

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)
UTILITIES COMPANY TO ENTER INTO)
AN AGREEMENT AND PLAN OF EXCHANGE) CASE NO. 10296
AND TO CARRY OUT CERTAIN TRANS-)
ACTIONS IN CONNECTION THEREWITH)

O R D E R

IT IS ORDERED that Kentucky Utilities Company ("KU") shall file an original and 15 copies of the following information with this Commission, with a copy to all parties of record. The information requested herein is due no later than August 23, 1988. If the information cannot be provided by this date, KU should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Provide supporting documents, research, consultants' studies, etc., showing that diversification is in the public interest and that ratepayers will be protected from additional risk. Include any foreseeable tangible benefits accruing to ratepayers as a result of diversification.

2. Provide a statement of goals of contemplated diversification activities including types of utility and non-utility activity, both in-state and out-of-state, and expected time frames.

3. Provide a description of the proposed holding company organization plan by which diversification will be accomplished, including a showing of the impact on the utility's corporate and financial structure. Include plans for the organizational structure of the holding company, of KU, and of any subsidiary.

4. Page 5 of KU's application states that "the management of KU will basically remain in place" To the degree that there will be any shift in management, at what levels will it occur and how will KU be compensated for the loss of human capital representing substantial ratepayer investment?

5. Provide a description of the proportion of the total business of the holding company that will be represented by the utility. The description should include, but not be limited to, the proportion of total assets, sales and revenues.

6. Provide a detailed methodology for allocating common costs and setting prices for affiliate transactions, including how fair market values will be determined. Affiliate transactions addressed should include, but not be limited to, technological and intellectual properties and referrals.

7. Provide proposals for evaluation systems to track requests for transfers of property, personnel, and referrals, including proposals for monitoring these requests.

8. Provide the policy of the proposed holding company with regards to Commission access to holding company and subsidiary (other than KU) records, personnel, and operations.

9. Provide the proposed method of securing financing for start-up of subsidiary operations, especially in regard to use of utility retained earnings and guarantees of credit and how the utility will be compensated for capital used in non-regulated entities.

10. Provide the proposed holding company policy regarding (1) divestiture of non-regulated subsidiaries which consistently experience net operating losses, (2) divestiture of regulated subsidiaries in the event that their ability to attract capital is in danger of being impaired by losses sustained by non-regulated subsidiaries.

Done at Frankfort, Kentucky, this 2nd day of August, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Henson, Jr.
For the Commission

ATTEST:

Executive Director