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

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

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

July 30, 2009

RE: Transfer of Joint Use Assets for Trimble County Unit No. 2 in Accordance with the Commission's November 1, 2005 Order in Case No. 2004-00507, *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*

Dear Mr. DeRouen:

This letter is to advise the Commission of the planned transfer on the books and records of Louisville Gas & Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") of the ownership of certain assets relating to the Trimble County Generating Station from LG&E to KU.

The Commission issued LG&E a Certificate of Public Convenience and Necessity ("CPCN") for the Trimble County Generating Station on October 19, 1978, in Case No. 7113.[1] The CPCN allowed for the installation of two 495 MW generating units, Units Number 1 ("TC1") and Number 2, to be available for operation in May 1983 and May 1985, respectively. TC1 was placed in service in December 1990 with a 495 MW net summer rating and a 566 MW

[1] *In the Matter of: Application of Louisville Gas and Electric Company for a Certificate of Public Convenience and Necessity and a Certificate of Environmental Compatibility to Proceed with the Development of a New FOUR-UNIT Electric Generating Station with a Total Capacity of 2340 MW and to Install 2 – 495 MW Coal-Fired Steam Turbine–Driven Generating Units at Trimble County Station on the Ohio River Near Bedford Kentucky*, Case No. 7113, Order (Oct. 19, 1978).

generator nameplate rating; however, the Companies ultimately allowed the original CPCN for Unit Number 2 to lapse.

When LG&E and KU merged in 1998, the Companies committed to plan and operate their generation and transmission systems on an integrated basis, including jointly dispatching their generating units. They also anticipated that future generating units might be jointly owned and that each company would be responsible for its pro rata share of each such unit's costs.[2] Subsequently, the Companies sought, and the Commission issued, a new CPCN for the construction of Trimble County Unit 2 ("TC2"),[3] now an 838 MW (generator nameplate rating) baseload unit to be located adjacent to TC1. In its order granting the CPCN, the Commission established ownership shares of 81% and 19% for KU and LG&E, respectively, for the Companies' collective 75% share of the unit. (The other 25% is owned by the Indiana Municipal Power Agency and the Illinois Municipal Electric Agency.)

A number of the assets that will be necessary to the operation of TC2 (e.g., the plant coal handling system) are currently being used only by TC1. When TC2 is complete, both units will use such assets ("Joint Use Assets"). Because KU has no ownership interest in TC1, to achieve the ownership shares in TC2 that the Commission explicitly approved in its November 1, 2005 Order in Case No. 2004-00507, LG&E will need to transfer ownership interests in the Joint Use Assets to KU. KRS 278.218 states that any transfer of utility assets valued at more than $1 million require Commission approval, which the Commission shall grant if the proposed transaction is for a proper purpose and is consistent with the public interest. In this particular circumstance, the Commission has already approved as consistent with the public convenience and necessity the 81% and 19% respective ownership shares of KU and LG&E in their collective 75% ownership interest in TC2; the transfers of ownership interests the Companies describe herein are necessary to achieve the overall ownership interests in TC2 the Commission has already approved, and therefore do not require the Commission to issue an additional order in this proceeding.

To achieve this Commission-approved division of ownership, the Companies will transfer ownership interests in the Joint Use Assets from LG&E to KU in

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[2] *In the Matter of: Joint Application of Louisville Gas & Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 97-300, Order at 18-19 (Sept. 12, 1997).

[3] *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, For the Expansion of the Trimble County Generating Station*, Case No. 2004-00507, Order (Nov. 1, 2005).

accordance with the Corporate Policies and Guidelines for Intercompany Transactions ("Guidelines").

> Transfers or sales of assets will be priced at the greater of cost or fair market value for transfers or sales from LG&E or KU to LG&E Energy or other subsidiaries and at the lower of cost or fair market value for transfers or sales made to LG&E or KU from LG&E Energy or any of LG&E Energy's non-utility subsidiaries. Transfers or sales of assets between LG&E and KU will be priced at cost.[4]

To comply with the Guidelines in this exchange, KU will pay LG&E net book value (original cost minus accumulated depreciation) to purchase its ownership share of the Joint Use Assets. On the basis of the nameplate ratings of TC1 and TC2, the Companies have determined that to achieve respective overall ownership shares of 81% and 19% for KU and LG&E in TC2, their respective ownership shares of the Joint Use Assets must be 48% and 52%. Attachment 1 hereto is a schedule of the assets LG&E will transfer to KU and the net book value of KU's ownership share of each asset (a total as of June 2009 of $48,753,671); Attachment 2 is a site plan of the Trimble County Generating Station showing the locations of the Joint Use Assets; Attachment 3 shows sample journal entries for the ownership interest transfers LG&E will make to KU for the Joint Use Assets in December 2009, the first period in which the assets are expected to be used by both LG&E and KU as TC2 unit testing begins; and Attachment 4 shows the method by which the Companies have determined that the Joint Use Assets should be owned 52% and 48% by LG&E and KU, respectively.

In August 2009, LG&E and KU will apply to the Commission for approval of depreciation rates to use for its TC2-related assets.

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[4] Emphasis added. *See In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 97-300, Order at 39 (Sept. 12, 1997) ("LG&E, KU and each related company shall, after the merger, comply with LG&E Energy's Corporate Policies and Guidelines for Intercompany Transactions.").

If the Commission or Commission Staff have any questions or concerns about these transfers, please contact me at your first convenience.

Sincerely,

Lonnie E. Bellar

cc: Dennis G. Howard II, Kentucky Office of the Attorney General
Michael L. Kurtz, Kentucky Industrial Utilities Customers, Inc.

Trimble County Steam Generating Plant
Transfer of Joint Use Assets to KU
Net Book Value As of June 2009

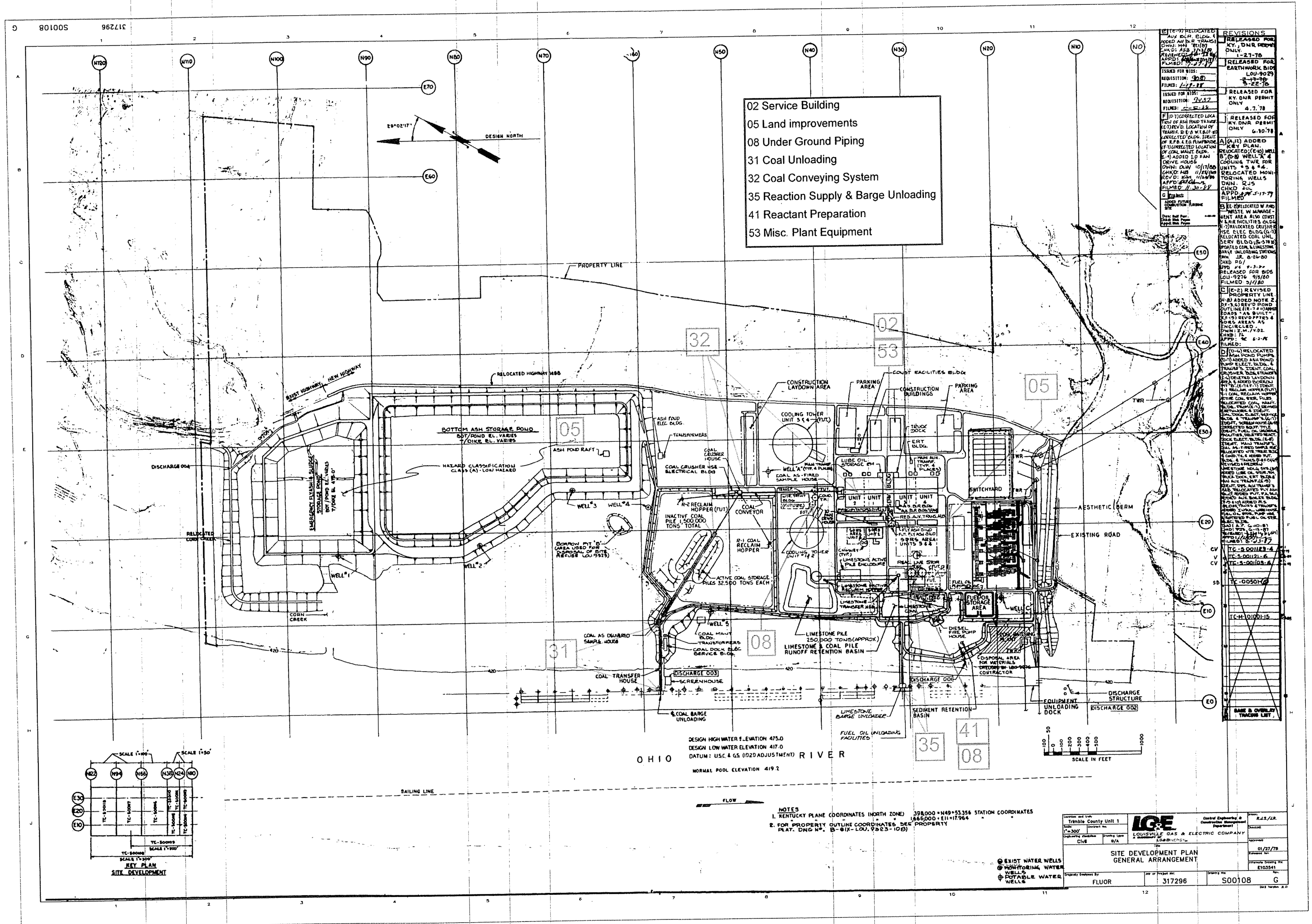
Asset	Description	KU 48% Net Book Value
01 - Unit Structure	The Unit Structure System is the structural steel and reinforced concrete skeletal frame as well as finished concrete floors of the powerhouse including the Turbine Room, Conveyor Room, Boiler Room Deaerator Room and Air Preheater Room. Covering of the building sides and roofs is included also as well as louvers, heating/ventilating, lighting, communication, grounding, fire protection, plumbing, drains and passenger/freight elevators are also a part of this system.	$ 1,618,879
02 - Service Bldg	The Service Building System shall include costs for contracted labor, material and equipment and local labor, material and equipment to provide a service building facility. The Service Building System shall include the service building physical structure, the shops, offices, locker rooms and restrooms, and storage rooms, which are provided to service all units.	$ 6,473,934
03 - Screenwell	The Screenwell System includes the structural steel and reinforced concrete skeletal frame of the Ohio River water intake structure for the station. This system includes all the mechanical equipment located in the screenwell structure. This includes but is not limited to various pumps, traveling screens, fixed screens, chemical treatment equipment, piping, house crane (located in the screenwell), trash rakes and other screen cleaning devices, stop log gates, and heating/ventilating equipment. The Screenwell System also includes all electrical equipment located within the screenwell structure.	$ 3,923,274
04 - Structure B	The Structures B/As Fired Sample House System includes two main structures: Structure B, the north extension of the Unit 1 Conveyor Room; and Coal Conveying Structure, As Fired Sample House. Due to the particular arrangement of the coal conveying system at Trimble County Station, it was necessary to construct a portion of the Unit 2 Conveyor Room to be able to operate the coal conveying system in Unit 1. This portion of Unit 2 is known as Structure B. The System includes the structural steel and reinforced concrete skeletal frames for these two structures. Building covering of the sides and roof are also included. The heating, ventilating and air conditioning equipment, building drains, lighting, communication, grounding, and fire protection in the two structures are a part of this system.	$ 1,479,471
05 - Land Improvements	This System shall include only those improvements which have a long term life, which approximates the life of the plant. Items which would be included are emergency fly ash and sludge storage pond; relocation of Corn Creek; relocation of Highway 1488; bottom ash storage pond; coal pile impoundment dikes, liners, and stacker-reclaimer fill; grading for reactant preparation, solid waste, construction shops, parking lots, equipment laydown, and conrete batch plant; undercutting for cooling towers, units, and service building; improvement fills and liners for limestone storage, and coal pile runoff, fuel oil storage; construction and plant site runoff basin; switching station fill; permanent plant roads including fill and surfacing; and aesthetic berm.	$ 5,363,411

Asset	Description	Net Book Value
06 - Yard Facilities	The Yard Facilities System will include those facilities or equipment which are: inter-connections between other systems; have multi-system usage, or are not within a plant structure. Items which shall be included in the Yard Facilities System are: plant yard surfacing; underground electrical ducts; monitor wells; grounding; yard lighting; security facilities; yard drainage (including storm sewers, culverts, and ditches); diesel fire pump house; sanitary sewers (including lift and pumping stations); and fences. (see subsystem descriptions below)	$ 1,992,881
07 - Above Ground Piping	This system shall include contract labor, materials, and equipment and local labor, material and equipment required to install combined plant piping-systems which are routed and supported on a common pipe rack. The ash water recycle pumps, floating ash pond pumps, platform, floating lines, power, and control shall be part of this system. Also the floating discharge lines for bottom ash, scrubber sludge, and fly ash and sludge storage pond shall be included.	$ 1,414,127
08 - Under Ground Piping	This System shall include contract labor, materials and equipment, and local labor, material and equipment required to install underground pipe which runs across the plant site from one System to another. Pipe lines included in this System are the Underground Portable Water Piping Distribution Facilities, Yard Fire Protection Piping Distribution Facilities, Fuel Piping Distribution Facilities, Service Water Underground Pipe Distribution Facilities and the "Temporary" Underground Pipes west of Unit 1 and 2 Boiler Room to facilitate Unit No. 2 Construction.	$ 695,609
22 - Stack	This system shall include contract labor, material, and equipment and local labor, material and equipment to install the stack. The Stack System includes the reinforced concrete base slab and column, all structural steel including ladders, and the fiberglass liner. This system also includes any concrete floors or grating and the permanent elevator is also a part of the Stack System. Mechanical equipment and piping located within the chimney are a part of this system. Electrically, all power, grounding, lighting, communications, instrumentation and control equipment, and wiring are a part of this system. This system also includes the strobe warning lights or other warning devices or system.	$ 1,496,135
25 - Plant Coal Handling	The system shall be defined as including all contract labor and material, and all company labor and local material as may apply within the system boundaries' outlined as follows: 1) Fabrication and erection of coal bunkers down to outlet flange (to include load cells, seals at conveyor room floor, interior coating of top ring, etc.); 2) "G" conveyors, trippers and all coal handling equipment in conveyor room (to include dust collection equipment); 3) Silo junction house sampling equipment; 4) Fire protection system including deluge valve and all piping down stream of valve; 5) All instrument, control and electrical shall be included with the associated equipment in the respective subsystem (including 6900V, 480V, conduit and cable tray).	$ 320,672
30 - Fuel Oil System	The Fuel Oil System shall include contract labor, material and equipment, and local labor, material and equipment to install the fuel oil system. The Fuel Oil System will begin at the first joint through the dike around the fuel oil tanks such as foundations for the tanks and station piping and pumps, the steel tanks, pumps and piping within the dike area to the last joint prior to going through the dike. The boundary stops at this last joint. All labor and materials are covered within the dike area. The Fuel Oil Electric Building and Fuel Oil Pump house is also included.	$ 306,784

Asset	Description		Net Book Value
31 - Coal Unloading	The coal unloading system shall be defined as including contract labor material, and equipment, and local labor, material and equipment to provide coal unloading facilities within system boundaries as outlined as follows: 1) Shuttle barge equipment; 2) Barge Unloader and Coal Conveyor "A" & "B"; 3) Transfer House "B" - "C"; 4) Coal Conveyor "C"; 5) Sample House which includes vibrating feeders, conveyor "D", "as-delivered" scales, conveyor "S", barge unloader bin, and the concrete support for "E" conveyor (but not "E" conveyor or its pulley frame). (see subsystem descriptions below)	$	6,121,011
32 - Coal Conveying System	The Coal Conveying System shall be defined as including contract labor, material and equipment, and local labor, material and equipment as required to provide a stackout-to-storage and reclaim-from-storage machine, a conveyor system which shall begin with steel framework to support "E" conveyor, "F" conveyors, up to the point where the framework supporting the head pulley attaches to the plant structural steel, reclaim hoppers and tunnel, conveyor R, and R.2 , magnetic separator, crusher equipment, vibrating feeders in crusher house, and crusher house. Shall also include all Instrumentation and Control and all electrical. Power feed shall be included back to the breaker terminals for 4000V equipment or to the motor starter terminals for 480V equipment. (see subsystem descriptions below)	$	4,954,731
35 - Reactant Supply & Barge Unloading	This system shall include contract labor, material and equipment and local labor, material and equipment to install reactant supply and barge unloading system. The Reactant Supply and Barge Unloading System will begin at the Barge Unloading Facilities and will end where the conveyor enters the Ball Mill pulverizer building at the Surge Hopper. It shall also include all Instrumentation and Control and all electrical. Control wiring shall be included. Power feed shall be included for 4000V equipment. (see subsystem descriptions below)	$	4,369,349
41 - Reactant Preparation	This system shall include contract labor, material and equipment and local labor, material and equipment to install the Reactant Preparation System. This system will include the Ball Mill Building, and associated equipment, Live Storage Tanks, agitators and other equipment. It shall also include all Instrumentation and Control and all electrical. Control wiring shall be included. Power feed shall be included for 4000V equipment. (see subsystem descriptions below)	$	3,307,517
50 - Station Water Treatment Facility	This system shall include contract labor, material and equipment, and local labor, material and equipment to consolidate facilities in one location for treating station waste water and water treatment. The system shall include the SWWT building and pipe, equipment, tanks, storage tanks and storage facilities, in and adjacent to the SWWT building. Facilities associated with this system will include sewage treatment, cooling tower water treatment, condensate make-up water treatment, and demineralization, associated bulk chemical storage, and SWWT compressed air facilities. Shall also include all Instrumentation and Control and all electrical	$	2,117,762
53 - Misc. Plant Equipment	This system shall include contract labor, material and equipment, and local labor, material and equipment to install the following subsystems: Turbine Room Gantry Crane, Turbine Room House Crane, Electric Hoists, Station Air Compressors, and Instrument Air Compressors. It shall also include all Instrumentation and Control and all electrical. Control wiring shall be included. Power feed shall be included for 4000V or 6900V equipment or for 480V equipment.	$	987,746
61 - Circulating Water System	This system shall include contract labor, material and equipment, and local labor, material and equipment to provide the circulating water facilities. This system shall include the cooling tower, cooling tower pumps, circulating water lines, condenser, cooling tower blowdown facilities, and ash water makeup system.	$	114,750

Asset	Description		Net Book Value
71 - Station Auxiliary	This subsystem shall include contract labor, material and equipment, and local labor, material and equipment to install the reserve auxiliary transformers (including foundations and fire protection), the 138KV cable from the switching station termination to the reserve auxiliary transformers, the 6900 volt station switchgear, 6900/480 volt station transformers, 480 volt station switchgear and 480 volt station motor control centers. This includes all necessary control wiring changes internal to the switchgear, power feeds (bus duct and cable) and check-out associated with this equipment.	$	1,471,491
73 - Cable Tray & Conduit	This system shall include contract labor, material and equipment, and local labor, material and equipment to install the cable tray system in the plant and service building. Any cable tray or conduit drops to final devices (motors, boxes, etc.) shall be charged to the appropriate system and subsystem.	$	224,137
		TOTAL	**$ 48,753,671**

Attachment 2



Sale of Trimble County Unit 1 Joint Use Assets
Sample Journal Entries

Sale of Joint Use Assets from LG&E to KU

		Debit	Credit
KU	101 Plant In Service	XX	
KU	234 Accounts Payable to Associated Companies		XX
LG&E	146 Accounts Receivable from Associated Companies	XX	
LG&E	108 Retirement Work in Progress		XX

Establishment of Asset Retirement Obligation on KUs Books as a Result of the Sale

		Debit	Credit
KU	101 Plant In Service	XX	
KU	230 Asset Retirement Obligations		XX

Retirement of Joint Use Assets from LG&E's Books as a Result of the Sale

		Debit	Credit
LG&E	108 Accumulated Provision for Depreciation	XX	
LG&E	101 Plant In Service		XX
LG&E	108 Retirement Work in Progress	XX	

Retirement of Asset Retirement Obligation from LG&E's Books as a Result of the Sale

		Debit	Credit
LG&E	108 Accumulated Provision for Depreciation	XX	
LG&E	230 Asset Retirement Obligations	XX	
LG&E	101 Plant In Service		XX
LG&E	182.3 Other Regulatory Assets		XX

Allocation of KU's and LG&E's Ownership in Trimble County Unit 2's Joint Use Assets Based on Their Ownership of the Nameplate Capacity of Both Units at the Trimble County Generating Station

	Nameplate Rating	IMEA/IMPA Share	Companies' Share	LG&E Share	KU Share
TC1 (MW)	566	141.5	424.5	424.5	0
TC2 (MW)	838	209.5	628.5	119.4	509.1
Total (MW)	1404	351	1053	543.9	509.1
Companies' Allocation of Their Combined Ownership Share				**52%**	**48%**
Total Ownership		25%	75%	**39%**	**36%**