COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE JOINT APPLICATION OF E.ON AG, | ) | |
| POWERGEN PLC, LG&E ENERGY CORP., | ) | |
| LOUISVILLE GAS AND ELECTRIC COMPANY, AND | ) | CASE NO. |
| KENTUCKY UTILITIES COMPANY FOR APPROVAL | ) | 2001-104 |
| OF AN ACQUISITION | ) | |

SECOND DATA REQUEST OF COMMISSION STAFF TO THE JOINT APPLICANTS

E.ON AG ("E.ON"), PowerGen plc ("PowerGen"), LG&E Energy Corp. ("LEC"), Louisville Gas and Electric Company ("LG&E"), and Kentucky Utilities Company ("KU") (collectively "Joint Applicants") are requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 31, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to page 18 of the Application, paragraph 28.

a. How many members presently serve on (1) the Management Board and (2) the Supervisory Board of E.ON Energie AG ("E.ON Energie")?

b. Will the addition of Mr. Baldwin to the Management Board and Mr. Wallis to the Supervisory Board result in the removal of existing members of the respective boards, or an increase in the size of these boards? Explain the response.

2. Refer to Appendix A of the Application, the E.ON Recommended Pre-conditional Cash Offer for PowerGen, Appendix III – Further information about the Offer. Provide copies of the April 8, 2001 letter agreement referenced in Appendix III.

3. Refer to Appendix D of the Application, the organization chart for CRC-Evans International, Inc. ("CRC-Evans"). In PowerGen's May 3, 2001 press release announcing the unaudited results for the 3 months ended March 31, 2001, it disclosed that LEC has announced its intention to sell CRC-Evans.

a. When did LEC make this announcement?

b. Provide the press release making this announcement public.

c. Indicate when disposal is anticipated.

4. Refer to Appendix E of the Application – PowerGen's Articles of Association, Section 12, pages 9 through 11.

a. Explain the purpose and function of The Special Share.

b. Explain why PowerGen approached the British government about redeeming The Special Share, which was redeemed on December 22, 2000.

5. Refer to Appendix F of the Application. Describe the corporate and business activities anticipated for LG&E Energy Settlements, Inc., which is currently an inactive subsidiary of LEC.

6. Refer to Appendix K of the Application, the testimony of Dr. Hans Michael Gaul, page 13. Dr. Gaul states that after consummation of the acquisition of PowerGen, E.ON expects to make LEC a subsidiary of E.ON or of a U. S. intermediate holding company 100 percent owned and controlled by E.ON.

a. How soon after the consummation of the transaction will this change occur?

b. Dr. Gaul states that this change “will provide a clear corporate structure and take into account international tax requirements.” Explain the international tax requirements Dr. Gaul references in his statement.

c. Dr. Gaul further states that this change will provide PowerGen with the regulatory status of a Foreign Utility Company (“FUCO”) under the Public Utility Holding Company Act of 1935 (“PUHCA”). Explain why it is desirable for PowerGen to become a FUCO after the consummation of the acquisition by E.ON.

d. Will the establishment of PowerGen as a FUCO affect in any way LEC’s involvement with FUCOs or exempt wholesale generators? Explain the response.

e. Dr. Gaul states that an explanation of the requirements and impact of PUHCA on the acquisition are contained in the Application. Provide the appropriate references to this explanation. If the explanation was not included in the Application, provide the referenced explanation.

7. Refer to Appendix K of the Application, the Gaul Testimony, pages 19 and 20. Dr. Gaul states that after the consummation of the acquisition, Mr. Staffieri of LEC will be an executive director on the PowerGen board of directors.

a. If LEC is to no longer be a subsidiary of PowerGen, explain why Mr. Staffieri will remain on the PowerGen board of directors.

b. If LEC is to be a subsidiary of E.ON or of a U. S. intermediate holding company 100 percent owned and controlled by E.ON, explain why Mr. Staffieri or some other corporate officer of LEC would not be on either E.ON Energie's Supervisory Board or Management Board.

c. One of PowerGen's commitments was that for as long as it owned, controlled, or managed LG&E or KU, there would be a seat on the PowerGen Board occupied by a United States citizen who resides in the service territories of LG&E or KU.[1] If PowerGen becomes a FUCO, will it own, control, or manage LG&E or KU? Explain the response.

d. If PowerGen as a FUCO will no longer own, control, or manage LG&E or KU, does E.ON intend to offer a new commitment comparable to that made by PowerGen? Explain the response.

8. Refer to Appendix K of the Application, the testimony of Dr. Rolf Pohlig, pages 1 through 3. As of April 6, 2001, the total value of the proposed acquisition was approximately $13.8 billion, with approximately $6.4 billion reflecting PowerGen debt assumed by E.ON. The remaining $7.4 billion reflects the purchase of all issued and outstanding shares of PowerGen and PowerGen's American Depository Receipts.

[1] Case No. 2000-095, Joint Application of PowerGen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger, final Order dated May 15, 2000, Appendix A, at 9.

a. Based on current expectations, indicate how much of the $7.4 billion purchase will be financed by E.ON liquid assets, E.ON existing lines of credit, and E.ON Loan Notes.

b. Explain how the Loan Notes alternative works. Include a discussion of the benefits to E.ON and the PowerGen shareholder of utilizing this financing option.

c. As of April 6, 2001, express in U. S. dollars the total of E.ON's available liquid assets and existing lines of credit.

d. As of April 6, 2001, indicate the expected cost, stated in U. S. dollars, to acquire majority ownership of Sydkraft AG of Sweden.

9. Refer to Appendix K of the Application, the Pohlig Testimony, page 8. Dr. Pohlig discusses possible asset disposals by E.ON that may be required by the United States' Securities and Exchange Commission ("SEC") as a condition to approval of E.ON's acquisition of PowerGen.

a. Under current SEC rules and regulations and PUHCA, describe the extent of the SEC's flexibility to not require the disposal of certain E.ON non-energy businesses, such as its chemical and real estate businesses.

b. In his testimony, Dr. Pohlig has identified several lines of non-energy businesses that will or may be disposed of by E.ON. Not discussed however are other E.ON businesses that provide water service, telecommunications, and hard coal mining. Describe the potential for the SEC to require the disposal of these non-energy businesses as a condition for approving the PowerGen acquisition.

c. Does E.ON intend to request from the SEC a waiver of the requirement to divest any non-energy businesses? If yes, state each business and any existing SEC precedent for the waiver.

10. Refer to Appendix K of the Application, the Pohlig Testimony, page 9. Concerning the voting rights held by Allianz AG and the Free State of Bavaria, provide an update on E.ON's efforts to bring the ownership levels into conformity with the requirements of the SEC and PUHCA.

11. Refer to Appendix K of the Application, the testimony of Dr. Johannes Teyssen, pages 9 through 11.

a. On page 10 of the Teyssen Testimony it is stated that all prices and tariffs for standard-rate customers underlie prior approval of local authorities. Indicate by customer class (residential, commercial, and industrial) the percentage of E.ON's customers who are standard-rate customers.

b. Concerning E.ON's customer satisfaction surveys, provide copies of the questions asked and the survey results for each customer satisfaction survey conducted among E.ON's customers since January 1, 2000. If no surveys have been conducted since this date, provide the most recent survey questions and results. If no surveys have been conducted since the merger that created E.ON, provide the questions and results from the most recent surveys conducted by its predecessors.

12. Refer to Exhibit K of the Application, the Teyssen Testimony, pages 12 and 13. Concerning workplace safety for electric and natural gas operations:

a. Explain how workplace safety is monitored and measured by E.ON at its various locations.

b. If the levels of accidents and workplace injuries are measured, provide this information for the E.ON group, or its predecessors, for each of the years 1998-2000.

c. Provide any evaluations of workplace safety prepared since 1998. This request includes any evaluations of workplace safety that have been prepared comparing E.ON, or its predecessors, with German or European energy providers.

13. Refer to Exhibit K of the Application, the Teyssen Testimony, page 13. Concerning disruptions in and restoration of customers' electric service:

a. Are there any rules or regulations in Germany or the European Union concerning the restoration of electric service due to interruptions relating to weather, accidents, or other types of interruptions? If yes, describe the applicable rules or regulations.

b. Provide the annual frequency of service interruptions and average duration time of service interruptions experienced by E.ON's, or its predecessors', customers since 1998.

c. What percent of E.ON's distribution lines are underground and what percent of its transmission lines are underground?

d. If the authorities (local, Germany, or European Union) have established standards for service interruptions or duration of service interruptions, provide copies of those standards.

e. Explain how the levels of service interruption and interruption duration experienced by E.ON, or its predecessors, compares with those of other electric suppliers in Germany and Europe.

f. Describe any investments in or improvements made to electric facilities since 1998 in response to the service interruptions or duration of service interruptions experienced by E.ON's, or its predecessors', customers.

14. Refer to Exhibit K of the Application, the Teyssen Testimony, pages 14 and 15. Provide the following information concerning terminations of service by the E.ON group, or its predecessors, for each year since 1998:

a. The number of service terminations using these categories – inability to pay bills; security and health; illegal energy consumption; manipulation of metering assets; avoidance of blackouts; and other disturbances.

b. The number of customer notices issued 2 weeks prior to possible termination of service.

c. The number of actual terminations occurring after the 2-week notice.

15. Refer to Exhibit K of the Application, the testimony of Edmund A. Wallis, page 6. Mr. Wallis indicates that a shareholder vote of the proposed acquisition of PowerGen by E.ON depends on how the transaction is accomplished.

a. Provide a brief summary of the two approaches that can be utilized to achieve the proposed transaction. Include a discussion of the circumstances that would favor one approach over the other.

b. Under British law, are there benefits or advantages of one approach over the other? Explain the response.

c. Indicate when the decision will be made on which approach will be utilized. Explain the timing of the decision and identify all factors affecting same.

16. Refer to Exhibit K of the Application, the Wallis Testimony, page 8. Would the acquisition of PowerGen by E.ON have been complicated if PowerGen had not divested its ownership of German assets? Explain the response.

17. Refer to Exhibit K of the Application, the testimony of Victor A. Staffieri, page 4. Mr. Staffieri indicates that the current boards of directors for LG&E and KU have 10 members. The listed individuals also constitute the board of directors for PowerGen. Mr. Staffieri's predecessor, Roger W. Hale, testified in Case No. 2000-095 that after the merger, he expected the boards of directors for LG&E and KU to be similar to the board of directors for LEC.[2] The board of directors for LEC has 3 members.

a. Do the PowerGen, LG&E, and KU boards of directors meet at the same or different times? Explain the response.

b. Indicate when the determination was made that the LG&E and KU boards of directors would be the same as the PowerGen board of directors.

c. From the time the 10-member boards of directors for LG&E and KU were established to May 1, 2001, provide for each director the total amount of directors' fees, expenses, and other compensation that have been recorded on the books of LG&E and KU.

d. Explain in detail the circumstances and considerations that resulted in LG&E and KU having 10-member, instead of 3-member, boards of directors.

e. If LEC and its subsidiaries are to be a subsidiary of E.ON or a U. S. intermediate holding company 100 percent owned and controlled by E.ON, and

[2] Case No. 2000-095, Application, Hale Testimony at 5.

PowerGen is to become a FUCO, explain why it is expected that the PowerGen board of directors will continue as the boards of directors for LG&E and KU.

18. Refer to Exhibit K of the Application, the Staffieri Testimony, pages 4, 5, and Exhibit B.

a. Provide a copy of Exhibit B of the Staffieri Testimony showing the individuals holding those same positions as of May 15, 2000. If the position on the 2001 organization chart did not exist on May 15, 2000, list the individual(s) whose functions and duties most closely match the current organizational position.

b. Was an incentive or early retirement package offered to the corporate officers and senior management of LEC, LG&E, or KU after May 15, 2000?

c. If an incentive or early retirement package was offered to the corporate officers and senior management of LEC, LG&E, or KU:

(1) Indicate how many individuals took the early retirement package.

(2) Provide the expected annual savings resulting from those taking the early retirement package, presenting the salaries and primary benefit savings separately. The estimate should present information separately for LEC, LG&E, and KU.

(3) Provide the expected annual costs resulting from those taking the early retirement package, presenting the salaries and primary benefit costs separately. The estimate should present information separately for LEC, LG&E, and KU. As a component of the expected annual costs, include the cost of the individuals named as replacements for those taking the early retirement package.

19. Do any of the current corporate officers of LEC, LG&E, or KU have change of control agreements or employment and severance agreements that are impacted by the proposed acquisition of PowerGen by E.ON? If yes, identify the individuals and provide copies of the applicable agreements.

20. Refer to Exhibit K of the Application, the testimony of S. Bradford Rives, page 4.

a. Provide a listing of the administrative and corporate services that were transferred from LEC, LG&E, and KU to LG&E Energy Services, Inc. ("LG&E Services"). The listing should indicate whether the service had previously been part of LEC, LG&E, or KU.

b. Indicate how many employees of LEC, LG&E, and KU transferred to LG&E Services on January 1, 2001.

21. Refer to Exhibit K of the Application, the Rives Testimony, page 8. Mr. Rives states, "The premium E.ON will pay for the PowerGen stock will not be 'pushed down' to LG&E and KU, nor will any other costs associated with that purchase for ratemaking purposes (subject to SEC approval)." Given the caveat of "subject to SEC approval," does Mr. Rives actually mean that the push down treatment would not be required for accounting purposes, rather than rate-making? Explain the response.

22. Refer to the response to the Commission Staff's 1st Data Request dated May 4, 2001, Item 7(a). Concerning PowerGen's Annual Report for 2000:

a. On page 4 of the introduction section, the second page of the Chairman's statement, Mr. Wallis discusses the need over the next 3 years for LEC to deliver the cost savings identified through PowerGen's value delivery process to move them toward world's best practice. Was the need to deliver cost savings a factor in the workforce reduction announced by LEC, LG&E, and KU on January 9, 2001? Explain the response.

b. On page 20, under the Report of the Board of Directors' remuneration and related matters, it is disclosed that although Mr. Hale was on PowerGen's board of directors for only 20 days during 2000, he received performance-related bonuses totaling £545,000. Explain what the performance-related bonuses related to and why Mr. Hale's bonus was more than double any other directors' performance-related bonus.

23. Refer to the response to the Commission Staff's 1st Data Request dated May 4, 2001, Item 9(m) and (n).

a. Describe the uses to which LEC applied the $167.5 million in dividends received from LG&E and KU during 2000.

b. Of the $756 million PowerGen contributed to LEC in December 2000, $55 million was contributed to LG&E and KU. Describe how LEC used the remaining $701 million received from PowerGen.

c. Explain how PowerGen and LEC determined the amounts allocated to LG&E and KU from the $756 million contribution made by PowerGen to LEC.

24. Refer to the response to the Commission Staff's 1st Data Request dated May 4, 2001, Item 14.

a. Concerning the LEC Advisory Board, indicate how many times this board has met since its formation in December 2000. If the LEC Advisory Board has submitted any suggestions to the boards of directors of LEC or PowerGen, provide a general description of those suggestions and the actions taken by the LEC or PowerGen board of directors.

b. Explain why there are not separate advisory boards for LG&E and KU.

c. Concerning the boards of directors for LEC, LG&E, and KU, explain why the regional stock exchange requirement for LG&E and KU to have an audit committee of 3 independent directors is not applicable to LEC. Also, identify the regional stock exchange referenced in the response.

25. Refer to the response to the Commission Staff's 1st Data Request dated May 4, 2001, Item 19.

a. Identify the members of the Value Delivery Team and list the positions each member held within PowerGen, LEC, LG&E, or KU.

b. Indicate when the Value Delivery Team began its work on the Workforce Transition Separation Program ("Workforce Program").

c. While 678 were expected to leave under the Workforce Program, 1159 have left or plan to leave the companies. Explain in detail why the Value Delivery Team projections and the "Rule of 70" calculations were significantly below the actual response.

d. Describe the internal review and authorization process used for the Workforce Program. Identify each level of management that was required to review and approve the Workforce Program and the date approval was given.

e. Provide the dates the boards of directors for LG&E, KU, LEC, and PowerGen reviewed and approved the Workforce Program and the minutes from the respective board meetings. Include an explanation if board review was not necessary.

f. Refer to the Attachment to Item 19(c). Provide the following information concerning the distribution, retail, generation, and shared services employees for LG&E, KU, and LEC:

(1) The number of employees for each functional or operational area and by company prior to the beginning of the actual departures.

(2) The percentage that the actual departures represent of the total employees prior to the beginning of the departures for each functional or operational area and by company.

g. Did any employee of LEC, LG&E, or KU issue any internal communication, either in writing or electronically, which states that the Workforce Program was approved by the Commission? If yes, provide copies of each such internal communication.

26. Assume the following hypothetical situation. The acquisition of PowerGen by E.ON has not yet occurred. After an in-house analysis, it is determined that LG&E and KU are in need of significant infusions of capital to make critical infrastructure improvements.

a. As part of the PowerGen group, describe the process that would be employed to secure the additional capital for LG&E and KU from PowerGen.

b. Explain what changes in this process are expected if E.ON's acquisition of PowerGen is consummated.

27. Concerning the current money pool arrangement for LEC, LG&E, and KU:

a. Explain the impact the acquisition of PowerGen by E.ON will have on the current money pool arrangements authorized by the SEC.

b. Does E.ON have a money pool arrangement? If yes, describe how E.ON's money pool arrangement is structured and utilized.

28. Have LEC, LG&E, and KU adopted any written procedures to ensure compliance with the affiliate transaction rules enacted in KRS 278.2201, *et seq.*? If yes, provide a copy.

29. KU has asserted in Kentucky courts that utilities are not responsible when their independent contractors violate Commission safety regulations.

a. Since the Workforce Plan will result in LG&E's and KU's increased reliance on independent contractors, explain in detail whether the Commission can enforce all of its safety regulations, including imposing penalties under KRS 278.990, when utility work is performed by independent contractors.

b. If the Commission can so enforce all its safety regulations against a utility for work performed by an independent contractor, reconcile this position with the seemingly contrary position asserted in court by KU.

c. Have LG&E and KU elected to increase their use of independent contractors to avoid safety responsibility for work that would have otherwise been performed by utility employees? If no, explain how a utility is responsible to the Commission for safety violations by independent contractors.

d. If LG&E or KU cannot be held responsible for all violations of Commission safety regulations by independent contractors, does this avoidance of safety responsibility incite a utility to utilize contractors rather than employees? Explain fully your response.

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DATED ____5/25/01____

cc: All Parties