



PPL companies

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

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OCT 31 2013

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COMMISSION

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October 31, 2013

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Re: *The Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*
Case No. 2010-00204

Dear Mr. DeRouen:

Pursuant to the Commission's Order of September 30, 2010, in the above-referenced proceeding, Louisville Gas and Electric Company and Kentucky Utilities Company (collectively "the Companies") hereby file an update on the adoption and implementation of best practices at the Companies pursuant to Appendix C, Regulatory Commitment No. 12 of that Order.

Please place the file stamp of your Office on the enclosed additional copy of this notice and return it in the envelope provided.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Rick E. Lovekamp". The signature is written in a cursive, flowing style.

Rick E. Lovekamp

On November 1, 2010, Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively “the Companies”) became indirect wholly owned subsidiaries of PPL Corporation (“PPL”), when PPL acquired all of the outstanding limited liability company interests in the Companies’ direct parent, LG&E and KU Energy LLC (“LKE”) from E.ON US Investments Corp. LKE, a Kentucky limited liability company, also owns LG&E and KU, utilities engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia, and Tennessee. Following the acquisition, the Company’s business has not changed. LG&E and KU are continuing as subsidiaries of LKE, which is now an intermediary holding company in the PPL group of companies.

The Companies have continued working together with PPL to seek best practice approaches to specific areas of their utility operations and shared services divisions. Following is a summary of best practice initiatives that have been implemented or are currently in process.

Customer Service

The customer service operational teams continued their dialogue on best practices for managing holistic operations and customer experiences. The teams met in person and by teleconference to compare processes, share and review metrics, exchange experiences with vendors and discuss ideas for their own operations. The customer service team’s core areas included customer service, customer research, billing and payment, low income customer issues, energy efficiency programs, smart grid strategy, economic development and community involvement. LKE modeled PPL’s best practices, where appropriate, and utilized a PPL vendor to implement an on-line customer panel. LKE also implemented a new scorecard report showing a summary of complaints.

The Energy Efficiency leadership teams continue to meet on an annual basis to discuss industry trends and best practices within the energy efficiency space. This practice continues to enhance cross-company knowledge with positive insights into process, program, and evaluation improvements. These efforts have confirmed LKE’s business processes and customer offered programs are comparable in nature to PPL and verified a similar culture of safety, commitment to customer service, and operational discipline.

Operations

The electric transmission and distribution operations teams continued to focus on safety, reliability, emergency restoration, technology, and fleet. These collaborative efforts continue to validate LKE’s existing business processes, and confirmed a similar culture of safety, commitment to customer service and operational focus.

LKE and PPL Generation departments hosted visits with each other in 2013 to exchange ideas and lessons learned. The entities held a specific event to discuss various Critical Infrastructure Protection related topics in an effort to improve processes. LKE and PPL also participated in

meetings with the Georgia Institute of Technology to discuss research associated with transmission and distribution forensic investigation on equipment failures.

LKE sent representatives to the PPL Boiler Conference in 2013 and PPL in turn sent representatives to the LKE Boiler Reliability Program held in Louisville this year. In addition, the entities have held multiple discussions on catalyst management, mercury additive/sorbent testing, and baghouse process management.

Information Technology

LKE's IT organization continues to deliver best in class service and flexible business-driven technology solutions and to facilitate the sharing of IT topics and processes with PPL.

Some of the shared initiatives include: access to the PPL Hosted Cognos FSR and Hyperion Financial Management (HFM) applications now used by LKE's Financial Reporting department; defined user provisioning between PPL and the LKE Companies for shared applications using service-oriented architecture (SOA) technology; pursuit of a joint Unified Communications Strategy development project with Accenture; engagement in the Grid project with PPL, that focuses on Knowledge Management and Enterprise Information Management; exploration of a joint Service Management solution using ServiceNow (ITSM); and LKE hosting of the PPL Alternate Data Center. The Companies continue to optimize combined spend for IT Vendors and have participated in joint IT Vendor workshops.

Financial

Prior to the merger with PPL, the Companies used the Wall Street Suites ("WSS") treasury management system. PPL was in the process of converting from another system to the WSS system at the time of the acquisition. LKE is currently implementing WSS for use by the Companies by leveraging the experience, knowledge, and resources of PPL. The software will reside on PPL servers in Allentown, and be accessed by LKE through a portal to the PPL servers. Software maintenance and user support will be provided by the PPL Information Technology department. The benefits include 1) avoiding costs of having to install and support a redundant system at LKE, 2) automating approximately 20 journal entries, 3) establishing a sub-ledger for treasury related general ledger accounts, 4) performing calculations related to debt transactions, 5) automating the setting of the daily cash position, and 6) automating reporting that supports other departments. LKE expects to go live on WSS in the first quarter of 2014.

PPL and LKE completed a Request for Proposal (RFP) to various banks for extensive domestic cash management services and limited international cash management services. The RFP allowed LKE and PPL to explore the benefits of consolidating the banking relationships. Based upon the responses received, the business was awarded separately to the respective banking partners for PPL and LKE. The banks submitted proposals at the end of September 2012 and proposal analysis concluded November 1. As a result of the RFP, LKE savings to 2013 bank fees are anticipated to be approximately \$112,000.

LKE, along with PPL, implemented a financial consolidation and reporting system, HFM, in June 2013. The new system leverages a common platform for automated consolidation and enhanced reporting functionality for each of the SEC registrants. HFM automates recurring reclassifications (e.g., deferred income taxes, affiliate receivables/payables) and SEC reclassification entries are recorded via HFM journals, providing transparency for users while allowing compliance with the FERC Uniform System of Accounts. Account balances, as adjusted with HFM rules and journals, automatically source the SEC reporting software, Cognos FSR (formerly Clarity), for base financial statements and certain other disclosures. This software enables future enhancements to controls, and more reliance on automated controls, rather than manual reviews.

Procurement

PPL and LKE completed phase two of the formal Joint Sourcing initiative in November 2012. Phase 2 addressed 22 categories of spend totaling \$184 million. The results of that initiative yielded savings of \$1 million of annual savings for LKE.

External facilitation of the joint sourcing effort was discontinued in April 2013. On-going collaboration between the groups continues by leveraging individual company strengths and industry best practices across PPL and LKE to create meaningful, measurable and sustained value.

Other Areas

LKE's Human Resource department has continued to discuss matters of streamlining work processes and leveraging buying power with PPL. An RFP was issued for administration of PPL's and LKE's savings and pension plans. The bids will be reviewed to determine if overall savings would occur with consolidated administration of the plans.

Attorneys for PPL and LKE participate in weekly status calls to discuss legal matters impacting the entities and a variety of legal topics. Individual LKE attorneys participate in regular communications with PPL counterparts to discuss specialty subject areas, including regulatory issues, litigation, and general corporate matters.

LKE's Corporate Communications department continues to collaborate with PPL regularly on news and information for employees across the PPL, enterprise, particularly for PPL's quarterly employee/retiree magazine, Dimensions. More recently, the teams have begun sharing social media best practices. In addition, the communications groups continue to meet on an as needed basis to discuss content and forms of corporate and employee communications.