

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

In the Matter of:

ELECTRONIC JOINT APPLICATION OF PPL)	
CORP., PPL SUBSIDIARY HOLDINGS, LLC,)	
PPL ENERGY HOLDINGS, LLC, LG&E AND)	CASE NO.
KU ENERGY LLC, LOUISVILLE GAS &)	2017-00415
ELECTRIC CO. AND KENTUCKY UTILITIES)	
CO. FOR APPROVAL OF AN INDIRECT CHANGE)	
OF CONTROL OF LOUISVILLE GAS & ELECTRIC)	
CO. AND KENTUCKY UTILITIES CO.)	

ATTORNEY GENERAL’S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Data Requests to PPL Corp.; PPL Subsidiary Holdings, LLC; PPL Energy Holdings, LLC; LG&E & KU Energy, LLC; LG&E KU Energy, LLC; Louisville Gas & Electric Co. and Kentucky Utilities Co. [hereinafter jointly referred to as “Joint Applicants”] to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Joint Applicants with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the

generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised

drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



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Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium with the Commission within two business days; that the electronic filing has been transmitted to the Commission on November 20, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 20th day of November, 2017.



Assistant Attorney General

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1. Confirm that the proposed transaction adds additional holding companies between both Louisville Gas & Electric Co. ["LG&E"] and Kentucky Utilities Co. ["KU"] [hereinafter collectively referred to as "The Utilities"] and PPL Corporation.
2. Have one or more of the Joint Applicants obtained any opinions from S&P, Moody's or any other credit rating agency regarding the proposed transaction? If so, provide copies of all such opinions.
3. Has the internal auditor for: (i) The Utilities; and/or (ii) any or all of the remaining Joint Applicants obtained any opinions from their respective independent auditor(s) regarding the proposed transaction? If so, provide copies of all such opinions.
4. Has any consultant, expert, employee or auditor for all or any one of the Joint Applicants issued any opinions, studies, reports, or memoranda regarding the effect that additional cash withdrawals from The Utilities will have on The Utilities' financial strength? If so, provide copies of all such documents.
5. Identify which of the Joint Applicants will pay for the costs associated with the proposed transaction, and the estimated amount of the proposed transaction.
6. Will Joint Applicants certify that none of the costs associated with the proposed transaction will be passed on to The Utilities' jurisdictional ratepayers? If not, why not?
7. If the Commission approves the proposed transaction, are Joint Applicants willing to commit that in any future petitions to increase their base rates, The Utilities will not seek a greater return on equity than they otherwise would have sought had the Commission not approved the transaction? If Joint Applicants are not willing to so certify, explain fully why not.
8. Under PPL's current corporate structure, explain whether there are any limitations in place that prevent the extraction of cash from The Utilities and flowing it up the corporate structure, and identify all such limitations.
 - a. Is tax basis one such limitation? If so, fully explain why tax basis limits the amount of cash that can be extracted from The Utilities to pay PPL dividends.

9. Regarding your response to question no. 8, above, explain how removal of current barriers to extraction of cash from The Utilities is in the best interests of The Utilities' ratepayers.
10. If the Commission approves the proposed transaction, explain the impact on capitalization for each of the Joint Applicants.
 - a. Provide a chart depicting capital ratios for each of the Joint Applicants, based on the assumption that the Commission approves the proposed transaction. This chart should include the proposed capitalization of NEWCO1 and NEWCO2.
11. Confirm that PPL Corp.; PPL Subsidiary Holdings, LLC; and PPL Energy Holdings, LLC ["the PPL Entities"] are seeking to take more cash out of The Utilities than the total basis the PPL Entities have in The Utilities. If the answer is yes, state what penalty would occur if the PPL Entities withdraw cash from The Utilities in excess of their basis in The Utilities absent the proposed transaction.
12. Reference the Joint Application, p. 1, where the Joint Applicants state, "The proposed restructuring will have no effect on the operation or management of the Utilities." Provide copies of all studies, reports or memoranda discussing the effect that the proposed restructuring will have on the operation and/or management of The Utilities, or the evidence the Joint Applicants otherwise used to support the above statement.
13. Reference the Joint Application, p. 2, where the Joint Applicants state, "The Proposed Restructuring also will have no effect on the financial structure of LKE or the Utilities, will not impose any cost or expense on those entities, and will have no effect on the Utilities' rates or service." Provide copies of all studies, reports or memoranda discussing the effect that the proposed restructuring will have on the financial structure of LKE, and of The Utilities, or the evidence the Joint Applicants otherwise used to support the above statement.
14. State whether PPL Subsidiary Holdings, LLC; and PPL Energy Holdings, LLC will have the ability to issue debt.
15. Confirm that under Joint Applicants' current corporate structure, PPL Capital Funding, Inc. is the same number of entities removed from PPL Corporation as LG&E and KU Energy, LLC.

16. State whether PPL Capital Funding, Inc. will have the ability to issue debt in the event the Commission approves the petition in the instant case.
17. Confirm that under the proposed corporate structure, PPL Capital Funding, Inc. would move closer to PPL Corporation and would be further removed from LG&E and KU Energy, LLC.
 - a. If so confirmed, explain fully why PPL Capital Funding, Inc. was not listed as one of the Joint Applicants in the instant petition.
18. Explain all current “ring-fencing” in place protecting The Utilities, and the genesis of each “ring-fencing” measure identified.
19. Explain whether the proposed reorganization enhances the existing “ring-fencing” of The Utilities, or if it weakens that ring-fencing.
20. Reference the Commission’s Final Order in Case No. 2010-00204, Appendix C. Confirm that The Utilities remain subject to the conditions set forth therein, including the conditions set forth in the Final Order issued in Case No. 2000-00095, Appendix B.
 - a. Confirm that the Final Order in Case No. 2000-00095, Appendix B, under the heading “Financial Resources,” states as follows:

“A concern exists that LG&E Energy or PowerGen may divert KU’s and LG&E’s financial resources to benefit the activities of non-regulated affiliates at the expense of utility ratepayers. There are four main areas of concern:

 1. Attempts by LG&E Energy or PowerGen to adjust KU’s or LG&E’s capital structure could adversely affect the utilities’ cost of capital and financial integrity. The Commission believes that LG&E Energy and PowerGen should assist the utilities in maintaining a balanced capital structure.
 2. The dividend policy of KU and LG&E could adversely affect the utilities’ financing requirements and capabilities. The dividend policy must not adversely affect the utilities’ ratepayers, and the utilities, through their boards of directors, have the responsibility to use their dividend policy consistent with preserving the financial strength of the utility.
 3. Unwillingness on the part of LG&E Energy or PowerGen to provide

necessary capital to KU and LG&E could severely impair the utilities' ability to provide utility services, as is their statutory obligation. Any action or decision by the board of directors of LG&E Energy or PowerGen, including the unwillingness to provide adequate capital to KU and LG&E, that, in any way, impairs KU's and LG&E's ability to provide adequate, efficient, and reasonable utility service, will be in direct violation of KRS 278.030(2).

4. A guarantee of the debt of non-utility affiliates LG&E Energy or PowerGen by KU and LG&E could unnecessarily place in jeopardy the financial position and resources of the utilities. Pursuant to KRS 278.300, KU and LG&E are prohibited from guaranteeing debt without prior Commission approval.

For rate-making purposes, the Commission has jurisdiction over KU's and LG&E's capital structure, financing, and cost of capital. The Commission will continue to exercise this jurisdiction.”

- b. Explain how the proposed reorganization, if approved, will maintain compliance with these commitments.
- c. Which of the Joint Applicants determines the level of dividend that The Utilities ultimately pay?
- d. Have Joint Applicants decided to increase the dividend?