



PPL companies

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PUBLIC SERVICE
COMMISSION

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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March 31, 2014

RE: Joint 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 September 30, 2010 Order of the Kentucky Public Service Commission ("Commission") in Case No. 2010-00204, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (jointly the "Companies") hereby notify the Commission of changes in research and development funding. This notification is being made pursuant to Appendix C, Commitment No. 30 to the Commission's Order dated September 30, 2010 in the above-captioned proceeding.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed extra copy and returning it in the enclosed self-addressed envelope. Should you require any additional information about these matters, please contact me or Don Harris at 502-627-2021.

Sincerely,

Rick E. Lovekamp

**LG&E and KU Energy LLC, Louisville Gas and Electric Company, and Kentucky
Utilities Company**

CASE NO. 2010-00204

Response to Appendix C, Commitment No. 30

“E.ON US, LG&E, and KU commit to notifying the Commission in writing 30 days prior to any material changes in their participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 5 percent of any individual company’s previous year’s budget for research and development. The written notification shall include an explanation and the reasons for the change in policy. This commitment does not apply to LG&E’s and KU’s participation in or commitments to FutureGen”

Louisville Gas and Electric (LG&E) and Kentucky Utilities Company (KU) (collectively the “Companies”) continues to fund memberships in research projects from the Electric Power Research Institute (EPRI). The Companies support a portfolio of projects selected to track and understand the impacts and operation of new and emerging technologies as well as seek solutions to key business operation and maintenance issues. Of prime importance are those technologies that will continue to allow the use of coal as a primary fuel as well as natural gas.

The 2014 EPRI portfolio of projects is projected to increase by 22% from 2013 spending primarily due to the addition of programs in natural gas combined cycle (NGCC) generation (programs 79 and 88) and operations/maintenance programs (programs 69 and 108). The Companies are currently constructing a new NGCC plant and may be building additional plants in the future and will need to be prepared for flexible operations of these units. EPRI’s Combined Cycle Turbomachinery program (Program 79) provides resources to address all aspects of the life management and the operational and maintenance (O&M) improvements of conventional and advanced gas turbines. It also addresses all aspects of combined cycle plant-wide integration, including specific issues relating to the steam turbine (ST) and generator for combined cycle applications. EPRI’s Combined Cycle Heat Recovery Steam Generator (HRSG) and Balance of Plant (BOP) program (Program 88) provides a complete set of technical tools to improve the performance and reliability of combined-cycle HRSGs and BOP equipment. The program includes a background of HRSG design and development, particularly over the last 10 years, in which HRSG designs have become remarkably complex, operating at significantly higher pressures and temperatures. It provides a comprehensive understanding of available designs and tools for preparing procurement specifications for both new and used HRSG and BOP components based on past research and new technologies.

The operations and maintenance programs provide information to better operate and maintain current coal assets so they can be in operation longer and under different conditions. EPRI's Maintenance Management & Technology program (Program 69) helps plant owners and operators address common industry challenges related to maintenance program structure and functionality. EPRI works with top-performing organizations to collaboratively research and develop maintenance processes and technologies that help improve the safety, reliability, and performance of plant staff and equipment. Research projects include efforts to identify causes of potential equipment failures, effectively monitor and assess the condition of equipment, and proactively plan for equipment maintenance. A significant part of these research efforts involves the management and communication of data and information necessary for monitoring and maintaining power plant assets. Operations performance in today's fossil generation plants is the key to achieving highly reliable, safe, economic, and environmentally compliant plant performance. The operations staff and management provide the human performance that controls the operation, directs and performs equipment condition monitoring, and performs predictive and corrective maintenance activities. Also playing a significant role in the overall plant performance are work processes, clear goals and objectives, personnel development, communication, support facilities, and plant design. Effective integration of wide-ranging skills and knowledge, work processes, and design — along with strong leadership by the management team — are critical to plant success. EPRI's Operations Management & Technology program (Program 108) provides a forum for the development and evaluation of new and improved fossil plant operations technologies, work policies, and practices that raise the standards of operational performance. The value obtained from these additional program areas will assist in maintaining high reliability and low rates for our customers.

Overall, it is anticipated that research and development project funding for 2014 will increase by 16% from 2013.