



a PPL company

Jeff DeRouen, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602

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PUBLIC SERVICE  
COMMISSION

August 10, 2011

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
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P.O. Box 32010  
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**RE: *In the Matter of: The Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge - Case No. 2011-00162***

Dear Mr. DeRouen:

Enclosed please find an original and fifteen (15) copies of Louisville Gas and Electric Company's (LG&E) supplemental response to Question Nos. 7, 8, and 12 of the Kentucky Industrial Utility Customers's First Set of Data Request dated July 12, 2011, in the above-referenced matter.

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

Sincerely,

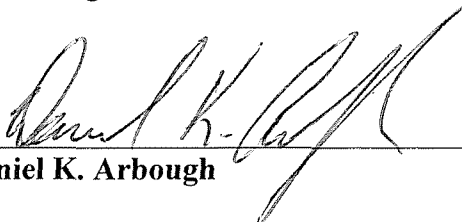
Robert M. Conroy

cc: Parties of Record

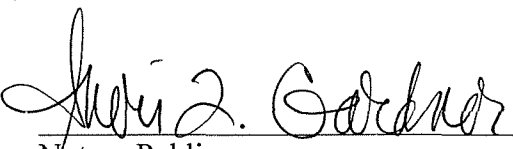
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer for Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
**Daniel K. Arbough**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10<sup>th</sup> day of August 2011.

  
\_\_\_\_\_  
Notary Public (SEAL)

My Commission Expires:

**SHERI L. GARDNER**  
Notary Public, State at Large, KY  
\_\_\_\_\_  
My commission expires Dec. 24, 2013

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>THE APPLICATION OF LOUISVILLE GAS AND</b>	)	
<b>ELECTRIC COMPANY FOR CERTIFICATES</b>	)	
<b>OF PUBLIC CONVENIENCE AND NECESSITY</b>	)	
<b>AND APPROVAL OF ITS 2011 COMPLIANCE</b>	)	<b>CASE NO. 2011-00162</b>
<b>PLAN FOR RECOVERY BY ENVIRONMENTAL</b>	)	
<b>SURCHARGE</b>	)	

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
  
**SUPPLEMENTAL RESPONSE TO THE**  
**KENTUCKY INDUSTRIAL UTILITY CUSTOMER'S, INC. (KIUC)**  
**FIRST SET OF DATA REQUESTS**

**DATED JULY 12, 2011**

**FILED: AUGUST 10, 2011**

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Supplemental Response to KIUC's First Set of Data Requests Dated July 12, 2011**

**Supplemental Response filed August 10, 2011**

**Case No. 2011-00162**

**Question No. 7**

**Witness: Counsel / Daniel K. Arbough**

- Q-7. Refer to the PPL Corporation presentation on May 11, 2011 to the Deutsche Bank Conference available on the PPL website.
- a. On page 3 of that presentation entitled "Investment Highlights," there are bullet points under the description "Multiple drivers of significant upside."
    - i. To what does the term "significant upside" refer? Please provide all support relied on for your response.
    - ii. Please explain how "Environmental regulation" represents a "driver" of "significant upside." Please provide specific examples.
  - b. On page 7 of that presentation entitled "Regulated Rate Base Growth," the presentation shows LKE (LG&E and KU) growth from \$6.7 billion in 2011 to \$10.4 billion in 2015. Please provide the underlying support for these projections at the most detailed level available, including, but not limited, to all financial statement projections.
  - c. On 12 of that presentation entitled "Capital Expenditures," the presentation shows "LKE ECR" capital expenditures of \$0.2 billion in 2011, \$0.7 billion in 2012, \$0.8 billion in 2013, \$0.8 billion in 2014, and \$0.5 billion in 2015, or a total of \$3.0 billion over the five year period. Please provide the underlying support for these projections at the most detailed level available including, but not limited to, all financial statement projections.
  - d. On page 12 of that presentation entitled "Capital Expenditures," the presentation shows "LKE base" capital expenditures of \$0.4 billion in 2011, \$0.5 billion in 2012, \$0.6 billion in 2013, \$0.7 billion in 2014, and \$0.9 billion in 2015, or a total of \$3.1 billion over the five year period. Please provide the underlying support for these projections at the most detailed level available including, but not limited to, all financial statement projections.

**A-7. Original Response:**

- a. Page 3 of the presentation refers to the PPL Energy Supply business which is an unregulated wholesale electric generation and marketing entity.
  - i. The term “significant upside” relates to the potential for PPL Energy Supply to earn higher profits. It is important to note that this portion of the presentation relates to the PPL Energy Supply business which is an unregulated wholesale electric generation and marketing entity.
  - ii. “Environmental regulation” represents a “driver” of “significant upside” in that the regulation is expected to result in plant closings and capital expenditures that are expected to increase power prices in the wholesale market. Given that PPL’s fleet of merchant generation is comprised of nuclear and scrubbed coal plants, PPL expects to benefit from rising power prices in its wholesale Energy Supply business.
- b. LG&E objects because the requested information is irrelevant to this proceeding. LG&E is not seeking to recover the estimated costs of the projects in its environmental compliance plan, but instead only proposes to recover the actual costs incurred upon the Commission’s approval under KRS 278.183. Consistent with its historical practice, LG&E does not disclose financial projections. Such projections are only estimates; there is no guarantee that such projections will be realized; and the estimates are based on a number of assumptions that may change over time. The Commission has recognized that such information is not discoverable when a utility is not seeking to recover costs based upon forecasted or estimated expenses. See the Commission’s September 6, 1990 Ruling and September 21, 1990 Order in Case No. 90-158.
- c. See the response to (b).
- d. See the response to (b).

**Supplemental Response:**

- a. [No change or supplement.]
- b. LG&E restates the objections set out in its original response as if fully set forth herein. That notwithstanding and without waiving its objections, please see the attached excerpts from the PPL Corp., LG&E and KU Energy LLC (“LKE”), LG&E, and KU 10-Q/A statements filed with the U.S. Securities and Exchange Commission on August 8, 2011. The complete version of each document is publicly available online:

PPL Corp: <http://files.shareholder.com/downloads/PPL/1351290328x0xS922224-11-136/922224/922224-11-136.pdf>

LKE: <http://files.shareholder.com/downloads/PPL/1351290328x0xS922224-11-136/1518339/922224-11-136.pdf>

LG&E: <http://files.shareholder.com/downloads/PPL/1351290328x0xS922224-11-136/60549/922224-11-136.pdf>

KU: <http://files.shareholder.com/downloads/PPL/1351290328x0xS922224-11-136/55387/922224-11-136.pdf>

- c. See the response to (b).
- d. See the response to (b).

# PPL CORP

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	TWO N NINTH ST ALLENTOWN, PA 181011179
Telephone	6107745151
CIK	0000922224
Symbol	PPL
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

not charging "just and reasonable" rates, it may institute prospective action, but any contracts entered into pursuant to the FERC's market-based rate authority remain in effect and are generally subject to a high standard of review before the FERC can order changes. Recent court decisions by the U.S. Court of Appeals for the Ninth Circuit have raised issues that may make it more difficult for the FERC to continue its program of promoting wholesale electricity competition through market-based rate authority. These court decisions permit retroactive refunds and a lower standard of review by the FERC for changing power contracts, and could have the effect of requiring the FERC in advance to review most, if not all, power contracts. In June 2008, the U.S. Supreme Court reversed one of the decisions of the U.S. Court of Appeals for the Ninth Circuit, thereby upholding the higher standard of review for modifying contracts. The FERC has not yet taken action in response to these court decisions. At this time, PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict the impact of these court decisions on the FERC's future market-based rate authority program or on their businesses.

Energy Policy Act of 2005 - Reliability Standards (PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk power electricity system, including electric utility companies, generators and marketers. The FERC has indicated it intends to vigorously enforce the Reliability Standards using, among other means, civil penalty authority. Under the Federal Power Act, the FERC may assess civil penalties of up to \$1 million per day, per violation, for certain violations. The first group of Reliability Standards approved by the FERC became effective in June 2007.

LG&E, KU, PPL Electric and certain subsidiaries of PPL Energy Supply continue to self-report potential violations of certain applicable reliability requirements and submit accompanying mitigation plans. The resolution of a number of these potential violation reports is pending. Any regional reliability entity determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC. PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any, other than the amounts currently recorded.

In the course of implementing its program to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time.

**Environmental Matters - Domestic**

(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)

Due to the environmental issues discussed below or other environmental matters, PPL subsidiaries may be required to modify, curtail, replace or cease operating certain facilities or operations to comply with statutes, regulations and other requirements of regulatory bodies or courts.

(PPL, PPL Energy Supply, LKE, LG&E and KU)

Air

The Clean Air Act addresses, among other things, emissions causing acid deposition, installation of best available control technologies for new or substantially modified sources, attainment of national ambient air quality standards, toxic air emissions and visibility standards in the U.S. Amendments to the Clean Air Act requiring additional emission reductions had been proposed but are unlikely to be introduced or passed in this Congress. The Clean Air Act allows states to develop more stringent regulations and in some instances, as discussed below, Kentucky, Pennsylvania and Montana have done so.

To comply with air related requirements and other environmental requirements as described below, PPL's forecast for capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are a combined \$3.1 billion for LG&E and KU (which includes \$600 million currently approved in its ECR plans during the 2011 through 2013 time period to achieve emissions reductions and manage coal combustions residuals and \$2.5 billion recently requested through the 2011 ECR Plan for additional expenditures to comply with new clean air rules and manage coal combustion residuals) and \$400 million for PPL Energy Supply. Actual costs may be significantly lower or higher depending on the final requirements. Certain environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are subject to recovery through the ECR. See Note 6 for additional information on the ECR plan.



- affirmed all of the long-term ratings for PPL and its rated subsidiaries.

In May 2011, S&P downgraded the long-term rating of four series of pollution control bonds issued on behalf of KU by one notch in connection with the substitution of the letters of credit enhancing these four bonds.

Also in May 2011, Fitch affirmed its rating and maintained its outlook for PPL Montana's Pass Through Certificates due 2020.

In July 2011, S&P upgraded the senior secured rating for PPL Electric's first mortgage bonds following the execution of a supplemental indenture that provides for prospective amendments to PPL Electric's 2001 Mortgage Indenture, as discussed in "Long-term Debt and Equity Securities" above.

The Economic Stimulus Package

In April 2010, PPL Electric entered into an agreement with the DOE, in which the agency is to provide a grant for one-half of a \$38 million smart grid project. The project involves installing and using smart grid technology to strengthen reliability, save energy and improve electric service for approximately 60,000 Harrisburg, Pennsylvania-area customers. It is expected to provide benefits beyond the Harrisburg region, helping to speed power restoration across PPL Electric's 29-county service territory. Work on the project is progressing on schedule, and PPL Electric is receiving reimbursements under the grant for costs incurred. The project is scheduled to be completed by the end of September 2012.

Ratings Triggers

PPL and its subsidiaries have various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, tolling agreements and interest rate and foreign currency instruments, which contain provisions requiring PPL and its subsidiaries to post additional collateral, or permitting the counterparty to terminate the contract, if PPL's or the subsidiaries' credit ratings were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at June 30, 2011. At June 30, 2011, if PPL's or its subsidiaries' credit ratings had been below investment grade, the maximum amount that PPL would have been required to post as additional collateral to counterparties was \$490 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate and foreign currency contracts.

Capital Expenditures

The table below shows PPL's capital expenditure projections at June 30, 2011.

	Projected				
	2011	2012	2013	2014	2015
Construction expenditures (a) (b)					
Generating facilities	\$ 778	\$ 640	\$ 553	\$ 360	\$ 492
Transmission and distribution facilities	1,490	1,925	2,248	2,215	2,071
Environmental (c)	230	764	1,239	1,212	888
Other	157	173	133	122	138
Total Construction Expenditures	<u>2,655</u>	<u>3,502</u>	<u>4,173</u>	<u>3,909</u>	<u>3,589</u>
Nuclear fuel	152	159	161	158	160
Total Capital Expenditures	<u>\$ 2,807</u>	<u>\$ 3,661</u>	<u>\$ 4,334</u>	<u>\$ 4,067</u>	<u>\$ 3,749</u>

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to be approximately \$320 million for the years 2011 through 2015.

(b) Includes expenditures for certain intangible assets.

(c) Includes \$709 million of LKE's currently estimable costs related to replacement generation units due to EPA regulations not recoverable through the ECR mechanism. LKE expects to recover these costs over a period equivalent to the related depreciable lives of the assets through base rates established by future rate cases.

PPL's capital expenditure projections for the years 2011 through 2015 total approximately \$18.6 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table has been revised from that which was presented in PPL's 2010 Form 10-K for changes in estimates for LKE's environmental projects related to new and anticipated EPA compliance standards (actual costs may be significantly lower or higher depending on the final requirements; certain environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism) and expenditures to be made by the newly acquired WPD Midlands. See Note 8 to the Financial Statements for information on PPL's April 2011 acquisition of WPD Midlands.

# LG&E & KU ENERGY LLC

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	220 WEST MAIN STREET LOUISVILLE, KY 40202
Telephone	502-672-2000
CIK	0001518339
SIC Code	4931 - Electric and Other Services Combined
Fiscal Year	12/31

- Moody's affirmed all of the ratings for LKE and all of its rated subsidiaries;
- S&P revised the outlook for LKE, LG&E and KU and lowered the issuer and senior unsecured ratings of LKE and the issuer, senior secured and short-term ratings of LG&E and KU; and
- Fitch affirmed all of the ratings for LKE and all of its rated subsidiaries.

In April 2011, S&P took the following actions following the completion of PPL's acquisition of WPD Midlands:

- revised the outlook for LKE and all of its rated subsidiaries;
- raised the short-term ratings of LG&E and KU; and
- affirmed all of the long-term ratings for LKE and its rated subsidiaries.

In May 2011, S&P downgraded the long-term rating of four series of pollution control bonds issued on behalf of KU by one notch in connection with the substitution of the letters of credit enhancing these four bonds.

#### Ratings Triggers

LKE and its subsidiaries have various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity, fuel, commodity transportation and storage and interest rate instruments, which contain provisions requiring LKE and its subsidiaries to post additional collateral, or permitting the counterparty to terminate the contract, if LKE's or the subsidiaries' credit rating were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at June 30, 2011. At June 30, 2011, if LKE's or its subsidiaries' credit ratings had been below investment grade, the maximum amount that LKE would have been required to post as additional collateral to counterparties was \$126 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate contracts.

#### Capital Expenditures

The table below shows LKE's capital expenditure projections at June 30, 2011.

	Projected				
	2011	2012	2013	2014	2015
Construction expenditures (a)					
Generating facilities	\$ 153	\$ 128	\$ 155	\$ 158	\$ 126
Transmission and distribution facilities	249	266	303	289	294
Environmental (b)	182	711	1,140	1,065	824
Other	35	52	48	42	67
Total Construction Expenditures	<u>\$ 619</u>	<u>\$ 1,157</u>	<u>\$ 1,646</u>	<u>\$ 1,554</u>	<u>\$ 1,311</u>

(a) Construction expenditures include AFUDC, which is not expected to be significant for the years 2011 through 2015.

(b) Includes \$709 million of currently estimable costs related to replacement generation units due to EPA regulations not recoverable through the ECR mechanism. LKE expects to recover these costs over a period equivalent to the related depreciable lives of the assets through base rates established by future rate cases.

LKE's capital expenditure projections for the years 2011 through 2015 total approximately \$6.3 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes current estimates for LKE's environmental projects related to new and anticipated EPA compliance standards. Actual costs may be significantly lower or higher depending on the final requirements. Certain environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism.

For additional information, see "Liquidity and Capital Resources" in LKE's 2011 Registration Statement.

#### **Risk Management**

##### Market Risk

See Notes 13 and 14 to the Financial Statements for information about LKE's risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These

# LOUISVILLE GAS & ELECTRIC CO /KY/

## FORM 10-Q/A (Amended Quarterly Report)

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SIC Code	4931 - Electric and Other Services Combined
Fiscal Year	12/31

to LG&E's securities. The ratings assigned by the rating agencies to LG&E and its securities may be found, without charge, on each of the respective ratings agencies' websites, which ratings together with all other information contained on such rating agency websites is, hereby, explicitly not incorporated by reference in this report.

Following the announcement of PPL's then-pending acquisition of WPD Midlands in March 2011, the rating agencies took the following actions:

- Moody's affirmed the ratings for LG&E;
- S&P revised the outlook for LG&E and lowered the issuer, senior secured and short-term ratings of LG&E; and
- Fitch affirmed the ratings for LG&E.

In April 2011, S&P took the following actions following the completion of PPL's acquisition of WPD Midlands:

- revised the outlook for LG&E;
- raised the short-term ratings of LG&E; and
- affirmed the long-term ratings for LG&E.

#### Ratings Triggers

LG&E has various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity, fuel, commodity transportation and storage and interest rate instruments, which contain provisions requiring LG&E to post additional collateral, or permitting the counterparty to terminate the contract, if LG&E's credit rating were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at June 30, 2011. At June 30, 2011, if LG&E's credit ratings had been below investment grade, the maximum amount that LG&E would have been required to post as additional collateral to counterparties was \$117 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate contracts.

#### Capital Expenditures

The table below shows LG&E's capital expenditure projections at June 30, 2011.

	Projected				
	2011	2012	2013	2014	2015
Construction expenditures					
Generating facilities	\$ 76	\$ 56	\$ 95	\$ 97	\$ 47
Transmission and distribution facilities	132	147	153	146	155
Environmental (a)	30	304	668	683	457
Other	10	26	25	21	34
Total Construction Expenditures	<u>\$ 248</u>	<u>\$ 533</u>	<u>\$ 941</u>	<u>\$ 947</u>	<u>\$ 693</u>

- (a) Includes \$566 million of currently estimable costs related to replacement generation units due to EPA regulations not recoverable through the ECR mechanism. LG&E expects to recover these costs over a period equivalent to the related depreciable lives of the assets through base rates established by future rate cases.

LG&E's capital expenditure projections for the years 2011 through 2015 total approximately \$3.4 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes current estimates for LG&E's environmental projects related to new and anticipated EPA compliance standards. Actual costs may be significantly lower or higher depending on the final requirements. Certain environmental compliance costs incurred by LG&E in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism.

For additional information, see "Liquidity and Capital Resources" in LG&E's 2011 Registration Statement.

#### **Risk Management**

##### Market Risk

See Notes 13 and 14 to the Financial Statements for information about LG&E's risk management objectives, valuation techniques and accounting designations.

# KENTUCKY UTILITIES CO

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	ONE QUALITY ST LEXINGTON, KY 40507
Telephone	6062552100
CIK	0000055387
SIC Code	4911 - Electric Services
Fiscal Year	12/29

registrant's registration statement or section 10(a) prospectus, KU is limiting its credit rating disclosure to a description of the actions taken by the rating agencies with respect to KU's ratings, but without stating what ratings have been assigned to KU's securities. The ratings assigned by the rating agencies to KU and its securities may be found, without charge, on each of the respective ratings agencies' websites, which ratings together with all other information contained on such rating agency websites is, hereby, explicitly not incorporated by reference in this report.

Following the announcement of PPL's then-pending acquisition of WPD Midlands in March 2011, the rating agencies took the following actions:

- Moody's affirmed the ratings for KU;
- S&P revised the outlook for KU and lowered the issuer, senior secured and short-term ratings of KU; and
- Fitch affirmed the ratings for KU.

In April 2011, S&P took the following actions following the completion of PPL's acquisition of WPD Midlands:

- revised the outlook for KU;
- raised the short-term ratings of KU; and
- affirmed the long-term ratings for KU.

In May 2011, S&P downgraded the long-term rating of four series of pollution control bonds issued on behalf of KU by one notch in connection with the substitution of the letters of credit enhancing these four bonds.

#### Ratings Triggers

KU has various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity, fuel, and commodity transportation and storage, which contain provisions requiring KU to post additional collateral, or permitting the counterparty to terminate the contract, if KU's credit rating were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at June 30, 2011. At June 30, 2011, if KU's credit ratings had been below investment grade, the maximum amount that KU would have been required to post as additional collateral to counterparties was \$9 million for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations.

#### Capital Expenditures

The table below shows KU's capital expenditure projections at June 30, 2011.

	Projected				
	2011	2012	2013	2014	2015
Construction expenditures (a)					
Generating facilities	\$ 77	\$ 72	\$ 60	\$ 61	\$ 79
Transmission and distribution facilities	116	119	150	143	139
Environmental (b)	152	407	472	382	367
Other	24	26	23	21	33
Total Construction Expenditures	<u>\$ 369</u>	<u>\$ 624</u>	<u>\$ 705</u>	<u>\$ 607</u>	<u>\$ 618</u>

(a) Construction expenditures include AFUDC, which is not expected to be significant for the years 2011 through 2015.

(b) Includes \$143 million of currently estimable costs related to replacement generation units due to EPA regulations not recoverable through the ECR mechanism. KU expects to recover these costs over a period equivalent to the related depreciable lives of the assets through base rates established by future rate cases.

KU's capital expenditure projections for the years 2011 through 2015 total approximately \$2.9 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes current estimates for KU's environmental projects related to new and anticipated EPA compliance standards. Actual costs may be significantly lower or higher depending on the final requirements. Certain environmental compliance costs incurred by KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism.

For additional information, see "Liquidity and Capital Resources" in KU's 2011 Registration Statement.

LOUISVILLE GAS AND ELECTRIC COMPANY

Supplemental Response to KIUC's First Set of Data Requests Dated July 12, 2011

Supplemental Response filed August 10, 2011

Case No. 2011-00162

Question No. 8

Witness: Counsel / Daniel K. Arbough

Q-8. Refer to the PPL Corporation presentation on October 31-November 3, 2010 at the EEI Financial Conference available on the PPL website.

- a. On the page entitled "Increased Scale with Continued Growth," the presentation shows projected growth in LKE amounts from \$6.7 billion in 2011 to \$7.7 billion in 2014. Please describe the amounts shown on this page of the presentation and how they are computed.
- b. Please provide the underlying support for these projections at the most detailed level available, including, but not limited to, all financial statement projections.
- c. On the page entitled "Projected Capitalization Structures at 12/31/2010," the Kentucky Holdings Consolidated capital structure consists of 51.0% debt and 49.0% common equity, while the LG&E and KU capital structures consist of 41.2% debt and 58.8% common equity. Please provide the underlying support for these computations and reconcile the Kentucky Holdings Consolidated capitalization amounts used to compute the capital structure to the sum of the capitalization amounts used to compute the capital structures for the two utilities. To the extent that Kentucky Holdings Consolidated capitalization amounts include debt in addition to that held by the two utilities, then please provide a schedule of such debt outstanding at December 31, 2010.

A-8. **Original Response:**

- a. The amounts shown on this page represent forecasts of the total capitalization of LKE. These amounts are calculated based on budgets prepared by the Company.
- b. LG&E objects to this request because the information sought is irrelevant to this proceeding. LG&E is not seeking to recover the estimated costs of the projects in its environmental compliance plan, but instead only proposes to recover the actual costs LG&E incurs upon the Commission's approval under KRS 278.183. Consistent with its historical practice, LG&E does not disclose financial projections. Such projections are only estimates; there is no guarantee that such projections will



be realized; and the estimates are based on a number of assumptions that may change over time. The Commission has recognized that such information is not discoverable when a utility is not seeking to recover costs based upon forecasted or estimated expenses. See the Commission's September 6, 1990 Ruling and September 21, 1990 Order in Case No. 90-158.

- c. The debt total used in calculating the projected capitalization structure for LG&E and KU Energy LLC (LKE) includes the following debt in addition to the debt of LG&E and KU:

LKE 2.125% Senior Notes due 2015	\$400 million
LKE 3.750% Senior Notes due 2020	\$475 million
LG&E and KU Capital Corp Med. Term Notes due 2011	\$2 million

The common equity total used in calculating the projected capitalization structure for LKE includes equity of non-regulated holdings as well as the utilities and is consolidated according to GAAP.

Actual Capitalization Structures at December 31, 2010 calculated on a GAAP basis were as follows:

<b>Total</b>	<u>\$ 7,999</u>	<u>100.0%</u>
Louisville Gas & Electric		
Debt	\$ 1,287	42.8%
Common Equity	<u>1,721</u>	<u>57.2%</u> <sup>(1)</sup>
<b>Total</b>	<u>\$ 3,008</u>	<u>100.0%</u>
Kentucky Utilities		
Debt	\$ 1,851	40.8%
Common Equity	<u>2,691</u>	<u>59.2%</u> <sup>(2)</sup>
<b>Total</b>	<u>\$ 4,542</u>	<u>100.0%</u>

(1) Of this amount, \$389 million represents goodwill, which is not recoverable for regulatory purposes. As a result, the unadjusted regulatory capitalization structure contains 50.9% equity.

(2) Of this amount, \$607 million represents goodwill, which is not recoverable for regulatory purposes. As a result, the unadjusted regulatory capitalization structure contains 53.0% equity.

**Supplemental Response:**

- a. [No change or supplement.]
- b. LG&E restates the objections set out in its original response as if fully set forth herein. That notwithstanding and without waiving its objections, please see the Supplemental Response to 1-7(b).
- c. [No change or supplement.]

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Supplemental Response to KIUC's First Set of Data Requests Dated July 12, 2011**

**Supplemental Response filed August 10, 2011**

**Case No. 2011-00162**

**Question No. 12**

**Witness: Counsel / Daniel K. Arbough**

Q-12. Please describe each source of short term debt presently available to PPL Corp. Provide the maximum amount of each such source; the uses to which such funds from each such source are limited, if any; the terms and conditions of borrowing from each such source, including, but not limited to, the basis for the interest rate (e.g., prime plus x%, 1 month LIBOR), annual fees and expenses in dollars and as a percentage of outstanding borrowing on average over the most recent twelve months; and a copy of the relevant agreements for each such source.

**A-12. Original Response:**

LG&E objects to this request because the information sought is irrelevant to this proceeding. PPL Corp. is not providing any financing to LG&E with regard to the projects in its environmental compliance plan and thus PPL Corp.'s sources of short-term debt are irrelevant. All forms of debt will be issued by LG&E.

**Supplemental Response:**

LG&E restates the objections set out in its original response as if fully set forth herein. That notwithstanding and without waiving its objections, please see the attached excerpts from the PPL Corp., LG&E and KU Energy LLC, LG&E, and KU 10-Q/A statements filed with the U.S. Securities and Exchange Commission on August 8, 2011. The Supplemental Response to 1-7(b) above provides the URL address of a complete version of each document.

Please note that the attached excerpts show that PPL Corp. does not have short-term debt facilities of its own.

# PPL CORP

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	TWO N NINTH ST ALLENTOWN, PA 181011179
Telephone	6107745151
CIK	0000922224
Symbol	PPL
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

million. The projected expenditures in the current regulatory period, April 1, 2010 through March 31, 2015, have been included in allowed revenues, and it is expected that expenditures beyond this five-year period (including WPD Midlands expenditures) will also be included in allowed revenues. The U.K. Government has determined that WPD (South Wales) and WPD Midlands should comply by 2015 and WPD (South West) by 2018.

To improve network reliability, the U.K. Government amended a regulation relating to safety and continuity of supply by adding a new obligation which broadly requires, beginning January 31, 2009, network operators to implement a risk-based program to clear trees away from overhead lines. WPD estimates that the cost of compliance will be approximately \$208 million over a 25-year period. The projected expenditures in the current regulatory period have been included in allowed revenues under the current price control review, and it is expected that expenditures beyond this five-year period will also be included in allowed revenues.

In addition to the above, WPD (East Midlands) and WPD (West Midlands) were not in compliance with earlier regulations pertaining to overhead line clearances as of the acquisition date. WPD (East Midlands) and WPD (West Midlands) expect to incur costs through 2015 to comply with these requirements that are not included in allowed revenues under the current price control review. Management is in the process of assessing and quantifying this exposure as a result of the acquisition.

#### *New U.K. Pricing Model*

The electricity distribution subsidiaries of PPL WW and PPL WEM operate under distribution licenses and price controls granted and set by Ofgem for each of their distribution subsidiaries. The price control formula that governs allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. The price control formula is normally determined every five years. Ofgem completed its review in December 2009 that became effective April 1, 2010 and will continue through March 31, 2015.

In October 2010, Ofgem announced a new pricing model that will be effective for the U.K. electricity distribution sector, beginning April 2015. The model, known as RIIO (Revenues = Incentives + Innovation + Outputs), is intended to encourage investment in regulated infrastructure. Key components of the model are: an extension of the price review period from five to eight years, increased emphasis on outputs and incentives, enhanced stakeholder engagement including network customers, a stronger incentive framework to encourage more efficient investment and innovation, expansion of the current Low Carbon Network Fund to stimulate innovation and continued use of a single weighted average cost of capital.

## 7. Financing Activities

### Credit Arrangements and Short-term Debt

*(PPL, PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

Credit facilities are maintained to enhance liquidity and provide credit support, and as a backstop to commercial paper programs, when necessary. The following credit facilities were in place at:

	June 30, 2011				December 31, 2010		
	Expiration Date	Capacity	Borrowed (a)	Letters of Credit Issued	Unused Capacity	Borrowed (a)	Letters of Credit Issued
<b>PPL</b>							
<i>WPD Credit Facilities</i>							
PPL WW Syndicated Credit Facility (b)	Jan. 2013	£ 150	£ 113	n/a	£ 37	£ 115	n/a
WPD (South West) Syndicated Credit Facility	July 2012	210		n/a	210		n/a
WPD (East Midlands) Syndicated Credit Facility (c)	Apr. 2016	300		£ 70	230	n/a	n/a
WPD (West Midlands) Syndicated Credit Facility (c)	Apr. 2016	300		71	229	n/a	n/a
Uncommitted Credit Facilities		113		3	110		£ 3
Total WPD Credit Facilities (d)		<u>£ 1,073</u>	<u>£ 113</u>	<u>£ 144</u>	<u>£ 816</u>	<u>£ 115</u>	<u>£ 3</u>
<b>PPL Energy Supply (e)</b>							
Syndicated Credit Facility (f)	Dec. 2014	\$ 3,000	\$ 250	\$ 122	\$ 2,628	\$ 350	
Letter of Credit Facility	Mar. 2013	200	n/a	55	145	n/a	\$ 24
Structured Credit Facility (g)	Mar. 2011	n/a	n/a	n/a	n/a	n/a	161
Total PPL Energy Supply Credit Facilities		<u>\$ 3,200</u>	<u>\$ 250</u>	<u>\$ 177</u>	<u>\$ 2,773</u>	<u>\$ 350</u>	<u>\$ 185</u>

	June 30, 2011				December 31, 2010		
	Expiration Date	Capacity	Borrowed (a)	Letters of Credit Issued	Unused Capacity	Borrowed (a)	Letters of Credit Issued
<b>PPL Electric (e)</b>							
Syndicated Credit Facility	Dec. 2014	\$ 200		\$ 13	\$ 187		\$ 13
Asset-backed Credit Facility (h)	July 2011	150		n/a	150		n/a
Total PPL Electric Credit Facilities		<u>\$ 350</u>		<u>\$ 13</u>	<u>\$ 337</u>		<u>\$ 13</u>
<b>LG&amp;E (e) (i)</b>							
Syndicated Credit Facility (j)	Dec. 2014	<u>\$ 400</u>			<u>\$ 400</u>	<u>\$ 163</u>	
<b>KU (e) (i)</b>							
Syndicated Credit Facility (j)	Dec. 2014	\$ 400			\$ 400		\$ 198
Letter of Credit Facility (k)	Apr. 2014	198	n/a	\$ 198		n/a	n/a
Total KU Credit Facilities		<u>\$ 598</u>		<u>\$ 198</u>	<u>\$ 400</u>		<u>\$ 198</u>

- (a) Amounts borrowed are recorded as "Short-term debt" on the Balance Sheets.
- (b) The borrowing outstanding at June 30, 2011 was a USD-denominated borrowing of \$181 million, which equated to £113 million at the time of borrowing and bore interest at approximately 1.07%.
- (c) In April 2011, following the completion of the acquisition of WPD Midlands, WPD (East Midlands) and WPD (West Midlands) each entered into a £300 million 5-year syndicated credit facility. Under the facilities, WPD (East Midlands) and WPD (West Midlands) each have the ability to make cash borrowings and to request the lenders to issue up to £80 million of letters of credit in lieu of borrowing. Each company pays customary commitment and utilization fees under its respective facility, and borrowings generally bear interest at LIBOR-based rates plus a spread, depending upon the respective company's senior unsecured long-term debt rating. Each credit facility contains financial covenants that require the respective company to maintain an interest coverage ratio of consolidated earnings before interest, income taxes, depreciation and amortization to interest expense of at least 3.0 to 1 and total net debt not in excess of 85% of its RAV, in each case calculated in accordance with the credit facilities. An aggregate of \$7 million in fees were incurred in connection with establishing these facilities.
- (d) In June 2011, WPD repaid £84 million of short-term debt (which equated to \$138 million at the time of repayment) with proceeds received from the issuance of long-term debt. Although financial information of foreign subsidiaries is recorded on a one-month lag, the repayment of short-term debt is reflected in the financial statements for the quarter ended June 30, 2011. See "Long-term Debt and Equity Securities" below for further discussion.

At June 30, 2011, the unused capacity of the WPD credit facilities was approximately \$1.3 billion.

- (e) All credit facilities at PPL Energy Supply, PPL Electric, LG&E and KU also apply to PPL on a consolidated basis for financial reporting purposes.
- (f) The borrowing outstanding at June 30, 2011 bears interest at 2.44%.
- (g) In March 2011, PPL Energy Supply's \$300 million Structured Credit Facility expired. PPL Energy Supply's obligations under this facility were supported by a \$300 million letter of credit issued on PPL Energy Supply's behalf under a separate but related \$300 million 5-year credit agreement, which also expired in March 2011.
- (h) PPL Electric participates in an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary has pledged these assets to secure loans from a commercial paper conduit sponsored by a financial institution.

At June 30, 2011 and December 31, 2010, \$274 million and \$248 million of accounts receivable and \$87 million and \$134 million of unbilled revenue were pledged by the subsidiary under the credit agreement related to PPL Electric's and the subsidiary's participation in the asset-backed commercial paper program. Based on the accounts receivable and unbilled revenue pledged at June 30, 2011, the amount available for borrowing under the facility was limited to \$107 million. PPL Electric's sale to its subsidiary of the accounts receivable and unbilled revenue is an absolute sale of assets, and PPL Electric does not retain an interest in these assets. However, for financial reporting purposes, the subsidiary's financial results are consolidated in PPL Electric's financial statements. PPL Electric performs certain record-keeping and cash collection functions with respect to the assets in return for a servicing fee from the subsidiary.

In July 2011, PPL Electric and the subsidiary extended the expiration date of the credit agreement to July 2012.

- (i) All credit facilities at LG&E and KU also apply to LKE on a consolidated basis for financial reporting purposes.
- (j) In June 2011, these facilities were amended such that the fees and the spreads to benchmark interest rates for borrowings depend upon the respective company's senior secured long-term debt rating rather than the senior unsecured long-term debt rating.
- (k) In April 2011, KU entered into a letter of credit facility that has been used to issue letters of credit to support outstanding tax-exempt bonds. The facility contains a financial covenant requiring KU's debt to total capitalization not to exceed 70%, as calculated in accordance with the credit facility. KU pays customary commitment and letter of credit fees under the new facility.

*(PPL and PPL Energy Supply)*

PPL Energy Supply maintains a \$500 million Facility Agreement expiring June 2017, whereby PPL Energy Supply has the ability to request up to \$500 million of committed letter of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. At June 30, 2011, PPL Energy Supply had not requested any capacity for the issuance of letters of credit under this arrangement.

PPL Energy Supply, PPL EnergyPlus, PPL Montour and PPL Brunner Island maintain an \$800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. PPL Montour and PPL Brunner Island have granted liens on their respective generating facilities to secure any amount they may owe under their guarantees. The facility expires in November 2015, but is subject to automatic one-year renewals under certain conditions. There were no secured obligations outstanding under this facility at June 30, 2011.

*(PPL and PPL Electric)*

PPL Electric maintains a commercial paper program for up to \$200 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by PPL Electric's Syndicated Credit Facility, which expires in December 2014, based on available capacity. PPL Electric had no commercial paper outstanding at June 30, 2011.

*(PPL Energy Supply, PPL Electric, LKE, LG&E and KU)*

See Note 11 for discussion of intercompany borrowings.

#### **2011 Bridge Facility (PPL)**

In March 2011, concurrently and in connection with entering into the agreement to acquire WPD Midlands, PPL entered into a commitment letter with certain lenders pursuant to which the lenders committed to provide PPL with 364-day unsecured bridge financing of up to £3.6 billion solely to (i) fund the acquisition and (ii) pay certain fees and expenses in connection with the acquisition. The bridge financing commitment was subsequently syndicated to a group of banks, including the initial commitment lenders. Upon the syndication of the commitment, in March 2011, PPL Capital Funding and PPL WEM, as borrowers, and PPL, as guarantor, entered into the £3.6 billion 2011 Bridge Facility. During the six months ended June 30, 2011, PPL incurred \$43 million of fees in connection with establishing the 2011 Bridge Facility, which is reflected in "Interest Expense" on the Statement of Income. Of the total fees incurred, \$36 million was recorded in "Interest Expense" on the Statement of Income for the three months ended June 30, 2011.

On April 1, 2011, concurrent with the closing of the WPD Midlands acquisition, PPL Capital Funding borrowed an aggregate of £1.75 billion and PPL WEM borrowed £1.85 billion under the 2011 Bridge Facility. Borrowings bore interest at approximately 2.62%, determined by one-month LIBOR rates plus a spread, based on PPL Capital Funding's senior unsecured debt rating and the length of time from the date of the acquisition closing that borrowings were outstanding. See Note 8 for additional information on the acquisition.

In accordance with the terms of the 2011 Bridge Facility, PPL Capital Funding's borrowings of £1.75 billion were repaid with approximately \$2.8 billion of proceeds received from PPL's issuance of common stock and 2011 Equity Units in April 2011, as discussed in "Long-term Debt and Equity Securities" below. In April 2011, PPL WEM repaid £650 million of its 2011 Bridge Facility borrowing. Such repayment was funded primarily with proceeds received from PPL WEM's issuance of senior notes, which is also discussed below. In May 2011, PPL WEM repaid the remaining £1.2 billion of borrowings then-outstanding under the 2011 Bridge Facility, primarily with the proceeds from senior notes issued by WPD (East Midlands) and WPD (West Midlands), as described below.

In anticipation of the repayment of a portion of the borrowings under the 2011 Bridge Facility with U.S. dollar proceeds received from PPL's issuance of common stock and 2011 Equity Units and PPL WEM's issuance of U.S. dollar-denominated senior notes, PPL entered into forward contracts to purchase GBP in order to economically hedge the foreign currency exchange rate risk related to the repayment. See Note 14 for further discussion.

**Financial Condition**

**Liquidity and Capital Resources**

PPL had the following at:

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Cash and cash equivalents	\$ 1,269	\$ 925
Short-term investments (a)		163
	<u>\$ 1,269</u>	<u>\$ 1,088</u>
Short-term debt	<u>\$ 431</u>	<u>\$ 694</u>

(a) Represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky on behalf of LG&E that were subsequently purchased by LG&E. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 7 to the Financial Statements for further discussion.

The \$344 million increase in PPL's cash and cash equivalents position was primarily the net result of:

- proceeds of \$4.4 billion from the issuance of long-term debt;
- proceeds of \$2.3 billion from the issuance of common stock;
- cash provided by operating activities of \$814 million;
- proceeds from the sale of certain non-core generation facilities of \$381 million;
- the payment of \$5.8 billion for the acquisition of WPD Midlands;
- capital expenditures of \$1.0 billion;
- a net decrease in short-term debt of \$321 million;
- the payment of \$340 million of common stock dividends; and
- the payment of \$72 million of debt issuance and credit facility costs.

PPL's cash provided by operating activities increased \$242 million for the six months ended June 30, 2011 compared with the same period in 2010. The increase reflects cash provided in 2011 by LKE, which was acquired in November 2010, totaling \$401 million and the receipt in 2011 of a \$170 million federal tax refund (excluding \$50 million related to LKE) and a lower estimated annual gross receipts tax payment made in 2011 versus 2010 of \$94 million. These increases were partially offset by changes in counterparty collateral requirements of \$356 million and higher defined benefit plan contributions of \$48 million (excluding \$157 million related to LKE).

**Credit Facilities**

At June 30, 2011, PPL's total committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	<b>Committed Capacity</b>	<b>Borrowed</b>	<b>Letters of Credit Issued</b>	<b>Unused Capacity</b>
PPL Energy Supply Credit Facilities (a)	\$ 3,200	\$ 250	\$ 177	\$ 2,773
PPL Electric Credit Facilities (b)	350		13	337
LG&E Credit Facility (c)	400			400
KU Credit Facilities (c)(d)	598		198	400
Total Domestic Credit Facilities (e)	<u>\$ 4,548</u>	<u>\$ 250</u>	<u>\$ 388</u>	<u>\$ 3,910</u>
PPL WW Credit Facility	£ 150	£ 113	n/a	£ 37
WPD (South West) Credit Facility	210		n/a	210
WPD (East Midlands) Credit Facility (f)	300		£ 70	230
WPD (West Midlands) Credit Facility (f)	300		71	229
Total WPD Credit Facilities (g)	<u>£ 960</u>	<u>£ 113</u>	<u>£ 141</u>	<u>£ 706</u>

(a) In March 2011, PPL Energy Supply's \$300 million Structured Credit Facility expired. PPL Energy Supply's obligations under this facility were supported by a \$300 million letter of credit issued on PPL Energy Supply's behalf under a separate, but related \$300 million 5-year credit agreement, which also expired in March 2011.



- (b) Committed capacity includes a \$150 million credit facility related to an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary pledges these assets to secure loans of up to an aggregate of \$150 million from a commercial paper conduit sponsored by a financial institution. At June 30, 2011, based on accounts receivable and unbilled revenue pledged, the amount available for borrowing under the facility was limited to \$107 million.

In July 2011, PPL Electric and a subsidiary extended the expiration date of the credit agreement related to the asset-backed commercial paper program to July 2012.

- (c) In June 2011, LG&E and KU each amended its respective Syndicated Credit Facility such that the fees and the spread to benchmark interest rates for borrowings depend upon the respective company's senior secured long-term debt rating rather than the senior unsecured debt rating.
- (d) In April 2011, KU entered into a new \$198 million letter of credit facility that has been used to issue letters of credit to support outstanding tax exempt bonds. The facility matures in April 2014.
- (e) Total borrowings outstanding under PPL's domestic credit facilities decreased on a net basis by \$263 million since December 31, 2010.

The commitments under PPL's domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 9% of the total committed capacity.

- (f) In April 2011, following the completion of the acquisition of WPD Midlands, WPD (East Midlands) and WPD (West Midlands) each entered into a £300 million 5-year syndicated credit facility. Under the facilities, WPD (East Midlands) and WPD (West Midlands) each have the ability to make cash borrowings and to request the lenders to issue up to £80 million of letters of credit in lieu of borrowing.
- (g) In June 2011, WPD repaid £84 million of short-term debt (which equated to \$138 million at the time of repayment) with proceeds received from the issuance of long-term debt. Although financial information of foreign subsidiaries is recorded on a one-month lag, the repayment of short-term debt is reflected in the financial statements for the quarter ended June 30, 2011. See "Long-term Debt and Equity Securities" below for further discussion.

At June 30, 2011, the unused capacity of WPD's credit facilities was approximately \$1.3 billion.

The commitments under WPD's credit facilities are provided by a diverse bank group, with no one bank providing more than 17% of the total committed capacity.

See Note 7 to the Financial Statements for further discussion of PPL's credit facilities.

### 2011 Bridge Facility

In March 2011, concurrently, and in connection with entering into the agreement to acquire WPD Midlands, PPL entered into a commitment letter with certain lenders pursuant to which the lenders committed to provide PPL with 364-day unsecured bridge financing of up to £3.6 billion solely to (i) fund the acquisition and (ii) pay certain fees and expenses in connection with the acquisition. The bridge financing commitment was subsequently syndicated to a group of banks, including the initial commitment lenders. Upon the syndication of the commitment, in March 2011, PPL Capital Funding and PPL WEM, as borrowers, and PPL, as guarantor, entered into the 2011 Bridge Facility.

On April 1, 2011, concurrent with the closing of the WPD Midlands acquisition, PPL Capital Funding borrowed an aggregate of £1.75 billion and PPL WEM borrowed £1.85 billion under the 2011 Bridge Facility. The borrowings bore interest at approximately 2.62%. See Note 8 to the Financial Statements for additional information on the acquisition.

In accordance with the terms of the 2011 Bridge Facility, PPL Capital Funding's borrowings of £1.75 billion were repaid with approximately \$2.8 billion of proceeds received from PPL's issuance of common stock and 2011 Equity Units in April 2011, as discussed in "Long-term Debt and Equity Securities" below. Also in April 2011, PPL WEM repaid £650 million of its 2011 Bridge Facility borrowing. Such repayment was funded primarily with proceeds received from PPL WEM's issuance of senior notes, which is also discussed below. In May 2011, PPL WEM repaid the remaining £1.2 billion of borrowings outstanding under the 2011 Bridge Facility, primarily with the proceeds from senior notes issued by WPD (East Midlands) and WPD (West Midlands), also discussed below.

In anticipation of the repayment of a portion of the GBP-denominated borrowings under the 2011 Bridge Facility with U.S. dollar-denominated proceeds received from PPL's issuance of common stock and 2011 Equity Units and PPL WEM's issuance of U.S. dollar-denominated senior notes, PPL entered into forward contracts to purchase GBP in order to economically hedge the foreign currency exchange rate risk related to the repayment. See Note 14 to the Financial Statements for further discussion.

# LG&E & KU ENERGY LLC

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	220 WEST MAIN STREET LOUISVILLE, KY 40202
Telephone	502-672-2000
CIK	0001518339
SIC Code	4931 - Electric and Other Services Combined
Fiscal Year	12/31

Financial Condition

**Liquidity and Capital Resources**

LKE had the following at:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Cash and cash equivalents	\$ 56	\$ 11
Short-term investments (a)		163
	<u>\$ 56</u>	<u>\$ 174</u>
Short-term debt (b)		<u>\$ 163</u>

- (a) Represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky, on behalf of LG&E that were subsequently purchased by LG&E. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 7 to the Financial Statements for additional information.
- (b) Represents borrowings under LG&E's \$400 million syndicated credit facility. See Note 7 to the Financial Statements for additional information.

The \$45 million increase in LKE's cash and cash equivalents position was primarily the net result of:

- cash provided by operating activities of \$401 million;
- a net increase in loans to affiliates of \$29 million;
- capital expenditures of \$174 million; and
- \$146 million of distributions to PPL.

LKE's cash provided by operating activities increased by \$193 million for the six months ended June 30, 2011, compared with the same period in 2010, primarily due to:

- an increase in net income of \$36 million adjusted for depreciation of \$27 million, deferred income taxes and investment tax credits of \$98 million and other noncash items of \$8 million, partially offset by defined benefit plans - expense of \$12 million and unrealized (gains) losses on derivatives of \$15 million;
- a net decrease in working capital from accounts receivable, accounts payable and unbilled revenue of \$66 million due to the timing of cash receipts and payments and milder weather (fewer cooling degree days) in June 2011 as compared with June 2010;
- a decrease in fuel of \$32 million, which was driven by higher volumes purchased in 2010 in preparation for the commercial operation of TC2 originally expected in mid-2010 along with an increase in fuel consumption due to the dispatch of TC2 beginning in January 2011; and
- a decrease in income tax receivable of \$40 million for 2011 due to receipt of the 2010 tax settlement, offset by an increase in income tax receivable for 2010 of \$10 million due primarily to recording the benefits of a change in an income tax accounting method approved in 2010; partially offset by
- an increase in discretionary defined benefit plan contributions of \$106 million made in order to achieve LKE's long-term funding requirements.

Credit Facilities

At June 30, 2011, LKE's total committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	<u>Committed Capacity</u>	<u>Borrowed</u>	<u>Letters of Credit Issued</u>	<u>Unused Capacity</u>
LKE Credit Facility with a subsidiary of PPL Energy Supply	\$ 300			\$ 300
LG&E Credit Facility (a)	400			400
KU Credit Facilities (a) (b)	598		\$ 198	400
Total Credit Facilities (c)	<u>\$ 1,298</u>	<u></u>	<u>\$ 198</u>	<u>\$ 1,100</u>

- (a) In June 2011, LG&E and KU each amended its respective Syndicated Credit Facility such that the fees and the spread to benchmark interest rates for borrowings depend upon the respective company's senior secured long-term debt rating rather than the senior unsecured debt rating.
- (b) In April 2011, KU entered into a new \$198 million letter of credit facility that has been used to issue letters of credit to support outstanding tax exempt bonds. The facility matures in April 2014. In August 2011, KU amended its letter of credit facility such that the fees depend upon KU's senior secured long-term debt rating rather than the senior unsecured debt rating.
- (c) Total borrowings outstanding under LKE's credit facilities decreased on a net basis by \$163 million since December 31, 2010.

The commitments under LKE's credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 9% of the total committed capacity; however, the PPL affiliate provides a commitment of approximately 23% of the total facilities listed above.

See Note 7 to the Financial Statements for further discussion of LKE's credit facilities.

Long-term Debt Securities

In January 2011, LG&E remarketed \$163 million of variable rate tax-exempt revenue bonds, which were issued on its behalf by Louisville/Jefferson County, Kentucky, to unaffiliated investors in a term rate mode, bearing interest at 1.90% into 2012. The proceeds from the remarketing were used to repay a \$163 million borrowing under LG&E's syndicated credit facility.

At June 30, 2011, LKE's tax-exempt revenue bonds that are in the form of auction rate securities and total \$231 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the six months ended June 30, 2011, the weighted-average rate on LG&E's and KU's auction rate bonds in total was 0.31%.

LKE's long-term debt securities activity since June 30, 2011 was:

	Debt	
	Issuances	Retirement
Non-cash Exchanges (a)		
LKE Senior Unsecured Notes	875	(875)
LG&E First Mortgage Bonds	535	(535)
KU First Mortgage Bonds	1,500	(1,500)
Total Exchanged	\$ 2,910	\$ (2,910)

(a) In April 2011, LKE, LG&E and KU each filed a 2011 Registration Statement with the SEC related to offers to exchange securities issued in November 2010 in transactions not registered under the Securities Act of 1933 with similar but registered securities. The 2011 Registration Statements became effective in June 2011 and the exchanges were completed in July 2011, with substantially all securities being exchanged.

See Note 7 to the Financial Statements for additional information about long-term debt securities.

Rating Agency Decisions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of LKE and its subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of LKE and its subsidiaries are based on information provided by LKE and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of LKE or its subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. A downgrade in LKE's or its subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets.

In LKE's 2011 Registration Statement, LKE described its then-current credit ratings in connection with, and to facilitate, an understanding of its liquidity position. As a result of the passage of the Dodd-Frank Act and the attendant uncertainties relating to the extent to which issuers of non-asset backed securities may disclose credit ratings without being required to obtain rating agency consent to the inclusion of such disclosure, or incorporation by reference of such disclosure, in a registrant's registration statement or section 10(a) prospectus, LKE is limiting its credit rating disclosure to a description of the actions taken by the rating agencies with respect to LKE's ratings, but without stating what ratings have been assigned to LKE or its subsidiaries, or their securities. The ratings assigned by the rating agencies to LKE and its subsidiaries and their respective securities may be found, without charge, on each of the respective ratings agencies' websites, which ratings together with all other information contained on such rating agency websites is, hereby, explicitly not incorporated by reference in this report.

Following the announcement of PPL's then-pending acquisition of WPD Midlands in March 2011, the rating agencies took the following actions:

# LOUISVILLE GAS & ELECTRIC CO /KY/

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	220 W MAIN ST P O BOX 32030 LOUISVILLE, KY 40232
Telephone	5026272000
CIK	0000060549
SIC Code	4931 - Electric and Other Services Combined
Fiscal Year	12/31

**Other Income (Expense) - net**

Other income and expense increased by \$11 million and \$12 million for the three and six months ended June 30, 2011, compared with the same periods in 2010. The increases were primarily the result of decreases in derivative losses.

**Income Taxes**

Changes in income taxes for the periods ended June 30, 2011, compared with 2010 were due to:

	Three Months	Six Months
Higher pre-tax book income	\$ 4	\$ 8
Other	1	1
Total	\$ 5	\$ 9

**Financial Condition**

**Liquidity and Capital Resources**

LG&E had the following at:

	June 30, 2011	December 31, 2010
Cash and cash equivalents	\$ 41	\$ 2
Short-term investments (a)	163	165
	\$ 41	\$ 165
Short-term debt (b)	163	163

- (a) Represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky, on behalf of LG&E that were subsequently purchased by LG&E. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 7 to the Financial Statements for additional information.
- (b) Represents borrowings under LG&E's \$400 million syndicated credit facility. See Note 7 to the Financial Statements for additional information.

The \$39 million increase in LG&E's cash and cash equivalents position was primarily the net result of:

- \$175 million of cash provided by operating activities;
- \$77 million of capital expenditures; and
- \$42 million of common stock dividends.

LG&E's cash provided by operating activities increased by \$91 million for the six months ended June 30, 2011, compared with the same period in 2010, primarily due to:

- an increase in net income of \$12 million adjusted for depreciation of \$4 million, defined benefit plans - expense of \$6 million, deferred income taxes and investment tax credits of \$9 million and other noncash items of \$6 million, partially offset by unrealized (gains) losses on derivatives of \$15 million;
- a net decrease in working capital from accounts receivable, accounts payable and unbilled revenue of \$47 million due to the timing of cash receipts and payments and milder weather (fewer cooling degree days) in June 2011 as compared with June 2010;
- a decrease in fuel of \$11 million, which was driven by higher volumes in 2010 in preparation for the commercial operation of TC2 originally expected in mid-2010;
- an increase in income tax receivable of \$12 million in 2010 due to recording the benefits of a change in an income tax accounting method approved in 2010;
- a decrease in cash refunded to customers of \$22 million due to prior period over recoveries related to the gas supply clause filings in 2009; and
- a decrease in accrued taxes of \$15 million in 2010 due to payments made in 2010 for 2009 tax liabilities; partially offset by
- an increase in discretionary defined benefit plan contributions of \$44 million made in order to achieve LG&E's long-term funding requirements.

Credit Facilities

At June 30, 2011, LG&E's committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
Syndicated Credit Facility (a)	\$ 400			\$ 400

(a) In June 2011, LG&E amended its Syndicated Credit Facility such that the fees and the spread to benchmark interest rates for borrowings depend upon LG&E's senior secured long-term debt rating rather than the senior unsecured debt rating. Total borrowings outstanding under this facility decreased on a net basis by \$163 million since December 31, 2010.

The commitments under LG&E's Syndicated Credit Facility are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 6% of the total committed capacity available to LG&E.

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to \$400 million at market-based rates (based on highly-rated commercial paper issues). At June 30, 2011, there was no balance outstanding. At December 31, 2010, \$12 million was outstanding. The interest rate for the period ended December 31, 2010 was 0.25%.

See Note 7 to the Financial Statements for further discussion of LG&E's credit facilities.

Long-term Debt Securities

In January 2011, LG&E remarketed \$163 million of variable rate tax-exempt revenue bonds, which were issued on its behalf by Louisville/Jefferson County, Kentucky, to unaffiliated investors in a term rate mode, bearing interest at 1.90% into 2012. The proceeds from the remarketing were used to repay a \$163 million borrowing under LG&E's syndicated credit facility.

At June 30, 2011, LG&E's tax-exempt revenue bonds that are in the form of auction rate securities and total \$135 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the six months ended June 30, 2011, the weighted-average rate on LG&E's auction rate bonds in total was 0.31%.

Since June 30, 2011, there have been \$535 million of issuances and \$535 million of retirements of LG&E's First Mortgage Bonds related to the non-cash exchange of bonds. In April 2011, LG&E filed a 2011 Registration Statement with the SEC related to offers to exchange securities issued in November 2010 in transactions not registered under the Securities Act of 1933 with similar but registered securities. The 2011 Registration Statement became effective in June 2011 and the exchanges were completed in July 2011, with all securities being exchanged.

See Note 7 to the Financial Statements for additional information about long-term debt securities.

Rating Agency Decisions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of LG&E. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of LG&E are based on information provided by LG&E and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of LG&E. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. A downgrade in LG&E's credit ratings could result in higher borrowing costs and reduced access to capital markets.

In LG&E's 2011 Registration Statement, LG&E described its then-current credit ratings in connection with, and to facilitate, an understanding of its liquidity position. As a result of the passage of the Dodd-Frank Act and the attendant uncertainties relating to the extent to which issuers of non-asset backed securities may disclose credit ratings without being required to obtain rating agency consent to the inclusion of such disclosure, or incorporation by reference of such disclosure, in a registrant's registration statement or section 10(a) prospectus, LG&E is limiting its credit rating disclosure to a description of the actions taken by the rating agencies with respect to LG&E's ratings, but without stating what ratings have been assigned

# KENTUCKY UTILITIES CO

## FORM 10-Q/A (Amended Quarterly Report)

Filed 08/08/11 for the Period Ending 06/30/11

Address	ONE QUALITY ST LEXINGTON, KY 40507
Telephone	6062552100
CIK	0000055387
SIC Code	4911 - Electric Services
Fiscal Year	12/29



	<u>Three Months</u>	<u>Six Months</u>
TC2 (dispatch began in January 2011)	\$ 5	\$ 12
E.W. Brown Flue Gas Desulfurization equipment (placed in-service in June 2010)	4	7
Other	4	5
Total	\$ 13	\$ 24

**Interest Expense**

Changes in interest expense for the periods ended June 30, 2011, compared with 2010 were due to:

	<u>Three Months</u>	<u>Six Months</u>
Interest rates (a)	\$ (5)	\$ (9)
Debt balances (b)	1	3
Other	1	1
Total	\$ (3)	\$ (5)

- (a) Interest rates on the first mortgage bonds were lower than the rates on the Fidelia loans, which were replaced.  
(b) KU's debt principal balance was \$169 million higher as of June 30, 2011 compared to June 30, 2010.

**Income Taxes**

There were no changes in income taxes for the three months ended June 30, 2011, compared with the same period in 2010. Changes in income taxes for the six months ended June 30, 2011, compared with the same period in 2010 were due to:

	<u>Six Months</u>
Higher pre-tax book income	\$ 7
Other	(1)
Total	\$ 6

**Financial Condition**

**Liquidity and Capital Resources**

KU had the following at:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Cash and cash equivalents	\$ 7	\$ 3

The \$4 million increase in KU's cash and cash equivalents position was primarily the net result of:

- cash provided by operating activities of \$181 million;
- a net decrease in short-term debt of \$10 million;
- capital expenditures of \$97 million; and
- \$68 million of common stock dividends.

KU's cash provided by operating activities increased by \$26 million for the six months ended June 30, 2011, compared with the same period in 2010, primarily due to:

- an increase in net income of \$13 million adjusted for depreciation of \$24 million, defined benefit plans - expense of \$7 million and deferred income taxes and investment tax credits of \$20 million;
- a decrease in fuel of \$18 million, which was driven by higher volumes in 2010 in preparation for the commercial operation of TC2 originally expected in mid-2010 along with an increase in consumption due to the dispatch of TC2 beginning in January 2011; and
- a decrease in cash outflows related to the fuel adjustment clause of \$6 million in 2011 as compared with 2010 due to a decrease in fuel and power purchase expenses in 2011; partially offset by
- a net increase in working capital from accounts receivable, accounts payable and unbilled revenue of \$11 million due to the timing of cash payments, partially offset by the timing of cash receipts and milder weather (fewer cooling degree days) in June 2011 as compared with June 2010;

- the timing of ECR collections of \$28 million; and
- an increase in discretionary defined benefit plan contributions of \$29 million made in order to achieve KU's long-term funding requirements.

Credit Facilities

At June 30, 2011, KU's committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	Capacity	Borrowed	Letters of Credit Issued	Unused Capacity
Syndicated Credit Facility (a)	\$ 400			\$ 400
Letter of Credit Facility (b)	198		\$ 198	

- (a) In June 2011, KU amended its Syndicated Credit Facility such that the fees and the spread to benchmark interest rates for borrowings depend upon KU's senior secured long-term debt rating rather than the senior unsecured debt rating.
- (b) In April 2011, KU entered into a new \$198 million letter of credit facility that has been used to issue letters of credit to support outstanding tax-exempt bonds. The facility matures in April 2014. In August 2011, KU amended its letter of credit facility such that the fees depend upon KU's senior secured long-term debt rating rather than the senior unsecured debt rating.

The commitments under KU's credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 19% of the total committed capacity available to KU.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to \$400 million at market-based rates (based on highly rated commercial paper issues). At June 30, 2011, there was no balance outstanding. At December 31, 2010, \$10 million was outstanding. The interest rate for the period ended December 31, 2010 was 0.25%.

See Note 7 to the Financial Statements for further discussion of KU's credit facilities.

Long-term Debt Securities

At June 30, 2011, KU's tax-exempt revenue bonds that are in the form of auction rate securities and total \$96 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the six months ended June 30, 2011, the weighted-average rate on KU's auction rate bonds in total was 0.32%.

Since June 30, 2011, there have been \$1.5 billion of issuances and \$1.5 billion of retirements of KU's First Mortgage Bonds related to the non-cash exchange of bonds. In April 2011, KU filed a 2011 Registration Statement with the SEC related to offers to exchange securities issued in November 2010 in transactions not registered under the Securities Act of 1933 with similar but registered securities. The 2011 Registration Statement became effective in June 2011 and the exchanges were completed in July 2011, with substantially all securities being exchanged.

See Note 7 to the Financial Statements for additional information about long-term debt securities.

Rating Agency Decisions

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of KU. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of KU are based on information provided by KU and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of KU. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. A downgrade in KU's credit ratings could result in higher borrowing costs and reduced access to capital markets.

In KU's 2011 Registration Statement, KU described its then-current credit ratings in connection with, and to facilitate, an understanding of its liquidity position. As a result of the passage of the Dodd-Frank Act and the attendant uncertainties relating to the extent to which issuers of non-asset backed securities may disclose credit ratings without being required to obtain rating agency consent to the inclusion of such disclosure, or incorporation by reference of such disclosure, in a