



PPL companies

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

March 28, 2013

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

RECEIVED

MAR 29 2013

PUBLIC SERVICE
COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

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

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 2013 portfolio of projects for the EPRI projects is projected to increase by 6.6 % from 2012 spending primarily due to the addition of our Trimble County 2 supercritical unit. EPRI bases their funding on size of the company through different metrics including generation capacity. This caused all coal related programs to increase on average about 10% in price. Since EPRI utilized FERC Form 1 data, there is a lag in which the increased capacity is incorporated into their cost structure.

The Companies continue to fund Carbon Research directly to the University of Kentucky’s (Center for Applied Energy Research) Carbon Management Research Group, the University of Texas at Austin, and 3 H Company. In each of these projects LG&E and KU have been able to leverage their research dollars through successful awards from the Department of Energy (“DOE”) in each of these areas. In the case of 3 H Company who is using a Phase Separation Methodology to carbon capture which may reduce the overall energy penalty (amount of energy to liberate CO₂ from the solvent) by as much as 70% received a \$2,740,033 DOE Funding Award for a 3-year project using cost share funding from the Companies. The University of Texas Projects (URS and Trimeric) received a \$3,000,000 Award from DOE to finish the Piperazine Solvent work and a two stage flash reactor using cost share funding from the Companies. Lastly, University of Kentucky’s Center for Applied Energy Research was awarded \$14,500,000 from DOE using cost share funding from the Companies for a slipstream pilot at the E. W. Brown Generating Station. The 2013 non-EPRI portfolio of Carbon Management has increased by 33% due to this research previously funded through EPRI now being funded externally.

The Companies have also joined the research consortium at the National Electric Energy Testing, Research and Applications Center (“NEETRAC”). They are a self-supporting, membership-based center within the School of Electrical and Computer Engineering at Georgia Tech University. NEETRAC provides a wide array of analytical, engineering, research and testing services to help improve electric grid reliability and efficiency. The Companies have joined on a one-year trial at a reduced cost for 2013.

Overall, Research and Development projected expenditures for 2013 increased by 12% from 2012 spending.