

**ATTACHMENT O
RATE FORMULA FOR NETWORK INTEGRATION TRANSMISSION SERVICE**

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2013
Page 1 of 5

LG&E and KU

Line No.						Allocated Amount
1	GROSS REVENUE REQUIREMENT	Pg 3 of 5, L. 29				\$ 115,028,149
	REVENUE CREDITS	Note T	<u>Total</u>		<u>Allocator</u>	
2	Account No. 454	Pg 4 of 5, L. 35	\$ 0	TP	0.95250	\$ 0
3	Account No. 456	Pg 4 of 5, L. 38	5,744,755	TP	0.95250	5,471,879
4	Revenues from Grandfathered Interzonal Transactions		0	TP	0.95250	0
5	Revenues from service provided by LG&E and KU at a discount		0	TP	0.95250	0
6	TOTAL REVENUE CREDITS	Sum of Ls. 2-5				\$ 5,471,879
7	NET REVENUE REQUIREMENT	L.1 - L.6				\$ 109,556,270
	DIVISOR					
8	Average of 12 coincident system peaks for requirements (RQ) service (kW)	Note A				5,740,000
9	Plus 12 CP of firm bundled sales over one year not in line 8 (kW)	Note B				0
10	Plus 12 CP of Network Load not in line 8 (kW)	Note C				696,000
11	Less 12 CP of firm P-T-P over one year (enter negative) (kW)	Note D				0
12	Plus Contract Demand of firm P-T-P over one year (kW)					558,000
13	[RESERVED]					0
14	Less Contract Demands from service over one year provided by LG&E and KU at a discount (enter negative) (kW)					(376,000)
15	Divisor (kW)	Sum of Ls. 8-14				6,618,000
16	Annual Cost (\$/kW/Yr)	L. 7 ÷ L. 15	\$ 16.554			
17	Network Rate (\$/kW/Month)	L. 16 ÷ 12	\$ 1.380			
18	[RESERVED]					
19	[RESERVED]					
20	[RESERVED]					
21	FERC Annual Charge(\$/MWh)	Note E	\$ 0.000	Short Term		\$ 0.000
22			\$ 0.000	Long Term		\$ 0.000

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Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2013
Page 2 of 5

Line No.	(1) RATE BASE:	LG&E and KU		(4) Allocator	(5) Transmission (Col 3 times Col 4)
		(2) Form No. 1 Page, Line, Col.	(3) Company Total		
	GROSS PLANT IN SERVICE				
1	Production	205.46.g	\$ 7,039,524,444	NA	
2	Transmission	207.58.g	1,047,511,258	TP	0.95250 \$ 997,754,473
3	Distribution	207.75.g	2,625,320,878	NA	
4	General & Intangible	205.5.g & 207.99.g	240,419,710	W/S	0.04809 11,561,784
5	Common	356.1	168,008,007	CE	0.04473 7,514,998
6	TOTAL GROSS PLANT	Sum of Ls. 1 - 5	\$ 11,120,784,297	GP =	0.09144 \$ 1,016,831,255
	ACCUMULATED DEPRECIATION	Note Y			
7	Production	219.20-24.c	\$ 2,970,771,073	NA	
8	Transmission	219.25.c	473,111,110	TP	0.95250 \$ 450,638,333
9	Distribution	219.26.c	1,038,316,435	NA	
10	General & Intangible	219.28.c & 200.21.c	105,705,874	W/S	0.04809 5,083,395
11	Common	356.1	84,503,759	CE	0.04473 3,779,853
12	TOTAL ACCUM. DEPRECIATION	Sum of Ls. 7 - 11	\$ 4,672,408,252		\$ 459,501,581
	NET PLANT IN SERVICE				
13	Production	L.1 - L.7	\$ 4,068,753,371		
14	Transmission	L.2 - L.8	574,400,148		\$ 547,116,141
15	Distribution	L.3 - L.9	1,587,004,443		
16	General & Intangible	L.4 - L.10	134,713,836		6,478,388
17	Common	L.5 - L.11	83,504,247		3,735,145
18	TOTAL NET PLANT	Sum of Ls. 13 - 17	\$ 6,448,376,045	NP =	0.08643 \$ 557,329,674
	ADJUSTMENTS TO RATE BASE	Note F			
19	Account No. 281 (enter negative)	273.8.k	\$ 0	NA	
20	Account No. 282 (enter negative)	275.2.k	(1,249,523,197)	NP	0.08643 \$ (107,996,290)
21	Account No. 283 (enter negative)	277.9.k & Note W	(177,010,358)	NP	0.08643 (15,299,005)
22	Account No. 190	234.8.c & Note W	313,516,650	NP	0.08643 27,097,244
23	Account No. 255 (enter negative)	267.8.h	0	NP	0.08643 0
24	Network Upgrade (enter negative)	Note X	0	TP	0.95250 0
25	LSE Direct Assignment (enter negative)	Note X	(7,097,095)		1.00000 (7,097,095)
26	Transmission Plant ARO -- Net Balance (enter negative)		(590,527)	TP	0.95250 (562,477)
27	Common Plant ARO -- Net Balance (enter negative)		(71,957)	CE	0.04473 (3,219)
28	TOTAL ADJUSTMENTS	Sum of Ls. 19 - 27	\$ (1,120,776,484)		\$ (103,860,842)
29	LAND HELD FOR FUTURE USE	214.x.d; Notes G & Z	\$ 0	TP	0.95250 \$ 0
	WORKING CAPITAL	Note H			
30	CWC	calculated	\$ 29,016,394		\$ 4,954,574
31	Materials & Supplies	227.8.c & 16.c; Note G	6,744,703	TE	0.81369 5,488,098
32	Prepayments (Account 165)	111.57.c	11,039,295	GP	0.09144 1,009,433
33	TOTAL WORKING CAPITAL	Sum of Ls. 30 - 32	\$ 46,800,392		\$ 11,452,105
34	Rate Base	Sum of Ls. 18,28,29,33	\$ 5,374,399,953		\$ 464,920,937

**ATTACHMENT O
RATE FORMULA FOR NETWORK INTEGRATION TRANSMISSION SERVICE**

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2013
Page 3 of 5

Line No.	(1)	(2)	LG&E and KU (3)	(4)	(5)
		Form No. 1 Page, Line, Col.	Company Total	Allocator	Transmission (Col 3 times Col 4)
	O&M				
1	Transmission	321.112.b; see also Note V	\$ 41,342,686	TE	\$ 33,640,130
2	Less Account 565 (enter negative)	321.96.b	(3,339,131)		(3,339,131)
3	A&G	323.197.b	201,375,982	W/S	9,684,171
4	Less FERC Annual Fees (enter negative)	351.2.h	(854,599)	W/S	(41,098)
5	Less EPRI & Reg. Comm. Exp. & Non-safety Ad. (enter negative)	Note I	(6,393,785)	W/S	(307,477)
6	Plus Transmission Related Reg. Comm. Exp.	Note I	0	TE	0
7	Common	356.1	0	CE	0
8	Transmission Lease Payments		0		0
9	TOTAL O&M	Sum of Ls. 1-8	\$ 232,131,153		\$ 39,636,595
	DEPRECIATION AND AMORTIZATION EXPENSE	Note Y			
10	Transmission (net of ARO depreciation)	336.7.b	\$ 18,966,438	TP	\$ 18,065,532
11	General and Intangible	336.10.b & 336.1.f	23,369,225	W/S	1,123,826
12	Common (net of ARO depreciation)	336.11.b	8,595,343	CE	384,470
13	TOTAL DEPRECIATION	Sum of Ls. 10-12	\$ 50,931,006		\$ 19,573,828
	TAXES OTHER THAN INCOME TAXES	Notes J & Z			
	LABOR RELATED				
14	Payroll	263.i	\$ 15,507,861	W/S	\$ 745,773
15	Highway and vehicle	263.i	0	W/S	0
	PLANT RELATED				
17	Property	263.i	37,987,255	GP	3,473,555
18	Other	263.i	4,263,591	GP	389,863
19	Payments in lieu of taxes		0	GP	0
20	TOTAL OTHER TAXES	Sum of Ls. 14-19	\$ 57,758,707		\$ 4,609,191
	DEVELOPMENT OF INCOME TAXES	Note K			
21	$T = 1 - ((1 - SIT) \times (1 - FIT)) \div (1 - SIT \times FIT \times p)$		38.90%		
22	$CIT = (T \div (1 - T)) \times (1 - (WCLTD \div R))$, where:		51.09%		
	WCLTD =	Pg 4 of 5, L. 28	1.44%		
	R =	Pg 4 of 5, L. 31	7.29%		
	FIT, SIT and p	Note K			
23	Income Tax Gross Up Factor: $1 / (1 - T)$	T = L. 22	1.63666121		
24	Amortized Investment Tax Credit (enter negative)	266.8.f; see also Note K	0		
25	Income Tax Calculation	L. 22 x L. 28	\$ 200,167,430		\$ 17,315,799
26	ITC adjustment	L. 23 x L. 24	0.00	NP	0
27	Total Income Taxes	Sum of Ls. 25-26	\$ 200,167,430		\$ 17,315,799
28	RETURN (rate base times rate of return)	Pg 2 of 5, L.34 x Pg 4 of 5, L. 31	\$ 391,793,757		\$ 33,892,736
29	REVENUE REQUIREMENT	Sum of Ls. 9,13,20,27,28	\$ 932,782,053		\$ 115,028,149

**ATTACHMENT O
RATE FORMULA FOR NETWORK INTEGRATION TRANSMISSION SERVICE**

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2013
Page 4 of 5

**LG&E and KU
SUPPORTING CALCULATIONS AND NOTES**

Line No.								
TRANSMISSION PLANT INCLUDED IN LG&E and KU RATES								
1	Total transmission plant			Pg 2 of 5, L.2, C.3		\$	1,047,511,258	
2	Less transmission plant excluded from LG&E and KU rates			Note M			49,759,512	
3	Less transmission plant included in OATT Ancillary Services			Note N			0	
4	<u>Transmission plant included in LG&E and KU rates</u>			L. 1 - L.2 - L.3		\$	997,751,746	
5	Percentage of transmission plant included in LG&E and KU Rates			L.4 ÷ L.1		TP=	0.95250	
TRANSMISSION EXPENSES								
6	Total transmission expenses			Pg 3 of 5, L.1, C.3		\$	41,342,686	
7	Less transmission expenses included in OATT Ancillary Services			Note L			6,024,668	
8	<u>Included transmission expenses</u>			L. 6 - L.7		\$	35,318,018	
9	Percentage of transmission expenses after adjustment			L.8 ÷ L.6			0.85427	
10	Percentage of transmission plant included in LG&E and KU Rates			L. 5		TP	0.95250	
11	Percentage of transmission expenses included in LG&E and KU Rates			L.9 x L.10		TE=	0.81369	
WAGE & SALARY ALLOCATOR (W&S)								
		<u>Form 1 Reference</u>	<u>Total W&S</u>	<u>TP</u>		<u>Allocated W&S</u>		
12	Production	354.20.b	\$ 73,136,128	0.00		\$ 0		
13	Transmission	354.21.b	8,377,235	0.95250		7,979,316		
14	Distribution	354.23.b	25,729,296	0.00		0		W&S Allocator
15	Other	354.24,25,27.b	<u>58,695,178</u>	0.00		<u>0</u>		(Allocated W&S ÷ Total W&S)
16	Total Wages and Salaries	Sum of Ls. 12-15	\$ 165,937,837			\$ 7,979,316	=	0.04809 = W/S
COMMON PLANT ALLOCATOR (CE)								
		Note O	<u>Total Plant</u>					
17	Electric	200.3.c	\$ 10,635,034,274					
18	Gas	201.3.d	798,538,429					
19	Water	201.3.e	<u>0</u>					
20	Total Plant	Sum of Ls. 17-19	\$ 11,433,572,703					
21	Electric Plant Ratio	L. 17 ÷ L. 20		0.93016	times W/S (L. 16)	0.04809		0.04473 = CE
DEVELOPMENT OF RATE OF RETURN (R)								
			<u>Total per Form 1</u>					
22	Long Term Interest	117.62-67.c; Note W	\$ 107,453,555					
23	Preferred Dividends	118.29.c	0					
Development of Common Stock:								
24	Proprietary Capital	112.16.c	\$ 4,007,514,634					
25	Less Preferred Stock (enter negative)	L.29	(0)					
26	Less Accounts 216.1 & 219 (enter negative)	112.12.c; 112.15.c	<u>917,020</u>					
27	Total Common Stock	Sum of Ls. 24-26	\$ 4,008,431,654					
Weighted Average Cost of Capital:								
			<u>Total Company</u>	<u>%</u>		<u>Cost Rate (Note P)</u>	<u>Weighted</u>	
28	Long Term Debt	112.18-23.c; Note W	\$ 3,444,472,337	46.22%		0.0312	0.0144	= WCLTD
29	Preferred Stock	112.3.c	0	0%		1.0000	0.0000	
30	Common Stock	L.27	<u>4,008,431,654</u>	53.78%		0.1088	0.0585	
31	Total	Sum of Ls. 28-30	\$ 7,452,903,991				0.0729	= R
REVENUE CREDITS								
ACCOUNT 447 (SALES FOR RESALE)								
							<u>Load</u>	
32	a. Bundled Non-RQ Sales for Resale (kW)			310-311, Note Q			0	
33	b. Bundled Sales for Resale included in Divisor on page 1 (kW)			311.x.h; Note Z			0	
34	Total (kW)			L. 32-L. 33			0	
ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY)								
ACCOUNT 456 (OTHER ELECTRIC REVENUES)								
		(330.x.n)		Note R		\$	0	
36	a. Transmission charges for all transmission transactions			Notes U & Z		\$	24,395,710	
37	b. Transmission charges for all transmission transactions included in Divisor on Page 1						18,650,955	
38	Total			L. 36-L.37		\$	5,744,755	

ATTACHMENT O
RATE FORMULA FOR NETWORK INTEGRATION TRANSMISSION SERVICE
RATE FORMULA FOR POINT TO POINT TRANSMISSION SERVICE

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2013
Page 5 of 5

LG&E and KU

General Note: References to pages in this formula rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

**Note
Letter**

- A Average of monthly peak amounts reported on Page 400, column e of Form 1.
- B Labeled LF, LU, IF, IU on pages 310-311 of Form 1 at the time of the LG&E and KU coincident monthly peaks.
- C Average of monthly peak amounts reported on Page 400, column f + column h.
- D Labeled LF on page 328 of Form 1 at the time of the LG&E and KU coincident monthly peaks.
- E The FERC's annual charges for the year assessed the Transmission Owner for service under this tariff.
- F The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to ASC 715 and ASC 740. Balance of Account 255 is reduced by prior flow throughs and excluded if LG&E and KU chose to utilize amortization of tax credits against taxable income as discussed in Note K. Account 281 is not allocated.
- G Identified in Form 1 as being only transmission related.
- H Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 9, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on Page 111 line 57 in the Form 1.
- I Line 5 - EPRI Annual Membership Dues listed in Form 1 at 353.f, Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1. Line 6 - Regulatory Commission Expenses directly related to transmission service, LG&E and KU filings, or transmission siting itemized at 351.h.
- J Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Taxes related to income are excluded.
- K The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If LG&E and KU is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, if LG&E and KU elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, LG&E and KU must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f; transmission related only) multiplied by (1/1-T) (page 3, line 26). (LG&E elected to amortize tax credits against taxable income; KU elected to amortize tax credits below the line and reduce rate base. Current income tax credit balances for LG&E and KU are related 100% to production investment and are not included in the Attachment O.)
 - Inputs Required: FIT = 35.00%
 - SIT= 6.00% (State Income Tax Rate or Composite SIT)
 - p = 0.00% (percent of federal income tax deductible for state purposes)
- L Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including all of Account No. 561.
- M Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
- N Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to be included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down. LG&E and KU generator step-up facilities are included in production plant accounts and are not included in this Attachment O.
- O Enter dollar amounts. Common Plant Allocator (CE) = ratio of electric only plant to total plant, multiplied by W/S (wages and salaries allocator).
- P Debt cost rate = long-term interest (line 22) ÷ long term debt (line 28). Preferred cost rate = preferred dividends (line 23) ÷ preferred outstanding (line 29). ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
- Q Line 34 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456 and all other uses are to be included in the divisor.
- R Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
- S [Reserved]
- T The revenues credited on page 1 lines 2-5 shall include only the amounts received directly (in the case of grandfathered agreements) or from LG&E and KU (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. They do not include revenues associated with FERC annual charges, gross receipts taxes, ancillary services, facilities not included in this template (e.g., direct assignment facilities and GSUs) which are not recovered under this Rate Formula Template.
- U Account 456 entry shall be the annual total of the quarterly values reported at Form 1, 330.x.n.
- V This Attachment O reflects a pass-through of the costs associated with the ITO and the Reliability Coordinator and excludes amortization of regulatory assets when such amortization is charged to transmission O&M and recovered entirely from retail customers.
- W The amounts included in this Attachment O are net of purchase accounting adjustments resulting from the 2010 acquisition of LG&E and KU by PPL Corp. These adjustments are necessary to insulate customers from costs related to the acquisition.
- X Entry on Page 2, Line 24 shall include the Network Upgrade value included in Page 2, Line 2 and any accumulated depreciation included in Line 8. Entry on Page 2, Line 25 shall include the Load Serving Entity direct assigned value included in Page 2, Line 2 and any accumulated depreciation in Line 8.
- Y Depreciation rates and accumulated depreciation balances used in this formula include adjustments to reflect depreciation rates on file with the FERC.
- Z FERC Form 1 pages do not specify line numbers, which are subject to change from year to year and between LG&E and KU. Please see the line item descriptions for identification of amounts from FERC Form 1 included in this rate formula.

Depreciation Rates Used in Attachment O

For Kentucky Utilities Company:

Property Group	Current Rates ASL
Transmission Plant	
350.1 Land Rights	0.98%
350.2 Land	0.00%
352.1 Struct. and Impr. Non Sys Control	1.54%
352.2 Struct. and Impr. Sys Control	1.43%
353.1 Station Equipment	1.98%
353.2 Syst Control/Microwave Equip	0.46%
354 Towers & Fixtures	1.21%
355 Poles & Fixtures	2.28%
356 Overhead Conductors and Devices	1.79%
357 Underground Conduit	2.60%
358 Underground Conductors & Devices	1.26%
359 Asset Retirement Obligations - Transmission *	
Total Transmission Plant	

For Louisville Gas and Electric Company:

Property Group	Current Rates ASL
ELECTRIC PLANT	
Electric Transmission Plant	
350.2 Transmission Lines Land	0.00%
350.1 Land Rights	3.92%
352.1 Structures & Improvements	1.17%
353.1 Station Equipment	1.32%
354 Towers & Fixtures	1.38%
355 Poles & Fixtures	2.95%
356 Overhead Conductors & Devices	2.52%
357 Underground Conduit	1.85%
358 Underground Conductors & Devices	3.65%
359 Asset Retirement Obligations - Transmission *	
Total Transmission Plant	