PPL companies

2016 Annual Meeting:

LG&E/KU Transmission Rates

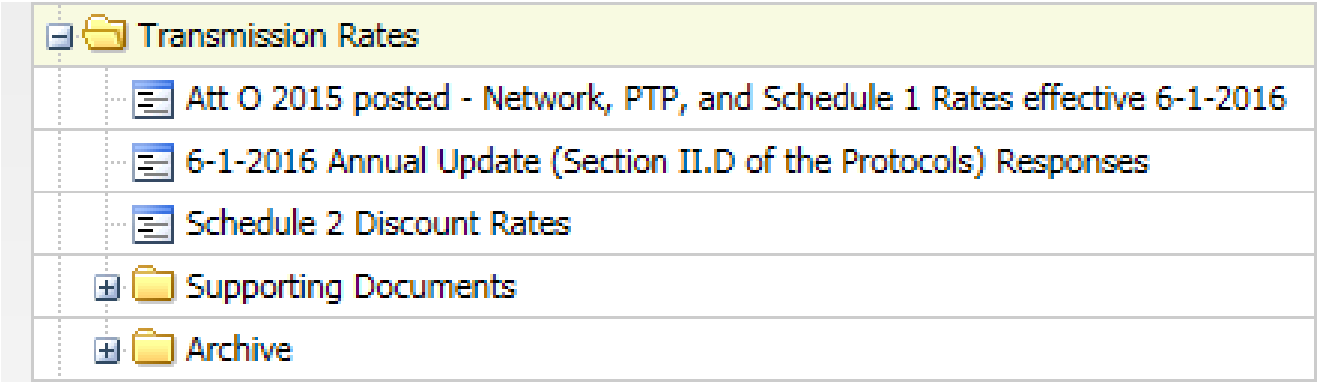
(OATT Attachment 0)

July 21, 2016

Annual Rate Update

- LG&E/KU's Transmission rates are based on the FERC-approved Rate Formula in Attachment O of LG&E/KU's OATT; this rate formula uses actual costs and data from the previous calendar year.

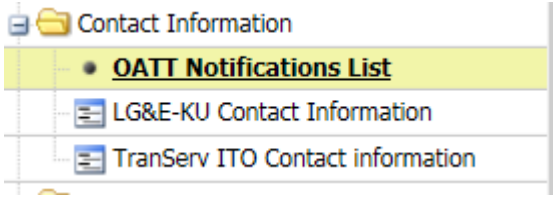
- Annually on June 1, the updated LG&E/KU Transmission rates go into effect.
  - *LG&E/KU is required to make publicly available all information necessary to determine the updated Transmission rate; this information is posted on the LG&E/KU OASIS under "Transmission Rates > Supporting Documents".*



Annual Rate Update

- The Formula Rate Protocols in LG&E/KU's OATT require that LG&E/KU hold an open meeting among Interested Parties between the publication date and September 1.
  - *This meeting satisfies that requirement*

- LG&E/KU OATT Notification List



- In addition to the publicly available data on which the updated Transmission rate is based, LG&E/KU also has a number of internal controls to ensure the accuracy of the data.
  - *The FERC Form 1, which is the genesis for most of the data in the FERC-approved Formula Rate, is reviewed by multiple parties at LG&E/KU.*
  - *There are numerous Sarbanes Oxley controls to verify data inputs*
  - *Internal and external walkthroughs of controls and processes surrounding the annual update are performed annually.*

Annual Rate Calculation

$$\frac{(Total\ OM + Total\ Depreciation + Total\ Taxes + Return)\ minus\ (Revenue\ received\ from\ Non-Firm\ or\ Short-Term\ Firm\ Service)}{(NITS\ load + Long-Term\ PTP\ + CBM\ for\ calculation\ of\ PTP\ rates\ only)\ minus\ (services\ provided\ at\ a\ discount)}$$

Rate Calculation

$$\frac{Annual\ Rate}{12} = \text{Monthly Rate}$$

$$\frac{Annual\ Rate}{52} = \text{Weekly Rate}$$

$$\frac{Weekly\ Rate}{5} = \text{Daily Peak Rate}$$

$$\frac{Weekly\ Rate}{7} = \text{Daily off Peak Rate}$$

$$\frac{Daily\ Peak\ Rate}{16} = \text{Hourly Peak Rate}$$

$$\frac{Daily\ off\ Peak\ Rate}{24} = \text{Hourly off Peak Rate}$$

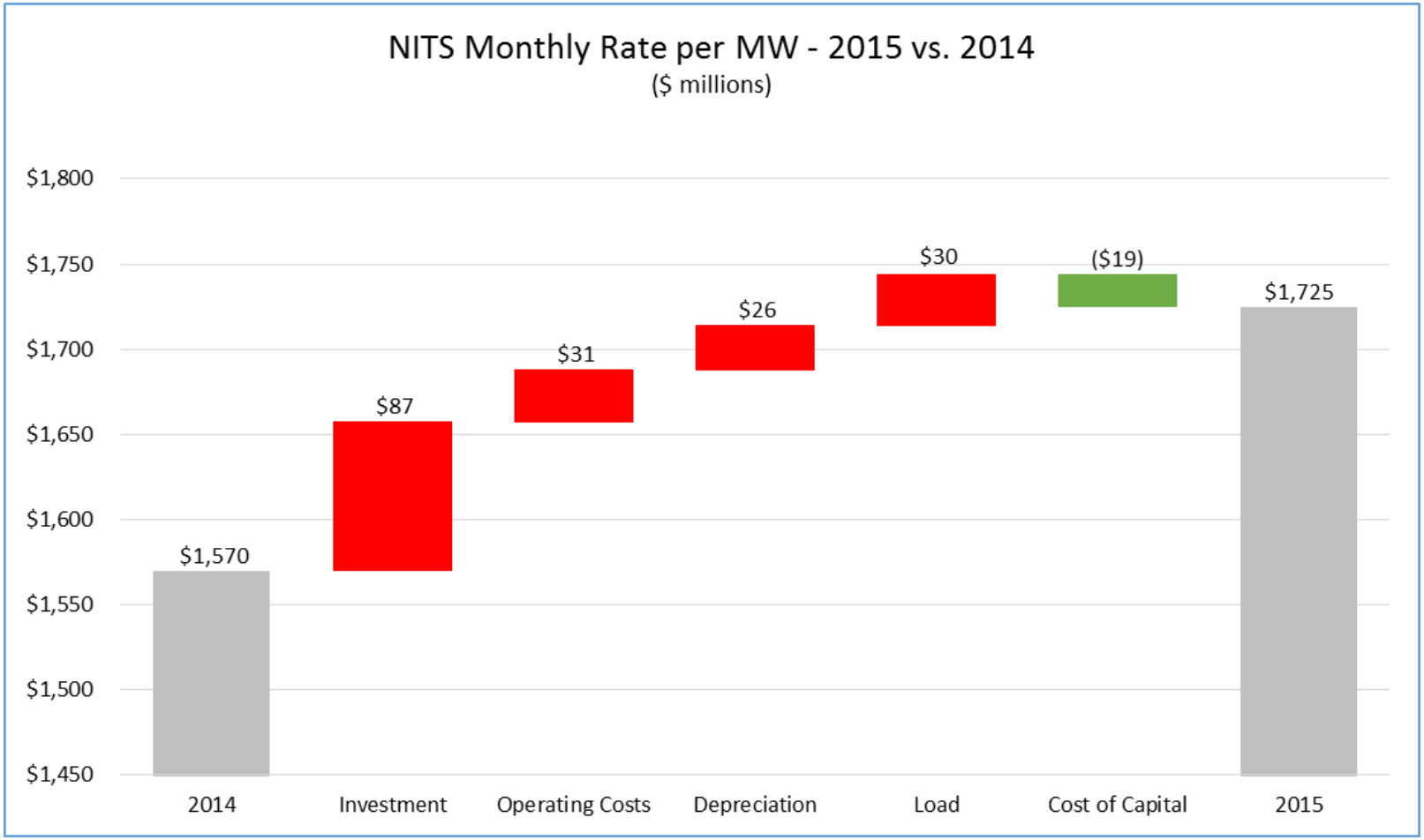
OATT Rates effective June 1, 2016

Type of Service	Unit of Measure	2015 Rate PTP	2015 Rate NITS	2016 Rate PTP	2016 Rate NITS
Hourly Peak	$/MWh	$4.44	N/A	$4.88	N/A
Hourly Off-Peak	$/MWh	$2.08	N/A	$2.29	N/A
Daily Peak	$/MW-Day	$71.00	N/A	$78.00	N/A
Daily Off-Peak	$/MW-Day	$50.00	N/A	$55.00	N/A
Weekly	$/MW-Week	$353	N/A	$388	N/A
Monthly	$/MW-Month	$1,532	$1,570	$1,683	$1,725
Schedule 1	$/MW-Month	$66.5	$66.5	$78	$78

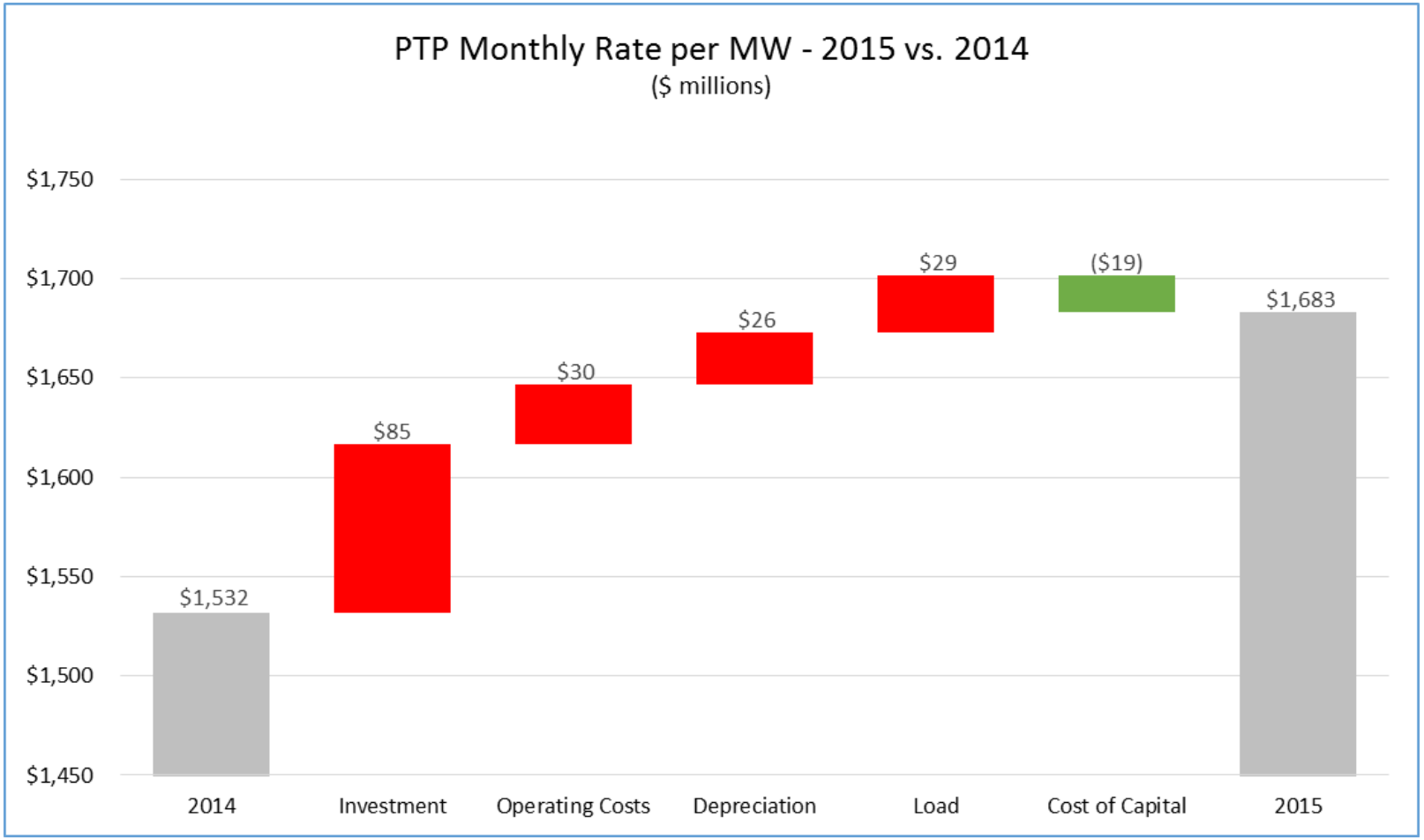
What is the main driver behind increased cost of service

- Increase in Transmission Network Projects
  - *Kenzig Road Substation*
  - *Cane Run CT Substation*
  - *Earlington North-Livingston County Line Improvements*
  - *Cane Run 7 / Circuit 4533*
  - *Steel Structures Upgrade on Hardin County-Cloverport Line*
- Increase in O&M
  - *Primarily due to an increase in Pension & Benefits*
- Decrease in Demand

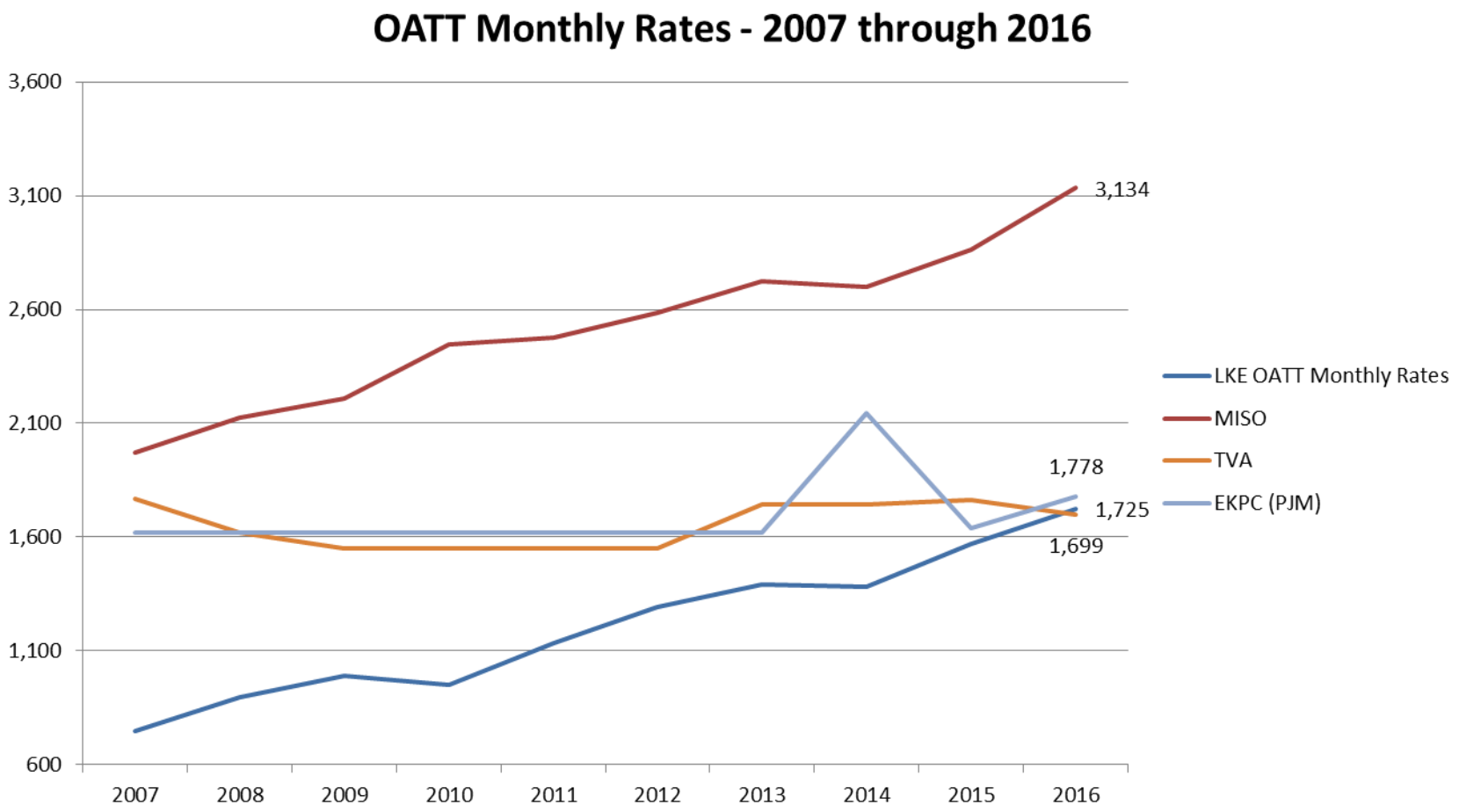
NITS Rate


NITS Monthly Rate per MW - 2015 vs. 2014
($ millions)
$1,800
$1,750
$1,700
$1,650
$1,600
$1,550
$1,500
$1,450
$1,570
$87
$31
$26
$30
($19)
$1,725
2014
Investment
Operating Costs
Depreciation
Load
Cost of Capital
2015

PTP Rate


PTP Monthly Rate per MW - 2015 vs. 2014
($ millions)
$1,750
$1,700
$1,650
$1,600
$1,550
$1,500
$1,450
$1,532
$85
$30
$26
$29
($19)
$1,683
2014
Investment
Operating Costs
Depreciation
Load
Cost of Capital
2015

Historical Graph of Rates 2007-2016



Questions?