**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: LG&E/KU’s 2017 Updated Attachment O Formula Rate Template, named “Att O 2017 Posted.xlsx” can be located on the LG&E/KU OASIS under the “Transmission Rates” folder.**

1. Be based on LG&E/KU’s applicable FERC Form No. 1 for the prior calendar year;

**Response: LG&E/KU FERC Form 1 data can be located on the LG&E/KU OASIS under the “Transmission Rates > Supporting Documents” folder.**

1. 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: LG&E/KU formula rate calculations and all inputs thereto are included in the document referenced 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 LG&E/KU OASIS under the “Transmission Rates > Supporting Documents” folder.**

1. 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.**

1. Identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;

**Response: LG&E/KU identified the following changes in the formula references (page and line numbers) to the FERC Form No. 1.**

* 1. Updated Form 1 references for the following cells on the OATT Input Data tab:
		+ 1. B352-B398 updated FERC Form 1 references for all page 330 and 330.1 inputs based on 2017 activity;
1. 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 identified the following 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.**

* + - 1. **Included ASC 740 ADIT adjustment amounts for account 282 in cells C135, D135 largely as a result of the TCJA;**
			2. **Included ASC 740 ADIT adjustment amounts for account 283 in cells C140, D140 largely as a result of the TCJA;**
			3. **Included ASC 740 ADIT adjustment amounts for account 190 in cells C145, D145 largely as a result of the TCJA;**
			4. **Included adjustments to remove from A&G expenses KPSC- approved regulatory asset treatment of pensions and Green River plant retirement in cells C198, C199, and D198;**
			5. **Included adjustment to remove from plant related tax expense KPSC-approved regulatory asset treatment of Green River plant retirement in cell C232;**
1. 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.**

1. 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”):
	1. Identify any Accounting Changes, including
		1. The initial implementation of an accounting standard or policy;

**Response: LGE/KU has removed the effect of certain regulatory assets and liabilities authorized by the state regulatory commissions from the FERC formula rate. LGE/KU did not identify any other changes.**

* + 1. 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.**

* + 1. correction of errors and prior period adjustments that impact the revenue requirement;

**Response: LGE/KU reports the following adjustments.**

* **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.**
* **Letter of credit fees allocated to LKE by PPL Capital Funding were not properly allocated between the utilities, capital and service companies in a prior period. The fees were properly allocated according to the Utilities Services Agreement approved by the Virginia State Corporations Commission resulting in an increase in O&M expense to the Utilities in the current period.**
* **As part of the utilities allocation process, LGE/KU identified an improper allocation of A&G costs related to one facility location. Correct allocation rules were subsequently applied resulting in an increase in O&M expense in the current period.**
* **LGE/KU routinely reviews the amortization of intercompany prepaid transactions. An adjustment was required to correct the allocation of prepaid expense between LG&E/KU in the current period.**
* **LGE/KU identified a duplicate payment by Accounts Payable, which was subsequently refunded by the vendor in a prior period, but not properly applied by LGE/KU. This adjustment resulted in an increase in O&M expense in the current period.**
	+ 1. the implementation of new estimation methods or policies that change prior estimates; and

**Response: LGE/KU did not identify any changes.**

* + 1. changes to income tax elections;

**Response: LGE/KU did not identify any changes.**

* 1. 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 items at an amount other than on a historic cost basis (e.g., fair value adjustments).**

* 1. 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 transactions during the previous year.**