
From: Lovekamp, Rick
To: Bellar, Lonnie; Conroy, Robert; Beer, Mike
Sent: 12/3/2009 1:44:11 PM
Subject: Update to E.ON Regulation and Infrastructure
Attachments: EUS_Regulatory_Issues_113009.doc

Attached is a draft of the Core E.ON U.S. Regulatory Issues update as of November 30, 2009. Please review and provide any updates. I will plan to send an update to E.ON AG either on Friday, Dec. 4 or Monday, Dec. 7.

<<...>>

Regards,

Rick E. Lovekamp

Manager Regulatory Affairs

Office: 502-627-3780

Cell: 502-403-8840

Core Regulatory Issues E.ON US - As of November 30, 2009

Regulatory issues / risks / opportunities	Possible effects	Approx. value	Planned action / time table	Probability	Key contact (expert level)
<p>Filed notice of intent with Virginia State Corporation Commission (VSCC) requesting general adjustments to KU (ODP) base rates</p>	<ul style="list-style-type: none"> Reduction in request based on Commission staff testimony 	<p>\$12.2 M</p>	<p>Below is the current procedural schedule: 12/02/09 – Commission staff filed testimony 12/09/09 – Settlement discussions 12/18/09 – Rebuttal testimony filed by KU/ODP 01/06/10 – Public Hearing at VSCC</p>		<p>Lonnie Bellar</p>
<p>Review of events arising from and related to the 2009 Ice Storm</p>			<p>On November 19, 2009 the KPSC issued a report that included 64 recommendations to improve storm readiness and response in the future. LG&E and KU is required to respond to the applicable recommendations by March 1, 2010.</p>		<p>Rick Lovekamp</p>
<p>Requested approval for construction of pollution control facilities and cost recovery (2009 ECR Plan)</p>		<ul style="list-style-type: none"> KU - \$462.55 million LG&E – 72.53 million 	<p>The utilities have reached a tentative settlement with intervenors' in the KPSC ECR Plan (\$535M Capital) proceeding. The proposed settlement agreement, subject to documentation and approval, allows for cost recovery for all projects as filed in return for an assurance of no double recovery of costs.</p>		<p>Robert Conroy</p>

Core Regulatory Issues E.ON US - As of November 30, 2009

Regulatory issues / risks / opportunities	Possible effects	Approx. value	Planned action / time table	Probability	Key contact (expert level)
Six-month review of the Fuel Adjustment Clause (FAC)			On November 23, 2009 the Kentucky Commission issued an order which found no evidence of improper calculation or application of KU and LG&E's FAC charges or improper fuel procurement practices. It was therefore ordered that the charges and credits billed through the FAC for the period of November 1, 2008 through April 20, 2009 are approved.	●	Robert Conroy
Two-year review of the Environmental Surcharge Mechanism			On December 2, 2009, the Kentucky Commission issued an order finding the environmental surcharges billed to customers for the period of May 1, 2007 to April 30, 2009 are approved. The companies shall roll into its existing base rates the applicable environmental surcharge amounts that were found to be just and reasonable.	●	Robert Conroy
Request to build temporary transmission facilities			On September 3, 2009 KU filed an application with the Kentucky Commission. This application sought a determination that certificates of public convenience and necessity are not required to build two temporary transmission line segments. On September 21, 2009, the KPSC issued an order that requires KU to obtain certificates for these line segments. The data discovery has been completed.	●	Lonnie Bellar

Core Regulatory Issues E.ON US - As of November 30, 2009

Regulatory issues / risks / opportunities	Possible effects	Approx. value	Planned action / time table	Probability	Key contact (expert level)
Request approval of depreciation rates for new generation			<p>KPSC is required by statute to issue a decision by January 1, 2010.</p> <p>On August 6, 2009, KU and LG&E filed an application requesting approval from the Kentucky Commission of depreciation rates for the new coal-fired baseload electric generation unit the Companies are building at the Trimble County Generating Station, Trimble County Unit 2 (TC2).</p> <p>Data discovery has been completed and no public hearing has been scheduled at this time.</p>		Robert Conroy

Core Regulatory Issues E.ON US - As of November 30, 2009

Regulatory issues / risks / opportunities	Possible effects	Approx. value	Planned action / time table	Probability	Key contact (expert level)
Request approval to enter into a Wind Power Purchase Agreement			<p>KU and LG&E filed an application with the Kentucky Commission on September 28, 2009 requesting approval of power purchase agreements for 109.5 MW of wind energy. The Companies also will seek authorization to recover the costs incurred under the agreements and other related costs through a rate recovery mechanism.</p> <p>The Attorney General and Kentucky Industrial Utility Customers, Inc. have filed for intervention and jointly filed a motion opposing the application.</p> <p>Below is the current procedural schedule established by the Kentucky Commission on November 25, 2009: 12/16/09 – Parties present oral arguments regarding rehearing request 12/21/09 – Initial data request submitted to LG&E/KU 01/06/10 – LG&E/KU file responses to initial data request 01/18/10 – Supplemental data request submitted to LG&E/KU 01/28/10 – LG&E/KU file responses to supplemental data request 02/10/10 – Intervenors’ file testimony 02/19/10 – LG&E/KU submit data request to Intervenors’ 03/01/10 – Intervenors’ file responses to data</p>		Lonnie Bellar

Core Regulatory Issues E.ON US - As of November 30, 2009

Regulatory issues / risks / opportunities	Possible effects	Approx. value	Planned action / time table	Probability	Key contact (expert level)
<p>Transfer control of Transmission Functions</p>			<p>request</p> <p>No public hearing has been scheduled at this time.</p> <p>On October 30, 2009 LG&E and KU filed and application with the Kentucky Commission requesting approval to transfer to the Companies all the functions currently performed by Southwest Power Pool, Inc, the Companies Independent Transmission Operator. The Companies have applied to the Federal Energy Regulatory Commission for the requisite authority as well.</p> <p>Below is the current procedural schedule established by the Kentucky Commission on December 1, 2009: 12/21/09 – Initial data request submitted to LG&E/KU 01/06/10 – LG&E/KU file responses to initial data request</p> <p>No public hearing has been scheduled by the Kentucky Commission.</p>		
<p>Request approval for issuance of securities and the assumption of obligations</p>			<p>On November 19, 2009, LG&E and KU requested that the Kentucky Commission authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements for planned capital projects. Specifically, the</p>		

Core Regulatory Issues E.ON US - As of November 30, 2009

			Companies requests authority to obtain long-term debt financing from Fidelia Corporation, an affiliate within the E.ON AG (“E.ON”) holding company system.		
--	--	--	--	--	--

 <p>High probability (>50%)</p>	 <p>Average probability (50%)</p>	 <p>Low probability (25%)</p>	 <p>Min. probability (<10%)</p>	 <p>Practically excluded</p>
---	--	--	---	---