



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

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OCT 22 2010

PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC

State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Rick E. Lovekamp
Manager Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

October 22, 2010

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 and in accordance with ordering paragraph No. 2, enclosed are copies of orders issued on October 21, 2010 from the Tennessee Regulatory Authority as noted below.

Exhibit 1 – Docket No. 10-00118

Order approving Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company for Approval of a Transfer of Control of Kentucky Utilities Company

Exhibit 2 – Docket No. 10-00119

Order approving Petition of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt, the Assumption of Obligations and for Amendment of Existing Financing Authority

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

Sincerely,

Rick E. Lovekamp

Exhibit 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 21, 2010

IN RE:)	
)	
JOINT PETITION OF PPL CORPORATION,)	DOCKET NO.
E.ON AG, E.ON US INVESTMENTS CORP.,)	10-00118
E.ON U.S LLC AND KENTUCKY UTILITIES)	
COMPANY FOR APPROVAL OF A TRANSFER OF)	
CONTROL OF KENTUCKY UTILITIES COMPANY)	

ORDER APPROVING TRANSFER OF CONTROL

This matter came before Chairman Mary W. Freeman, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (“Authority” or “TRA”) the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 18, 2010, for consideration of the Joint Petition of PPL Corporation (“PPL”), E.ON AG (“E.ON”), E.ON US Investments Corp. (“E.ON US Investments”), E.ON U.S. LLC (“E.ON US”) and Kentucky Utilities Company (“KU”) (collectively, the “Petitioners”) filed pursuant to Tenn. Code Ann. §65-4-113 and, to the extent applicable §65-4-112, for approval of the transfer of control of KU, which holds a Certificate of Public Convenience and Necessity to provide retail electric utility services in Claiborne County, Tennessee. The transfer will be part of a corporate restructuring in which E.ON’s ultimate control over KU and its authority to provide utility services in Tennessee will be transferred to PPL.

Background

The Joint Petition states that E.ON is the ultimate parent of KU, a public utility authorized to provide electric service in Tennessee. E.ON US directly owns KU. Pursuant to the Purchase and Sale Agreement dated as of April 28, 2010 by and between PPL, E.ON US Investments and, solely for the purposes of Articles VI, IX and X thereof, E.ON (“PSA”), E.ON US Investments will sell

100% of its interests in E.ON US, the parent company of KU, to PPL. Upon the completion of the proposed acquisition, E.ON U.S. will be a wholly owned direct subsidiary of PPL. According to the Joint Petition, E.ON US will continue to own KU, although E.ON US's name will be changed. The post acquisition name of E.ON US had not been determined at the time of filing the Joint Petition. For purposes of the Joint Petition, the Petitioners refer to E.ON US as "PPL Kentucky" after completion of the proposed acquisition. The Joint Petition states that KU's corporate existence and name will not be changed as part of the transaction and it will continue to operate as a utility in Tennessee.

According to the Joint Petition, PPL is a Fortune 500 global energy and utility holding company headquartered in Allentown, Pennsylvania. The Joint Petition states that PPL's direct subsidiary, PPL Electric Utilities Corporation ("PPL Electric"), traces its origins to the merger in 1920 of eight utilities, which operated a combined total of 62 electric generating plants in and around central eastern Pennsylvania, into a single corporate entity named Pennsylvania Power & Light Company. Since that time, PPL has grown from a regional utility company to one of the 10 largest utility companies in the United States. PPL owns or controls nearly 12,000 megawatts of electrical generating capacity in the United States, supplies or delivers electricity to about four million customers in the northeastern United States and in the United Kingdom, and employs about 10,000 people on two continents.

PPL is a publicly owned corporation. The Joint Petition states that at current trading prices as of the date of this Joint Petition, PPL's market capitalization was about \$9.36 billion. In 2009, PPL reported total operating revenues of about \$7.56 billion.

The Joint Petition

The Joint Petition was filed on June 15, 2010 and requests that the Authority approve a transfer of control of KU from its current ultimate parent company E.ON, to its prospective ultimate parent company, PPL. The Joint Petition states that KU will continue to hold its certificate of

convenience and necessity in Tennessee upon its acquisition by PPL and there will be no change in the corporate structure of KU.

Requirement of Approval by the Authority

Authority approval of a transfer of control involving public utilities holding certificates of public convenience and necessity is required under Tenn. Code Ann. §65-4-113(a) which provides as follows:

No public utility, as defined in §65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the [A]uthority, to any individual, partnership, corporation or other entity without first obtaining the approval of the [A]uthority.

Public Interest

According to the Joint Petition, KU currently has five (5) residential customers in Tennessee served from a single distribution line that extends from KU's distribution system in Kentucky across the Tennessee boundary line and returns to Kentucky.

The Joint Petition indicated that the proposed transfer of ownership will have no effect on the company name, rates or terms and conditions of service for these customers. The Joint Petition further stated that because local management, operations and systems will remain intact, the transfer will be transparent for customers.

After the acquisition of ownership and control of E.ON by PPL, KU will continue to have the financial, technical and managerial abilities necessary to perform efficiently the utility services to be transferred. PPL has been an industry leader in providing reliable electric service in Pennsylvania and the United Kingdom. The transfer of authority will benefit the consuming public because the transfer will allow KU to benefit from PPL's strong financial position and continue to provide its Tennessee customers efficient service at reasonable rates.

Findings of Fact and Conclusions of Law

Based upon careful consideration of the Joint Petition and the entire record in this matter, the Authority finds and concludes as follows:

1. The Authority has jurisdiction over the subject matter in this Joint Petition pursuant to Tenn. Code Ann. §65-4-113.

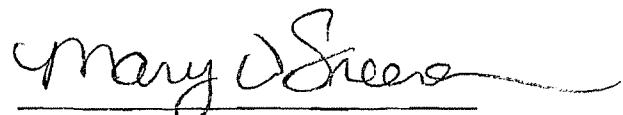
2. KU has authority to provide public utility services in Tennessee.

3. PPL is a suitable entity to control the authority of KU and has sufficient financial responsibility and capability to cause KU to continue to perform efficiently the utility services to be transferred and the transfer of ultimate control of KU to PPL will benefit the consuming public and will further the public interest.

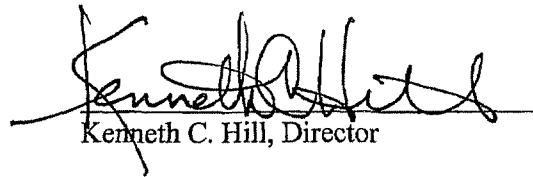
IT IS THEREFORE ORDERED THAT:

1. The Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company for approval of a transfer of control of Kentucky Utilities Company, including its authority to provide utility services deriving from its Certificate of Public Convenience and Necessity, as required by Tenn. Code Ann. §65-4-113, through the acquisition of ownership and control of E.ON U.S. by PPL, is hereby approved, contingent upon approval of the proposed transfer by the Virginia State Corporation Commission (“VSCC”).¹

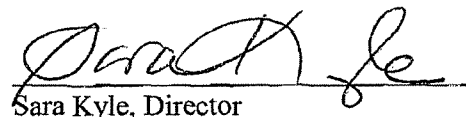
2. KU shall file with the Authority the order of the VSCC approving the transfer in Virginia.



Mary W. Freeman, Chairman



Kenneth C. Hill, Director



Sara Kyle, Director

¹ On September 30, 2010, the Kentucky Public Service Commission (“KPSC”) issued an Order approving the transfer of control of KU to PPL. Case No. 2010-00204, *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* (KPSC Sept. 30, 2010). On October 1, 2010, the KPSC’s Order was filed with the TRA.

Exhibit 2

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 21, 2010

IN RE:)
)
PETITION OF KENTUCKY UTILITIES COMPANY) DOCKET NO.
FOR AN ORDER AUTHORIZING THE RESTRUCTURE) 10-00119
AND REFINANCING OF UNSECURED DEBT, THE)
ASSUMPTION OF OBLIGATIONS AND FOR)
AMENDMENT OF EXISTING FINANCING AUTHORITY)

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Mary W. Freeman, Director Kenneth Hill and Director Sara Kyle of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 18, 2010 for consideration of the Petition of Kentucky Utilities Company (“KU” or the “Company”) for an Order authorizing the restructure and refinancing of unsecured debt, the assumption of obligations and for amendment of existing financing authority pursuant to Tenn. Code Ann. §65-4-109.

The Petition

KU is a Kentucky and a Virginia corporation, a public utility as defined by Tenn. Code Ann. §65-4-101(6), which provides retail electric service to five (5) residential customers in Tennessee, approximately 515,000 customers in seventy-seven counties in Kentucky, and approximately 29,000 customers in southwest Virginia. On June 15, 2010, KU filed a Petition with the TRA requesting authority to refinance twenty-one (21) unsecured promissory notes currently held by Fidelia Corporation (“Fidelia”), an affiliate within the

E.ON AG (“E.ON”) holding company system, with external secured debt, to secure eleven (11) existing series of unsecured tax-exempt pollution control obligations, and to replace its current, multi-year revolving credit facilities. The Petition was filed concurrently with the *Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, and Kentucky Utilities Company for Approval of A Transfer of Control of Kentucky Utilities Company*, TRA Docket No. 10-00118 (the “Change of Control Docket”). The Petition stated that the change of control contemplated in the Change of Control Docket presents KU with a favorable opportunity to refinance the Fidelia debt at a lower net cost and without incurring any prepayment penalty. Therefore, KU requests that the Order in this Docket be issued concurrently with the Order in the Change of Control Docket.

The Petition stated that in recent years, KU obtained long-term, taxable financing from Fidelia. Upon approval of the transactions contemplated in the Change of Control Docket, E.ON would not be in a position to continue making loans to a non-affiliate. Rather, KU anticipates issuing First Mortgage Bonds, a low-cost form of public debt, directly to the market. In the Petition, KU provided an analysis indicating that the use of First Mortgage Bonds should position the Company to realize some of the lowest interest rates available in the market. KU seeks authority to refinance its current, long-term taxable financings with Fidelia, represented by twenty-one (21) promissory notes (\$1,331,000,000 total principal amount) with secured First Mortgage Bonds.

According to the Petition, issuance of First Mortgage Bonds directly to the market as a means of financing will allow KU to have direct access to capital markets. Over the years, KU has effectively raised capital at reasonable rates through the issuance of First Mortgage Bonds using the previous 1947 Indenture. The transactions contemplated in the Change of Control Docket also provide the Company with a favorable opportunity to refinance the

current Fidelia debt. The existing loan agreements with Fidelia include a pre-payment provision (also referred to as a “make whole” provision) that in most instances would require the Company to make an additional payment to Fidelia above the principal amount and accrued interest, if the Company chose to refinance with lower cost debt. Since current interest rates are generally lower than the rates were when the Fidelia loans were made there would normally be a “make whole” payment due to Fidelia.¹ The Petition stated that as of March 31, 2010, the “make whole” amount that would be payable from KU is estimated to be approximately \$73 million. However, the existing loan agreements with Fidelia contain provisions allowing Fidelia to require repayment, with no penalty or “make whole” payment if KU leaves the E.ON Group (i.e., the companies consolidated in E.ON AG’s balance sheet). Thus, the transactions contemplated in the Change of Control Docket would allow KU to refinance with lower cost secured debt without having to make “make whole” payments to Fidelia.

The Petition further stated that KU’s existing, multi-year revolving credit facilities will no longer be available once KU ceases to be part of the E.ON Group. KU therefore requests authority to enter into new, replacement credit facilities totaling \$400 million providing for short-term borrowing from time to time.

In its Petition KU seeks specific authority:

- a) To replace a total of twenty-one (21) existing unsecured promissory notes (\$1,331,000,000 total principal amount) between itself and Fidelia with external debt secured by a lien on KU’s properties in Kentucky, as described in the Section IV of the Petition.
- b) To issue up to \$225,000,000 of previously authorized new unsecured

¹ KU notes in its Petition that the rates established when the Fidelia loans were entered into were the best rates available at that time and those rates were determined under the Best Rate Method approved by the Authority in Docket No. 03-00146.

debt to Fidelia, later replacing it with up to \$225,000,000 of secured debt, or to issue up to \$225,000,000 of new secured debt in lieu of the \$225,000,000 of already authorized, but unissued, Fidelia debt, provided that the total of debt outstanding under this section together shall not exceed \$225,000,000, as more specifically described in Section V of the Petition.

c) Confirming KU's existing authority to secure seven (7) series of pollution control debt with the Company's First Mortgage Bonds or, alternatively, to modify KU's authority with respect to these seven series of pollution control debt to allow for such security, as more specifically described in Section VI of the Petition.

d) To secure four (4) series of pollution control debt with First Mortgage Bonds, which series were issued since 2006, as more specifically described in Section VII of the Petition.

e) To expressly allow for the use of First Mortgage Bonds to secure any refunding debt obligations that may be incurred pursuant to the authority granted in TRA Docket No. 08-00070, as more specifically described in Section VIII of the Petition.

f) To enter into new, multi-year revolving credit facilities to replace KU's current revolving credit facilities to allow for short-term borrowing from time to time, as more specifically described in Section IX of the Petition.

g) To secure the proposed debt issuances via a lien created under a mortgage indenture (the "New Indenture") which would include modernized administrative terms and conditions and avoid some of the administrative problems of the previous 1947 Indenture, as more specifically described in Section X of the Petition.

Requirement of Approval by the Authority

Tenn. Code Ann §65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds debenture, or other evidences of indebtedness payable in more than one (1) year from the

date thereof, until it shall have first obtained authority from the [A]uthority for such proposed issue. It shall be the duty of the [A]uthority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [A]uthority.

Findings of Fact and Conclusions of Law

1. The proposed financing transactions are subject to Authority approval pursuant to Tenn. Code Ann. §65-4-109.

2. The transactions contemplated in the Petition are in the public interest because they provide restructuring of KU's financing consistent with the proposed change of control and result in financing at a lower cost which is in the public interest.

3. The refinancing transactions as set forth in the Petition should be approved contingent upon approval of the Change of Control by the Kentucky Public Service Commission ("KPSC"), the Virginia State Corporation Commission ("VSCC") and the TRA and contingent upon approval of the refinancing transaction by the KPSC and the VSCC.

IT IS THEREFORE ORDERED THAT:

1. Kentucky Utilities Company is authorized to execute, deliver and perform its obligations under the New Indenture as defined in the Petition, which includes current administrative terms and conditions as more specifically described in Section X of the Petition, and any supplemental indentures thereto, and to grant a lien on its properties for the purpose of securing its obligations under First Mortgage Bonds, and to issue and sell such First Mortgage Bonds as discussed in the Petition and use for the purpose of either refunding all of KU's notes to Fidelia Corporation or PPL Corporation, as applicable, or issuing and selling First Mortgage Bonds in lieu of debt previously authorized but not yet incurred to Fidelia Corporation, or issuing First Mortgage Bonds for the purpose of securing and collateralizing KU's existing pollution control debt obligations, and to enter into necessary

amendments to existing documentation that may be necessary to reflect such security and collateralization.

2. The financing authority granted to Kentucky Utilities Company in Docket No. 09-00190, is hereby amended to provide that KU is authorized to issue up to \$225,000,000 in new unsecured debt to Fidelity, later replacing it with up to \$225,000,000 of secured debt, or to issue up to \$225,000,000 of new secured debt in lieu of the \$225,000,000 of already authorized, but unissued, Fidelity debt, provided that the total of debt outstanding under this authority together shall not exceed \$225,000,000, as more specifically described in Section V of the Petition.

3. Kentucky Utilities Company is authorized to issue notes to PPL Corporation or to a subsidiary of PPL Corporation, with the same principal amounts, terms, conditions and interest rates as the Fidelity notes, except that such new notes would not have “make whole” provisions and could be prepaid at any time at par plus accrued interest on any day rather than just on interest payment dates, prior to refunding such notes with First Mortgage Bonds.

4. Kentucky Utilities Company’s existing authority to secure and collateralize KU’s obligations with respect to seven (7) existing series of pollution control debt, the Carroll County 2002 Series C Bonds, the Mercer County 2000 Series A Bonds, the Carroll County 2004 Series A Bonds, the Carroll County 2002 Series A Bonds, the Carroll County 2002 Series B Bonds, the Mercer County 2002 Series A Bonds, and the Muhlenberg County 2002 Series A Bonds, with the Company’s First Mortgage Bonds continues in effect as previously authorized by the TRA.

5. Kentucky Utilities Company is authorized to secure four (4) series of pollution control debt, the Carroll County 2006 Series B Bonds, the Carroll County 2007 Series A Bonds, the Trimble County 2007 Series A Bonds, and the Carroll County 2008 Series A

Bonds, with First Mortgage Bonds as more specifically described in Section VII of the Petition.

6. Kentucky Utilities Company is authorized to use First Mortgage Bonds to secure and collateralize KU's obligations with respect to any refunding debt obligations that may be incurred pursuant to the authority granted in TRA Docket No. 08-00070, as more specifically described in Section VIII of the Petition.

7. Kentucky Utilities Company is authorized to execute, deliver and perform its obligations under such hedging agreements and such other agreements and documents as set forth in the Petition, and to perform the transactions contemplated by all such agreements.

8. Kentucky Utilities Company is authorized to enter into one or more multi-year revolving New Credit Facilities, as defined in the Petition, with one or more financial institutions in an aggregate amount not to exceed \$400 million as more specifically described in Section IX of the Petition.

9. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Petition.

10. Kentucky Utilities Company shall agree only to such terms and prices that are consistent with the parameters set out in the Petition.

11. Kentucky Utilities Company shall, as soon as it is finalized, file a copy of the final New Indenture with the Authority.

12. Kentucky Utilities Company shall, within 30 days from the date of issuance, file with the Authority a statement setting forth the date or dates of issuances of securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or authority, or other compensation, involved in the issuance and the distribution thereof.

13. . The authorization granted herein is contingent upon approval of authorization of issuance of the securities and refinancing of the debt that are the subject of this docket by the Virginia State Corporation Commission (“VSCC”).²

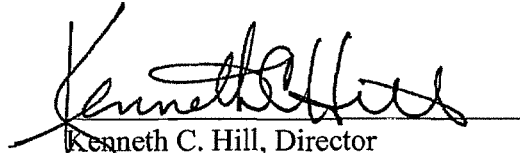
14. Kentucky Utilities Company shall file the order of the VSCC approving the financing authority with the Tennessee Regulatory Authority.

15. Subsequent to the issuance of the securities, Kentucky Utilities Company shall file with the Tennessee Regulatory Authority any additional information regarding the issuance of the securities that is required by the KPSC and/or the VSCC.

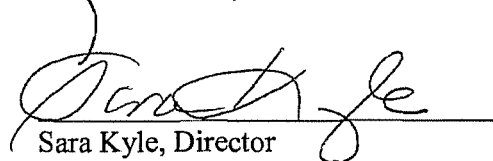
16. The authorization and approval given hereby shall not be used by any party, including but not limited to any lending party, for the purpose of inferring that an analysis or assessment of the risks involved to a purchaser of securities for Kentucky Utilities Company or its parent or affiliates has been conducted by the Tennessee Regulatory Authority. Nothing herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.



Mary W. Freeman, Chairman



Kenneth C. Hill, Director



Sara Kyle, Director

² On September 30, 2010, the Kentucky Public Service Commission (“KPSC”) issued an Order approving the refinancing of debt that is the subject of this docket. Case No. 2010-00206, *Application of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority* (KPSC Sept. 30, 2010). On October 1, 2010, the KPSC’s Order was filed with the TRA.