

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

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

*Kent W. Blake*

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6<sup>th</sup> day of April 2017.

*Jammy J. Elgg*

Notary Public

(SEAL)

My Commission Expires:

November 9, 2018

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Gregory J. Meiman**, being duly sworn, deposes and says that he is Vice President, Human Resources 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.

  
Gregory J. Meiman

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of April 2017.

 (SEAL)  
Notary Public

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

**Kentucky Utilities Company**  
**Case No. 2016-00370**  
**Forecasted Test Period Filing Requirements**  
**(Forecast Test Year 12ME 6/30/18; Base Period 12ME 2/28/17)**

**Filing Requirement**  
**807 KAR 5:001 Section 16(8)(g)**  
**Sponsoring Witness: Kent W. Blake / Gregory J. Meiman**

**Description of Filing Requirement:**

*Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.*

**Response:**

See attached for non-confidential information responsive to this request. All confidential information responsive to this request is being provided under seal pursuant to a Petition for Confidential Protection. Note that the attached payroll analysis includes an allocation of LG&E and KU Services (“LKS”) labor dollars.

On an annual basis the Company relies on benchmark information in calibrating the level of its primary components of compensation and benefits arrangements.

With regard to compensation, various third-party benchmarking and salary planning surveys from the energy services and general industries are utilized. The 50th percentile is used to establish the market midpoint of the annual salary ranges. Compensation is then managed within the low (70% of midpoint) and high (130% of midpoint) based on various factors including education, experience, performance, time in job and tenure. Compensation is considered competitive or "at market" if it is within +/- 10% of the market midpoint. A separate study from Willis Towers Watson is attached, which validates the Company's current compensation is at market.

Since 2001, LG&E-KU has participated in healthcare benchmarking surveys to ensure our medical benefits are in alignment. Our survey comparisons include national and local employers as well as utilities. Adjustments are made in premiums and plan structure in order to keep benefits in line with benchmarks. Benchmark data, medical claim information and medical trend data is utilized in structuring plan offerings and medical premiums. A separate study from Mercer is attached, reflecting relevant national, local, general industry and utility benchmark data.

**April 7, 2017 Supplemental Response:**

See revised attachment of non-confidential information responsive to this request. Note the attached payroll analysis includes an allocation of LG&E and KU Services (“LKS”) labor dollars. The corrections to “Payroll Costs” are noted within the attachment and have no impact on the Revenue Requirements.

## Kentucky Utilities Company

Case No. 2016-00370

## Payroll Costs

Base Period: Twelve Months Ended February 28, 2017

Forecasted Test Period: Twelve Months Ended June 30, 2018

Payroll Costs	Base Period	Adjustments	Forecasted Test Period
Wages and Salaries (As Filed):			
Straight & OT/Premium	\$ 148,905,195	\$ 4,479,346	\$ 153,384,541
Off-duty Costs	23,299,537	2,042,046	25,341,583
Employee Benefits	69,264,407	5,920,784	75,185,191
Payroll Taxes	15,211,553	(424,546)	14,787,007
Total Payroll Costs	<u>\$ 256,680,692</u>	<u>\$ 12,017,630</u>	<u>\$ 268,698,322</u>
Adjustments to original filing:			
Straight & OT/Premium	\$ -	\$ -	\$ -
Off-duty Costs	119,142	85,615	204,757
Employee Benefits	304,637	37,159	341,796
Payroll Taxes	59,761	(18,137)	41,624
Total Payroll Costs	<u>\$ 483,540</u>	<u>\$ 104,637</u>	<u>\$ 588,177</u>
Corrected Wages and Salaries:			
Straight & OT/Premium	\$ 148,905,195	\$ 4,479,346	\$ 153,384,541
Off-duty Costs	23,418,679	2,127,661	25,546,340
Employee Benefits	69,569,044	5,957,943	75,526,987
Payroll Taxes	15,271,314	(442,683)	14,828,631
Total Payroll Costs	<u>\$ 257,164,232</u>	<u>\$ 12,122,267</u>	<u>\$ 269,286,499</u>

**Note 1:** The information contained in this filing requirement includes all amounts for Kentucky Utilities employees as well as amounts charged to Kentucky Utilities by LG&E and KU Services and Louisville Gas and Electric.

**Note 2:** This schedule has been revised to reflect corrected amounts related to employee benefits and payroll taxes for the forecasted test period. Amounts charged from the Utility were inadvertently excluded for these categories. The amounts now reflect both amounts charged to the Utility and from the Utility as previously noted (see Note 1).

Kentucky Utilities Company  
Case No. 2016-00370  
Payroll Analysis  
Base Period: Twelve Months Ended February 28, 2017  
Forecasted Test Period: Twelve Months Ended June 30, 2018

Line No.	Description	Base Period	% Change	Forecasted Period
<b><u>Man Hours</u></b>				
	Salary/Straight Time Hours	3,442,409	2.62%	3,532,429
	OverTime Hours	264,901	-10.35%	237,491
	Total Man Hours	3,707,310	1.69%	3,769,920
	Ratio of OT Hours to ST Hours	7.70%		6.72%
<b><u>Straight Time &amp; OverTime/Premium Dollars</u></b>				
	Salary/Straight Time Dollars	134,807,316	5.19%	141,798,403
	OverTime/Premium Dollars	14,097,879	-17.82%	11,586,138
	Total Labor Dollars	148,905,195	3.01%	153,384,541
	Ratio of OT Dollars to ST Dollars	10.46%		8.17%
	O&M Labor Dollars	104,786,600	5.16%	110,191,282
	Ratio of O&M Labor Dollars to Total Labor Dollars	70.37%		71.84%
<b><u>Off-duty Dollars</u></b>				
	Total Off-Duty Dollars	23,418,679	9.09%	25,546,340
	Off-Duty Dollars O&M	16,378,434	9.84%	17,990,171
	Ratio of Off-Duty O&M to Total Off-Duty	69.94%		70.42%
<b><u>Employee Benefits</u></b>				
	Total Employee Benefits	69,569,044	8.56%	75,526,987
	Employee Benefits O&M	50,211,375	10.55%	55,509,688
	Ratio of Employee Benefits O&M to Total Employee Benefits	72.17%		73.50%
<b><u>Payroll Taxes</u></b>				
	Total Payroll Taxes	15,271,314	-2.90%	14,828,631
	Payroll Taxes O&M	11,015,590	-3.03%	10,681,626
	Ratio of Payroll Taxes O&M to Total Payroll Taxes	72.13%		72.03%
<b><u>Employee Levels</u></b>				
	Average Employee Levels	944	0.00%	944
	Period-End Employee Levels	953	-1.68%	937

- Note 1:** The information contained in this filing requirement includes all amounts for Kentucky Utilities employees as well as amounts charged to Kentucky Utilities by LG&E and KU Services and Louisville Gas and Electric.
- Note 2:** Headcount information shown on this schedule reflects only those employees of Kentucky Utilities whereas labor dollars and man hours also include charges from LG&E and KU Services and Louisville Gas and Electric.
- Note 3:** This schedule has been revised to reflect corrected amounts related to employee benefits and payroll taxes for the forecasted test period. Amounts charged from the Utility were inadvertently excluded for these categories. The amounts now reflect both amounts charged to the Utility and from the Utility as previously noted (see Note 1).