

Louisville Gas and Electric Company
Case No. 2014-00372
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 6/30/16; Base Period 12ME 2/28/15)

Filing Requirement
807 KAR 5:001 Section 16(7)(o)
Sponsoring Witness: Kent W. Blake

Description of Filing Requirement:

Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available.

Response:

The Company has only one monthly performance report used for management reporting to the CEO and executive officers that address budget variances. Although the performance report contains separate analyses of gas and electric margins, no separate income statement, balance sheet or statement of cash flows are presented for gas versus electric operations, or KU versus LG&E, and decisions are based on the overall utility operations of LG&E and KU.

See attached for the monthly reports for:

- March 2013 through February 2014 which are the twelve months prior to the base period.

Each month of the base period. Reports for March 2014 through October 2014 are presently available. LG&E will provide these reports for the remaining periods requested in the upcoming months as they become available.

February 27, 2015 Supplemental Response:

See attached for the monthly reports for November 2014 through January 2015. The Company will provide this data for the remaining periods requested in the upcoming months as it becomes available.



Performance Report

November 2014

Content**Page**

Executive Summary	3
Income Statement: Actual vs. Budget & Forecast (Month)	4
Income Statement: Actual vs. Budget (YTD)	5
Income Statement: Forecast vs. Prior Forecast & Budget	6
Electric Gross Margin Analysis	7
Gas Gross Margin Analysis	8
O&M	9
Financing Activities	10
Balance Sheet	11
Rate Base Growth	12

Kentucky Regulated Dashboard

November 2014

	Current Month		YTD		Full Year	
	Actual	PY	Actual	PY	Forecast	PY
Safety						
TCIR - Employees	0.37	0.27	1.04	1.36	1.04	1.29
Employee lost-time incidents	0	0	6	3	6	3
Reliability	Actual	Budget	Actual	Budget	Forecast	Budget
Generation Volumes	3,032	2,580	32,560	31,749	35,588	34,780
Utility EFOR	4.9%	5.9%	4.8%	5.9%	N/A	5.9%
Utility EAF	74.7%	76.6%	81.4%	81.7%	N/A	82.5%
Steam Fleet Commercial Availability	95.2%	91.5%	94.2%	91.5%	N/A	91.5%
Combined SAIFI	0.05	0.06	0.92	1.12	N/A	1.20
Combined SAIDI (minutes)	3.94	4.68	86.61	100.63	N/A	107.60
GWh Sales						
Residential	869	742	9,858	9,956	10,262	10,962
Commercial	589	610	7,178	7,300	7,837	7,952
Industrial	869	829	9,212	9,145	10,057	10,011
Municipals	151	149	1,728	1,808	1,880	1,969
Other	216	222	2,619	2,552	2,851	2,788
Off-System Sales	23	2	470	254	509	273
Total	2,716	2,554	31,064	31,014	33,396	33,954
Weather-Normalized Sales Growth			TTM			
Residential			-1.35%			
Commercial			-1.49%			
Industrial			2.03%			
Municipal			-1.39%			
Other			-0.28%			
Total			-0.30%			

Financial Metrics	Current Month		YTD		Full Year	
	Actual	Budget	Actual	Budget	Forecast	Budget
Utility ROE ⁽¹⁾	7.9%	7.1%	9.3%	8.5%	9.4%	8.7%
Electric Margins	\$131	\$126	\$1,539	\$1,521	\$1,682	\$1,664
Gas Margins	\$16	14	138	136	161	157

Capital Expenditures (\$ millions)	Actual	Budget	Actual	Budget	Forecast	Budget
New Generation	\$1	\$6	\$102	\$120	\$116	\$126
ECR	72	44	672	558	750	603
Generation	17	24	90	119	102	121
Transmission	6	7	69	70	84	77
Electric Distribution	14	11	130	131	147	143
Gas Distribution	6	6	68	75	77	80
Customer Services	1	1	15	19	17	20
IT and Other	3	4	31	46	37	50
Total	\$120	\$103	\$1,178	\$1,139	\$1,330	\$1,221

O&M (\$ millions) ⁽²⁾	Actual	Budget	Actual	Budget	Forecast	Budget
Operations	\$43	\$37	\$438	\$433	\$476	\$468
Administrative	7	7	\$85	90	95	98
Finance	1	1	\$17	18	18	19
Burdens & Other Charges	9	12	\$115	137	128	150
Total	\$60	\$58	\$654	\$677	\$717	\$735

Head Count	Actual	Budget	Actual	Budget	Forecast	Budget
Full-time Employees	3,467	3,550	3,467	3,550	3,520	3,549

Other Metrics	Actual	PY	Actual	PY	Forecast	PY
Environmental Events	0	3	9	14	N/A	14
NERC Possible Violations ⁽³⁾	0	2	7	11	N/A	11

Variance Explanations
<ul style="list-style-type: none"> Current month generation and GWh sales volumes higher than budget due to colder than normal weather. Current month capital was higher than budget due primarily to increased costs on environmental air projects at Mill Creek and timing of spend on environmental air projects at Trimble County and Ghent, partially offset by timing of spend on Cane Run Unit 7. YTD and full year higher capital due primarily to increased costs related to Ghent environmental air projects (Units 3 and 4 economizer work) and Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) with some non-environmental spend offsets. Current month higher margins due to \$5 million from higher retail electric energy and demand revenues due to colder than normal weather and \$2 million from higher gas revenues due to colder than normal weather. YTD higher margins due to \$9 million from the sale of excess generation driven by favorable plant availability and higher market prices, \$7 million from lower cost of production margin expenses, \$6 million from lower purchase power demand costs, \$2 million from higher gas revenues due to colder than normal weather, and \$3 million from higher retail rate mechanism revenue partially offset by \$7 million lower retail electric energy and demand revenues. YTD lower O&M primarily due to \$19 million from pension and medical cost savings, \$12 million from labor savings and \$3 million from plant outage and other operating costs, partially offset by \$7 million of higher storm restoration expenses and \$5 million higher uncollectible accounts.

Major Developments
<p>In Louisville and Lexington, November 2014 ranked as the coldest and 2nd coldest, respectively, in the last 30 years. Consistent with previous years, and for the period October 1, 2014 through March 31, 2015, LG&E and KU are matching residential customers' donations, \$1 for \$1, to the utilities' primary heating assistance programs. The cold temperatures led to several new November peaks for LG&E, KU and the Combined system:</p> <ul style="list-style-type: none"> On November 17 and 18, LG&E reached new all-time November peak loads of 1,757 MW and 1,780 MW, respectively (versus previous peak of 1,657 MW in 2005). Also on November 17, LG&E recorded a new all-time November natural gas system record of 391 million cubic feet of natural gas usage in a 24-hour period. This exceeded the previous record of 374 million cubic feet of natural gas set in 2000. KU and the Combined system recorded three consecutive days of setting an all-time November peak load: <ul style="list-style-type: none"> On November 19, a new KU November peak load record was set of 3,981 MW; this eclipsed peak loads established on November 18 of 3,947 MW and on November 17 of 3,698 MW. The prior record was in 2013 at 3,588 MW. The Combined system established new all-time November peak loads on November 17, November 18, and November 19, with loads of 5,449 MW, 5,663 MW, and 5,680 MW, respectively, exceeding the mark set on November 14 of 5,169 MW. Previously, the all-time November peak was 5,165 MW set in 2013. <p>In regulatory news:</p> <ul style="list-style-type: none"> The KPSC accepted LG&E and KU's rate case application as filed with no deficiencies. This signifies a major first step in the rate case process and starts the timeline for consideration of the case. The Company filed the initial set of data requests on December 12. These represent standard data requests issued between the notice and filing of the case. The KPSC issued an Order approving LKE's DSM application as filed. A hearing in the CPCN proceeding for Brown Solar was held in late November and the Company has requested an order by mid-December. The KPSC approved the Company's capacity purchase and tolling agreement with LS Power. <p>In environmental and construction news:</p> <ul style="list-style-type: none"> The Mill Creek Unit 4 and Ghent Unit 4 environmental upgrade projects were turned over to operations for restarting the units as scheduled for the tie-in outages. This represents a significant major milestone for LG&E and KU's construction program. LG&E and KU continue to manage this constructive activity and operations while maintaining their focus on safety. Through November, LG&E and KU had an OSHA recordable injury rate of 1.04 which is significantly better than top quartile performance in the industry. LKE filed comments on the EPA's proposed GHG regulations for existing units. The comments filed were aligned with those filed by PPL, E.U., CIGS and EEI. Issues specific to Kentucky were included in the LKE comments and complimented those filed by the state. Besides pointing out some of the legal issues with the proposal, LKE's comments addressed economic concerns for customers, the pace and time for meeting the rules, grid reliability impacts, flaws in the EPA assumptions and getting credit for actions taken by the Company. LKE submitted the request to the KY Division of Air Quality for extending Green River 3 and 4 operation by one year as allowed under the MATS rules. The request was based on time needed to complete transmission projects to circumvent reliability risk related to the shutdown of these units. This extension would allow LKE to keep the units in production through the spring of 2016, consistent with Plan.

Significant Future Events
<ul style="list-style-type: none"> The KPSC issued an order that established a procedural schedule for discovery. The second round (first time for intervenors) of data requests will be received January 8 with intervenor testimony filed in March and the Company's rebuttal testimony filed in April. A formal hearing has not been scheduled, however, is expected early May. Heavy construction is proceeding at Mill Creek, Ghent, Brown, Cane Run and Trimble County, and all projects are expected to be in-service by target completion dates. The construction of Cane Run 7 is approximately 95 percent complete, with first firing of gas for the unit expected during January of next year.

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.

⁽²⁾ Net of cost recovery mechanisms.

⁽³⁾ The possible violation issues for YTD Actual are believed to be minimal risk. One of those has been processed for a zero dollar penalty from the regulator. Though described by SERC as minimal risk, four of those have been included in a \$30,000 package settlement proposed by SERC that includes possible violations from 2013. The two most recent possible violations are not included in this settlement proposal.

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

November 2014

(\$ Millions)

	MTD				MTD			
	Actual	Budget	Variance	Comments	Actual	Q3 Forecast	Variance	Comments
Revenues:								
Electric Revenues	\$ 220	\$ 215	\$ 5	Due to higher electricity volumes resulting from colder than normal weather.	\$ 220	\$ 211	\$ 9	Due to higher electricity volumes resulting from colder than normal weather.
Gas Revenues	39	31	9	Due to higher gas volumes resulting from colder than normal weather.	39	31	8	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	259	245	14		259	241	17	
Cost of Sales:								
Fuel Electric Costs	76	71	(5)	Due to higher electricity volumes resulting from colder than normal weather.	76	70	(6)	Due to higher electricity volumes resulting from colder than normal weather.
Gas Supply Expenses	23	16	(7)	Due to higher gas volumes resulting from colder than normal weather.	23	16	(6)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	4	6	2		4	6	1	
Other Electric Cost	9	11	2		9	10	1	
Total Cost of Sales	111	105	(7)		111	101	(10)	
Gross Margin:								
Electric Margin	131	126	5	Due to higher retail electric energy and demand revenues due to colder than normal weather.	131	126	5	Due to higher retail electric energy and demand revenues due to colder than normal weather.
Gas Margin	16	14	2	Due to higher gas revenues due to colder than normal weather.	16	14	2	Due to higher gas revenues due to colder than normal weather.
Total Gross Margin	147	140	7		147	140	7	
Operating Expenses:								
O&M	60	58	(2)		60	63	3	
Depreciation & Amortization	29	29	(0)		29	29	0	
Taxes, Other than Income	4	4	0		4	4	0	
Total Operating Expenses	93	91	(2)		93	96	4	
Other income (expense)	(0)	(0)	(0)		(0)	(0)	0	
EBIT	54	49	5		54	43	11	
Interest Expense	14	14	0		14	14	(0)	
Income from Ongoing Operations before income taxes	40	35	5		40	29	11	
Income Tax Expense	15	13	(2)		15	11	(4)	
Net Income (loss) from ongoing operations	25	22	\$ 3		\$ 25	18	\$ 7	
Non Operating Income	0	0	0		0	0	0	
Discontinued Operations	0	0	(0)		0	0	(0)	
Net Income (loss)	\$ 25	\$ 22	\$ 3		\$ 25	\$ 18	\$ 7	
KY Regulated Financing Costs	(3)	(3)	0		(3)	(3)	0	
KY Regulated Net Income	\$ 22	\$ 19	\$ 3		\$ 22	\$ 16	\$ 7	
Earnings Per Share	\$ 0.03	\$ 0.03	\$ 0.00		\$ 0.03	\$ 0.02	\$ 0.01	

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 4 of 35
Witness: K. Blake**

Income Statement: Actual vs. Budget (YTD)
November 2014

(\$ Millions)

	YTD			Comments
	Actual	Budget	Variance	
Revenues:				
Electric Revenues	\$ 2,576	\$ 2,571	\$ 4	
Gas Revenues	\$ 315	269	46	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	\$ 2,891	2,840	51	
Cost of Sales:				
Fuel Electric Costs	890	869	(21)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	176	132	(44)	Due to higher gas volumes resulting from favorable weather.
Purchased Power	49	66	17	Due to lower purchases than planned.
Other Electric Cost	97	115	17	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,214	1,183	(31)	
Gross Margin:				
Electric Margin	1,539	1,521	18	Due to the sale of excess generation driven by favorable plant availability and higher market prices, lower cost of production margin expenses, lower purchase power demand costs, and higher gas revenues due to colder than normal weather partially offset by lower retail electric energy and demand revenues.
Gas Margin	138	136	2	
Total Gross Margin	1,677	1,657	20	
Operating Expenses:				
O&M	654	677	23	Due primarily to pension, medical cost, labor, and plant outage and other operating costs savings partially offset by higher storm restoration expenses and higher uncollectible accounts.
Depreciation & Amortization	313	315	1	
Taxes, Other than Income	47	47	(0)	
Total Operating Expenses	1,014	1,038	24	
Other income (expense)	(7)	(6)	(0)	
EBIT	656	613	43	
Interest Expense	153	158	5	Due to favorable interest rates.
Income from Ongoing Operations before income taxes	503	455	48	
Income Tax Expense	191	171	(20)	Higher pre-tax income.
Net Income (loss) from ongoing operations	\$ 312	\$ 284	\$ 28	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	\$ 312	\$ 284	\$ 28	
KY Regulated Financing Costs	(29)	(29)	0	
KY Regulated Net Income	\$ 284	\$ 256	\$ 28	
Earnings Per Share	\$ 0.42	\$ 0.38	\$ 0.04	

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Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 5 of 35
Witness: K. Blake

(\$ Millions)

	Full Year				Full Year			
	11&1 Forecast	Q3 Forecast	Variance	Comments	11&1 Forecast	Budget	Variance	Comments
Revenues:								
Electric Revenues	\$ 2,820	\$ 2,817	\$ 3		\$ 2,820	\$ 2,815	\$ 5	Due to higher electricity volumes resulting from colder than normal weather.
Gas Revenues	365	357	8	Due to higher gas volumes resulting from colder than normal weather.	365	318	47	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	3,185	3,175	11		3,185	3,134	52	
Cost of Sales:								
Fuel Electric Costs	973	976	3		973	953	(20)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	206	199	(7)	Due to higher gas volumes resulting from colder than normal weather.	206	162	(45)	Due to higher gas volumes resulting from colder than normal weather.
Purchased Power	55	55	-		55	72	16	Due to lower purchases than planned.
Other Electric Cost	107	110	3		107	127	20	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,342	1,341	(1)		1,342	1,313	(28)	
Gross Margin:								
Electric Margin	1,682	1,676	6	Due to higher retail electric energy and demand revenues due to colder than normal weather.	1,682	1,664	18	Due to higher revenues offset by higher cost of sales (see above).
Gas Margin	161	158	3		161	157	4	
Total Gross Margin	1,843	1,834	10		1,843	1,821	22	
Operating Expenses:								
O&M	717	731	14	Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes.	717	735	18	Due primarily to labor, pension, and medical cost savings, avoided plant shutdown costs and generation outages and maintenance savings due to timing and scope changes.
Depreciation & Amortization	343	343	-		343	344	0	
Taxes, Other than Income	51	51	-		51	51	(0)	
Total Operating Expenses	1,111	1,125	14		1,111	1,130	19	
Other income (expense)	(6)	(6)	-		(6)	(7)	0	
EBIT	726	703	23		726	684	42	
Interest Expense	168	168	-		168	172	5	Favorable interest rates.
Income from Ongoing Operations before income taxes	558	535	23		558	511	47	
Income Tax Expense	211	202	(9)	Higher pre-tax income.	211	192	(19)	Higher pre-tax income.
Net Income (loss) from ongoing operations	347	\$ 333	\$ 14		\$ 347	\$ 319	\$ 28	
Non Operating Income	0	0	0		0	-	0	
Discontinued Operations	(0)	(0)	(0)		(0)	0	(0)	
Net Income (loss)	\$ 347	\$ 333	\$ 14		\$ 347	\$ 320	\$ 28	
KY Regulated Financing Costs	(31)	(31)	-		(31)	(31)	0	
KY Regulated Net Income	\$ 316	\$ 302	\$ 14		\$ 316	\$ 288	\$ 28	
Earnings Per Share	\$ 0.47	\$ 0.45	\$ 0.02		\$ 0.47	\$ 0.43	\$ 0.04	

Note: Schedules may not sum due to rounding.

Electric Gross Margin

November 2014

(\$ Millions)

	MTD						YTD					
	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance	Actual	Budget	Unit Variance	Value @	Dollar Variance	Margin Variance
Base Electric Margin:						\$ 5						\$ (8)
Energy Volumes (a)	2,692,396	2,551,271	141,126	\$ -	\$ 6		30,593,021	30,759,268	(166,248)	\$ -	\$ (7)	
Energy Prices (a)					(0)						1	
Customer Charges (Avg. Customers)	943,322	950,676	(7,354)		(0)		939,991	947,397	(7,406)		(1)	
Demand Charges (b)	36	36			(1)		436	437			(1)	
ECR:						\$ 1						\$ 5
Average Rate Base	\$ 1,678	\$ 1,509	\$ 169	10.46%	\$ 1.3		\$ 1,397	\$ 1,338	\$ 59	10.40%	\$ 5.0	
Cost of Capital	10.18%	10.46%	-0.28%	\$ 1,678	\$ (0.3)		10.17%	10.40%	-0.23%	\$ 1,397	(2.6)	
Jurisdictional Factor	88.54%	88.99%	-0.45%	\$ 1,678	\$ (0.1)		88.64%	88.57%	0.07%	\$ 1,397	0.1	
Other					\$ 0.4						2.6	
DSM:						\$ (1)						\$ (3)
Program Expense (Revenue Net of Expense)	\$ -	\$ 0.1			\$ (0.1)		\$ (0.1)	\$ 0.5			\$ (0.6)	
Lost Sales	1.4	1.9			\$ (0.5)		18.5	20.5			(2.0)	
Incentive	0.1	0.1			\$ -		1.0	1.1			(0.1)	
Balancing Adjustment	-	-			\$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	\$ (0.8)	\$ (0.4)				\$ (0)	\$ (5)	\$ (5)				\$ 0
Purchase Power Demand	(2.1)	(2.5)				\$ 0	(22.7)	(28.2)				\$ 6
Transmission	0.6	0.7				\$ (0)	9.6	9.9				\$ (0)
Other	(2.7)	(1.6)				\$ (1)	(16.4)	(23.2)				\$ 9
Retail Margin Variance						\$ 5						\$ 9
Off-System Margin Variance						\$ 0						\$ 9
Electric Margin Variance						\$ 5						\$ 18

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 42	868,695	\$ 48.69	\$ 36	741,941	\$ 48.87	\$6	\$6	(\$0)
Commercial	18	589,014	29.91	20	609,518	32.23	(\$2)	(\$1)	(\$1)
Industrial	8	868,709	9.03	7	828,819	8.96	\$0	\$0	\$0
Municipals	1	150,311	5.01	1	148,671	4.17	\$0	\$0	\$0
Other	5	215,668	24.12	4	222,321	18.97	\$1	(\$0)	\$1
Native Load Total	\$ 74	2,692,396	\$ 27.38	\$ 68	2,551,271	\$ 26.72	\$6	\$6	(\$0)

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 481	9,857,761	\$ 48.81	\$ 487	9,955,374	\$ 48.90	(\$6)	(\$5)	(\$1)
Commercial	220	7,177,998	30.68	235	7,299,550	32.14	(\$14)	(\$4)	(\$11)
Industrial	83	9,211,538	8.99	82	9,145,351	8.97	\$1	\$1	\$0
Municipals	9	1,727,386	5.14	9	1,807,024	4.90	\$0	(\$0)	\$0
Other	59	2,618,337	22.69	46	2,551,970	18.10	\$13	\$1	\$12
Native Load Total	\$ 852	30,593,021	\$ 27.86	\$ 859	30,759,268	\$ 27.91	(\$6)	(\$7)	\$1

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

	MTD			YTD		
	Act	Bud	Variance	Act	Bud	Variance
Commercial	12	11	1	149	143	6
Industrial	16	16	-	180	185	(6)
Municipals	2	4	(2)	44	48	(4)
Other	5	5	0	63	61	2
Native Load Total	36	36	(1)	436	437	(1)

Gas Gross Margin

November 2014

(\$ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	\$ 5	\$ 5		● \$ -	\$ 55	\$ 55		● \$ 0
Gas Supply Costs								
Gas Supply Costs	(22)	(16)	\$ (6)		(174)	(129)	\$ (44)	
GSC Revenue	22	16	6		172	129	42	
Net Gas Supply Costs				◆ \$ (0)				◆ \$ (2)
Retail Gas (a)	12	9		● \$ 3	83	72		● \$ 11
Wholesale Gas (a)	-	-		● \$ -	-	-		● \$ -
DSM	0	0		● \$ -	0	1		◆ \$ (1)
GLT	1	1		● \$ 0	7	7		◆ \$ (0)
WNA	(1)	-		◆ \$ (1)	(7)	-		◆ \$ (7)
Other Margin	0	0		● \$ -	2	2		● \$ 0
Gas Margin Variance				● \$ 2				● \$ 2

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 8	2,915,088	\$ 2.64	\$ 5	2,017,290	\$ 2.64	● \$2	● \$ 2	● \$ -
Commercial	2	1,113,594	2.09	2	818,652	2.09	● \$1	● \$ 1	● \$ -
Industrial	0	169,160	1.94	0	91,167	1.83	● \$0	● \$ 0	● \$ -
Public Authority	0	189,981	2.05	0	165,472	2.03	● \$0	● \$ -	● \$ -
Transportation	1	1,253,114	0.71	0.90	1,205,765	0.78	● \$0	● \$ -	◆ \$ (0)
Ultimate Consumer	\$ 12	5,640,937	\$ 2.06	\$ 9	4,298,346	\$ 1.97	● \$3	● \$ 3	◆ \$ (0)

	YTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 50	18,973,607	\$ 2.64	\$ 43	16,365,419	\$ 2.64	● \$7	● \$ 7	● \$ -
Commercial	18	8,691,056	2.04	16	7,442,510	2.08	● \$2	● \$ 3	◆ \$ (0)
Industrial	2	1,343,544	1.69	2	893,777	1.79	● \$1	● \$ 1	◆ \$ (0)
Public Authority	3	1,354,558	1.97	3	1,287,700	2.01	● \$0	● \$ 0	● \$ -
Transportation	10	12,281,332	0.81	9	11,497,642	0.81	● \$1	● \$ 1	● \$ -
Ultimate Consumer	\$ 83	42,644,097	\$ 1.94	\$ 72	37,487,048	\$ 1.93	● \$11	● \$ 11	◆ \$ (1)

(\$ Millions)

	MTD			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Actual	Budget	Total Variance						
Generation	\$ 24	\$ 20	\$ (4)	\$ (1)	\$ (4)	\$ (1)	\$ 1		\$ 0
Project Engineering	0	0	0	0		0	(0)		0
Transmission	3	2	(1)	(0)		(1)	0		(0)
Energy Supply and Analysis	1	1	(0)	(0)		0	(0)		0
Electric Distribution	6	5	(0)	0		(0)	(0)	(0)	(0)
Gas Distribution	2	3	0	0		0	(0)	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	6	6	(0)	0		(0)	0	(0)	(0)
Chief Operations Officer	43	37	(6)	(1)	(4)	(3)	1	(0)	(0)
Information Technology	4	4	1	0		0	0		0
General Counsel	2	2	0	(0)		0	0		0
Human Resources	1	1	0	0		(0)	0		0
Supply Chain	0	0	0	0		0	0		0
Chief Administrative Officer	7	7	1	0		0	0		0
Chief Financial Officer	1	1	(0)	(0)		0	0		(0)
Corporate	9	12	3	3		0	0	0	(0)
O&M Total MTD	\$ 60	\$ 58	\$ (2)	\$ 3	\$ (4)	\$ (2)	\$ 1	\$ (0)	\$ (0)

	YTD			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Actual	Budget	Total Variance						
Generation	\$ 221	\$ 228	\$ 7	\$ 5	\$ 4	\$ (3)	\$ 5		\$ (2)
Project Engineering	1	1	1	0		0	(0)		0
Transmission	27	27	(0)	(0)		(2)	1		0
Energy Supply and Analysis	8	9	1	0		0	(0)		0
Electric Distribution	72	67	(5)	(0)		(5)	0	(0)	(0)
Gas Distribution	29	29	1	0		1	(0)	(0)	(0)
Safety and Security	3	0	(3)	(2)		(0)	0	0	(0)
Customer Services	77	72	(5)	1		(2)	1	(5)	(1)
Chief Operations Officer	438	433	(5)	3	4	(10)	6	(5)	(3)
Information Technology	47	51	5	4		0	(0)		(0)
General Counsel	29	29	(1)	0		(1)	0		(0)
Human Resources	6	7	1	0		0	0		1
Supply Chain	3	3	0	0		0	(0)		0
Chief Administrative Officer	85	90	5	5		(0)	(0)		0
Chief Financial Officer	17	18	1	1		0	0		0
Corporate	115	137	22	22		3	2	(0)	(4)
O&M Total YTD	\$ 654	\$ 677	\$ 23	\$ 30	\$ 4	\$ (7)	\$ 8	\$ (5)	\$ (7)

	Full Year			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Forecast	Budget	Total Variance						
Generation	\$ 240	\$ 245	\$ 5	\$ 5	\$ 3	\$ (1)	\$ 2		\$ (4)
Project Engineering	1	1	0	0		0	(0)		0
Transmission	29	29	(1)	(1)		2	(2)		0
Energy Supply and Analysis	8	9	1	0		0	0		0
Electric Distribution	78	72	(5)	(0)		(5)	0	0	(1)
Gas Distribution	32	32	(0)	(1)		1	(0)	(0)	0
Safety and Security	3	0	(3)	(2)		(0)	0	0	(1)
Customer Services	85	79	(6)	2		(2)	0	(5)	(1)
Chief Operations Officer	476	468	(9)	3	3	(5)	0	(5)	(5)
Information Technology	52	55	3	5		0	(0)		(2)
General Counsel	33	32	(1)	0		(1)	0		(1)
Human Resources	7	8	1	0		0	0		0
Supply Chain	4	4	0	0		0	0		0
Chief Administrative Officer	95	98	3	6		(0)	(0)		(2)
Chief Financial Officer	18	19	1	0		0	0		0
Corporate	128	150	22	22		2	(0)		(9)
O&M Total Full Year	\$ 717	\$ 735	\$ 17	\$ 31	\$ 3	\$ (2)	\$ 0	\$ (6)	\$ (9)

Attachment to Filing Requirement
 807 KAR 5:001 Section 16(7) (o)
 Page 9 of 35
 Witness: K. Blake

Note: Schedules may not sum due to rounding.

Financing Activities

November 2014

(\$ Millions)

Balance Sheet	MTD			YTD			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
PCB									
Beg Bal	\$ 923.9	\$ 924.8	\$ 0.9	\$ 924.0	\$ 924.0	\$ 0.0	\$ 924.0	\$ 924.0	\$ -
End Bal	923.9	924.9	1.0	923.9	924.9	1.0	924.1	924.9	0.9
Ave Bal	\$ 923.9	\$ 924.9	\$ 1.0	\$ 924.0	\$ 924.5	\$ 0.6	\$ 924.0	\$ 924.6	\$ 0.6
Interest Exp	\$ 0.8	\$ 0.9	\$ 0.2	\$ 8.4	\$ 10.4	\$ 2.0	\$ 9.4	\$ 11.3	\$ 1.9
Rate	1.00%	1.23%	0.22%	0.98%	1.21%	0.23%	1.02%	1.23%	0.21%
FMB/Sr Nts									
Beg Bal	\$ 3,642.4	\$ 3,642.3	\$ (0.1)	\$ 3,640.9	\$ 3,640.9	\$ -	\$ 3,640.9	\$ 3,640.9	\$ -
End Bal	3,642.5	3,642.4	(0.1)	3,642.5	3,642.4	(0.1)	3,642.7	3,642.5	(0.1)
Ave Bal	\$ 3,642.4	\$ 3,642.3	\$ (0.1)	\$ 3,641.7	\$ 3,641.7	\$ 0.0	\$ 3,641.8	\$ 3,641.8	\$ -
Interest Exp	\$ 11.5	\$ 11.6	\$ 0.1	\$ 126.4	\$ 128.0	\$ 1.6	\$ 139.7	\$ 141.4	\$ 1.6
Rate	3.79%	3.83%	0.05%	3.74%	3.79%	0.05%	3.84%	3.88%	0.04%
Short-term Debt									
Beg Bal	\$ 420.1	\$ 434.3	\$ 14.3	\$ 245.0	\$ 245.0	\$ -	\$ 245.0	\$ 245.0	\$ -
End Bal	617.9	539.1	(78.8)	617.9	539.1	(78.8)	554.3	527.8	(26.5)
Ave Bal	\$ 519.0	\$ 486.7	\$ (32.3)	\$ 431.4	\$ 341.3	\$ (90.2)	\$ 329.1	\$ 356.8	\$ 27.7
Interest Exp	\$ 0.3	\$ 0.4	\$ 0.1	\$ 2.1	\$ 3.2	\$ 1.1	\$ 2.0	\$ 3.6	\$ 1.6
Rate	0.63%	0.92%	0.29%	0.52%	1.00%	0.48%	0.60%	1.00%	0.40%
Total End Bal	\$ 5,184.4	\$ 5,106.5	\$ (77.9)	\$ 5,184.4	\$ 5,106.5	\$ (77.9)	\$ 5,121.0	\$ 5,095.3	\$ (25.7)
Total Average Bal	\$ 5,085.4	\$ 5,054.0	\$ (31.4)	\$ 4,997.1	\$ 4,907.5	\$ (89.6)	\$ 4,894.9	\$ 4,923.2	\$ 28.3
Total Expense Excl I/C ⁽¹⁾	\$ 14.1	\$ 14.4	\$ 0.3	\$ 153.5	\$ 157.9	\$ 4.5	\$ 167.6	\$ 172.4	\$ 4.7
Rate	3.33%	3.43%	0.10%	3.31%	3.47%	0.16%	3.42%	3.50%	0.08%

⁽¹⁾ Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities (\$ Millions)	Committed Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
LKE	\$ 300	\$ 112		\$ 188
LG&E	500	309		191
KU	598	197	\$ 198	203
TOTAL	\$ 1,398	\$ 618	\$ 198	\$ 582

Credit Metrics (\$ Millions)	YTD		Full Year	
	Actual	+/- Bud	Forecast	+/- Bud
FFO to Debt - LG&E	23.5%	+0.03	24.8%	+0.02
FFO to Debt - KU	24.8%	+0.03	25.4%	+0.01
Debt to EBITDA - LG&E ⁽²⁾	3.52	-0.15	3.39	-0.27
Debt to EBITDA - KU ⁽²⁾	3.66	-0.06	3.70	-0.03
Debt to Capitalization - LG&E ⁽³⁾	49.7%	+0.02	47.3%	+0.00
Debt to Capitalization - KU ⁽³⁾	47.3%	-0.00	47.0%	+0.00

⁽²⁾ Actuals represent a trailing 12 months

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

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 10 of 35
Witness: K. Blake

Balance Sheet

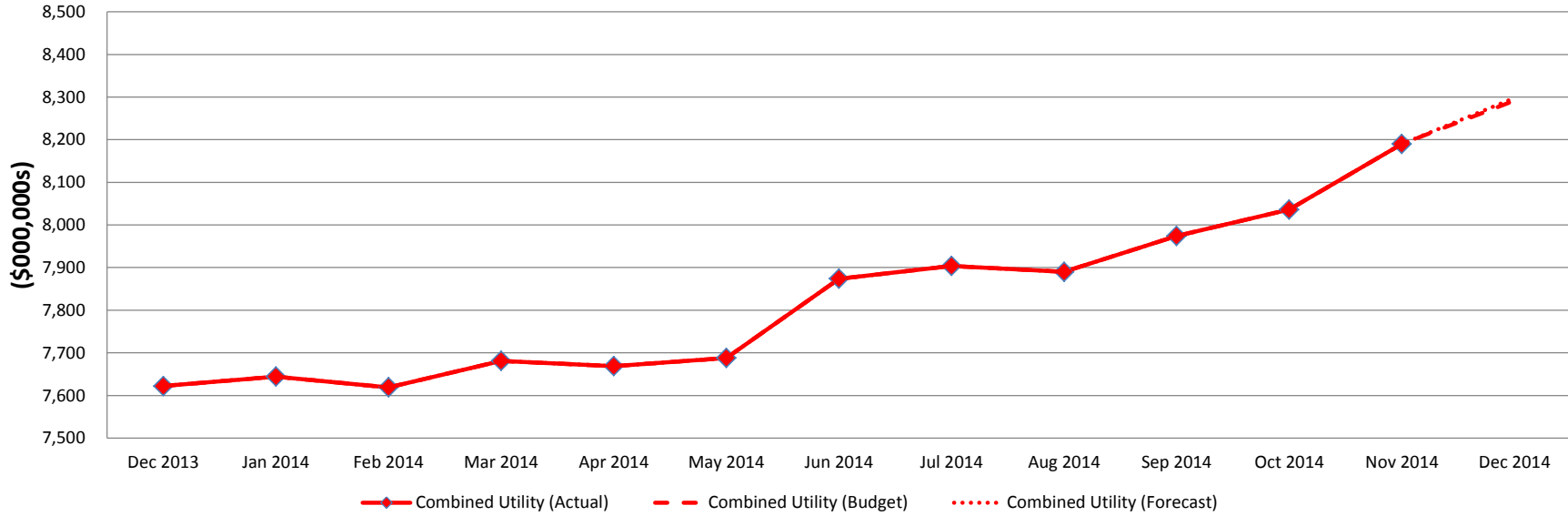
November 2014

(\$ Millions)

	11/30/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 78	\$ 9	\$ 69	Excess cash for month end due to the timing of CP maturities, during a tightened liquidity position of the market during the holiday time period.
Accounts Receivable (Trade)	372	400	(28)	Lower unbilled utility revenue (\$9m) and lower customer accounts receivable (\$18m).
Inventory	304	284	20	Higher fuel related costs of \$17m.
Deferred Income Taxes	69	159	(90)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Regulatory Assets Current	27	30	(3)	
Prepayments and other current assets	45	110	(65)	Lower notes receivable from affiliate (\$70m).
Total Current Assets	895	992	(97)	
Property, Plant, and Equipment	10,402	10,355	47	Higher CWIP \$120m partially offset by lower completed construction (\$52m) and accumulated depreciation (\$23m).
Intangible Assets	178	178	(0)	
Other Property and Investments	1	1	(0)	
Regulatory Assets Non Current	523	446	76	Increases in ARO \$19m and long term interest rate swap \$54m.
Goodwill	997	997	0	
Other Long-term Assets	99	92	7	
Total Assets	\$ 13,095	\$ 13,062	\$ 33	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	\$ 434	\$ 342	\$ 92	Increases in project engineering accruals \$55m, in and timing of coal receipts \$24m, in gas purchase accruals \$9m, in power generation accruals \$7m, and \$3m due to timing of payables.
Accounts Payable - Affiliated Company	109	0	109	Dividend payable \$109m issued to PPL based on Q3 2014 net income.
Customer Deposits	51	50	2	
Derivative Liability	48	4	44	Primarily due to short-term derivative liability from forward hedges with PPL as counterparty \$43m.
Accrued Taxes	37	70	(33)	A change in the NOL assumption from the 2014 BP increased the level of NOL's which resulted in lower taxable income and less accrued taxes.
Regulatory Liabilities Current	15	14	1	
Other Current Liabilities	118	125	(7)	
Total Current Liabilities	812	604	208	
Debt - Affiliated Company	37	19	18	Short term note payable made to PPL.
Debt ⁽¹⁾	5,147	5,088	59	Higher issuance of CPs than budgeted due to a tightened liquidity position of the market during the holiday time period.
Total Debt	5,184	5,106	78	
Deferred Tax Liabilities	1,131	1,193	(62)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes.
Investment Tax Credit	131	131	(0)	
Accum Provision for Pension & Related Benefits	116	123	(7)	
Asset Retirement Obligation	277	251	26	KU Green River Ash and Environmental Pond Revaluation \$27m.
Regulatory Liabilities Non Current	992	990	2	
Derivative Liability	42	32	10	Increase due to loss on long term interest rate swaps.
Other Liabilities	247	234	13	Accrued retiree medical post employee benefits \$10m which are not budgeted for in the Other Liabilities account. In December the balance is moved to the liability account where it is budgeted for.
Total Deferred Credits and Other Liabilities	2,936	2,954	(18)	
Equity	4,163	4,397	(235)	
Total Liabilities and Equity	\$ 13,095	\$ 13,062	\$ 33	

⁽¹⁾ Includes all ST and LT debt. See Financing Activities page for details.
 Note: Schedules may not sum due to rounding.

Rate Base Growth





Performance Report

December 2014

Content**Page**

Executive Summary	3
Income Statement: Actual vs. Budget and Forecast (Month)	4
Income Statement: Actual vs. Budget (YTD)	5
Electric Gross Margin Analysis	6
Gas Gross Margin Analysis	7
O&M	8
Financing Activities	9
Balance Sheet	10
Cash Flow	11
Rate Base	12
ROE	13

Kentucky Regulated Dashboard **December 2014**

	Current Month		YTD	
	Actual	PY	Actual	PY
Safety				
TCIR - Employees	1.25	0.43	1.03	1.29
Employee lost-time incidents	0	0	6	3
Reliability	Actual	Budget	Actual	Budget
Generation Volumes	3,006	3,031	35,566	34,780
Utility EFOR	9.1%	5.9%	5.2%	5.9%
Utility EAF	83.4%	90.6%	81.6%	82.5%
Steam Fleet Commercial Availability	87.3%	91.5%	93.7%	91.5%
Combined SAIFI	0.06	0.08	0.98	1.20
Combined SAIDI (minutes)	4.34	6.97	90.97	107.60
Gwh Sales				
Residential	1,040	1,006	10,898	10,962
Commercial	608	652	7,786	7,952
Industrial	798	866	10,010	10,011
Municipals	158	161	1,885	1,969
Other	229	236	2,849	2,788
Off-System Sales	11	19	480	273
Total	2,844	2,940	33,908	33,954
Weather-Normalized Sales Growth			TTM	
Residential			-1.86%	
Commercial			-1.21%	
Industrial			2.69%	
Municipal			-1.77%	
Other			0.36%	
Total			-0.17%	

Variance Explanations
<ul style="list-style-type: none"> Current month EFOR unfavorable to budget due to outages at Mill Creek 2 and Trimble County 2 resulting from a main transformer startup failure and boiler tube leaks respectively. Current month EAF unfavorable to budget due to Mill Creek 2 main transformer startup failure and Brown 3 SCR NOx plugging. Current month capital was higher than budget due primarily to increased costs on environmental air projects at Mill Creek and timing of spend on environmental air projects at Brown, Trimble County, and Ghent with some non-environmental spend offsets. YTD higher capital due primarily to increased costs related to Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) and timing of spend on environmental air projects at Trimble County and Ghent with some non-environmental spend offsets. YTD higher margins due to \$9 million from the sale of excess generation driven by favorable plant availability and higher market prices, \$7 million from lower cost of production margin expenses, \$5 million from lower purchase power demand costs, \$1 million from higher gas margins and \$2 million from higher retail rate mechanism revenue partially offset by \$9 million lower retail electric energy and demand revenues. YTD lower O&M primarily due to \$20 million from pension and medical cost savings, \$10 million from labor savings and \$1m in other savings, partially offset by \$7 million of higher storm restoration expenses and \$6 million higher uncollectible accounts.

Financial Metrics	Current Month		YTD	
	Actual	Budget	Actual	Budget
Utility ROE ⁽¹⁾	9.8%	10.8%	9.3%	8.7%
Electric Margins	\$141	\$142	\$1,679	\$1,664
Gas Margins	\$19	20	\$158	157

Capital Expenditures (\$ millions)	Actual	Budget	Actual	Budget
New Generation	\$9	\$7	\$111	\$126
ECR	64	44	736	603
Generation	19	2	109	121
Transmission	10	6	78	77
Electric Distribution	16	12	146	143
Gas Distribution	10	5	78	80
Customer Services	2	1	18	20
IT and Other	5	4	36	50
Total	\$135	\$82	\$1,313	\$1,221

O&M (\$ millions) ⁽²⁾	Actual	Budget	Actual	Budget
Operations	\$40	\$35	\$477	\$468
Administrative	9	8	\$95	98
Finance	2	1	\$18	19
Burdens & Other Charges	11	14	\$126	150
Total	\$62	\$58	\$717	\$735

Head Count	Actual	Budget	Actual	Budget
Full-time Employees	3,482	3,549	3,482	3,549

Other Metrics	Actual	PY	Actual	PY
Environmental Events	0	0	9	14
NERC Possible Violations ⁽³⁾	0	0	7	11

Major Developments
<ul style="list-style-type: none"> LKE continued advancement of its construction program as it recently received KPSC approval to build Brown Solar. In 2014, LKE deployed \$1.3 billion of capital, with a large portion of the investments earning real-time returns through ECR and other rate mechanisms. During this heavy construction period in 2014, LKE achieved milestone safety performance as it obtained a recordable injury rate of 1.03, the lowest in Company history, and significantly below the EEI top quartile of 1.42 and the National Safety Council industry average of 3.50. Also, during 2014, LKE continued to optimize recovery methods in its regulatory proceedings as it shifted its Kentucky rate case strategy to the utilization of a forecasted test year. The November 2014 rate case filing for LG&E and KU is proceeding as planned, with LKE currently addressing data requests from the KPSC and other interveners, which will be submitted on January 23. On January 8, LKE's combined system recorded 144,702 MWh's, which ranks 5th for all-time total daily energy usage. Through the Company's 2014 annual charitable-giving campaign, Power of One, LKE donated over \$1.7 million for local nonprofits in the service territories. This marks the eighth year in a row in which employees have raised more than \$1 million for the campaign and it represents the highest amount ever pledged in the history of the ten-year campaign. Seventy percent of LKE employees participated through payroll deduction, well above the national average.

Significant Future Events
<ul style="list-style-type: none"> The execution of LKE's construction plan continues in 2015. Key environmental projects such as Ghent 1 fabric filter baghouse construction is proceeding toward a March tie-in outage, while Mill Creek Units 1 and 2 FGD and fabric filter baghouses are also scheduled for March/April tie-in outages. The construction of Cane Run 7 is nearing completion with first firing of gas for the unit expected in early February, and the start of commercial operations likely by the end of May. Bidder pre-qualification and due diligence site visits for Brown Solar are projected to occur in the first quarter of 2015, with a contract award targeted by the second quarter of 2015. Regarding the Kentucky rate case, intervenor testimony will be filed in March and LKE's rebuttal testimony will be submitted in April. A formal hearing has not been scheduled, however, it is expected to be in early May.

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.

⁽²⁾ Net of cost recovery mechanisms.

⁽³⁾ The possible violation issues for YTD Actual are believed to be minimal risk. One of those has been processed for a zero dollar penalty from the regulator. Though described by SERC as minimal risk, four of those have been included in a \$30,000 package settlement proposed by SERC that includes possible violations from 2013. The two most recent possible violations are not included in this settlement proposal.

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

December 2014

(\$ Millions)

	MTD			Comments
	Actual	Budget	Variance	
Revenues:				
Electric Revenues	\$ 237	\$ 244	\$ (7)	Due to lower electricity volumes resulting from milder than normal weather.
Gas Revenues	45	50	(5)	Due to lower gas volumes resulting from milder than normal weather.
Total Revenues	281	293	(12)	
Cost of Sales:				
Fuel Electric Costs	80	84	3	
Gas Supply Expenses	25	29	4	
Purchased Power	6	6	(0)	
Other Electric Cost	10	12	2	
Total Cost of Sales	121	131	9	Due to fuel expense savings resulting from milder than normal weather.
Gross Margin:				
Electric Margin	141	142	(2)	
Gas Margin	19	20	(1)	
Total Gross Margin	160	163	(3)	
Operating Expenses:				
O&M	62	58	(4)	
Depreciation & Amortization	29	29	0	
Taxes, Other than Income	4	4	0	
Total Operating Expenses	95	91	(4)	
Other income (expense)	(1)	(0)	(0)	
EBIT	64	71	(7)	
Interest Expense	14	14	0	
Income from Ongoing Operations before income taxes	50	57	(7)	
Income Tax Expense	18	21	3	
Net Income (loss) from ongoing operations	31	35	\$ (4)	
Non Operating Income	0	0	0	
Discontinued Operations	(0)	0	(0)	
Net Income (loss)	\$ 31	\$ 35	\$ (4)	
KY Regulated Financing Costs	(3)	(3)	(0)	
KY Regulated Net Income	\$ 29	\$ 33	\$ (4)	
Earnings Per Share	\$ 0.04	\$ 0.05	\$ (0.01)	

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 16 of 35
Witness: K. Blake**

Income Statement: Actual vs. Budget (YTD)
December 2014

(\$ Millions)

	YTD			Comments
	Actual	Budget	Variance	
Revenues:				
Electric Revenues	\$ 2,812	\$ 2,815	\$ (3)	
Gas Revenues	\$ 360	318	42	Due to higher gas volumes resulting from colder than normal weather.
Total Revenues	\$ 3,172	3,134	39	
Cost of Sales:				
Fuel Electric Costs	971	953	(18)	Due to higher electricity volumes resulting from favorable weather.
Gas Supply Expenses	202	162	(40)	Due to higher gas volumes resulting from favorable weather.
Purchased Power	55	72	17	Due to lower purchases than planned.
Other Electric Cost	107	127	20	Due primarily to lower plant system consumables costs.
Total Cost of Sales	1,335	1,313	(22)	
Gross Margin:				
Electric Margin	1,679	1,664	16	Due to the sale of excess generation driven by favorable plant availability and higher market prices, lower cost of production margin expenses, lower purchase power demand costs, higher retail rate mechanism revenue, and higher gas revenues due to colder than normal weather partially offset by lower retail electric energy and demand revenues.
Gas Margin	158	157	1	
Total Gross Margin	1,837	1,820	17	
Operating Expenses:				
O&M	717	735	18	Due primarily to pension, medical cost, labor, and plant outage and other operating costs savings partially offset by higher storm restoration expenses and higher uncollectible accounts.
Depreciation & Amortization	342	344	1	
Taxes, Other than Income	51	51	0	
Total Operating Expenses	1,110	1,130	20	
Other income (expense)	(7)	(7)	(0)	
EBIT	720	684	36	
Interest Expense	168	172	5	Due to favorable interest rates.
Income from Ongoing Operations before income taxes	552	511	41	
Income Tax Expense	209	192	(17)	Higher pre-tax income.
Net Income (loss) from ongoing operations	\$ 343	\$ 319	\$ 24	
Non Operating Income	0	-	0	
Discontinued Operations	(0)	0	(1)	
Net Income (loss)	\$ 344	\$ 320	\$ 24	
KY Regulated Financing Costs	(32)	(31)	(0)	
KY Regulated Net Income	\$ 312	\$ 288	\$ 24	
Earnings Per Share	\$ 0.47	\$ 0.43	\$ 0.04	

Note: Schedules may not sum due to rounding.

Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 17 of 35
Witness: K. Blake

Electric Gross Margin

December 2014

(\$ Millions)

	MTD					Margin Variance	YTD					Margin Variance
	Actual	Budget	Unit Variance	Value @	Dollar Variance		Actual	Budget	Unit Variance	Value @	Dollar Variance	
Base Electric Margin:						♦ \$ (2)						♦ \$ (10)
Energy Volumes (a)	2,834,327	2,921,887	(87,560)	\$ -	\$ (1)		33,427,347	33,681,155	(253,808)	\$ -	\$ (8)	
Energy Prices (a)					0						1	
Customer Charges (Avg. Customers)	943,458	950,689	(7,231)		(0)		940,280	947,671	(7,391)		(1)	
Demand Charges (b)	36	37			(1)		472	474			(2)	
ECR:						● \$ -						● \$ 5
Average Rate Base	\$ 1,637	\$ 1,525	\$ 112	10.46%	\$ 0.9		\$ 1,417	\$ 1,353	\$ 63	10.41%	\$ 5.9	
Cost of Capital	9.93%	10.46%	-0.53%	\$ 1,637	\$ (0.6)		10.15%	10.41%	-0.26%	\$ 1,417	(3.3)	
Jurisdictional Factor	89.82%	88.39%	1.43%	\$ 1,637	\$ 0.2		88.75%	88.56%	0.20%	\$ 1,417	0.3	
Other					\$ (0.5)						2.1	
DSM:						♦ \$ (1)						♦ \$ (4)
Program Expense (Revenue Net of Expense)	\$ -	\$ 0.1			\$ (0.1)		\$ (0.2)	\$ 0.6			\$ (0.8)	
Lost Sales	1.5	1.9			\$ (0.4)		20.0	22.3			(2.3)	
Incentive	0.1	0.1			\$ -		1.1	1.2			(0.1)	
Balancing Adjustment	-	-			\$ -		(0.3)	-			(0.3)	
Net Fuel Recovery	\$ 0.7	\$ (0.4)				● \$ 1	\$ (4)	\$ (5)				● \$ 1
Purchase Power Demand	(2.8)	(2.6)				♦ \$ (0)	(25.5)	(30.8)				● \$ 5
Transmission	0.6	0.7				♦ \$ (0)	10.2	10.6				♦ \$ (0)
Other	(1.5)	(1.3)				♦ \$ (0)	(17.8)	(24.5)				● \$ 9
Retail Margin Variance						♦ \$ (2)						● \$ 7
Off-System Margin Variance						● \$ -						● \$ 9
Electric Margin Variance						♦ \$ (2)						● \$ 16

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 50	1,040,378	\$ 48.49	\$ 49	1,006,238	\$ 48.68	\$1	\$2	(\$0)
Commercial	19	607,728	31.04	21	652,165	32.49	(\$2)	(\$1)	(\$1)
Industrial	7	798,119	8.97	8	865,743	8.96	(\$1)	(\$1)	\$0
Municipals	1	158,148	5.49	1	162,164	4.17	\$0	\$0	\$0
Other	5	229,953	22.45	4	235,576	18.15	\$1	(\$0)	\$1
Native Load Total	\$ 83	2,834,327	\$ 29.11	\$ 83	2,921,887	\$ 28.36	(\$0)	(\$1)	\$0

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	YTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 532	10,898,139	\$ 48.78	\$ 536	10,961,611	\$ 48.88	(\$4)	(\$3)	(\$1)
Commercial	239	7,785,726	30.71	256	7,951,715	32.17	(\$17)	(\$5)	(\$11)
Industrial	90	10,009,657	8.98	90	10,011,094	8.97	\$0	\$0	\$0
Municipals	10	1,885,534	5.17	10	1,969,188	4.84	\$0	(\$0)	\$1
Other	65	2,848,290	22.67	51	2,787,546	18.11	\$14	\$1	\$13
Native Load Total	\$ 935	33,427,347	\$ 27.97	\$ 941	33,681,155	\$ 27.95	(\$6)	(\$8)	\$1

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

	MTD			YTD		
	Act	Bud	Variance	Act	Bud	Variance
Commercial	12	12	0	161	154	7
Industrial	16	16	(1)	196	202	(6)
Municipals	3	4	(1)	48	52	(5)
Other	5	5	0	68	66	2
Native Load Total	36	37	(1)	472	474	(2)

Gas Gross Margin

December 2014

(\$ Millions)

	MTD				YTD			
	Actual	Budget	Subtotal	Margin Variance	Actual	Budget	Subtotal	Margin Variance
Gas Base Service Charge	\$ 5	\$ 5		● \$ -	\$ 60	\$ 60		● \$ 0
Gas Supply Costs								
Gas Supply Costs	(25)	(29)	\$ 4		(198)	(159)	\$ (40)	
GSC Revenue	26	29	(4)		197	159	39	
Net Gas Supply Costs				● \$ 1				◆ \$ (1)
Retail Gas (a)	13	15		◆ \$ (2)	96	87		● \$ 9
Wholesale Gas (a)	-	-		● \$ -	-	-		● \$ -
DSM	-	0		◆ \$ (0)	0	1		◆ \$ (0)
GLT	1	1		● \$ 0	8	8		◆ \$ (0)
WNA	(1)	-		◆ \$ (1)	(7)	-		◆ \$ (7)
Other Margin	0	0		● \$ -	2	2		● \$ 0
Gas Margin Variance				◆ \$ (1)				● \$ 1

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 9	3,216,767	\$ 2.64	\$ 10	3,685,235	\$ 2.64	◆ (\$1)	◆ \$ (1)	● \$ -
Commercial	3	1,445,688	2.10	3	1,437,891	2.09	● \$0	● \$ -	● \$ -
Industrial	0	138,184	2.14	0	110,847	1.82	● \$0	● \$ -	● \$ -
Public Authority	1	241,512	2.04	1	257,876	2.03	● \$0	● \$ -	● \$ -
Transportation	1	1,253,989	0.58	1.00	1,352,682	0.74	◆ (\$0)	◆ \$ (0)	◆ \$ (0)
Ultimate Consumer	\$ 13	6,296,140	\$ 2.07	\$ 15	6,844,531	\$ 2.11	◆ (\$2)	◆ \$ (1)	◆ \$ (0)

	YTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 59	22,190,374	\$ 2.64	\$ 53	20,050,654	\$ 2.64	● \$6	● \$ 6	● \$ -
Commercial	21	10,136,744	2.05	19	8,880,401	2.09	● \$2	● \$ 3	◆ \$ (0)
Industrial	3	1,481,728	1.73	2	1,004,623	1.80	● \$1	● \$ 1	◆ \$ (0)
Public Authority	3	1,596,070	1.98	3	1,545,576	2.01	● \$0	● \$ 0	● \$ -
Transportation	11	13,535,321	0.79	10	12,850,324	0.80	● \$0	● \$ 1	◆ \$ (0)
Ultimate Consumer	\$ 96	48,940,237	\$ 1.96	\$ 87	44,331,578	\$ 1.96	● \$9	● \$ 10	◆ \$ (1)

(\$ Millions)

	MTD			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Actual	Budget	Total Variance						
Generation	\$ 19	\$ 17	\$ (2)	\$ (1)	\$ (2)	\$ (0)	\$ 0		\$ (0)
Project Engineering	0	0	0	0		0	(0)		0
Transmission	3	2	(0)	(0)		(0)	0		(0)
Energy Supply and Analysis	1	1	(0)	(0)		0	0		(0)
Electric Distribution	6	6	(0)	0		(0)	(0)	(0)	(0)
Gas Distribution	4	2	(1)	(0)		(0)	(1)	(0)	(0)
Safety and Security	0	0	(0)	(0)		(0)	0	0	(0)
Customer Services	7	7	(0)	(0)		(1)	0	(0)	1
Chief Operations Officer	40	35	(5)	(2)	(2)	(2)	(0)	(0)	0
Information Technology	5	4	(1)	(1)		(0)	0		0
General Counsel	3	3	(0)	(0)		0	(0)		0
Human Resources	1	1	(0)	(0)		(0)	0		(0)
Supply Chain	0	0	(0)	(0)		0	(0)		(0)
Chief Administrative Officer	9	8	(1)	(1)		(0)	0		0
Chief Financial Officer	2	1	(0)	(0)		0	0		(0)
Corporate	11	14	2	3		0	0	(0)	(1)
O&M Total MTD	\$ 62	\$ 58	\$ (4)	\$ (0)	\$ (2)	\$ (2)	\$ 0	\$ (0)	\$ (0)

	YTD			Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
	Actual	Budget	Total Variance						
Generation	\$ 240	\$ 245	\$ 5	\$ 4	\$ 2	\$ (4)	\$ 5		\$ (3)
Project Engineering	1	1	1	0		0	(0)		0
Transmission	30	29	(1)	(1)		(2)	1		0
Energy Supply and Analysis	9	9	1	(0)		0	0		0
Electric Distribution	78	72	(6)	0		(5)	0	(0)	(0)
Gas Distribution	33	32	(1)	(0)		1	(1)	(0)	(1)
Safety and Security	3	0	(3)	(2)		(0)	0	0	(1)
Customer Services	85	79	(6)	1		(2)	1	(5)	0
Chief Operations Officer	477	468	(10)	2	2	(12)	6	(5)	(3)
Information Technology	52	55	4	4		0	(0)		0
General Counsel	33	32	(1)	0		(1)	0		(0)
Human Resources	7	8	1	0		0	0		1
Supply Chain	4	4	0	(0)		0	(0)		0
Chief Administrative Officer	95	98	4	4		(0)	(0)		0
Chief Financial Officer	18	19	1	0		0	0		0
Corporate	126	150	24	24		4	2	(1)	(5)
O&M Total YTD	\$ 717	\$ 735	\$ 18	\$ 30	\$ 2	\$ (9)	\$ 8	\$ (6)	\$ (7)

Note: Schedules may not sum due to rounding.

Financing Activities
December 2014

(\$ Millions)

Balance Sheet	MTD			YTD		
	Actual	Budget	Variance	Actual	Budget	Variance
PCB						
Beg Bal	\$ 923.9	\$ 924.9	\$ 1.0	\$ 924.0	\$ 924.0	\$ 0.0
End Bal	923.9	924.9	1.0	923.9	924.9	1.0
Ave Bal	<u>\$ 923.9</u>	<u>\$ 924.9</u>	<u>\$ 1.0</u>	<u>\$ 924.0</u>	<u>\$ 924.6</u>	<u>\$ 0.6</u>
Interest Exp	\$ 0.8	\$ 0.9	\$ 0.1	\$ 9.3	\$ 11.3	\$ 2.1
Rate	1.03%	1.19%	0.16%	0.99%	1.21%	0.22%
FMB/Sr Nts						
Beg Bal	\$ 3,642.5	\$ 3,642.4	\$ (0.1)	\$ 3,640.9	\$ 3,640.9	\$ -
End Bal	3,642.7	3,642.5	(0.1)	3,642.7	3,642.5	(0.1)
Ave Bal	<u>\$ 3,642.6</u>	<u>\$ 3,642.5</u>	<u>\$ (0.1)</u>	<u>\$ 3,641.8</u>	<u>\$ 3,641.8</u>	<u>\$ 0.0</u>
Interest Exp	\$ 11.5	\$ 11.6	\$ 0.1	\$ 137.9	\$ 139.7	\$ 1.7
Rate	3.66%	3.71%	0.05%	3.74%	3.78%	0.05%
Short-term Debt						
Beg Bal	\$ 617.9	\$ 539.1	\$ (78.8)	\$ 245.0	\$ 245.0	\$ -
End Bal	615.4	527.8	(87.6)	615.4	527.8	(87.6)
Ave Bal	<u>\$ 616.7</u>	<u>\$ 533.5</u>	<u>\$ (83.2)</u>	<u>\$ 430.2</u>	<u>\$ 356.8</u>	<u>\$ (73.4)</u>
Interest Exp	\$ 0.3	\$ 0.4	\$ 0.1	\$ 2.4	\$ 3.6	\$ 1.2
Rate	0.62%	0.86%	0.23%	0.55%	0.99%	0.43%
Total End Bal	\$ 5,182.0	\$ 5,095.3	\$ (86.7)	\$ 5,182.0	\$ 5,095.3	\$ (86.7)
Total Average Bal	\$ 5,183.2	\$ 5,100.9	\$ (82.3)	\$ 4,995.9	\$ 4,923.2	\$ (72.8)
Total Expense Excl I/C ⁽¹⁾	\$ 14.1	\$ 14.5	\$ 0.3	\$ 167.6	\$ 172.4	\$ 4.8
Rate	3.16%	3.29%	0.13%	3.31%	3.45%	0.15%

⁽¹⁾ Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities (\$ Millions)	Committed		Letters of Credit Issued	Unused Capacity
	Capacity	Borrowed		
LKE	\$ 300	\$ 116		\$ 184
LG&E	500	264		236
KU	598	236	\$ 198	164
TOTAL	\$ 1,398	\$ 616	\$ 198	\$ 584

Credit Metrics (\$ Millions)	YTD	
	Actual	+/- Bud
FFO to Debt - LG&E	23.3%	+0.01
FFO to Debt - KU	23.5%	-0.00
Debt to EBITDA - LG&E ⁽²⁾	3.43	-0.24
Debt to EBITDA - KU ⁽²⁾	3.75	+0.03
Debt to Capitalization - LG&E ⁽³⁾	47.6%	+0.01
Debt to Capitalization - KU ⁽³⁾	47.2%	+0.00

⁽²⁾ Actuals represent a trailing 12 months

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

Balance Sheet

December 2014

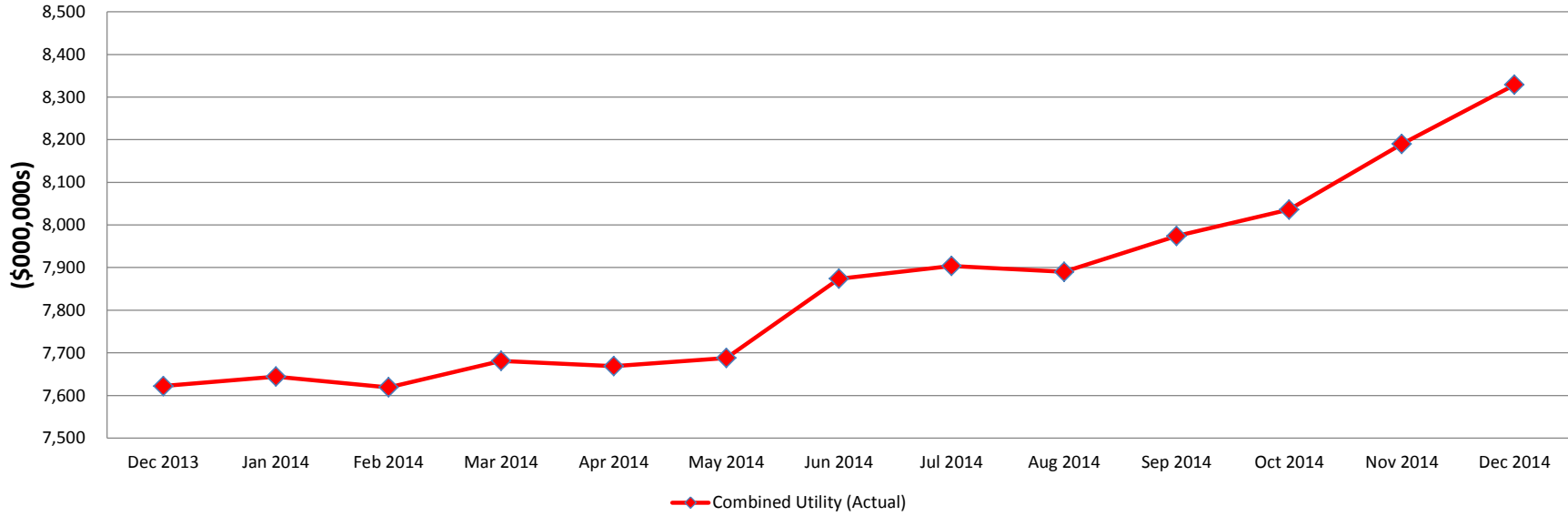
(\$ Millions)

	12/31/2014	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 21	\$ 9	\$ 12	Higher investment balances of \$10m due to higher CP balances.
Accounts Receivable (Trade)	404	415	(11)	Lower unbilled utility revenue (\$12m) primarily due to meter reading timing and lower revenues from milder weather.
Inventory	311	271	40	Higher fuel related costs of \$32m and plant materials and supplies \$5m.
Deferred Income Taxes	16	159	(143)	Deferred Income Taxes reclassified from asset to liability Deferred Tax Liabilities.
Regulatory Assets Current	25	30	(5)	
Prepayments and other current assets	179	108	71	Lower notes receivable from affiliate (\$70m).
Total Current Assets	957	993	(36)	
Property, Plant, and Equipment	10,504	10,403	101	Higher completed construction \$225m offset by lower CWIP (\$102m) and accumulated depreciation (\$22m).
Intangible Assets	174	178	(5)	
Other Property and Investments	1	1	0	
Regulatory Assets Non Current	665	444	221	Increases in Pension \$110m, long term interest rate swap \$78m, and ARO \$20m.
Goodwill	997	997	-	
Other Long-term Assets	99	92	7	
Total Assets	\$ 13,396	\$ 13,108	\$ 288	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	\$ 401	\$ 347	\$ 53	Increases in project engineering accruals \$13m, in and timing of coal receipts \$24m, in gas purchase accruals \$4m, and \$3m due to timing of payables.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	52	50	2	
Derivative Liability	71	4	68	Primarily due to short-term derivative liability from forward hedges with PPL as counterparty \$67m.
Accrued Taxes	36	41	(5)	
Regulatory Liabilities Current	15	14	1	
Other Current Liabilities	153	137	16	Increases in AROs \$4m, accrued interest \$3m, accounts payable payroll \$2m.
Total Current Liabilities	727	592	135	
Debt - Affiliated Company	41	-	41	Short term note payable made to PPL.
Debt ⁽¹⁾	5,141	5,095	46	Higher issuance of Commercial Paper \$46m due to higher CapEx payments.
Total Debt	5,182	5,095	87	
Deferred Tax Liabilities	1,242	1,269	(27)	Deferred Tax Liabilities reclassified from liability to asset as Deferred Income Taxes offset by the extension of bonus tax depreciation which resulted in the company not expecting to utilize Net Operating Losses in 2015 .
Investment Tax Credit	131	131	(0)	
Accum Provision for Pension & Related Benefits	305	124	181	Increase due to higher pension payables \$181m.
Asset Retirement Obligation	274	251	22	KU Green River Ash and Environmental Pond Revaluation \$22m.
Regulatory Liabilities Non Current	974	986	(12)	
Derivative Liability	43	32	11	Increase due to loss on long term interest rate swaps.
Other Liabilities	270	221	48	Due to higher post retirement benefits and Medicare subsidy.
Total Deferred Credits and Other Liabilities	3,238	3,015	224	
Equity	4,249	4,406	(157)	
Total Liabilities and Equity	\$ 13,396	\$ 13,108	\$ 288	

⁽¹⁾ Includes all ST and LT debt. See Financing Activities page for details.
 Note: Schedules may not sum due to rounding.

YTD	Actual	Budget	Variance	Comments
Net Income	344	320	24	Due to higher gross margin and lower O&M. See Income Statement.
Depreciation	379	375	4	
Deferred Income Taxes	449	299	150	Due to the extension of bonus tax depreciation which resulted in the company not expecting to utilize Net Operating Losses in 2015.
Other Balance Sheet Movements	(197)	(21)	(177)	Primarily increases in Pension, long term interest rate swap, and ARO. See Balance Sheet.
Funds From Operations	974	973	1	
Changes in accounts receivables	5	(5)	11	Lower unbilled utility revenue due to the timing of meter reading and lower revenues from milder weather.
Changes in inventories	(33)	7	(40)	Higher fuel related costs and higher plant materials and supplies costs.
Change in Accounts Payable	52	(0)	52	Increases in project engineering, in and timing of coal receipts, in gas purchase accruals, and due to timing of payables.
Change in Working Capital	24	1	23	
Operating Cash flow	999	974	24	
Capex	(1262)	(1221)	(41)	Higher due primarily to increased costs related to Mill Creek environmental air projects (Units 1, 2 and 4 fabric filters and wet flue gas desulfurization units) and timing of spend on environmental air projects at Trimble County and Ghent with some non-environmental spend offsets.
Other Investing	71	0	71	Primarily from LKE cash from tax settlements with PPL.
Loans to Affiliates	0	0	0	
Investing Cash flow	(1191)	(1221)	29	
Dividends	(436)	(332)	(104)	Higher due to liquidity of LKE cash related to PPL tax settlements.
Equity Infusion	248	269	(21)	Lower equity infusion required to meet equity/debt target due to change in dividends and borrowing
Net Borrowings	371	284	87	Higher capex payments and dividends.
Other	(5)	0	(5)	
Financing Cash flow	178	221	(43)	
Net increase (decrease) in cash	(14)	(25)	11	

Rate Base Growth



**KU and LG&E Combined
 Reconciliation of Allowed Return to
 2014 Regulatory Return and
 Book ROE from Ongoing Operations**

Allowed Return ⁽¹⁾	10.32%	
Adjustments (net of tax):		
Change in capitalization - non ECR	-1.67%	Growth in non-ECR capitalization (rate base) between rate cases does not earn a return
Change in ROE from average mechanism rate base grc	0.00%	Mechanisms have a real-time return
Change in weighted cost of debt	-0.25%	Additional borrowings offset by favorable rates
Change in margins	2.16%	Primarily new rates since last rate cases
Change in allowed expenses	-1.32%	Inflationary increases
		<u>-1.08%</u>
Actual Regulated ROE	9.24%	
Adjustments (net of tax):		
Impact of non-recoverable purchase accounting	-1.78%	
Impact of 'below the line' items not recoverable through rates	0.02%	
		<u>-1.76%</u>
Actual Book ROE from Ongoing Operations	<u>7.48%</u>	

⁽¹⁾ Based on the most recent approved base rate filings with test years ending 3/31/12 KPSC, 12/31/12 FERC, 12/31/12 VA.



Performance Report

January 2015

Content**Page**

Executive Summary	3
Income Statement: Actual vs. Budget (Month)	4
Electric Gross Margin Analysis	5
Gas Gross Margin Analysis	6
O&M	7
Financing Activities	8
Balance Sheet	9
Rate Base Growth	10

Kentucky Regulated Dashboard

January 2015

	Current Month		Full Year	
	Actual	PY	Forecast	PY
Safety				
TCIR - Employees	1.22	1.59	1.04	1.29
Employee lost-time incidents	0	0	6	3
Reliability				
	Actual	Budget	Forecast	Budget
Generation Volumes	3,246	3,205	34,623	34,582
Utility EFOR	3.5%	5.9%	N/A	5.9%
Utility EAF	91.9%	92.5%	N/A	83.8%
Steam Fleet Commercial Availability	97.9%	92.0%	N/A	92.0%
Combined SAIFI	0.07	0.10	N/A	1.19
Combined SAIDI (minutes)	6.13	8.17	N/A	106.60
GwH Sales				
Residential	1,233	1,144	10,842	10,842
Commercial	678	673	7,916	7,916
Industrial	790	814	10,024	10,024
Municipals	177	168	1,890	1,890
Other	240	233	2,723	2,723
Off-System Sales	30	60	311	311
Total	3,148	3,093	33,706	33,706
Weather-Normalized Sales Growth				
	TTM			
Residential	-2.53%			
Commercial	-1.70%			
Industrial	2.39%			
Municipal	-1.86%			
Other	-0.70%			
Total	-0.69%			

	Current Month		Full Year	
	Actual	Budget	Forecast	Budget
Financial Metrics				
Utility ROE ⁽¹⁾	13.9%	12.3%	8.9%	8.9%
Electric Margins	\$156	\$153	\$1,774	\$1,774
Gas Margins	\$25	23	165	165

	Current Month		Full Year	
	Actual	Budget	Forecast	Budget
Capital Expenditures (\$ millions)				
New Generation	\$4	\$6	\$52	\$48
ECR	57	56	564	569
Generation	4	5	139	149
Transmission	4	3	63	59
Electric Distribution	11	9	162	162
Gas Distribution	5	4	84	83
Customer Services	1	1	17	17
IT and Other	2	2	38	38
Total	\$87	\$85	\$1,119	\$1,125

	Current Month		Full Year	
	Actual	Budget	Forecast	Budget
O&M (\$ millions)⁽²⁾				
Operations	\$32	\$34	\$471	\$471
Administrative	7	9	102	102
Finance	2	2	20	20
Burdens & Other Charges	14	14	175	175
Total	\$55	\$59	\$767	\$767

	Current Month		Full Year	
	Actual	Budget	Forecast	Budget
Head Count				
Full-time Employees	3,478	3,573	3,566	3,566

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

Variance Explanations	
<ul style="list-style-type: none"> Full year capital is projected to be \$6 million lower than budget due to the timing of spend for the MC 3, MC 4, and Trimble County Fabric Filter projects. There is also lower budgeted spend on the Ghent Landfill project. The projected reduction in spend is partially offset by higher than budgeted spend on the Brown Landfill project, as well as the MC 1 & MC 2 Fabric Filter projects. Current month higher margins due to \$4 million from higher energy residential electric volumes and \$2 million from higher gas margins due to favorable weather partially offset by \$1 million of net fuel costs. 	

Major Developments	
<ul style="list-style-type: none"> LKE has embarked on a successful 2015 with new construction milestones. Progress has been made on Brown Solar, as bidder pre-qualification and due diligence site visits were conducted in January. 	

Significant Future Events	
<ul style="list-style-type: none"> The execution of LKE's construction plan continues in 2015. Commissioning activities for Cane Run 7 are underway and first fire for the units is expected to occur during the month of February and have positioned the project to likely begin commercial operations by the end of May. Bids for the site preparation and the EPC for Brown Solar are targeted for the month of February, with site work scheduled to commence in the second quarter. Key environmental projects such as Ghent 1 fabric filter baghouse construction is proceeding toward a February/March tie-in outage, while Mill Creek Units 1 and 2 FGD and fabric filter baghouses are also scheduled for March/April tie-in outages. The discovery phase of the rate case continues with LKE currently addressing supplemental data requests, responses to which are due February 20. The formal public hearing has also been scheduled to begin on April 21. In addition to the formal public hearing for the rate case, intervenor testimony will be filed in March and LKE's rebuttal testimony will be submitted in April. 	

⁽¹⁾ Excludes goodwill and other purchase accounting adjustments.
⁽²⁾ Net of cost recovery mechanisms.
⁽³⁾ The possible violation issues for YTD Actual are believed to be minimal risk.

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

January 2015

(\$ Millions)

				MTD	
	Actual	Budget	Variance		Comments
Revenues:					
Electric Revenues	\$ 260	\$ 259	\$ 1		
Gas Revenues	56	58	(2)		
Total Revenues	316	317	(1)		
Cost of Sales:					
Fuel Electric Costs	88	90	2		
Gas Supply Expenses	32	35	3		
Purchased Power	4	5	0		
Other Electric Cost	11	11	0		
Total Cost of Sales	135	141	6		
Gross Margin:					
Electric Margin	156	153	3		
Gas Margin	25	23	2		
Total Gross Margin	181	176	5		Higher margins due to \$4 million from higher energy residential electric volumes and \$2 million from higher gas margins due to favorable weather partially offset by \$1 million of net fuel costs.
Operating Expenses:					
O&M	55	59	4		Lower O&M due to \$1.5m lower labor expenses across the company, \$1.3m favorable in outside services expenses due to the timing of consulting services and outside counsel, and \$1.1m lower uncollectible accounts.
Depreciation & Amortization	29	30	0		
Taxes, Other than Income	4	5	0		
Total Operating Expenses	88	93	5		
Other income (expense)	(1)	(1)	(0)		
EBIT	92	82	10		
Interest Expense	14	15	0		
Income from Ongoing Operations before income taxes	77	67	9		
Income Tax Expense	29	26	(3)		
Net Income (loss) from ongoing operations	48	41	\$ 6		
Non Operating Income	0	0	0		
Discontinued Operations	0	0	(0)		
Net Income (loss)	\$ 48	\$ 41	\$ 6		
KY Regulated Financing Costs	(3)	(3)	-		
KY Regulated Net Income	\$ 45	\$ 39	\$ 6		
Earnings Per Share	\$ 0.07	\$ 0.06	\$ 0.01		

Note: Schedules may not sum due to rounding.

**Attachment to Filing Requirement
807 KAR 5:001 Section 16(7) (o)
Page 29 of 35
Witness: K. Blake**

Electric Gross Margin

January 2015

(\$ Millions)

	MTD					Margin Variance
	Actual	Budget	Unit Variance	Value @	Dollar Variance	
Base Electric Margin:						● \$ 3
Energy Volumes (a)	3,118,133	3,033,015	85,118		\$ 4.3	
Energy Prices (a)					\$ (0.1)	
Customer Charges (Avg. Customers)	945,008	954,277	(9,269)		\$ (0.0)	
Demand Charges (b)	38	39			\$ (0.7)	
ECR:						◆ \$ (1)
Average Rate Base	\$ 1,675	\$ 1,648	\$ 27	10.19%	\$ 0.2	
Cost of Capital	10.00%	10.19%	-0.19%	\$ 1,675	\$ (0.2)	
Jurisdictional Factor	88.49%	87.69%	0.80%	\$ 1,675	\$ 0.1	
Other					\$ (0.6)	
DSM:						● \$ 1
Program Expense (Revenue Net of Expense)	\$ 0.0	\$ 0.0			\$ (0.0)	
Lost Sales	\$ 2.0	\$ 1.1			\$ 0.9	
Incentive	\$ 0.1	\$ 0.1			\$ (0.0)	
Balancing Adjustment	\$ 0.0	\$ -			\$ 0.0	
Net Fuel Recovery	\$ (1.5)	\$ (0.3)				◆ \$ (1)
Purchase Power Demand	\$ (2.1)	\$ (2.2)				● \$ 0
Transmission	\$ 1.1	\$ 0.9				● \$ 0
Other	\$ (1.5)	\$ (2.0)				● \$ 0
Retail Margin Variance						● \$ 3
Off-System Margin Variance						◆ \$ (0)
Electric Margin Variance						● \$ 3

(a) Non-Fuel Energy Analysis
(net of base ECR revenue):

	MTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume (MWH)	Price (\$/MWH)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 60	1,232,670	\$ 48.28	\$ 55	1,143,989	\$ 48.17	● \$4.4	● \$4.2	● \$0.2
Commercial	21	677,992	31.42	22	673,285	32.17	◆ (\$0.4)	● \$0.1	◆ (\$0.5)
Industrial	7	790,217	9.06	7	814,213	9.04	◆ (\$0.2)	◆ (\$0.2)	● \$0.0
Municipals	1	176,787	5.70	1	168,200	5.21	● \$0.1	● \$0.0	● \$0.1
Other	6	240,468	23.46	5	233,328	23.34	● \$0.2	● \$0.2	● \$0.0
Native Load Total	\$ 95	3,118,133	\$ 30.35	\$ 90	3,033,015	\$ 29.82	● \$4.2	● \$4.3	◆ (\$0.1)

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

	MTD		
	Act	Bud	Variance
\$mil			
Commercial	12	12	0
Industrial	16	16	0
Municipals	5	6	(1)
Other	5	5	(0)
Native Load Total	38	39	(1)

Gas Gross Margin

January 2015

(\$ Millions)

	MTD				Margin Variance
	Actual	Budget	Subtotal		
Gas Base Service Charge	\$ 5	\$ 5			♦ \$ (0)
Gas Supply Costs					
Gas Supply Costs	(32)	(34)	\$ 3		
GSC Revenue	31	34	(3)		
Net Gas Supply Costs					♦ \$ (0)
Retail Gas (a)	18	17			● \$ 1
Wholesale Gas (a)	-	-			● \$ -
DSM	0	0			● \$ 0
GLT	1	1			♦ \$ (0)
WNA	0	-			● \$ 0
Other Margin	0	0			● \$ 0
Gas Margin Variance					● \$ 2

(a) Retail and wholesale gas sales - excludes GSC

	MTD								
	Actual			Budget			Variance		
	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume (Mcf)	Price (\$/Mcf)	Revenue \$mil	Volume \$mil	Price \$mil
Residential	\$ 12	4,429,909	\$ 2.64	\$ 11	4,119,803	\$ 2.64	\$0.8	\$0.8	♦ (\$0.0)
Commercial	4	1,916,824	2.09	4	1,794,240	2.09	\$0.3	\$0.3	♦ (\$0.0)
Industrial	0	177,169	2.05	0	185,039	1.89	\$0.0	(\$0.0)	● \$0.0
Public Authority	1	314,573	2.03	1	294,900	2.06	\$0.0	\$0.0	♦ (\$0.0)
Transportation	1	1,495,821	0.50	1	1,559,313	0.45	\$0.1	(\$0.0)	● \$0.1
Interdepartmental	1	42,446	11.96	0	28,119	15.50	\$0.1	\$0.2	♦ (\$0.2)
Ultimate Consumer	\$ 18	8,376,742	\$ 2.15	\$ 17	7,981,414	\$ 2.10	\$1.2	\$1.3	♦ (\$0.0)

(\$ Millions)

	MTD								
	Actual	Budget	Total Variance	Labor & Burdens	Outages	Outside Services	Materials	Uncollectible Accounts	Other
Generation	\$ 15	\$ 14	\$ (1)	\$ 0	\$ (0)	\$ 0	\$ (1)		\$ (0)
Project Engineering	0	0	0	0		(0)	(0)		0
Transmission	3	2	(0)	0		(0)	0		(0)
Energy Supply and Analysis	1	1	0	0		0	0		0
Electric Distribution	5	6	1	0		0	0	(0)	(0)
Gas Distribution	2	3	0	(0)		0	(0)	(0)	0
Safety and Security	0	0	0	0		0	0	0	0
Customer Services	6	8	2	0		0	0	1	0
Chief Operations Officer	32	34	2	1	(0)	1	(1)	1	(0)
Information Technology	4	5	1	0		1	0		0
General Counsel	2	2	0	0		0	0		0
Human Resources	0	1	0	0		0	0		0
Supply Chain	0	0	0	0		0	(0)		0
Chief Administrative Officer	7	9	2	0		1	0		0
Chief Financial Officer	2	2	0	(0)		0	0		0
Corporate	14	14	0	(0)		0	(0)	(0)	0
O&M Total MTD	\$ 55	\$ 59	\$ 4	\$ 1	\$ (0)	\$ 1	\$ (1)	\$ 1	\$ 1

Financing Activities
January 2015

(\$ Millions)

Balance Sheet	MTD		
	Actual	Budget	Variance
PCB			
Beg Bal	\$ 923.9	\$ 923.9	\$ -
End Bal	923.9	923.9	0.0
Ave Bal	\$ 923.9	\$ 923.9	\$ 0.0
Interest Exp	\$ 0.9	\$ 1.1	\$ 0.3
Rate	1.08%	1.44%	0.36%
FMB/Sr Nts ⁽¹⁾			
Beg Bal	\$ 3,642.7	\$ 3,642.7	\$ -
End Bal	3,642.8	3,642.8	(0.0)
Ave Bal	\$ 3,642.7	\$ 3,642.7	\$ (0.0)
Interest Exp	\$ 11.6	\$ 11.6	\$ (0.0)
Rate	3.71%	3.71%	0.00%
Short-term Debt			
Beg Bal	\$ 615.4	\$ 615.4	\$ -
End Bal	727.0	636.9	(90.1)
Ave Bal	\$ 671.2	\$ 626.2	\$ (45.0)
Interest Exp	\$ 0.3	\$ 0.5	\$ 0.2
Rate	0.54%	0.95%	0.43%
Total End Bal	\$ 5,293.7	\$ 5,203.7	\$ (90.1)
Total Average Bal	\$ 5,237.9	\$ 5,192.9	\$ (45.0)
Total Expense Excl I/C ⁽²⁾	\$ 14.4	\$ 14.5	\$ 0.1
Rate	3.17%	3.24%	0.08%

⁽¹⁾ Include FMBs maturing in November 2015 \$900m.

⁽²⁾ Total expense line includes additional revolving credit items. Total will not match sum of PCB, FMB, and STD.

Credit Facilities (\$ Millions)	Committed		Letters of Credit Issued	Unused Capacity
	Capacity	Borrowed		
LKE	\$ 300	\$ 128		\$ 172
LG&E	500	309		192
KU	598	291	\$ 198	109
TOTAL	\$ 1,398	\$ 727	\$ 198	\$ 473

Credit Metrics (\$ Millions)	MTD	
	Actual	+/- Bud
FFO to Debt - LG&E	22.0%	-0.03
FFO to Debt - KU	23.1%	-0.02
Debt to EBITDA - LG&E ⁽²⁾	3.56	+0.07
Debt to EBITDA - KU ⁽²⁾	3.89	+0.05
Debt to Capitalization - LG&E ⁽³⁾	48.0%	+0.01
Debt to Capitalization - KU ⁽³⁾	47.5%	+0.00

⁽²⁾ Actuals represent a trailing 12 months

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

Balance Sheet

January 2015

(\$ Millions)

	1/31/2015	YTD Budget	Variance	Comments
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 18	\$ 14	\$ 4	
Accounts Receivable (Trade)	465	439	26	Higher customer accounts receivable and accrued utility revenue due to higher energy residential electric and gas volumes due to favorable weather.
Inventory	277	283	(7)	
Deferred Income Taxes	16	16	-	
Regulatory Assets Current	17	31	(14)	Lower GSC, FAC, and ECR balances.
Prepayments and other current assets	161	181	(20)	Lower income tax receivable from PPL (\$20m).
Total Current Assets	953	964	(11)	
Property, Plant, and Equipment	10,559	10,558	2	
Intangible Assets	169	169	(0)	
Other Property and Investments	1	1	-	
Regulatory Assets Non Current	766	664	102	Due to lower than expected interest rates on interest rate swaps.
Goodwill	997	997	-	
Other Long-term Assets	100	99	0	
Total Assets	\$ 13,545	\$ 13,452	\$ 93	
Liabilities and Equity:				
Current Liabilities:				
Accounts Payable (Trade)	\$ 302	\$ 399	\$ (97)	Decreases in invoice (\$47m), project engineering (\$24m), and fuel (\$17m) accruals.
Accounts Payable - Affiliated Company	0	0	0	
Customer Deposits	52	52	0	
Derivative Liability	167	71	96	Due to lower than expected interest rates on interest rate swaps.
Accrued Taxes	20	66	(45)	Primarily due to property tax payments that were paid in January, but were scheduled to be paid in Oct-Dec of 2014.
Regulatory Liabilities Current	20	14	5	
Other Current Liabilities	196	167	28	Due to credit cash adjustments to cover the credit balance in the A/P cash account at the end of the month from the last day ACh's & Wires and outstanding checks that have not cleared the bank, but have been paid out of the GL.
Total Current Liabilities	757	770	(12)	
Debt - Affiliated Company	53	57	(5)	
Debt ⁽¹⁾	5,241	5,146	95	Higher issuance of Commercial Paper \$95m primarily to finance the decrease of \$97m in AP.
Total Debt	5,294	5,204	90	
Deferred Tax Liabilities	1,242	1,242	0	
Investment Tax Credit	131	131	(0)	
Accum Provision for Pension & Related Benefits	257	257	0	
Asset Retirement Obligation	275	275	(0)	
Regulatory Liabilities Non Current	971	971	1	
Derivative Liability	50	43	7	
Other Liabilities	272	270	1	
Total Deferred Credits and Other Liabilities	3,198	3,188	9	
Equity	4,296	4,290	6	
Total Liabilities and Equity	\$ 13,545	\$ 13,452	\$ 93	

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

Note: Schedules may not sum due to rounding.

Rate Base Growth

