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## NEWS RELEASE

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### **PSC Approves PPL Purchase of E.ON U.S.** *Deal transfers control of Louisville Gas & Electric Co and Kentucky Utilities Co.*

**FRANKFORT, Ky. (Sept. 30, 2010)** – The Kentucky Public Service Commission (PSC) today conditionally approved the application of PPL Corp. to purchase E.ON U.S. LLC and its two Kentucky utilities, Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU).

In an order issued today, the PSC accepted a settlement reached by all parties in the case. The PSC determined that PPL has the managerial, technical and financial ability to operate LG&E and KU and provide reasonable service. As is required, the PSC also found that the transaction is in the public interest subject to PPL's acceptance of several additional commitments imposed by the PSC.

PPL and E.ON announced the proposed transfer of control on April 28, 2010. An application was filed with the PSC a month later.

The transaction is valued at about \$7.625 billion. E.ON US will become a subsidiary of PPL, with LG&E and KU remaining as distinct operating entities.

A number of other entities intervened in the case, representing customers ranging from large industrial facilities to low-income residents. They included the Kentucky Office of Attorney General, Kentucky Industrial Utility Customers Inc., The Kroger Co., the Kentucky School Boards Association, Lexington-Fayette Urban County Government, Big Rivers Electric Corp., the Association of Community Ministries, Local 2100 of the International Brotherhood of Electrical Workers, The Metropolitan Housing Coalition Inc. and the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas counties.

This is the third time in just over a decade that LG&E and KU have changed ownership. The British company Powergen acquired the two utilities in May 2000. In August 2001, the PSC approved their transfer to E.ON as part of the German company's acquisition of Powergen. LG&E had purchased KU in 1998.

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The PSC conducted a public hearing on the proposed settlement on Sept. 8. The hearing included a public comment period.

In their original application, PPL and E.ON made 54 commitments. The settlement included revisions to many of those commitments and several other provisions.

Key provisions of the original application are:

- Retail customers will not pay for any costs associated with the transaction.
- The current LG&E and KU headquarters in Louisville and Lexington will be maintained for at least 15 years. In response to a question from PSC Chairman David Armstrong during the hearing, the companies agreed that the LG&E headquarters would remain in its downtown location.
- There will be no reductions in workforce as a result of the transaction and retention of current LG&E and KU management.
- Community involvement will be maintained or increased, including charitable donations, for 10 years. This was extended to 15 years as part of the settlement.

The settlement includes two additional commitments affecting rates. The first places a moratorium on any base rate increases by LG&E and KU until Jan. 1, 2013. The second provision establishes a mechanism under which savings from the transfer will be shared equally by PPL's stockholders and ratepayers of LG&E and KU.

Also included in the settlement are provisions related to the continuation of existing efficiency and conservation programs and programs for low-income ratepayers; improving customer service for schools and school districts; and working with state and industry officials on economic development matters.

As a condition of approval, the PSC required PPL to commit that LG&E continue to operate as both an electric and natural gas utility unless an independent analysis demonstrates that separation would not increase costs to LG&E's ratepayers. PPL has a week to accept the condition.

PPL also must accept the PSC's authority to enforce the company's compliance with all the provisions in the order. In addition, the PSC is requiring PPL to submit an annual report on energy conservation and efficiency measures PPL currently offers in the other states in which it operates.

The Commission also is encouraging LG&E and KU to do more to increase hydroelectric generation and noted again its concern over customer service issues that will be the focus of an upcoming independent management audit of LG&E and KU previously ordered by the PSC.

LG&E has about 393,000 electric customers in nine counties in and around the Louisville area and 318,000 natural gas customers in 21 counties. KU has 513,000 customers in 77 Kentucky counties.

Today's order, case records and a video of the hearing are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2010-00204.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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