



Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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Frankfort, KY 40602-0615

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November 16, 2010

Re: ***Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of An Acquisition of Ownership and Control of Utilities – Case No. 2010-00204***

Dear Mr. DeRouen:

Pursuant to the Commission’s Order of September 30, 2010, in the above-referenced proceeding, PPL Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company (“the Companies”) hereby report to the Commission and interested Parties any credit rating agency downgrade of PPL or any of PPL’s Kentucky-based operating subsidiaries. Attached is a copy of a report issued on October 25, 2010. The Companies are filing this notice pursuant to Appendix A, Section 3.5 of the Order.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy.

Should you have any questions regarding this information, please contact me at your convenience.

Sincerely,

Rick E. Lovekamp

cc: Dennis G. Howard II, AG
Michael L. Kurtz, KIUC

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In November 2010, E.ON U.S. LLC was renamed LG&E and KU Energy LLC.

Rating Action: Moody's downgrades the Issuer Ratings for E.ON U.S. and its subsidiaries

Global Credit Research - 25 Oct 2010

New York, October 25, 2010 — Moody's Investors Service today downgraded the Issuer Rating of E.ON U.S. LLC (E.ON U.S.) to Baa2 from A3 and the Issuer Ratings of its two utility subsidiaries, Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E), to Baa1 from A2. Moody's also downgraded KU and LG&E's short-term ratings for variable rate demand debt to Prime-2 from Prime-1. These rating actions conclude the review for possible downgrade that commenced on April 29, 2010. The rating outlooks for E.ON U.S., KU and LG&E are stable.

Separately, Moody's confirmed KU and LG&E's outstanding tax-exempt debt at A2. The rating confirmation considers that, in the case of LG&E, the formerly unsecured debt has been secured with first mortgage bonds provided to the trustee and, while KU's bonds are currently unsecured, the utility intends to secure them in a similar manner over the next week. It is Moody's policy to generally rate first mortgage bonds of investment-grade rated utilities two alpha-numeric ratings higher than its Issuer Rating or senior unsecured debt rating.

RATINGS RATIONALE

The downgrade of E.ON U.S., KU and LG&E's Issuer Ratings follows receipt of several regulatory approvals, most notably from the Kentucky Public Service Commission (KPSC), relating to the proposed sale of E.ON U.S. by E.ON AG (E.ON: A2 senior unsecured) to PPL Corp. (PPL: Baa3 senior unsecured) for approximately \$7.625 billion.

While approval from the FERC remains outstanding, we believe there is a high probability that it will be received and that the transaction will close in a matter of weeks. Upon closing of the transaction, E.ON U.S. will become a subsidiary of PPL and will be renamed LG&E and KU Energy LLC (LKE), with KU and LG&E remaining as distinct and separate operating entities. In the unlikely scenario that the merger is not consummated, the Issuer Ratings for E.ON U.S., LG&E and KU would likely revert back to their respective prior assigned levels.

"E.ON's ownership of E.ON U.S., KU and LG&E was an important factor supporting their prior respective Issuer Ratings" said Moody's Vice President Scott Solomon. "Specifically, E.ON's size, scale and credit profile provided liquidity and financial flexibility in the form of significant inter-company funding along with a liberal dividend policy that strengthened the related company's respective financial position and provided ratings lift".

Today's downgrades were triggered by the expected near-term transfer of ownership and the elimination of any ratings lift. E.ON U.S., KU and LG&E's ratings, however, are well positioned within their newly assigned rating categories and reflective of sound financial metrics and a generally supportive regulatory environment that provides for above-average cost recovery. Fluctuations in KU and LG&E's cost of fuel and purchased power, for instance, are recoverable with minimal regulatory lag while investments and costs borne by the utilities in order to remain compliant with the Clean Air Act are recoverable through an environmental surcharge mechanism.

KU and LG&E's ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt and CFO pre-W/C interest coverage for the twelve months ended June 30, 2010, were each approximately 20% and 5.6 times, respectively. Financial metrics for both utilities are expected to trend modestly upward over the near-term due in large part to rate increases that became effective in August 2010. That being said, both utilities are expected to increase their respective dividend payments under PPL ownership. E.ON U.S. is expected to generate consolidated CFO pre-W/C to debt metrics in the mid-to-upper teens and CFO pre-W/C interest coverage above 4 times, placing it firmly in the mid-Baa rating category.

KU and LG&E, combined, had approximately \$2.6 billion of long-term debt outstanding at December 31, 2009. Of this amount, approximately 70% was intercompany debt provided by E.ON affiliates (the remaining 30% is tax-exempt debt that will remain outstanding). While the absolute amount of debt at KU and LGE is not expected to be impacted by the proposed acquisition, PPL anticipates ultimately refinancing the intercompany debt with first mortgage bond debt offerings at KU and LG&E and senior unsecured debt at LKE (the renamed E.ON U.S.)

Moody's Issuer Ratings are an opinion of the ability of an entity to honor its senior unsecured financial obligations. Specific debt issues may be rated differently and are considered unrated unless rated by Moody's. That being said, it is Moody's expectation that any debt offering by LKE would likely be rated Baa2.

The KPSC's approval of the acquisition included two commitments affecting rates. The first places a moratorium on any base rate increases by KU and LG&E until 1/1/13. The second provision establishes a mechanism under which earnings at the utilities in excess of a 10.75% ROE will be shared equally between ratepayers and shareholders. The agreement has no impact on the utilities' ability to seek rate adjustments through their existing fuel and environmental cost adjustment mechanisms.

The stable outlook considers the modest expected improvement in financial metrics over the near-term and the supportive regulatory environment in which the utilities operate.

Upward pressure may materialize for KU and LG&E if they achieve financial metrics such as CFO pre-W/C to debt in excess of 25% and retained cash flow to debt of greater than 17% on a sustainable basis. LKE's rating may be upgraded if it achieves consolidated CFO pre-W/C to debt in excess of 19% on a sustainable basis.

KU, LG&E and LKE's ratings could be downgraded should the utilities encounter unexpected problems integrating with PPL or if unexpected changes are made to the regulatory compact that currently provides for timely recovery of costs. Financial metrics that may trigger downward rating pressure include, for KU and LG&E, ratios of CFO pre-W/C to debt of below 16% or, in the case of LKE, below 13%.

The principal methodology used in rating E. ON U.S. LLC was Regulated Electric and Gas Utilities rating methodology published in August 2009. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

E.ON U.S. LLC is headquartered in Louisville, Kentucky.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, confidential and proprietary Moody's Investors Service's information, confidential and proprietary Moody's Analytics' information.

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Please see the Credit Policy page on Moody's.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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