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April 26, 2004

VIA HAND DELIVERY

Mr. Thomas Dorman, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

RECEIVED

APR 26 2004

PUBLIC SERVICE
COMMISSION

**RE: AN ADJUSTMENT OF THE GAS AND ELECTRIC RATES, TERMS, AND
CONDITIONS OF LOUISVILLE GAS AND ELECTRIC COMPANY
– CASE NO. 2003-00433**

and

**AN ADJUSTMENT OF THE ELECTRIC RATES, TERMS, AND
CONDITIONS OF KENTUCKY UTILITIES COMPANY
– CASE NO. 2003-00434**

Dear Mr. Dorman:

Please find enclosed and accept for filing the original and ten (10) copies of the Responses of Louisville Gas and Electric Company and Kentucky Utilities Company to the Commission Staff's Fourth Set of Data Requests dated April 14, 2004, in the above-referenced matters.

Please confirm the receipt of these responses by placing the File Stamp of your Office on the additional copies.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Kent W. Blake
Director, Regulatory Initiatives

cc: Counsel of Record and their designated consultants via overnight courier

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE GAS AND ELECTRIC)	
RATES, TERMS AND CONDITIONS OF)	CASE NO.
LOUISVILLE GAS AND ELECTRIC COMPANY)	2003-00433

and

AN ADJUSTMENT OF THE ELECTRIC RATES,)	CASE NO.
TERMS AND CONDITIONS OF)	2003-00434
KENTUCKY UTILITIES COMPANY)	

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE
FOURTH DATA REQUEST OF THE COMMISSION STAFF
DATED APRIL 14, 2004

FILED: APRIL 26, 2004

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 AND 2003-00434

Response to Fourth Data Request of the Commission Staff Dated April 14, 2004

Question No. 1

Responding Witness: Caryl M. Pfeiffer

Q-1 Refer to LG&E's and KU's responses to the Commission Staff's Third Data Request dated March 1, 2004 ("Staff Third Request"), Item 1. Page 4 of 5 in both responses contains the work experience and education of Caryl M. Pfeiffer. However, Ms. Pfeiffer's current job title and her work experience since 1980 were not provided. Provide this information for Ms. Pfeiffer.

A-1. Attached please find the information that was missing from Ms. Pfeiffer's witness resume.

Witness Resume

Name

Caryl M. Pfeiffer
Director, Corporate Fuels & By Products
February 2003 to present

Previous Positions

- University of Illinois, Institute for Environmental Studies
September 1976 to June 1977 – Research Assistant
- Columbus & Southern Ohio Electric Company, Environmental Division
September 1977 to February 1980 – Environmental Analyst
March 1980 to July 1980 – Environmental Specialist
- Kentucky Utilities Company
August 1980 to February 1983 – Environmental Specialist
March 1983 to April 1988 – Chief Environmental Technologist
May 1988 to April 1998 – Manager, Environmental Services
- LG&E Energy Corporation
May 1998 to December 2003 – Director, Environmental Affairs

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 AND 2003-00434

Response to Fourth Data Request of the Commission Staff Dated April 14, 2004

Question No. 2

Responding Witness: Valerie L. Scott

Q-2. Refer to LG&E's response to the Staff Third Request, Item 15, and KU's response to the Staff Third Request, Item 17. In the responses, LG&E and KU state that they incurred additional Value Delivery Team ("VDT") costs and booked the additional costs between December 2002 and July 2003. In the response to Item 15, LG&E has indicated it incurred and recorded in the VDT deferred cost account an additional \$680,800 in VDT costs. In the response to Item 17, KU has indicated it incurred and recorded in the VDT deferred cost account an additional \$1,169,056 in VDT costs. For each company, provide a schedule that breaks down the additional VDT costs among the following categories:

- a. Medical costs after severance date.
- b. Tuition costs.
- c. Outplacement costs.

A-2.

<u>KU</u>	<u>Increase (Decrease)</u>
Medical costs	\$ 623,034
Payroll taxes	615,303
Severance	6,345
Outplacement cost and tuition	<u>(75,626)</u>
	<u>\$1,169,056</u>

<u>LG&E</u>	<u>Increase (Decrease)</u>
Medical costs	\$ (517,675)
Payroll taxes	1,281,965
Severance	(128,855)
Outplacement cost and tuition	<u>45,365</u>
	<u>\$ 680,800</u>

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 AND 2003-00434

Response to Fourth Data Request of the Commission Staff Dated April 14, 2004

Question No. 3

Responding Witness: Valerie L. Scott

- Q-3. In Case No. 2001-001691 the Commission approved a settlement agreement that provided for the creation of deferred debits for VDT costs, the amortization of those costs, and the payment of a VDT surcredit to ratepayers. Section 2.1 of the settlement agreement states in part:

The estimated amounts of the deferred debits are based upon the information presently known by LG&E and KU and shall be adjusted to reflect actual expenses as of December 31, 2001. LG&E and KU will file their accounting journal entries with the Commission and serve copies on the AG and the KIUC within 30 days after the Commission issues an order approving this Settlement Agreement or January 31, 2002, whichever is later. Parties agree that the amount of the deferred debit to be amortized shall be capped at the estimated amounts shown in (1) and (2) of this section. However, the actual amount of the deferred debit may be revised downward as explained in Section 2.3.

Section 2.3 of the settlement agreement states in part:

The amounts to be amortized from February 1, 2002 through March 31, 2006 shall be computed as the difference between the total deferred debits referred to in Section 2.1 and the 2001 and January 2002 amortization amounts indicated above and will be adjusted to reflect the actual amounts of expense incurred by LG&E and KU to reflect any reductions in these amount of expenses caused by the decisions of employees to rescind their acceptances of voluntary terminations or retirements by December 31, 2001 in accordance with Section 2.1.

Explain in detail how LG&E and KU determined that under the provisions of the settlement agreement in Case No. 2001-00169 they were permitted to increase the VDT deferred debits after December 31, 2001. Include specific citations to the settlement agreement that support LG&E's and KU's determination.

A-3. As stated in the terms of the VDT settlement agreement referenced in the data request, the VDT costs contained estimated amounts that would be adjusted to actual. The adjustment of these estimated expenses to actual would be capped at the settlement amount. At December 31, 2001, LG&E and KU adjusted the estimated expenses to known actual expenses at that date; however, they were still estimates at December 31, 2001. Once all actual costs were incurred the deferred debit account was adjusted to actual. The December 31, 2001 "true up" reduced estimated expenses and the subsequent "true up" in 2002 increased expenses, but the 2002 increase in expenses was *still under* the total settlement amount of expenses.

In the transmittal letter filing the LG&E and KU VDT journal entries with the Commission, dated January 31, 2002, the Companies stated "The first entry records (a) the actual costs through December 2001 and (b) some estimated costs related to completion of the Workforce Transition Separation Program, included with the regulatory assets. The regulatory assets will be adjusted to actual at the end of each year and each company will revise tariffs for the Value Delivery Surcredit Rider." This letter was filed as an attachment to PSC 3- 15(b)(2) page 1 of 2 for LG&E.

The final VDT costs for KU were \$54,980,296, or \$1,319,704 less than the settlement cap of \$56,300,000. The net savings to customers are \$10,560,000, or \$960,000 more than the settlement agreement. The costs included in net savings to customers were \$54,000,000. KU did *not* include the increased expenses associated with revising estimates to actual in 2002 in calculating these net savings to customers.

The final VDT costs for LG&E were \$141,210,076, or \$3,174,924 less than the settlement cap of \$144,385,000. The net savings to customers are \$26,360,000, or \$1,460,000 more than the settlement agreement. The costs included in net savings were \$140,700,000. LG&E did *not* include the increased expenses associated with revising estimates to actual in 2002 in calculating these net savings to customers.

LG&E and KU recorded the additional actual costs to achieve the VDT savings on their books consistent with the recording of the estimated costs which were recorded as approved by the Commission in its Order. Since the final actual costs were determined after the December 31, 2001, adjustment date, the Companies did not attempt to further reduce the net savings to customers, but have amortized these additional costs over the same period as the estimated costs are amortized on their books.

LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY

CASE NOS. 2003-00433 AND 2003-00434

Response to Fourth Data Request of the Commission Staff Dated April 14, 2004

Question No. 4

Responding Witness: Victor A. Staffieri

Q-4. On March 10, 2004, the *Dow Jones Business News* ran an article that included the following statement, "E.ON has made it clear that, should it invest in Russia, it would withdraw from the U.S. where it operates the LG&E unit of U.K. company Powergen in the Midwest." Provide copies of press releases or other documentation that have "made it clear" what E.ON's intentions are concerning its investment in LG&E and KU.

A-4. E.ON set forth its US strategy in an August 14, 2003 public statement repeated below. See also the attachments. On March 10, 2004, in response to reporters' questions, E.ON added to its August 14, 2003 comments saying (translated from German), "We want to review our position in the US to find out if there are any further growth opportunities or whether, as an alternative, we want to withdraw from the market. Last year, we made it quite clear that we needed some more time to monitor the market development and the political development in the United States."

Beyond these comments there are no press releases or other documentation that make clear E.ON's intentions concerning its investment in LG&E and KU. Our review of the press conference video, the press release, presentations and scripts of Dr. Bernotat and Dr. Schipporeit's speeches at the March 10, 2004 press conference reported on by Dow Jones do not support the Dow Jones story alleging a connection between decisions regarding the US and Russia. See attached. No media representative other than Dow Jones is known to have reported linkage of E.ON's Russian and U.S. strategy.

August 14, 2003: "Hence we (E.ON) do not plan acquisitions in the US in the mid-term and feel comfortable with our position in Kentucky. However, in the long-term the option for growth in the US is intact due to consolidation opportunities."

“Therefore, right now our decision is to neither invest nor divest in the US.”

“Generally speaking, there are no large scale acquisitions planned through mid-2006 and we will focus only on small to medium sized investments to strengthen our market positions in our core markets.”

**Press Release**

August 14, 2003

on-top: sets clear targets

- **Strategy:** integrated power and gas group with clear European focus
- **Organizational structure:** resolute market orientation
- **Management:** Corporate Center with new functions
- **Performance:** improve EBIT by €2 billion by 2006

After successfully transforming the group and achieving growth in its core business, E.ON is shifting its primary focus to improving profitability, boosting efficiency, and selectively pursuing value-enhancing acquisitions, for which E.ON's group-wide on-top project has set clear targets.

Integrated power and gas group with clear European focus

E.ON has defined five target markets for its power and gas business. Gas procurement, transport, storage, and trading are part of a single pan-European market. By contrast, the entire electricity business, as well as gas distribution and supply, are predominantly regional. E.ON's regional target markets are Central Europe, the U.K., the Nordic region, and the Midwestern U.S.

E.ON is already well positioned in all of these markets. The focal point of the Group's strategy is to selectively enlarge its competitive position in European markets. These markets will receive the lion's share of E.ON's planned investments of €26 to €28 billion for the period 2003-2005.

Market-oriented organizational structure

The on-top project confirmed that E.ON's current organizational structure gives it a good position in its markets. Nevertheless, E.ON intends to fine-tune its organization in order to ensure that decisions are made close to its markets and customers and that the group achieves the best performance possible.

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Attachment to PSC Question No. 4

Page 1 of 11

Staffieri

Press Release E.ON AG, August 14, 2003

Business Units—which are responsible for day-to-day business and include the generation, grid, trading, and sales companies—will be assigned new companies as part of power-gas integration. Ruhrgas will manage Thüga, which mostly has gas operations, and D-Gas, E.ON's gas trading affiliate in the Netherlands. E.ON's regional utilities in Germany, which predominantly operate electric supply businesses, will remain part of E.ON Energie. Operations in the Czech Republic and Hungary will be combined into a single national company in each country and managed by E.ON Energie. Ruhrgas will be responsible for managing E.ON's interests in the Baltic Sea region.

A major group company will manage and have earnings responsibility for E.ON's operations in each of the five target markets. Ruhrgas will be responsible for E.ON's pan-European gas business, E.ON Energie for Central Europe, Powergen for the U.K., Sydkraft for the Nordic region, and LG&E for the Midwestern U.S. Under this structure, Sydkraft (which currently reports to E.ON Energie) and LG&E (which currently reports to Powergen) will be managed directly by E.ON AG.

Corporate Center with new management functions

E.ON AG Corporate Center will plot and steer E.ON's strategic course as an international energy group. To do so, it has created new management processes: Strategic Market Management will be responsible for coordinating and optimizing aspects of the business that transcend the individual Market Units. Regulatory Affairs will coordinate the group's interactions with European and national regulatory authorities. Operational Excellence will be charged with establishing best practices and ensuring that continual process improvement becomes part of E.ON's culture. The Corporate Center will also be directly responsible for the development of approximately 200 of the group's most important executives.

Press Release E.ON AG, August 14, 2003

Improve EBIT by €2 billion by 2006

Along with refining its strategy and organizational structure, E.ON has also set ambitious returns and earnings targets. E.ON's objective is to increase its ROCE to at least 10.5 percent by 2006. At the same time, E.ON aims to reduce its capital employed. E.ON's earnings target is to increase EBIT by €2 billion to €6.7 billion in 2006 (on an expected capital employed base of €64 billion). The EBIT increase target comprises expected contributions from Powergen and Ruhrgas, organic growth, and performance improvements of €1 billion.¹

E.ON expects to generate annual free cash flow of €2.4 billion by 2006.²

Moreover, E.ON intends to go on the offensive in terms of dividends. Plans call for the dividend to increase on average by a double-digit percentage between 2003 and 2006.

E.ON: clear prospects for the future

E.ON CEO Wulf H. Bernotat stated: "In the on-top project, we set clear strategic targets, gave the group a more powerful structure, and set ambitious returns and earnings targets. We're convinced that we're taking the right path to further growth and sustained value enhancement. E.ON offers its shareowners and its employees clear and—we believe—very attractive prospects for the future"

¹These Non-GAAP financial targets are based on equivalent U.S.-GAAP targets of total assets in 2006 of €110 billion and net income in 2006 of €3.4 billion. The target of €1 billion in performance improvements is expected to account for approximately €650 million of the targeted increase in net income.

²E.ON defines free cash flow as cash provided by continuing operations less investments in fixed and intangible assets. For the period 2003e to 2006c, E.ON expects a cumulative free cash flow of €9.5 billion. This figure is based on forecast cash providing by operating activities of €21 billion and investments in fixed and intangible assets of €11.5 billion.

Press Release E.ON AG, August 14, 2003

This press release contains certain statements that are neither reported financial results nor other historical information but are based on beliefs of E.ON's management as well as assumptions made by and information currently available to E.ON. These statements are forward-looking statements within the meaning of the safe-harbor provisions of the U.S. federal securities laws. Because these forward-looking statements are subject to risks, uncertainties and assumptions, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as future market or economic conditions, fluctuations in currency or interest rates, the behavior of other market participants or customers, the actions of governmental regulators, lack of successful completion or implementation of planned acquisitions or dispositions, as well as other risks, including those detailed in our filings with the Securities and Exchange Commission. For information identifying factors that could cause our actual results to differ materially from those anticipated in the forward-looking statements, you should refer to our filings with the Securities and Exchange Commission, in particular to the discussion included in the section of our 2002 Annual Report on Form 20-F entitled "Item 3. Key Information: Risk Factors." We caution you not to place undue reliance on these forward-looking statements, which speak only as of today's date. We do not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation and do not intend to do so.

E.ON prepares its financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This press release contains references to certain forward-looking measures (including ROCE, EBIT, Free Cashflow and Capital Employed) that are not calculated in accordance with U.S. GAAP and are therefore considered "Non-GAAP financial measures" within the meaning of the U.S. federal securities laws. The footnotes provide an equivalent U.S. GAAP target for the forward-looking measures. Management believes that the Non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in U.S. GAAP, enhance an understanding of E.ON's results of operations. A number of these Non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes.

These Non-GAAP financial measures should not be considered in isolation as a measure of E.ON's profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income, cash flow provided by operating activities and the other income or cash flow data prepared in accordance with U.S. GAAP. The Non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly-titled measures used by other companies.



E.ON AG Analyst and Investor Conference

Düsseldorf, August 14, 2003

Presentation

Dr. Wulf H. Bernotat

Chairman of the Board of Management and CEO

Please check against delivery

Hence, we do not plan acquisitions in the US in the mid-term and feel comfortable with our position in Kentucky. However, in the long-term the option for growth in the US is intact due to consolidation opportunities.

Therefore, right now our decision is to neither invest nor divest in the US.

Generally speaking, there are no large scale acquisitions planned through mid-2006 and we will focus only on small to medium sized investments to strengthen our market positions in our core markets.

During the process of reviewing our strategy, we defined our key strategic principle to be vertically integrated.

We have ambitious goals because of our market positions in electricity and gas internationally and compared to our competitors, we are superbly positioned. Some of our competitors have a larger and wider business portfolio but are not able to extract the potential synergies.

Others have a similar emphasis on electricity and gas, however without comparable international presence. Problems with trading companies and IPP (independent power producers) as well as our experience in the UK - showed what risks are associated with an insufficient integration throughout the value chain.

That is why our vertically integrated business model in electricity and gas is one of the most important advantages E.ON has.

Thus, we are eager to exploit the synergies of managing power and gas within one company. The Ruhrgas acquisition has placed us in an exceptional position to do so. These power-gas synergies already exist today - above all in downstream - but are likely to strongly increase in the future.

In the short-term, the most potential comes from the increasing downstream convergence of power and gas. Using the UK market as an example, we see an ever increasing customer demand for dual fuel offerings.

We aim to benefit from this trend through seizing operational synergies and optimizing the overlaps of power and gas.

This step fits perfectly with our consolidation strategy in the Nordic region by:

- further improving our retail position with 30 percent more customers,
- expanding our hydro generation position in Scandinavia by 30 percent and thereby balancing our low cost generation portfolio (Hydro/Nuclear)
- benefiting from rising power prices in Nordic region due to low capacity reserves, and
- by taking advantage of synergies from regional proximity to existing activities.

In addition, this acquisition meets our strict financial criteria as it is expected to be earnings enhancing from the first year of consolidation and we expect ROCE for all our Nordic activities to meet the cost of capital within three years, that is by 2006.

The detailed information regarding this transaction has already been made available to you.

And the fifth target market for E.ON - is the US. Specifically, we mean the Midwest region of the US.

Today in Kentucky, LG&E Energy

- holds a strong local market position in a stable regulatory environment as well as
- offers one of the lowest energy prices in the US.

Therefore, as I mentioned earlier, currently there is no need for any action.

Based on our clear defined strategy, we have identified further investment opportunities in the range of an additional 8 to 10 billion Euros above the 2002 reported three year investment plan of 18 billion Euros for 2003-2005.

Of this total amount of 18 billion Euros, roughly 50 percent is assigned to fixed asset investments. By the end of June, 6.1 billion Euros have been realized, of which 4.5 billion Euros represent the remaining amount for the acquisition of Ruhrgas.

The additional 8 to 10 billion Euros are earmarked for those additional strategic investments which should strengthen our positions in our target markets.

This presentation contains certain statements that are neither reported financial results nor other historical information but are based on beliefs of E.ON's management as well as assumptions made by and information currently available to E.ON. These statements are forward-looking statements within the meaning of the safe harbor provisions of the U.S. federal securities laws. Because these forward-looking statements are subject to risks, uncertainties and assumptions, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as future market or economic conditions, fluctuations in currency or interest rates, the behaviour of other market participants or customers, the actions of governmental regulators, lack of successful completion or implementation of planned acquisitions or dispositions, as well as other risks, including those detailed in our filings with the Securities and Exchange Commission. For information identifying factors that could cause our actual results to differ materially from those anticipated in the forward-looking statements, you should refer to our filings with the Securities and Exchange Commission, in particular to the discussion included in the section of our 2002 Annual Report on Form 20-F entitled "Item 3. Key Information: Risk Factors." We caution you not to place undue reliance on these forward-looking statements, which speak only as of today's date. We do not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation and do not intend to do so.

E.ON prepares its financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This presentation may contain references to certain measures (including Internal Operating Profit, EBIT, EBITDA, Net Financial Position and Free Cash Flow) that are not calculated in accordance with U.S. GAAP and are therefore considered "non-GAAP financial measures" within the meaning of the U.S. federal securities laws. Management believes that the non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in U.S. GAAP, enhance an understanding of E.ON's results of operations. A number of these non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes.

In accordance with applicable U.S. rules and regulations, E.ON has made available on its website at www.eon.com a reconciliation of any non-GAAP financial measure used in this presentation to the most directly comparable U.S. GAAP measure. These non-GAAP financial measures should not be considered in isolation as a measure of E.ON's profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income, cash flow provided by operating activities and the other income or cash flow data prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly-titled measures used by other companies.



**E.ON AG Press Conference
Düsseldorf, August 14, 2003**

**Presentation by
Dr. Wulf H. Bernotat
Chairman of the Board of Management
and CEO of E.ON AG**

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E.ON AG Press Conference, August 14, 2003
Statement Dr. Wulf H. Bernotat

extends from Russia to the U.K. and from Norway to Italy. However, like in the electricity sector, gas retailing (the downstream business) is characterized by regional markets.

Based on this fundamental logic of the electricity and gas business, we have assigned our activities to five clearly defined and distinct target markets:

- In the pan-European gas market, E.ON is number three.
- In Central Europe - which includes Germany, the Benelux countries, Switzerland, Austria, Poland, the Czech Republic, Slovakia, and Hungary - we are number one in electricity and gas retailing.
- In our target market of Scandinavia, we are number three in retailing. We will significantly strengthen this position with the acquisition of Graninge. I will tell you more about this in a moment.
- In the U.K., we are number two in electricity and gas retailing and in power generation.
- E.ON is also well positioned in the Midwest of the United States. In the State of Kentucky, we are clearly the number one electric service provider.

In addition, we have identified Italy as another potential target market. Thüga is active in gas distribution in several regions of Italy. The Italian energy market offers attractive growth rates and is highly dependent on imports because its electric generating capacity available is very limited.

Our investments will be focused on the pan-European midstream gas business and the regional target markets, based on clearly defined

E.ON AG Press Conference, August 14, 2003
Statement Dr. Wulf H. Bernotat

priorities. We will use the financing scope available to us primarily in order to consolidate our competitive positions in the European electricity and gas markets. However, we will pay close attention to meeting our strict return criteria and maintaining a strong single-A rating. In the United States, we currently do not see any need for action. However, we will keep our options open to consolidate our position in the US market in the long term.

We will mainly invest in complementing and consolidating our European electricity and gas business. For the period from 2003 to 2005, we have budgeted an investment volume of between €26 billion and €28 billion. That is about €8 to €10 billion more than we had budgeted in the medium-term plan published at the end of last year.

We will invest this capital, for instance, in order to expand our electricity generation capacity and our gas infrastructure. In addition, we plan to selectively make smaller- and medium-sized acquisitions in order to consolidate and complement existing market positions. In this context, there are interesting prospects in all target markets:

- In the Continental European gas market, EU-wide market liberalization will lead to much tougher competition. This will create both a challenge and an opportunity for our company. In fact, we see promising opportunities in the U.K., which will be more dependent on gas imports in the future. This will provide growth opportunities for us that we want to seize by expanding our infrastructure or increasing our stakes in selected gas fields in the North Sea. In Eastern Europe, the privatization of gas pipeline companies is on the agenda. This will also provide interesting investment opportunities for us.
- In Central Europe – our biggest electricity and gas market – our primary interest will be the integration and further consolidation of our already strong market positions. We will close any

LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY

CASE NOS. 2003-00433 AND 2003-00434

Response to Fourth Data Request of the Commission Staff Dated April 14, 2004

Question No. 5

Responding Witness: Michael S. Beer

- Q-5. On August 6, 2001, the Commission issued an Order in Case No. 2001-00104 approving the acquisition by E.ON AG ("E.ON"), of Powergen plc ("Powergen"), LG&E Energy Corp. ("LG&E Energy"), LG&E, and KU subject to their unconditional acceptance of the commitments enumerated therein. E.ON, Powergen, LG&E Energy, LG&E, and KU filed documentation stating their unconditional acceptance of those commitments. Commitment No. 45 states:
- 45. E.ON and Powergen commit that for as long as it owns, controls, or manages LG&E or KU, there shall be a seat on the Powergen Board occupied by a United States citizen who resides in the service territories of LG&E or KU.
- a. From October 1, 2002 through the present, identify the individual sitting on the Powergen Board in compliance with this commitment. Also identify the individual's occupation and place of residence.
 - b. If there is not an individual sitting on the Powergen Board in compliance with this commitment, explain in detail why E.ON, Powergen, LG&E Energy, LG&E, and KU have apparently violated this commitment.
- A-5.
- a. Roger W. Hale served on the Powergen plc ("Powergen") Board of Directors from December 2000 through April 2001. Mr. Hale was Chairman and Chief Executive Officer of LG&E Energy, LG&E and KU and a resident of Louisville, Kentucky. In April 2001, Victor A. Staffieri succeeded Mr. Hale to the Powergen Board and served on that board until January 2004. (Powergen plc was re-registered as Powergen Limited in January 2003.) In January 2004, Mr. Staffieri was appointed to the board of the E.ON US Investments Corp. ("EUSIC"). Mr. Staffieri is Chairman, President and Chief Executive Officer of LG&E Energy, LG&E and KU and is a resident of Louisville, Kentucky.
 - b. As discussed in response to Q-5a., since January 2004, Mr. Staffieri has been a director of EUSIC rather than of Powergen. This change was made to reflect the completion in January 2004 of E.ON's restructuring process

by which LG&E Energy now reports directly to E.ON AG for management purposes. The EUSIC board has replaced the Powergen board in all respects as the primary body through which E.ON's management oversight and decision-making occurs with respect to its US businesses, including LG&E Energy. In compliance with the commitment, during all periods in which Powergen owned, controlled or managed LG&E Energy, the representative required by Commitment No. 45 has held a seat on Powergen's board and now sits on the board of the successor entity to Powergen's ownership control and management.

The restructuring process moving E.ON US operations from Powergen to E.ON was described in submissions to the Commission (most recently in LG&E's and KU's SEC Form 10-K for the year ending December 31, 2002, filed with the Commission in Docket No. 2001-104, on July 15, 2003) and occurred in stages throughout 2003. In March 2003, E.ON transferred LG&E Energy from being an indirect subsidiary of Powergen to being an indirect subsidiary of E.ON (through E.ON US Holding GmbH and EUSIC's parent). During 2003, however, Powergen continued to have primary operating responsibility for LG&E Energy and LG&E Energy's CEO. In January 2004, as part of E.ON's "on-top" strategy, the restructuring process was completed and LG&E Energy now reports directly to E.ON entities for management purposes.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 AND 2003-00434

Response to Fourth Data Request of the Commission Staff Dated April 14, 2004

Question No. 6

Responding Witness: Michael S. Beer

Q-6. Commitment No. 55 of the August 6, 2001 Order in Case No. 2001-00104 states:

55. E.ON, Powergen, LG&E Energy, LG&E, and KU commit that when budgets, investments, dividend policies, projects, and business plans are being considered by E.ON's or E.ON Energie's Management and/or Supervisory Boards for the Kentucky business, at a minimum, the CEOs of LG&E and KU or their designees must be present to offer a Kentucky perspective to the decision and be permitted to participate in any debates on the issues.

Provide the following information concerning this commitment:

- a. From October 1, 2002 through the present, provide the date of each meeting covered by the commitment and identify the LG&E and KU representative at each meeting. If the CEOs of LG&E and KU did not attend, provide the names and job titles of the designees.
 - b. Provide copies of documents submitted to the boards at these meetings or other documentation showing the Kentucky perspective was presented at these meetings.
- A-6. a. From October 2002 to the present, E.ON's Management Board or related bodies held budget, strategy and business planning meetings for which the dates and US participants at these actions are shown below:

<u>Date</u>	<u>Entity/Meeting Topic</u>	<u>US Participants</u>
19 Nov 2002	Budget	Staffieri (CEO); Rives (Sr VP-Fin)
6 May 2003	on-top Kick-off	Staffieri (CEO)
7 May 2003	Strategy Review	Staffieri (CEO)
15-17 Jun 2003	on-top Workshop	Staffieri (CEO)
2 July 2003	on-top Steering Committee	Staffieri (CEO) (by videoconf.)
9-12 July 2003	on-top Mgmt Conf	Staffieri (CEO); McCall (EVP-GC)
23 Sept 2003	Powergen Advisory Forum	Staffieri (CEO)
18 Nov 2003	Budget	Staffieri (CEO); Rives (CFO); McCall (EVP-GC)
18 Nov 2003	Powergen Advisory Forum	Staffieri (CEO)
28-30 Jan 2004	Board, TEC, Strategy	Staffieri (CEO); McCall(EVP-GC)
16 Mar 2004	Leadership Review/Exec. Council	Staffieri (CEO)

- b. Documents consisting of agendas and schedules for these meetings are attached.

Budget Meeting Powergen / LG&E**19 November 2002****Agenda**

- | | | |
|---------------|--|--------|
| Item 1 | Introduction
Ed Wallis | 5 min |
| Item 2 | Group Overview: Business Plan 2003 - 2005
Michael Söhlke

1. 2002 performance
2. Key performance figures
3. Business targets for 2003 *) | 30 min |
| Item 3 | UK business: Business Plan 2003 - 2005
Dr. Paul Golby

1. Key plan assumptions
2. Key performance figures (incl. 2002 performance)
3. Special issues
4. Business targets for 2003 | 80 min |
| Item 4 | US business: Business Plan 2003 - 2005
Vic Staffieri / Brad Rives

1. Key plan assumptions
2. Key performance figures (incl. 2002 performance)
3. Special issues
4. Business targets for 2003 | 80 min |

*) to be discussed at the end of the meeting

e.on

on·top

Kick-off

Düsseldorf, 6 May 2003

The logo for e.on, featuring the lowercase letters 'e' and 'on' in a white, stylized font on a black background.The logo for on-top, featuring the lowercase letters 'on-top' in a white, stylized font on a black background.

Kick-off

6 May 2003

Opening	Dr. Bernotat	10.00 - 10.15
Situation and project objectives	BCG	10.15 - 10.45
Approach and project organization	Hr. Schäfer/ Dr. Paskert	10.45 - 11.30
Project teams: introduction	Project teams	11.30 - 13.00
Lunch		13.00 - 14.00
Start of project work	Project teams	14.00 - 17.00

Agenda
Strategy review meeting Powergen
May 7, 2003

1. Performance Powergen

- Current outturn for 2003
- Status of TXU integration
- Discussion of portfolio (strategic position and value-creation)

2. Discussion of SBUs

(Overview based on strategy card, special topics as shown)

Powergen UK

- Generation/Trading (special topics: generation portfolio, probable emission trading, renewables)
- Retail (special topic: retail margins)
- Distribution (special topics: future of business, DR 4 review)

LG&E

- Regulated business (special topics: regulatory proceedings, integrated resource plan)
- Unregulated business (special topics: WKE, disposals)

3. Targets 2004-06

- Major expenditures
- Development of financial performance

4. HR-Strategy

- Strategic targets and measures
- Corporate identity
- Succession und career planning
- Internationalisation

V/KS-MK
22.04.2004

Attachment to PSC Question No. 6(b)
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Beer

**Teilnehmer Strategieggespräch Powergen/LG&E
07.05.2003, 08:30 - 11:30 Uhr, Raum R-EG-43**

E.ON AG:

H. Dr. Bernotat
H. Dr. Bergmann
H. Dr. Gaul
H. Dr. Krüper
H. Dr. Schipporeit

H. Dr. Pohlíg
H. Dr. König
H. Dr. Paskert
H. Schäfer
H. Becker (teilweise)
H. Tillack

Powergen:

Mr. Ed Wallis
Mr. Michael Söhlke
Dr. Paul Golby

LG&E Energy:

Mr. Vic Staffieri

M. Kensbock
05.02.2003

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**Workshop on·top,
Berlin June 15 - 17, 2003**

June 2003

Workshop Schedule

Sunday		Monday		Tuesday	
19:30	Get together Welcome by Dr. Krüper	09:00 - 09:15	Guidelines by Dr. Bernotat	09.00 - 11.45	Three workshops on strategy
		09:15 - 11:15	Introduction to the subsidiaries · E.ON Energie · Ruhrgas · Powergen · Sydkraft · LG&E		
		11:15 - 11:30	Break	11.45 - 12.00	Break
		11:30 - 13:00	Status quo of the project work (BCG)	12.00 - 13.00	Presentation of workshop results
		13:00 - 14:00	Lunch	13.00 - 14.00	Lunch
		14:00 - 16:45	Three workshops on organization	14.00 - 15.30	Summary · Wrap-up · Next steps
		16:45 - 17:00	Break		
		17:00 - 18:00	Presentation workshop results		
20:00	Dinner	19:00	Dinner		

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Participants Workshop, Berlin June 15 - 17

Bernotat, Dr. Wulf	E.ON AG	Chief Executive Officer
Bergmann, Dr. Burckhard	E.ON AG	Member of the Board
Gaul, Dr. Hans-Michael	E.ON AG	Member of the Board
Krüper, Dr. Manfred	E.ON AG	Member of the Board
Schipporeit, Dr. Erhard	E.ON AG	Member of the Board
Teyssen, Dr. Johannes	E.ON Energie AG	Chief Executive Officer
Elsässer, Prof. Rainer	E.ON Energie AG	Member of the Board
Geldmacher, Hartmut	E.ON Energie AG	Member of the Board
Hohlefelder, Dr. Walter	E.ON Energie AG	Member of the Board
Reutersberg, Dr. Bernhard	E.ON Energie AG	Member of the Board
Romeike, Bernd	E.ON Energie AG	Member of the Board
Frithiof, Lars	Sydkraft AB	Chairman of the Board of Management
Gautier, Dr. Fritz	Ruhrgas AG	Member of the Executive Board
Janssen, Dr.	Ruhrgas AG	Member of the Executive Board
Lenz, Dr.	Ruhrgas AG	Member of the Executive Board
Middelschulte, Dr.	Ruhrgas AG	Member of the Executive Board
Pfingsten, Dr.	Ruhrgas AG	Member of the Executive Board
Golby, Dr. Paul	Powergen UK plc.	Chief Executive Officer
Söhle, Michael	Powergen plc.	Chief Financial Officer
Staffieri, Victor	LG&E Energy Corp.	President & CEO
Pohlig, Dr. Rolf	E.ON AG	Executive Vice President
König, Dr. Thomas	E.ON AG	Senior Vice President
Schäfer, Klaus	E.ON AG	Senior Vice President
Paskert, Dr. Dierk	E.ON AG	Senior Vice President
Heuskel, Dr. Dieter	The Boston Consulting Group	Senior Vice President
Krahl, Dr. Mathias	The Boston Consulting Group	Vice President
Rubner, Dr. Harald	The Boston Consulting Group	Vice President
Stanger, Thomas	The Boston Consulting Group	Manager

e-on on-top

Steering committee meeting

Düsseldorf, 02 July 2003

AGENDA

Update of project status

Discussion of group structure

- Regional and power-gas interfaces
- Leadership and corporate centers

Discussion of strategy

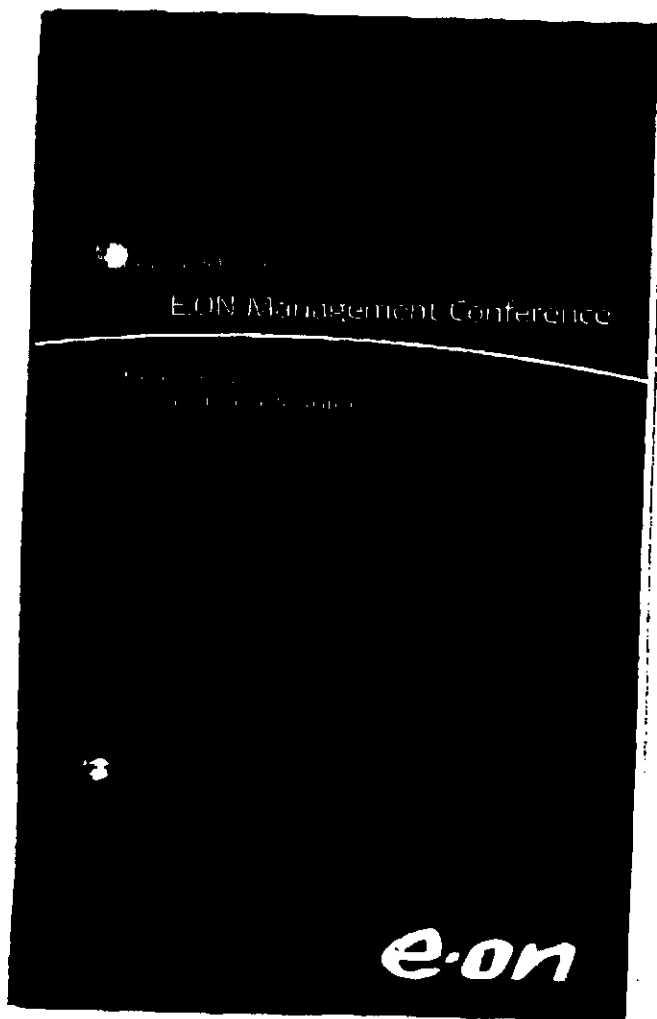
Update of branding project status

Next steps

e-on

**US STRATEGY
ON.TOP Steering Committee Meeting**

Düsseldorf, July 2, 2003



Wednesday, 09 July 2003

6:00 p.m. Terrace
Get Together

Thursday, 10 July 2003

9:00 a.m. Plenary Room
"on-top-Leading into the Future"
Dr. Wulf H. Bernotat

10:00 a.m. Patio of Plenary Room
Coffee Break

10:30 a.m. Workshop Rooms
Workshop Round 1
Group A: Leadership → Salon del Duque
Dr. Burkhard Bergmann · Dr. Hans Michael Gaul
Group B: Strategy → Salon Anckermann
Dr. Manfred Krüger · Dr. Johannes Teysen
Group C: Performance → Salon del Barón
Dr. Erhard Schipporeit

12:30 p.m. Restaurant Bellver
Lunch

2:00 p.m. Workshop Rooms
Workshop Round 2
Group A: Performance → Salon del Barón
Dr. Erhard Schipporeit
Group B: Leadership → Salon del Duque
Dr. Burkhard Bergmann · Dr. Hans Michael Gaul
Group C: Strategy → Salon Anckermann
Dr. Manfred Krüger · Dr. Johannes Teysen

4:00 p.m. Patio of Plenary Room
Coffee Break

4:30 p.m. Workshop Rooms
Workshop Round 3

Group A: Strategy → Salon Anckermann
Dr. Manfred Krüger · Dr. Johannes Teysen
Group B: Performance → Salon del Barón
Dr. Erhard Schipporeit
Group C: Leadership → Salon del Duque
Dr. Burkhard Bergmann · Dr. Hans Michael Gaul

6:30 p.m. Plenary Room
Summary of the Day's Deliberations

8:30 p.m. Hotel drive
Departure for Finca Ezevieg

Friday, 11 July 2003

9:00 a.m. Plenary Room
Introductory Remarks
Dr. Wulf H. Bernotat

9:15 a.m. Plenary Room
"How to Make Success Even More Successful"
Dr. Rolf Kurtsch, Beiersdorf AG

10:15 a.m. Patio of Plenary Room
Coffee Break

10:30 a.m. Plenary Room
"E.ON -- New Identity"
Dr. Rüdiger Müngersdorff interviews E.ON Board
of Management and Dr. Johannes Teysen

11:10 a.m. Plenary Room
"What Is Identity?"
Dr. Rüdiger Müngersdorff and Participants

1:00 p.m. Restaurant Bellver
Lunch

2:30 p.m. Plenary and Workshop Rooms
Ways Toward a New Identity
Dr. Rüdiger Müngersdorff and Participants

4:15 p.m. Patio of Plenary Room
Coffee Break

4:45 p.m. Plenary Room
Common Commitment to Results
and Implementation

7:00 p.m. Plenary Room
Outlook
Dr. Wulf H. Bernotat

8:00 p.m. Hotel drive
Departure for Barca Samba

Saturday, 12 July 2003

9:00 a.m. Hotel drive
Departure for golf course

10:00 a.m. Golf Club Son Muntaner
Start of golf tournament
and/or Departure

Group A

Bartlett, Graham
 Bengtsson, Jan
 Blau, Peter
 Deml, Peter
 Dopkuet, Eric
 Elsässer, Rainer Frank
 Feldmann, Karl-Heinz
 Geiß, Armin
 Janssen, Friedrich
 König, Thomas
 Maubach, Klaus-Dieter
 Montag, Heinrich
 Müngersdorff, Rüdiger
 Pfingsten, Michael
 Reutersberg, Bernhard
 Söhle, Michael
 Steinheider, Dirk
 Tiessen, Hans Jakob
 Vogg, Stefan
 Weise, Jochen
 Wilhelm, Michael

Workshops
 Leadership → Salon del Duque
 Performance → Salon del Barón
 Strategy → Salon Anckermann

10:30 a.m.
 2:00 p.m.
 4:30 p.m.

Group B

Becker, Jörg
 Benizien, Wolf-Rainer
 Fischer, Bernhard
 Geldmacher, Hartmut
 von der Groeben, Gert
 Horler, Nick
 Klier, Gerald
 Klimek, Ulrich
 Kreuzer, Konrad
 Lechlein, Helmut
 Lenz, Jürgen
 Pesch, Ralph
 Peters, Rainer
 Pohlrig, Rolf
 Romelke, Bernd
 Simon, Christian
 Stäblein, Carsten
 Staffler, Victor A.
 Ullmke, Hans-Gisbert
 Wiegmann, Volker T.
 Wörner, Gisela

Workshops
 Strategy → Salon Anckermann
 Leadership → Salon del Duque
 Performance → Salon del Barón

10:30 a.m.
 2:00 p.m.
 4:30 p.m.

Group C

Albrecht, Barthold
 Bhojani, Kiran
 Bloemer, Bernhard
 Czernie, Wilfried
 Frithiof, Lars
 Fuchs, Martin
 Fuhr, Karl-Michael
 Gautier, Fritz
 Gobby, Paul
 Hohlefelder, Walter
 Höpke, Ulrich
 Kolks, Uwe
 Klippers, Arnd
 McCall, John
 Middelshulte, Achim
 Paskert, Dierk
 Schäfer, Klaus
 Scheren, Michael
 Vauk, Wulf-Hinrich
 Weber, Thomas

Workshops
 Performance → Salon del Barón
 Strategy → Salon Anckermann
 Leadership → Salon del Duque

10:30 a.m.
 2:00 p.m.
 4:30 p.m.

CIRCULATED ON
12 SEPTEMBER 2003

Confidential

Meeting of the Powergen Advisory Forum

to be held on
Tuesday 23 September 2003

at 2.00 pm
GERMAN TIME

In Room T-937, E.ON AG Headquarters
E.ON-Platz 1, Düsseldorf, Germany

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Beer

A G E N D A

- I INTRODUCTION Dr Bernotat
- II POWERGEN GROUP PERFORMANCE REPORT:
JULY 2003 Mr Söhlke
- III UK BUSINESS UPDATE Dr Golby
 - (a) Regulatory / Political Update
 - (b) Project Jubilee: Recent Developments
 - (c) UK Blackouts: Implications for Next Distribution Review
- IV US BUSINESS UPDATE Mr Staffieri
 - (a) Regulatory Proceedings
 - (b) WKE
 - (c) US Blackout: Implications for Kentucky
- V ANY OTHER BUSINESS
 - (a) Date of Next Meeting: Thursday 20 November 2003, 2.00 pm German time, in Düsseldorf

Budget Meeting Market Unit US

18 November 2003

Agenda

Item 1 **2003 performance – budget vs forecast**

Item 2 **Business Plan 2004 – 2006**

1. Key plan assumptions
2. Key performance figures US Business
3. Performance of individual SBU
4. Special topics
 - Utilities: Regulatory proceeding
 - WKE: Mitigation actions
 - Group: Update Disposal Programme, Best Practice, asset productivity

Item 3 **Business targets 2004 – 2006**

1. Internal operating profit
2. ROCE
3. Cash Flow, Capex

Confidential

PGAF
18 November 2003

Meeting of the Powergen Advisory Forum

to be held on
Tuesday 18 November 2003

at 6.00 pm approx
GERMAN TIME

In Room T-937, E.ON AG Headquarters
E.ON-Platz 1, Düsseldorf, Germany

The meeting will be preceded by light refreshments

A G E N D A

- I MINUTES OF PREVIOUS MEETING
23 September 2003
- II POWERGEN GROUP PERFORMANCE REPORT:
SEPTEMBER 2003
- III UK BUSINESS UPDATE
 - (a) Regulatory / Political Update
 - (b) Acquisition of Midlands Electricity
- IV US BUSINESS UPDATE
 - (a) Regulatory Proceedings
 - (b) Other business
- V ANY OTHER BUSINESS
 - (a) Date of Next Meeting: To be agreed

PGAF 002
(Mr Söhlke)

Dr Galby

Mr Staffieri

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**Board Meeting
Top Executive Committee Meeting
January 28-31, 2004**

Location: The "Ruhrgas Gästehaus"
Schauinsland 17
Essen-Bredeneu

January 28th Board Meeting

Till 16.00	Arrival	E.ON Board
16.00 –	Board meeting	E.ON Board, all other participants according to Attendance List
18.30		
18.30	Get together & Dinner	E.ON Board

January 29th Board Meeting (morning), TEC (afternoon)

9.00 –	Russia strategy	E.ON Board, Paskert, König, Delbrück
11.00	<i>(Delbrück)</i>	
11.00 –	Status Italy strategy (optional)	E.ON Board, Paskert, König, Delbrück
12.00	<i>(Delbrück)</i>	
12.00 –	Lunch	TEC Team, Paskert, König
13.30		
13.30 –	TEC: Reports from the Market	TEC Team, Paskert, König
17.00	Units (30 min each) <i>(MU CEOs)</i> + Group picture E.ON <i>(König)</i>	
17.00 –	Break	
17.30		
17.30 –	Long-term targets and	TEC Team, Paskert, König
18.30	positioning of E.ON	
18.30 –	Long-term energy scenarios	TEC Team, Paskert
20.00	<i>(Ged Davis, World Economic Forum)</i>	
20.00	Dinner	TEC Team, Paskert, Davis

January 30th Board Strategy Retreat

9.00 – 11.00	Competitive environment, competitors strategy & financial performance	TEC Team, Paskert, König
	<ul style="list-style-type: none"> • Nordic: Vattenfall, Fortum • CE: RWE, EdF, Suez/Tractebel, Enel • UK: Centrica, Innogy, SSE/Scottish Power • US after the crisis, LNG 	Presentation: Paskert in coordination with MU CEO
11.00 – 11.30	Break	
11.30 – 12.30	<ul style="list-style-type: none"> • Pan European Gas: ENI, GdF, Oil Majors (power&gas divisions) 	
12.30 – 14:00	Portfolio outlook 2004-06	TEC Team, Paskert, König
13.00	<ul style="list-style-type: none"> • Target alignment 2006 with long-term targets Lunch, Sandwiches <ul style="list-style-type: none"> • Strategic action requirements • Outline of the strategic development for the Market Units (<i>Paskert</i>) 	
14.00	Departure to Dortmund	Location: Kongresszentrum Westfalenhallen, Dortmund TEC Team, Identity Group
15.00 – 19.00	Identity Workshop	
20.00	Soccer stadium, BVB – Schalke04 ¹	TEC Team, Identity Group, König

January 31st

8.00 – 11.00	Identity Workshop	E.ON Board, Vogg, external Moderator
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Groups:

E.ON Board	Bernotat, Bergmann, Gaul, Krüper, Schipporeit, Teyssen
TEC Team	Bernotat, Bergmann, Gaul, Krüper, Schipporeit, Teyssen, Frithiof, Golby, Staffieri
Identity Group	Blau, Paskert, Pesch, Vogg, Fuhr, Geldmacher, Gotzel, Horler, McCall, Reichel, Weise

¹ Admission tickets reserved by Lars Pedé

ITINERARY
VICTOR A. STAFFIERI
LOUISVILLE ⇨ DÜSSELDORF ⇨ LOUISVILLE
MARCH 14 – 17, 2004

TUESDAY, MARCH 16, 2004

Meeting Information:

E.ON Leadership Review Phase I
Executive Council
Ruhrgas Guesthouse
Schauinsland 17
45133 Essen

- 9:00 a.m. – Welcome and Introduction
9:10 a.m. – Leadership Review Phase I – observations and remarks
9:20 a.m. – General findings and analysis
 a. Age
 b. Mobility
 c. Development Needs
9:40 a.m. – Individual findings and job placement recommendations
 a. Top Executive Team
 b. Performer with excellent potential / with potential
 c. Further candidates
12:30 p.m. – Lunch
1:30 p.m. – Succession planning and job placement recommendations
2:45 p.m. – Summary and outlook leadership review phase II
3:00 p.m. – End of Meeting