



**PPL companies**

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

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.

### ***Energy Delivery***

The customer service and electric distribution operations teams continued collaborating on best practice approaches for managing overall operations and customer experiences. The teams met in person and by teleconference to compare processes, share and discuss metrics, exchange experiences with various vendors, and discuss ideas for improving their respective operations. The customer service teams’ focus areas included customer service, billing and payment, low income programs, energy efficiency program offerings, smart grid strategy, economic development and community involvement. The electric distribution operations teams’ focus areas included safety, reliability, emergency restoration, construction methods, work management, project management, technology, engineering, and fleet. These collaboration efforts validated LKE’s business processes, verified customer offered programs were similar in nature to PPL, and confirmed a similar culture of safety, commitment to customer service and operational focus.

### ***Energy Services***

The Energy Services groups continued in 2012 to discuss best practices between the entities based upon the framework that was established in 2011.

LKE hosted all PPL Fossil Power Plant Managers for the group’s first combined plant managers meeting. This initial meeting focused on general familiarity with each of the fossil power plants and setting the groundwork and structure for an approach to best practice sharing. This structure has allowed management of LKE and PPL to exchange information in an effort to improve the optimization of unit startups on super-critical units.

LKE sent representatives from the central service group to a PPL Boiler Conference in August 2012. This conference provided the opportunity to discuss common boiler issues and solutions, which supported LKE’s current practices. LKE in turn held its own Boiler Conference in 2012 which was attended by representatives from each LKE plant.

### ***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 information on many topics and processes with PPL.

Some of the shared initiatives include: access to the PPL Hosted Clarity FSR application now used by LKE's Financial Reporting department; defined user provisioning between PPL and the LKE Companies for shared applications; pursuit of a joint Unified Communications Strategy development project with Accenture; engaged in the Portico project with PPL that focuses on Knowledge Management and Enterprise Information Management; and LKE hosting of the PPL Alternate Data Center. The Companies have continued 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 Wallstreet 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 in the planning phases to implement WSS for use by the Companies 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.

PPL and LKE have prepared and distributed a Request for Proposal (RFP) to various banks for extensive domestic cash management services and limited international cash management services. The RFP will allow LKE and PPL to explore the benefits of consolidating the banking relationships. Depending upon the responses received, the business may be awarded to a single banking partner or may remain as is with separate banking partners for PPL and LKE. The banks submitted proposals at the end of September and proposal analysis will conclude by November 1. As such, any potential savings are not able to be determined at this time.

The LKE pension fund assets were moved into the PPL pension fund master trust effective January 1, 2012. In conjunction with this move the investment strategy and asset allocation of the pension fund changed somewhat. The funds are now managed using a liability driven investment ("LDI") philosophy with the objective of minimizing the volatility of the funded status of the pension plans. The Companies were phasing in an LDI strategy prior to the PPL transaction and PPL had recently completed its adoption of an LDI strategy. Utilizing LDI should result in more predictable pension expense for the utilities. This is accomplished through the use of longer-term fixed income securities and the increased use of interest rate derivatives.

Although the funds are held in a single trust, the master trust structure allows the trustee to identify the assets by individual pension plan.

### ***Procurement***

PPL and LKE have continued the Sourcing Collaboration Program that began in March 2011. GlobalEProcure (“GEP”), an independent, professional external supply chain consultant with expertise in helping companies transform their procurement operations is still providing facilitation.

PPL and LKE completed Phase 1 of this initiative in December 2011. This phase consisted of reviewing 42 different spend categories with an annual spend of approximately \$410 million. LKE anticipates annual savings of \$6 million from these spend categories. In February 2012, PPL and LKE began Phase 2, which continued with the same methodology used in Phase 1 by reviewing 21 additional spend categories with an annual spend of approximately \$184 million.

The long term goal is to continue collaboration in the supply chain process by leveraging individual company strengths and industry best practices across PPL and LKE to create meaningful, measurable, and sustained value.

### ***Other Areas***

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 calls with PPL counterparts to discuss specialty subject areas, including regulatory issues, litigation, and general corporate matters. Other areas of collaboration include: sharing of LKE expertise with regard to PPL’s adoption of a new matter management system, which is now in use by LKE and PPL; and sharing of PPL’s legal forms for financing transactions.

LKE’s Compliance Department has worked with its respective counterparts at PPL to pursue best practices. Most notable, LKE and PPL have one unified ethics code known as the “PPL Standards of Integrity”. Additionally, LKE and PPL completed training for all employees on the unified ethics code to ensure consistency in employee understanding of the ethics code.

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. In addition, the communications groups meet on an as-needed basis to discuss content and forms of corporate and employee communications.

PPL Environmental Management Department (“EMD”) and the LKE Environmental Affairs Department (“EA”) have established teams to ensure the groups optimize the environmental services they provide. The key areas to be reviewed by the joint group include: Environmental Legislative & Regulatory Issues Management; Environmental Audits; and Contingent Liability/SOX Reporting. The Director of LKE EA is a member of PPL’s corporate Energy &

Environmental Policy Committee and its Environmental Compliance Strategy Committee. PPL's EMD participates in at least one LKE environmental audit each year to ensure consistency in compliance evaluation and environmental assessment.