Attachment O Formula Rate Protocols

Section II.D The Annual Update shall:

1. Include a workable data-populated Formula Rate Template and underlying workpapers in native format with all formulas and links intact;
   Response: LGE/KU's 2014 Updated Attachment O Formula Rate Template, named "Att O 2014 Posted Copy.xlsx" can be located on the LGE/KU OASIS under "Transmission Rates >".

2. Be based on LG&E/KU's applicable FERC Form No. 1 for the prior calendar year;
   Response: LGE/KU FERC Form 1 data can be located on the LGE/KU OASIS under "Transmission Rates > Supporting Documents".

3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the formula rate that are not otherwise available in the FERC Form No. 1;
   Response: LGE/KU formula rate calculations and all inputs thereto are included in the document reference in response to Item #1. Supporting documentation and workpapers for data that are used in the formula rate that are not otherwise available in the FERC Form No. 1 can be located on the LGE/KU OASIS under "Transmission Rates > Supporting Documents". A list of the supporting documents is attached to these protocols as Appendix 1.

4. Provide sufficient information to enable Interested Parties (as that term is defined in Section II.E of these protocols) to replicate the calculation of the formula Louisville Gas and Electric Company Exhibit I Protocols results using the FERC Form No. 1 and any data not otherwise available in the FERC Form No. 1;
   Response: See the documents referenced in response to Items #1 and #3.

5. Identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;
   Response: LGE/KU did not identify any changes in the formula references (page and line numbers) to the FERC Form No. 1.

6. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;
   Response: LGE/KU did not identify any adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1.

7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the FERC Form No. 1;

Response: See the documents referenced in the response to Item #3.

8. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate ("Accounting Change"):
    a. Identify any Accounting Changes, including
        i. The initial implementation of an accounting standard or policy;
        Response: LGE/KU did not identify any changes.

        ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
        Response: LGE/KU did not identify any changes.

        iii. correction of errors and prior period adjustments that impact the revenue requirement;
        Response: LGE/KU reports the following adjustments.

- **Officers that have responsibility over several areas stopped charging labor to operational accounts and began charging FERC Account No. 920. This change was a result of having Officers charge consistently. The change from operating accounts to FERC Account No. 920 decreased both total labor and functional labor used to develop the Wages and Salaries allocator, because A&G labor is not used to develop the Wages and Salaries allocator.**
- **Technical Training and Safety labor was formerly charged to FERC Account No. 920 and non-labor charged to FERC Account No. 921. Following a Training and Safety reorganization in 2014, it was determined that Technical Training and Safety charges should be recorded to FERC Account No. 500 as the group supports generation employees. Additionally, Generation Services previously charged to FERC Account No. 510 to represent work performed to support maintenance functions. In 2014, it was determined their support work was more operational in nature and should be charged to FERC Account No. 500. The change from FERC Accounts 920 and 921 to FERC Account 500 increased total labor used to develop the Wages and Salaries allocator; however, because the change did not impact the reporting of transmission labor, the impact on the allocator was a decrease, resulting in decreased general and intangible plant allocations to the Attachment O revenue requirement.**
- **LGE/KU routinely reviews charges to capital projects to ensure accurate classification and makes reclassifications to O&M for previous year charges where appropriate. Such reclassifications may impact the determination of the Attachment O revenue requirement,**

depending on accounts impacted and type of charges being reclassified.

- **Prepaid Postage was formerly charged to FERC Account No. 921 for mixed mail and FERC Account No. 903 for customer bills. It was determined Prepaid Postage should have been accounted for as prepaid assets. A prepaid asset was established for 12/13/14 in FERC Account No. 165, resulting in understated expenses of $307K for LGE and $382K for KU. This change resulted in an increase to rate base and a decrease to expense, compared to 2013.**

iv. the implementation of new estimation methods or policies that change prior estimates; and
Response: LG&E and KU Services Company ("LKS") received approval in 2014 for its amended Cost Allocation Manual from the Virginia State Corporation Commission in Case No. PUE-2013-00130. LKS provides administrative, technical, management, engineering, legal, accounting, and other services to affiliates, primarily LGE/KU.

v. changes to income tax elections;
Response: LGE/KU did not identify any changes.

b. Identify items included in the formula rate at an amount other than on a historic cost basis (e.g., fair value adjustments);
Response: LGE/KU did not have any formula rate at an amount other than on a historic cost basis (e.g., fair value adjustments).

c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the formula rate;
Response: LGE/KU did not have any reorganization or merger transaction during the previous year.

APPENDIX 1

Posted File Name	Data Provided	Location in "Att O 2014 Posted.xlsx"
Attachment O demand divisor WS-2015.xlsx	Identifies the Capacity Benefit Margin	Tab "OATT Input Data" Cell E94
Attachment O demand divisor WS-2015.xlsx	Contract demand provided at a discount	Tab "OATT Input Data" Cell E95
FERC Annual Rate for Transmission.xlsx	Allocates the FERC Annual Fee to include in the Attachment O Formula based on Transmission of Electricity for Others (FF1 pages 310-311, 326-327, 328-330)	Tab "OATT Input Data" Cells C183:D183
KU ARO Reserve.xlsx	Identifies the transmission reserve balance associated with KU transmission AROs.	Tab "OATT Input Data" Cell C134
KU Juris Book 2014 Accruals and Reserves.xlsx	Identifies adjustments to depreciation reserves and expense to reflect different depreciation rates used for retail and wholesale rate purposes.	Reserve adjustments: Tab "OATT Input Data" Cells M109:M115 Depreciation adjustments: Tab "OATT Input Data" Cells M188:M190
Lease Payments.pdf	Identifies transmission-related lease payments includable in the Attachment O Formula.	Tab "OATT Input Data" Cells C185:D185
LGE ARO Reserve.xlsx	Identifies the transmission reserve balance associated with LGE transmission AROs.	Tab "OATT Input Data" Cells D134, D138
LGE Juris Book 2014 Accruals and Reserves.xlsx	Identifies adjustments to depreciation reserves and expense to reflect different depreciation rates used for retail and wholesale rate purposes.	Reserve adjustments: Tab "OATT Input Data" Cells N110:N116 Depreciation adjustments: Tab "OATT Input Data" Cells N109:N191
LSE Direct Assignment Costs - 2014.pdf	Identifies current year investments in transmission that benefit the LSE only.	Tab "OATT Input Data" Cell E146
LSE Network Assignment Costs - 2014.pdf	Identifies current year investments in network transmission that was paid for by the LSE only.	Tab "OATT Input Data" Cell E153
Plant Held for Future Use.xlsx	Identifies Transmission plant held for future use not identified in Form 1	Tab "OATT Input Data" Cells C155, D150
Reg Asset Amortization.xlsx	Identifies amortization expenses charged to transmission O&M that are removed from expense in the Attachment O Formula.	Tab "OATT Input Data" Cells C173:D173; C175:D175
Schedule 1 formula rate - 2015.xlsx & Schedule 1 formula rate - 2015 2nd.pdf	Schedule 1 revenues	Tab "OATT Input Data" Cells C371:D372

VA 500 KV Line - Dec 2014.xlsx	Identifies total plant in service for network transmission assets physically located in Virginia and included in the Attachment O Formula.	Tab "VA Transmission" Cells B9:E17
VA Plant.xlsx	Identifies total plant in service for all transmission assets physically located in Virginia, to properly exclude non-network assets.	Tab "VA Transmission" Cells B25:E33