle.

Union: Workers who organize a united group, usually related to the kind of work they do, to collectively bargain for better work conditions, pay or benefit increases, etc.

Workforce Plan: Is an analytical and methodical process to ensure LG&E and KU Energy LLC (LKE) has the right talent with the right skills at the right time. This process provides managers with the information and tools necessary to make optimal human resource decisions based upon the company's mission, strategy, budgetary resources, regulatory compliance, advances in technology and the desired skill sets and competencies for their organizations.

Work-life Balance: The attempt to balance work and personal life in order to have a better quality of life. A person with a balanced life is an asset to his or her business, as he or she experiences greater fulfillment at work and at home.

Accomplishments, Ongoing Initiatives, and Planned Initiatives

The WFP process is fully integrated into the business and linked to the corporate strategy. Many initiatives are in place to support an environment that attracts and retains the current and future workforce. These initiatives are grouped into the following areas:

- Diversity
- Aging Workforce (Ergonomics & Wellness)
- Co-ops and Interns
- Employee Training

The company will continue to benefit from these ongoing initiatives as well as future initiatives that will attract, develop, and retain our workforce. A summary of the initiatives follows.

DIVERSITY

Current Initiatives and Accomplishments (January – December 2013)

- Mentoring provides development and exposure to management for high-potential female and minority employees.
- A Diversity Management competency is included in the PEP. It is mandatory for all senior managers. Diversity support is also included in the objective for all managers.
- Compliance training on equal employment opportunity, harassment and sexual harassment policies is provided online for all new employees and discussed at New Employee Orientation.
- The Manager of Inclusion and Diversity facilitates discussions with managers and above on the current Affirmative Action Program to solicit ideas on how to improve recruitment in underutilized job groups.
- The co-op and intern program is a primary feeder pool for future employees. We had 151 unique hires in 2013, 22% females and 13% minorities.
- One African American male participated in the Urban Leadership Alliance Seminar (ULAS) in 2013.
- Continue to be actively engaged with two HBCUs chosen because of their proximity (Kentucky State University) and excellent Engineering School (Tennessee State University).
- The first Business Resource Network was launched in October 2012 for Young Professionals. More than 260 people participated in various events hosted by the Young Energy Professionals (YEP!) during 2013.
- Participated in several job fairs focused on African Americans and Veterans in 2013.
- An ongoing comprehensive communication plan to inform employees, suppliers and the community of LG&E and KU's commitment to diversity and inclusion is in place.
- Promoted 347 individuals in 2013. 23% were women and 8% were minorities.
- Met the Affirmative Action targets for minorities in four job groups and females in seven.
- In addition to the 'typical' websites, all external job postings, up to the manager level, are posted on the Commonwealth's Employer Service Delivery Agencies and diverse websites such as both the Lexington and Louisville Urban League.
- The 2014 corporate supplier diversity goal with minority, women and veteran owned firms is \$136.5 million. The actual spend for 2013 was \$133.0 million.
- Participated in the National Society of Black Engineers annual conference and job fair in Indianapolis, IN.
- Participate on several boards, advisory committees and support the workforce development efforts of several organizations including the Louisville Urban League, National Black MBA Association, National Society of Black Engineers and the Greater Louisville International Professionals.
- Actively engaged with a selection of students at Southern High School who are interested in careers in electronics, automotive or other craft-type positions. Met with the cohort, which has 14 students, more than 20 times in 2013. Guest speakers included John Wolfe, Jamal Bowman, Lisa Clifton and David Paragon. LG&E and KU also sponsored the cohort's participation in the annual "Thrivals" Day which kicks off the IdeaFestival.

Future Initiatives

- The fourth phase of Diversity training for all employees has begun and will continue through 2014. The purpose of “Changing Talent. Unchanging Values.” is to build cultural competency with an emphasis on generational differences.
- Will continue to monitor results associated with partnering with Southern High School to build relationships with 12-16 students and their faculty.
- Two African American males will participate in the 2014 Urban Leadership Alliance Seminar.
- Will complete the 2014 Affirmative Action Programs and have discussions with managers and leaders to build a more effective diversity recruiting strategy.
- The College Mentoring Initiative continues with a partnership at University of Louisville. The intent is targeting African American students who have not had an internship at LG&E-KU. We match students with a senior leader who works in the same function as the student’s major. Four participated in the pilot in 2013.

ERGONOMICS AND WELLNESS EFFORTS

Current Initiatives and Accomplishments (January – December 2013)

- Annual health fairs are provided free to employees, spouses and retirees. Health risk appraisals and screening tests include cholesterol, blood sugar, PSA, blood pressure, and body mass index. Individualized health coaching is available for each participant as well. Gift Cards in the amount of \$75.00 were given to all employed participants.
- Tobacco Cessation Program provides assistance for employees, spouses, and retirees by reimbursing the cost of the program up to a maximum amount.
- Annual flu vaccinations are provided to employees, retirees and spouses at no cost.
- WellFit Incentive Program offers employees and/or spouses who join an approved fitness facility or attend a fitness class and/or participate in approved weight loss program reimbursement of 50% of their annual dues not to exceed \$300 per year.
- Free mammograms offered annually through a mobile mammography unit.
- Our Family Assistance Program provides free, confidential counseling for employees and their families on a short-term basis for personal problems that may affect their work and home life.
- ChooseWell incentive is available for employee participation in healthy lifestyle choices and earning points toward a \$100 deposit into their HCRA account. If overall employee WellFair participation reached 65%, an additional \$100 HCRA employer contribution is given to those employees who attended a WellFair or submitted his/her biometric results from their Primary Care Provider to KC Wellness by July 31, 2013. Total participation = 61%.
- ChooseWell Matching Grant Program is used to increase local employee wellness initiatives developed to support our key health indicator goals of lowering employee BMI and glucose levels.
- LG&E and KU implemented a hypertension care management program, Edumedics, for employees and dependents diagnosed with hypertension. The specific goal of outreach is to encourage face-to-face consultation with a nurse practitioner in clinics and outpatient offices in the participant's community. Those employees who enrolled in the Edumedics program and completed their first visit by 12/31/12 were automatically eligible for the 2012 wellness incentive of \$150, paid in January 2013. Upon program completion, an employer contribution of \$300 was made to their HCRA in January 2014. If both employee and dependent complete the program, both are eligible for the incentive.
- Two U of L students who are pursuing their Masters in Science, Exercise Physiology provided personal training sessions for LG&E Center and BOC employees. This also supported the expansion of onsite fitness facilities; the most recent of which opened at the LG&E Center in April 2013. The students also developed warm-up stretching routines to enhance and reinvigorate stretching programs within the company.
- A stretching and body positioning program was piloted with Occupational Athletics to educate and motivate employees to be fit for their position, just as professional athletes do, throughout their four quarters of life using the "GamePlan for Aging" model.
- Collaboration with Operations to develop and share tools and processes that are more ergonomically friendly (i.e., jackhammer lift for Gas Dept., currently working with Power Plants to develop a tool that breaks up clinkers when stuck in the bottom of the boilers).
- Conducted 41 workstation ergonomic evaluations.

Future Initiatives

- Expansion of the Edumedics disease management program to include hyperlipidemia and diabetes. Program will include face-to-face Nurse Practitioner visits and education classes.
- Recommendation of a new incentive structure for WellFairs and flu shot.
- Recommendation of a new company-wide ChooseWell Incentive linked to employee WellFair participation.

CO-OP AND INTERN PROGRAM

Current Initiatives and Accomplishments (January 2013 - February 2014)

- The total number of “unique” students increased from 107 in 2012 to 151 in 2013. This number will increase in 2014 due to new requests from departments that have not previously utilized the co-op/intern program.
- Hired 18 co-op/interns into full-time positions in 2013 and 7 in 2014 through the month of February.
- Planned and coordinated ten events for the co-ops and interns in 2013, and 3 through February 2014. Educational opportunities focused on Energy Efficiency, Safety in Engineering, Corporate Communications, Customer Experience and tours of Ohio Falls and the Cane Run Power Plant. Networking events included Lexington Legends and Louisville Bats baseball games, bowling and a networking social at the Kentucky Derby Museum.
- Pursue continuous participation on various college campuses including career fairs, mock interviews, resume sessions, company information sessions and employee panels. Colleges of focus include the University of Louisville, University of Kentucky, Western Kentucky University, Rose Hulman School of Technology, Indiana University Southeast and Tennessee State University.
- Developed "Workplace Expectations" for the students indicating appropriate and inappropriate behavior in the work setting. This information is provided to students upon hire and managers are requested to communicate expectations to the students.
- Developed and delivered orientation for the new co-ops and interns using WebEx covering company policies and expectations.
- Sponsoring a small group of MBA students from UK's Project Connect program. The students are working on a series of small projects assigned by our Supply Chain department.
- Implementing a formal evaluation process for the co-ops and interns at the end of each semester to track performance.

Future Initiatives

- Develop manager guide for hiring and managing students in the co-op/intern program.
- Improvements to our internal and external careers website for recruiting purposes to include past and upcoming events and information.
- Build relationship and communicate with Staffing Services to target high-performing co-ops and interns for full-time positions.
- Explore informal mentoring assignments for co-ops and interns.
- Create enhanced process for connecting and engaging with co-op/interns when they return to school and before they graduate.

EMPLOYEE DEVELOPMENT AND TRAINING

Current Initiatives and Accomplishments (January – December 2013)

All Employee Development

- Utility Business Fundamentals
- Enneagram I
- Enneagram II
- Priority Planning
- Effective Communication & Conflict Resolution
- Business Writing
- Power of Choice

Nomination Programs

- Personal Awareness & Effective Leadership (PAEL) – 32 participants
- Strategic Business Integration (SBI) – 30 participants
- Leading People and Processes (PPL program) – 4 participants
- Managing People and Processes (PPL program) – 3 participants
- Power of X - Women's Leadership Development Program (PPL program) – 2 participants

People Management Development

- Real Time Coaching
- New Leader Onboarding
- Situational Leadership

External Training

- Partnership with U of L Delphi Center for Professional Development courses
- Distribution has partnered with JCTCS and BCTCS to support employees in attaining an associate degree by holding on-site courses.
- Urban Leadership Alliance Seminar – 1 participant
- Wharton Executive Development (sponsored by PPL) – 2 participants
- Kellogg Executive Development (sponsored by PPL) – 2 participants

Customized Solutions

- Work with individual leaders or organizations to address organizational needs. Solutions include team building, coaching, facilitation of meetings, IDP counseling, strategic planning facilitation, and new leader onboarding.

External Initiatives

- Kentucky Energy Workforce Development (KEWD) Consortium-- statewide consortium to address the future industry workforce needs.
- Degrees at Work – partnership with Greater Louisville, Inc. to provide support to employees returning to school.

EMPLOYEE DEVELOPMENT AND TRAINING *(continued)*

Current Initiatives and Accomplishments *(continued)*

Other Processes & Offerings

- Performance Excellence Process (PEP) – annual performance management and Individual Development Plan (IDP) process
- Competencies – Manage the competency model
- Succession planning & associated development plans
- Formal Mentoring – Facilitate partnering internal mentors with employees to enhance individual development
- Coaching – Facilitate partnering external coaches with employees & managers
- New Employee Orientation – open to all new hires in the organization
- Engineer Professional Development – dedicated website and resources for technical and professional development for engineers
- Hiring Assessments – benchmark identified roles to include competencies, skills, behaviors, and motivators for successful candidates. Use TriMetrix assessment to assess candidates.
- Development Assessments – administration and interpretation of assessments within organizations to enhance team dynamics and/or raise personal awareness
- Reading Materials – Access to the OD Library, Get Abstract, and Harvard Business Review articles
- Webinars – Provide recommended websites to view webinars based on Business Focus, Competency Focus, and Leadership Focus
- Developed an employee development guide to be used during IDP discussions.

Future Initiatives and Offerings

- Front Line Leader training
- Strategic Business Integration II when operating conditions permit
- Group Leader Training
- Employee Opinion Survey – all employee survey in 2014 to measure employee’s engagement and satisfaction, and to identify areas of need for improvement.
- New employee surveys to measure onboarding and engagement.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 26

Responding Witness: Thomas A. "Tom" Jessee

- Q-26. Refer to page 31, lines 7-13, of the Thompson Testimony.
- a. Of the increase in headcount of 19 in the transmission workforce, provide the number applicable to LG&E.
 - b. Provide the number of new LG&E transmission positions which result from the "need to retain core skills and knowledge" of positions for which the work was previously contracted out.
 - c. Provide the number of LG&E transmission employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
- A-26. a. All Transmission positions are employees of LKS. Employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. Based on this cost allocation the full time equivalent headcount increase between the end of LG&E's and KU's previous test year ended March 31, 2012, and the end of the forecast test year ended June 30, 2016 attributable to KU is 13 and LG&E is 6.
- b. Eight of the new LKS transmission positions are to replace work previously contracted out.
 - c. The total number of full time equivalent transmission employees attributable to LG&E:
 - (1) as of the beginning of the base period: 44;
 - (2) as of December 31, 2014: 46; and
 - (3) included in the proposed test year: 48.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 27

Responding Witness: Paul W. Thompson

- Q-27. Refer to page 36, lines 2-4, of the Thompson Testimony. Explain whether the \$242 per customer overall electric distribution expenditure reflects operating expenses, capital expenditures, or both.
- A-27. The \$242 per customer reflects both operating expenses and capital expenditures for both LG&E and KU.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 28

Responding Witness: Paul Gregory "Greg" Thomas

- Q-28. Refer to page 42, lines 2-10, of the Thompson Testimony.
- a. Of the increase in headcount of 53 in the distribution workforce, provide the number applicable to LG&E.
 - b. Provide the number of new LG&E distribution positions that will involve a "corresponding contractor offset."
 - c. Provide the number of LG&E distribution employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
- A-28. a. The Distribution workforce includes LG&E and KU Services Company ("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 Cost Allocation Manual ("CAM"). Based on this cost allocation the full time equivalent headcount increase between the end of LG&E's and KU's previous test year ended March 31, 2012, and the end of the forecast test year ended June 30, 2016 attributable to KU is 12 and LG&E is 41.
- b. Thirty-four of the new distribution positions attributable to LG&E are to replace work previously contracted out.
 - c. The total number of full time equivalent distribution employees attributable to LG&E:
 - (1) as of the beginning of the base period: 242;
 - (2) as of December 31, 2014: 256; and
 - (3) included in the proposed test year: 276.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 29

Responding Witness: Lonnie E. Bellar

- Q-29. Refer to page 48, lines 3-5, of the Thompson Testimony.
- a. Of the additional 42 gas distribution employees, provide the number that result from the "need to retain core skills and knowledge."
 - b. Provide the number of new gas distribution positions that will involve a contractor offset.
 - c. Provide the number of gas distribution employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
- A-29. a. Of the headcount increase of 42 employees in the gas distribution workforce between the end of LG&E's previous test year ended March 31, 2012, and the end of the forecast test year ended June 30, 2016, 17 result from the "need to retain core skills and knowledge."
- b. Seven of the new gas distribution positions are to replace work previously contracted out.
 - c. The total number of LG&E gas distribution employees:
 - (1) as of the beginning of the base period: 233;
 - (2) as of December 31, 2014: 243; and
 - (3) included in the proposed test year: 259.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 30

Responding Witness: Paul W. Thompson

- Q-30. Refer to pages 52-53 of the Thompson Testimony. Provide the frequency of meetings of the Customer Commitment Advisory Forum and the Energy Efficiency Advisory Group.
- A-30. The Customer Commitment Advisory Forum meets quarterly and the Energy Efficiency Advisory Group meets on an as-needed basis for the purposes of program and DSM filing input.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 31

Responding Witness: John P. Malloy

- Q-31. Refer to page 62, lines 8-19, of the Thompson Testimony.
- a. Of the headcount increase of 93 in the customer service workforce, provide the number applicable to LG&E.
 - b. Provide the number of new LG&E customer service positions that will involve a contractor offset.
 - c. Provide the number of LG&E customer service employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
- A-31. a. The Customer Services 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. Based on this cost allocation the full time equivalent headcount increase between the end of LG&E's and KU's previous test year ended March 31, 2012, and the end of the forecast test year ended June 30, 2016 attributable to KU is 63 and LG&E is 30.
- b. Four of the new customer service positions attributable to LG&E are to replace work previously contracted out.
 - c. The total number of full-time equivalent customer service employees attributable to LG&E:
 - (1) as of the beginning of the base period: 255;
 - (2) as of December 31, 2014: 258; and
 - (3) included in the proposed test year: 270.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 32

Responding Witness: David S. Sinclair / Dr. Martin J. Blake

- Q-32. Refer to pages 8, 9, and 17 of the Testimony of David S. Sinclair ("Sinclair Testimony").
- a. Describe any consideration LG&E has given to using a period shorter than 30 years to perform its normalization of gas volumes for weather. Include any studies or research performed by LG&E regarding the predictive value of using 30 years of climate data as opposed to a shorter time period, such as 20 years, as used for forecasting normal weather in determining electric sales for the forecasted test period.
 - b. Provide Excel spread sheets showing the weather normalization of gas volumes underlying the base and forecasted period "Billed Mcf" in Schedule M.
- A-32. a. The Company has not considered using a period shorter than 30 years to perform weather normalization of gas volumes.

The Order in Case No. 8616 dated March 2, 1983, stated as follows:

The Commission finds that a 30-year base period, as proposed by LG&E for determining normal weather condition, is appropriate. A current 30-year period provides accurate up-to-date information and at the same time is long enough to mitigate any abnormalities in weather conditions, whether they be yearly or cyclical. It is the Commission's conclusion that a 30-year base period should be used in future proceeding when adjusting gas sales to reflect normal temperature conditions, not only for LG&E but for all other gas utilities within the Commission's jurisdiction.

- b. See the Attachment to PSC 1-32(b) Weather-Normalized Natural Gas Volumes, Base Period.xlsx for the billed weather normalized gas volumes for the months March – August 2014 in the base period. All forecasted volumes for the remainder of the base period and for the forecasted test period assume normal weather. The weather normalization calculation uses 30 years of Standiford Field weather data through 2013.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 33

Responding Witness: John P. Malloy / David S. Sinclair

Q-33. Refer to page 11, lines 3-8, of the Sinclair Testimony and Exhibit DSS-1. Provide a more detailed description of the natural gas and solar generation being installed by Special Contract Customer 1, which includes, at minimum, the capacity of specific generation facilities and the installation timetable. If LG&E does not have access to this information, explain in detail how it derived the declining demand and energy sales for Special Contract Customer 1.

A-33. A photovoltaic solar array with a capacity of 2.1 MW was installed by the end of 2013 prior to the development of the 2015 Business Plan load forecast in 2014. The demand and energy forecasts for Special Contract Customer 1 are based on input from the customer and are net of reductions related to self-generation. The installation timetable for the 20 MW of natural gas generation was:

- 2 MW natural gas generation installed by May 2014
- 3.5 MW natural gas generation installed by June 2014
- 14.5 MW of additional natural gas generation installed from June-December 2014

Reductions to the demand and energy sales forecasts for this customer in 2014 followed the schedule of the first 2 installations listed above. For the remaining 14.5 MW of generation, reductions were evenly spread by month until reaching the full 20 MW in December 2014 and beyond. The Companies remain obligated to plan for and serve the totality of the customer's load regardless of the customer's self-generation.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 34

Responding Witness: David S. Sinclair

Q-34. Refer to page 22, Table 4, of the Sinclair Testimony. In the same format as in the table, provide the results of LG&E's monthly off-system sales for the months since August 2014.

A-34. See the table below.

Month	Price (\$/MWh)	OSS Vol. (GWh)	OSS Margin (\$M)
Aug 2014	32	33	0.3
Sep 2014	33	40	0.3
Oct 2014	35	27	0.3
Nov 2014	34	22	0.2
Dec 2014	30	9	0.1

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 35

Responding Witness: David S. Sinclair

Q-35. Refer to page 27 of the Sinclair Testimony.

- a. Beginning at line 7, Mr. Sinclair states that "[t]he 'buy through' provision did nothing to alter the Companies' obligation to serve, and thus, the need for generating assets to meet load. All it did was effectively change the energy price for a customer on the CSR tariff to be equivalent to a simple cycle gas-fired combustion turbine." Explain why a "buy through" could not be a "buy through" of market power and therefore not rely on LG&E's generating assets.
 - b. Beginning at line 19, Mr. Sinclair states that "...limiting the ability to call for a curtailment until a 'system reliability event' occurs reduces their ability to dispatch the system in a least-cost manner." Explain how it reduces the ability to dispatch in a least-cost manner.
- A-35. a. The current tariffs have a buy-through price calculated as the product of natural gas price (\$/MMBtu) in Platts Gas Daily for Dominion-South Point and a heat rate of 0.012 (MMBtu/kWh). Because the buy-through price is indexed at fuel cost, the Companies would use their generating assets to serve buy-through load. While other arrangements are possible in a revised tariff, issues with the availability and deliverability of market power would need to be addressed.
- b. Because of the "system reliability events" limitation, actual curtailment has been much less than 100 hours. If the Companies' ability to call for a curtailment was not limited to system reliability events, the Companies could reduce the utilization of their highest-cost combustion turbines in peak demand periods up to 100 hours.

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Question No. 36

Responding Witness: David S. Sinclair

- Q-36. Refer to the Sinclair Testimony, Exhibits DSS-1 and DSS-3. Provide in Excel spread sheet format all calculations underlying the Base and Forecasted Test Periods' sales volumes and number of customers for each rate class, in sufficient detail to show all adjustments made to derive forecasted customers and sales volumes from historic customer numbers and sales volumes.
- A-36. As discussed in the testimony of David Sinclair and the document at Tab 16 to the Companies' Applications entitled "Annual Electric Sales & Demand Forecast Process," the load forecast is primarily developed using econometric modeling and is therefore not produced in Excel. Excel spreadsheets are attached containing inputs, model specifications, outputs and adjustments to support Exhibit DSS-1 and DSS-3. Economic information was provided in Exhibit DSS-4.

File Name	Description
Attachment to LGE PSC 1-36 - 1 Residential Inputs.xls	Inputs and descriptions to the Electric Residential model
Attachment to LGE PSC 1-36 - 2 Commercial Inputs.xls	Inputs and descriptions to the Electric Commercial model
Attachment to LGE PSC 1-36 - 3 Model Details.xlsx	Models and software output available in Excel
Attachment to LGE PSC 1-36 - 4 Billed Forecasts.xlsx	Summary of all Energy Forecasts on a Billed Basis
Attachment to LGE PSC 1-36 - 5 Forecast Adjustments.xlsx	Final Customer and Energy Forecasts including adjustments
Attachment to LGE PSC 1-36 - 6 Major Customers.xlsx	Major Customer Forecasts
Attachment to LGE PSC 1-36 - 7 Gas Residential Inputs.xlsx	Inputs and descriptions to the Gas Residential model
Attachment to LGE PSC 1-36 - 8 Gas Commercial Inputs.xls	Inputs and descriptions to the Gas Commercial model
Attachment to LGE PSC 1-36 - 9 Gas Model Details.xlsx	Gas models and software output available in Excel
Attachment to LGE PSC 1-36 - 10 Gas	Summary of all Gas Forecasts

Forecasts.xlsx	
Attachment to LGE PSC 1-36 - 11 Gas Major Customers.xlsx	Major Customer Forecasts

Attachment in Excel

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

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**Response to Commission Staff's Second Request for Information
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Question No. 37

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

- Q-37. Refer to the Testimony of William E. Avera and Adrien M. McKenzie ("Avera and McKenzie Testimony"), page 7. Indicate which of the 20 proxy utilities have the ability to use future test year proceedings for rate increases.
- A-37. As indicated on page 7 of the Avera/McKenzie testimony, the 2010 study published by the Edison Electric Institute concluded that sixteen regulatory jurisdictions "use forward test years routinely," while four other states use "hybrid" test years and an additional 13 states make varying use of future test years or extraordinary adjustments to historical test year data. The extent to which a particular utility operates under a future test year, a "hybrid" test year, or extraordinary adjustments to historical data is not uniformly reported to investors through regular disclosures, such as the Form 10-K filings of the respective companies.

Regulatory jurisdictions reported to rely on forward and/or hybrid test years include:

Forward

Alabama

California

Connecticut

Federal Energy Regulatory Commission (FERC)

Florida

Georgia

Hawaii

Maine

Michigan

Minnesota

Mississippi

New York

Oregon

Rhode Island

Tennessee

Wisconsin

Hybrid

Arkansas

Ohio

New Jersey

Pennsylvania

In addition, the report indicates that the use of forward-looking test years is in transition in 13 other jurisdictions, including Kentucky.

With respect to the companies included in the Utility Group, all are subject to the jurisdiction of FERC. The following companies have utility operations in the states identified as employing future or hybrid test years:

Alliant Energy (Wisconsin)

Avista Corporation (Oregon)

CMS Energy Corp. (Michigan)

CenterPoint Energy (Arkansas, Minnesota, Mississippi)

Consolidated Edison (New Jersey, New York, Pennsylvania)

DTE Energy (Michigan)

Duke Energy Corp. (Florida, Ohio)

Entergy Corp. (Arkansas, Mississippi)

Northeast Utilities (Connecticut)

PG&E Corporation (California)

Public Service Enterprise Group (New Jersey)

Sempra Energy (California)

Vectren (Ohio)

Xcel Energy (Michigan, Minnesota, Wisconsin)

In addition, a review of Form 10-K reports indicates that Ameren Corp. has employed a future test year in its Illinois jurisdiction. As noted in the Avera/McKenzie testimony at pages 5-8 and on Exhibit No. 3, the companies in the Utility Group also benefit from a wide variety of other regulatory mechanisms, including revenue decoupling, that insulate them from volatility related to fluctuations in sales volumes and costs.

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**Response to Commission Staff’s Second Request for Information
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Question No. 38

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

Q-38. Refer to the Avera and McKenzie Testimony, page 14. Confirm that the 2014 interest rates shown on Figure 2 have not risen to the level of the interest rate projections for 2014 contained in the Avera Testimony filed in Case No. 2012-00222³. Also state whether 2014 interest rates have risen much above the rates in the "Current" column in Table WEA-1 on page 16 of the Avera Testimony in Case No. 2012-00222.

A-38. Dr. Avera and Mr. McKenzie agree that the 2014 interest rates shown on Figure 2 of their testimony in this case are lower than the projections for 2014 contained in the Avera Testimony filed in Case No. 2012-00222. The table below compares the “Current” column in Table WEA-1 on page 16 of the Avera Testimony in Case No. 2012-00222 and the actual average yields for 2014:

	2012-00222 Current	Average 2014	Increase (Basis Points)
30-Year Treasury	3.1%	3.3%	20
AAA Corporate	3.9%	4.2%	30
AA Utility	4.0%	4.8%	80

Investors’ forward-looking expectations form the basis of their required rate of return, and as noted in the Avera/McKenzie testimony (pp. 13-14), well-recognized forecasts continue to anticipate that bond yields will rise significantly in the near-term.

³ Case No. 2012-00222, Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge (Ky. PSC Dec. 20, 2012).

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Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 39

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

Q-39. Refer to the Avera and McKenzie Testimony, page 19.

- a. Explain changes to the proxy group selection criteria in comparison to those described in the Avera Testimony in Case No. 2012-00222, and why those changes were made.
- b. Considering the exclusion of utilities involved in a major merger or acquisition, confirm that Duke Energy does not need to be excluded based on the major asset acquisition reported in the August 22, 2014 issue of *Value Line*.

A-39. a. The primary distinctions between the proxy group criteria employed in Case No. 2012-00222 and Case No. 2014-00372 are (1) refinement of credit rating criteria, (2) discontinuance of reference to Value Line Safety Rank, and (3) discontinuance of reference to Value Line Financial Strength Rating. With respect to the credit rating criteria, in Case No. 2012-00222 the proxy group was composed of those companies with ratings of BBB-, BBB, or BBB+ from Standard & Poor's Corporation (S&P). In addition, firms with ratings below Baa3 from Moody's Investors Service (Moody's) were removed from the proxy group. In this case, proxy group companies are required to have triple-B or single-A ratings from both S&P and Moody's. Moody's is a well-regarded source of credit ratings benchmarks considered by investors. In connection with a reappraisal of ratings within the utility industry published in 2014, Moody revised many of its credit metrics, which led to frequent disparities between the published guidelines of S&P and Moody's. In order to capture these differences, the proxy group criteria were modified in order to give more explicit consideration to Moody's issuer credit ratings. Consideration of companies with triple-B and single-A ratings is consistent with the disparity among S&P and Moody's, as well as the split ratings of LG&E, which is rated BBB by S&P and A3 by Moody's. With respect to Value Line's Safety Rank, direct reliance on this benchmark was discontinued in order to ensure a proxy group of sufficient size, given the large number of firms eliminated due to ongoing mergers. As indicated on pages 20-22 of the Avera/McKenzie testimony, Value Line's Safety Rank remained a

consideration in the overall evaluation of relative risks, with the ranking of “3” corresponding to LG&E indicating greater risk than the average for the Utility Group. With respect to Value Line’s Financial Strength Ranking, reference to this measure was discontinued because application of the criterion referenced in Case No. 2012-00222 would have had no impact on the composition of the proxy group.

- b. The primary basis for excluding a company on the basis of involvement in a major merger or corporate acquisition is the potential distortion that can be introduced to common stock prices or growth rates used to apply the DCF model. While Value Line characterizes the asset purchase as “major,” it represents less than 2% of Duke Energy’s total capital. Because there is no indication that this transaction would be significant enough to distort common stock prices or growth rates, Duke Energy was retained in the proxy group.

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Question No. 40

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

- Q-40. Refer to the Avera and McKenzie Testimony, page 22, lines 22 through 26, and Exhibit No. 4, page 1. Considering that only two of the proxy group have higher common equity ratios than the 52.75 percent common equity ratio used by LG&E, state whether it would be reasonable to exclude CMS Energy Corp. and Dominion Resources from the proxy group based on their respective 31.3 and 35.6 percent common equity ratios.
- A-40. The primary consideration in establishing a proxy group to estimate the cost of equity is relative risk. While financial risks, as reflected in part in a utility's relative use of debt leverage, are certainly an important consideration to investors in their evaluation of risk, it is only one factor in the overall assessment. Credit ratings provide a holistic and objective guide to a company's overall risk, which encompass the financial risks attributable to capital structure. Because the credit ratings of CMS Energy Corp. and Dominion Resources indicate that the overall investment risks of these proxy companies are comparable to the other utilities in the proxy group and LG&E, Dr. Avera and Mr. McKenzie do not believe it would be reasonable to exclude them from the proxy group based solely on their respective common equity ratios.

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Question No. 41

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

- Q-41. Refer to the discussion of the constant growth form of the Discounted Cash Flow ("DCF") model in the Avera and McKenzie Testimony, pages 29-31, and to the Federal Energy Regulatory Commission ("FERC") opinion cited in footnote 13 on page 18 of the testimony. Explain FERC's decision regarding the two-step DCF model for public utilities in Opinion No. 531, 147 FERC g 61,234 issued June 19, 2014, and why the constant growth form is more reasonable in performing DCF estimates of the cost of equity.
- A-41. In adopting a two-step DCF model in Opinion No. 531, FERC moved to align the DCF method used in evaluating a fair ROE for electric utilities with the approach that it has long used in the case of oil and natural gas pipelines. In doing so, FERC explicitly noted that under current capital market conditions, the results of its two-step DCF model for electric utilities are too low to meet the Hope and Bluefield standards governing a fair ROE. Based on the results of risk premium, CAPM, and expected earnings analyses directly comparable to those presented in the Avera/McKenzie testimony in this case, FERC elected to establish a fair ROE for electric utility transmission operations at the middle of the upper end of the DCF range produced using the two-step method, or 10.57%.

Apart from the very practical finding that the two-step DCF results are, on balance, too low to meet regulatory standards, there are conceptual problems with the two-step method that undermine reliance on this approach and support continued use of the constant growth form of the DCF model. First, application of the DCF model to estimate investors' required return is predicated on the expectations of investors, and not on strict adherence to theoretical assumptions. Thus, while the DCF approach is predicated on an assumption of a long-term stream of cash flows into infinity, there is no evidence to suggest that this remotely reflects how investors evaluate electric utility common stocks. While near-term growth estimates for earnings per share are frequently cited and widely available, there is no indication that investors consider projections for GDP growth 20-50 years into the future in evaluating expectations for individual utility stocks. The investment community recognizes that the ability to rely on forecasts diminishes significantly as the horizon expands, and even the major forecasting services relied on by FERC discontinue projections of key variables after five

years. Moreover, historical trends and expectations for the electric utility industry demonstrate that there is no basis to assume that investors would somehow expect the growth rate of all electric utilities to collapse to match the overall economy in three to five years. In addition, while FERC applies a two-thirds / one-third weighting to analysts' growth estimates and GDP growth rates in applying its two-step model, there is no support for these weights or any indication as to how they relate to the expectations of real-world investors.

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**Response to Commission Staff's Second Request for Information
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Question No. 42

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

- Q-42. Refer to the Avera and McKenzie Testimony, page 30. State whether dividend yields have decreased for the proxy group since the preparation of the DCF analysis for this application.
- A-42. While Dr. Avera and Mr. McKenzie have not conducted a formal update of the analyses presented in their direct testimony, the general upward trend in stock prices for utilities since the time their analyses were prepared would suggest that dividend yields have decreased somewhat.

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**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 43

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

- Q-43. Refer to the Avera and McKenzie Testimony, pages 38-39, and Exhibit No. 5.
- a. Confirm that the previously cited FERC opinion in footnote 13 of the Avera and McKenzie Testimony used the Moody's BAA six-month average plus 100 basis points to establish the low end for its outlier test.
 - b. Confirm that using the same approach as described in part a. of this request for the proxy group used in this proceeding would exclude only companies with cost of equity estimates of 5.7 percent or lower from the estimates in Exhibit No. 5, which, in this case, would exclude only Entergy Corp.
- A-43. a. FERC's test of low-end outliers generally references an initial threshold of 100 basis points over the six-month average yield on Baa utility bonds published by Moody's; however, this is not a bright-line test and FERC has excluded cost of equity estimates that are more than 100 basis points above its yield benchmark.
- b. While Dr. Avera and Mr. McKenzie agree that strict application of a 100-basis point screen would eliminate only cost of equity estimates of 5.7% or less, this does not imply that the resulting values would provide a reasonable basis on which to establish an ROE. For example, FERC also noted in the decision cited in part a. of this request that DCF results appear to be downward biased, and that a fair ROE should be established in the upper end of the range of results.

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Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 44

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

- Q-44. Refer to the Avera and McKenzie Testimony, pages 21 and 41-45, and Exhibit No. 7 to the Avera and McKenzie Testimony.
- a. Explain why the Empirical Capital Asset Pricing Model ("ECAPM") is used to estimate the cost of equity as opposed to the Capital Asset Pricing Model ("CAPM"), which was used in Case No. 2012-00222.
 - b. For comparison purposes, provide a cost of common equity estimate calculated with the ECAPM using LGB E's .65 beta as referenced on page 21.
 - c. For comparison purposes, provide an ECAPM cost of equity estimate using a historical market risk premium as opposed to an estimated forwardlooking market risk premium.
 - d. Explain why it was necessary to weight the firms in the calculations as described on lines 16-19, page 43, as opposed to performing the calculations on an unweighted basis.
 - e. Explain the nature of the relationship between firm size and return and how analysts use this relationship in a non-regulated environment where product and service prices are set by the market.
 - f. Provide the calculation for the dividend as explained in footnote (a) on pages 1 and 2 of Exhibit No. 7.
 - g. Provide the IBES growth rates referenced in footnote (b) on pages 1 and 2 of Exhibit No. 7 and show how the 10.8 percent growth rate was calculated.
 - h. Provide Table 10 referenced in footnote (g) on pages 1 and 2 of Exhibit No. 7.
- A-44. a. The Avera/McKenzie testimony includes application of the CAPM, as discussed on page 54. The ECAPM method was used because this approach corrects for the results of empirical research documenting an observed tendency of beta values to underestimate required returns for low-beta

portfolios and overestimate returns to stock portfolios with relatively higher beta values.

- b. Applying the ECAPM presented on page 1 of Exhibit No. 7 using a beta value of 0.65 and the average market value capitalization for the Utility Group of \$14.8 billion would result in a cost of equity of 10.6%, or 11.4% after incorporating the size adjustment. Incorporating the projected bond yields presented on page 2 of Exhibit No. 7 would result in an ECAPM cost of equity estimate of 10.9%, or 11.7% after incorporating the size adjustment based on the average market capitalization of the proxy group of utilities.
- c. It is not possible to answer the question as it has been posed. There are numerous potential estimates of historical rates of return from a variety of sources, using alternative methods, and based on diverse time periods. Further, Dr. Avera and Mr. McKenzie do not agree that it is appropriate to rely on historical data, as this violates the assumptions of the ECAPM and CAPM approaches.
- d. Market weighting was used in order to mirror the approach used by S&P to construct the S&P 500 Index, which is widely cited by the investment community as a benchmark for the market as a whole.
- e. The need to adjust for the relationship between firm size and required return in applying the ECAPM and CAPM approaches is not based on any findings with respect to product pricing, whether established through competitive forces or otherwise. Rather, the size adjustment is specific to the ECAPM and CAPM methods, and reflects the findings of empirical research, as cited in the Avera/McKenzie testimony at page 44 and in footnote g to Exhibit No. 7, that indicates that beta values do not fully capture risks attributable to firm size.
- f. Please refer to the Excel file attached in response to Question No. 46, which includes the underlying data and calculations.
- g. Please refer to the Excel file attached in response to Question No. 46, which includes the underlying data and calculations.
- h. A copy of the requested document is attached.

Table 10

Long-Horizon Expected Equity Risk Premium and Size Premium

As of December 31, 2013

Equity Risk Premium

Long-horizon expected equity risk premium (historical): Large company stock total returns minus long-term government bond income returns ¹ 6.96%

Long-horizon expected equity risk premium (supply-side): historical equity risk premium minus price-to-earnings ratio calculated using three-year average earnings 6.12%

Size Premia (market capitalization in millions) ²

Decile	Smallest Company		Largest Company	Size Premium (Return in Excess of CAPM)
Mid-Cap (3-5)	2,432.888	–	9,196.480	1.14%
Low-Cap (6-8)	636.747	–	2,431.229	1.87
Micro-Cap (9-10)	2.395	–	632.770	3.84

Breakdown of Deciles 1-10

1 – Largest	21,753.411	–	428,699.798	-0.33%
2	9,196.656	–	21,739.006	0.80
3	5,572.648	–	9,196.480	0.93
4	3,581.547	–	5,569.840	1.19
5	2,432.888	–	3,573.079	1.72
6	1,622.997	–	2,431.229	1.75
7	1,056.204	–	1,621.792	1.75
8	636.747	–	1,055.320	2.48
9	339.522	–	632.770	2.76
10 – Smallest	2.395	–	338.829	6.01

¹ Expected equity risk premium is based on the difference of historical arithmetic mean returns for 1926-2013. Large company stocks are represented by the S&P 500.

² Return in excess of CAPM estimation. Mid-Cap stocks are defined here as the aggregate of size-deciles 3–5 of the NYSE/AMEX/NASDAQ; Low-Cap stocks are defined here as the aggregate of size-deciles 6–8 of the NYSE/AMEX/NASDAQ; Micro-Cap stocks are defined here as the aggregate of size-deciles 9–10 of the NYSE/AMEX/NASDAQ. The betas used in CAPM estimation were estimated from CRSP NYSE/AMEX/NASDAQ decile portfolio monthly total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2013. Calculated (or Derived) based on data from CRSP US Stock Database and CRSP US Indices Database ©2014 Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business. Used with permission.

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**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 45

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

Q-45. Refer to the Avera and McKenzie Testimony, pages 46-47, and to Exhibit No. 8, page 3. Provide an update of the Risk Premium calculation when Allowed ROEs are available for calendar year 2014 from Regulatory Research Associates.

A-45. An update of the risk premium analysis presented in Exhibit 8 is attached.

ELECTRIC UTILITY RISK PREMIUM**CURRENT BOND YIELD****Current Equity Risk Premium**

(a) Avg. Yield over Study Period	8.58%
(b) Average Utility Bond Yield	<u>4.29%</u>
Change in Bond Yield	-4.29%
(c) Risk Premium/Interest Rate Relationship	<u>-0.4267</u>
Adjustment to Average Risk Premium	1.83%
(a) Average Risk Premium over Study Period	<u>3.57%</u>
Adjusted Risk Premium	5.40%

Implied Cost of Equity

(b) BBB Utility Bond Yield	4.70%
Adjusted Equity Risk Premium	<u>5.40%</u>
Risk Premium Cost of Equity	10.10%

(a) Exhibit No. 8, page 3.

(b) Average bond yield for six-months ending Dec. 2014 based on data from Moody's Investors Service at www.credittrends.com.

(c) Exhibit No. 8, page 4.

ELECTRIC UTILITY RISK PREMIUM**PROJECTED BOND YIELD****Current Equity Risk Premium**

(a) Avg. Yield over Study Period	8.58%
(b) Average Utility Bond Yield 2015-2019	<u>6.44%</u>
Change in Bond Yield	-2.14%
(c) Risk Premium/Interest Rate Relationship	<u>-0.4267</u>
Adjustment to Average Risk Premium	0.91%
(a) Average Risk Premium over Study Period	<u>3.57%</u>
Adjusted Risk Premium	4.48%

Implied Cost of Equity

(b) BBB Utility Bond Yield 2015-2019	6.85%
Adjusted Equity Risk Premium	<u>4.48%</u>
Risk Premium Cost of Equity	11.33%

(a) Exhibit No. 8, page 3.

(b) Based on data from IHS Global Insight, U.S. Economic Outlook at 79 (May 2014); Energy Information Administration, Annual Energy Outlook 2014 (May 7, 2014); & Moody's Investors Service at www.credittrends.com.

(c) Exhibit No. 8, page 4.

Exhibit No. 8 (UPDATED)

Avera/McKenzie

ELECTRIC UTILITY RISK PREMIUM

AUTHORIZED RETURNS

Year	(a)	(b)	Risk
	Allowed ROE	Average Utility Bond Yield	Premium
1974	13.10%	9.27%	3.83%
1975	13.20%	9.88%	3.32%
1976	13.10%	9.17%	3.93%
1977	13.30%	8.58%	4.72%
1978	13.20%	9.22%	3.98%
1979	13.50%	10.39%	3.11%
1980	14.23%	13.15%	1.08%
1981	15.22%	15.62%	-0.40%
1982	15.78%	15.33%	0.45%
1983	15.36%	13.31%	2.05%
1984	15.32%	14.03%	1.29%
1985	15.20%	12.29%	2.91%
1986	13.93%	9.46%	4.47%
1987	12.99%	9.98%	3.01%
1988	12.79%	10.45%	2.34%
1989	12.97%	9.66%	3.31%
1990	12.70%	9.76%	2.94%
1991	12.55%	9.21%	3.34%
1992	12.09%	8.57%	3.52%
1993	11.41%	7.56%	3.85%
1994	11.34%	8.30%	3.04%
1995	11.55%	7.91%	3.64%
1996	11.39%	7.74%	3.65%
1997	11.40%	7.63%	3.77%
1998	11.66%	7.00%	4.66%
1999	10.77%	7.55%	3.22%
2000	11.43%	8.09%	3.34%
2001	11.09%	7.72%	3.37%
2002	11.16%	7.53%	3.63%
2003	10.97%	6.61%	4.36%
2004	10.75%	6.20%	4.55%
2005	10.54%	5.67%	4.87%
2006	10.36%	6.08%	4.28%
2007	10.36%	6.11%	4.25%
2008	10.46%	6.65%	3.81%
2009	10.48%	6.28%	4.20%
2010	10.34%	5.56%	4.78%
2011	10.29%	5.13%	5.16%
2012	10.17%	4.26%	5.91%
2013	10.02%	4.55%	5.47%
2014	<u>9.92%</u>	<u>4.42%</u>	<u>5.50%</u>
Average	12.16%	8.58%	3.57%

(a) Major Rate Case Decisions, Regulatory Focus, Regulatory Research Associates; *UtilityScope Regulatory Service*, Argus.

(b) Moody's Investors Service.

ELECTRIC UTILITY RISK PREMIUMREGRESSION RESULTS

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.9231916
R Square	0.8522827
Adjusted R Square	0.8484951
Standard Error	0.0050778
Observations	41

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.005801789	0.005802	225.0178	8.7182E-18
Residual	39	0.001005564	2.58E-05		
Total	40	0.006807352			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.0723549	0.002566854	28.18815	1.52E-27	0.06716292	0.07754681	0.067162916	0.07754681
X Variable 1	-0.4266936	0.028445111	-15.0006	8.72E-18	-0.4842292	-0.36915797	-0.4842292	-0.36915797

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**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 46

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

- Q-46. Provide all work papers, in Excel spreadsheet format, supporting the Avera and McKenzie Testimony and Exhibits.
- A-46. See attachment being provided in Excel format.

Attachment in Excel

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

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 47

Responding Witness: John J. Spanos

- Q-47. Refer to page 5, line 22, to page 6, line 2, of the Testimony of John J. Spanos ("Spanos Testimony").
- a. Provide the accounting entries Mr. Spanos reviewed that were part of the 2011 depreciation studies referenced by Mr. Spanos.
 - b. Explain whether Cane Run Unit 7 being the first combined cycle combustion turbine generating unit in which LG&E has an ownership interest affects the relevance of the review of the 2011 depreciation studies performed by Mr. Spanos.
- A-47. a. The attached files are the historical accounting entries reviewed by Mr. Spanos that were part of the 2011 Depreciation Studies. The historical entries supply an understanding of past accounting practices for other production plant that have been established by KU and LG&E operations.
- b. Although Cane Run Unit 7 is the first combined cycle unit in which LG&E has ownership interests, the decisions of how assets are retired and how property units are established can be understood when reviewing past entries such as the 2011 Depreciation Studies. All relevant information about KU and LG&E practices are considered when projecting future rates for assets particularly when the assets are new to the asset base.

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34100	0420	9	1963	1963	314,631.16	0
34100	0420	0	2004	1963	(9,265.48)	0
34100	0420	7	2006	1963	(305,365.68)	0
34100	0420	9	1965	1965	65,637.80	0
34100	0420	7	2006	1965	(65,637.80)	0
34100	0420	9	1969	1969	8,767.25	0
34100	0420	7	2006	1969	(8,767.25)	0
34100	0171	9	1970	1970	25,892.83	0
34100	0410	9	1970	1970	8,241.14	0
34100	0431	9	1970	1970	42,864.53	0
34100	0171	8	2011	1970	25,892.83	0
34100	0410	8	2011	1970	8,241.14	0
34100	0431	8	2011	1970	42,864.53	0
34100	0420	9	1979	1979	102,902.74	0
34100	0420	7	2006	1979	(22,941.73)	0
34100	0420	7	2006	1979	(19,595.01)	0
34100	0420	7	2006	1979	(60,366.00)	0
34100	0171	9	1982	1982	43,038.88	0
34100	0171	0	2009	1982	(25,423.33)	0
34100	0171	8	2011	1982	17,615.55	0
34100	0460	9	2000	2000	69,733.40	0
34100	0461	9	2000	2000	105,588.33	0
34100	0460	8	2011	2000	69,733.40	0
34100	0461	8	2011	2000	105,588.33	0
34100	0432	9	2001	2001	2,154,198.12	0
34100	0459	9	2001	2001	857,280.64	0
34100	0432	8	2011	2001	2,154,198.12	0
34100	0459	8	2011	2001	857,280.64	0
34100	0432	9	2002	2002	4,500.00	0
34100	0459	9	2002	2002	1,258.00	0
34100	0470	9	2002	2002	1,458,614.33	0
34100	0471	9	2002	2002	1,457,842.69	0
34100	0432	8	2011	2002	4,500.00	0
34100	0459	8	2011	2002	1,258.00	0
34100	0470	8	2011	2002	1,458,614.33	0
34100	0471	8	2011	2002	1,457,842.69	0
34100	0461	9	2003	2003	2,523.50	0
34100	0461	8	2011	2003	2,523.50	0
34100	0470	3	2004	2004	11,339.85	0
34100	0471	3	2004	2004	10,081.20	0
34100	0474	9	2004	2004	2,083,698.13	0
34100	0475	9	2004	2004	2,075,526.50	0
34100	0476	9	2004	2004	2,137,402.33	0
34100	0477	9	2004	2004	2,132,789.69	0
34100	0470	8	2011	2004	11,339.85	0
34100	0471	8	2011	2004	10,081.20	0
34100	0474	8	2011	2004	2,083,698.13	0
34100	0475	8	2011	2004	2,075,526.50	0
34100	0476	8	2011	2004	2,137,402.33	0
34100	0477	8	2011	2004	2,132,789.69	0
34100	0470	9	2005	2005	85,700.90	0
34100	0470	8	2011	2005	85,700.90	0
34100	0460	9	2006	2006	36,244.46	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34100	0461	9	2006	2006	36,244.46	0
34100	0460	8	2011	2006	36,244.46	0
34100	0461	8	2011	2006	36,244.46	0
34100	0171	9	2009	2009	59,937.11	0
34100	0431	9	2009	2009	21,248.82	0
34100	0171	8	2011	2009	59,937.11	0
34100	0431	8	2011	2009	21,248.82	0
34100	0171	9	2011	2011	108,072.94	0
34100	0171	8	2011	2011	108,072.94	0
34200	0420	9	1965	1965	96,824.39	0
34200	0420	0	2003	1965	(4,128.41)	0
34200	0420	7	2006	1965	(92,695.98)	0
34200	0171	9	1970	1970	12,114.04	0
34200	0410	9	1970	1970	12,801.77	0
34200	0430	9	1970	1970	9,237.57	0
34200	0431	9	1970	1970	9,978.71	0
34200	0171	0	2004	1970	(4,465.09)	0
34200	0410	0	2011	1970	(2,716.50)	0
34200	0171	0	2011	1970	(669.72)	0
34200	0171	8	2011	1970	6,979.23	0
34200	0410	8	2011	1970	10,085.27	0
34200	0430	8	2011	1970	9,237.57	0
34200	0431	8	2011	1970	9,978.71	0
34200	0171	9	1982	1982	80,933.09	0
34200	0171	0	2011	1982	(32,916.44)	0
34200	0171	8	2011	1982	48,016.65	0
34200	0431	9	1984	1984	2,218.40	0
34200	0431	8	2011	1984	2,218.40	0
34200	0420	9	1986	1986	27,338.87	0
34200	0420	7	2006	1986	(27,338.87)	0
34200	0460	9	2000	2000	363,762.04	0
34200	0461	9	2000	2000	102,065.03	0
34200	0460	0	2010	2000	(57,815.22)	0
34200	0461	0	2010	2000	(57,815.22)	0
34200	0460	0	2011	2000	(29,390.90)	0
34200	0461	0	2011	2000	(29,390.90)	0
34200	0460	8	2011	2000	276,555.92	0
34200	0461	8	2011	2000	14,858.91	0
34200	0171	9	2001	2001	30,291.77	0
34200	0432	9	2001	2001	2,228,523.85	0
34200	0459	9	2001	2001	821,637.00	0
34200	0459	0	2010	2001	(58,981.51)	0
34200	0171	8	2011	2001	30,291.77	0
34200	0432	8	2011	2001	2,228,523.85	0
34200	0459	8	2011	2001	762,655.49	0
34200	0432	9	2002	2002	5,250.00	0
34200	0459	9	2002	2002	943.92	0
34200	0470	9	2002	2002	97,240.96	0
34200	0471	9	2002	2002	97,189.52	0
34200	0473	9	2002	2002	1,835,164.93	0
34200	0432	8	2011	2002	5,250.00	0
34200	0459	8	2011	2002	943.92	0
34200	0470	8	2011	2002	97,240.96	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34200	0471	8	2011	2002	97,189.52	0
34200	0473	8	2011	2002	1,835,164.93	0
34200	0470	3	2004	2004	755.94	0
34200	0471	3	2004	2004	672.06	0
34200	0474	9	2004	2004	338,423.07	0
34200	0475	9	2004	2004	337,096.18	0
34200	0476	9	2004	2004	347,146.53	0
34200	0477	9	2004	2004	346,397.46	0
34200	0470	8	2011	2004	755.94	0
34200	0471	8	2011	2004	672.06	0
34200	0474	8	2011	2004	338,423.07	0
34200	0475	8	2011	2004	337,096.18	0
34200	0476	8	2011	2004	347,146.53	0
34200	0477	8	2011	2004	346,397.46	0
34200	0432	9	2005	2005	21,564.32	0
34200	0473	9	2005	2005	157,329.57	0
34200	0432	8	2011	2005	21,564.32	0
34200	0473	8	2011	2005	157,329.57	0
34200	0473	9	2006	2006	5,896.12	0
34200	0473	8	2011	2006	5,896.12	0
34200	0477	9	2007	2007	15,462.56	0
34200	0477	8	2011	2007	15,462.56	0
34200	0459	9	2010	2010	83,307.22	0
34200	0460	9	2010	2010	83,307.22	0
34200	0461	9	2010	2010	83,307.24	0
34200	0459	8	2011	2010	83,307.22	0
34200	0460	8	2011	2010	83,307.22	0
34200	0461	8	2011	2010	83,307.24	0
34200	0410	9	2011	2011	13,348.54	0
34200	0431	9	2011	2011	9,469.97	0
34200	0460	9	2011	2011	43,196.99	0
34200	0461	9	2011	2011	43,197.01	0
34200	0171	9	2011	2011	233,754.52	0
34200	0171	8	2011	2011	233,754.52	0
34200	0410	8	2011	2011	13,348.54	0
34200	0431	8	2011	2011	9,469.97	0
34200	0460	8	2011	2011	43,196.99	0
34200	0461	8	2011	2011	43,197.01	0
34300	0420	9	1965	1965	2,263,204.05	0
34300	0420	0	2002	1965	(49,334.00)	0
34300	0420	7	2006	1965	(2,213,870.05)	0
34300	0420	9	1984	1984	13,656.87	0
34300	0420	7	2006	1984	(13,656.87)	0
34300	0420	9	1991	1991	13,507.14	0
34300	0420	7	2006	1991	(13,507.14)	0
34300	0420	9	1996	1996	104,703.64	0
34300	0420	7	2006	1996	(104,703.64)	0
34300	0461	9	1999	1999	54,479.22	0
34300	0461	8	2011	1999	54,479.22	0
34300	0420	9	2000	2000	21,584.73	0
34300	0460	9	2000	2000	19,890,998.18	0
34300	0461	9	2000	2000	43,802,213.45	0
34300	0461	9	2000	2000	(24,803,686.00)	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34300	0461	0	2003	2000	(1,344,213.36)	0
34300	0461	1	2003	2000	(1,344,213.36)	0
34300	0461	0	2003	2000	1,344,213.36	0
34300	0460	3	2004	2000	(1,025,430.00)	0
34300	0461	0	2004	2000	(0.01)	0
34300	0420	7	2006	2000	(21,584.73)	0
34300	0460	0	2006	2000	(2,311,971.00)	0
34300	0461	0	2006	2000	(1,840,791.46)	0
34300	0460	0	2008	2000	(3,094,133.74)	0
34300	0460	0	2009	2000	(77,284.79)	0
34300	0461	0	2009	2000	(3,152,955.49)	0
34300	0460	8	2011	2000	13,382,178.65	0
34300	0461	8	2011	2000	12,660,567.13	0
34300	0420	9	2001	2001	303,983.41	0
34300	0432	9	2001	2001	19,584,345.35	0
34300	0459	9	2001	2001	14,108,171.74	0
34300	0461	9	2001	2001	1,546,099.79	0
34300	0459	0	2004	2001	(133,031.59)	0
34300	0461	0	2004	2001	(156,986.92)	0
34300	0420	7	2006	2001	(303,983.41)	0
34300	0432	0	2007	2001	(43,513.00)	0
34300	0432	0	2009	2001	(1,497,949.67)	0
34300	0432	8	2011	2001	18,042,882.68	0
34300	0459	8	2011	2001	13,975,140.15	0
34300	0461	8	2011	2001	1,389,112.87	0
34300	0432	9	2002	2002	43,500.00	0
34300	0459	9	2002	2002	18,246.00	0
34300	0470	9	2002	2002	12,205,907.18	0
34300	0471	9	2002	2002	12,199,437.94	0
34300	0470	0	2007	2002	(3,653.00)	0
34300	0471	0	2007	2002	(3,653.00)	0
34300	0470	0	2011	2002	(726,027.44)	0
34300	0470	0	2011	2002	726,027.44	0
34300	0471	0	2011	2002	(726,761.51)	0
34300	0432	8	2011	2002	43,500.00	0
34300	0459	8	2011	2002	18,246.00	0
34300	0470	8	2011	2002	12,202,254.18	0
34300	0471	8	2011	2002	11,469,023.43	0
34300	0459	9	2003	2003	138,172.91	0
34300	0460	9	2003	2003	267,629.11	0
34300	0459	0	2011	2003	(138,172.91)	0
34300	0460	8	2011	2003	267,629.11	0
34300	0432	9	2004	2004	46,174.72	0
34300	0461	9	2004	2004	21,963.88	0
34300	0470	9	2004	2004	153,300.06	0
34300	0470	3	2004	2004	94,893.48	0
34300	0471	9	2004	2004	147,641.87	0
34300	0471	3	2004	2004	70,338.95	0
34300	0474	9	2004	2004	13,102,266.80	0
34300	0475	9	2004	2004	13,029,878.01	0
34300	0476	9	2004	2004	12,924,468.56	0
34300	0477	9	2004	2004	12,885,781.81	0
34300	0474	0	2007	2004	(2,336.00)	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34300	0475	0	2007	2004	(2,336.00)	0
34300	0476	0	2007	2004	(2,336.00)	0
34300	0477	0	2007	2004	(100,870.00)	0
34300	0476	0	2009	2004	(93,579.16)	0
34300	0470	0	2010	2004	(10,198.19)	0
34300	0432	8	2011	2004	46,174.72	0
34300	0461	8	2011	2004	21,963.88	0
34300	0470	8	2011	2004	237,995.35	0
34300	0471	8	2011	2004	217,980.82	0
34300	0474	8	2011	2004	13,099,930.80	0
34300	0475	8	2011	2004	13,027,542.01	0
34300	0476	8	2011	2004	12,828,553.40	0
34300	0477	8	2011	2004	12,784,911.81	0
34300	0432	9	2005	2005	26,959.17	0
34300	0470	9	2005	2005	81,750.92	0
34300	0474	9	2005	2005	192,132.86	0
34300	0470	9	2006	2005	(14,022.30)	0
34300	0432	8	2011	2005	26,959.17	0
34300	0470	8	2011	2005	67,728.62	0
34300	0474	8	2011	2005	192,132.86	0
34300	0459	9	2006	2006	179,014.46	0
34300	0460	9	2006	2006	2,300,856.09	0
34300	0461	9	2006	2006	2,123,163.65	0
34300	0474	9	2006	2006	34,314.19	0
34300	0475	9	2006	2006	173,870.82	0
34300	0476	9	2006	2006	169,909.36	0
34300	0477	9	2006	2006	169,917.60	0
34300	0459	8	2011	2006	179,014.46	0
34300	0460	8	2011	2006	2,300,856.09	0
34300	0461	8	2011	2006	2,123,163.65	0
34300	0474	8	2011	2006	34,314.19	0
34300	0475	8	2011	2006	173,870.82	0
34300	0476	8	2011	2006	169,909.36	0
34300	0477	8	2011	2006	169,917.60	0
34300	0432	9	2007	2007	54,465.86	0
34300	0459	9	2007	2007	19,389.37	0
34300	0460	9	2007	2007	13,901.82	0
34300	0461	9	2007	2007	13,901.82	0
34300	0470	9	2007	2007	17,083.25	0
34300	0471	9	2007	2007	3,918.62	0
34300	0474	9	2007	2007	2,499.81	0
34300	0475	9	2007	2007	2,499.81	0
34300	0476	9	2007	2007	2,499.81	0
34300	0477	9	2007	2007	105,948.81	0
34300	0432	8	2011	2007	54,465.86	0
34300	0459	8	2011	2007	19,389.37	0
34300	0460	8	2011	2007	13,901.82	0
34300	0461	8	2011	2007	13,901.82	0
34300	0470	8	2011	2007	17,083.25	0
34300	0471	8	2011	2007	3,918.62	0
34300	0474	8	2011	2007	2,499.81	0
34300	0475	8	2011	2007	2,499.81	0
34300	0476	8	2011	2007	2,499.81	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34300	0477	8	2011	2007	105,948.81	0
34300	0460	9	2008	2008	3,799,248.65	0
34300	0476	9	2008	2008	118,017.76	0
34300	0476	9	2009	2008	(118,017.76)	0
34300	0460	8	2011	2008	3,799,248.65	0
34300	0432	9	2009	2009	1,932,208.56	0
34300	0460	9	2009	2009	94,897.04	0
34300	0461	9	2009	2009	3,871,475.15	0
34300	0471	9	2009	2009	9,037.13	0
34300	0476	9	2009	2009	113,540.03	0
34300	0477	9	2009	2009	9,037.12	0
34300	0461	9	2010	2009	(1,895,016.71)	0
34300	0432	8	2011	2009	1,932,208.56	0
34300	0460	8	2011	2009	94,897.04	0
34300	0461	8	2011	2009	1,976,458.44	0
34300	0471	8	2011	2009	9,037.13	0
34300	0476	8	2011	2009	113,540.03	0
34300	0477	8	2011	2009	9,037.12	0
34300	0459	9	2010	2010	1,685,686.88	0
34300	0460	9	2010	2010	71,205.72	0
34300	0470	9	2010	2010	25,132.71	0
34300	0471	9	2010	2010	9,920.21	0
34300	0475	9	2010	2010	9,920.21	0
34300	0476	9	2010	2010	9,920.21	0
34300	0477	9	2010	2010	-	0
34300	0459	9	2011	2010	(1,685,686.88)	0
34300	0460	8	2011	2010	71,205.72	0
34300	0470	8	2011	2010	25,132.71	0
34300	0471	8	2011	2010	9,920.21	0
34300	0475	8	2011	2010	9,920.21	0
34300	0476	8	2011	2010	9,920.21	0
34300	0459	9	2011	2011	1,686,101.02	0
34300	0470	9	2011	2011	377,569.60	0
34300	0471	9	2011	2011	184,427.83	0
34300	0474	9	2011	2011	235,304.48	0
34300	0475	9	2011	2011	235,304.48	0
34300	0476	9	2011	2011	235,304.48	0
34300	0477	9	2011	2011	235,304.48	0
34300	0460	9	2011	2011	21,804.88	0
34300	0470	9	2011	2011	221,678.82	0
34300	0470	9	2011	2011	3,118,755.14	0
34300	0471	9	2011	2011	1,410,604.20	0
34300	0471	9	2011	2011	(184,427.83)	0
34300	0474	9	2011	2011	282,814.59	0
34300	0474	9	2011	2011	(235,304.48)	0
34300	0475	9	2011	2011	282,814.61	0
34300	0475	9	2011	2011	(235,304.48)	0
34300	0476	9	2011	2011	282,814.61	0
34300	0476	9	2011	2011	(235,304.48)	0
34300	0477	9	2011	2011	282,814.61	0
34300	0477	9	2011	2011	(235,304.48)	0
34300	0459	8	2011	2011	1,686,101.02	0
34300	0460	8	2011	2011	21,804.88	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34300	0470	8	2011	2011	3,718,003.56	0
34300	0471	8	2011	2011	1,410,604.20	0
34300	0474	8	2011	2011	282,814.59	0
34300	0475	8	2011	2011	282,814.61	0
34300	0476	8	2011	2011	282,814.61	0
34300	0477	8	2011	2011	282,814.61	0
34400	0420	9	1944	1944	334.33	0
34400	0420	7	2006	1944	(334.33)	0
34400	0420	9	1963	1963	386,200.00	0
34400	0420	7	2006	1963	(386,200.00)	0
34400	0420	9	1965	1965	42,837.00	0
34400	0420	7	2006	1965	(42,837.00)	0
34400	0431	9	1968	1968	196.95	0
34400	0431	0	2009	1968	(156.36)	0
34400	0431	8	2011	1968	40.59	0
34400	0171	9	1970	1970	1,364,700.66	0
34400	0410	9	1970	1970	1,426,738.54	0
34400	0430	9	1970	1970	1,215,926.17	0
34400	0431	9	1970	1970	2,529,701.82	0
34400	0171	0	2002	1970	(191,176.00)	0
34400	0171	0	2008	1970	(94,470.38)	0
34400	0171	8	2011	1970	1,079,054.28	0
34400	0410	8	2011	1970	1,426,738.54	0
34400	0430	8	2011	1970	1,215,926.17	0
34400	0431	8	2011	1970	2,529,701.82	0
34400	0420	9	1971	1971	21,746.00	0
34400	0420	7	2006	1971	(21,746.00)	0
34400	0410	9	1975	1975	2,429.22	0
34400	0410	8	2011	1975	2,429.22	0
34400	0171	9	1980	1980	7,909.40	0
34400	0171	8	2011	1980	7,909.40	0
34400	0171	9	1982	1982	392,244.56	0
34400	0171	8	2011	1982	392,244.56	0
34400	0171	9	1983	1983	16,103.24	0
34400	0171	8	2011	1983	16,103.24	0
34400	0410	9	1984	1984	3,115.19	0
34400	0430	9	1984	1984	3,115.19	0
34400	0410	8	2011	1984	3,115.19	0
34400	0430	8	2011	1984	3,115.19	0
34400	0171	9	1986	1986	5,193.46	0
34400	0171	8	2011	1986	5,193.46	0
34400	0431	9	1987	1987	20,505.89	0
34400	0431	8	2011	1987	20,505.89	0
34400	0410	9	1993	1993	9,818.66	0
34400	0430	9	1993	1993	9,343.42	0
34400	0431	9	1993	1993	20,111.98	0
34400	0410	8	2011	1993	9,818.66	0
34400	0430	8	2011	1993	9,343.42	0
34400	0431	8	2011	1993	20,111.98	0
34400	0431	9	1995	1995	38,755.83	0
34400	0431	8	2011	1995	38,755.83	0
34400	0410	9	1996	1996	385,479.27	0
34400	0410	8	2011	1996	385,479.27	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34400	0430	9	1997	1997	294,730.78	0
34400	0430	8	2011	1997	294,730.78	0
34400	0431	9	1999	1999	382,473.30	0
34400	0431	8	2011	1999	382,473.30	0
34400	0460	9	2000	2000	2,417,994.54	0
34400	0461	9	2000	2000	2,421,079.26	0
34400	0460	8	2011	2000	2,417,994.54	0
34400	0461	8	2011	2000	2,421,079.26	0
34400	0432	9	2001	2001	5,847,107.93	0
34400	0459	9	2001	2001	3,214,801.40	0
34400	0459	0	2011	2001	(46,426.53)	0
34400	0432	8	2011	2001	5,847,107.93	0
34400	0459	8	2011	2001	3,168,374.87	0
34400	0171	9	2002	2002	897,521.10	0
34400	0432	9	2002	2002	12,750.00	0
34400	0459	9	2002	2002	4,404.00	0
34400	0470	9	2002	2002	1,527,420.57	0
34400	0471	9	2002	2002	1,526,610.88	0
34400	0171	8	2011	2002	897,521.10	0
34400	0432	8	2011	2002	12,750.00	0
34400	0459	8	2011	2002	4,404.00	0
34400	0470	8	2011	2002	1,527,420.57	0
34400	0471	8	2011	2002	1,526,610.88	0
34400	0470	3	2004	2004	11,874.67	0
34400	0471	3	2004	2004	10,556.72	0
34400	0474	9	2004	2004	1,726,823.88	0
34400	0475	9	2004	2004	1,717,276.72	0
34400	0476	9	2004	2004	1,728,008.37	0
34400	0477	9	2004	2004	1,722,674.29	0
34400	0470	8	2011	2004	11,874.67	0
34400	0471	8	2011	2004	10,556.72	0
34400	0474	8	2011	2004	1,726,823.88	0
34400	0475	8	2011	2004	1,717,276.72	0
34400	0476	8	2011	2004	1,728,008.37	0
34400	0477	8	2011	2004	1,722,674.29	0
34400	0171	9	2008	2008	512,097.56	0
34400	0171	8	2011	2008	512,097.56	0
34400	0459	9	2010	2010	81,521.33	0
34400	0459	9	2011	2010	(81,521.33)	0
34400	0459	9	2011	2011	76,581.01	0
34400	0459	8	2011	2011	76,581.01	0
34500	0420	9	1963	1963	22,777.59	0
34500	0420	7	2006	1963	(22,777.59)	0
34500	0420	9	1965	1965	83,473.07	0
34500	0420	7	2006	1965	(83,473.07)	0
34500	0420	9	1968	1968	482.79	0
34500	0420	7	2006	1968	(482.79)	0
34500	0171	9	1970	1970	98,856.44	0
34500	0410	9	1970	1970	40,605.75	0
34500	0430	9	1970	1970	48,020.14	0
34500	0431	9	1970	1970	82,980.18	0
34500	0431	0	2009	1970	(367.54)	0
34500	0410	0	2011	1970	(472.28)	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34500	0171	8	2011	1970	98,856.44	0
34500	0410	8	2011	1970	40,133.47	0
34500	0430	8	2011	1970	48,020.14	0
34500	0431	8	2011	1970	82,612.64	0
34500	0171	9	1971	1971	1,756.28	0
34500	0171	8	2011	1971	1,756.28	0
34500	0410	9	1974	1974	330.33	0
34500	0410	8	2011	1974	330.33	0
34500	0171	9	1982	1982	13,071.10	0
34500	0171	8	2011	1982	13,071.10	0
34500	0430	9	1988	1988	4,190.15	0
34500	0430	8	2011	1988	4,190.15	0
34500	0420	9	1998	1998	35,809.15	0
34500	0430	9	1998	1998	6,870.11	0
34500	0431	9	1998	1998	31,357.45	0
34500	0420	7	2006	1998	(35,809.15)	0
34500	0430	8	2011	1998	6,870.11	0
34500	0431	8	2011	1998	31,357.45	0
34500	0420	9	2000	2000	194,065.40	0
34500	0420	9	2000	2000	6,020.38	0
34500	0460	9	2000	2000	942,589.47	0
34500	0461	9	2000	2000	943,792.03	0
34500	0420	9	2003	2000	18,268.83	2000
34500	0420	7	2006	2000	(218,354.61)	0
34500	0460	8	2011	2000	942,589.47	0
34500	0461	8	2011	2000	943,792.03	0
34500	0432	9	2001	2001	2,772,992.60	0
34500	0459	9	2001	2001	2,571,841.42	0
34500	0432	8	2011	2001	2,772,992.60	0
34500	0459	8	2011	2001	2,571,841.42	0
34500	0430	9	2002	2002	9,028.95	0
34500	0432	9	2002	2002	6,000.00	0
34500	0459	9	2002	2002	3,460.00	0
34500	0470	9	2002	2002	680,686.68	0
34500	0471	9	2002	2002	680,326.59	0
34500	0471	3	2009	2002	909,861.28	0
34500	0470	0	2011	2002	(8,079.67)	0
34500	0430	8	2011	2002	9,028.95	0
34500	0432	8	2011	2002	6,000.00	0
34500	0459	8	2011	2002	3,460.00	0
34500	0470	8	2011	2002	672,607.01	0
34500	0471	8	2011	2002	1,590,187.87	0
34500	0470	3	2004	2004	5,292.01	0
34500	0471	3	2004	2004	4,704.54	0
34500	0474	9	2004	2004	1,841,955.15	0
34500	0475	9	2004	2004	1,834,731.90	0
34500	0476	9	2004	2004	1,889,431.09	0
34500	0477	9	2004	2004	1,885,353.63	0
34500	0477	3	2009	2004	2,471,759.16	0
34500	0470	8	2011	2004	5,292.01	0
34500	0471	8	2011	2004	4,704.54	0
34500	0474	8	2011	2004	1,841,955.15	0
34500	0475	8	2011	2004	1,834,731.90	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34500	0476	8	2011	2004	1,889,431.09	0
34500	0477	8	2011	2004	4,357,112.79	0
34500	0171	9	2008	2008	2,943.40	0
34500	0474	9	2008	2008	1,409.27	0
34500	0475	9	2008	2008	1,409.24	0
34500	0476	9	2008	2008	1,409.27	0
34500	0477	9	2008	2008	1,409.27	0
34500	0474	9	2009	2008	(1,409.27)	0
34500	0475	9	2009	2008	(1,409.24)	0
34500	0476	9	2009	2008	(1,409.27)	0
34500	0477	9	2009	2008	(1,409.27)	0
34500	0171	8	2011	2008	2,943.40	0
34500	0474	9	2009	2009	1,409.27	0
34500	0475	9	2009	2009	1,409.27	0
34500	0476	9	2009	2009	1,409.24	0
34500	0477	9	2009	2009	1,409.27	0
34500	0474	8	2011	2009	1,409.27	0
34500	0475	8	2011	2009	1,409.27	0
34500	0476	8	2011	2009	1,409.24	0
34500	0477	8	2011	2009	1,409.27	0
34500	0459	9	2010	2010	13,121.14	0
34500	0460	9	2010	2010	27,599.75	0
34500	0460	9	2010	2010	-	0
34500	0461	9	2010	2010	9,408.42	0
34500	0459	8	2011	2010	13,121.14	0
34500	0460	8	2011	2010	27,599.75	0
34500	0461	8	2011	2010	9,408.42	0
34500	0410	9	2011	2011	3,818.97	0
34500	0431	9	2011	2011	798,671.41	0
34500	0470	9	2011	2011	11,234.08	0
34500	0470	9	2011	2011	17,830.12	0
34500	0477	9	2011	2011	29,314.03	0
34500	0431	9	2011	2011	798,671.41	0
34500	0431	9	2011	2011	(798,671.41)	0
34500	0477	9	2011	2011	29,314.03	0
34500	0477	9	2011	2011	(29,314.03)	0
34500	0410	8	2011	2011	3,818.97	0
34500	0431	8	2011	2011	798,671.41	0
34500	0470	8	2011	2011	29,064.20	0
34500	0477	8	2011	2011	29,314.03	0
34600	0420	9	1963	1963	20,863.04	0
34600	0420	7	2006	1963	(20,863.04)	0
34600	0431	9	1972	1972	1,140.74	0
34600	0431	0	2011	1972	(1,140.74)	0
34600	0420	9	1974	1974	3,903.25	0
34600	0420	7	2006	1974	(3,903.25)	0
34600	0460	9	2000	2000	11,034.25	0
34600	0461	9	2000	2000	11,048.30	0
34600	0460	8	2011	2000	11,034.25	0
34600	0461	8	2011	2000	11,048.30	0
34600	0432	9	2001	2001	1,257,054.85	0
34600	0459	9	2001	2001	2,367,510.38	0
34600	0432	8	2011	2001	1,257,054.85	0

AccountNumber	GroupNumber	TransactionCode	TransactionYear	InstallationYear	Amount	AdjustedTY
34600	0459	8	2011	2001	2,367,510.38	0
34600	0432	9	2002	2002	3,000.00	0
34600	0459	9	2002	2002	3,146.00	0
34600	0432	8	2011	2002	3,000.00	0
34600	0459	8	2011	2002	3,146.00	0
34600	0460	9	2003	2003	11,421.52	0
34600	0461	9	2003	2003	11,999.48	0
34600	0460	8	2011	2003	11,421.52	0
34600	0461	8	2011	2003	11,999.48	0
34600	0474	9	2004	2004	5,204.51	0
34600	0475	9	2004	2004	5,182.59	0
34600	0476	9	2004	2004	5,328.44	0
34600	0477	9	2004	2004	5,316.29	0
34600	0474	8	2011	2004	5,204.51	0
34600	0475	8	2011	2004	5,182.59	0
34600	0476	8	2011	2004	5,328.44	0
34600	0477	8	2011	2004	5,316.29	0
34600	0470	9	2005	2005	8,937.45	0
34600	0470	8	2011	2005	8,937.45	0
34600	0410	9	2007	2007	9,488.39	0
34600	0430	9	2007	2007	9,494.38	0
34600	0432	9	2007	2007	14,428.54	0
34600	0459	9	2007	2007	24,568.74	0
34600	0470	9	2007	2007	5,591.47	0
34600	0410	8	2011	2007	9,488.39	0
34600	0430	8	2011	2007	9,494.38	0
34600	0432	8	2011	2007	14,428.54	0
34600	0459	8	2011	2007	24,568.74	0
34600	0470	8	2011	2007	5,591.47	0
34600	0432	9	2010	2010	6,550.80	0
34600	0432	9	2010	2010	-	0
34600	0477	9	2010	2010	16,663.61	0
34600	0432	8	2011	2010	6,550.80	0
34600	0477	8	2011	2010	16,663.61	0
34600	0477	9	2011	2011	3,353.01	0
34600	0477	9	2011	2011	3,353.01	0
34600	0477	9	2011	2011	(3,353.01)	0
34600	0477	8	2011	2011	3,353.01	0

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 48

Responding Witness: John J. Spanos

- Q-48. Refer to page 8, lines 15-19, of the Spanos Testimony. The last phrase in the text is "typical life spans experienced and used by other electric utilities for similar facilities." Identify the other utilities and similar facilities to which Mr. Spanos refers.
- A-48. The attached document sets forth "typical life spans experienced and used by other electric utilities for similar facilities" which were the bases of Mr. Spanos' testimony.

Louisville Gas & Electric

Life Spans of Combined Cycle Gas Power Plants

UTILITY	UNIT	LOCATION	LIFE SPAN
Combined Cycle Production			
Dominion Resources, Inc.	Bellemeade	Virginia	36
Dominion Resources, Inc.	Rosemary	North Carolina	36
Dominion Resources, Inc.	Gordonsville	Virginia	34
Dominion Resources, Inc.	Chesterfield 7	Virginia	36
Dominion Resources, Inc.	Chesterfield 8	Virginia	36
Dominion Resources, Inc.	Possum Point	Virginia	33
Kansas City Power and Light	Hawthorn 6	Missouri	33
Midamerican Energy Co.	GDMEC	Iowa	28
Chugach Electric Assoc.	Beluga 6	Alaska	24, 40
Chugach Electric Assoc.	Beluga 7	Alaska	24, 40
Alliant Energy - Iowa	Emery	Iowa	27
Energy Arkansas, Inc.	Ouachita Unit 1	Louisiana	30
Energy Arkansas, Inc.	Ouachita Unit 2	Louisiana	30
Energy Arkansas, Inc.	Ouachita Unit 3	Louisiana	30
Duke Energy Indiana	Noblesville Units 1 & 2	Indiana	35
Duke Energy Indiana	Noblesville Units 3	Indiana	35
Duke Energy Indiana	Noblesville Units 4	Indiana	35
Duke Energy Indiana	Noblesville Units 5	Indiana	35
Duke Energy Carolinas	Dan River	North Carolina	25, 40
Oklahoma Gas & Electric Co.	Redbud	Oklahoma	31
Oklahoma Gas & Electric Co.	McClain Gas 1	Oklahoma	31
Oklahoma Gas & Electric Co.	McClain Gas 2	Oklahoma	31
Oklahoma Gas & Electric Co.	McClain Steam 1	Oklahoma	31
Puget Sound Energy	Encogen	Washington	35
Puget Sound Energy	Frederickson 1	Washington	35
South Carolina Electric & Gas Co.	Urquhart 5 & 6	South Carolina	35
South Carolina Electric & Gas Co.	Jasper	South Carolina	35
Pacific Gas & Electric Company	Gateway Generating Station	California	30
Pacific Gas & Electric Company	Colusa Generating Station	California	30
Florida Power and Light Company	Lauderdale Unit 4	Florida	30
Florida Power and Light Company	Lauderdale Unit 5	Florida	30
Florida Power and Light Company	Ft. Meyers Unit 2	Florida	31
Florida Power and Light Company	Manatee Unit 3	Florida	30
Florida Power and Light Company	Martin Unit 3	Florida	30
Florida Power and Light Company	Martin Unit 4	Florida	30
Florida Power and Light Company	Martin Unit 8	Florida	30
Florida Power and Light Company	Putnam Unit 1	Florida	25, 42
Florida Power and Light Company	Putnam Unit 2	Florida	25, 43

Louisville Gas & Electric

Life Spans of Combined Cycle Gas Power Plants

UTILITY	UNIT	LOCATION	LIFE SPAN
Florida Power and Light Company	Sanford Unit 4	Florida	30
Florida Power and Light Company	Sanford Unit 5	Florida	30
Florida Power and Light Company	Turkey Point Unit 5	Florida	30
Florida Power and Light Company	West County Unit 1	Florida	30
Florida Power and Light Company	West County Unit 2	Florida	30
Florida Power and Light Company	West County Unit 3	Florida	30
Black Hills Corporation	Pueblo Area	Colorado	35
Chugach Electric Assoc.	South Central Project	Alaska	35
Idaho Power	Danskin	Idaho	35
Idaho Power	Langley Gulch	Idaho	30
Idaho Power	Bennett Mountain	Idaho	35
Sierra Pacific Power Company	Tracy 8, 9, 10	Nevada	35
Nevada Power Company	Harry Allen	Nevada	35
Nevada Power Company	Higgins	Nevada	35
Nevada Power Company	Lenzie CC 1	Nevada	35
Nevada Power Company	Lenzie CC 2	Nevada	35
Nevada Power Company	Silverhawk	Nevada	35
Arizona Public Service	West Phoenix	Arizona	31
Pacificorp	Currant Creek	Utah	40
Pacificorp	Hermiston 1	Oregon	40
Pacificorp	Hermiston 2	Oregon	40
Pacificorp	Lake Side	Utah	40
Pacificorp	Chehalis	Washington	40
Cheyenne Light & Power	Cheyenne Prairie	Wyoming	40

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 49

Responding Witness: John J. Spanos

- Q-49. Refer to page 9, lines 3-5, of the Spanos Testimony. In estimating the net salvage percentages, explain why the period chosen for reviewing historical data was 2004-2011. Explain specifically (1) why a longer period was not used and (2) why the period reviewed did not include more recent data.
- A-49. Similar to the life analyses process, Mr. Spanos combined the available historical data from the 2011 Depreciation Studies to understand how net salvage was recorded by the operational group involved with other production plant for both KU and LG&E. The 2004-2011 period contained the data available and studied in the 2011 Depreciation Studies for Other Production Plant. Given that the estimates of net salvage are not only a statistical exercise and the practices of determining net salvage have not changed, more recent data was not necessary for establishing the net salvage estimate by account for the new Cane Run Unit 7 facility.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 50

Responding Witness: John J. Spanos

- Q-50. Refer to page 10, lines 9-14, of the Spanos Testimony. It states that survivor curve 50-R1.5 was selected for account 344, generators, but that a 40-year life span for the Cane Run 7 generators was determined to be appropriate.
- a. Explain how the 40-year life span was derived from the 50-R1.5 survivor curve.
 - b. If the 40-year life span was not derived from the 50-R1.5 survivor curve, explain how it was determined and explain why it is appropriate.
- A-50. a. All production facilities have two life components: (1) the interim survivor curve, and (2) the life span. The interim survivor curve represents the rate of retirement of the assets during the life of the facility. These retirements represent replacements of components each year in order for the facility to keep operating. The life span represents the overall period of time the entire facility stays in operation before the end of life date. These two life components are included in all KU and LG&E generating facilities. Therefore, the 40-year life span is not derived from the 50-R1.5 survivor curve.
- b. A life span component is necessary for generating facilities to properly represent the overall life characteristic of the assets. The 40-year life span was determined based on discussions with management, life spans of other similar facilities in the industry and the expectancy to continue to operate the facility efficiently and economically.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 51

Responding Witness: John J. Spanos

- Q-51. Refer to the depreciation summary sheets shown in LG&E's Application filed in Case No. 2012-00222 at pages III-4 through III-10 of John Spanos' direct Testimony and refer to Exhibit 7 of the Stipulated Agreement filed in that case that was approved by Commission Order dated December 20, 2012. Using the same format presented on the depreciation summary sheets shown in the Spanos testimony, show the calculation of the depreciation rates listed in Exhibit 7.
- A-51. See attached. The attachment sets forth the depreciation rates listed in Exhibit 8 in the same format as pages III-4 through III-10 of John Spanos' Direct Testimony in Case No. 2002-00222. Pages III-4 through III-10 represent only the electric accounts.

LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2011
PROPOSED SETTLEMENT

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
DEPRECIABLE PLANT								
STEAM PRODUCTION PLANT								
311.00	STRUCTURES AND IMPROVEMENTS							
	CANE RUN UNIT 1	FULLY ACCRUED *	4,233,239.48	4,656,563	(338,659)	0	-	-
	CANE RUN UNIT 2	FULLY ACCRUED *	2,102,422.45	2,312,665	(168,194)	0	-	-
	CANE RUN UNIT 3	FULLY ACCRUED *	3,536,934.45	3,890,628	(282,955)	0	-	-
	CANE RUN UNIT 4	100-S1 *	4,084,601.80	4,493,062	(326,768)	0	-	-
	CANE RUN UNIT 4 SCRUBBER	100-S1 *	760,360.00	836,396	(60,829)	0	-	-
	CANE RUN UNIT 5	100-S1 *	6,266,327.41	6,270,959	120,695	30,174	0.48	4.0
	CANE RUN UNIT 5 SCRUBBER	100-S1 *	1,696,435.00	1,866,079	(135,715)	0	-	-
	CANE RUN UNIT 6	100-S1 *	27,476,428.51	20,351,263	7,674,694	1,921,892	6.99	4.0
	CANE RUN UNIT 6 SCRUBBER	100-S1 *	2,004,301.46	2,204,732	(160,345)	0	-	-
	MILL CREEK UNIT 1	100-S1 *	19,891,316.24	17,615,350	3,867,272	193,273	0.97	20.0
	MILL CREEK UNIT 1 SCRUBBER	100-S1 *	1,709,710.55	1,949,070	(102,583)	0	-	-
	MILL CREEK UNIT 2	100-S1 *	11,532,774.58	9,977,701	2,477,696	113,843	0.99	21.8
	MILL CREEK UNIT 2 SCRUBBER	100-S1 *	1,393,404.00	1,588,481	(83,605)	0	-	-
	MILL CREEK UNIT 3	100-S1 *	24,500,220.48	20,580,339	5,879,899	233,628	0.95	25.2
	MILL CREEK UNIT 3 SCRUBBER	100-S1 *	362,867.00	413,668	(21,772)	0	-	-
	MILL CREEK UNIT 4	100-S1 *	64,262,882.75	38,607,501	30,796,412	1,058,068	1.65	29.1
	MILL CREEK UNIT 4 SCRUBBER	100-S1 *	5,330,551.76	4,985,213	771,783	26,465	0.50	29.2
	TRIMBLE COUNTY UNIT 1	100-S1 *	115,104,803.30	61,530,223	66,236,109	1,834,136	1.59	36.1
	TRIMBLE COUNTY UNIT 1 SCRUBBER	100-S1 *	493,909.75	366,848	181,392	4,973	1.01	36.5
	TRIMBLE COUNTY UNIT 2	100-S1 *	25,993,297.87	310,077	28,542,484	545,769	2.10	52.3
	TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS		322,736,788.84	204,806,818	144,867,011	5,962,221	1.85	24.3

LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2011
PROPOSED SETTLEMENT

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
312.00 BOILER PLANT EQUIPMENT								
CANE RUN UNIT 1	FULLY ACCRUED *	(2)	1,052,270.58	1,157,498	(84,182)	0	-	-
CANE RUN UNIT 2	FULLY ACCRUED *	(2)	132,275.78	145,503	(10,582)	0	-	-
CANE RUN UNIT 3	FULLY ACCRUED *	(2)	705,480.33	776,028	(56,438)	0	-	-
CANE RUN UNIT 4	50-R1.5 *	(2)	31,327,230.07	22,533,292	9,420,483	2,399,662	7.66	3.9
CANE RUN UNIT 4 SCRUBBER	50-R1.5 *	(2)	17,050,367.50	18,755,404	(1,364,029)	0	-	-
CANE RUN UNIT 5	50-R1.5 *	(2)	38,533,317.45	18,746,808	20,557,176	5,218,220	13.54	3.9
CANE RUN UNIT 5 SCRUBBER	50-R1.5 *	(2)	27,977,906.37	30,631,510	(2,094,046)	0	-	-
CANE RUN UNIT 6	50-R1.5 *	(2)	56,536,729.43	27,194,785	30,472,679	7,742,404	13.69	3.9
CANE RUN UNIT 6 SCRUBBER	50-R1.5 *	(2)	32,458,666.05	28,381,716	4,726,123	1,200,632	3.70	3.9
MILL CREEK UNIT 1	50-R1.5 *	(8)	56,221,452.31	34,098,918	26,620,250	1,420,202	2.53	18.7
MILL CREEK UNIT 1 SCRUBBER	50-R1.5 *	(8)	43,569,500.63	32,558,338	14,496,723	768,706	1.76	18.9
MILL CREEK UNIT 2	50-R1.5 *	(8)	53,298,846.20	28,986,386	30,576,368	1,512,723	2.84	20.2
MILL CREEK UNIT 2 SCRUBBER	50-R1.5 *	(8)	35,719,947.71	28,309,628	10,267,916	501,525	1.40	20.5
MILL CREEK UNIT 3	50-R1.5 *	(8)	143,156,558.12	66,027,985	88,581,098	3,781,286	2.64	23.4
MILL CREEK UNIT 3 SCRUBBER	50-R1.5 *	(8)	63,237,310.85	36,126,930	32,169,366	1,372,933	2.17	23.4
MILL CREEK UNIT 4	50-R1.5 *	(8)	249,825,281.75	104,471,839	165,339,465	6,349,041	2.54	26.0
MILL CREEK UNIT 4 SCRUBBER	50-R1.5 *	(8)	114,224,524.76	76,611,965	46,750,522	1,782,361	1.56	26.2
TRIMBLE COUNTY UNIT 1	50-R1.5 *	(11)	217,217,963.01	74,259,062	166,852,877	5,508,159	2.54	30.3
TRIMBLE COUNTY UNIT 1 SCRUBBER	50-R1.5 *	(11)	63,774,643.01	46,576,791	24,213,063	798,763	1.25	30.3
TRIMBLE COUNTY UNIT 2	50-R1.5 *	(11)	121,585,784.34	4,866,329	130,093,892	2,995,508	2.46	43.4
TRIMBLE COUNTY UNIT 2 SCRUBBER	50-R1.5 *	(11)	14,269,003.46	555,655	15,282,939	351,898	2.47	43.4
<i>TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT</i>			1,381,875,059.71	679,772,370	812,811,663	43,704,023	3.16	18.6
312.01 BOILER PLANT EQUIPMENT - LOCOMOTIVE								
CANE RUN LOCOMOTIVE	25-R2.5 *	0	51,549.42	51,549	0	0	-	-
MILL CREEK LOCOMOTIVE	25-R2.5 *	0	613,424.43	494,206	119,218	37,326	6.08	3.2
<i>TOTAL ACCOUNT 312.01 - BOILER PLANT EQUIPMENT - LOCOMOTIVE</i>			664,973.85	545,755	119,218	37,326	5.61	3.2
312.02 BOILER PLANT EQUIPMENT - RAIL CARS								
CANE RUN RAIL CARS	25-R2.5 *	0	1,501,772.81	1,161,405	340,368	103,455	6.89	3.3
MILL CREEK RAIL CARS	25-R2.5 *	0	2,298,377.65	2,214,107	84,271	8,166	0.36	10.3
<i>TOTAL ACCOUNT 312.02 - BOILER PLANT EQUIPMENT - RAIL CARS</i>			3,800,150.46	3,375,512	424,639	111,621	2.94	3.8

LOUISVILLE GAS AND ELECTRIC COMPANY
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ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
314.00	TURBOGENERATOR UNITS							
	CANE RUN UNIT 1	FULLY ACCRUED *	106,008.99	116,610	(8,481)	0	-	-
	CANE RUN UNIT 2	FULLY ACCRUED *	19,999.00	21,999	(1,600)	0	-	-
	CANE RUN UNIT 3	FULLY ACCRUED *	581,177.00	639,295	(46,494)	0	-	-
	CANE RUN UNIT 4	60-S1.5 *	9,318,503.05	8,958,801	546,072	136,739	1.47	4.0
	CANE RUN UNIT 5	60-S1.5 *	7,931,771.74	7,826,617	263,790	65,948	0.83	4.0
	CANE RUN UNIT 6	60-S1.5 *	16,728,286.69	11,512,691	5,550,161	1,399,197	8.36	4.0
	MILL CREEK UNIT 1	60-S1.5 *	14,686,467.07	13,065,010	2,796,374	150,810	1.03	18.5
	MILL CREEK UNIT 2	60-S1.5 *	17,091,026.54	13,298,105	5,160,204	254,961	1.49	20.2
	MILL CREEK UNIT 3	60-S1.5 *	31,675,230.08	19,495,161	14,714,087	606,389	1.91	24.3
	MILL CREEK UNIT 4	60-S1.5 *	42,573,105.70	28,812,799	17,166,155	668,374	1.57	25.7
	TRIMBLE COUNTY UNIT 1	60-S1.5 *	57,000,938.71	22,348,217	40,922,825	1,241,217	2.18	33.0
	TRIMBLE COUNTY UNIT 2	60-S1.5 *	20,447,426.61	2,602,945	20,093,699	431,322	2.11	46.6
	<i>TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS</i>		218,159,941.18	128,698,250	107,156,792	4,954,957	2.27	21.6
315.00	ACCESSORY ELECTRIC EQUIPMENT							
	CANE RUN UNIT 1	FULLY ACCRUED *	1,883,656.22	2,072,022	(150,693)	0	-	-
	CANE RUN UNIT 2	FULLY ACCRUED *	1,238,068.15	1,361,875	(99,045)	0	-	-
	CANE RUN UNIT 3	FULLY ACCRUED *	766,540.94	843,195	(61,323)	0	-	-
	CANE RUN UNIT 4	55-S2 *	5,920,913.98	5,264,226	775,106	194,589	3.29	4.0
	CANE RUN UNIT 4 SCRUBBER	55-S2 *	987,949.00	1,086,744	(79,036)	0	-	-
	CANE RUN UNIT 5	55-S2 *	9,434,824.77	5,414,071	4,209,450	1,058,853	11.22	4.0
	CANE RUN UNIT 5 SCRUBBER	55-S2 *	2,216,498.98	2,438,149	(177,320)	0	-	-
	CANE RUN UNIT 6	55-S2 *	12,602,452.90	7,468,070	5,386,432	1,358,180	10.78	4.0
	CANE RUN UNIT 6 SCRUBBER	55-S2 *	2,199,914.33	2,419,906	(175,993)	0	-	-
	MILL CREEK UNIT 1	55-S2 *	15,688,648.70	8,807,564	8,136,177	431,964	2.75	18.8
	MILL CREEK UNIT 1 SCRUBBER	55-S2 *	5,541,695.00	6,317,532	(332,501)	0	-	-
	MILL CREEK UNIT 2	55-S2 *	7,415,271.51	5,475,168	2,533,325	131,863	1.78	19.2
	MILL CREEK UNIT 2 SCRUBBER	55-S2 *	4,505,053.40	5,135,761	(270,303)	0	-	-
	MILL CREEK UNIT 3	55-S2 *	15,049,879.17	13,392,025	2,861,845	137,773	0.92	20.8
	MILL CREEK UNIT 3 SCRUBBER	55-S2 *	2,531,773.00	2,886,221	(151,906)	0	-	-
	MILL CREEK UNIT 4	55-S2 *	24,032,537.03	17,602,916	8,352,224	357,065	1.49	23.4
	MILL CREEK UNIT 4 SCRUBBER	55-S2 *	5,864,978.52	5,812,660	521,517	22,571	0.38	23.1
	TRIMBLE COUNTY UNIT 1	55-S2 *	49,158,784.47	25,131,907	29,434,344	985,512	2.00	29.9
	TRIMBLE COUNTY UNIT 1 SCRUBBER	55-S2 *	2,736,920.00	2,325,798	712,183	24,156	0.88	29.5
	TRIMBLE COUNTY UNIT 2	55-S2 *	8,302,486.30	191,917	9,023,843	189,862	2.29	47.5
	<i>TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT</i>		178,078,846.37	121,447,727	70,448,326	4,892,388	2.75	14.4

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ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)	
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)		
316.00	MISCELLANEOUS POWER PLANT EQUIPMENT								
	CANE RUN UNIT 1	FULLY ACCRUED *	38,745.62	42,620	(3,099)	0	-	-	
	CANE RUN UNIT 3	FULLY ACCRUED *	11,664.48	12,831	(933)	0	-	-	
	CANE RUN UNIT 4	45-R2.5 *	87,249.03	30,774	58,220	14,649	16.79	4.0	
316.00	MISCELLANEOUS POWER PLANT EQUIPMENT, cont.								
	CANE RUN UNIT 4 SCRUBBER	45-R2.5 *	6,464.30	7,111	(517)	0	-	-	
	CANE RUN UNIT 5	45-R2.5 *	96,972.33	39,551	59,361	14,923	15.39	4.0	
	CANE RUN UNIT 5 SCRUBBER	45-R2.5 *	47,299.47	52,029	(3,784)	0	-	-	
	CANE RUN UNIT 6	45-R2.5 *	2,930,864.12	1,399,447	1,590,034	401,960	13.71	4.0	
	CANE RUN UNIT 6 SCRUBBER	45-R2.5 *	31,568.91	34,726	(2,526)	0	-	-	
	MILL CREEK UNIT 1	45-R2.5 *	740,548.61	490,286	309,506	18,585	2.51	16.7	
	MILL CREEK UNIT 2	45-R2.5 *	125,820.55	94,780	41,106	2,214	1.76	18.6	
	MILL CREEK UNIT 3	45-R2.5 *	410,061.13	323,848	119,018	4,987	1.22	23.9	
	MILL CREEK UNIT 4	45-R2.5 *	7,285,291.68	2,613,795	5,254,320	197,169	2.71	26.6	
	MILL CREEK UNIT 4 SCRUBBER	45-R2.5 *	74,850.91	38,270	42,569	1,534	2.05	27.8	
	TRIMBLE COUNTY UNIT 1	45-R2.5 *	2,917,559.67	1,204,753	2,033,738	72,089	2.47	28.2	
	TRIMBLE COUNTY UNIT 2	45-R2.5 *	1,540,223.39	42,234	1,667,414	39,059	2.54	42.7	
	<i>TOTAL ACCOUNT 316 - MISCELLANEOUS POWER PLANT EQUIPMENT</i>		16,345,184.20	6,427,055	11,164,427	767,169	4.69	14.6	
	TOTAL STEAM PRODUCTION PLANT		2,121,660,944.61	1,145,073,487	1,146,992,076	60,429,705	2.85		
	HYDRAULIC PRODUCTION PLANT								
331.00	STRUCTURES AND IMPROVEMENTS								
	OHIO FALLS - NON-PROJECT	100-S2 *	65,796.14	38,867	28,903	962	1.46	30.0	
	OHIO FALLS - PROJECT 289	100-S2 *	4,897,579.69	4,267,867	776,640	23,060	0.47	33.7	
	<i>TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS</i>		4,963,375.83	4,306,734	805,543	24,022	0.48	33.5	

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PROPOSED SETTLEMENT

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)	
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)		
332.00	RESERVOIRS, DAMS AND WATERWAY OHIO FALLS - PROJECT 289	100-S2.5 *	(3)	<u>11,690,251.61</u>	<u>1,705,082</u>	<u>10,335,877</u>	<u>306,528</u>	2.62	33.7
	<i>TOTAL ACCOUNT 332 - RESERVOIRS, DAMS AND WATERWAY</i>			11,690,251.61	1,705,082	10,335,877	306,528	2.62	33.7
333.00	WATER WHEELS, TURBINES AND GENERATORS OHIO FALLS - PROJECT 289	100-S2.5 *	(3)	<u>19,945,213.62</u>	<u>915,731</u>	<u>19,627,839</u>	<u>589,709</u>	2.96	33.3
	<i>TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES AND GENERATORS</i>			19,945,213.62	915,731	19,627,839	589,709	2.96	33.3
334.00	ACCESSORY ELECTRIC EQUIPMENT OHIO FALLS - PROJECT 289	80-S4 *	(3)	<u>5,509,836.22</u>	<u>1,941,911</u>	<u>3,733,220</u>	<u>110,573</u>	2.01	33.8
	<i>TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT</i>			5,509,836.22	1,941,911	3,733,220	110,573	2.01	33.8
335.00	MISCELLANEOUS POWER PLANT EQUIPMENT OHIO FALLS - NON-PROJECT	80-S1.5 *	(3)	25,458.41	3,717	22,505	716	2.81	31.4
	OHIO FALLS - PROJECT 289	80-S1.5 *	(3)	<u>284,788.68</u>	<u>51,923</u>	<u>241,409</u>	<u>7,481</u>	2.63	32.3
	<i>TOTAL ACCOUNT 335 - MISCELLANEOUS POWER PLANT EQUIPMENT</i>			310,247.09	55,640	263,914	8,197	2.64	32.2
336.00	ROADS, RAILROADS AND BRIDGES OHIO FALLS - PROJECT 289	80-S4 *	(3)	<u>29,930.61</u>	<u>17,806</u>	<u>13,023</u>	<u>676</u>	2.26	19.3
	<i>TOTAL ACCOUNT 336 - ROADS, RAILROADS AND BRIDGES</i>			29,930.61	17,806	13,023	676	2.26	19.3
	TOTAL HYDRAULIC PRODUCTION PLANT			42,448,854.98	8,942,904	34,779,416	1,039,705	2.45	

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ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)		
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)			
OTHER PRODUCTION PLANT										
341.00	STRUCTURES AND IMPROVEMENTS									
	CANE RUN GT 11	55-R3	*	(2)	211,518.43	26,810	188,939	29,321	13.86	6.4
	ZORN AND RIVER ROAD GAS TURBINE	55-R3	*	(3)	8,241.14	8,653	(165)	0	-	-
	PADDY'S RUN GENERATOR 12	55-R3	*	(3)	64,113.35	52,586	13,451	2,073	3.23	6.5
	PADDY'S RUN GENERATOR 13	55-R3	*	(3)	2,158,698.12	754,202	1,469,257	77,167	3.57	19.0
	BROWN CT 5	55-R3	*	(3)	858,538.64	300,046	584,249	30,685	3.57	19.0
	BROWN CT 6	55-R3	*	(3)	105,977.86	34,594	74,563	4,337	4.09	17.2
	BROWN CT 7	55-R3	*	(3)	144,356.29	47,476	101,211	5,892	4.08	17.2
	TRIMBLE COUNTY CT 5	55-R3	*	(3)	1,555,655.08	486,383	1,115,942	55,718	3.58	20.0
	TRIMBLE COUNTY CT 6	55-R3	*	(3)	1,467,923.89	463,218	1,048,744	52,383	3.57	20.0
	TRIMBLE COUNTY CT 7	55-R3	*	(3)	2,083,698.13	533,540	1,612,669	73,336	3.52	22.0
	TRIMBLE COUNTY CT 8	55-R3	*	(3)	2,075,526.50	531,447	1,606,345	73,049	3.52	22.0
	TRIMBLE COUNTY CT 9	55-R3	*	(3)	2,137,402.33	541,181	1,660,343	75,504	3.53	22.0
	TRIMBLE COUNTY CT 10	55-R3	*	(3)	2,132,789.69	540,013	1,656,760	75,342	3.53	22.0
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS				15,004,439.45	4,320,149	11,132,308	554,807	3.70	20.1
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES									
	CANE RUN GT 11	45-R2.5	*	(2)	319,042.17	35,135	290,288	45,254	14.18	6.4
	ZORN AND RIVER ROAD GAS TURBINE	45-R2.5	*	(3)	23,433.81	17,418	6,719	901	3.84	7.5
	PADDY'S RUN GENERATOR 11	45-R2.5	*	(3)	9,237.57	9,699	(184)	0	-	-
	PADDY'S RUN GENERATOR 12	45-R2.5	*	(3)	21,667.08	15,410	6,907	1,068	4.93	6.5
	PADDY'S RUN GENERATOR 13	45-R2.5	*	(3)	2,255,338.17	785,083	1,537,915	83,340	3.70	18.5
	BROWN CT 5	45-R2.5	*	(3)	846,906.63	228,324	643,990	34,778	4.11	18.5
	BROWN CT 6	45-R2.5	*	(3)	403,060.13	49,527	365,625	21,754	5.40	16.8
	BROWN CT 7	45-R2.5	*	(3)	141,363.16	(48,742)	194,346	11,408	8.07	17.0
	TRIMBLE COUNTY CT 5	45-R2.5	*	(3)	97,996.90	31,005	69,932	3,606	3.68	19.4
	TRIMBLE COUNTY CT 6	45-R2.5	*	(3)	97,861.58	30,967	69,830	3,601	3.68	19.4
	TRIMBLE COUNTY CT PIPELINE	45-R2.5	*	(3)	1,998,390.62	645,679	1,412,663	66,928	3.35	21.1
	TRIMBLE COUNTY CT 7	45-R2.5	*	(3)	338,423.07	86,852	261,724	12,293	3.63	21.3
	TRIMBLE COUNTY CT 8	45-R2.5	*	(3)	337,096.18	86,511	260,698	12,245	3.63	21.3
	TRIMBLE COUNTY CT 9	45-R2.5	*	(3)	347,146.53	88,099	269,462	12,657	3.65	21.3
	TRIMBLE COUNTY CT 10	45-R2.5	*	(3)	361,860.02	90,772	281,944	13,236	3.66	21.3
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES				7,598,823.62	2,151,739	5,671,859	323,069	4.25	17.6

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ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)		
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)			
343.00	PRIME MOVERS									
	PADDY'S RUN GENERATOR 13	30-R2	*	(3)	20,146,190.99	5,644,307	15,106,270	919,510	4.56	16.4
	BROWN CT 5	30-R2	*	(3)	15,877,891.00	4,993,220	11,361,008	687,803	4.33	16.5
	BROWN CT 6	30-R2	*	(3)	19,951,721.96	2,379,308	18,170,966	1,194,330	5.99	15.2
	BROWN CT 7	30-R2	*	(3)	18,239,647.01	4,842,316	13,944,520	921,159	5.05	15.1
	TRIMBLE COUNTY CT 5	30-R2	*	(3)	16,268,197.67	4,216,785	12,539,459	711,415	4.37	17.6
	TRIMBLE COUNTY CT 6	30-R2	*	(3)	13,120,484.41	3,291,737	10,222,362	589,479	4.49	17.3
	TRIMBLE COUNTY CT 7	30-R2	*	(3)	13,611,692.25	3,670,974	10,349,069	548,765	4.03	18.9
	TRIMBLE COUNTY CT 8	30-R2	*	(3)	13,496,647.46	3,637,317	10,264,230	544,161	4.03	18.9
	TRIMBLE COUNTY CT 9	30-R2	*	(3)	13,407,237.42	3,476,963	10,332,492	547,431	4.08	18.9
	TRIMBLE COUNTY CT 10	30-R2	*	(3)	13,352,629.95	3,461,812	10,291,397	545,417	4.08	18.9
	<i>TOTAL ACCOUNT 343 - PRIME MOVERS</i>				157,472,340.12	39,614,739	122,581,773	7,209,470	4.58	17.0
344.00	GENERATORS									
	CANE RUN GT 11	60-S3	*	(2)	2,910,123.60	2,077,069	891,257	138,417	4.76	6.4
	ZORN AND RIVER ROAD GAS TURBINE	60-S3	*	(3)	1,827,580.88	1,918,960	(36,552)	0	-	-
	PADDY'S RUN GENERATOR 11	60-S3	*	(3)	1,523,115.56	1,599,271	(30,462)	0	-	-
344.00	GENERATORS, cont.									
	PADDY'S RUN GENERATOR 12	60-S3	*	(3)	2,991,589.41	3,141,169	(59,832)	0	-	-
	PADDY'S RUN GENERATOR 13	60-S3	*	(3)	5,859,857.93	2,327,573	3,708,081	190,843	3.26	19.4
	BROWN CT 5	60-S3	*	(3)	3,249,359.88	1,069,622	2,277,219	117,187	3.61	19.4
	BROWN CT 6	60-S3	*	(3)	2,417,994.54	893,368	1,597,166	91,581	3.79	17.4
	BROWN CT 7	60-S3	*	(3)	2,421,079.26	871,507	1,622,205	93,016	3.84	17.4
	TRIMBLE COUNTY CT 5	60-S3	*	(3)	1,539,295.24	483,419	1,102,055	53,943	3.50	20.4
	TRIMBLE COUNTY CT 6	60-S3	*	(3)	1,537,167.60	482,827	1,100,456	53,864	3.50	20.4
	TRIMBLE COUNTY CT 7	60-S3	*	(3)	1,726,823.88	439,138	1,339,491	59,719	3.46	22.4
	TRIMBLE COUNTY CT 8	60-S3	*	(3)	1,717,276.72	436,711	1,332,084	59,388	3.46	22.4
	TRIMBLE COUNTY CT 9	60-S3	*	(3)	1,728,008.37	434,500	1,345,349	59,980	3.47	22.4
	TRIMBLE COUNTY CT 10	60-S3	*	(3)	1,722,674.29	433,159	1,341,196	59,795	3.47	22.4
	<i>TOTAL ACCOUNT 344 - GENERATORS</i>				33,171,947.16	16,608,293	17,529,713	977,733	2.95	17.9

LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2011
PROPOSED SETTLEMENT

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
345.00	ACCESSORY ELECTRIC EQUIPMENT							
	CANE RUN GT 11	45-R3 *	116,627.22	122,459	(3,499)	0	-	-
	ZORN AND RIVER ROAD GAS TURBINE	45-R3 *	44,282.77	46,497	(886)	0	-	-
	PADDY'S RUN GENERATOR 11	45-R3 *	68,109.35	70,884	(731)	0	-	-
	PADDY'S RUN GENERATOR 12	45-R3 *	912,641.50	131,728	808,293	125,163	13.71	6.5
	PADDY'S RUN GENERATOR 13	45-R3 *	2,778,992.60	992,746	1,869,616	99,978	3.60	18.7
	BROWN CT 5	45-R3 *	2,588,422.56	920,956	1,745,119	93,303	3.60	18.7
	BROWN CT 6	45-R3 *	970,189.22	359,270	640,025	37,965	3.91	16.9
	BROWN CT 7	45-R3 *	953,200.45	349,815	631,981	37,514	3.94	16.8
	TRIMBLE COUNTY CT 5	45-R3 *	706,963.22	213,484	514,688	26,137	3.70	19.7
	TRIMBLE COUNTY CT 6	45-R3 *	1,594,892.41	447,269	1,195,470	60,805	3.81	19.7
	TRIMBLE COUNTY CT 7	45-R3 *	1,843,364.42	481,481	1,417,184	65,579	3.56	21.6
	TRIMBLE COUNTY CT 8	45-R3 *	1,836,141.17	479,594	1,411,631	65,322	3.56	21.6
	TRIMBLE COUNTY CT 9	45-R3 *	1,890,840.33	488,486	1,459,080	67,517	3.57	21.6
	TRIMBLE COUNTY CT 10	45-R3 *	4,387,836.09	977,530	3,541,941	163,870	3.73	21.6
	<i>TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT</i>		20,692,503.31	6,082,199	15,229,912	843,153	4.07	18.1
346.00	MISCELLANEOUS POWER PLANT EQUIPMENT							
	ZORN AND RIVER ROAD GAS TURBINE	50-S3 *	9,488.39	368	9,405	1,254	13.22	7.5
	PADDY'S RUN GENERATOR 11	50-S3 *	9,494.38	374	9,405	1,447	15.24	6.5
	PADDY'S RUN GENERATOR 13	50-S3 *	1,281,034.19	401,565	917,900	47,600	3.72	19.3
	BROWN CT 5	50-S3 *	2,395,225.12	815,731	1,651,351	85,642	3.58	19.3
	BROWN CT 6	50-S3 *	22,455.77	8,149	14,980	862	3.84	17.4
	BROWN CT 7	50-S3 *	23,047.78	8,142	15,597	898	3.90	17.4
	TRIMBLE COUNTY CT 5	50-S3 *	14,528.92	3,935	11,030	540	3.72	20.4
	TRIMBLE COUNTY CT 7	50-S3 *	5,204.51	1,298	4,063	182	3.50	22.3
	TRIMBLE COUNTY CT 8	50-S3 *	5,182.59	1,292	4,046	182	3.51	22.2
	TRIMBLE COUNTY CT 9	50-S3 *	5,328.44	1,315	4,173	187	3.51	22.3
	TRIMBLE COUNTY CT 10	50-S3 *	25,332.91	2,410	23,683	1,057	4.17	22.4
	<i>TOTAL ACCOUNT 346 - MISCELLANEOUS POWER PLANT EQUIPMENT</i>		3,796,323.00	1,244,579	2,665,633	139,851	3.68	19.1
	TOTAL OTHER PRODUCTION PLANT		237,736,376.66	70,021,698	174,811,198	10,048,083	4.23	

LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT

**TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2011
PROPOSED SETTLEMENT**

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)	
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)		
TRANSMISSION PLANT									
350.10	LAND RIGHTS	60-R3	0	7,781,410.59	2,271,916	5,509,495	116,377	1.50	47.3
352.10	STRUCTURES AND IMPROVEMENTS	55-R1.5	(5)	6,456,555.13	1,500,856	5,278,527	112,155	1.74	47.1
353.10	STATION EQUIPMENT	55-R2.5	(10)	127,564,599.08	69,433,144	70,887,915	1,763,324	1.38	40.2
354.00	TOWERS AND FIXTURES	70-R3	(50)	40,070,495.05	22,555,849	37,549,894	688,232	1.72	54.6
355.00	POLES AND FIXTURES	53-R2	(55)	53,282,211.94	18,093,397	64,494,032	1,542,009	2.89	41.8
356.00	OVERHEAD CONDUCTORS AND DEVICES	50-R2	(40)	47,242,306.84	24,580,970	41,558,260	1,179,283	2.50	35.2
357.00	UNDERGROUND CONDUIT	55-R3	0	2,437,093.57	617,934	1,819,160	40,795	1.67	44.6
358.00	UNDERGROUND CONDUCTORS AND DEVICES	35-R3	(5)	<u>5,659,798.38</u>	<u>2,183,949</u>	<u>3,758,839</u>	<u>168,808</u>	2.98	22.3
TOTAL TRANSMISSION PLANT				290,494,470.58	141,238,015	230,856,122	5,610,983	1.93	
DISTRIBUTION PLANT									
361.00	STRUCTURES AND IMPROVEMENTS	50-L1.5	(10)	4,257,660.38	1,934,525	2,748,901	68,679	1.61	40.0
362.00	STATION EQUIPMENT	50-R1.5	(15)	106,268,031.32	37,506,516	84,701,720	2,221,197	2.09	38.1
364.00	POLES, TOWERS AND FIXTURES	50-R2.5	(70)	135,482,459.50	68,100,569	162,219,612	4,586,729	3.39	35.4
365.00	OVERHEAD CONDUCTORS AND DEVICES	50-R1.5	(60)	234,012,661.34	97,059,045	277,361,213	6,977,970	2.98	39.7
366.00	UNDERGROUND CONDUIT	70-R4	(20)	69,528,364.13	26,343,100	57,090,937	1,041,697	1.50	54.8
367.00	UNDERGROUND CONDUCTORS AND DEVICES	55-R3	(20)	145,471,542.41	48,421,476	126,144,375	2,797,549	1.92	45.1
368.00	LINE TRANSFORMERS	45-R3	(20)	140,346,229.93	63,165,088	105,250,388	3,341,572	2.38	31.5
369.10	SERVICES - UNDERGROUND	45-R2.5	(40)	6,152,801.50	1,616,005	6,997,917	204,433	3.32	34.2
369.20	SERVICES - OVERHEAD	50-R2	(100)	21,115,396.68	19,735,617	22,495,176	758,402	3.59	29.7
370.00	METERS	30-R2.5	0	37,655,788.09	19,907,329	17,748,459	1,099,191	2.92	16.1
373.10	STREET LIGHTING AND SIGNAL SYSTEMS - OVERHEAD	28-L0.5	(25)	34,508,233.24	12,877,300	30,257,992	1,368,855	3.97	22.1
373.20	STREET LIGHTING AND SIGNAL SYSTEMS - UNDERGROUND	35-R2	(30)	<u>48,188,855.10</u>	<u>21,419,157</u>	<u>41,226,355</u>	<u>1,660,101</u>	3.44	24.8
TOTAL DISTRIBUTION PLANT				982,988,023.62	418,085,727	934,243,045	26,126,375	2.66	

LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2011
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						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)		
GENERAL PLANT									
392.10	TRANSPORTATION EQUIPMENT - CARS AND LIGHT TRUCKS	7-L2.5	0	1,570,997.82	1,071,980	499,018	86,083	5.48	5.8
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	20-S1	5	607,413.67	257,488	319,555	37,747	6.21	8.5
392.30	TRANSPORTATION EQUIPMENT - HEAVY TRUCKS AND OTHER	14-S1.5	0	6,613,187.42	6,077,693	535,494	39,795	0.60	13.5
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0	4,603,923.59	1,508,076	3,095,848	207,415	4.51	14.9
396.10	POWER OPERATED EQUIPMENT - SMALL MACHINERY	8-L2	0	1,292,580.47	1,292,580	0	0	-	-
396.20	POWER OPERATED EQUIPMENT - OTHER	17-L3	0	151,086.93	26,948	124,139	11,484	7.60	10.8
396.30	POWER OPERATED EQUIPMENT - LARGE MACHINERY	12-L1.5	0	1,110,684.81	925,971	184,714	23,551	2.12	7.8
TOTAL GENERAL PLANT				15,949,874.71	11,160,736	4,758,768	406,075	2.55	
TOTAL DEPRECIABLE PLANT				3,691,278,545.16	1,794,522,567	2,526,440,625	103,660,926	2.81	
NONDEPRECIABLE PLANT									
301.00	ORGANIZATION			2,240.29					
310.20	LAND			6,193,327.37					
310.25	LAND			100,000.00					
330.20	LAND			6.50					
340.20	LAND			8,132.93					
350.20	LAND			1,573,048.99					
360.20	LAND			4,110,848.65					
TOTAL NONDEPRECIABLE PLANT				11,987,604.73					
TOTAL ELECTRIC PLANT				3,703,266,149.89	1,794,522,567	2,526,440,625	103,660,926		

* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 52

Responding Witness: John J. Spanos

- Q-52. Refer to Exhibit JJS-1, page 1 of the Spanos Testimony and to Section 2.3 of the Stipulated Agreement approved by the Commission in Case No. 2012-00222. In Section 2.3, KU agreed that terminal net salvage was approximately (2) percent rather than the (10) percent it originally requested. In this proceeding, as shown on Exhibit JJS, KU assigns a (5) percent net salvage value to accounts 342, 343, and 345 for the Cane Run 7 facilities and a (10) percent net salvage value to account 344.
- a. Explain whether the salvage values assigned to the Cane Run 7 facilities on Exhibit JJS-1 conform to the (2) percent terminal net salvage value agreed to by KU in the Stipulated Agreement.
 - b. If the salvage values shown on Exhibit JJS-1 are nonconforming, restate Exhibit JJS using salvage values that are conforming.
- A-52. a. As stated in my testimony, page 9, lines 8-12, there is no terminal net salvage included in the projected depreciation rates for Cane Run Unit 7. The net salvage percentages for Cane Rune Unit 7 set forth in Exhibit JJS represent interim net salvage only.
- b. See the response to part a.

LOUISVILLE GAS AND ELECTRIC COMPANY

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**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 53

Responding Witness: John J. Spanos

- Q-53. Refer to the Spanos Testimony, Exhibit JJS-1, Page 1. Provide the calculation of the composite remaining life that is assigned to each plant account group.
- A-53. Table 1 of Exhibit JJS-1 sets forth the composite remaining life for each plant account for Cane Run Unit 7. The detailed depreciation calculations are included on the pages that follow Table 1 by account.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 54

Responding Witness: Dr. Martin J. Blake

- Q-54. Refer to page 3 of the M. Blake Testimony. Beginning at line 11, Dr. Blake states that LG&E's electric and gas cost of service studies ("COSS") were prepared using cost of service methodologies accepted by the Commission in previous cases. State whether all balance sheet and income statement accounts in the COSS filed in this proceeding have been allocated using the same methodology and allocation factors as used in the prior electric and gas base rate proceedings. If no, provide the changes and the reasons for the changes.
- A-54. All balance sheet and income statement accounts in LG&E's cost of service studies were allocated using the same methodology and allocation factors used in prior gas and electric studies.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 55

Responding Witness: Dr. Martin J. Blake

- Q-55. Refer to page 7 of the M. Blake Testimony, lines 16-17, which states that peak costs are assigned to the summer peak period. For the most recent five year period, provide the summer and winter peaks for LG&E, Kentucky Utilities Company ("KU"), and the combined LG&E/KU peaks.
- A-55. Historical peaks for LG&E, KU, and the combined Companies are provided in the workpapers responding to Question No. 70.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 56

Responding Witness: Dr. Martin J. Blake

Q-56. Refer to pages 19-23 and 42-45 of the M. Blake Testimony. State whether LG&E considered proposing increases to its residential electric and gas customer charges that are more in line with the percentage increases in base rate revenues applied to the residential classes. The response should include: (1) how the proposed 67 percent increase to electric and 41 percent increase to gas customer charges, to be within pennies of the customer-related costs produced by the COSS, is preferable to a more gradual increase, and (2) the extent to which LG&E believes its existing level of customer charges have been inadequate to recover costs not collected through its volumetric rates.

A-56. Given the 2.73% increase for the residential class as a whole, the increase in the customer charge combined with the associated reduction in the kWh distribution demand charge being proposed in this proceeding would have no impact on the energy bill for the average customer. It simply collects the revenues from the residential class using rate components that more accurately reflect cost causation. As noted in Dr. Blake's Direct Testimony, the increase in the basic service charge from \$10.75 to \$18.00 per meter per month does not recover all of the non-volumetric, customer-related fixed distribution costs identified in the cost of service study, which was \$19.34 for LG&E. Because an increase of almost 80% would be needed to completely recover non-volumetric, customer-related fixed distribution costs through the basic service charge, the proposed increase in the basic service charge does represent a more gradual increase toward recovery of these costs using the proper cost based rate component.

Because of the significant difference between the current basic service charge and a cost based basic service charge, if the increase in the basic service charge were constrained to the 2.73 percent increase for the residential class as a whole, it would take twenty-nine rate cases to get the basic service charge to a cost based level, assuming the amount of non-volumetric customer-related fixed distribution costs did not change during that time period, which is unlikely. Thus, if the increase in the basic service charge were constrained to a 2.73 percentage increase, it would take decades to get the basic service charge to an amount that accurately reflected cost causation. Because there is no impact on the energy bill of the average customer of increasing the basic service charge to \$18.00 per meter

per month combined with a reduction in the distribution demand charge collected on a kWh basis, LG&E proposed making this change in this rate case.

The impact of the proposed change is mainly borne by low usage customers who currently receive a subsidy for their share of non-volumetric customer-related fixed distribution costs and by high usage customers who are currently paying the subsidy. Thus, the issue is not that LG&E's existing basic service charge has been inadequate to recover costs, it is an issue of fairness that LG&E's existing basic service charge does not collect its non-volumetric customer-related fixed distribution costs using a charge that properly reflects cost causation.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 57

Responding Witness: Dr. Martin J. Blake

Q-57. Refer to pages 26-27 of the M. Blake Testimony and Exhibits MJB-10 and MJB-11.

- a. Provide the calculation of the proposed off-peak energy rate for the Residential Time of Day Energy ("RTOD-Energy") class as described on lines 13-15 of page 26.
 - b. Provide the calculation of the proposed energy charge for the Residential Time of Day Demand ("RTOD-Demand") class as described on lines 3-4 of page 27.
 - c. Provide the calculation of the proposed off-peak demand rate for the RTOD-Demand rate as described on lines 5-6 of page 27.
- A-57. a. Based on my experience, the on-peak energy rate needed to be at least 4 times the off-peak rate in order to see any significant amount of customer response to the price signal. Also, the Company desired the TOD rate should be approximately revenue neutral to the standard rate so that potential customers do not see risk associated with trying the TOD rate. The Company's final criterion was that the LG&E and KU rates should be somewhat similar to each other.

The off-peak energy charge was determined such that these criteria were met while also not being less than the sum of the energy related unit cost, the distribution demand related unit cost, plus the amount of customer costs not included in the proposed customer charge. If you refer to MJB-10, page 1 of 1, the energy related unit cost is \$0.04008 per kWh. The distribution related unit cost is \$0.00778. The cost of service study indicated that the customer charge should be \$19.34 but we proposed a customer charge of \$18. The unrecovered customer costs are $\$19.34 - \$18 = \$1.34 \times 4,338,229$ customer months = \$5,813,226.86. If we unitize this amount on energy we get $\$5,813,226.86 / 4,267,045,465 = \0.00136 . The sum of these three items represents the floor for the off-peak energy charge ($\$0.04008 + \$0.00778 +$

\$0.00136 = \$0.04922). After determining the floor, we adjusted the on-peak and off-peak charges to meet the criteria above.

Exhibit MJB-11, page 3 of 4 shows the result of applying the proposed rates to estimated billing determinants and demonstrates that the proposed rates result in revenue that is approximately revenue neutral to the standard rate. An electronic version of Exhibit MJB-11 is included in the files uploaded in response to Question No. 70; see “Att-PSC2-70-File05” under Description of Document.

- b. The proposed energy charge for the RTOD-Demand rate was determined from the unit cost exhibit MJB-10, page 1 of 1. The charge is based on the energy component shown in that exhibit. It was rounded up slightly to get closer to revenue of the standard rate.
- c. The calculation for the off-peak demand rate comes from MJB-10, page 1 of 1. The revenue requirement from the distribution demand related costs of \$33,218,608 was divided by the forecasted off-peak demands for Rate RS of 11,299,066. The forecasted off-peak demands were determined based on the forecasted 8,760 hours. The resulting unit charge is $\$33,218,608 / 11,299,066 = \2.94 . The charge was adjusted slightly to get closer to the total revenue that makes the TOD rate approximately equal to the standard rate.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 58

Responding Witness: Dr. Martin J. Blake

- Q-58. Refer to pages 27-29 of the M. Blake Testimony wherein he describes how the proposed increases in the Redundant Capacity charges and Supplemental/Standby Service charges were calculated. State whether the methodology used to calculate the charges is the same as that used in prior base rate proceedings. If no, provide and explain the differences.
- A-58. Yes, the methodologies for calculating the Supplemental/Standby and Redundant Capacity charges are the same as those done in LG&E's last base rate proceeding (Case No. 2012-00222).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 59

Responding Witness: Dr. Martin J. Blake

Q-59. Refer to Exhibit MJB-4, page 1 of 1.

- a. Explain how the minimum system demand figure was calculated or whether it is simply the low point on the system load curve.
- b. Explain how the winter and summer peak hours are calculated.
- c. This exhibit provides the application of the modified BIP methodology which is based on combined system results for LG&E and KU. Provide the information presented in this exhibit for LG&E and KU individually.
- d. Confirm that the Winter Peak Period Costs percentage on row 10 was calculated as follows: $(\text{Line 7}/\text{Line 9} \times \text{Line 6})$.

A-59. a. The minimum system demand is the forecasted demand during the lowest hour of the year for the combined system of LG&E and KU.

- b. The winter peak hours are calculated by summing the number of peak period hours, as defined by LG&E's TOD tariffs, for the months of October through April. Likewise, the summer peak hours are summed for the months of May through September.
- c. See attached for the calculation of the modified BIP methodology for LG&E and KU individually. However, these individual BIP calculations for each company are meaningless because the generation and transmission resources of LG&E and KU are operated as a single system. The generation and transmission resources that were owned by KU are not used solely to meet the needs of KU's customers, nor are the generation and transmission resources that were owned by LG&E used solely to meet the needs of LG&E's customers. Just because numbers can be calculated separately for each company using the modified BIP methodology, it does not mean that the numbers are meaningful and should be used in any analysis, as is the case here.

- d. Yes. The formula shown on Line 10 of the exhibit is incorrect as it shows the use of summer hours to calculate the winter percentage. Likewise, the formula on Line 12 is also incorrect as it shows the use of winter hours to calculate the summer percentage. Although the description of the formulas is incorrect, calculations of the percentages for the base, intermediate and peak periods are correct. A revised Exhibit MJB-4 is included in the files submitted in response to Question No. 70. See "Att-PSC2-70-File03" under Description of Document in the files uploaded in response to the question.

LOUISVILLE GAS AND ELECTRIC COMPANY

Assignment of Production and Transmission Demand-Related Costs
Based on Forecasted 12 Months Ended June 30, 2016

Minimum System Demand	910
Winter System Peak Demand	1,756
Summer System Peak Demand	2,750

Assignment of Production and Transmission
Demand-Related Costs to the Costing Periods

Non-Time-Differentiated Capacity Costs

1. Minimum System Demand	910	
2. Maximum System Demand	2,750	
3. Non-Time-Differentiated Capacity Factor (Line 1/Line 2)	0.3309	
4. Non-Time-Differentiated Cost (Line 3)		33.09%

Winter Peak Period Costs

5. Maximum Winter System Demand	1,756	
6. Intermediate Peak Period Capacity Factor (Line 5/Line 2 - Line 3)	0.3076	
7. Winter Peak Period Hours	2,432	
8. Summer Peak Period Hours	1,308	
9. Total Summer and Winter Peak Period Hours (Line 7 + Line 8)	3,740	
10. Winter Peak Period Costs (Line 7/Line 9 x Line 6)		20.00%

Summer Peak Period Costs

11. Peak Capacity Factor (1.0000 - Line 3 - Line 6)	0.3615	
12. Summer Peak Period Costs (Line 11 + Line 8/Line 9 x Line 6)		46.90%

KENTUCKY UTILITIES COMPANY

Assignment of Production and Transmission Demand-Related Costs
Based on Forecasted 12 Months Ended June 30, 2016

Minimum System Demand	1,513
Winter System Peak Demand	4,314
Summer System Peak Demand	4,192

Assignment of Production and Transmission
Demand-Related Costs to the Costing Periods

Non-Time-Differentiated Capacity Costs

1. Minimum System Demand	1,513	
2. Maximum System Demand	4,314	
3. Non-Time-Differentiated Capacity Factor (Line 1/Line 2)	0.3507	
4. Non-Time-Differentiated Cost (Line 3)		35.07%

Summer Peak Period Costs

5. Maximum Summer System Demand	4,192	
6. Intermediate Peak Period Capacity Factor (Line 5/Line 2 - Line 3)	0.6210	
7. Winter Peak Period Hours	2,432	
8. Summer Peak Period Hours	1,308	
9. Total Summer and Winter Peak Period Hours (Line 7 + Line 8)	3,740	
10. Winter Peak Period Costs (Line 7/Line 9 x Line 6)		21.72%

Winter Peak Period Costs

11. Peak Capacity Factor (1.0000 - Line 3 - Line 6)	0.0283	
12. Summer Peak Period Costs (Line 11 + Line 8/Line 9 x Line 6)		43.21%

LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES

Assignment of Production and Transmission Demand-Related Costs

Based on Forecasted 12 Months Ended June 30, 2016

Minimum System Demand	2,429
Winter System Peak Demand	6,069
Summer System Peak Demand	6,942

Assignment of Production and Transmission
Demand-Related Costs to the Costing PeriodsNon-Time-Differentiated Capacity Costs

1. Minimum System Demand	2,429	
2. Maximum System Demand	6,942	
3. Non-Time-Differentiated Capacity Factor (Line 1/Line 2)	0.3499	
4. Non-Time-Differentiated Cost (Line 3)		34.99%

Winter Peak Period Costs

5. Maximum Winter System Demand	6,069	
6. Intermediate Peak Period Capacity Factor (Line 5/Line 2 - Line 3)	0.5243	
7. Winter Peak Period Hours	2,432	
8. Summer Peak Period Hours	1,308	
9. Total Summer and Winter Peak Period Hours (Line 7 + Line 8)	3,740	
10. Winter Peak Period Costs (Line 7/Line 9 x Line 6)		34.10%

Summer Peak Period Costs

11. Peak Capacity Factor (1.0000 - Line 3 - Line 6)	0.1258	
12. Summer Peak Period Costs (Line 11 + Line 8/Line 9 x Line 6)		30.91%

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 60

Responding Witness: Dr. Martin J. Blake

Q-60. Refer to Exhibit MJB-8, pages 43-46 of 46.

- a. Explain in detail how each of the following functional vectors was calculated: F019, F020, F021, F022, F023, F024, F027, and PROFIX.
- b. Explain whether page 45 is missing or whether the pages are misnumbered.

A-60. a. F019 is calculated by summing the labor cost in accounts 501, 502, 505, 506, and 507. It is used to functionalize and classify the labor in account 500.

F020 is calculated by summing the labor cost in accounts 511, 512, 513, and 514. It is used to functionalize and classify the labor in account 510.

F021 is calculated by summing the labor cost in accounts 536, 537, 538, 539, and 540. It is used to functionalize and classify the labor in account 535.

F022 is calculated by summing the labor cost in accounts 542, 543, 544, and 545. It is used to functionalize and classify the labor in account 541.

F023 is calculated by summing the labor cost in accounts 581, 582, 583, 584, 585, 586, 587, 588, and 589. It is used to functionalize and classify the labor in account 580.

F024 is calculated by summing the labor cost in accounts 591, 592, 593, 594, 595, 596, 597, and 598. It is used to functionalize and classify the labor in account 590.

F027 is calculated by summing the labor cost in accounts 364, 365, 366, and 367. It is used to functionalize and classify customer advances.

PROFIX is the same Base, Intermediate, and Peak percentages that are calculated in MJB-4. It is used to functionalize production fixed operation and maintenance expenses.

- b. Based on our review of MJB-8 that was obtained from the KPSC website, the exhibit only has 45 pages and none of the pages are missing. The exhibit is only a 45 page document.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 61

Responding Witness: Dr. Martin J. Blake

- Q-61. Refer to Exhibit MJB-9, page 37 of 40, line 1088. Explain how the Production Base Demand Allocator was calculated.
- A-61. The Production Base Demand Allocator is calculated using the Production Residual Base Demand Allocator shown on Line 1083 of that same page. The Production Residual Base Demand Allocator is average demand, or loss adjusted energy divided by 8760 hours. Loss adjusted energy is shown on Line 1033 on page 36 of 40. Since there are no specific assignments in this case, the Production Base Demand Allocator is calculated by dividing each class's average demand on Line 1083 by the total average demand.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 62

Responding Witness: Robert M. Conroy

- Q-62. Refer to Exhibit MJB-11, pages 3-4 and to pages 26-28 of the Testimony of Robert M. Conroy ("Conroy Testimony"). Confirm that LG&E is not proposing that the RTOD-Energy and RTOD-Demand tariffs be implemented as pilot programs.
- A-62. LG&E confirms that it is not proposing to implement the RTOD-Energy and RTOD-Demand tariffs as pilot programs but as optional rate offerings to residential customers.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information
Dated January 8, 2015

Question No. 63

Responding Witness: J. Clay Murphy

- Q-63. Refer to pages 8 and 9 of the Testimony of J. Clay Murphy.
- a. Describe the characteristics of the 12 customers mentioned on page 8 that initially contacted LG&E about Rider TS-2, and of the customers representing the eight accounts that did not qualify for the transportation service which are discussed on page 9, and summarize LG&E's discussions and communications with those customers.
 - b. Confirm that the impact of customer switching among transportation and sales rate schedules described on pages 8 and 9 resulted in a net increase in sales customers and a net decrease in transportation customers.
 - c. Describe the reactions communicated by customers to LG&E regarding the changes in its transportation services. The explanation should include, but not be limited to, explanations of why each customer switching from transportation to sales service chose to do so.
- A-63. a. For the election season that closed March 31, 2013, twelve customers (representing 32 accounts) contacted LG&E regarding gas transportation service for accounts which did not qualify. For the election season that closed March 31, 2014, four customers (representing 8 accounts) contacted LG&E regarding gas transportation service for accounts which did not qualify.

These 16 customers (representing 40 accounts) generally had load characteristics typical of space-heating customers, and on average these customer accounts used about 6,000 Mcf/year. Thirty-one accounts were served under Rate CGS, eight accounts were served under Rate IGS, and one account was served under Rate AAGS.

Based on conversations with those customers, the majority were prompted to contact LG&E by a single large marketer active in the LG&E service area. In each case, LG&E undertook a detailed review of the customer's account(s) in order to determine eligibility. Most customers required a basic explanation of gas transportation service and the consumption levels required to qualify for

Rider TS-2. Customers were also typically supplied with a copy of the rate schedule in order to make them aware of the provisions of Rider TS-2. Customers were informed that they did not qualify for the transportation service about which they enquired. No customer concerns were raised during this process.

- b. Correct. As of January 1, 2013, there were 76 customers served under Rate FT and four customers served under Rider TS. As of November 1, 2014, there were 72 customers served under Rate FT, and five customers served under Rider TS-2. The result was a net decrease of three in the number of total gas transportation customers from January 2013 to November 2014. The net decrease is largely the result of customers transferring to either sales service or Rider TS-2 from service under Rate FT for which they no longer qualified, as further discussed in response to Question No. 63(c).
- c. LG&E provided a detailed explanation of the changes to LG&E's gas transportation services. These communications are fully described in the Testimony of J. Clay Murphy. Most customers relayed no reaction whatsoever to LG&E regarding these changes. A few had questions seeking to clarify their understanding of a particular change.

Rider TS was discontinued effective November 1, 2013. All of the customers served under Rider TS would have qualified for service under Rider TS-2. Three customers elected to discontinue transportation service and retain sales service pursuant to the underlying sales service rate schedule to which Rider TS had been applicable. One customer qualified and elected to transfer to Rate FT, and one customer transferred to Rider TS-2. Customers did not offer an explanation for their individual elections.

Since January 1, 2013, seven customers have transferred from Rate FT to either Rider TS-2 or sales service. LG&E had been working for some time with a number of customers that were failing to meet the minimum requirements under Rate FT. While these customers may have originally qualified for service under Rate FT, their operations had changed such that they were no longer consuming adequate volumes of gas to qualify for Rate FT. In early 2013, LG&E notified 9 customers that they had used less than 50 Mcf/day for more than 120 days during the 12 months ended October 31, 2012. Subsequently, these customers were contacted and again their continuing non-eligibility for Rate FT was discussed. While some customers may have been disappointed that they were not meeting the minimum requirements found in Rate FT, they did not dispute this fact. LG&E undertook a concerted effort to work closely with these customers to address their questions, to explain the minimum qualifications found in Rate FT, to identify alternative rates under which they were eligible, and where possible to transfer the customer to another rate at a time requested by the customer. In

no case did customers escalate their concerns. Customers did not offer an explanation for their individual elections. Importantly, during this process it was incumbent upon LG&E to consider the equity of allowing customers to continue service under a rate for which they were no longer eligible. Currently, all of LG&E's customers served under Rate FT meet the minimum eligibility requirements found in that rate schedule.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 64

Responding Witnesses: Robert M. Conroy

- Q-64. Refer to pages 29-30 of the Conroy Testimony. Beginning at line 21 on page 29, Mr. Conroy states that, for customers taking service under the proposed RTOD-Energy and RTOD-Demand tariffs, meter reading personnel will have to collect data each month from multiple registers and transfer that data into the billing system. Explain why meters would not be used for these customers that would be capable of automatically collecting and transferring the necessary billing data.
- A-64. The Companies are providing customers the option to have a smart meter through the DSM Advanced Meter Opt-In offering and be on RTOD-Energy or RTOD-Demand or to allow them on RTOD-Energy or RTOD-Demand without a Smart Meter, at their choice.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 65

Responding Witness: Robert M. Conroy

- Q-65. Refer to page 30 of the Conroy Testimony, lines 10-16, wherein Mr. Conroy discusses the usage limit of 300 kWh for a detached garage in order for the garage to be eligible to be served under one of the proposed RTOD-Energy or RTOD-Demand tariffs. Mr. Conroy states that the restriction is the same as currently applies to the Low Emission Vehicle ("Rate LEV") tariff. Explain why the limit of 300 kWh was initially established for Rate LEV.
- A-65. The limit of 300 kWh was selected for consistency between RTOD-Energy, RTOD-Demand, and Rate LEV. The Rate LEV value is consistent with the Deposit value established as one fourth of the average residential usage maximum consumption to permit exemption of an additional deposit when the General Service rate is used in conjunction with the Residential Service.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 66

Responding Witness: Robert M. Conroy

Q-66. Refer to page 33 of the Conroy Testimony.

- a. Beginning at line 7, Mr. Conroy states that "[t]he Company will make all reasonable efforts to contact Rate LEV customers to advise them of their new rate options after the Commission approves the new rates but before they take effect (at which time Rate LEV will terminate)." Provide the methods LG&E will use to contact customers.
- b. Beginning at line 15, Mr. Conroy states that the Rate LEV tariff customers who do not inform LG&E of the rate under which they would like to take service before new rates are effective will automatically be transferred to Rate RTOD-Energy. For each Rate LEV customer, provide the percentage increase the customer would receive if switched from Rate LEV to the proposed RTOD-Energy class.

- A-66.
- a. LG&E will notify LEV customers of the pending termination of Rate LEV and advise them of the new rate options available to them. Written communications will be the primary method of advising LEV customers with outbound telephone calls utilized if the customer has not responded to the written notification.
 - b. See attached.

	Current Revenue	Proposed Revenue	Change	Percent Change
Customer 1	\$ 2,401.24	\$ 2,569.36	\$ 168.12	7.00%
Customer 2	\$ 1,182.39	\$ 1,278.70	\$ 96.31	8.15%
Customer 3	\$ 502.75	\$ 543.96	\$ 41.21	8.20%
Customer 4	\$ 206.45	\$ 273.42	\$ 66.97	32.44%
Customer 5	\$ 1,250.38	\$ 1,282.19	\$ 31.81	2.54%
Customer 6	\$ 677.22	\$ 762.59	\$ 85.37	12.61%
Customer 7	\$ 1,462.03	\$ 1,595.57	\$ 133.54	9.13%
Customer 8	\$ 3,197.26	\$ 3,507.68	\$ 310.42	9.71%
Customer 9	\$ 1,681.85	\$ 1,837.64	\$ 155.79	9.26%
Customer 10	\$ 1,108.88	\$ 1,191.07	\$ 82.19	7.41%
Customer 11	\$ 819.19	\$ 907.20	\$ 88.01	10.74%
Customer 12	\$ 1,138.54	\$ 1,222.98	\$ 84.44	7.42%
Customer 13	\$ 1,036.52	\$ 1,154.11	\$ 117.59	11.34%
Customer 14	\$ 919.03	\$ 977.80	\$ 58.77	6.39%
Customer 15	\$ 1,611.67	\$ 1,715.95	\$ 104.28	6.47%
Customer 16	\$ 1,547.72	\$ 1,715.94	\$ 168.22	10.87%
Customer 17	\$ 2,146.12	\$ 2,415.92	\$ 269.80	12.57%
Customer 18	\$ 624.79	\$ 693.87	\$ 69.08	11.06%
Customer 19	\$ 1,586.06	\$ 1,730.49	\$ 144.43	9.11%
Customer 20	\$ 906.70	\$ 1,000.58	\$ 93.88	10.35%
Customer 21	\$ 438.20	\$ 562.62	\$ 124.42	28.39%
Customer 22	\$ 1,135.53	\$ 1,261.35	\$ 125.82	11.08%
Customer 23	\$ 470.50	\$ 498.49	\$ 27.99	5.95%
Total	\$ 28,051.02	\$ 30,699.48	\$ 2,648.46	9.44%

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 67

Responding Witness: Robert M. Conroy

- Q-67. Refer to pages 40-41 of the Conroy Testimony wherein Mr. Conroy discusses text changes to the Economic Development Rider ("EDR").
- a. Refer to lines 9-11 of page 40 wherein Mr. Conroy discusses a change to "...clarify that the rider applies only to monthly minimum billing loads, not to annual averages of monthly billing loads." State whether this is a change from current practice.
 - b. Refer to page 41, lines 1-4, which include a discussion of new language stating that LG&E will not provide a billing credit under the EDR tariff in any billing month in which the metered load is less than the load required to be eligible for the rider. State whether this is a change from current practice.
- A-67. a. The text change to the Economic Development Rider ("EDR") to "...clarify that the rider applies only to monthly minimum billing loads, not to annual averages of monthly billing loads" is not a change from current practice.
- b. New language stating that LG&E will not provide a billing credit under the EDR tariff in any billing month in which the metered load is less than the load required to be eligible for the rider is a change from current practice. As an example, without this modification there is nothing to prevent a customer from contracting for 1,300 kVA but never having a load above 500 kVA and receiving the discount.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 68

Responding Witness: Robert M. Conroy

- Q-68. Refer to page 42 of the Conroy Testimony, lines 11-15, which discuss a text change to the Terms and Conditions, Tariff Sheet No. 97.3, "...to clarify that a customer who asks the Company to relocate or change facilities must pay for such relocations or change to the extent the requested relocations or changes are supported by additional load." State whether Mr. Conroy meant to say "to the extent the requested relocations or changes are not supported by additional load."
- A-68. Yes. The word "not" was inadvertently excluded from the sentence.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 69

Responding Witness: Robert M. Conroy

Q-69. Refer to pages 42-43 of the Conroy Testimony. Beginning at line 23 on page 42, Mr. Conroy discusses changes to expand the definition of written notices or communications provided to customers concerning discontinuance of service. Mr. Conroy states that the expanded definition would include non-paper forms of communication, and this would include using electronic mail to issue "brown bills".

- a. State whether "brown bill" refers to a disconnect notice. If no, explain what is meant by "brown bill."
- b. State whether, under the proposed change, a customer who chooses to receive a paper bill could be sent a "brown bill" by electronic mail.
- c. State whether LG&E requests an e-mail address for new customers.

A-69. a. Yes.

- b. The process would limit electronic brown bills to those customers on electronic billing.
- c. Yes, LG&E requests an e-mail address for new customers.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 70

Responding Witness: Edwin R. "Ed" Staton

- Q-70. To the extent not already provided, provide an electronic copy in Excel spreadsheet format of all of the exhibits, work papers, and schedules, with the formulas intact and unprotected and with all columns and rows accessible, of Kent W. Blake, Dr. Martin Blake, and Robert Conroy, including all billing analyses.
- A-70. Attached to this response is a listing of all Excel spreadsheets submitted in response to this question. The label by which each file is to be identified on the Commission website, under the "Description of Document" heading, is listed in the first column of the attached list. The second column of the attached list specifies the actual name of the spreadsheet being submitted. The third column identifies the specific exhibit or schedule being submitted, or being supported by the submission of workpapers. The final columns contain explanatory notes to aid in identifying specific files if desired.

The attached list identifies Dr. Blake's exhibits, schedules, and workpapers, followed by Mr. Conroy's exhibits, schedules, and workpapers, and lastly, Mr. Blake's workpapers. Mr. Blake's schedules have been provided in Excel format previously in response to PSC 1-59.

Workpapers, Exhibits and Schedules -- Electronic File Index for Attachments to PSC-2 Question No. 70

Att-PSC2-70-File01 Attachment to LGE PSC 2-70-LGE Excel File Index Initial file in the upload list containing a description of all files included in the response

Exhibits Sponsored by Dr. Martin J. Blake:

Spreadsheet name(s)		Exhibits Included in Spreadsheet	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File02	Att_LG_PSC_2-70_LGElecCoSS.xls	Exhibit MJB-8 -- Electric Cost of Service Study-Functional Assignment, Classification and Time Differentiation Exhibit MJB-9 -- Electric Cost of Service Study-Allocation to Customer Classes Exhibit MJB-10 -- Electric Residential Basic Service Charge Calculation	Functional Assignment Allocation ProForma Res Unit Costs	
Att-PSC2-70-File03	Att_LG_PSC_2-70_BIPForecastTY.xls	Exhibit MJB-4 -- Base-Intermediate-Peak (BIP) Differentiation		Provides demand allocator inputs on row 625, page 49 of 52 of Exhibit MJB-8
Att-PSC2-70-File04	Att_LG_PSC_2-70_LGElecZeroIntercept.xls	Exhibit MJB-5 -- Zero Intercept - Overhead Conductor Exhibit MJB-6 -- Underground Conductor Exhibit MJB-7 -- Zero Intercept -- Transformers		
Att-PSC2-70-File05 Att-PSC2-70-File06	Att_LG_PSC_2-70_LKEResidentialTOURates.xlsx Att_LG_PSC_2-70_LKESysLoadShapeTOUPeak.xlsx	Exhibit MJB-11 -- Time of Day Loads and on-peak/off-peak window selection		Rate calculation for proposed time of use rates Historic peak data used to develop peak periods for proposed time of use rates
Att-PSC2-70-File07	Att_LG_PSC_2-70_LGStandby.xlsx	Exhibit MJB-12 -- Cost Support for Supplemental / Standby Rates		Data source is identified in comments for each cell containing inputs
Att-PSC2-70-File08	Att_LG_PSC_2-70_LGRedundantCapacity.xlsx	Exhibit MJB-13 -- Cost Support for Redundant Capacity Rates		Data source is identified in comments for each cell containing inputs
Att-PSC2-70-File09	Att_LG_PSC_2-70_GasZeroIntercept.xlsx	Exhibit MJB-14 -- Gas Zero Intercept -- Distribution Mains		
Att-PSC2-70-File10	Att_LG_PSC_2-70_LGGasCoSS.xlsx	Exhibit MJB-15 -- Gas Cost of Service -- Functional Assignment and Classification Exhibit MJB-16 -- Gas Cost of Service -- Class Allocation Exhibit MJB-17 -- Natural Gas Residential Basic Service Charge Calculation	Functional Assignment Allocation RGS Unit Cost	

Att-PSC2-70-File01 Attachment to LGE PSC 2-70-LGE Excel File Index Initial file in the upload list containing a description of all files included in the response

Schedules Sponsored by Dr. Martin J. Blake:

Spreadsheet name(s)		Schedules Included in Spreadsheet	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File11	Att_LG_PSC_2-70_ElecScheduleM.xlsx	Schedule M-1.1-E -- Base Period Revenues at Present Rates -- Electric	Sch M-1.1-E	
		Schedule M-1.2-E -- Base Period Average Bill Calculation at Present Rates -- Electric	Sch M-1.2-E	
		Schedule M-1.3-E -- Base Period Revenues at Present Rates by Rate Schedule -- Electric	Sch M-1.3-E pg 1; Sch M-1.3-E pgs 2-13; Sch M-1.3-E pgs 14-19	
		Schedule M-2.1-E -- Forecast Period Revenues at Current and Proposed Rates - Electric	Sch M-2.1-E	
		Schedule M-2.2-E -- Forecast Period Average Bill Calculation at Current and Proposed Rates - Electric	Sch M-2.2-E	
		Schedule M-2.3-E -- Forecast Period Revenues at Present and Proposed Rates - Electric	Sch M-2.3-e pg 1-2; Sch M-2.3-E pgs 3-18; Sch M-2.3-E pgs 19-25	
Att-PSC2-70-File12	Att_LG_PSC_2-70_GasScheduleM_Base.xlsx	Schedule M-1.1-G -- Base Period Revenues at Present Rates -- Gas	Sch M-1.1-G	
		Schedule M-1.2-G -- Base Period Average Bill Calculation at Present Rates -- Gas	Sch M-1.2-G	
		Schedule M-1.3-G -- Base Period Revenues at Present Rates by Rate Schedule -- Gas	Sch M-1.3-G pg 1; Sch M-1.3-G pgs 2-8	
Att-PSC2-70-File13	Att_LG_PSC_2-70_GasScheduleM_Forecast.xlsx	Schedule M-2.1-G -- Forecast Period Revenues at Current and Proposed Rates - Gas	Sch M-2.1-G	
		Schedule M-2.2-G -- Forecast Period Average Bill Calculation at Current and Proposed Rates - Gas	Sch M-2.2-G	
		Schedule M-2.3-G -- Forecast Period Revenues at Present and Proposed Rates - Gas	Sch M-2.3-G pg 1; Sch M-2.3-G pgs 2-8	

Workpapers, Exhibits and Schedules -- Electronic File Index for Attachments to PSC-2 Question No. 70

Att-PSC2-70-File01 Attachment to LGE PSC 2-70-LGE Excel File Index Initial file in the upload list containing a description of all files included in the response

Workpapers Supporting Dr. Blake's Exhibits and Schedules

Spreadsheet Name	Exhibit or Schedule Supported	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File14	Att_LG_PSC_2-70_SystemPeaks	Exhibit MJB-4 -- Base-Intermediate-Peak (BIP) Differentiation	Provides forecast system demands
Att-PSC2-70-File15	Att_LG_PSC_2-70_CPRs.xlsx	Exhibit MJB-5 -- Zero Intercept - Overhead Conductor Exhibit MJB-6 -- Underground Conductor Exhibit MJB-7 -- Zero Intercept -- Transformers	
Att-PSC2-70-File16	Att_LG_PSC_2-70_LGLossAnalysis.pdf		Allocation Pro Forma Apply loss factors to forecast energy delivered
Att-PSC2-70-File17	Att_LG_PSC_2-70_LGMeters.xlsx		Meters Install Cost (\$/meter) entered in Meter tab; develops Allocator C03, row 1102, Allocation Pro Forma tab
Att-PSC2-70-File18	Att_LG_PSC_2-70_LGServices.xlsx		Services Average Cost per service entered in Services tab; develops Allocator C02, row 1101, Allocation Pro Forma
Att-PSC2-70-File19	Att_LG_PSC_2-70_LKELatePayment.xlsx	Exhibit MJB-9 -- Electric Cost of Service Study-Allocation to Customer Classes	Allocation Pro Forma Allocates forecast late payment charges to rate classes on basis of actual 12ME8-31-2014; see row 657
Att-PSC2-70-File20	Att_LG_PSC_2-70_LKEOSSEnergyReallocation.xls		Allocation Pro Forma Calculates the OSS sales to reallocate from an energy allocator to a rate base allocator; see rows 1186-1187
Att-PSC2-70-File21	Att_LG_PSC_2-70_LKEOSS.xlsx		Provides inputs into the energy reallocation calculation
Att-PSC2-70-File22	Att_LG_PSC_2-70_Load_Forecast-8784.xlsx		Allocation Pro Forma Provides certain energy and demand inputs for rate class allocations
Att-PSC2-70-File23	Att_LG_PSC_2-70_LKEResidential TOUDemand.xlsx	Exhibit MJB-11 -- Time of Day Loads and on-peak/off-peak window selection	Calculates the peak and off-peak residential demand for Rate RTOU-D
Att-PSC2-70-File24	Att_LG_PSC_2-70_LKEResidential TOUEnergy.xlsx		Calculates the peak and off-peak residential energy for Rate RTOU-D
Att-PSC2-70-File25	Att_LG_PSC_2-70_BIPOnOffPeakHrs.xls		
Att-PSC2-70-File26	Att_LG_PSC_2-70_GasDemandAllocator.xlsx		Provides inputs into the gas main allocation factors; see rows 592-594, page 14 of 15.
Att-PSC2-70-File27	Att_LG_PSC_2-70_GasMeters.xlsx	Exhibit MJB-15 -- Gas Cost of Service Study-Class Allocation	Allocation Total meter costs entered on row 599, page 14 of 15.
Att-PSC2-70-File28	Att_LG_PSC_2-70_GasServicesWkshts.xlsx		Services allocation entered on row 622, page 15 of 15.
Att-PSC2-70-File29	Att_LG_PSC_2-70_Storage_Allocation.xls		Storage allocation entered on row 590, page 14 of 15.

Att-PSC2-70-File01 Attachment to LGE PSC 2-70-LGE Excel File Index Initial file in the upload list containing a description of all files included in the response

Workpapers Supporting Dr. Blake's Exhibits and Schedules, continued
Spreadsheet Name Exhibit or Schedule Supported

		Tab Names in Spreadsheet	Notes
Att-PSC2-70-File30	Att_LG_PSC_2-70_BillDeterminantsBaseElec.xlsx	Schedules M-1.1-E, M-1.2-E, M-1.3-E	
Att-PSC2-70-File31	Att_LG_PSC_2-70_BillDeterminantsForecastElec.xlsx	Schedules M-2.1-E, M-2.2-E, M-2.3-E	
Att-PSC2-70-File32	Att_LG_PSC_2-70_LKEElectricRevenueForecast_Billed.xlsx		Revenue forecast output from UI Builder
Att-PSC2-70-File33	Att_LG_PSC_2-70_LKEElectricRevenueForecast_Calendar.xlsx	Schedules M-1.1-E, M-1.2-E, M-1.3-E, M-2.1-E; M-2.2-E, M-2.3-E	Revenue forecast output from UI Builder
Att-PSC2-70-File34	Att_LG_PSC_2-70_Reformatted_BaseElecRev.xlsx		Revenue forecast reformatted to allow filtering by rate categories
Att-PSC2-70-File35	Att_LG_PSC_2-70_Reformatted_ForecastElecRev.xlsx		Revenue forecast reformatted to allow filtering by rate categories
Att-PSC2-70-File36	Att_LG_PSC_2-70_Elec_Load_Forecast.xlsx		Load forecast for all rate categories
Att-PSC2-70-File37	Att_LG_PSC_2-70_LGGasRevenueForecast_Billed.xlsx		Revenue forecast output from UI Builder
Att-PSC2-70-File38	Att_LG_PSC_2-70_LGGasRevenueForecast_Billed_Reformatted.xlsx		Revenue forecast reformatted to allow filtering by rate categories
Att-PSC2-70-File39	Att_LG_PSC_2-70_LGGasRevenueForecast_Calendar.xlsx	Schedules M-1.1-G, M-1.2-G, M-1.3-G, M-2.1-G; M-2.2-G, M-2.3-G	Revenue forecast output from UI Builder
Att-PSC2-70-File40	Att_LG_PSC_2-70_LGGasRevenueForecast_Calendar_Reformatted.xlsx		Revenue forecast reformatted to allow filtering by rate categories
Att-PSC2-70-File41	Att_LG_PSC_2-70_BillDeterminantBaseGas.xlsx		
Att-PSC2-70-File42	Att_LG_PSC_2-70_BillDeterminantForecastGas.xlsx		
Att-PSC2-70-File43	Att_LG_PSC_2-70_Gas_Admin_Charge.xlsx	Schedule M-2.3-G	Calculation of proposed administrative charge
Att-PSC2-70-File44	Att_LG_PSC_2-70_Gas_Load_Forecast.xlsx		Load forecast for all gas rate categories

Workpapers, Exhibits and Schedules -- Electronic File Index for Attachments to PSC-2 Question No. 70

Att-PSC2-70-File01 Attachment to LGE PSC 2-70-LGE Excel File Index Initial file in the upload list containing a description of all files included in the response

Exhibits Sponsored by Robert M. Conroy:

	Spreadsheet name(s)	Exhibits Included in Spreadsheet	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File45	LG_Exh_RMC-1_Redundant_Capacity.xlsx	Exhibit RMC-1 -- Redundant Capacity Adjustment		
Att-PSC2-70-File46	LG_Exh_RMC-2_PwrFctrAdj.xlsx	Exhibit RMC-2 -- Electric Customer A Power Factor Adjustment		
Att-PSC2-70-File47	LG_Exh_RMC-3_GasCustAdj	Exhibit RMC-3 -- Gas Customer Adjustments		
Att-PSC2-70-File48	LG_Exh_RMC-4_CustDepositCalc.xlsx	Exhibit RMC-4 -- Customer Deposit Calculation		

Schedules Sponsored by Robert M. Conroy:

	Spreadsheet name(s)	Schedule Included in Spreadsheet	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File49	Att_LG_PSC_2-70_Sch_N_Elec.xlsx	Schedule N -- Typical Electric Bill Comparison		
Att-PSC2-70-File50	Att_LG_PSC_2-70_Sch_N_Gas.xlsx	Schedule N -- Typical Gas Bill Comparison		

Workpapers Supporting Mr. Conroy's Exhibits and Schedules

	Spreadsheet Name	Exhibit or Schedule Supported	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File51	Redundant Capacity Data.xlsx	Exhibit RMC-1 -- Redundant Capacity Adjustment		
Att-PSC2-70-File52	Cust A Power Factor	Exhibit RMC-2 -- Electric Customer A Power Factor Adjustment		

Workpapers Supporting Kent W. Blake's Exhibits:

	Spreadsheet name(s)	Exhibit Supported	Tab Names in Spreadsheet	Notes
Att-PSC2-70-File53	Att_LG_PSC_2-70_Exh_KWB-1_Wkpr.xlsx	Exhibit KWB-1 - Capital Budget for 2015-2019		
Att-PSC2-70-File54	Att_LG_PSC_2-70_Exh_KWB-3_Wkpr.xlsx	Exhibit KWB-3 Benchmark Study by FERC USoA		
Att-PSC2-70-File55	Att_LG_PSC_2-70_Exh_KWB-7_Wkpr.xlsx	Exhibit KWB-7 Utility Peer Group Cost of Debt Comparison (June 2014)		
Att-PSC2-70-File56	Att_LG_PSC_2-70_Exh_KWB-10_Wkpr.xlsx	Exhibit KWB-10 Dividends vs equity infusions		

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 71

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

Q-71. Refer to page 26 of the November 14, 2014 Order in Case No. 2014-00003⁴ wherein the Commission stated that, during LG&E's next general rate cases, the Commission would review its definition of industrial customers by North American Industry Classification System ("NAICS") codes for reasonableness. LG&E's Demand Side Management ("DSM") tariff states, "For purposes of rate application hereunder, non-residential customers will be considered 'industrial' if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as 'commercial.'"

- a. Explain how each of the NAICS sections cited in the DSM tariff was determined to be the sections applicable in determining the definition of an industrial customer.
- b. Explain why other sections of the NAICS are not applicable.
- c. LG&E's response to Item 7 of the Supplemental Information Request of Wallace McMullen and the Sierra Club in Case No. 2014-00003 stated that LG&E had 380 customers receiving service under industrial tariffs.⁵
 - 1) If this number is no longer accurate, provide an update of the number of customers receiving service under industrial tariffs.
 - 2) State the rate classes under which these customers are currently receiving service and the number served under each rate class.
 - 3) State the number of these customers, by rate class, which are exempt from the DSM charge.
 - 4) Provide a breakdown of the industrial customer number by NAICS under which they are exempt from the DSM charge (for example, 245 are exempt under section 21, 300 are exempt under Section 22, etc.).

⁴ Case No. 2014-00003, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs (Ky. PSC Nov. 14, 2014).

⁵ Response filed April 3, 2014.

Attachment in Excel

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

Attachment in Separate File

The attachment is being
provided in a separate
file.

- 5) For the 25 industrial customers with the highest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.
- 6) For the 25 industrial customers with the lowest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

A-71. a. The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

NAICS was developed under the auspices of the Office of Management and Budget (OMB), and adopted in 1997 to replace the Standard Industrial Classification (SIC) system. It was developed jointly by the U.S. Economic Classification Policy Committee (ECPC), Statistics Canada, and Mexico's Instituto Nacional de Estadística y Geografía to allow for a high level of comparability in business statistics among the North American countries.

The primary business functions explained by NAICS sections 21, 22, 31, 32, and 33 most objectively classify customers primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product.

b. The remaining NAICS sections are comprised predominately 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.

1) There are currently 388 industrial customers receiving service under electric tariffs and 196 industrial customers receiving service under gas tariffs as of 12/31/2014 excluding company owned accounts.

2)

<u>Electric Rate Category</u>	<u># Accounts</u>
Power Service	215
Time-of-Day	122
General Service	46
Retail Transmission Service	5
Total	388

<u>Gas Rate Category</u>	<u># Accounts</u>
Firm Industrial Gas Service	186
Temporary Suspension	7
Gas Transport Service	2
As-Available Gas Service	1
Total	196

- 3) Please see response to part c(2) above.
- 4) NAICS codes are one of many criteria used by the Company to classify customers as industrial, and are one of two criteria used in determining exemption from the DSM charge. The table below provides the number of DSM-exempt industrial accounts by NAICS, where available.

<u>NAICS</u>	<u># Accounts</u>
32	93
33	84
42	60
31	37
44	15
23	10
51	10
56	9
54	9
72	8
48	8
21	6
81	6
92	4
49	3
52	2
53	2
71	1
22	1
45	1
Unavailable	19
Total	388

- 5) The table below includes the 25 industrial accounts with the highest average monthly kWh usage and their associated NAICS, where available. Blank NAICS codes in the table below represent industrial accounts where there are no values within the Companies' system.

<u>Customer Rank</u>	<u>NAICS</u>	<u>kWh</u>	<u>kVA</u>	<u>kW</u>	<u>CCF</u>
1	33	19,386,000	37,293	-	-
2	33	17,124,000	32,724	-	-
3	32	13,108,911	23,755	-	-
4	33	12,674,400	20,656	-	-
5	42	10,722,667	19,489	-	-
6	32	7,776,000	14,259	-	-
7	32	6,793,000	13,471	-	-
8	42	5,824,800	12,279	-	-
9		5,504,400	9,647	-	-
10	32	4,257,600	7,140	-	-
11	31	3,853,800	8,299	-	-
12		3,059,000	5,330	-	-
13	33	2,640,150	5,126	-	-
14	31	2,614,800	5,879	-	-
15	33	2,554,400	7,099	-	-
16	32	2,376,215	9,005	-	-
17	32	2,253,300	4,957	-	8,712
18	31	2,138,550	3,503	-	-
19		1,591,400	2,975	-	-
20	48	1,300,400	2,557	-	-
21	42	1,177,600	5,600	-	-
22	32	1,173,200	2,491	-	-
23	42	1,092,600	1,970	-	-
24	32	1,039,886	4,358	-	-
25	33	1,007,100	-	1,852	4,299

- 6) The table below represents industrial customers who have the lowest average monthly usage, at least 12 months of account activity, and whose monthly kWh usage is greater than 1,000.

<u>Customer Rank</u>	<u>NAICS</u>	<u>kWh</u>	<u>kW</u>	<u>CCF</u>
1	42	9,979	-	304
2	33	9,880	40	-
3	42	9,845	44	647
4	56	9,493	-	485
5	23	9,450	17	-
6	48	8,600	60	-
7	33	8,513	34	-
8	23	8,400	38	-
9	42	7,800	16	-
10	33	7,360	37	-
11	33	7,360	-	-
12	33	6,960	47	-
13	32	6,480	68	-
14	48	6,325	50	-
15	42	5,467	50	-
16	33	4,840	16	-
17	33	4,766	-	120
18	33	3,600	23	-
19	33	3,367	-	-
20	42	3,160	-	397
21	44	2,833	43	-
22	33	2,409	-	139
23	32	1,657	-	-
24	42	1,597	-	-
25	33	1,066	-	102

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 72

Responding Witness: Dr. Martin J. Blake

Q-72. Refer to Tab 65 of the application, Schedule M-2.3-E, pages 3-25. Explain the "Correction Factor" that appears on these pages and why they differ between pages.

A-72. Pages 3 and 4, Rates RS and RTOD-E, have correction factors that differ from one because the load and revenue forecasts did not separately identify energy usage for LG&E's existing Rate LEV. In order to include energy in the forecast for the proposed Rate RTOD-E, LG&E allocated the forecast residential energy to Rate RTOD-E using the historic ratios between Rate RS and Rate LEV for the twelve months ending August 2014. Total energy reported on pages 3 and 4 of Schedule M-2.3 matches the load and revenue forecast energy for the residential class, but the total of the calculated revenues for Rate RS and the proposed Rate RTOD-E differ slightly from the total residential revenues in the revenue forecast due to pricing the RTOD-E energy at the current time of day rates.

Rate Schedule General Service (page 6) has a correction factor that differs from one because the number of customers used to develop the total Basic Service Charge in the revenue forecast is not a whole number. That is, the load forecast develops the forecast number of customers through its model, and the mathematical output from the model is a number of customers that includes fractions. To calculate the revenue from the application of the Basic Service Charge, LG&E rounded the forecast customer count to whole numbers, resulting in a slight difference in revenue from the revenue forecast.

Rate Schedules Power Service, Time of Day, and Retail Transmission Services (pages 7-13) and Special Contracts (pages 15-16) have correction factors that differ from one because the demands used to calculate revenues on Schedule M-2.3 are rounded to zero, but the demands from the load forecast are mathematically carried to four decimal places. This minor difference in the total demands, when applied to the current demand rates, results in slight differences in total revenues compared to the revenue forecast.

The lighting pages on Schedule M-2.3 (pages 15-20) are based on the load and revenue forecasts, but do not duplicate the forecast revenues exactly. The revenue

forecast for the lighting schedules estimates an average cost per kilowatt-hour of energy consumed by all lights and multiplies the average cost by the forecast energy consumption per month for all outdoor lighting. LG&E allocated the forecast revenue to each type and quantity of light installed based on historic information to calculate revised lighting rates for all types of installations. The recalculation of revenues does not exactly match the revenue forecast.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 73

Responding Witness: Russel A. Hudson

- Q-73. Refer to electric Filing Schedule B-2.-1, pages 4 and 6.
- a. Describe the nature of the adjustment to reduce Account 312, Boiler Plant Equipment, by \$733.7 million, from \$1,871.5billion to \$1,137.9billion.
 - b. Describe the nature of the adjustment to eliminate the total amount, \$4.4 million, in Account 397, Communication Equipment.
- A-73. a. The adjustment to reduce Account 312 by \$733.7 million is to remove the ECR amount from the account for base rate purposes. See Schedule B-2.2, page 2 of 2, line no. 3. The ECR amount includes the fabric filters and FGDs for Mill Creek units 1-4.
- b. The adjustment to reduce Account 397 by \$4.4 million is to remove the DSM amount from the account for base rate purposes. See Schedule B-2.2, page 2 of 2, line no. 10. The DSM amount includes costs associated with the Demand Conservation and Advanced Metering System programs.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 74

Responding Witness: Russel A. Hudson

Q-74. Refer to electric Filing Schedule B-2.3, pages 4 and 6.

- a. Describe the nature of the adjustment to increase Account 312, Boiler Plant Equipment, which has a beginning balance of \$1,768.2 billion, by \$410.9 million.
- b. Describe the nature of the adjustment to increase Account 333, Water Wheels, Turbines, and Generators, by \$33.6 million, from \$62.3 million to an ending balance of \$95.9 million.
- c. Describe the nature of the adjustment to increase Account 303, Miscellaneous Intangible Plant, by \$7.8 million, from \$65.8 million to an ending balance of \$73.6 million.

- A-74.
- a. The largest projects included in the change to Account 312 are the Mill Creek Unit 3 FGD and Fabric Filter. installation/construction- \$289.9 million and the Trimble County 1 Fabric Filter installation - \$114.4 million. The remaining change is due to normal variation between years.
 - b. The largest project included in the change to Account 333 is Ohio Falls Redevelopment - \$33.6 million. The remaining change is due to normal variation between years.
 - c. The largest projects included in the change to Account 303 are the Work Management System Project - \$2.65 million, TRMS Upgrade - \$0.4 million and Transmission Outage Map - \$0.26. The remaining change is due to normal variation between years.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 75

Responding Witness: Russel A. Hudson

- Q-75. Refer to electric Filing Schedule B-3, page 4. Explain the nature of the \$12.4 million adjustment to the reserve for Account 312, Boiler Plant Equipment.
- A-75. The \$12.4 million adjustment to the reserve Account 312 is to remove the ECR amount from the account for base rate purposes. See Schedule B-3.1, page 2 of 2, line no. 2. The ECR amount includes the fabric filters and FGDs for Mill Creek units 1-4.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 76

Responding Witness: Russel A. Hudson

- Q-76. Refer to electric Filing Schedule B-3.1. Explain why the adjustment to remove "ECR amounts excluded from rate base" for Account 312, Boiler Plant Equipment in the forecasted period is \$12.4 million, nearly \$10 million larger than the corresponding adjustment in the base period.
- A-76. The increase in ECR amounts excluded from rate base in the forecast period as compared to the base period is due to the higher amount of environmental capital projects completed and placed in service after the end of the base period, February 28, 2015.

See Tab 19 – 807 KAR 5:001 Section 16(7)(f) from this proceeding for examples of these projects with completion dates after the end of the base period. This includes the following projects:

<u>Project Description</u>	<u>Expected Completion Date</u>
Mill Creek Units 1&2 FGD	May 2015
Mill Creek 1 Fabric Filter	May 2015
Mill Creek 2 Fabric Filter	May 2015
Trimble Co. 1 Fabric Filter	November 2015
Mill Creek 3 FGD & Fabric Filter	June 2016

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 77

Responding Witness: Russel A. Hudson

- Q-77. Refer to electric Filing Schedule B-3.2, pages 1 and 4. Explain why Account 343, Prime Movers, increases from \$163.6 million in the base period to a 13-month average of \$289.5 million in the forecasted period.
- A-77. The increase in Account 343, Prime Movers, from the base period to the forecast period as shown is driven by the completion and placing in-service of Cane Run Unit 7 in May 2015 which is after the end of the base period.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 78

Responding Witness: Russel A. Hudson

Q-78. Refer to electric Filing Schedule D-1, page 2, line 22. The description of the adjustment to Account 500, Steam Operation Supervision and Engineering, reads, "Variance reflects changes in headcount, assumed 3% average wage inflation and changes in generation." Provide a breakdown of the \$924,297 adjustment which shows the amount attributable to each of these three factors.

A-78.

Wage Increase	\$ 166,283	3% rate increase
Time allocation	\$ 322,235	Includes budgeted labor for 3 FTEs whose actual labor was charged primarily to 512 and 513
Headcount increases	\$ 244,392	Headcount increase of 3 FTEs for engineering support
Other Generation	\$ 191,387	
	\$ 924,297	

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 79

Responding Witness: Russel A. Hudson

- Q-79. Refer to electric Filing Schedule D-1, page 5, lines 77 and 78. The descriptions of the adjustments to Accounts 570 and 571, respectively, Maintenance of Station Equipment and Maintenance of Overhead Lines both read "Customary changes in the ordinary course of business based on specific work in a given period...."
- a. Provide a description of the specific work scheduled in the forecasted period that accounts for an increase of \$170,884 (14.4 percent) from the base period level of \$1,187,870 to \$1,358,754 in the forecasted period in Account 570.
 - b. Provide a description of the specific work scheduled in the forecasted period that accounts for an increase of \$346,689 (14.4 percent) from the base period level of \$1,861,721 to \$2,308,410 in the forecasted period in Account 571.
- A-79. a. The higher spend in the forecasted period is due to higher substation painting and cleanup costs of \$51,000 and the contract for test equipment of \$50,320 that was budgeted to FERC account 570, but is in FERC Account 573 in the base period and other preventive and corrective maintenance substation work of \$69,564.
- b. The higher spend in the forecasted period is primarily due to additional line clearing work of \$371,255, partially offset by lower forecasted storm restoration and other expenses of \$24,566.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 80

Responding Witness: Russel A. Hudson

- Q-80. Refer to electric Filing Schedule D-1, page 7, line 124. The description of the adjustment to Account 920, Administrative and General Salaries, reads, "Variance reflects changes in headcount and assumed 3% average wage inflation." Provide a breakdown of the \$1,692,423 adjustment which shows the amount attributable to each of these two factors.
- A-80. The variance in Account 920, Administrative and General Salaries, reflects an increase of \$1,007,801 due to the cumulative impact of a 3% annual increase. It also includes an additional \$684,622 due to incremental employees charging the account.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 81

Responding Witness: Russel A. Hudson

- Q-81. Refer to gas Filing Schedule B-2.1, pages 4 and 5.
- a. Describe the nature of the adjustment to reduce Account 376, Mains, by \$65.1 million, from \$408.5 million to \$343.4 million.
 - b. Describe the nature of the adjustment to reduce Account 380, Services, by \$98 million, from \$305.1 million to \$207.1 million.
- A-81. a. The adjustment to reduce Account 376 by \$65.1 million is to remove the GLT amount from the account for base rate purposes. See Schedule B-2.2, page 2 of 2, line no. 3. The GLT amount includes the cost of distribution system mains replaced through the leak mitigation program.
- b. The adjustment to reduce Account 380 by \$98 million is to remove the GLT amount from the account for base rate purposes. See Schedule B-2.2, page 2 of 2, line no. 4. The GLT amount includes the cost of service pipes and risers installed through the gas riser replacement and customer service ownership program and leak mitigation program.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 82

Responding Witness: Russel A. Hudson

- Q-82. Refer to gas Filing Schedule D-1, page 2, line 26. The description of the adjustment to Account 807, Purchased Gas Expense, reads, "Variance reflects headcount changes and assumed 3% average wage inflation." Provide a breakdown of the \$185,919 adjustment which shows the amount attributable to each of these two factors.
- A-82. \$86,000 of the adjustment is for 1 headcount addition, and \$19,000 is due to the 3% average wage inflation. In addition, \$81,000 is related to an annual Platts subscription. This subscription was paid in of January 2014 (before the base period) and reclassified to a prepaid account in April 2014 which resulted in a (\$6,000) total expense for the base period. The difference between the two periods is \$81,000, but the annual subscription is \$75,000 which is the amount included in the Test Year.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

Response to Commission Staff's Second Request for Information
Dated January 8, 2015

Question No. 83

Responding Witness: Russel A. Hudson

- Q-83. Refer to gas Filing Schedule D-1, page 3, lines 46 and 48. The descriptions of the adjustments to Accounts 834 and 836, respectively, Maintenance of Compressor Station Equipment and Maintenance of Purification Equipment both read, "Variance reflects more maintenance in the forecasted period."
- a. Provide a more specific description of the maintenance to be performed in the forecasted period that accounts for an increase of \$422,661 (58.3 percent) from the base period level of \$725,314 to \$1,147,975 in the forecasted period in Account 834.
 - b. Provide a more specific description of the maintenance to be performed in the forecasted period that accounts for an increase of \$238,228 (34.4 percent) from the base period level of \$692,772 to \$931,000 in the forecasted period in Account 836.
- A-83. a. The total 2015 budget for various gas FERC accounts in Muldraugh and Magnolia's areas was allocated to each FERC account based on a prorated percentage of 2013 actuals by these same FERC accounts. 2013 actuals in the 834 account were higher than the base year due to several non-routine items, including significant repairs to the Magnolia #1 compressor engine. This caused a higher allocation in the budget to this account, with the offsetting lower amounts in other accounts. Also, an additional \$230,000 was allocated to FERC 834 in error and offset in other accounts. Muldraugh and Magnolia's maintenance in total increased in the forecasted period due to three headcount additions, tree trimming to maintain right of ways for mowing and aerial patrols, additional chemical purchases, and purifier and dehydrator cleaning.
- b. The total 2015 budget for various gas FERC accounts in Muldraugh and Magnolia's areas was allocated to each FERC account based on a prorated percentage of 2013 actuals by these same FERC accounts. 2013 actuals in the 836 account were higher than the base year due to cleaning of purifier units at Magnolia and work on two regenerator towers at Purifier Plant #2 and #3 at Muldraugh. This caused a higher allocation in the budget to this account, with the offsetting lower amounts in other accounts. Muldraugh and Magnolia's

maintenance in total increased in the forecasted period due to three headcount additions, tree trimming to maintain right of ways for mowing and aerial patrols, additional chemical purchases, and purifier and dehydrator cleaning.

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Question No. 84

Responding Witness: Russel A. Hudson

- Q-84. Refer to gas Filing Schedule D-1, page 3, line 58. The description of the adjustment to Account 863, Maintenance of Mains, reads, "Variance reflects more 'nline' inspection costs in the forecasted period." Provide a more specific description of the increase in inspection costs in the forecasted period that accounts for an increase of \$450,704 (55.4 percent) from the base period level of \$812,796 to \$1,263,500 in the forecasted period.
- A-84. The base period includes one inspection of the Magnolia Line for \$438,000. The forecasted period includes a total of \$907,000 for three inspections: the Ballardsville Line for \$348,000, the Riverport Line for \$377,000, and the WK C Line for \$182,000. In line inspection projects are scheduled to meet intervals mandated by federal pipeline safety regulations and to ensure the ongoing integrity of the gas transmission pipelines.

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Dated January 8, 2015**

Question No. 85

Responding Witness: Russel A. Hudson

Q-85. Refer to gas Filing Schedule D-1, page 3, lines 64 and 65. The descriptions of the adjustments to Accounts 875 and 876, respectively, Measuring and Regulating Station Exp —Gen and Measuring and Regulating Station Exp —Ind, read, "Variance reflects headcount changes and assumed 3% average wage inflation."

- a. Provide a breakdown of the \$126,340 adjustment (16.2 percent) to Account 875 which shows the amount attributable to each of these two factors.
- b. Provide a breakdown of the \$108,032 adjustment (25.3 percent) to Account 876 which shows the amount attributable to each of these two factors.

A-85. a. The \$126,340 change is attributable to:

3% average wage inflation	\$ 14,219
Changes in headcount and allocation of labor activities	220,418
Non-labor activities	(108,297)
	<hr/>
	\$ 126,340

b. The \$108,032 change is attributable to:

3% average wage inflation	\$ 8,637
Changes in headcount and allocation of labor activities	151,503
Non-labor activities	(52,108)
	<hr/>
	\$ 108,032

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Question No. 86

Responding Witness: Russel A. Hudson

- Q-86. Refer to gas Filing Schedule D-1, page 4, line 66. The description of the adjustments to Account 877, Measuring and Regulating Station Exp —CG, reads, "Variance reflects higher labor costs, higher fuel costs and more pipe support inspections in the forecasted period." Provide a more specific description of the higher costs and the increase in inspections in the forecasted period that account for an increase of \$241,578 (80.3 percent) from the base period level of \$300,885 to \$542,463 in the forecasted period.
- A-86. Higher labor costs of \$46,131 are due to more labor charged to this Account which is offset in Account 894 – Maintenance of Other Equipment. Fuel costs are \$130,139 higher in the forecasted period than the base period. Incremental contractor services of \$60,000 will be used to complete pipe support inspections for city gate stations and large regulator stations to ensure no potential corrosion issues. Other activities, including inflation, recorded to this Account are \$5,308 higher in the forecasted period than the base period.

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**Response to Commission Staff's Second Request for Information
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Question No. 87

Responding Witness: Kent W. Blake

- Q-87. Refer to Tab 59 of the application, specifically the attachment with the headings "Payroll Costs" on page 1 and "Payroll Analysis" on page 2. Confirm that the differences between the amounts on Line 12, Total Labor Dollars, and Line 16, O&M Labor Dollars, reflects what could be considered "Capitalized Labor Dollars." If this cannot be confirmed, explain what makes up the differences.
- A-87. The Total Labor Dollars includes all labor dollars for LG&E employees and it also includes charges from affiliated Companies. Therefore, the difference between line 12 Total Labor Dollars and line 16 O&M Labor Dollars includes Capitalized Labor Dollars, as well as labor charged to Mechanisms (ECR, GLT and DSM) and other balance sheet accounts. Other balance sheet accounts include: Stores Expense (163), Transportation Clearing (184), Local Engineering Clearing (184) and Customer Pay Accounts (143). It also includes labor dollars for LG&E employees charged to KU and LG&E and KU Capital LLC ("LKC").

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**Response to Commission Staff's Second Request for Information
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Question No. 88

Responding Witness: Paula H. Pottinger, Ph.D.

- Q-88. Refer to Tab 59 of the application, specifically the attachment with the heading "Officer Compensation." Footnote 2 on page 2 of the attachment reads, "Of the total salary and other compensation, 22.4% is allocated to the cost of providing service to LG&E ratepayers. Other compensation includes cash based short-term incentives and stock based long-term incentives. None of the incentive pay is included in the cost of service."
- a. Explain whether incentive pay makes up 100 percent of Other Compensation.
 - b. The amounts shown on page 2 as the average of all officers for Salary and Other Compensation indicate a roughly 50-50 split between the two forms of compensation. Assuming the response to part a. of this request is affirmative, meaning Other Compensation consists solely of incentive pay, if no incentive pay is in the cost of service and 22.4 percent of the total of Salary and Other Compensation/incentive pay is in the cost of service, confirm whether it is correct to conclude that approximately 45 percent of the total Salary amount is included in the cost of service. If this cannot be confirmed, explain why.
 - c. If 22.4 percent of the total of Salary and Other Compensation is included in the cost of service, confirm/explain if this means that the other 77.6 percent is treated as a below-the-line expense for ratemaking purposes.
- A-88.
- a. Incentive pay makes up 100 percent of Other Compensation for the forecasted test period.
 - b. It is correct to conclude that approximately 45 percent of the total salary amount is included in the cost of service for LG&E customers.
 - c. Of the total of Salary and Other Compensation, 22.4 percent is included in the cost of service for LG&E and 25.6 percent for KU. The remaining 52 percent is not included in the cost of service.

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**Response to Commission Staff's Second Request for Information
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Question No. 89

Responding Witness: Kent W. Blake

- Q-89. Refer to the response to Item 13 of Staff's First Request and page 1 of the attachment to part b. of the response.
- a. Part c. of the response indicates, with the result for capital projects that are recovered in base rates being a slippage factor of 97.728 percent, that LG&E believes there is no need to apply a slippage factor. Provide the percentage at which LG&E believes there would be a need to apply a slippage factor.
 - b. Using the slippage factor of 97.728 percent shown on page 1 of the attachment to part b. of the response, provide the resulting net investment rate base, capitalization, COSS, and revised revenue requirement for both LG&E's electric and gas operations for the base period and forecasted period. Include all work papers, spreadsheets, etc., which show the derivation of each item for each period in Excel spreadsheet format with the formulas intact and unprotected and with all columns and rows accessible.
- A-89. a. As stated in response to Commission Staff's First Request for Information Item No. 13(c), given the demonstrated reasonable accuracy of the Company's predicting the cost of its utility plant additions and when new plant will be placed in service, LG&E does not believe there is a need to apply a Slippage Factor. Without waiver of its position, the Slippage Factor of 97.728 percent is the least unreasonable Slippage Factor when compared with the other Slippage Factor calculations shown in the response to Staff First Request for Information Item No. 13.
- b. See the attachments being provided in Excel format. The impact on the LG&E Electric revenue requirement for the forecasted test year is a reduction of \$738,268. The impact on the LG&E Gas revenue requirement for the forecasted test year is a reduction of \$ \$152,310.

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Response to Commission Staff's Second Request for Information

Dated January 8, 2015

Question No. 90

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

- Q-90. Refer to the attachment to the response to Item 32 of Staff's First Request, which reflects, for the months from January 2011 to October 2014 (excluding January and February, 2014), that LG&E's actual employee headcount has typically fallen short of its budgeted headcount by 30 to 90 employees. The attachment also includes budgeted employee headcounts for the last four months of the base period and the 12 months of the forecasted period.
- a. Explain in detail how this consistent historical "shortfall" has been incorporated into the employee headcounts used to develop the labor costs in the forecasted period.
 - b. Provide work papers spreadsheets, etc., which show the calculation of the labor costs reflected in LG&E's operating expenses in the forecasted period. Include any necessary narrative description of the calculations and provide a means to reconcile the amounts in the calculations to the amounts included in LG&E's application.
- A-90. a. Historic variances to budgeted headcount have not explicitly been incorporated in the development of the labor cost in the forecast test period. Rather than forecasting headcount levels and then reducing that headcount by expected vacancies, the Company believes forecasting positions as they are expected to be filled provides a more reasonable approach. The forecast test period includes approved positions that are either already filled or for which we are actively recruiting now or will begin in advance of the date by which a hire is projected. When actual headcount has been below budget in the past, there have often been offsets in the form of higher overtime or greater use of interns, co-ops, temporary employees or contractors. In other cases, the vacancies may have been absorbed by other exempt employees for a period of time but which created a workload that was not sustainable long-term. Finally, some vacancies relative to budget may have been a function of a delay in the project or initiative which created the need for the additional position(s).

b. LABOR FORECAST PROCESS:

The Company uses Powerplant to calculate the labor base for the plan. First, a query is executed in the HR Peoplesoft system to obtain data on the current employees. The query includes the number of employees and average wage rates by department and employee type. It also includes hire dates. This data is exported to an excel file see Attachment 1 to LGE PSC 2-90(b). The corporate budget department adds some additional information to the file. The approved wage increase (obtained from compensation) is entered in the spreadsheet and the wage rate is adjusted in the appropriate month based on the company and employee type. The hire date is used to calculate vacation entitlements. Average sick hours based on historical trends are also added to the excel file. This data is then imported into the labor forecast table in Powerplant see Attachment 2 to LGE PSC 2-90(b). For data used in the 2015 plan see Attachment 3 to LGE PSC 2-90(b).

Also, uploaded into the Powerplant labor forecast system is working hours per employee by month and the company holiday schedule and other off-duty entitlements.

Next, the budget coordinators for each Line of Business work with the managers in their areas and with HR to develop a work force plan. The data in Powerplant is updated by the budget coordinator as necessary to agree with the workforce plan. The budget coordinators also add overtime hours and premium dollars. They can also update the off-duty hours to be more specific to their department. See Attachment 4 to LGE PSC 2-90(b) for the final inputs used for the forecast period.

The Powerplant labor forecast process uses the data in the table and performs calculation for each employee type and in total for each department. It calculates straight time, overtime and off-duty dollars. For a detailed listing of the inputs and calculations see Attachment 5 to LGE PSC 2-90(b).

After total labor has been calculated, the budget coordinators will enter labor budgets in the project management module of Powerplant for each capital project in the plan. The labor forecast process summarizes these dollars by straight time and overtime for each department. These amounts are deducted from total available labor to get net available labor. For the final step in the process, the budget coordinators, with input from the department managers, will allocate the net available labor to the appropriate operating and other balance sheet accounts based on the work to be performed.

Attachment in Excel

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

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**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 91

Responding Witness: Paula H. Pottinger, Ph.D.

- Q-91. Refer to the response to Item 35 of Staff's First Request, which shows, for years 2012 and 2013, that executives and senior managers, managers, exempt, and non-exempt employees all received larger annual percentage increases in salaries or wages than union employees. The response also shows that larger percentage increases are budgeted during the base period and forecasted period for those employee groups than the percentage increase budgeted for union employees.
- a. While the percentage differences are relatively small (2.8 to 3.2 percent for the non-union employee groups versus 2.5 percent for union employees), explain why these consistent differences occur.
 - b. Labor contracts typically determine annual percentage increases for union employees. Explain how percentage increases for each of the four non-union employee groups are determined.
- A-91. a. Based on market surveys and the Company's geography, senior management establishes an appropriate wage increase range. The outcome of the contract negotiations, including any wage increase, is subject to the dynamics of the negotiations and takes into account economic and non-economic factors

Ultimately wage increases for union employees are a product of negotiations between the Company and the representing union and subject to approval by the membership of that union.

- b. Based on market surveys, management establishes the annual budget increase for salaried employees. Managers then allocate the annual budget increase based on position in market, internal equity and relative performance. Based on geographic market surveys, management establishes a general increase that is applied consistently for all craft workers.

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**Response to Commission Staff's Second Request for Information
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Question No. 92

Responding Witness: D. Ralph Bowling

- Q-92. Refer to the response to Item 40 of Staff's First Request, which seems to indicate that fewer employees will be needed for the operation of Cane Run Unit 7 than for the operation of Cane Run Units 5 and 6.
- a. Provide the current number of on-site employees that make up the staff at Cane Run Units 5 and 6.
 - b. Provide the number of on-site employees that will make up the staff for Cane Run Unit 7.
 - c. Describe in detail how the difference in staffing requirements for Cane Run Unit 7 versus Cane Run Units 5 and 6 was incorporated into the employee headcounts used to develop the labor costs in the forecasted period.
- A-92. a. As of December 31, 2014, there are 105 employees at the Cane Run Steam facilities. We do not allocate employees by unit.
- b. Upon commercial operation, Cane Run Unit 7 will employ 43 on-site employees.
 - c. Employee headcount for Cane Run Unit 7 was determined by the on-the-job technical training requirement based on a number of milestones to operate and maintain the unit reliably and effectively, as determined by the Engineering Procurement Contractor (EPC), Bluegrass Power. As Cane Run Unit 7 system commissioning schedules were provided, the Cane Run management team was able to schedule headcount transitioning from the Cane Run Steam units (Units 4, 5, and 6) to Cane Run Unit 7. The selected staffing, who were scheduled to begin transitioning to Cane Run Unit 7 in October 2014, were identified by position. Labor costs were then quantified and forecasted accordingly.

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**Response to Commission Staff's Second Request for Information
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Question No. 93

Responding Witness: Daniel K. Arbough

- Q-93. Refer to the response to Item 41 of Staff's First Request. Part b. of the response reads, in part, "The majority of benefit changes occurred in the pension plan expense during the period due to an increase in the discount rate for the plans of over 90 basis points for each plan."
- a. The pension amounts in the attachment to the response show an increase of almost \$10 million (\$15.73 million to \$25.71 million), from the base period to the forecasted period. Explain how much of this increase is attributable to the discount rate increase.
 - b. Describe the factors driving the discount rate increase.
 - c. Explain whether the discount rates used in the forecast period are related to the pension assumptions referenced on page 29, lines 14-16, of the Blake Testimony.
- A-93. a. See the response to KIUC 1-16. Note 2 to the actuary report, which is attached to that response, indicates that the primary driver for the increase in expense is the change in the mortality assumption, but the 50 basis point decrease in the assumed discount rate also increased the 2015 expense projection. As a further point of reference, the table in Note 1 shows that a 30-40 basis point decrease between budgeting assumptions for 2015 resulted in a \$4.2 million increase in pension expense for LG&E and KU Energy LLC on a consolidated basis.
- b. The response to PSC 1-41 referred to a 90 basis point interest rate increase during 2013. Interest rates increased in 2013 as the Federal Reserve began reducing the liquidity it was providing to the economy and the economy showed more consistent signs of strength. The investor view was that the Federal Reserve would begin to take steps to increase interest rates in 2014. The result was a significant increase in long-term interest rates during 2013.
 - c. The assumptions referred to in Mr. Blake's testimony on page 28, lines 7-9, that are being reviewed and updated include the discount rate as of December

31, 2014 that will be used in calculating the December 31, 2014 pension liability and the 2015 pension expense.

The forecast of pension plan expense used for the forecast period was prepared by the Company's actuary, Towers Watson, and delivered to the Company on May 30, 2014 using discount rates as of April 30, 2014.

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Dated January 8, 2015

Question No. 94

**Responding Witness: Edwin R. "Ed" Staton / John P. Malloy /
Christopher M. Garrett**

- Q-94. Refer to the response to Item 47.a. (10) of Staff's First Request. The table in the response shows that LG&E's franchise payment to the city of Louisville was \$587,416 in 2013. The last sentence in the paragraph immediately preceding the table reads, "Through the end of 2013, this was not a pass-through franchise and was booked as an expense."
- a. The sentence quoted implies that a change occurred after 2013. Identify and describe the change, if any that occurred after 2013 in LG&E's treatment of the franchise fee paid to the city of Louisville.
 - b. Provide the amount of the franchise fee paid to the city of Louisville for 2014 or the amount LG&E estimates it will pay for 2014 and, if applicable, the dates and amounts of each payment in 2014.
 - c. Provide the amount of the franchise fee LG&E estimates it will pay to the city of Louisville for 2015, the basis for the calculation of the payment, the frequency of the payments for 2015, and whether the payments will be booked as an expense or added as a surcharge to the bills of customers receiving service within the city of Louisville's jurisdiction.
 - d. Item 47.a. (10) of Staff's First Request asked for information on franchise fees "during the test year." Provide the amount and franchise location of each franchise payment included in the forecasted test year ending June 30, 2016. For each such franchise payment, indicate whether it will be booked as expenses or as a pass-through franchise and indicate the amount of each payment that is for 2015 or for 2016.
- A-94. a. The change occurred at the end of 2014. On August 18, 2014, Louisville/Jefferson County Metro Government and LG&E entered into a new franchise agreement for the provision of gas services in Metro's jurisdiction. (Louisville/Jefferson County Metro Government's franchising jurisdiction does not include any other city located in Jefferson County). The franchise agreement became effective as of December 1, 2014 with a term of sixteen

(16) months. Under the terms of the new franchise, LG&E will collect the franchise fee (2% of monthly gross receipts) from its customers in Louisville/Jefferson County Metro through a line-item charge on monthly bills.

- b. LG&E paid \$596,021.22 on February 7, 2014 for the period October 16, 2013 through October 15, 2014 for its gas franchise agreement with the City of Louisville.
- c. For 2015, LG&E will pay a fee in the amount of two (2) percent of the monthly gross receipts collected for the retail sale and/or transportation of gas provided within Louisville/Jefferson County Metro Government. Payments are to be made within thirty (30) days of the end of the month for which collections are made. It is estimated that LG&E will make a total annual payment in the amount of approximately \$4.7 million. LG&E will collect the franchise fee from applicable customers within Louisville/Jefferson County Metro's franchising jurisdiction through a line-item charge on monthly bills.
- d. LG&E does not budget any activity for franchise fee payments as they represent a pass-through from customers in their entirety for the forecasted test period.

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Question No. 95

Responding Witness: Edwin R. "Ed" Staton / John P. Malloy

Q-95. Refer to LG&E's 1998 gas franchise agreement with the city of Louisville. Explain the basis on which the franchise fee was calculated under that agreement.

- a. Provide the date on which the 1998 gas franchise agreement with the City of Louisville expired
- b. Since the expiration of the 1998 gas franchise agreement with the city of Louisville, state whether LG&E continued to make payments to the city of Louisville. If yes, explain the reasons why such payments were made, the basis for calculating those payments, the frequency that the payments were made, and the reasons why the payments were not added as a surcharge to the bills of customers receiving service within the local government jurisdiction pursuant to LG&E's Gas Franchise Fee Tariff, P.S.C. Gas No. 9, Original Sheet No. 90.

A-95. The basis on which the franchise fee was calculated under LG&E's 1998 gas franchise agreement with the then city of Louisville was a fixed annual fee of \$400,000 adjusted for inflation by the Consumer Price Index for all Urban Consumers, U.S. City Average.

- a. The 1998 gas franchise agreement expired on October 15, 2003.
- b. At the expiration of the prior franchise agreement and in the absence of a new agreement, LG&E became a holdover tenant with a revocable license to use the city's the rights-of-way. With the expiration of the 1998 gas franchise agreement, LG&E continued to make annual license fee payments to the City of Louisville and its successor, Louisville/Jefferson County Metro Government based on compensation structure in the 1998 gas franchise agreement.

The license fee was not collected as a surcharge because LG&E believed the annual fixed fee to be *de minimis*.

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Question No. 96

Responding Witness: Russel A. Hudson

Q-96. Refer to the response to Item 53 of Staff's First Request, which provides LG&E's expenses for research and development for 2011, 2012, 2013, and the base period. Provide the amount for research and development expenses included in the forecast period for LG&E.

A-96. There is \$1,606,357 included in the forecast period for LG&E.

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Question No. 97

Responding Witness: Edwin R. "Ed" Staton

- Q-97. Refer to the response to Item 57 of Staff's First Request. Explain how the 48.34 percent of salaries and benefits of G.R. Siemens and D.J. Friebert that are reported "below-the-line" was derived.
- A-97. The percentage is based on the Cost Allocation Manual's cost assignment method used for their department. Mr. Siemens and Mr. Friebert's related costs were allocated using the internally developed revenue ratio that was detailed in the previously submitted Cost Allocation Manual for LG&E at Application, Tab 51, (16(7)(u)). This allocation was used for both Mr. Siemens and Mr. Friebert and associated personnel in their department and applied to all costs.