



RECEIVED

APR 30 2009
PUBLIC SERVICE
COMMISSION

Jeff DeRouen
Executive Ddirector
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

April 30, 2009

RE: Application of Kentucky Utilities Company for an Order Approving
the Establishment of a Regulatory Asset

2009-00174

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Utilities Company's Verified Application in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copy and return to me in the enclosed self-addressed stamped envelope.

Should you have any questions please contact me at your convenience.

Sincerely,

Rick E. Lovekamp

cc: Dennis G. Howard, Assistant Attorney General
Michael L. Kurts, Boehm, Kurtz & Lowry

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

APR 30 2009

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ORDER APPROVING THE ESTABLISHMENT OF A REGULATORY ASSET

)
)
)
)
)

CASE NO. 2009-00174

VERIFIED APPLICATION OF KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU" or "Applicant"), by counsel, hereby petitions the Kentucky Public Service Commission ("Commission") for an accounting order permitting KU to accumulate and defer for recovery in rate proceedings before the Commission its expenses incurred to repair damage and restore service to its customers caused by the severe ice and wind conditions from late January through mid-February 2009 ("2009 Winter Storm"). In support of this Application, KU states as follows:

1. The full name and mailing address of KU are: Kentucky Utilities Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40232. KU is a Kentucky corporation authorized to do business in the Commonwealth of Kentucky.

2. KU is a utility engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in the following counties in Central, Northern, Southeastern and Western Kentucky:

- Adair, Anderson, Ballard, Barren, Bath, Bell, Bourbon, Boyle, Bracken, Edmonson, Estill, Fayette, Fleming, Franklin, Fulton, Gallatin, Garrard, Grant, Jessamine, Knox, Larue, Laurel, Lee, Lincoln, Livingston, Lyon, Madison, Ohio, Oldham, Owen, Pendleton, Pulaski, Robertson, Rockcastle, Rowan, Russell

| | | | |
|------------|-----------|------------|------------|
| Bullitt | Grayson | Marion | Scott |
| Caldwell | Green | Mason | Shelby |
| Campbell | Hardin | McCracken | Spencer |
| Carlisle | Harlan | McCreary | Taylor |
| Carroll | Harrison | McLean | Trimble |
| Casey | Hart | Mercer | Union |
| Christian | Henderson | Montgomery | Washington |
| Clark | Henry | Muhlenberg | Webster |
| Clay | Hickman | Nelson | Whitley |
| Crittenden | Hopkins | Nicholas | Woodford |
| Daviess | | | |

A certified copy of KU's Articles of Incorporation is on file with the Commission in Case No. 2005-00471, *In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control of their Transmission System*, filed on November 18, 2005, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

3. This Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction. The Commission requires KU to use and follow the Uniform System of Accounts ("USoA") as promulgated by the Federal Energy Regulatory Commission.

4. Communications regarding this Application should be addressed to:

Kendrick R. Riggs
W. Duncan Crosby III
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
Telephone: (502) 333-6000

Allyson K. Sturgeon
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088

2009 WINTER STORM

5. The first wave of the historic 2009 Winter Storm impacted Kentucky beginning on January 26, 2009, bringing a mixture of freezing rain and snow that covered trees and utility lines with up to two or more inches of ice and covered the ground in two to ten inches of snow and ice. Damage was intense and widespread; Governor Steve Beshear described it as the “worst natural disaster” in the Commonwealth’s modern history. One hundred and one of the Commonwealth’s 120 counties declared emergencies, the federal government declared most of Kentucky a major disaster area, and for the first time in the Commonwealth’s history there was a total call-up of the Kentucky National Guard.

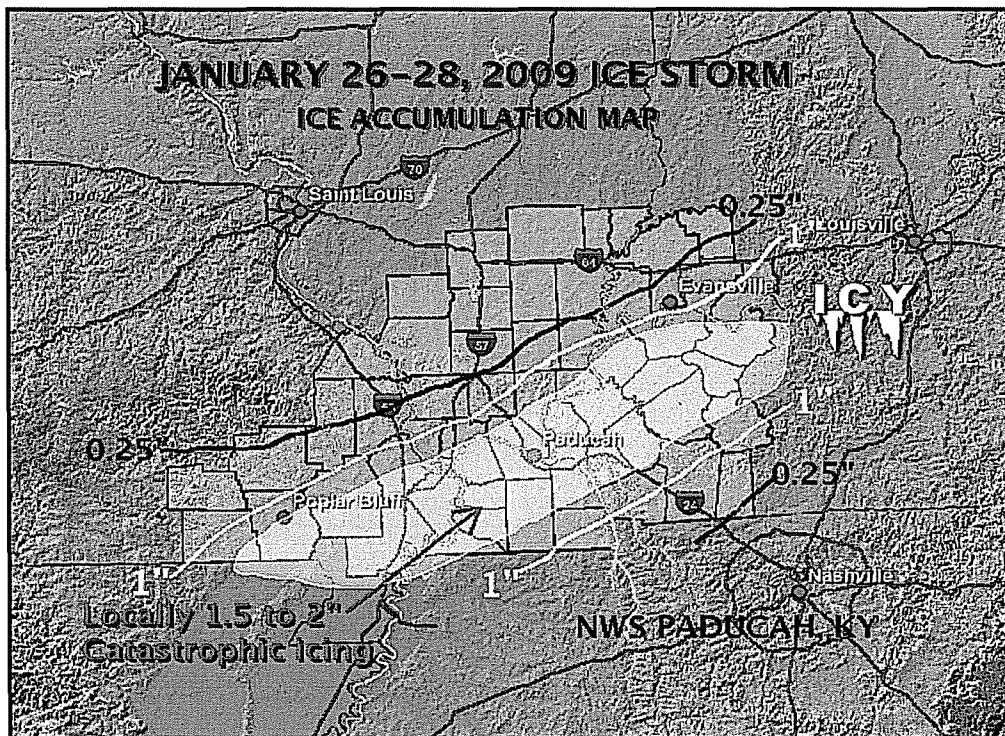
Electric service across the Commonwealth was particularly hard-hit by ice loading and falling trees and limbs. At peak, statewide electric outages affected approximately 769,000 utility customers. Approximately 404,000 of those were customers of KU and its sister utility, Louisville Gas and Electric Company (“LG&E”) (collectively, “the Companies”). Of the Companies’ total customer outages, approximately 199,000 were KU customers (approximately 39% of all its customers) and 205,000 were LG&E customers (approximately 50% of all its electric customers).

6. As they do continuously, the Companies were monitoring weather reports on Friday, January 23, 2009, when local weather forecasters began to call for freezing rain and snow in central and eastern Kentucky beginning on Monday, January 26 and continuing into the following day. The Companies closely monitored the weather throughout the weekend, and by Sunday evening, January 25, forecasts were calling for a quarter inch or more of ice across Kentucky. On Monday, the Louisville office of the National Weather Service (“NWS”) issued a Winter Storm Warning and Ice Storm Warning for much of the Companies’ service territories.

The Companies participated in two NWS calls on January 26, one hosted by the NWS office in Paducah, which predicted that the storm could be “the worst storm of the decade,” and another hosted by the NWS office in Louisville. By early Monday afternoon, weather predictions for western Kentucky were calling for a half to one inch of ice to the west of I-65 and two inches to the west of the Edward T. Breathitt Parkway, with ice changing over to snow late Tuesday night and continuing until mid-day Wednesday.

As shown in the NWS map of actual ice accumulation in Figure 1 below, by the end of the storm, measurable ice accumulation ranged from a quarter of an inch to over two inches, with ice and snow accumulation on the ground as high as ten inches in some portions of the Commonwealth.

Figure 1



7. At the storm’s peak, the Companies had 404,000 customers without power, more than 20,000 wires down, over 2,500 poles broken, 270 distribution circuits out, and 144

distribution substations affected. Damage was particularly severe in the western portions of Kentucky, where 96% of all distribution substations were affected. The hardest hit area was in the 180 miles from Leitchfield to Crutchfield and extending north to Barlow and southern parts of Paducah.

Unlike the 2008 Wind Storm, the first wave of the 2009 Winter Storm caused unprecedented damage to the Companies' transmission system and a consequent disruption of transmission service and operations. As with the damage to the Companies' distribution infrastructure, the 2009 Winter Storm caused the most significant damage to the transmission system in the western portion of Kentucky served by KU, followed by damage in KU's central region and damage to transmission facilities in LG&E's territory. A full 100% of the transmission substations in western portions of KU's service area were affected by damage and 40% of the transmission substations in KU's central region were affected. For LG&E, 33% of the transmission substations were impacted, while only 6% of the transmission substations in the eastern portions of KU's territory were impacted. The Companies also tracked actual damage or indirect effects on 104 transmission lines or segments of lines, ranging from 345 kV to 34.5 kV lines. Across the Companies' transmission system, 188 towers and poles were broken and 368 spans of line were down or out of service. Nearly 95% of the cost to repair the Companies' transmission system was related to capital investment in transmission facilities. KU's capital cost is not included as part of this application.

8. The Companies immediately launched a restoration effort that was historic in scope. The Companies' restoration crews, including employees and regular contract crews, were utilized in the western part of Kentucky beginning on the evening of Monday, January 26, and

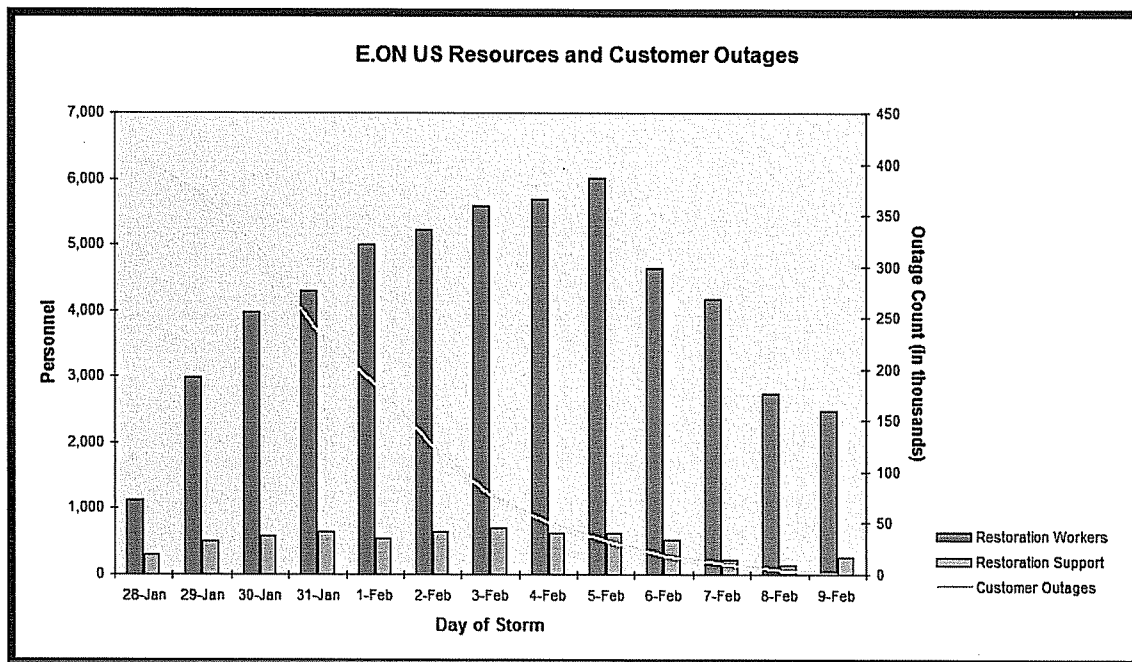
throughout the rest of the Commonwealth on the following morning, to mitigate the effects of freezing rain and to restore power to locations where lines could be safely energized.

On the morning of January 27, the Companies' Public Safety Response Team was activated to cover the growing number of wire down calls. Throughout the day, the Companies initiated and participated in numerous conference calls with Regional Mutual Assistance Groups to determine the extent of damage in the region and to allocate resources for restoration across the Midwest.

By Wednesday, January 28, it was evident that damage from the 2009 Winter Storm was at historic levels, exceeding the level of damage from the 2008 Wind Storm. The Companies' management declared the highest level of storm response, assigning personnel from throughout the Companies to administrative, logistical, and field responsibilities to assist with communicating with customers, managing resources, and protecting the public. Additional mutual assistance request calls were conducted and further calls were made to contract partners and other industry contacts to request additional off-system resources that could be allocated to the KU and LG&E restoration efforts.

The number of resources working the restoration ramped up quickly, and peaked with 6,016 restoration workers (including employees, contractors and mutual assistance crews) from 21 states (including Kentucky) and 59 other utilities. Of the 6,016 peak number of restoration workers, 4,859 were from other utilities and from contractors the Companies do not usually call upon. It was the single largest use of restoration workers in any outage in the Companies' history. Figure 2 below depicts the quick reduction in the outage count over the first three days of the storm due to the efforts of the Companies' first responders and the large increase in restoration personnel deployed.

Figure 2



9. On February 9, while restoration crews were still in the field, the Companies began tracking weather patterns that became the latter part of the 2009 Winter Storm. Given the potential for additional outages, the Companies held 560 contract restoration workers in place, thereby allowing for a quick mobilization of resources when, on February 11, 2009, a cold front passed through the Companies' service territory, bringing winds gusting over 60 mph and damaging many portions of the Companies' service areas already impacted by earlier portions of the 2009 Winter Storm. This latter part of the 2009 Winter Storm caused significant damage: KU had 44,000 outages across 67 counties, with 40 broken poles and 741 wires down; LG&E had 37,000 outages, with 28 broken poles and 706 wires down. Because of the Companies' foresight in keeping its restoration crews in place, over half of the outages were restored within the first 24 hours, and less than 5,000 outages remained by the morning of February 13. All customers were restored by February 14.

2009 WINTER STORM COSTS

10. It was costly to repair the extraordinary, significant, and widespread damage the 2009 Winter Storm caused, which costs far exceeded average annual storm-related costs. KU currently estimates that its combined distribution and transmission 2009 Winter Storm-related operations and maintenance costs will exceed \$61.8 million. (A schedule detailing KU's 2009 Winter Storm repair costs charged to operation and maintenance expense for both distribution and transmission is attached hereto as Exhibit 1: Separate detailed schedules for distribution and transmission repair costs are attached hereto as Exhibits 2 and 5, respectively. Detailed schedules for distribution repair costs incurred during the earlier and later parts of the 2009 Winter Storm are attached hereto as Exhibits 3 and 4; similar detailed schedules for transmission repair costs are attached hereto as Exhibits 6 and 7.) These costs are estimates based on actual and estimated costs incurred-to-date and reasonable estimates of contingencies.

11. Because property and casualty insurance for distribution and transmission storm damage is prohibitively expensive, KU does not carry such insurance. As a result, KU has not received, and will not receive, any insurance proceeds to offset its 2009 Winter Storm damage costs.

12. KU's 2009 Winter Storm costs of \$61.8 million are extraordinary and far exceed the amount of storm damage cost currently embedded in base rates, \$2,639,782.¹

13. KU asks the Commission to permit it to accumulate as a regulatory asset and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of its 2009 Winter Storm-related operations and maintenance costs in the appropriate accounts. The measures KU took to restore service, and the costs related thereto,

¹ *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Base Rates*, Case No. 2008-00251, Testimony of S. Bradford Rives at Exh. 1, Ref. Sched. 1.18 (July 29, 2008).

were reasonable, prudent, and incremental to operations and maintenance costs embedded in base rates, and should therefore be recoverable as a necessary cost of providing electric service to KU customers. If approved, KU will hold its deferred costs in Account No. 182.3, Other Regulatory Assets, until such time as the Commission considers them in a rate proceeding.

Also, in accordance with the Commission's December 22, 2008 Orders in Case Nos. 2008-00457 and 2008-00456, KU recognizes that the amount it seeks to capitalize as a regulatory asset may be reduced if its actual 2009 Winter Storm-related operations and maintenance costs are less than those stated in Exhibit 1 hereto.² KU recognizes that the Commission is conducting a review of the Companies' and other utilities' disaster preparedness and storm restoration efforts, and understands that the Commission will not consider amortization and rate recovery of any approved regulatory asset until that review is complete.³

14. The Commission has approved such treatment for extraordinary storm damages for each of the Companies in the past. Most recently, the Commission approved regulatory asset treatment for their actual operating and maintenance expenses associated with repairing the damage caused by the remnants of Hurricane Ike, which struck the Companies' service territories on September 14, 2008. In Orders dated December 22, 2008, in Case Nos. 2008-00457 (KU) and 2008-00456 (LG&E), the Commission approved regulatory assets in the amount of \$2.56 million for KU and \$24.1 million for LG&E, though the Commission required that both amounts should be revised downward if the Companies determined that their actual operating expenses were less than those amounts.⁴

² See *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00456, Order at 8 (Dec. 22, 2008); *In the Matter of: Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00457, Order at 8 (Dec. 22, 2008).

³ *Id.*

⁴ *Id.*

Similarly, in its June 30, 2004 Final Order in Case No. 2003-00434, the Commission allowed KU to defer and amortize the portion of its 2003 ice storm damage expenses that it had not already recovered through insurance payments and KU's Earnings Sharing Mechanism.⁵ In its order approving an increase in KU's base rates, the Commission addressed KU's request for deferral and amortization of its ice storm expenses, stating: "Given the nature and significance of the event, the Commission believes that KU's proposal to defer and amortize over 5 years the February 2003 ice storm [expenses] is reasonable."⁶

Likewise, in a 1975 LG&E rate case, the Commission approved nearly all of LG&E's proposed adjustments to operating revenue and expenses, including (1) a reduction in test year operating expenses of the total amount of expenses LG&E incurred to repair damage from the 1974 tornado, and (2) an increase to test year operating expenses of one-fifth that amount, representing one year's worth of a five-year amortization of tornado-related expenses.⁷

15. Statement of Financial Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation*, addresses regulatory assets and states in relevant part:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

- a. It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate adjustment clause, this criterion requires that the regulator's

⁵ *In the Matter of: An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order at 39-41 (June 30, 2004).

⁶ *Id.* at 40.

⁷ *In the Matter of: General Adjustments in Electric and Gas Rates of Louisville Gas and Electric Company*, Case No. 6220, Testimony of Joseph A. Steltenpohl at 10 and Exh. 7, Sched. D (Feb. 28, 1975).

intent clearly be to permit recovery of the previously incurred cost.

If at any time the incurred cost no longer meets the above criteria, that cost shall be charged to earnings.⁸

To comply with SFAS No. 71, KU respectfully requests the Commission to state explicitly in its order that it is authorizing KU to accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of extraordinary operations and maintenance expenses KU incurred to repair damage and restore service to customers following the 2009 Winter Storm in a regulatory asset recorded in Account No. 182.3, Other Regulatory Assets.

16. KU has recorded the costs of its restoration efforts in various expense accounts, including those listed in the “Credits” column of Table 2 below. If the Commission approves KU’s requested regulatory asset treatment of its 2009 Winter Storm-related operations and maintenance expenses, KU will perform the journal entries shown in Table 2 below.

| Table 2: Journal Entries for Regulatory Asset Treatment | |
|---|--|
| <u>Debits</u> | <u>Credits</u> |
| <ul style="list-style-type: none"> • Acct. 182.3 - Other Regulatory Assets | <ul style="list-style-type: none"> • 57x - Maintenance of Overhead Lines • 58x - Electric Distribution Operations Expenses • 59x - Electric Distribution Maintenance Expenses • 907 - Customer Service & Informational Operations Expenses • 909 - Informational & Instructional Advertising Expense • 925 - Administrative & General Operations Expenses - Injuries and Damages |

⁸ Financial Accounting Standards Board, Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*, at ¶ 9 (2008).

17. Because of the importance of maintaining accurate financial statements, KU respectfully requests the Commission to issue an Order by June 30, 2009, granting the accounting treatment KU has requested herein. The timing of the 2009 Winter Storm required KU to record its expenditures as expenses in its first-quarter 2009 financial statements; however, issuing an Order by June 30, 2009, granting KU's requested relief will minimize distortion to KU's financial statements by allowing it to record its 2009 Winter Storm expenditures as a regulatory asset beginning with KU's second-quarter 2009 financial statements.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission issue an order by June 30, 2009, granting it authority to:

1. Accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of extraordinary operations and maintenance expenses KU incurred to repair damage and restore service to customers following the 2009 Winter Storm as a regulatory asset recorded in Account No. 182.3, Other Regulatory Assets; and

2. Apply the proposed accounting treatment to make appropriate adjustments on its books of account for the quarter ending June 30, 2009.

Dated: April 30, 2009

Respectfully submitted,



Kendrick R. Riggs
W. Duncan Crosby III
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
Telephone: (502) 333-6000

Allyson K. Sturgeon
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088

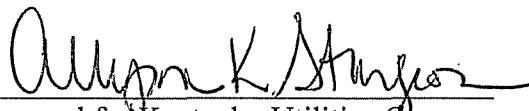
Counsel for Kentucky Utilities Company

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Verified Application was served via U.S. mail, first-class, postage prepaid, this 30th day of April, 2009, upon the following persons:

Dennis G. Howard II
Lawrence W. Cook
Assistant Attorneys General
Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202


Counsel for Kentucky Utilities Company

VERIFICATION

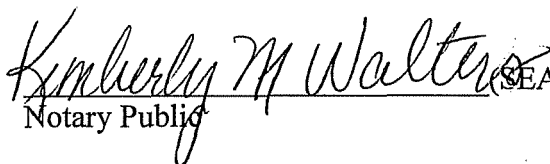
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Chris Hermann**, being duly sworn, deposes and says he is Senior Vice President – Energy Delivery for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the foregoing application and exhibits, and the statements contained therein are true and correct to the best of his information, knowledge and belief.



CHRIS HERMANN

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 30th day of April, 2009.



Notary Public (SEAL)

My Commission Expires:

9/11/2012

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, Valerie L. Scott, being duly sworn, deposes and says she is Controller for Kentucky Utilities Company, that she has personal knowledge of the matters set forth in the foregoing application and exhibits, and the statements contained therein are true and correct to the best of her information, knowledge and belief.

Valerie L. Scott
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 30th day of April, 2009.

Jimmy J. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

EXHIBIT 1

EXHIBIT 1 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Combined Distribution and Transmission Costs, Both Storm Phases**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Total Company Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ 2,879,270 | \$ 497,114 | \$ 3,376,384 |
| Internal Employee Labor/Transportation - KU Employees | 73,813 | 5,717,830 | 5,791,643 |
| Internal Employee Labor/Transportation - SERVCO Employees | 810,716 | 666,304 | 1,477,020 |
| Subtotal Employee Labor/Transportation: | 3,763,799 | 6,881,248 | 10,645,047 |
| Linemen Contractors: | 30,565,063 | 29,742,063 | 60,307,126 |
| Tree Trimming Contractors: | 2,468,046 | 8,349,982 | 10,818,028 |
| Public Safety Response Team (PSRT) Contractors: | 1,738,233 | 731,801 | 2,470,034 |
| Call Center Contractors: | 318,837 | 204,771 | 523,608 |
| Staging Area Contractors: | 2,895,582 | 10,054,865 | 12,950,447 |
| Oil Spill Contractors: | 45,105 | 1,093,000 | 1,138,105 |
| All Other Contractors: | 106,875 | 150,596 | 257,470 |
| Subtotal Contractors: | 38,137,741 | 50,327,077 | 88,464,819 |
| Materials | 342,612 | 221,580 | 564,192 |
| Miscellaneous | 2,609,697 | 3,439,757 | 6,049,454 |
| Contingency | 2,453,771 | 3,209,498 | 5,663,269 |
| Total Company Cost Projection (as of 4-20-2009) | \$ 47,307,620 | \$ 64,079,160 | \$ 111,386,781 |

EXHIBIT 1 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|----------------------|----------------------|-----------------------|
| Contractor Resource Costs - PSRT | (212,316) | (150,774) | (363,090) |
| Contractor Resource Costs - Operations | (284,703) | (25,326) | (310,029) |
| Contractor Resource Costs - Call Center | (37,000) | (37,000) | (74,000) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | (856,115) | - | (856,115) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | (14,916) | (14,916) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | (391,330) | (236,640) | (627,970) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | (1,467,032) | (1,467,032) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | (103,947) | - | (103,947) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | (198,326) | (341,213) | (539,538) |
| Total Estimated Amount Considered Normal Operations | (2,083,737) | (2,272,901) | (4,356,638) |
| Total Company Cost Projection - Net Impact | \$ 45,223,883 | \$ 61,806,260 | \$ 107,030,143 |

EXHIBIT 2

EXHIBIT 2 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Distribution Costs Only, Both Storm Phases**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Distribution Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ 2,879,270 | \$ 497,114 | \$ 3,376,384 |
| Internal Employee Labor/Transportation - KU Employees | 73,813 | 5,717,830 | 5,791,643 |
| Internal Employee Labor/Transportation - SERVCO Employees | 734,686 | 508,190 | 1,242,877 |
| Subtotal Employee Labor/Transportation: | 3,687,769 | 6,723,134 | 10,410,903 |
| Linemen Contractors: | 30,547,318 | 29,511,930 | 60,059,248 |
| Tree Trimming Contractors: | 2,468,046 | 7,850,489 | 10,318,535 |
| Public Safety Response Team (PSRT) Contractors: | 1,738,233 | 731,801 | 2,470,033 |
| Call Center Contractors: | 318,837 | 204,771 | 523,609 |
| Staging Area Contractors: | 2,895,582 | 10,054,865 | 12,950,447 |
| Oil Spill Contractors: | 45,105 | 1,093,000 | 1,138,105 |
| All Other Contractors: | 106,875 | 56,856 | 163,730 |
| Subtotal Contractors: | 38,119,996 | 49,503,711 | 87,623,707 |
| Materials | 342,567 | 221,230 | 563,798 |
| Miscellaneous | 2,608,861 | 3,414,543 | 6,023,404 |
| Contingency | 2,452,948 | 3,167,967 | 5,620,915 |
| Total Distribution Cost Projection (as of 4-20-2009) | \$ 47,212,140 | \$ 63,030,586 | \$ 110,242,727 |

EXHIBIT 2 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|----------------------|----------------------|-----------------------|
| Contractor Resource Costs - PSRT | (212,316) | (150,774) | (363,090) |
| Contractor Resource Costs - Operations | (284,703) | (25,326) | (310,029) |
| Contractor Resource Costs - Call Center | (37,000) | (37,000) | (74,000) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | (856,115) | - | (856,115) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | (14,916) | (14,916) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | (318,559) | (236,640) | (555,199) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | (1,467,032) | (1,467,032) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | (103,947) | - | (103,947) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | (198,326) | (186,342) | (384,668) |
| Total Estimated Amount Considered Normal Operations | (2,010,966) | (2,118,031) | (4,128,996) |
| Total Distribution Cost Projection - Net Impact | \$ 45,201,175 | \$ 60,912,556 | \$ 106,113,730 |

EXHIBIT 3

EXHIBIT 3 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Distribution Costs Related to Damages Caused by Early Phase of Storm, January 26-28, 2009**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Distribution Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ 2,344,754 | \$ 428,306 | \$ 2,773,060 |
| Internal Employee Labor/Transportation - KU Employees | 72,795 | 4,827,858 | 4,900,653 |
| Internal Employee Labor/Transportation - SERVCO Employees | 667,964 | 470,010 | 1,137,974 |
| Subtotal Employee Labor/Transportation: | 3,085,512 | 5,726,174 | 8,811,687 |
| Linemen Contractors: | 29,340,459 | 28,974,159 | 58,314,618 |
| Tree Trimming Contractors: | 2,410,691 | 7,687,303 | 10,097,994 |
| Public Safety Response Team (PSRT) Contractors: | 1,625,963 | 710,584 | 2,336,547 |
| Call Center Contractors: | 296,146 | 190,794 | 486,939 |
| Staging Area Contractors: | 2,895,582 | 10,054,865 | 12,950,447 |
| Oil Spill Contractors: | 45,105 | 1,093,000 | 1,138,105 |
| All Other Contractors: | 92,949 | 28,586 | 121,535 |
| Subtotal Contractors: | 36,706,895 | 48,739,291 | 85,446,186 |
| Materials | 330,319 | 196,125 | 526,444 |
| Miscellaneous | 2,587,538 | 3,386,919 | 5,974,457 |
| Contingency | 2,349,795 | 3,118,037 | 5,467,832 |
| Total Distribution Cost Projection (as of 4-20-2009) | \$ 45,060,059 | \$ 61,166,547 | \$ 106,226,607 |

EXHIBIT 3 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|----------------------|----------------------|-----------------------|
| Contractor Resource Costs - PSRT | (190,040) | (139,467) | (329,507) |
| Contractor Resource Costs - Operations | (225,823) | (16,884) | (242,707) |
| Contractor Resource Costs - Call Center | (27,500) | (27,500) | (55,000) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | (698,826) | - | (698,826) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | (14,870) | (14,870) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | (293,109) | (217,363) | (510,472) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | (1,268,893) | (1,268,893) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | (98,722) | | (98,722) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | (186,055) | (174,955) | (361,010) |
| Total Estimated Amount Considered Normal Operations | (1,720,075) | (1,859,932) | (3,580,007) |
| Total Distribution Cost Projection - Net Impact | \$ 43,339,984 | \$ 59,306,615 | \$ 102,646,600 |

EXHIBIT 4

EXHIBIT 4 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Distribution Costs Related to Damages Caused by Later Phase of Storm, February 11, 2009**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Distribution Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ 534,516 | \$ 68,808 | \$ 603,324 |
| Internal Employee Labor/Transportation - KU Employees | 1,018 | 889,972 | 890,990 |
| Internal Employee Labor/Transportation - SERVCO Employees | 66,723 | 38,180 | 104,903 |
| Subtotal Employee Labor/Transportation: | 602,257 | 996,960 | 1,599,216 |
| Linemen Contractors: | 1,206,859 | 537,771 | 1,744,630 |
| Tree Trimming Contractors: | 57,355 | 163,185 | 220,540 |
| Public Safety Response Team (PSRT) Contractors: | 112,269 | 21,217 | 133,486 |
| Call Center Contractors: | 22,692 | 13,977 | 36,669 |
| Staging Area Contractors: | - | - | - |
| Oil Spill Contractors: | - | - | - |
| All Other Contractors: | 13,926 | 28,270 | 42,196 |
| Subtotal Contractors: | 1,413,101 | 764,420 | 2,177,521 |
| Materials | 12,248 | 25,105 | 37,353 |
| Miscellaneous | 21,323 | 27,624 | 48,947 |
| Contingency | 103,153 | 49,930 | 153,083 |
| Total Distribution Cost Projection (as of 4-20-2009) | \$ 2,152,081 | \$ 1,864,039 | \$ 4,016,120 |

EXHIBIT 4 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|---------------------|---------------------|---------------------|
| Contractor Resource Costs - PSRT | (22,276) | (11,307) | (33,583) |
| Contractor Resource Costs - Operations | (58,880) | (8,442) | (67,322) |
| Contractor Resource Costs - Call Center | (9,500) | (9,500) | (19,000) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | (157,290) | - | (157,290) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | (46) | (46) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | (25,450) | (19,277) | (44,727) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | (198,139) | (198,139) |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | (5,225) | | (5,225) |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | (12,270) | (11,387) | (23,658) |
| <hr/> | | | |
| Total Estimated Amount Considered Normal Operations | (290,891) | (258,098) | (548,989) |
| <hr/> | | | |
| Total Distribution Cost Projection - Net Impact | \$ 1,861,190 | \$ 1,605,941 | \$ 3,467,131 |
| <hr/> | | | |

EXHIBIT 5

EXHIBIT 5 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Transmission Costs Only, Both Storm Phases**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Transmission Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ - | \$ - | \$ - |
| Internal Employee Labor/Transportation - KU Employees | - | - | - |
| Internal Employee Labor/Transportation - SERVCO Employees | 76,030 | 158,113 | 234,143 |
| Subtotal Employee Labor/Transportation: | 76,030 | 158,113 | 234,143 |
| Linemen Contractors: | 17,746 | 230,133 | 247,879 |
| Tree Trimming Contractors: | - | 499,493 | 499,493 |
| Public Safety Response Team (PSRT) Contractors: | - | - | - |
| Call Center Contractors: | - | - | - |
| Staging Area Contractors: | - | - | - |
| Oil Spill Contractors: | - | - | - |
| All Other Contractors: | - | 93,740 | 93,740 |
| Subtotal Contractors: | 17,746 | 823,366 | 841,112 |
| Materials | 45 | 350 | 395 |
| Miscellaneous | 836 | 25,214 | 26,050 |
| Contingency | 823 | 41,531 | 42,354 |
| Total Transmission Cost Projection (as of 4-20-2009) | \$ 95,480 | \$ 1,048,574 | \$ 1,144,054 |

EXHIBIT 5 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|------------------|-------------------|-------------------|
| Contractor Resource Costs - PSRT | - | - | - |
| Contractor Resource Costs - Operations | - | - | - |
| Contractor Resource Costs - Call Center | - | - | - |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | (72,771) | - | (72,771) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | - | - |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | - | - | - |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | - | (154,870) | (154,870) |
| <hr/> | | | |
| Total Estimated Amount Considered Normal Operations | (72,771) | (154,870) | (227,641) |
| <hr/> | | | |
| Total Transmission Cost Projection - Net Impact | \$ 22,709 | \$ 893,704 | \$ 916,413 |
| <hr/> | | | |

EXHIBIT 6

EXHIBIT 6 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Transmission Costs Related to Damages Caused by Early Phase of Storm, January 26-28, 2009**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Transmission Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ - | \$ - | \$ - |
| Internal Employee Labor/Transportation - KU Employees | - | - | - |
| Internal Employee Labor/Transportation - SERVCO Employees | 76,030 | 158,113 | 234,143 |
| Subtotal Employee Labor/Transportation: | 76,030 | 158,113 | 234,143 |
| Linemen Contractors: | 17,136 | 228,993 | 246,129 |
| Tree Trimming Contractors: | - | 499,493 | 499,493 |
| Public Safety Response Team (PSRT) Contractors: | - | - | - |
| Call Center Contractors: | - | - | - |
| Staging Area Contractors: | - | - | - |
| Oil Spill Contractors: | - | - | - |
| All Other Contractors: | - | 93,740 | 93,740 |
| Subtotal Contractors: | 17,136 | 822,226 | 839,362 |
| Materials | 45 | 350 | 395 |
| Miscellaneous | 836 | 25,214 | 26,050 |
| Contingency | 823 | 41,531 | 42,354 |
| Total Transmission Cost Projection (as of 4-20-2009) | \$ 94,870 | \$ 1,047,434 | \$ 1,142,304 |

EXHIBIT 6 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|------------------|-------------------|-------------------|
| Contractor Resource Costs - PSRT | - | - | - |
| Contractor Resource Costs - Operations | - | - | - |
| Contractor Resource Costs - Call Center | - | - | - |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | (72,771) | - | (72,771) |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | - | - |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | - | - | - |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | - | (154,870) | (154,870) |
| <hr/> | | | |
| Total Estimated Amount Considered Normal Operations | (72,771) | (154,870) | (227,641) |
| <hr/> | | | |
| Total Transmission Cost Projection - Net Impact | \$ 22,099 | \$ 892,564 | \$ 914,663 |
| <hr/> | | | |

EXHIBIT 7

EXHIBIT 7 (PAGE 1 OF 2)

**2009 Winter Storm Restoration Estimate
Transmission Costs Related to Damages Caused by Later Phase of Storm, February 11, 2009**

| | LG&E OPEX | KU OPEX | Total OPEX |
|---|--------------------------|--------------------|-----------------------|
| <u>Transmission Cost Projection</u> | | | |
| Internal Employee Labor/Transportation - LG&E Employees | \$ - | \$ - | \$ - |
| Internal Employee Labor/Transportation - KU Employees | - | - | - |
| Internal Employee Labor/Transportation - SERVCO Employees | - | - | - |
| Subtotal Employee Labor/Transportation: | - | - | - |
| Linemen Contractors: | 610 | 1,140 | 1,750 |
| Tree Trimming Contractors: | - | - | - |
| Public Safety Response Team (PSRT) Contractors: | - | - | - |
| Call Center Contractors: | - | - | - |
| Staging Area Contractors: | - | - | - |
| Oil Spill Contractors: | - | - | - |
| All Other Contractors: | - | - | - |
| Subtotal Contractors: | 610 | 1,140 | 1,750 |
| Materials | - | - | - |
| Miscellaneous | - | - | - |
| Contingency | - | - | - |
| Total Transmission Cost Projection (as of 4-20-2009) | \$ 610 | \$ 1,140 | \$ 1,750 |

EXHIBIT 7 (PAGE 2 OF 2)

Estimated Amount Considered Normal Operations:

| | | | |
|--|---------------|-----------------|-----------------|
| Contractor Resource Costs - PSRT | - | - | - |
| Contractor Resource Costs - Operations | - | - | - |
| Contractor Resource Costs - Call Center | - | - | - |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to LG&E Storm | - | - | - |
| Internal Employee Resource Costs - KU Labor/Transportation charged to KU Storm | - | - | - |
| Internal Employee Resource Costs - LG&E Labor/Transportation charged to KU Storm | - | - | - |
| Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm | - | - | - |
| | | | |
| Total Estimated Amount Considered Normal Operations | - | - | - |
| | | | |
| Total Transmission Cost Projection - Net Impact | \$ 610 | \$ 1,140 | \$ 1,750 |