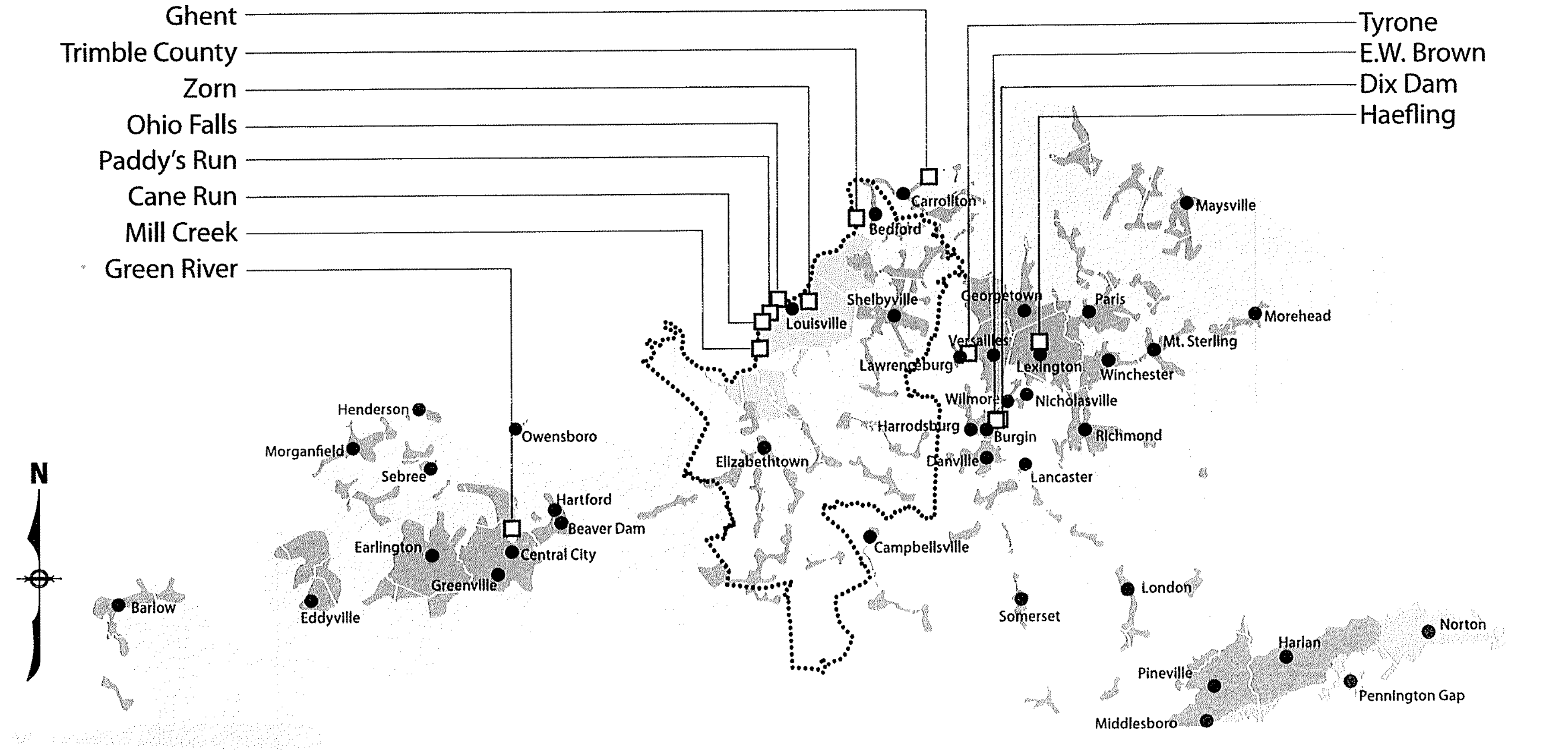
LG&E® KU® ODP®



☐ Generating Stations ▩ LG&E Service Area (Electric) ⁝⁝ LG&E Service Area (Gas)* ▩ KU Service Area ▩ ODP Service Area

* *Note: Due to its highly fragmented and constantly changing nature, the gas service area is shown as whole counties. In reality, however, some of the outlined counties are served by two or more gas utilities including LG&E.*

Exhibit L
Page 1 of 1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE 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

TESTIMONY

OF

JAMES H. MILLER

CHAIRMAN, CHIEF EXECUTIVE OFFICER
AND PRESIDENT, PPL CORPORATION

MAY 28, 2010

Q. Please state your name and business address.

A. My name is James H. Miller. My business address is Two North Ninth Street, Allentown, Pennsylvania 18101.

Q. By whom are you employed and what is your position?

A. I am the Chairman of the Board, President and Chief Executive Officer of PPL Corporation ("PPL"). In these positions, I have overall responsibility for the business operations of PPL, subject to the direction of the Board of Directors.

Q. Please describe your employment history and your education.

A. My employment history and education are described in Appendix A to my testimony. The focus of my career has been energy-related businesses and the utility industry. My career with PPL began in February 2001, when I was hired to be the President of PPL Generation, LLC ("PPL Generation"), an indirect subsidiary of PPL. In January 2004, I was promoted to Executive Vice President of PPL. In September 2004, I became Chief Operating Officer of PPL and in August 2005, I became President of PPL. In October 2006, I became Chairman and Chief Executive Officer of PPL.

Before my arrival at PPL, I served as Executive Vice President and Vice President of Production of USEC, Inc., a global energy company based in Bethesda, Maryland. Before my position with USEC, Inc., I was President of ABB Environmental Systems, and also held that position with ABB Resource Recovery Systems. Both companies are members of the ABB Group, a global power and automation technology company. Before that time, I was President of UC Operating Services, an unregulated subsidiary of Constellation Energy and

LG&E Energy Corp. I started my career working in various engineering and management positions with Delmarva Power and Light Co., a regional gas and electric utility company now serving about 500,000 electric delivery customers in Delaware and the Delmarva peninsula and about 124,000 natural gas delivery customers in northern Delaware. I earned a bachelor's degree in electrical engineering at the University of Delaware in 1977 after serving in the United States Navy for six years in the Nuclear Submarine Program.

Q. What is the purpose of the Joint Application?

A. The purpose of the Joint Application is to request that the Commission approve the proposed acquisition by PPL of E.ON U.S. LLC ("E.ON U.S."), a wholly owned indirect subsidiary of E.ON AG ("E.ON") and the parent company of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, with E.ON US Investments Corp., the "Applicants"). PPL has agreed to purchase from E.ON US Investments Corp. ("E.ON US Investments") 100% of the issued and outstanding limited liability interests of E.ON U.S. If authorized by the Commission, E.ON U.S. would become a wholly owned direct subsidiary of PPL. The names of the entities with "E.ON" in their current names will be changed after the closing. There will be no change in the current names of LG&E and KU. PPL has not yet determined the new name of E.ON U.S. LLC. Solely for convenience, I will refer to E.ON U.S. LLC as "E.ON U.S." for the period before the completion of the proposed acquisition, and as "PPL Kentucky" for the period after the completion of the proposed acquisition. This request is supported by the Joint Application and the written testimony attached collectively as Exhibit M to the Joint Application, including my testimony.

Q. Please provide a general overview of the testimony supporting the Joint Application.

A. My testimony: a) introduces PPL to the Commission; b) outlines the proposed acquisition of E.ON U.S. by PPL; c) describes the operations of LG&E and KU after the completion of the proposed acquisition, including customer service and reliability; d) addresses the Commission's regulatory authority; e) demonstrates the financial, managerial and technical ability of PPL to cause LG&E and KU to continue to provide reasonable service to their customers after the completion of the proposed acquisition; and f) demonstrates that the proposed acquisition will be made in accordance with law, for a proper purpose, and consistent with the public interest.

The Applicants have filed the written testimony of eight witnesses, attached collectively as Exhibit M to the Joint Application, that discusses the proposed acquisition in greater detail.

The testimony of Paul A. Farr, the Executive Vice President and Chief Financial Officer of PPL, addresses PPL's financial ability to complete the proposed acquisition and the financial strength of the PPL companies, including PPL Kentucky, LG&E and KU, after the completion of the proposed acquisition.

The testimony of William H. Spence, the Executive Vice President and Chief Operating Officer of PPL, addresses PPL's technical and managerial abilities in generating, transmitting and distributing electric power systems, and in operating and maintaining natural gas systems. Mr. Spence's testimony also demonstrates that PPL's customers are satisfied with the services that PPL currently provides.

The testimony of Karl-Heinz Feldmann, General Counsel and Executive Vice President of E.ON, addresses the proposed acquisition from E.ON's perspective.

The testimony of Victor A. Staffieri, the Chairman, President, and Chief Executive Officer of E.ON U.S., LG&E and KU, and an employee of E.ON U.S. Services Inc., addresses the compliance of the proposed acquisition with U.S. law and the expected operations of LG&E and KU after the closing of the proposed acquisition.

The testimony of S. Bradford Rives, the Chief Financial Officer of E.ON U.S., LG&E and KU, and an employee of E.ON U.S. Services Inc., addresses affiliate transactions and the accounting issues raised by the proposed acquisition and the Commission's authority regarding those matters after the closing of the proposed acquisition.

The testimony of Lonnie E. Bellar, the Vice President of State Regulation and Rates for LG&E and KU, and an employee of E.ON U.S. Services Inc., addresses regulatory issues affecting LG&E and KU after the completion of the proposed acquisition.

The testimony of Paul A. Coomes, a Professor of Economics at the University of Louisville, addresses whether the proposed acquisition is consistent with the public interest.

Q. Please describe PPL.

A. PPL is a Fortune 500 global energy and utility holding company headquartered in Allentown, Pennsylvania. PPL traces its origins to the merger in 1920 of eight utilities, which operated a combined total of 62 electric generating plants in and around central eastern Pennsylvania, into a single corporate entity named Pennsylvania Power & Light Company. Since that time, PPL has grown from a regional utility company to one of the 10 largest utility companies in the United States. PPL owns or controls nearly 12,000 megawatts of electrical generating capacity in the United States, delivers electricity to about four million customers in the United States and the United Kingdom, and employs about 10,000 people on two continents.

PPL is a publicly owned company. At current trading prices as of the date of the Joint Application, PPL's market capitalization is about $9.36 billion. In 2009, PPL reported total operating revenues of about $7.56 billion.

Through its subsidiaries, PPL is primarily engaged in the generation and marketing of electricity in two key markets (the northeastern and western United States), and in the delivery of electricity in Pennsylvania and the United Kingdom. PPL's principal direct subsidiaries are PPL Electric Utilities Corporation ("PPL Electric"), which is responsible for regulated utility operations, PPL Energy Funding Corporation ("PPL Energy Funding"), which is responsible for unregulated energy operations, and PPL Capital Funding, Inc. ("PPL Capital"), which is responsible for certain corporate financing.

PPL delivers power to 1.4 million retail customers through PPL Electric. PPL Electric's utility service extremely reliable; on average, its customers have power 99.9% of the time. PPL Electric maintains more than 48,000 miles of transmission and distribution lines to provide that service. Moreover, until October 2008, PPL owned and operated PPL Gas Utilities Corporation ("PPL Gas"), a Pennsylvania company with both natural gas distribution and storage facilities, providing PPL with institutional knowledge regarding operating maintaining natural gas distribution and storage systems.

PPL Energy Funding serves as the holding company for PPL Energy Supply, LLC, the parent company of PPL's principal unregulated subsidiaries. Those principal unregulated subsidiaries are PPL Generation, LLC ("PPL Generation"), which owns and operates U.S. generating facilities; PPL Energy Plus, LLC ("PPL EnergyPlus"), which markets and trades electricity and gas in the wholesale and retail markets, and supplies energy in some markets; and PPL Global, LLC ("PPL Global"), which indirectly owns and operates PPL's electricity distributor in the United Kingdom.

PPL, through PPL Generation and its subsidiaries, owns and operates a portfolio of domestic power generating assets located primarily in Pennsylvania, Montana, Illinois, Connecticut and Maine. PPL Generation's power plants generally utilize a variety of fuel sources including coal, natural gas, oil, uranium and water to produce energy.

PPL, through PPL EnergyPlus, sells electricity produced by the portfolio of generation assets owned and operated by subsidiaries of PPL Generation. PPL

EnergyPlus participates and trades energy in the wholesale and retail sectors, and also markets various energy commodities, primarily in the northeastern and western United States.

PPL, through PPL Global and its subsidiaries, operates Western Power Distribution (South West) plc ("WPD South West") and Western Power Distribution (South Wales) plc ("WPD South Wales"), each a regional electricity delivery business operating in the United Kingdom. WPD South West and WPD South Wales are two of the 15 distribution networks providing electricity service in the United Kingdom, and together serve about 2.6 million customers. WPD South West serves a 5,560 square-mile area of southwest England, distributing power to about 1.5 million customers in that region. WPD South Wales operates in an area of Wales 4,500 square miles in size and located directly opposite the Bristol Channel from WPD South West's territory. WPD South Wales distributes power to about 1.1 million customers in that region.

Q. What is PPL's strategic vision?

A. PPL's strategic vision is to create value for its customers by providing superior service at reasonable and competitive rates, thereby achieving sustainable long-term growth for its shareholders. Operationally, PPL executes this strategic vision by providing unparalleled customer service, carefully controlling operating costs and risk, and maintaining constructive regulatory relationships. PPL is dedicated to improving its operations and the communities in which it operates for its benefit and for the benefit of its customers.

Q. How is the strategic vision reflected in PPL's business model?

A. PPL's business model is premised on the sustainable, long-term growth of its businesses. PPL's businesses are an integrated mix of high-performing electricity generating, marketing and delivery companies built on a strong foundation of excellent assets and extraordinary people.

Q. How does the proposed acquisition fit with PPL's strategic vision?

A. The proposed acquisition by PPL of LG&E and KU is fully consistent with PPL's strategic vision.

LG&E and KU are very similar to PPL in that each focuses on reasonable rates, customer service, reliability, safety, cost-effective operations, constructive and transparent regulatory relationships and community involvement. LG&E and KU are "best-in-class" utility franchises that have historically excellent customer service track records. Specifically, LG&E and KU have ranked first in their J.D. Power region seven times in 10 years. PPL Electric has earned eight top J.D. Power awards for satisfied business customers, and has earned the top J.D. Power award for satisfied residential customers in the eastern region of the U.S. eight times since 1999. LG&E and KU management share PPL's commitment to service excellence and the philosophy of "customer first." This commitment makes these companies ideal partners in the proposed transaction.

The scope of distribution, generation and transmission of the post-acquisition company will complement PPL's mix of regulated and competitive generation assets. On a pre-acquisition basis, PPL's regulated business revenues accounted for 30% of its 2010 estimated earnings, with the remaining 70% of its revenues generated by competitive operations. On a post-acquisition basis, PPL's regulated business earnings will account for about 55 – 60% of PPL's 2011 estimated earnings, with the remaining 40 – 45% of its earnings generated by competitive operations. This rebalancing will reduce PPL's operational risk and increase its earnings predictability and is fully consistent with PPL's broad view of sustainable long-term growth.

If the Commission approves the proposed acquisition, the combined utility enterprise will be operating within a regulatory framework conducive to steady, long-term growth. LG&E and KU have historically had the lowest rates in the region, making their service areas attractive to new industry now and in the future. PPL's long-term strategic vision will benefit from the Commission's constructive regulatory framework, thereby allowing PPL to make the investment needed to provide the highest quality services to customers in Kentucky.

Q. Please provide a general description of the proposed acquisition.

A. Under the terms of the Purchase and Sale Agreement among E.ON US Investments, PPL and E.ON dated as of April 28, 2010 (the "PSA"), a copy of which is attached as Exhibit A to the Joint Application, PPL will purchase from E.ON US Investments 100% of the issued and outstanding limited liability interests of E.ON U.S., a wholly owned subsidiary of E.ON US Investments and the parent company of LG&E and KU. Upon the completion of the proposed acquisition, E.ON U.S. will become a wholly owned direct subsidiary of PPL. Thus, PPL Kentucky will hold LG&E and KU as wholly owned direct subsidiaries, together with E.ON US Capital Corp. ("E.ON Capital"), E.ON U.S.

Foundation, Inc.; LG&E Energy Marketing, Inc., and E.ON US Services Inc.; and E.ON Capital will continue to hold its current direct and indirect subsidiaries.

The transactions contemplated by the PSA include the refinancing by LG&E and KU, subject to the Commission's approval, of certain unsecured notes issued by LG&E and KU to Fidelia Corporation. Fidelia Corporation is an affiliate of E.ON that is not proposed to be transferred to PPL. Contemporaneously with the completion of the proposed acquisition, PPL will cause LG&E and KU to repay and refinance all amounts outstanding and all other amounts then due and payable under the unsecured notes held by Fidelia Corporation. LG&E and KU have filed, at the same time as the filing of the Joint Application, separate applications for the approval of these refinancings under KRS 278.300.

Q. What is PPL's position regarding the role of the Commission after the completion of the proposed acquisition?

A. The Commission plays a critical role in regulating the supply and delivery of electricity for the benefit of Kentuckians. As part of its operational model, PPL has made and will continue to make substantial efforts to foster and maintain constructive regulatory relationships in each of the federal, state and local jurisdictions in which PPL operates. PPL expects to build on the constructive relationship that LG&E and KU currently have with the Commission.

PPL is aware of the history of the regulatory requirements that the Commission imposed in the previous cases involving the acquisition of ownership and control of LG&E and KU, and the importance of those requirements to the

Commission. For that reason, PPL and E.ON US Investments agreed in the PSA that PPL would offer to make to the Commission in this proceeding certain regulatory commitments regarding the future operations of LG&E and KU that are listed in the Exhibit B to the PSA (the "Regulatory Commitments"). The Regulatory Commitments are based substantially on commitments that were made to the Commission by Powergen plc ("Powergen") and E.ON in the two previous cases, Case Nos. 2000-095 and 2001-104. A copy of Exhibit B to the PSA is attached as Exhibit D to the Joint Application.

Q. What are PPL's plans regarding the management and workforce of PPL Kentucky, LG&E and KU?

A. PPL, PPL Kentucky, LG&E and KU commit themselves to the continuity of the Kentucky presence of LG&E and KU and their current management by agreeing to keep the headquarters of PPL Kentucky and LG&E in Louisville, and those of KU in Lexington, for a period of 15 years. [Regulatory Commitment No. 34] Additionally, PPL, PPL Kentucky, LG&E and KU agree that the corporate officers of PPL Kentucky, LG&E and KU will maintain their current titles and responsibilities. [Regulatory Commitments No. 9] PPL and PPL Kentucky agree that the corporate headquarters of PPL Kentucky will include the corporate management personnel of PPL Kentucky, and, separately, PPL agrees that it will develop a retention and incentive program for managers of PPL Kentucky, LG&E and KU. [Regulatory Commitments No. 15 and 48] PPL also agrees to ensure that PPL Kentucky's Board of Managers will consist of at least three members, one of whom will be the CEO of PPL Kentucky, and that all corporate officers of

LG&E and KU will reside in Kentucky for a period of 15 years. [Regulatory Commitments No. 42 and 47]

Q. What effect will the proposed acquisition have on the utility resources and capitalization of LG&E and KU?

A. PPL, E.ON U.S., LG&E and KU are each committed to protecting the utility resources of LG&E and KU, and maintaining their current capitalization structure. For that reason, notwithstanding the rights afforded state commissions under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), PPL has offered through Regulatory Commitments No. 3(a) and 3(e) to make clear that the Commission's ratemaking authority would not be affected by PUHCA 2005. In addition, PPL will not cause PPL Kentucky, LG&E or KU to incur any additional costs or indebtedness in connection with the proposed acquisition, except to the extent costs are incurred to refinance the existing loans as allowed by Regulatory Commitment No. 8 and discussed by Mr. Rives. Regulatory Commitment No. 44 requires that PPL Kentucky will hold 100% of the stock of LG&E and KU and that PPL Kentucky will not transfer any of the stock without prior Commission approval. Regulatory Commitment No. 50 mandates that any diversified holdings and investments of PPL such as non-utility businesses or foreign utilities will not be held by LG&E or KU or their subsidiaries.

Q. Does the PSA require LG&E and KU to join a regional transmission organization?

A. No. Participation in a regional transmission organization is voluntarily undertaken. PPL has no present plans to join a regional transmission organization but is unable to state unequivocally that it will not join a regional transmission organization in the future. PPL is aware that other utilities have evaluated their position on this issue as a result of the FERC regulation. PPL has committed to using its reasonable best efforts to address any market power concerns of FERC, the U.S. Department of Justice and the Federal Trade Commission through mitigation measures that do not require participation by LG&E or KU in a regional transmission organization, require divestiture of operating assets of LG&E or KU, or require LG&E or KU to decline to use their generating facilities to serve native load customers. [Regulatory Commitment No. 53]

Q. Are you aware of the Commission's concerns relating to the divestiture of generation facilities?

A. Yes. PPL has committed itself to Regulatory Commitment No. 6 which requires that the Commission's approval be obtained prior to transferring any LG&E or KU property, plant or equipment with an original book value exceeding $10 million. PPL is also aware that KRS 278.218 was passed in 2002 amidst concerns that native utilities might divest themselves of generating assets in much the same way as California-based utilities had done at that time. It is PPL's understanding from E.ON U.S. that the Commission and the General Assembly wanted to ensure that the Commission would have oversight over the transfer by any Kentucky utility of its generating assets in order to ensure that the crisis then occurring in California could not occur in Kentucky.

Q. Will the interests of Kentucky and its citizens be considered by PPL when making important business decisions?

A. Yes. When budgets, investments, dividend policies, projects, and business plans are being considered by PPL for the Kentucky business, at a minimum, the CEOs of LG&E and KU or their designees will be present to offer a Kentucky perspective to the decision and be permitted to participate in any debates on the issues. [Regulatory Commitment No. 46] PPL has also agreed, pursuant to Regulatory Commitment No. 41, that for as long as PPL owns, controls, or manages LG&E or KU, PPL will endeavor to have an individual resident of Kentucky on PPL's Board of Directors. In doing so, Kentucky's interest will be considered by PPL at the highest level of corporate governance.

Q. Will the Commission have access to PPL's books and records after the completion of the proposed acquisition?

A. Yes. PPL has committed to keeping and maintaining the books and records of PPL Kentucky, LG&E and KU in Kentucky, and agrees that the Commission may audit the accounting records of PPL and its subsidiaries, that are the bases for charges to LG&E or KU, to determine the reasonableness of allocation factors. [Regulatory Requirement Nos. 2 and 3(b)]. PPL, PPL Kentucky, LG&E, KU, in turn, each commit to provide the Commission access to all books and records which pertain to transactions between LG&E or KU and affiliated companies; and that they will provide the Commission with 30 days prior notice of any FERC filing that proposes new allocation factors. [Regulatory Commitment Nos. 3(b) and 4]

Q. What is PPL's position with regard to reporting to the Commission?

A. PPL understands and acknowledges the need for adequate reporting and its importance to the Commission. Reporting is part of any ongoing constructive regulatory relationship. Therefore, PPL, PPL Kentucky, LG&E and KU have committed to file on a timely basis all applications and reports regarding affiliated transactions required by applicable statutes and regulations and that each of LG&E and KU will file annually a report regarding affiliated interests. [Regulatory Commitment Nos. 3(c) and 3(d)] Pursuant to Regulatory Commitment Nos. 17 and 18, PPL Kentucky will notify the Commission as soon as practicable before issuing new debt or equity in excess of $100 million, and PPL will notify the Commission as soon as practicable after any public announcement of any acquisition of a business representing 5% or more of PPL's capitalization, or any change in effective control or acquisition of a material part of PPL Kentucky, LG&E or KU. PPL will report annually to the Commission detailing PPL Kentucky's proportionate share of PPL's assets, revenues, expenses and employees, and will notify the Commission 30 days before LG&E or KU pays any dividend or transfers more than 5% of its retained earnings. [Regulatory Commitment Nos. 19 and 20] PPL commits to filing with the Commission a copy of its annual and quarterly reports on Securities and Exchange Commission Forms 10-K and 10-Q, as well as such additional financial reports as the Commission reasonably determines to be necessary to effectively regulate LG&E and KU. [Regulatory Commitment Nos. 21 and 22] LG&E and KU commit to filing with the Commission informational copies of applications that are filed with any other state utility commission with jurisdiction over PPL and its affiliates and relate to a money pool arrangement or capital contributions to LG&E or KU. PPL, PPL Kentucky, LG&E and KU commit to notifying the Commission 30 days before making any capital contributions to LG&E or KU, and to provide the related accounting entries within 60 days after the end of the month in which the contribution was made. [Regulatory Commitment Nos. 23 and 24]

Q. What is PPL's position on the importance of research and development?

A. PPL believes funding for research and development, especially in the area of "clean coal" and similar technologies, is critical to the Commonwealth of Kentucky. For this and other reasons, PPL Kentucky, LG&E and KU also commit to notifying the Commission in writing 30 days before any material changes in their participation in funding for research and development, including an explanation and the reasons for the change in policy. [Regulatory Commitment No. 30]

Q. What effect will the proposed acquisition have on the customer service and reliability of LG&E and KU?

A. The proposed acquisition will have no adverse impact on the ability of LG&E and KU to provide superior customer service and reliability and will provide the opportunity for enhanced service and reliability. PPL, PPL Kentucky, LG&E and KU will adhere to a series of Regulatory Commitments to ensure that Kentucky ratepayers continue to benefit from excellent customer service after the proposed acquisition. Moreover, PPL Electric has extensive experience from its operations in Pennsylvania in implementing energy efficiency and conservation programs, deploying smart meter technology and responding to storm outages. WPD South West and WPD South Wales also have experience with these issues. PPL's commitment to customer service and the relevant Regulatory Commitments are described in Mr. Spence's testimony.

Q. What will be the composition of the Boards of Directors of LG&E and KU following the proposed acquisition?

A. PPL attaches great importance to the skills and experience of LG&E's and KU's existing managers and employees. PPL has committed that the Board of PPL Kentucky will consist of at least three members, one of whom will be the then-current chief executive officer of PPL Kentucky. In addition, PPL has made the commitment to allow the corporate officers of PPL Kentucky, LG&E and KU to maintain their current titles and responsibilities (subject to the terms set forth in Regulatory Commitment No. 9). Of course, all of these commitments are subject to PPL's obligation under Sarbanes-Oxley to maintain adequate controls over all aspects of its business.

Q. How will PPL ensure that the proposed acquisition will benefit the community, employees and other stakeholders after the completion of the proposed acquisition?

A. PPL, PPL Kentucky, LG&E and KU will nurture and maintain their respective relationships with government, the community, employees and other stakeholders. PPL commits to taking an active and ongoing role in managing and operating LG&E and KU in the interests of customers, employees, and the Commonwealth, and will enhance LG&E's and KU's relationship with the Commission, with state and local government, and with other community interests, including, but not limited to, meetings between PPL's CEO and the Commission at least twice a year. [Regulatory Commitments No. 10] PPL will maintain LG&E's and KU's pro-active stance on developing economic opportunities in Kentucky and supporting economic development, and social and charitable activities, throughout their service territories, and together PPL, PPL Kentucky, LG&E and KU will work with the Governor and designated state agencies to promote economic development in Kentucky. [Regulatory Commitment Nos. 40 and 51] PPL, PPL Kentucky, LG&E and KU will consult with the Governor and state agencies designated by the Governor regarding clean coal technologies and the development of programs by Kentucky that qualify for federal funding for research and development and projects utilizing clean coal technologies. [Regulatory Commitment No. 52] PPL has accumulated extensive experience in the utilization of "clean-coal" technology and will look to identify ways in which to employ this experience in order to maintain and improve coal plant operations in Kentucky.

Historically, each of PPL, E.ON US, LG&E and KU have been committed to community and civic involvement. PPL and PPL Kentucky will cause LG&E and KU to maintain a substantial level of involvement in community activities, through annual charitable and other contributions, on a level comparable to or greater than the participation levels before the proposed acquisition, and PPL will maintain and support the relationship between LG&E and KU and the communities that each serves for a period of 10 years from the closing of the proposed acquisition. [Regulatory Commitment No. 36]

PPL commits to maintaining a sound and constructive relationship with labor organizations that represent employees of PPL Kentucky, LG&E, and KU, will remain neutral respecting an individual's right to choose whether or not to be a member of a trade union and will continue to recognize the unions that currently have collective bargaining agreements and will honor those agreements. [Regulatory Commitment No. 11] LG&E and KU further commit that in any Commission proceeding involving safety violations by employees of independent contractors, LG&E and KU will be responsible for the acts of the employees of the independent contractors to the same extent that LG&E and KU are responsible for the acts of their own employees, that the proposed acquisition will have no effect or impact on various agreements associated with the unwind and termination of the lease agreement with Big Rivers; and that wholesale customers should be held harmless. [Regulatory Commitment Nos. 14, 38 and 54] PPL has committed in Regulatory Commitment No. 10 to take an active and ongoing role in managing and operating LG&E and KU in the interests of their customers, their employees and the Commonwealth of Kentucky. PPL's preference is for the management of PPL Kentucky to maintain its oversight of LG&E and KU, and for each of LG&E and KU to maintain operational administration of their respective companies as set forth in Regulatory Commitment No. 9 and subject to PPL's obligation under Sarbanes-Oxley to maintain adequate controls over all aspects of its business. PPL is confident this level of involvement will continue to produce superior customer service and cost-efficient operations.

Q. Does PPL have the financial ability to cause LG&E and KU to continue to provide reasonable service after the completion of the proposed acquisition?

A. Yes. PPL's financial ability to cause LG&E and KU to continue to provide reasonable service after the proposed acquisition is described in greater detail in the testimony of Paul A. Farr. However, I will briefly state that PPL is a major utility holding company with about $22 billion in total assets, which generated over $7.56 billion in total operating revenues in 2009. As a result of the proposed acquisition, PPL will become a more geographically diverse utility holding company with combined annual revenues of about $10 billion. The proposed acquisition will create an enterprise value of $25.4 billion, as measured by PPL's stock price on April 27, 2010. On a post-acquisition basis, PPL and its subsidiaries, including LG&E and KU, will serve nearly five million electricity customers in the United States and the United Kingdom, and own or control 20,000 megawatts of U.S. electricity generating capacity.

PPL is very strong financially and operates in a creditworthy industry, as evidenced by its ability to finance the proposed acquisition. PPL and its subsidiaries have substantial access to financial markets with an unused domestic credit capacity exceeding $3.5 billion. PPL would not have had the ability to access the credit markets and to attract capital at reasonable rates if it were not recognized as a financially sound and viable company.

Q. Does PPL have the managerial ability to cause LG&E and KU to continue to provide reasonable service after the completion of the proposed acquisition?

A. Yes. PPL has extensive managerial experience in the utilities industry. PPL recognizes the excellent skills and talents of LG&E's and KU's existing management and fully intends to maintain these groups. This commitment is reflected by PPL's decision to allow the corporate officers of LG&E and KU the ability to maintain their current titles and responsibilities. In this regard, PPL has made the same commitments as Powergen and E.ON made in previous cases. [Regulatory Commitment No. 9]

PPL intends to retain the managerial expertise of E.ON U.S., LG&E and KU and has therefore committed to maintaining the corporate headquarters of PPL Kentucky in Louisville, Kentucky, and to requiring the persons who are corporate officers of PPL Kentucky, LG&E and KU during the 15-year period to reside within Kentucky. [Regulatory Commitment Nos. 34, 47 and 48]

Q. Does PPL have the technical ability to cause LG&E and KU to continue to provide reasonable service to their customers after the completion of the proposed acquisition?

A. Yes. PPL's technical ability to cause LG&E and KU to continue to provide reasonable service after the proposed acquisition is described in greater detail in the testimony of Mr. Spence. However, I will briefly state that PPL has vast technical experience by virtue of its total generation capacity of nearly 12,000 megawatts, its large portfolio of international energy assets, and its leadership role in the U.S. and United Kingdom electricity generation and/or supply markets.

PPL's customers include interregional, regional, and municipal utilities and traders, large industrial and special-rate customers, as well as standard-rate customers. PPL has over 48,000 miles of transmission and distribution lines in the U.S. In addition to PPL's expertise regarding the operation of an electric utility, PPL also has substantial institutional knowledge regarding natural gas utility operations. Until October 2008, PPL operated PPL Gas Utilities Corporation, a Pennsylvania company that owned over 3,000 miles of distribution lines and substantial underground gas storage capacity, and provided natural gas and propane services to approximately 110,000 customers in various counties throughout Pennsylvania as well as portions of Maryland. PPL has the technical ability to cause LG&E and KU to continue to provide reasonable electric and natural gas service to their customers after the proposed acquisition.

Q. Will the proposed acquisition be made for a proper purpose?

A. The proposed acquisition of E.ON U.S. by PPL will be made for a proper purpose. The proposed acquisition by PPL, like the previous acquisitions, will cause LG&E and KU to be part of a larger utility system with the size and resources to permit LG&E and KU to continue to provide superior service, and the experience and expertise to succeed in the rapidly evolving energy industry. Thus, the proposed acquisition, like the previous acquisitions, will permit LG&E and KU to continue to meet their commitments to their customers, their communities and the Commonwealth as a whole. In its orders in Case Nos. 2000-095 and 2001-104, the Commission found these were proper purposes for the previous acquisitions of control of LG&E and KU.

The proposed acquisition, in contrast to the previous acquisitions, will be made by a domestic company that is headquartered in the United States and that is aware from its domestic operations of the importance and viability of coal as a fuel supply for the generation of electric power. PPL understands that the proposed acquisition would be the third change of control of LG&E and KU in 12 years. PPL intends to acquire and operate LG&E and KU as important core assets. After the completion of the proposed acquisition, LG&E and KU will continue to be regulated utilities subject to the Commission's jurisdiction, and they will continue to emphasize – as PPL's regulated utility subsidiaries currently do – customer satisfaction and commitment to their communities.

PPL is firmly committed to maintaining and supporting the historic relationships among E.ON U.S., LG&E and KU and the communities that they serve. After the completion of the proposed acquisition, PPL Kentucky and LG&E will continue to maintain their headquarters and presence in Louisville, and KU will continue to maintain its headquarters and presence in Lexington. PPL has committed to maintain these headquarters locations for 15 years. The proposed acquisition will serve the interest of LG&E's and KU's customers, their communities and the Commonwealth as a whole and is, therefore, for a proper purpose.

Q. Will the proposed acquisition be made in accordance with law?

A. Yes. PPL is fully committed to consummating the proposed acquisition in accordance with applicable law. On April 27, 2010, PPL's Board of Directors unanimously approved the proposed acquisition of E.ON U.S. and the related transactions contemplated by the PSA. The approval of PPL's shareholders was not required to proceed with the proposed acquisition. On April 27, 2010, the Supervisory Board of E.ON accepted the recommendation of the E.ON Board of Management to proceed with the proposed transaction.

The testimony of Victor A. Staffieri describes the regulatory approvals that will be required to complete the proposed acquisition in accordance with applicable law. However, I will briefly state that the closing of the proposed acquisition is subject to several federal and state regulatory conditions, in addition to approval by the Commission. The proposed acquisition must be approved by FERC, the Federal Communications Commission, the Virginia State Corporation Commission and the Tennessee Regulatory Authority, and PPL and E.ON U.S. will be required to satisfy the premerger notification and reporting requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Q. Is the proposed acquisition consistent with the public interest?

A. The proposed acquisition of E.ON U.S. by PPL is consistent with the public interest. PPL is proposing to acquire the ownership and control of LG&E and KU with a broad, long-term perspective consistent with PPL's strategic focus on customer service, cost-efficient operations and steady, long-term growth. As discussed above, PPL has agreed to the Regulatory Commitments that were made to the Commission by Powergen and E.ON in connection with the previous cases.

The Regulatory Commitments require each of PPL, PPL Kentucky, LG&E and KU to adhere to the conditions described in the Commission's orders in Case Nos. 10296, 89-374, 97-300, 2000-095 and 2001-104, except to the extent expressly superseded by KRS 278.2201 through 278.2219, the jurisdiction of FERC or the findings and conditions of the Commission in response to the Joint Application. [Regulatory Commitment No. 1] This general commitment is supported by additional specific commitments, which I have mentioned throughout my testimony.

Through its agreement to honor the Regulatory Commitments, PPL has committed itself to acquiring, operating and maintaining LG&E and KU in a manner consistent with the public interest. Through the various Regulatory Commitments contained in the PSA, PPL has fully addressed the regulatory concerns that the Commission expressed in the previous merger-related orders noted above, to the extent that those concerns have not been addressed by intervening legislation and regulation. In addition, the Regulatory Commitments address other matters that are of substantial public importance to the Commonwealth and its citizens. For those reasons, the proposed acquisition is consistent with the public interest.

The proposed acquisition will combine the operational talents of PPL, LG&E and KU and provide them with opportunities to work together, to share technologies and experiences and to provide a solid base for continued local operational control and superior customer service thereby substantially benefiting Kentucky.

Q. Will there be any synergies from the proposed acquisition?

A. PPL did not consider any synergies or savings in evaluating the economics of the proposed acquisition. Nevertheless, PPL, PPL Kentucky, LG&E and KU have committed that within 60 days after the completion of the proposed acquisition they will file with the Commission a petition setting forth a formal analysis of any potential savings created by the proposed acquisition from the acquisition and a proposed methodology for allotting an appropriate share of the potential synergies, if any, to LG&E's and KU's ratepayers. [Regulatory Commitment No. 39]

Q. Please summarize your testimony.

A. PPL is a very strong company that has the financial, technical, and managerial abilities to cause LG&E and KU to continue to provide reasonable service to their customers after the completion of the proposed acquisition. PPL is seeking the Commission's approval for the proposed acquisition and has described the anticipated effects the proposed acquisition will have on LG&E and KU and consequently their customers. PPL approaches the proposed acquisition with a broad, long-term view, and has committed to each of the Regulatory Commitments. PPL respectfully submits that the acquisition of control of LG&E and KU to PPL will be made in accordance with law and for a proper purpose and will be consistent with the public interest.

Q. What action do you request the Commission to take in this proceeding?

A. I respectfully request that the Commission approve the proposed acquisition of control of LG&E and KU by PPL.

Q. Does this conclude your testimony?

A. Yes. I thank the Commission for its thoughtful consideration of the proposed acquisition.

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

JAMES H. MILLER, being duly sworn, deposes and says that he has read the foregoing testimony and exhibits and knows the matters contained therein, and that said matters are true and correct to the best of his knowledge and belief.

James H. Miller
JAMES H. MILLER

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on May 24, 2010.

Mildred A. Castillo
Notary Public

My Commission Expires:
COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
MILDRED A. CASTILLO, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES JULY 26, 2011

APPENDIX A

James H. Miller
PPL Corporation
Two North Ninth Street
Allentown, Pennsylvania 18101

Education

Bachelors Degree (Electrical Engineering)
University of Delaware, May 1977

Employment History

PPL Corporation

Chairman of the Board	October 2006 – present
Chief Executive Officer	October 2006 – present
President	August 2005 – present
Chief Operating Officer	September 2004 – October 2006
Executive Vice President	January 2004 – September 2004

Additional Employment History

President, PPL Generation
Executive Vice President, USEC, Inc.
President, ABB Environmental Systems
President, ABB Resource Recovery Systems
UC Operating Services
Delmarva Power and Light Co.

Civic Activities

Education 2010 (Allentown, P.A.) – Leadership Team

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE 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

TESTIMONY

OF

PAUL A. FARR

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, PPL CORPORATION

MAY 28, 2010

Q. Please state your name and business address.

A. My name is Paul A. Farr. My business address is Two North Ninth Street, Allentown, PA 18101.

Q. By whom are you employed and what is your position?

A. I am Executive Vice President and Chief Financial Officer of PPL Corporation ("PPL"). In this position, I have overall responsibility for the corporate finances of PPL as well as oversight of the risk management and information technology functions within the company.

Q. Please describe your employment history and your education.

A. My employment history and educational background are described in Appendix A to my testimony. I joined PPL in 1998 as director of international tax for PPL Global, LLC ("PPL Global"), the subsidiary that owns and operates electricity distribution businesses serving about 2.6 million customers in the United Kingdom. I created global tax deferral structures and financing vehicles and performed tax and financial due diligence for international acquisitions. When PPL acquired 13 generating plants in Montana in 1999, I served as PPL Montana LLC's ("PPL Montana") chief financial officer and vice president-finance. I led the finance department of PPL Montana, implementing financial systems, controls and reporting procedures, and I helped to create the corporate organization.

I returned to PPL Global in October 2001 as vice president-operations and chief operating officer. I was promoted to senior vice president of PPL Global in December 2003, with responsibility for overseeing all day-to-day operations of the subsidiary, including international operations and international and domestic business development. At that time we owned and operated electricity distribution operations in Brazil, Chile, El Salvador and Bolivia, and the United Kingdom, serving more than 4.5 million customers. I became vice president and controller for PPL in 2004, and I was promoted to senior vice president-financial in August 2005. In April 2007, I assumed my current position.

I came to PPL from Illinova Generating Company, where I served as international project finance manager, coordinating financial, tax and legal due diligence for international acquisitions of electricity generation assets. Prior to that time, I was international tax manager for Price Waterhouse LLP, and I worked for Arthur Andersen as an international tax advisor.

I am a Green Bay, Wisconsin native. I received a master's degree in management from Purdue University and a bachelor's degree in accounting from Marquette University. I am a certified public accountant, and I serve on the boards of the Allentown Art Museum and the Creative Glass Center of America.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to describe the financial ability of PPL to complete the proposed acquisition of ownership and control of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") and to cause LG&E and KU to continue to provide reasonable service to their customers after completion of the proposed acquisition.

Q. Please describe the proposed acquisition.

A. The Purchase and Sale Agreement among PPL, E.ON US Investments Corp. ("E.ON US Investments") and E.ON AG ("E.ON") dated as of April 28, 2010 (the "PSA"), provides for the sale to PPL of all of the issued and outstanding limited liability company interests of E.ON U.S. LLC ("E.ON U.S."), a wholly owned direct subsidiary of E.ON US Investments. LG&E and KU are wholly owned direct subsidiaries of E.ON U.S. The purchase price under the PSA is $7.625 billion. The purchase price consists of cash consideration of $6.7 billion and the assumption by PPL of all tax-exempt pollution control bonds issued by LG&E and KU outstanding at the time of the closing of the proposed acquisition, expected to be approximately $925 million. Upon completion of the proposed acquisition, E.ON U.S. will be a wholly owned direct subsidiary of PPL. The proposed acquisition will leave intact the current corporate structure of E.ON U.S. and its direct and indirect subsidiaries, including LG&E and KU. However, the names of the entities with "E.ON" in their current names will be changed after the closing. There will be no change in the current names of LG&E and KU. PPL has not yet determined the new name of E.ON U.S. LLC. Solely for convenience, I will refer to E.ON U.S. LLC as "E.ON U.S." for the period before the completion of the proposed acquisition, and as "PPL Kentucky" for the period after the completion of the proposed acquisition.

Q. How will PPL finance the proposed acquisition?

A. PPL has a combination of cash on hand and credit facilities in place to finance the proposed acquisition. In connection with entering into the PSA, PPL entered into an agreement with Bank of America, N.A., Banc of America Securities LLC, Merrill Lynch, Credit Suisse AG and Credit Suisse Securities (USA) LLC, under which PPL has been provided a 364-day unsecured bridge financing commitment to ensure a cash tender making up nearly 85% of the total purchase price. PPL also has $3.5 billion in credit capacity under other existing multi-year credit facilities. The permanent financing contemplated by PPL for the proposed acquisition includes the offering by PPL of $750 million to $1.0 billion in high equity content securities, and the public offering by PPL of $2.2 billion to $2.6 billion in common stock. Upon completion of the proposed acquisition, PPL will have available resources and assets of about $33 billion (about $22.0 billion as of December 31, 2009), including $3.5 billion in unused credit capacity with which to continue to pursue its business goals through its direct and indirect subsidiaries including LG&E and KU. The transactions contemplated by the PSA include, subject to the Commission's approval, the issuance of first mortgage bonds by LG&E and KU, which will be used for the repayment of unsecured indebtedness that LG&E and KU currently owe to an E.ON affiliate. LG&E and KU have filed, at the same time as the filing of this Application, separate applications for the Commission's approval of the issuance of first mortgage bonds. Finally, we expect to issue $800 million in unsecured corporate debt at PPL Kentucky.

Q. Does PPL have the financial ability to undertake the proposed financing?

A. Yes. PPL is a major utility holding company with about $22 billion in pre-acquisition total assets which generated over $7.56 billion in total operating revenues in 2009. PPL's efficient, high quality operations and fiscal responsibility has resulted in consistent and steady earnings. In 2009, PPL reported earnings of $1.08 per share and earnings from ongoing operations of $1.95 per share. Since December 31, 2004, PPL's five-year cumulative total return on its shareholders' investment has outperformed the Edison Electric Institute Index of Investor-Owned Electric Utilities and the Standard & Poor's 500 Index. PPL has increased its shareholder dividend for eight consecutive years, with dividends paid in 258 consecutive quarters.

Q. What will be the result of the acquisition on PPL's utility businesses and financial resources?

A. The proposed acquisition should have a stabilizing effect on PPL's overall business, securing an asset that should be capable of producing steady cash flow and consistent earnings over time. PPL's growth strategy is fiscally responsible, and the proposed acquisition exemplifies PPL's commitment to balancing its business mix and sustainable long-term growth. PPL's book value and market price per share increased by 7.5% and 5.2% from December 31, 2008 to December 31, 2009 respectively. In addition, PPL currently forecasts 2010 earnings from ongoing operations of $3.10 to $3.50 per share. After the proposed acquisition is completed, PPL will hold approximately $33 billion in total assets, which will generate an estimated $10 billion in total operating revenues per year. PPL's post-acquisition enterprise value will be about $25.4 billion, as measured by PPL's stock price on April 27, 2010. PPL believes that, through the proposed acquisition, it will acquire best-in-class utility franchises that currently operate under progressive and fair regulation, resulting in excellent customer service, reasonable rates and reasonable returns for LG&E and KU. The well-run and experienced existing business units of PPL and its subsidiaries will give LG&E and KU a long-term advantage in the increasingly competitive energy market of the future, and the proposed acquisition will contribute to the overall financial stability of PPL.

It is also important to note, and as discussed in the testimony of Mr. Miller, that the economics of the proposed acquisition do not assume or rely on synergies or savings.

Q. Will the acquisition have any impact on the existing tax allocation agreement between E.ON US Investments Corp. and E.ON U.S. and its subsidiaries?

A. The acquisition will require the modification of the Amended and Restated Tax Allocation Agreement dated March 31, 2009, by and among E.ON US Investments, E.ON U.S., LG&E, KU and their affiliates (the "Tax Allocation Agreement"). The parties expect the terms and conditions of any modified Tax Allocation Agreement to be the same as those currently included therein which will separate regulated and non-regulated businesses through the use of the "stand-alone" tax calculation for the parties and their affiliates, thereby preventing any cross subsidization between the utilities and their holding company and its affiliates.

Q. How will PPL comply with the requirements of the Public Holding Company Act of 2005?

A. Under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), holding companies and associated companies, unless they meet narrow exemptions or waivers, must maintain books and records necessary and appropriate for the protection of utility customers. In addition, holding company service companies, such as E.ON U.S. Services, Inc. ("E.ON U.S. Services") must maintain their records in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts. Further, PUHCA 2005 mandates that holding companies and holding company service companies comply with FERC record retention rules. PUHCA 2005 also grants state regulatory commissions authority to obtain access to books and records of a holding company and its affiliate companies if the state commission determines such books and records are relevant to costs incurred by the electric or gas distribution utility it regulates and access is necessary for the effective discharge by that state commission of its responsibilities. More importantly, nothing in PUHCA 2005 precludes FERC or a state commission from exercising its jurisdiction under otherwise applicable law to protect utility customers. PPL is a holding company under PUHCA 2005, which includes a service company, PPL Services Corporation, that provides non-power goods and services to affiliates. PPL currently is exempt from certain of FERC's regulations under PUHCA 2005 because it is deemed a "single-state holding company system." After completion of the proposed acquisition, LG&E and KU will become part of PPL's holding company system. As a result, PPL expects to lose its waiver from certain FERC regulations under PUHCA 2005 as a "single-state holding company" under 18 C.F.R. Section 366.3(c)(1) and to be subject to the full FERC requirements of PUHCA 2005. PPL's existing service company and E.ON U.S. Services will operate as centralized service companies with pricing "at cost" for any services provided to LG&E, KU and PPL Electric Utilities Corporation, as was the standard under the Public Utility Holding Company Act of 1935 and FERC regulations. In other words, both LG&E and KU will continue to use E.ON U.S. Services as a centralized service company for purposes of PUHCA 2005, and the Commission will have the same ratemaking and regulatory authority over the rates and services of LG&E and KU under Kentucky and federal law as it does today. As noted in the Joint Application, there will be no change in the corporate structure of E.ON U.S., including the use of E.ON U.S. Services, for purposes of complying with PUHCA 2005.

In addition, I would note that PPL and E.ON US Investments agreed in the PSA that PPL would offer to make to the Commission in this proceeding certain Regulatory Commitments that are listed in Exhibit B to the PSA, a copy of which is attached as Exhibit D to the Joint Application in this proceeding. The Regulatory Commitments include an overarching commitment that PPL, PPL Kentucky, LG&E and KU will adhere to the conditions described in the Commission's orders in Case Nos. 10296, 89-374, 97-300, 2000-095 and 2001-104, except to the extent expressly superseded by KRS 278.2201 through 278.2219, the jurisdiction of FERC or the findings and conditions of the Commission in response to this Application. [Regulatory Commitment No. 1] Further, the Regulatory Commitments include the commitment that PPL, LG&E and KU will comply with all applicable Commission statutes and regulations regarding affiliated transactions, including timely filing of applications and reports, and the filing by PPL on an annual basis of an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate, and transactions with each affiliate. [Regulatory Commitment No. 3]

Q. Will PPL operate in compliance with the Sarbanes-Oxley Act of 2002 in connection with its new subsidiaries?

A. Yes. PPL is a public company required to comply with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"). PPL is familiar with the disclosure and accounting oversight requirements under the Sarbanes-Oxley Act, and it currently operates in compliance with those requirements. This knowledge and experience will facilitate the transition of LG&E and KU into subsidiaries of a public company subject to the Sarbanes-Oxley Act. The transition with respect to the new disclosure and accounting oversight requirements on the part of LG&E and KU will be seamless.

Q. Does PPL have the financial ability to complete the proposed acquisition and cause LG&E and KU to continue to provide reasonable service after the completion of the proposed acquisition?

A. Yes. PPL will acquire E.ON U.S. with current liquid assets and bridge financing. As noted above, PPL will have available resources and assets of about $33 billion (about $22 billion as of December 31, 2009) including $3.5 billion of credit capacity, with which to continue to pursue its strategic goals through its direct and indirect subsidiaries, including LG&E and KU. For the reasons discussed above, PPL has the financial ability to complete the proposed acquisition and will retain the financial ability to cause LG&E and KU to continue to provide reasonable service to their customers after the completion of the proposed acquisition.

Q. Will the Commission have access to PPL's books and records after the completion of the proposed acquisition?

A. Yes. PPL has committed to keeping and maintaining the books and records of PPL Kentucky, LG&E and KU in Kentucky, and agrees that the Commission may audit the accounting records of PPL and its subsidiaries that are the bases for charges to LG&E or KU to determine the reasonableness of allocation factors. [Regulatory Commitments No. 2 and 3(b)] PPL, PPL Kentucky, LG&E and KU, in turn, each commit to provide the Commission access to all books and records which pertain to transactions between LG&E and KU and affiliate companies; and that they will provide the Commission with 30 days prior notice of any FERC filing that proposed new allocation factors. [Regulatory Commitments No. 3(b) and 4]

Q. What action do you request that the Commission take in this proceeding?

A. For the reasons stated in my testimony, I respectfully request that the Commission approve the proposed acquisition of control of LG&E and KU by PPL.

Q. Does this conclude your testimony?

A. Yes. I thank the Commission for its thoughtful consideration of the proposed acquisition.

20328100.9

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

PAUL A. FARR, being duly sworn, deposes and says that he has read the foregoing testimony and exhibits and knows the matters contained therein, and that said matters are true and correct to the best of his knowledge and belief.

PAUL A. FARR

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on May 24, 2010.

Mildred A. Castillo
Notary Public

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
MILDRED A. CASTILLO, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES JULY 26, 2011

APPENDIX A

Paul A. Farr
Executive Vice President, Chief Financial Officer
PPL Corporation
Two North Ninth Street
Allentown, Pennsylvania 18101

Business and Professional Affiliations, Civic Involvement

Certified Public Accountant
Board Member, Allentown Art Museum
Board Member, Creative Glass Center of America

Education

B.A., Accounting, Marquette University
M.A., Management, Purdue University

Employment History

2007 – present	Executive Vice President - Chief Financial Officer, PPL Corporation
2005 – 2007	Senior Vice President - Finance, PPL Corporation
2004 – 2005	Vice President and Controller, PPL Corporation
2003 – 2004	Senior Vice President, PPL Global, LLC
2001 – 2003	Chief Operating Officer, Vice Pres. - Operations, PPL Global, LLC
1999 – 2001	Chief Financial Officer, Vice President, Finance PPL Montana, LLC
1998 – 1999	Director of International Tax, PPL Global, LLC

Additional Employment History

International Project Finance Manager, Illinova Generating Company
International Tax Manager, Price Waterhouse LLP
International Tax Advisor, Arthur Andersen

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE 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

TESTIMONY

OF

WILLIAM H. SPENCE

EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER, PPL CORPORATION; PRESIDENT, PPL GENERATION, LLC

MAY 28, 2010

Q. Please state your name and business address.

A. My name is William H. Spence. My business address is Two North Ninth Street, Allentown, PA 18101.

Q. By whom are you employed and what is your position?

A. I am the Executive Vice President and Chief Operating Officer of PPL Corporation ("PPL") and President of PPL Generation, LLC ("PPL Generation"), an indirect subsidiary of PPL that owns and operates U.S. generating facilities through various subsidiaries. I oversee the day-to-day operations of PPL's generation, marketing and distribution and transmission companies, including PPL's electricity delivery businesses in the United Kingdom and its nuclear development company. I also am a member of PPL's Corporate Leadership Council, which sets the strategic direction for PPL and its subsidiaries.

Q. Please describe your employment history and your education.

A. My employment history and education are described in Appendix A to my testimony. I joined PPL in 2006 after 19 years of experience with Pepco Holdings (one of the largest energy delivery companies in the mid-Atlantic region), and its predecessor companies, Delmarva Power & Light Co., a regional gas and electric utility company now serving about 500,000 electric delivery customers in Delaware and the Delmarva Peninsula and about 124,000 natural gas delivery customers in northern Delaware, and Conectiv Energy, an energy trading and wholesale energy generation company.

I joined Delmarva Power in 1987 in the company's regulated gas business, where I held various management positions before being named vice president of trading for Delmarva Power in 1996. In that position, I helped to grow the trading operations from inception to more than $2 billion in revenues and integrated the merchant operations of Atlantic City Electric and Delmarva Power during the merger of the two companies. I was named senior vice president of Conectiv Energy in 2000, prior to the merger with Pepco, and eventually I served as president of Pepco Holdings' $3 billion competitive generation and retail marketing businesses.

I earned a bachelor's degree in petroleum and natural gas engineering from Penn State University and a master's degree in business administration from Bentley College in Waltham, Mass. I also am a graduate of the Executive Development Program at the University of Pennsylvania's Wharton School and the Nuclear Technology Program of the Massachusetts Institute of Technology.

I currently serve on the boards of the National Nuclear Accreditation organization and the United Way of the Greater Lehigh Valley. I also am a member of the Electric Power Research Institute's Research Advisory Council. I have previously served on the boards of Junior Achievement, The Nature Conservancy, and the Delaware Museum of Natural History, where I remain an Advisor to their Board.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide evidence that PPL is an experienced and highly capable operator of utility assets. I will provide evidence that PPL has the technical and managerial abilities necessary to ensure that utility systems are operated and maintained in a way that will provide customers with high quality service at a reasonable cost. Further, I will describe PPL's long and successful track records of supporting the communities in which we operate.

Q. Please give a description of PPL's power generation, transmission and delivery businesses.

A. PPL has four major business segments: power generation, energy marketing, international electric operations, and Pennsylvania electric operations. PPL conducts its power generation business primarily through PPL Generation, which owns and operates PPL's power plants located primarily in Pennsylvania, Montana, Illinois, Connecticut, and Maine. PPL EnergyPlus, LLC markets the power from PPL Generation and provides marketing services to wholesale and retail customers in key U.S. markets. PPL Global, LLC owns and operates our electricity distribution operations in the United Kingdom, serving over 2.6 million customers in England and Wales. PPL Electric Utilities Corporation ("PPL Electric") delivers power to more than 1.4 million customers in Pennsylvania.

Q. Please describe your generation operations.

A. PPL Generation owned or controlled a generating capacity totaling 11,719 megawatts as of December 31, 2009, which makes PPL Generation one of the larger power generation companies in the United States. PPL Generation's power stations use multiple fuel sources including coal, oil, natural gas, uranium and water. PPL Generation also operates renewable energy facilities that use hydroelectric, solar, and biogas fuels. PPL Generation has plans to increase its generation capacity by an additional 239 megawatts in Pennsylvania and Montana by 2014. In 2009, PPL Generation's plants generated 54.6 billion kilowatt hours of energy. PPL has invested nearly $5 billion over the past decade to expand or improve its generation fleet. PPL Generation's stations have availability factors of nearly 90% overall, which makes them some of the most reliable plants in the nation.

PPL has received recognition for its commitment to operating its facilities efficiently and in an environmentally responsible manner. In 2008, PPL Generation received an award from the Environmental Protection Agency ("EPA") for exceeding EPA-sponsored voluntary utilization recommendations by beneficially using 100% of the coal ash produced at its Pennsylvania-based Brunner Island and Montour power plants to supply various manufacturing and construction projects. PPL Generation has invested heavily in environmental controls at all of its generating facilities. PPL Generation's Colstrip plant, located in Montana, is the second largest coal-fired plant west of the Mississippi, and uses state-of-the-art scrubbers that restrict sulfur dioxide emissions to levels less than those required by both Phase One and Phase Two of the Clean Air Act. Likewise, PPL Generation recently completed investing $1.4 billion in its coal-operated Brunner Island and Montour, Pennsylvania plants to install flue gas desulfurization scrubbers, which has resulted in significant decreases in sulfur dioxide emissions. Another recent $100 million investment at the Brunner Island plant installed forced-draft cooling towers to reduce the temperature of water discharges into the Susquehanna River. Further, PPL Generation is developing and operating a growing portfolio of renewable energy projects that rely on biogas and solar technologies. These renewable sources of energy have a current capacity of 40 megawatts. PPL Generation is also in the process of developing its first wind generation project. In summary, PPL is highly capable of operating a diverse fleet of multi-fuel power stations safely and reliably across expansive geography.

Q. Please describe PPL's commitment to customer service.

A. Dedication to customer service is among PPL's highest priorities. PPL's track record of customer satisfaction is evidenced by PPL Electric earning eight top J.D. Power & Associates awards for satisfied business customers. Likewise, PPL Electric has received the top J.D Power award for satisfied residential customers in the eastern region of the U.S. eight times since 1999. With respect to its operations in the United Kingdom, covering approximately 2.6 million end-users over 10,000 square miles, PPL is the only company in the UK to have held the Charter Mark award for outstanding customer service.

Q. Please describe PPL's commitment to the local communities in which it operates.

A. PPL's businesses are strongly committed to their local communities. For example, PPL Montana has pledged $23 million over 10 years for recreational, water quality, and fishing and wildlife projects along Montana's rivers. PPL is committed to educational and environmental excellence, having donated several hundred thousand dollars in Montana to numerous schools and educational programs. PPL also operates six community recreational and environmental preserves in Pennsylvania. We are also part of an innovative agreement with the Penobscot River Restoration Trust and the Penobscot Indian Nation in Maine, which is working to restore migratory sea-run fish passages to New England's second-longest river system. Recently, Junior Achievement of Central Pennsylvania named PPL its Business of the Year, citing PPL's support for programs that inspire young people to learn about business, free markets, and entrepreneurship. From these examples you can see that PPL is a key supporter of each of its communities, from Montana to Maine.

Q. Describe PPL's technical experience in transmitting and distributing electric power, and in operating and maintaining natural gas systems.

A. PPL's management team members are experts in their fields with decades of industry experience in generation, transmission and distribution of power systems. As I discussed above, PPL distributes electricity to approximately 1.4 million customers in Pennsylvania and to approximately 2.6 million customers in the United Kingdom. Moreover, until October 2008, PPL owned and operated PPL Gas Utilities Corporation, a Pennsylvania company with both natural gas distribution and storage facilities, providing PPL with institutional knowledge regarding operating and maintaining natural gas distribution and storage systems.

Q. Will PPL have the technical ability to provide reasonable service after the proposed acquisition?

A. Yes. The post-acquisition utility enterprise will have the technical ability to provide reliable and cost-effective service to its customers both because of its extensive technical experience, and because PPL recognizes the technical skills of the current LG&E and KU management teams. PPL plans to retain the current management structures of these two successful Kentucky utilities companies after the proposed acquisition and expects virtually no change in the current levels of service and reliability as a result of the proposed acquisition.

Q. Describe PPL's experience in effectively and efficiently serving retail electric and gas customers.

A. PPL Electric has been serving retail electric customers in Pennsylvania since 1920. PPL's success depends on providing valuable services to its customers at affordable prices, and PPL has a tremendous track record of awards for customer service in Pennsylvania and the United Kingdom. PPL's commitment to customer service is one of PPL's core values, along with safety and integrity.

Q. Does PPL have experience with assisting its low-income customers or others in need?

A. Yes. PPL has been an industry leader in helping customers in need. PPL Electric was one of the first utilities in Pennsylvania to offer programs to help low-income residential customers pay their energy bills. Many of PPL Electric's programs for assisting low-income customers are in addition to those required by the Pennsylvania Public Utility Commission's regulations.

Q. Please describe how PPL demonstrates its commitment to strong customer service and reliability.

A. PPL Electric works hard to provide quality and value in its service to Pennsylvania customers. On average, PPL Electric's customers have power 99.9% of the time. PPL Electric's rates are among the lowest in the Mid-Atlantic region.

PPL Electric is continuing to improve its current systems. Over the next five years, PPL Electric will spend more than $1.4 billion to maintain, expand and improve its delivery system. PPL Electric's efforts include installing more switches and protective devices on power lines so that it can divide the delivery system into smaller sections, enabling it to isolate problems quickly and to limit the number of customers affected by outages. PPL Electric also continues to invest in new software and technology to enable it to respond to service interruptions faster.

Q. How is PPL willing to demonstrate that it is committed to ensuring that the proposed acquisition will benefit Kentucky ratepayers?

A. PPL has agreed to make significant Regulatory Commitments to ensure that Kentucky ratepayers benefit as a result of the proposed acquisition. The following commitments are among those that I believe will benefit Kentucky customers. PPL commits to:

A. Ensure that customers will experience no adverse change in utility service due to changes, if any, related to E.ON US Services, Inc. [Regulatory Commitment No. 25.]

B. Fund adequately and maintain LG&E's and KU's transmission and distribution systems. [Regulatory Commitment No. 26.]

C. Minimize, to the extent possible, any negative impacts on levels of customer service and customer satisfaction resulting from workforce reductions. [Regulatory Commitment No. 28.]

D. Provide periodic reliability and service quality measurements to enable the Commission to monitor our commitment that reliability and service quality will not suffer as a result of the proposed acquisition. [Regulatory Commitment No. 29.]

E. Maintain superior quality utility service. [Regulatory Commitment No. 31.]

F. Maintain operations through regional offices with local service personnel and field crews. [Regulatory Commitment No. 32.]

G. Not close local customer service offices as a result of the proposed transaction. [Regulatory Commitment 33.]

H. Dedicate existing and future Kentucky generating facilities to the requirements of LG&E's and KU's existing and future native load customers. [Regulatory Commitment No. 35.]

I. Ensure that the proposed acquisition will have no effect or impact on KU's contractual relationships with either its municipal customers or Berea College. [Regulatory Commitment No. 37.]

J. Review with LG&E and KU management their current policies and practices with respect to low-income customers to determine whether policies and practices more sympathetic to the needs of such customers would be appropriate. In addition, the current policies for low-income customers will not change as a result of the proposed acquisition. [Regulatory Commitment No. 43.]

K. Ensure that KU maintains a contact person in Lexington to respond to special needs in the Lexington area. [Regulatory Commitment No. 45.]

L. Ensure that, should any PPL subsidiary or business unit consider a potential renewable energy project in Kentucky, the subsidiary or business unit will inform KU and LG&E of the potential project and will allow KU and LG&E to make a reasonable business judgment on whether to pursue the project as a generation resource for their customers. [Regulatory Commitment No. 49.]

Q. Please describe PPL's approach to safety.

A. At PPL, employee health and safety is a core value. PPL maintains a culture that promotes continuous safety improvement, and it believes that achieving that goal requires a companywide commitment by all employees. One way that we demonstrate this commitment is through our participation in the federal Occupational Safety and Health Administration's Voluntary Protection Program ("VPP"). VPP encourages cooperation among government, industry and labor to protect worker health and safety. It establishes performance criteria for health and safety management programs, assesses companies that apply for VPP status and recognizes companies that meet its high standards with OSHA's "Star" designation. All of PPL's major facilities have received OSHA's Star recognition.

Companies that qualify for VPP status view OSHA standards as a minimum level of safety and health performance and set their own, more stringent standards for effective employee protection. VPP participant sites generally experience 60 percent fewer lost-workday injuries than is expected of an average site of similar size in the same industry.

At PPL, both management and labor support the VPP program and the process needed to achieve and maintain VPP Star status. As a result of its leadership in workplace safety initiatives, 2009 was one of the safest years in PPL's history. In addition, PPL is committed to ensuring the safety of our customers by using best practices when working in the field. Many of the same practices that protect our employees from injury also help to protect the public. PPL has an excellent track record of providing safety information to the public and local officials to ensure that customers are protected from energized equipment.

Q. Please summarize your testimony.

A. PPL has the technical ability, based on its long history in the generation, transmission, and distribution business, and world-class experience in operating and maintaining electric and natural gas systems, to ensure that LG&E and KU can continue to provide high quality service to their customers following the proposed acquisition. Additionally, it is extremely important to PPL that its customers are served well and that they are satisfied. PPL is committed to maintaining its excellent track record, and the excellent track records of KU and LG&E, as responsible corporate citizens who enjoy positive, productive, and mutually beneficial relationships with their customers, employees, governing bodies, and communities.

Q. What action are you requesting that the Commission take in this proceeding?

A. I respectfully request that the Commission approve the proposed acquisition and transfer of ownership and control.

Q. Does this conclude your testimony?

A. Yes. I thank the Commission for its thoughtful consideration of this proposed acquisition.

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

WILLIAM H. SPENCE, being duly sworn, deposes and says that he has read the foregoing testimony and exhibits and knows the matters contained therein, and that said matters are true and correct to the best of his knowledge and belief.

WILLIAM H. SPENCE

Subscribed and sworn to before me, a Notary Public in and before said County and State, on May 24, 2010.

Mildred A. Castillo
Notary Public

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
MILDRED A. CASTILLO, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES JULY 26, 2011

APPENDIX A

William H. Spence
Executive Vice President, Chief Operating Officer, PPL Corporation
President, PPL Generation, LLC
Two North Ninth Street
Allentown, Pennsylvania 18101

Business and Professional Associations, Civic Involvement

Current Affiliations

Board Member, National Nuclear Accreditation Organization
Board Member, United Way of Greater Lehigh Valley
Member, Research Advisory Council, Electric Power Research Institute
Advisor to the Board, Delaware Museum of Natural History

Former Affiliations

Board Member, Junior Achievement
Board Member, The Nature Conservancy
Board Member, Delaware Museum of Natural History

Education

B.S., Petroleum and Natural Gas Engineering, Penn State University
M.B.A., Bentley College
Executive Development Program, University of Pennsylvania Wharton School
Nuclear Technology Program, Massachusetts Institute of Technology

Employment History

Executive Vice President - Chief Operating Officer, PPL Corporation;
President, PPL Generation, LLC

Additional Employment History

Senior Vice President, Conectiv Energy
President, Delmarva Power & Light Co. and Conectiv Energy (Pepco Holdings)
Vice President of Trading, Delmarva Power & Light Co.
Delmarva Power & Light Co.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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**

TESTIMONY OF KARL-HEINZ FELDMANN
GENERAL COUNSEL AND
EXECUTIVE VICE PRESIDENT, E.ON AG

Dated: May 28, 2010

INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Karl-Heinz Feldmann. I am the General Counsel and Executive Vice President of E.ON AG. My business address is E.ON-Platz 1, 40479 Düsseldorf, Germany. My work experience and educational background is attached as Appendix A to my testimony.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe an overview of the proposed acquisition by PPL Corporation ("PPL") of E.ON U.S. LLC ("E.ON U.S.") from E.ON AG. My testimony will also discuss E.ON AG's purpose and strategic decision in selling E.ON U.S. to PPL.

THE PROPOSED ACQUISITION

Q. Would you please describe E.ON AG?

A. E.ON AG is an Aktiengesellschaft, formed under the laws of the Federal Republic of Germany. An Aktiengellschaft under German law corresponds to a U.S. stock corporation. E.ON AG's shares are traded on all German stock exchanges, the electronic stock exchange, and its American Depositary Receipts are traded on the OTC market. Through its wholly-owned subsidiary, E.ON Energie, E.ON AG supplies roughly one-third of Germany's electricity. Through other subsidiaries or arrangements, E.ON AG provides power and natural gas services in different locations throughout Europe and Russia, and operates renewable-source generating assets in North America.

Q. How did E.ON AG acquire ownership of and control over Louisville Gas and Electric Company and Kentucky Utilities Company?

A. Powergen plc ("Powergen") bought LG&E Energy Corp. in 2000; and in 2001, Powergen agreed to be acquired by E.ON AG. The transaction was completed in 2002 following the regulatory approval by this Commission and other regulators in the United States and Europe. With the consummation of the transaction, ownership of and control over Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") was transferred to E.ON AG through the ownership of LG&E Energy Corp. On December 30, 2003, LG&E Energy Corp. was merged into LG&E Energy, LLC as part of an internal corporate reorganization. In 2004, E.ON AG adopted a new market unit structure and LG&E Energy, LLC became a separate market unit. LG&E Energy, LLC changed its name to E.ON U.S. LLC on December 1, 2005.

Q. Would you please provide an overview of the proposed acquisition?

A. On April 28, 2010, E.ON AG and PPL announced a definitive agreement under which PPL will acquire E.ON U.S., the parent company of Kentucky's two major utilities, LG&E and KU. Under the terms of the agreement, PPL has agreed to a purchase price of $7.625 billion for E.ON U.S. to be paid through a combination of cash for equity and repayment of certain debt, and assumption of tax-exempt debt.

Q. Would you please discuss how the business relationship between E.ON AG, E.ON U.S., LG&E and KU has been successful since the 2001 merger of E.ON AG and Powergen plc?

A. The business relationship has been very successful. As a result of the 2001 acquisition, LG&E and KU became part of a much larger enterprise well-positioned to serve both LG&E's and KU's customers in an ever-changing energy environment, while maintaining the historic connections between both LG&E and KU and the communities they serve. From 2002 through 2009, E.ON AG supported the largest construction program in the history of LG&E and KU, including the construction of the generation unit known as Trimble County Unit 2. LG&E and KU invested approximately $4.4 billion in facilities to serve their customers during this seven and a half year period of ownership. It is therefore very fair to say that E.ON AG has been a strong partner in Kentucky.

Q. If the business relationship was successful, why has E.ON AG decided to sell E.ON U.S.?

A. With this transaction, E.ON AG is divesting a strong and solid business. However, E.ON U.S. no longer provided us with much room for further strategic development. E.ON AG previously announced a goal of achieving a disposition of approximately €10 billion of its existing assets. With PPL as the new owner, our employees in Kentucky and the Commonwealth itself gain a new and strong domestic partner for the future. E.ON AG, on the other hand, gains more clarity in its portfolio and room for organic growth in other markets.

Q. What steps is E.ON AG taking in recognition of the community relationships it has built as the parent company in Kentucky?

A. In recognition of E.ON AG's community relationships in Kentucky, and as a reflection of our desire to leave an E.ON legacy for the people of Kentucky, E.ON AG has committed to donating $2 million to the University of Kentucky for clean coal research; $2 million to the University of Louisville for engineering and energy-efficiency programs; and $2 million to the LG&E Foundation for continued support of charitable and community efforts. Our voluntary donations are neither part of nor influenced by the proposed acquisition, but are rather a reflection of our favorable experience with doing business in the Commonwealth of Kentucky.

COMPANY APPROVALS

Q. Has the E.ON AG Board of Directors approved the proposed acquisition?

A. Yes. On April 27, 2010, the Supervisory Board of E.ON AG accepted the recommendation of the E.ON AG Board of Management to proceed with the proposed transaction.

Q. Does the proposed acquisition require the approval by the European Commission or any other European agencies?

A. No. The regulatory approvals are limited to the regulators in the United States. These are discussed in the testimony of Mr. Victor Staffieri.

CONCLUSION

Q. Please provide a summary of your testimony.

A. E.ON AG has enjoyed a strong business relationship with E.ON U.S., LG&E, KU and the Commonwealth of Kentucky for almost eight years. This relationship has allowed LG&E and KU to continue to provide reasonable service to their customers while undertaking the largest construction program in their history to better serve their customers.

E.ON AG has made a strategic decision to realign its operations, simplify its corporate structure, and sell certain holdings to reduce its debt. Its decision to sell E.ON U.S. is part of that strategic vision.

Q. What action are you requesting that the Commission take?

A. E.ON AG requests that the Commission approve the proposed acquisition by PPL of E.ON U.S. and the resulting change of ownership and control of LG&E and KU.

Q. Does this conclude your testimony?

A. Yes.

Auf dem Bremmenkamp 41
47199 Duisburg

Karl-Heinz Feldmann

Born 25 August 1959 in Dülmen, Germany

Nationality: German

Professional Career:

Since 2/2003 E.ON AG
- Since 1/2004 General Counsel
- Since 2008 also Chief Compliance Officer

1999 – 1/2003 Stinnes AG
- As of 2001 General Counsel
- since 2002 Head of Strategy

1/1996 – 1/19999 Hüls AG
- General Counsel

5/1994 – 4/1996 Hüls Corp., MO/Hüls America Inc., NJ USA
- Corporate Counsel Hüls America
- President Hüls Corp.
- Board of Directors MEMC Inc.

9/1988 – 4/1994 Hüls AG
- Corporate Counsel

Education:

1985 – 1988
- 2nd Legal State Examen

1978 – 1985
Law School
1st State Examen

1997 – 1978 Military

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF PPL	)	
CORPORATION, E.ON AG,	)	
E.ON US INVESTMENTS CORP.,	)	
E.ON U.S. LLC, LOUISVILLE GAS AND	)	CASE NO. 2010-00204
ELECTRIC COMPANY AND	)	
KENTUCKY UTILITIES COMPANY FOR	)	
APPROVAL OF AN ACQUISITION	)	
OF OWNERSHIP AND CONTROL	)	
OF UTILITIES	)	

TESTIMONY OF VICTOR A. STAFFIERI CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

Dated: May 28, 2010

INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Victor A. Staffieri. I am the Chairman, President, and Chief Executive Officer of E.ON U.S. LLC ("E.ON U.S."), Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies"), and an employee of E.ON U.S. Services Inc. My business address is 220 West Main Street, Louisville, Kentucky 40202. A statement of my qualifications is attached as Appendix A.

Q. Have you previously testified before the Kentucky Public Service Commission?

A. Yes. I testified before this Commission in the Companies' last two base rate cases and present testimony in the two pending base rate cases. I have also testified in various other cases, including three prior proceedings regarding changes in the ownership of LG&E and KU.[1]

Q. Please describe your work experience and educational background.

A. Thirty years ago, I began my career in 1980 as an attorney at Long Island Lighting Company. I held several management positions there, eventually becoming General Counsel and Secretary. Nearly twenty years ago, I joined LG&E Energy Corp. in 1992 as a Senior Vice President, General Counsel, and Corporate Secretary. Subsequently, I served as Senior Vice President – Public Policy and General Counsel, LG&E Energy Corp.; President, LG&E; President, Distribution Services Division of

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[1] *See e.g.*, Case No. 2001-104, *In the Matter of: Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of an Acquisition*; Case No. 2000-095, *In the Matter of: Joint Application of Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of a Merger;* Case No. 97-300, *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger.*

LG&E Energy; Chief Financial Officer of LG&E Energy; and President and Chief Operating Officer of LG&E Energy.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to demonstrate that PPL Corporation's ("PPL") proposed acquisition of E.ON U.S. and resulting change in control over and ownership of LG&E and KU will be consummated in accordance with the applicable legal requirements, to describe how E.ON U.S., LG&E and KU will conduct business after the proposed acquisition, and to discuss E.ON U.S.'s position within PPL after the proposed acquisition.

IN ACCORDANCE WITH THE LAW

Q. Please describe how the proposed acquisition can be made in accordance with the laws of the United States.

A. In order to achieve the scheduled closing date of mid-December 2010, E.ON AG, PPL, E.ON U.S., LG&E and KU (collectively, the "Joint Applicants") will need to obtain the following state and federal approvals, as appropriate, for the proposed acquisition so that it will be consummated in accordance with the law:

- Approval of this Commission in accordance with the regulatory provisions governing the proposed transaction.
- Approval of the Virginia State Corporation Commission based on KU's operations in Virginia.
- Such regulatory action as may be required by the Tennessee Regulatory Authority.
- Approval of the Federal Energy Regulatory Commission.

- Approval of the Federal Communications Commission.

A copy of the FERC application, as well as any other applications that may be required will be filed with the Commission at or shortly after the time they are filed.

In addition, although not an approval, a premerger notification filing must be made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The Joint Applicants do not believe that the proposed acquisition will implicate any provision of the federal antitrust laws.

PPL's proposed acquisition of E.ON U.S. thus will be made in accordance with the applicable laws of the United States.

FOR A PROPER PURPOSE

Q. Please describe the purpose of the proposed acquisition.

A. E.ON AG has decided to realign its business focus by simplifying its corporate structure and reducing its debt. The proposed disposition of E.ON U.S. and resulting acquisition by PPL is part of this strategic realignment.

Q. From a cost perspective, how has E.ON U.S. performed in recent years?

A. Its performance has been outstanding. Based on a benchmarking analysis using published data from FERC Form 1s, from 2004-2008, and segregating that data into the cost metrics shown on VAS-Exhibit 1, E.ON U.S. was in the top quartile in all five utility cost categories: generation, transmission, distribution, retail, and corporate A&G. In fact, E.ON U.S. was the only utility that scored in the top quartile for cost performance in all five areas. A summary of this analysis is shown in VAS-Exhibit 1.

Q. Do you have a recommendation for the Commission concerning the proposed transaction?

A. Yes. In light of E.ON AG's realignment, PPL will be an excellent successor to E.ON AG for several reasons.

First, PPL and E.ON U.S. have similar corporate values which provide the basis for common, and likely enhanced, corporate culture and customer service. Like LG&E and KU, PPL and its employees are known for providing award-winning customer service. PPL Electric Utilities Corp., like KU and LG&E, has received numerous J.D. Power and Associates awards for customer satisfaction. Both companies are committed to ensuring continued high-quality customer service. PPL, like LG&E and KU, is committed to economic development and has committed to supporting LG&E's and KU's existing efforts to bring new jobs to Kentucky. Further, PPL, like LG&E and KU, has established a sound record of responsible environmental stewardship and the pursuit of using clean coal technologies for the generation of electric power. The acquisition should simply further and strengthen the combined corporate cultures.

Second, as discussed more thoroughly in Mr. James Miller's testimony, PPL has taken the unusual step of presenting as part of its application 54 commitments to the community, our employees, our customers, and this Commission. These commitments, created in part through discussions with Governor Beshear and Mayor Abramson, ensure, among other things, that the headquarters of E.ON U.S. will remain in Kentucky for 15 years; the management team will remain intact; there is no planned downsizing as a result of the transaction; our support of economic development will continue; local communities can continue to count on a comparable level of charitable giving as KU and LG&E provide today; and our commitment to Best-in-Class service will be maintained.

Third, the readiness of PPL to present these commitments as part of its application demonstrates PPL's business philosophy of taking a broader view of the businesses it owns and operates. This includes the importance of employees, communities, community leadership, charitable support, economic development and relations with government regulators.

Finally, PPL's business plan to operate E.ON U.S.'s businesses on a stand alone basis for the long run allows KU and LG&E to continue to jointly plan and operate their generation and transmission systems under the ownership of a parent company that holds a long term view of their value.

E.ON U.S. –POST ACQUISITION

Q. Please describe the corporate structure that will exist after the proposed acquisition.

A. E.ON U.S.'s and E.ON AG's current corporate structures are contained in Exhibits B and G to the Joint Application. Following the consummation of the proposed acquisition, E.ON U.S. will continue as a separate Kentucky limited liability company with two direct operating utility subsidiaries: LG&E and KU. LG&E will continue its separate corporate existence under Kentucky law, operating under the name "Louisville Gas and Electric Company." KU will continue its separate corporate existence under Kentucky and Virginia law, operating under the name "Kentucky Utilities Company" in Kentucky and "Old Dominion Power Company" in

Virginia. At the time the proposed acquisition closes, E.ON U.S. will become a direct, wholly-owned first-tier subsidiary of PPL and E.ON U.S. Services Inc. will continue to function as the centralized service company for E.ON U.S., LG&E and KU, but using a new name for the holding company in lieu of "E.ON U.S." in its name.

Q. Will E.ON U.S. continue to hold and acquire non-regulated businesses for PPL?

A. Over the years, the unregulated businesses or contracts previously held by E.ON U.S have been sold or discontinued. While E.ON U.S. or its unregulated subsidiaries continue to be contractual counter-parties to discontinued operations such as the release and termination of the lease with Big Rivers Electric Corporation (i.e., the "Unwind"), going forward, E.ON U.S. will be used primarily as the holding company for KU and LG&E and occasional non-regulated activities within Kentucky. Any non-utility businesses or foreign utilities of PPL will not be held by LG&E or KU or a subsidiary of LG&E or KU after the closing of the transaction.

Q. What will be the composition of the E.ON U.S., LG&E and KU Boards following the proposed acquisition?

A. The membership of the Boards of E.ON U.S., LG&E and KU following the proposed acquisition are expected to be similar as currently constituted. Chris Herman, Senior Vice President, Energy Delivery, John McCall, Executive Vice President, General Counsel and Corporate Secretary, Brad Rives, Chief Financial Officer, Paul Thompson, Senior Vice President, Energy Services, and myself presently constitute the members of each respective board of directors for E.ON U.S., LG&E and KU.

Q. Will the interests of Kentucky be represented on the PPL Board of Directors?

A. Yes. PPL has committed that for as long as it owns, controls, or manages LG&E or KU, PPL will endeavor to have an individual resident of Kentucky on PPL's Board of Directors. Following the consummation of the transaction, PPL is committed to undertaking a search for such a director. In this way, the interests of Kentucky will be represented on the PPL Board of Directors. This commitment again demonstrates the ability of PPL to take a broader view which includes, in this example, the greater interests of Kentucky.

Q. Will there by any changes in the senior utility management positions of E.ON U.S., LG&E or KU as a result of the proposed acquisition?

A. No. I will remain the Chairman, President, and Chief Executive Officer of E.ON U.S., LG&E and KU. The other respective corporate officers of E.ON U.S., LG&E and KU will be entitled to maintain their current titles and responsibilities. Therefore, the E.ON U.S. team will continue to focus on the operations of LG&E and KU in Kentucky without a change in its Kentucky-based leadership. In addition, PPL has committed to developing, with the assistance of an external consultant, a retention and incentive program for the E.ON U.S., LG&E and KU managers, to be implemented following the consummation of the acquisition. The plan will be developed with the goal of being finalized within 120 days of the date of the Commission's order approving the acquisition. In doing so, PPL is demonstrating the value it sees with the current management team through its commitment to retaining the current managers to the extent reasonably possible after the acquisition.

Q. Will the proposed acquisition have any adverse effect on the technical abilities of LG&E and KU to provide service?

A. No. One of the primary reasons that PPL was such an attractive buyer for E.ON U.S. is their commitment to maintaining E.ON U.S's, LG&E's and KU's current high quality technical staff. PPL recognizes the high quality of technical and managerial talent in our companies and intends to preserve the staffs of E.ON U.S., LG&E and KU following the proposed acquisition for this reason. PPL has committed that no planned workforce reductions in the E.ON U.S.'s, LG&E's or KU's employees will be made as a result of the acquisition. Indeed, the managers of E.ON U.S., LG&E and KU will be provided an opportunity to broaden their experience by exchanging positions with other managers in PPL's organization.

Q. Will the proposed acquisition have any adverse effect on LG&E's or KU's quality of utility service?

A. No. LG&E and KU have always been committed to high quality, reliable utility service and will continue to maintain such service going forward. This commitment will only be strengthened by PPL's commitment to the same. In the J.D. Power study of business customer satisfaction among Eastern U.S. utilities, PPL was ranked first eight times in the past eleven years. They have received a total of sixteen awards. In the J.D. Power study of residential customer satisfaction among Eastern U.S. utilities, PPL earned the top honor eight times.

In the J.D. Power study of residential customer satisfaction among Midwestern U.S. utilities, LG&E and KU have been ranked first seven times in the past ten years. KU received the highest ranking in J.D. Power's 2010 electric utility business customer satisfaction study. Our EEI 2009 recordable injury rate was less than half the top quartile performance level. PPL's corporate culture values these kinds of achievements and recognitions. The proposed acquisition will not affect LG&E's or KU's continuing commitments to high quality, safe and reliable service.

Q. What effect do you anticipate the proposed acquisition will have on customers and employees of LG&E and KU?

A. The proposed acquisition is not dependent on cost savings or synergies like those created when LG&E Energy merged with KU Energy in May 1998. This will be a transparent transaction for customers and employees because local management, operations, and systems will remain intact. The consummation of the proposed acquisition will have no impact on customer service and reliability and there are no plans for a workforce reduction as a result of the proposed acquisition. As discussed in Mr. Miller's testimony, PPL remains dedicated to the written commitments and assurances from the previous acquisitions. This dedication includes the commitment that when implementing best practices, PPL, E.ON U.S., LG&E and KU commit to taking into full consideration the related impacts on the levels of customer service and customer satisfaction, including any negative impacts resulting from workforce reductions.

Q. What effect will the proposed acquisition have on E.ON U.S.'s, LG&E's and KU's commitment and support of the communities they serve?

A. No effect. E.ON U.S.'s, LG&E's and KU's headquarters, management, and employee base will not change as a result of the proposed acquisition. PPL has committed that E.ON U.S., LG&E and KU will continue a substantial level of involvement in community activities through annual charitable and other contributions on a level comparable to or greater than the participation levels experienced under Powergen plc and E.ON AG.

CONCLUSION

Q. Please summarize your testimony.

A. The proposed acquisition will be consummated in accordance with the laws of the United States because the parties will make and receive all necessary federal and state regulatory filings, notices, and approvals. The proposed acquisition is for a proper purpose because E.ON AG has decided to sell E.ON U.S. to pursue its strategic vision. PPL is an excellent successor because it has readily adopted the commitments protecting Kentucky's interest previously agreed to by E.ON AG and is committed to continuing the successful operations of KU and LG&E.

Q. What action are you requesting that the Commission take?

A. I respectfully request that the Commission approve the proposed acquisition of E.ON U.S. by PPL and the resulting change of control and ownership of LG&E and KU.

Q. Does this conclude your testimony?

A. Yes.

400001.137417/629598.10

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Victor A. Staffieri**, being duly sworn, deposes and says he is President and Chief Executive Officer of E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

VICTOR A. STAFFIERI

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of May, 2010.

(SEAL)
Notary Public

My Commission Expires:
March 29, 2014

APPENDIX A

Victor A. Staffieri

Chairman, Chief Executive Officer and President
E.ON U.S. LLC

Mr. Staffieri is Chairman, CEO and President of Louisville Gas and Electric Company, Kentucky Utilities Company and E.ON U.S. LLC. Mr. Staffieri is also a member of E.ON AG's Executive Committee.

Civic Activities

Boards

Metro United Way – Chairman Metro Campaign 2002
Leadership Louisville – Board of Directors – June 2006 – 2008
Louisville Area Chamber of Commerce – Board of Directors -- 1994-1997; 2000-2003; Chairman 1997
MidAmerica Bancorp – Board of Directors – 2000 - 2002
Muhammad Ali Center – Board of Directors – 2003 - 2006
Kentucky Country Day – Board of Directors – 1996 - 2002
Bellarmine University – Board of Trustees – 1995 - 1998, 2000 - 2006
  Executive Committee – 1997 - 1998
  Finance Committee – 1995 - 1997, 2000 - 2003
  Strategic Planning Committee – 1997

Industry Affiliations

Edison Electric Institute, Washington, DC - Board of Directors -- June 2001 - Present
Electric Power Research Institute, Palo Alto, CA - Board of Directors -- May 2001 – April 2002

Other

Louisville Area Chamber of Commerce -- African-American Affairs Committee -- 1996-1997
Louisville Area Chamber of Commerce -- Vice Chairman, Finance and Administration Steering Committee -- 1995
Jefferson County/Louisville Area Chamber of Commerce Family Business Partnership Co-Chair – 1996-1997
The National Conference - Dinner Chair -- 1997
Chairman of the Coordination Council for Economic Development Activities -- Regional Economic Development Strategy -- 1997
Metro United Way - Cabinet Member -- 1995 and 2000 Campaigns
--Chairman – Kentucky Chamber of Commerce Education Task Force - 2008
--Member – Governor's Task Force on Higher Education - 2009

Education

Fordham University School of Law, J.D. -- 1980
Yale University, B.A. – 1977

Previous Positions

LG&E Energy LLC, Louisville KY

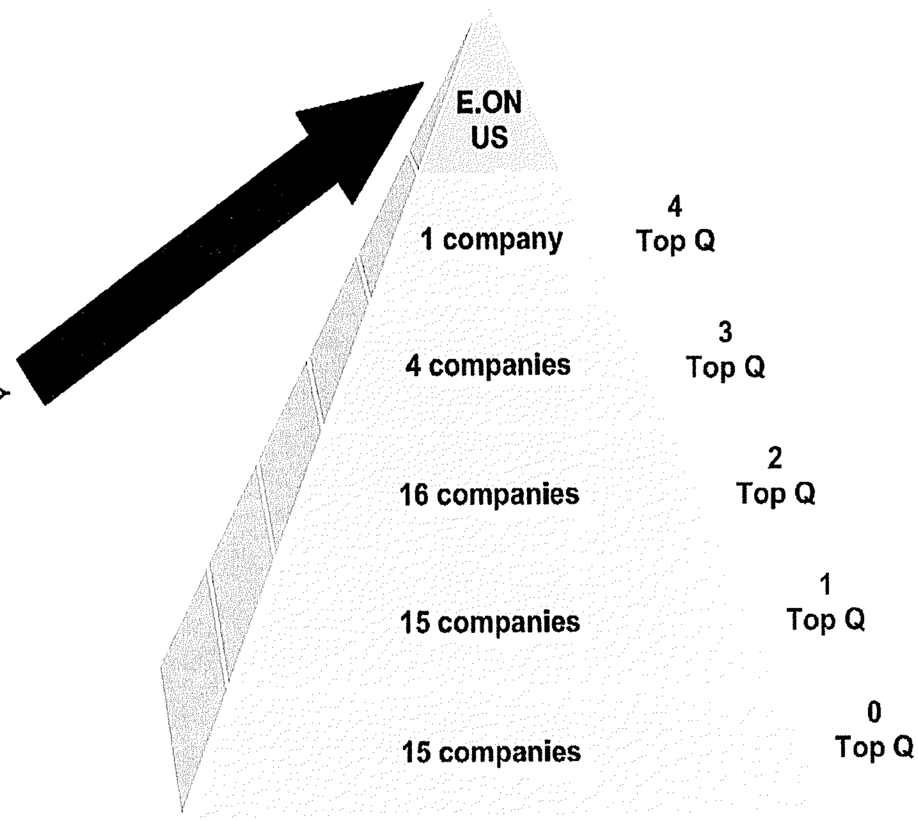
March 1999 - April 2001 -- President and Chief Operating Officer
May 1997 - February 1999 -- Chief Financial Officer
December 1995 - May 1997 -- President, Distribution Services Division
December 1993 - May 1997 -- President, Louisville Gas and Electric Company
December 1992 - December 1993 -- Senior Vice President - Public Policy, and General Counsel
March 1992 - November 1992 -- Senior Vice President, General Counsel and Corporate Secretary

Long Island Lighting Company, Hicksville, NY

1989-1992 -- General Counsel and Secretary
1988-1989 -- Deputy General Counsel
1986-1988 -- Assistant General Counsel
1985-1986 -- Managing Attorney
1984-1985 -- Senior Attorney
1980-1984 -- Attorney

Top Quartile Cost Performance

Cost area	Metric	Performance	Ranking
Generation	Non-fuel O&M / MWh of production	$4.78	4th – top decile
Transmission	Cash cost / transmission mile	$10,702	6th – top decile
Distribution	Cash cost / customer	$189(1)	16th – top quartile
Retail	O&M cost / customer	$41.51	11th – second decile
Corporate A&G	A&G cost / MWh of sales	$3.23(2)	7th – top decile



(1) E.ON US cost adjusted upward to include CWIP changes over the five-year period.
(2) E.ON US cost adjusted upward to include $80 million of Value Delivery Team amortization costs over the five-year period.

Source: FERC Form 1, E.ON US Corporate Development Analysis.
Note: The Triangle = 52 US electric holding company's averages for 2004–2008 (only includes companies competing in all 5 segments).

Only utility with top quartile cost performance in five major cost areas over the 2004–2008 period

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

TESTIMONY OF
S. BRADFORD RIVES
CHIEF FINANCIAL OFFICER, E.ON U.S. LLC,
LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY

Dated: May 28, 2010

INTRODUCTION

Q. Please state your name, position and business address.

A. My name is S. Bradford Rives. I am the Chief Financial Officer of E.ON U.S. LLC ("E.ON U.S."), Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies"), and an employee of E.ON U.S. Services Inc. My business address is 220 West Main Street, Louisville, Kentucky 40202. A statement of my qualifications is attached as Appendix A.

Q. Have you previously testified before the Kentucky Public Service Commission?

A. Yes. I have previously testified before the Kentucky Public Service Commission ("Commission") in rate proceedings, administrative investigations and environmental surcharge proceedings. Most recently I testified in the Companies' latest base rate proceedings, Case Nos. 2008-00251 (KU) and 2008-00252 (LG&E), and in the current base rate proceedings, Case Nos. 2009-00548 (KU) and 2009-00549 (LG&E). I also testified before this Commission in the change of control case for the E.ON AG merger with Powergen plc, Case No. 2001-104.

Q. Please describe your work experience and educational background.

A. I began my career as a member of Arthur Andersen and of the company's audit staff. I joined LG&E in 1983 as Assistant Manager, Tax Accounting. I have held a variety of positions at E.ON U.S., including Assistant Treasurer; Associate General Counsel; Senior Vice President, Finance and Business Development; and Senior Vice President, Finance and Controller.

I have a bachelor's degree in accounting from the University of Kentucky and a Juris Doctor from the University of Louisville School of Law. I have also completed the Executive Program on Leading Corporate Transformation and the

Senior Executive Program on Leading Change and Organizational Renewal at the E.ON Academy at Harvard University.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the accounting consequences to each of E.ON U.S., LG&E and KU stemming from the proposed acquisition. I will also discuss the Commission's authority following the acquisition and financing issues associated with the proposed acquisition going forward.

<u>ACCOUNTING CONSEQUENCES</u>

Q. Will the proposed acquisition create any accounting consequences for LG&E or KU?

A. It is possible the transaction will require "pushdown accounting" to affect the books and records of the utilities whereby their assets and liabilities will be revalued to fair value as of the date of acquisition and an amount of goodwill may need to be recorded at the utility level. The Securities and Exchange Commission ("SEC") rules governing "pushdown accounting" are complex and we continue to evaluate the potential effect on the utilities' books, but LG&E and KU commit they will not seek regulatory recovery of changes caused by any necessary "pushdown."

Q. Are you aware of the Commission's position on "pushdown accounting"?

A. Yes I am. It was most recently stated in Case No. 2006-00563[1]. The Companies understand the Commission's clear preference to avoid "pushdown accounting" and have the same view. Because the Companies hope to issue First Mortgage Bonds as the least cost financing alternative for the utilities after the completion of the merger,

[1] *In the Matter of: The Application of Duke Energy Kentucky, Inc. For an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, the Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments*, Case No. 2006-00563 (April 17, 2007).

the utilities will most likely again be subject to SEC financial reporting. While Generally Accepted Accounting Principles ("GAAP") do not require "pushdown accounting," SEC interpretations require this method in certain circumstances. If the financing method proposed by the Companies is accepted by the Commission, the Companies may have no choice but to prepare their SEC reports in such a manner. If the Companies are ultimately required to adopt such a method of accounting on the books and records of the utilities, they commit to not seek regulatory recovery of any impacts of "pushdown accounting."

Q. Was "pushdown accounting" required in the Powergen and E.ON acquisitions?

A. No it was not. The determination of whether "pushdown accounting" is required is very fact specific. Because LG&E and KU had outstanding preferred stock and First Mortgage Bonds at the time of the prior acquisitions, they were exempt from the "pushdown" requirement. Since those types of financing are not presently in existence, it is less clear whether "pushdown" will be required. LG&E, KU and PPL continue to review this issue and, with their advisors, hope to reach a decision shortly.

Q. Will the regulatory reporting of KU and LG&E be affected by the "pushdown accounting?"

A. No. LG&E and KU intend to report to the Commission on a historical cost basis as they have in the past and there will be no impact on the ratemaking books of the two utilities. The SEC filings by these companies, assuming they are allowed to complete the First Mortgage Bond financing transactions which are the subject of contemporaneous separate filings with the Commission, may have to reflect impacts of "pushdown accounting," but LG&E and KU commit they will not seek regulatory recovery of changes caused by the "pushdown."

Q. Will the proposed acquisition and transfer of ownership and control affect LG&E's or KU's accounting records in any other way?

A. No. The proposed acquisition and transfer of ownership and control will not affect LG&E's or KU's accounting records in any other way. LG&E and KU will continue to operate as public utilities, maintain separate accounting records, and file reports and financial information with the Commission as separate and distinct companies in accordance with GAAP and the Uniform System of Accounts, as required by the Federal Energy Regulatory Commission ("FERC"), and as required by this Commission. PPL has committed that the books and records of E.ON U.S., LG&E and KU will be kept in Kentucky.

Q. Will the Commission's protections of utility resources, monitoring of the holding company and the subsidiaries, and reporting requirements presently in place for LG&E and KU change because of the proposed transaction?

A. No. The applicable reporting and record-keeping requirements imposed by the Commission in the corporate reorganizations of LG&E and KU in Case Nos. 89-374 and 10296, respectively, as well as in the LG&E – KU Merger in Case No, 97-300, the Powergen – LG&E Energy Merger in Case No. 2000-095, and the E.ON AG – Powergen merger in Case No. 2001-104, will continue to be followed by PPL, E.ON U.S., LG&E and KU after the proposed acquisition and transfer of ownership and control. In addition, PPL has made certain commitments concerning the submission of reports to the Commission. These include the following:

1. If new debt or equity in excess of $100 million is issued by E.ON U.S., that holding company commits to notify the Commission as soon as practicable prior to the issuance. [Commitment No. 11]

2. PPL commits to notifying the Commission subsequent to its board approval and as soon as practicable following any public announcement of (a) any acquisition of a regulated or non-regulated business representing 5 percent or more of PPL's capitalization; or (b) the change in effective control or acquisition of any material part of or all of E.ON U.S., LG&E or KU, by any other firm, whether by merger, combination, transfer of stock or assets. [Commitment No. 18]

3. PPL commits to providing an annual report to the Commission detailing E.ON U.S.'s proportionate share of PPL's total assets, total operating revenues, operating and maintenance expenses, and number of employees. [Commitment No. 19]

4. PPL commits to notifying the Commission 30 days prior to LG&E or KU, as the case may be, paying any dividend or transferring more than 5 percent of the retained earnings of LG&E or KU, respectively to E.ON U.S. or PPL. [Commitment No. 20]

5. PPL commits to filing with the Commission a copy of its annual reports and its quarterly interim reports on Form 10-K and Form 10-Q that is filed with the SEC. [Commitment No. 21]

6. PPL commits to filing with the Commission such additional financial reports as the Commission, from time to time, reasonably determines to be necessary for it to effectively regulate the operation of LG&E and KU. [Commitment No. 22]

7. LG&E and KU will file with the Commission for informational purposes copies of any applications that (a) are filed with any other state public utility commission which has jurisdiction over PPL or any of its affiliates, and (b) relate to a money pool arrangement or capital contributions to LG&E or KU. (Commitment No. 23]

8. PPL, E.ON U.S., LG&E and KU commit to notifying the Commission 30 days prior to making any capital contribution to LG&E or KU and to provide the accounting entries reflecting the capital contribution within 60 days after the close of the month in which the contribution was made. [Commitment No. 24]

ACCESS TO CAPITAL AFTER THE PROPOSED ACQUISITION

Q. Do KU and LG&E currently have plans to restructure their unsecured and intercompany debt in connection with the consummation of this transaction?

A. Yes. In recent years, LG&E and KU obtained long-term, taxable financing from Fidelia Corporation, a finance company subsidiary organized in Delaware, and a subsidiary of E.ON U.S. Holding GmbH. The acquisition by PPL also provides LG&E and KU with a favorable opportunity to refinance the current Fidelia debt, with lower cost secured debt with longer tenors. It will be the same amount of debt as would have existed without the transaction. The details of and reason for this refinancing are more thoroughly presented in the refinancing applications filed by LG&E in Case No. 2010-00205 and by KU in Case No. 2010-00206 concurrent with this change of control application. In addition, the existing, multi-year revolving credit facilities of LG&E and KU will no longer be available once LG&E and KU cease to be part of the E.ON AG group. In their financing applications, LG&E and KU are requesting authority to enter into new, multi-year revolving credit facilities providing for short-term borrowing from time to time. Finally, LG&E and KU are also requesting authority in their financing applications to secure their pollution control debt with First Mortgage Bonds and for other financing authority associated the transition of ownership from E.ON AG to PPL. LG&E and KU will incur the same customary issuance costs associated with the previous issuance of first mortgage bonds. In those applications, LG&E and KU are not requesting borrowing authority in an amount beyond what the Commission has already approved.

Q. Will LG&E and KU continue to have access to the capital markets after the acquisition is closed?

A. Yes. LG&E will continue to have access to the capital markets and will be able to issue securities and evidences of indebtedness, subject to the approval by the Commission or the FERC. KU will continue to have access to the capital markets and to seek approval from the Commission and FERC, as well as the Virginia State Corporation Commission and the Tennessee Regulatory Authority before issuing any securities or forms of debt.

The proposed acquisition by PPL will continue to provide LG&E and KU full access to capital markets to raise funds for investments in facilities to serve customers. The restructuring of the current unsecured debt and issuance of first mortgage bonds discussed above will allow LG&E and KU to continue to raise capital at reasonable rates.

Q. Will issuance of secured debt cause KU and LG&E to resume filing reports with the Securities and Exchange Commission?

A. Yes. With the issuance of secured first mortgage bonds, LG&E and KU will likely register with the SEC and thereafter comply with all applicable requirements of the SEC, including those relating to the filing of Form 10-K and Form 10-Q reports. LG&E and KU will similarly resume their respective compliance activities under Sarbanes-Oxley Act of 2002.

<u>IMPACT ON CREDIT RATINGS OF E.ON U.S., LG&E AND KU</u>

Q. Can you please comment on the current credit ratings of E.ON U.S., LG&E and KU?

A. Yes. E.ON U.S., LG&E and KU each have very sound investment grade financial credit ratings.

Q. Will E.ON U.S., LG&E and KU continue to have financially sound credit ratings after the acquisition?

A. Yes. Standard and Poors has indicated it will not change its current credit ratings for E.ON U.S., LG&E and KU, while Moody's has indicated that it may adjust its current ratings for E.ON U.S., LG&E and KU after the transaction to bring them into line with the current ratings of Standard and Poors. Thus, E.ON U.S., LG&E and KU will continue to have financially sound credit ratings after the acquisition.

<u>TAX ALLOCATION AGREEMENT</u>

Q. Will the acquisition have any impact on the existing tax allocation agreement between E.ON US Investments Corp. and E.ON U.S. and its subsidiaries?

A. The acquisition will require the modification of the Amended and Restated Tax Allocation Agreement dated March 31, 2009, by and among E.ON US Investments Corp., E.ON U.S., LG&E, KU and their affiliates (the "Tax Allocation Agreement"). The parties expect the terms and conditions of any modified Tax Allocation Agreement to be the same as those currently included therein which will separate regulated and non-regulated businesses through the use of the "stand-alone" tax calculation for the parties and their affiliates, thereby preventing any cross subsidization between the utilities and their holding company and its affiliates.

CONCLUSION

Q. What action are you requesting that the Commission take?

A. I am requesting that the Commission approve the proposed acquisition of E.ON U.S. by PPL and the resulting change in ownership and control of LG&E and KU.

Q. Does this conclude your testimony?

A. Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says he is Chief Financial Officer of E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

S. B. Rives

S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of May, 2010.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

APPENDIX A

S. Bradford Rives
Chief Financial Officer
E.ON U.S. LLC
220 West Main Street
Louisville, Kentucky 40202
(502) 627-3990

Civic Activities

FM Global – Advisory Board
Lincoln Heritage Council, Boy Scouts of America – Executive Board and Treasurer
Metro United Way of Louisville Board of Directors
National Kidney Foundation of Kentucky – Chair of National Kidney Foundation Golf Classic
St. Xavier High School Board of Directors
University of Louisville Business School Advisory Board

Professional/Trade Memberships

American Institute of Certified Public Accountants (AICPA)
Financial Executives Institute
Kentucky Bar Association
Kentucky Society of Certified Public Accountants
Louisville Bar Association

Education

University of Louisville School of Law, J.D. (cum laude) -- 1988
University of Kentucky, B.S. in Accounting -- 1980

Previous Positions

E.ON U.S. LLC (formerly LG&E Energy Corp.), Louisville, KY

Dec 2000 – Sep 2003, Senior Vice President, Finance and Controller
Feb 1999 – Dec 2000 – Senior Vice President, Finance and Business Development
Mar 1996 – Feb 1999 – Vice President, Finance and Controller
Jan 1996 – Mar 1996 – Vice President, Finance, Non Utility Business
Mar 1995 – Dec 1995 – Vice President, Controller and Treasurer (LG&E Power)
Jun 1994 – Mar 1995 – Vice President and Treasurer (LG&E Power)
Jan 1994 – Jun 1994 – Associate General Counsel
Jan 1993 – Dec 1993 – Director, Business Development
Feb 1992 – Dec 1992 – Assistant Treasurer
Oct 1991 – Feb 1992 – Director, Corporate Finance

Louisville Gas and Electric Company, Louisville, KY
1990-1991 – Director, Corporate Finance
1989-1990 – Director, Corporate Tax
1985-1989 – Manager, Tax Accounting
1983-1985 – Assistant Manager, Tax Accounting

Arthur Andersen and Company, Louisville, KY
1982-1983 – Audit Senior
1980-1982 – Audit Staff

Q. Please state your name, occupation and address.

A. My name is Paul A. Coomes. I am a Professor of Economics at the University of Louisville, and a consulting economist. My home address is 3604 Trail Ridge Road, Louisville KY 40241.

Q. Why are you here to testify?

A. I have been asked to provide a regional economic development perspective on the proposed acquisition. I have two primary points to make. First, inexpensive energy is an important factor in the location of key industries in Kentucky. Since the Kentucky Public Service Commission (PSC) controls the energy rate setting process and also monitors the utilities for reliability and service, I believe that PPL will, through LG&E and KU, provide the same reliable and inexpensive energy service as the current parent company, E.ON.

Moreover, PPL has committed in its 'Signing Documents' that the purchase will have no impact on base rates or fuel adjustments (Commitment #5), that it will not seek a higher rate of return on equity (Commitment #8e), that customers will experience no adverse change in service (Commitment #25), that it will dedicate LGE&E and KU generating facilities to serve the native energy load (Commitment #35), as well as many other rate and service-related commitments. These commitments seem consistent with what I understand to be the definition of 'public interest' in transfer of control cases for regulated energy companies in Kentucky.

Second, the location of corporate headquarters operations is an important part of economic development these days. PPL has agreed to retain the headquarters jobs of LG&E and KU in Kentucky for a minimum of fifteen years. This is a significant commitment from an economic development perspective. Later in my testimony I will provide background about the importance of corporate headquarters to Kentucky.

Q. Could you please tell us about your credentials?

A. I earned a doctorate in economics from the University of Texas in Austin in 1985. My fields of study there were optimal control, mathematical programming, and econometrics. Over the past twenty-five years I have worked in many capacities as an applied economist, primarily through university research contracts with companies, government agencies, nonprofits, and economic development groups. I have studied and written about many topics in the urban and regional economics fields, including tax policy, real estate markets, economic impact modeling, measurement errors and Kalman filters, peer cities analysis, immigration, and the growth of regional economies. At the University of Louisville, I have long been asked to provide analytical support to Greater Louisville Inc. and other regional economic development organizations. My CV is attached to this document.

I also lead several contract research projects per year for the university, and in that capacity have performed studies for dozens of area businesses and agencies. These studies have covered a broad range of topics, including industrial impact analysis, utility planning, workforce issues, tax incidence, database development, regional economic and demographic forecasting, and economic development strategies.

Q. You said you have worked with many companies and agencies in your capacity as a university researcher. Have you ever worked for LG&E or KU?

A. Yes, over the past two decades we have performed many economic and demographic forecasting projects for LG&E and KU. Generally, these involve 25-year ahead forecasts of regional jobs, population, and income for their use in capacity planning. I have been the lead person for these projects many times. I have also performed some small consulting jobs for LG&E and KU over the years, including an economic impact analysis of the new Trimble County electric generating plant.

Q. What materials have you reviewed in preparation for this testimony?

A. I have examined parts of two documents. The first is the 'Signing Document' for the sale of E.ON to PPL Corporation, dated April 28, 2010. This was helpful to me in understanding the regulatory commitments PPL was making as part of the purchase. For example, Regulatory Commitment #48 pledges that the corporate headquarters and associated personnel will remain in Kentucky for at least 15 years. The second document is the 2005 PSC order in the Sigma Gas case. This helped me understand the meaning of the term 'public interest', as used in evaluating proposed acquisitions of regulated utilities in Kentucky.

Q. Can you provide some specifics on the relationship between energy costs and economic development?

A. Yes. Energy costs are an important location factor for many regionally important industries. They are also an important component of a region's cost of living, affecting the area's ability to attract and retain population and its human capital.

Economic development professionals typically divide companies into three categories — manufacturing, distribution, and office. Manufacturing firms are the most energy-intensive of the three categories, and I will focus my discussion there. There are hundreds of detailed manufacturing industrial categories, from food processing to fertilizer to steel and automobiles. I have obtained national data on the energy usage of each detailed manufacturing industry, and ranked them by their energy usage and intensity. At or near the top of the rankings are many industries that are prominent in our regional economy. These include firms that make aluminum, meat and grain products, chemicals, steel, paper and paperboard, plastics, cement, petroleum products, motor vehicles and parts, and commercial printing. These large local manufacturers are among the most prominent employers and taxpayers in Kentucky. Their decision to locate here was due, in part, to our low energy costs.

Moreover, manufacturing operations tend to have significant economic spinoff impacts among the various industrial categories. Their output is typically sold to customers outside the state, and thus the sales bring 'new' dollars into Kentucky – unlike most retail, health care, education, finance, and personal service operations. Because manufacturing involves processing raw materials into finished or intermediate industrial products, manufacturing firms purchase many goods and services from other firms in the regional economy, thus providing multiplier effects beyond their direct production effects. In Kentucky, nearly all the detailed industries with large job and payroll multipliers are classified as manufacturing. It is clear to me that the operations of these companies are critical to the prosperity of Kentucky residents, and that low cost energy is an important factor in their location in Kentucky.

Energy costs also affect the movement of people as they seek the highest standard of living, given their skills and lifestyle preferences. It is difficult to quantify the importance of energy costs relative to other factors, such as weather, job opportunities, tax burdens, housing costs, school quality, and crime. A further complication is that household energy requirements vary tremendously around the United States. High electricity or natural gas costs may not matter much in a climate where little air conditioning or winter heating is necessary. It can matter greatly in places that have extremely hot and humid summers and/or long frigid winters. In any case, energy costs are considered one determinant of household mobility. Rates for 300 metropolitan areas are given prominent attention in such relocation guides as Places Rated Almanac. For Kentucky, with its humid summers of moderate length and its predictably cold but not frigid winters, energy costs are certainly an important factor in the cost of living equation for households.

Q. Can you document the low energy costs in Louisville and Kentucky relative to other places around the United States?

A. Yes. This is well-known in economic development circles. A good source of comparison energy cost data is the annual "Utility Bill Comparison for Selected US Cities", produced by the Memphis Light Gas and Water Division. The 2010 report, available from the utility's web site, shows electricity and gas bills for typical residential, commercial, and industrial customers in approximately 35 large and mid-sized cities. Bills for Louisville customers are included, and the energy costs there are a good indication of costs throughout the LG&E and KU system. The detailed results for Louisville are easy to summarize. In virtually every energy cost category, for residential, commercial, and industrial customers, small or large, electricity or gas, Louisville ranks between second and eighth lowest among the 35 markets surveyed. For example, a large industrial customer using 10 million kwh per month with a peak load of 20,000 kw would face a bill of $472,000 at LG&E, fourth lowest of the markets. This compares to a bill of $1,388,000 in Boston, the highest cost market, and $648,000 in Knoxville, the median cost market.

Q. So, you have established that Louisville, and by implication the entire LG&E and KU territory, have low energy rates, and that this is very important to the economic development of the region, but why should the PSC support another corporate acquisition of Kentucky energy utility assets?

A. The answer is twofold. Kentucky electric utilities, in particular, are an attractive prospect to larger energy companies as they have cost-effective generation capacity, locations along the Ohio River with good access to coal supplies, a broad portfolio of industrial customers, and a good reputation for customer service. The acquisitions make sense from a business point of view. The PSC has approved several similar mergers and acquisitions over the past decade, including that with Powergen in 2000, and E.ON in 2001. It seems logical that the PSC would approve another acquisition, this time to a large Pennsylvania-based energy company seeking to balance their portfolio by including more regulated energy business. The same rationale the PSC used to approve the E.ON acquisition of Powergen could be applied in this case.

Second, the PSC has regulatory authority over the prices PPL could charge customers for energy in Kentucky. Rates are driven by formulae that measure the cost of energy infrastructure and by pass-through schedules that reflect market prices of coal, natural gas, and other inputs. LG&E and KU will have to set rates under the same rules as when owned by E.ON, and formerly Powergen, and before that the separate companies of LG&E and KU. Hence, customers in Kentucky should not notice any increase in rates relative to what they would have been under the previous owners. Moreover, there are many explicit regulatory commitments by PPL in the Signing Documents related to this issue. The company commits that the proposed transaction will have no impact on energy rates, and that the existing generating capacity will be dedicated to the native load customers. So, the current foundation for low rates will be in place after the transfer of control.

Q. Please explain the importance of locating corporate headquarters operations in Kentucky.

A. Headquarters of major corporations typically employ many professional people, including managers, engineers, accountants, systems analysts, and attorneys. These jobs require bachelors and often graduate and professional degrees, and pay well above the community average (currently $40,447 per year in the Louisville MSA). Headquarters operations also typically have large contracts with local financial, marketing, public relations, advertising, legal, engineering, and consulting firms, and thus further lift the overall regional education level and pay. The headquarters-related operations of LG&E and KU support over 500 jobs and $58 million in annual payroll, plus good fringe benefits. These jobs are extremely important to Louisville and Kentucky. The fifteen year commitment by PPL to retain the headquarters operation in Kentucky makes their proposed acquisition attractive from an economic development perspective. In the next few paragraphs I will provide some background on the importance of corporate headquarters and professional jobs in Kentucky.

First, let me document the current low concentration of professional jobs and the low average pay of jobs in Louisville and Kentucky. At $37,000 annually per wage and salary job, Kentucky ranked 44th among states in 2008. The Louisville metropolitan statistical area ranked 14th in average pay among the fifteen peer metros typically used in economic development studies: Birmingham, Charlotte, Cincinnati, Columbus, Dayton, Greensboro, Indianapolis, Jacksonville, Kansas City, Memphis, Nashville, Omaha, Raleigh, and Richmond. The rankings of average pay mirror rankings for college attainment rates in these states and metro areas.

These low rankings largely reflect the state's sparse concentration of jobs in the booming high end office sector of the US economy. Employment has been steadily declining in industries historically prominent in Kentucky - agricultural, mining, and manufacturing. Simply put, over the last two decades we have not been adding high paying office jobs at the rate we have been losing high paying manufacturing jobs. In my view, retaining and adding high paying office jobs is the biggest economic development challenge of our day.

Indeed, the professional and technical services industry has been the fastest growing sector of the US economy in terms of jobs the past two decades. While manufacturing, mining, agriculture, and now retail industries have been using technology to raise output while lowering employment, the high end office sector has been adding jobs at a strong rate, more than offsetting the decline in manufacturing employment. Moreover, jobs in this high end office sector pay on average more than in manufacturing, reflecting the high human capital and salaries of people working in these industries.

Kentucky currently hosts the headquarters of ten *Fortune 1000* corporations: Humana, Yum Brands, Ashland, Omnicare, General Cable, Lexmark, Kindred, Brown-Forman, PharMerica, and Res-care. Additionally, Kentucky hosts many other regional headquarters, company offices that employ many highly paid professional people, though the company-wide headquarters is located elsewhere. The headquarters-related employment at LG&E and KU falls into the latter category, as does the Louisville-based air freight division of UPS and the lighting and appliance division of General Electric. These corporate headquarters are anchors for many other Kentucky office-related businesses, which we can measure indirectly by examining data on employment and wages in the industry sector called 'professional and technical services'.

Kentucky ranks 47th among states in terms of employment per capita in the professional and technical services industry, and 41st in pay per job in that industry. Similarly, Louisville ranks 13th among its fifteen peer metros in terms of employment per capita, and last in terms of pay per job in that industry sector. Clearly, we need to move up in these rankings, and the presence of more corporate headquarters is perhaps the most direct path to improving our performance. Given the official efforts and media fanfare over the recent relocation of the Florida-based headquarters of Signature Healthcare to Louisville, an operation involving around 100 jobs, it is not hard to imagine the lengths to which our economic development organizations and governments would go to attract the much larger headquarters operations for LG&E and KU if it were not already in Kentucky.

Q. Do you have a concluding statement?

A. In summary, I have argued that low energy prices are an important factor in the economic development of Kentucky, as served by LG&E and KU. Both companies and households are sensitive to energy prices when they consider location decisions. Kentucky customers – industrial, commercial, and residential - now have some of the lowest electricity and natural gas rates in the nation. Given the regulatory framework, and the regulatory commitments in the Signing Document regarding the lack of impact on energy rates (Commitments #5, #8e) and dedication of existing generation capacity to the native load (Commitment #35), there is no reason to expect this cost advantage to erode under the ownership of PPL.

In addition, I have demonstrated that corporate headquarters and related office-related activity are very important in economic development circles, that Kentucky ranks low in most measures of high end office activity, and that keeping the headquarters operations of LG&E and KU in the state is of great economic importance. The proposed acquisition agreement contains a long-term commitment to keeping the headquarters-related activity in Kentucky. From a regional economic development perspective, I see no reason to deny the acquisition request.

The proposed sale appears to me to be consistent with the 'public interest', as the term is used in evaluating the sales of regulated utilities in Kentucky. In the 2005 PSC order involving the Sigma Gas company, the PSC cited the following definition of public interest for a transfer of control, referencing a 2002 case involving the Kentucky American Water Company: (the acquiring party) "must show that the proposed transfer will not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission's imposition of reasonable conditions on the acquiring party . . . [and] that the proposed transfer is likely to benefit the public through improved service quality, enhanced service reliability, the availability of additional services, lower rates, or a reduction in utility expenses to provide present services. Such benefits, however, need not be immediate or readily quantifiable."

The current proposed transfer of control seems to be consistent with this definition of public interest. I cannot address whether the transfer of control will result in improved service and/or lower rates, but certainly the Signing Documents include many regulatory commitments that ensure a continuation of the current good service and low rates of the companies – which is the criteria indicated in the first phrase of the definition of public interest cited above.

Q. Does this conclude your testimony?

A. Yes

ATTACHMENT – COOMES CV

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Academic training

Ph.D. in Economics, 1985, University of Texas, Austin TX; Fields: Control Theory, Mathematical Programming, Econometrics; Dissertation: "Optimal Stochastic Control and U.S. Agricultural Policy"

M.S. in Economics, 1975, Indiana University, Bloomington IN

B.S. in Economics, 1973, Brescia College, Owensboro KY

Professional experience

Professor of Economics, and National City Research Fellow, College of Business, University of Louisville, July 1999 forward.

Executive Director, School of Economics and Public Affairs, College of Business and Public Administration, University of Louisville, August 1996 to June 1999.

Associate Professor of Economics and National City Research Fellow, College of Business and Public Administration, University of Louisville, January 1995 to June 1999.

Associate Professor of Economics, College of Business and Public Administration, University of Louisville, 1992-1999.

Assistant Professor of Economics, School of Business, University of Louisville, 1985-1991.

Teaching Assistant, Economics Department, University of Texas, Spring 1983 and 1985.

Research Associate, Bureau of Business Research, University of Texas, Fall 1981 to Summer 1983.

Assistant Director, Center for Applied Economic Research, University of Kentucky, 1981.

Consulting Economist, May to December 1980.

Manager, Kentucky Economic Information System, Kentucky Council of Economic Advisors, University of Kentucky, Lexington, January 1977 to May 1979.

Instructor, Brescia College, Owensboro KY, 1975-76 academic year.

Courses taught

Urban Economics (Ph.D. and undergraduate levels), Intermediate Microeconomic Theory, Economic Analysis and Forecasting (MBA and undergraduate levels), Senior Seminar in Economics, Principles of Economics, Economic Foundations for MBA students.

Other relevant experience, distinctions

Dissertation committee member for 8 successful doctoral students in Urban Affairs program

2007 Faculty Distinguished Service Award, College of Business, University of Louisville

2004 Chairman's Award, KentuckianaWorks

2003 Community Service Award, Greater Louisville Inc Technology Network

Member, Board of Director, Bluegrass Institute for Public Policy, 2004 to 2005

Member, Board of Directors, Thomas D. Clark Foundation, 1998 to 2005

Consulting Editor (Economics), *The Louisville Encyclopedia*, 2000

First Place Winner, Research Publication Category, American Council of Economic Development, 1996

Associate Editor, *Journal of Urban Affairs*, 1995 to 1998

President, Kentucky Economic Association, 1993-94

Frankenthal Group faculty research award, academic years 1990-91 and 1991-92

Board of Directors, Kentucky Economics Association, 1988-1991

1988 Distinguished Faculty Service Award, School of Business, University of Louisville.

Speaker's Bureau, University of Louisville

Co-developer of *MODLER BLUE* software for advanced econometrics work on microcomputers, by contract with Alphametrics Corporation, Philadelphia, 1985-86

Editor, *Kentucky Economy: Review and Perspective*, a quarterly publication of the Kentucky Council of Economic Advisors, Vol. 2, No. 2 through Vol. 3, No. 1

Staff member, Indiana Public Interest Research Group (INPIRG), Bloomington IN, 1974-75

Professional organization memberships

American Economic Association

North American Regional Science Association

Kentucky Economics Association

Academic journal articles

with William Hoyt and Amelia Biehl, 2010, "Tax Limits and Housing Markets: Some Evidence at the State Level", *Real Estate Economics*, forthcoming.

with William Hoyt, 2008, "Income Taxes and the Destination of Movers to Multi-state MSAs", *Journal of Urban Economics*, 63:920-937.

with Nan-Ting Chou, 2005, "Cyclical Patterns and Structural Changes in the Louisville Area Economy Since 1990", Federal Reserve Bank of St. Louis *Regional Economic Development*, Volume 1, Number 1, pages 17-29.

with David Simpson, Thomas Rockaway, Terry Weigel, and Carol Holloman, 2005, "Framing a New Approach to Critical Infrastructure Modelling and Extreme Events", *International Journal of Critical Infrastructures,* Volume 1, Number 2/3, pages 125-143.

with Darren Clark and Alexei Izyumov, 2005, "The Location of Employment-based Immigrants Among US Metropolitan Areas", *Journal of Regional Science*, Volume 45, Number 1, pages 113-145 (February).

with Alexei Izyumov, Nan-Ting Chou, and Babu Nahata, "Immigrant Concentration and Educational Attainment: Evidence from US Data", 2002, *Journal of International Migration and Integration,* Volume 3, Number 1, 2002, pages 17-39.

with Alexei Izyumov and Babu Nahata, "Immigration to the Louisville Metropolitan Area: Recent Trends, Policy and Recommendations" *Brandeis Law Review*, Volume 40, Number 3, 2002, pages 1-24.

with Tom Lambert, "An Evaluation of the Effectiveness of Louisville's Enterprise Zone", *Economic Development Quarterly*, May 2001, Volume 15, Number 2, pages 168-180.

"Economic Performance Measures for Metropolitan Areas", *Journal of Economic and Social Measurement, 1998,* Volume 24, pages 157-179.

with John Vahaly, "The Economic Importance of the Military in Kentucky", *Kentucky Journal of Economics and Business*, 1998, Volume 17, pages 99-125.

with Sung-Gun Lee, "Housing Finance in Korea", *Kyung Hee Public Affairs Journal*, 1998, Volume V, Number 1, February, pages 155-176.

with Kevin Stokes, "On the Local Economic Impact of Higher Education in Kentucky", *Kentucky Journal of Economics and Business*, 1996, Volume 15, pages 37-49.

with William Stober and Richard Thalheimer, "Measuring the Intrastate Distribution of State Government Funds: A Case Study", *Journal of Economic and Social Measurement,*, 1994, Volume 20, Number 4, pp. 285-329.

"A Kalman Filter Formulation for Noisy Regional Job Data", *International Journal of Forecasting*, 1992, Vol.7, pp. 473-481.

with Dennis Olson, "An Economic Performance Index for U.S. Cities", *Economic Development Quarterly*, 1991,Vol.5 No.4, pp. 335-341 (November).

with Dennis Olson and John Merchant, "Using a Metropolitan Area Econometric Model to Analyze Economic Development Proposals", *Urban Studies*, 1991, Vol.28, No.3, pp. 369-382.

with Dennis Olson, "Using BEA and BLS Data to Monitor Metropolitan Area Economic Performance", *Journal of Economic and Social Measurement*, 1990, Vol.16(3), pp. 167-83.

with Dennis Olson and Dennis Glennon, "The Interindustry Employment Demand Variable: An Extension of the I-SAMIS Technique for Linking Input-Output and Econometric Models", *Environment and Planning A*, 1990, Vol.23,pp. 1063-1068.

"Forecasting the Present: MSA Employment by Industry", *Kentucky Journal of Economics and Business*, 1989, pp. 1-10.

"An Illustration of the Application of Control Methods in Choosing Optimal US Agricultural Policy", *Journal of Economic Dynamics and Control,* 1988, Vol. 12, pp. 161-166.

"PLEM: A Computer Program for Passive Learning, Stochastic Control Experiments", *Journal of Economic Dynamics and Control,* 1987,Vol. 11, pp. 223-227.

"Solvency and Adequacy of Kentucky's Unemployment Insurance Trust Fund", *Kentucky Journal of Economics and Business*, Volume 7, 1986-87, published for the Kentucky Economic Association, pp. 114-129.

"The Agriculture Industry in Texas", *Texas Business Review*, November 1983, Bureau of Business Research, University of Texas, Austin, pp. 272-278.

Conference presentations

with William Hoyt and Amelia Biehl, 2010, "Tax Limits and Housing Markets: Some Evidence at the State Level", North American Regional Science Association meetings, San Francisco, November 2009.

with Glenn Blomquist, Chris Jepsen, Brandon Koford, and Ken Troske, "Estimating the Social Value of Higher Education: Willingness to Pay of Community and Technical Colleges", North American Regional Science Association meetings, New York, November, 2008.

with William Hoyt, "A Model of Metropolitan Housing", North American Regional Science Association meetings, Savannah, November, 2007.

with William Hoyt, "A Model of Metropolitan Building Permits", Federal Reserve of St. Louis BERG Conference, St. Louis, May 2007.

with William Hoyt, "The Quantity and Price of New Housing Units in Metropolitan Areas", North American Regional Science Association meetings, Toronto, November, 2006.

with William Hoyt, "State Income Taxes and the Destination of Movers", Allied Social Science Association meetings, Boston, January 2006.

with Barry Kornstein, "Metropolitan Clusters: Stability of Membership over Time", North American Regional Science Association, Seattle, November 2004.

"Economic Conditions in Markets Around Kentucky", Federal Reserve Bank of St. Louis, meetings in Memphis, September 2004.

with Barry Kornstein, "Metropolitan Clusters: How Many Market Types are There", North American Regional Science Association, Philadelphia, November 2003.

with Darren Scott and Alexei Izyumov, "The Initial Location Choice of Legal Immigrants Among US Metro Areas", Southern Regional Science Association meetings, Louisville, March 2003.

with Chris Bollinger, "Initial Estimates of Underemployment in Kentucky Counties", Kentucky Economic Association, Lexington, October 2002.

with Alexei Izyumov and Darren Scott, "Why Did Vladmir Choose Omaha? The Initial location Choice of Legal Immigrants", North American Regional Science Association meetings, San Juan, Puerto Rico, November 2002.

with Alexei Izyumov, Babu Nahata, and Nan-Ting Chou, "The Enclave Effect on Education of Immigrants", North American Regional Science Association meetings, Charleston SC, November 2001.

"The Recent Economic Performance of Regions in Kentucky", Kentucky Economic Association meetings, Lexington, October 2001.

"Measurement Systems for Regional Economic Development", at Federal Reserve Bank of Dallas conference *Can Cities Control Their Destiny?*, San Antonio, TX, August 1999.

"An Economic Indicator System for Metropolitan Areas", Regional Economic Indicators Workshop, Braga, Portugal, June 1998

"Comprehensive Measures of Metropolitan Area Performance: Accounting for Economic Development", Southern Regional Science Association annual meetings, Baltimore, MD, April 1996.

"Long Range Economic and Demographic Forecasting in Support of Local Land Use Planning", North American Regional Science Association meetings, Cincinnati, OH, November 1995.

"Long Range Economic and Demographic Forecasting in Support of Local Land Use Planning", Kentucky Economic Association annual meeting, Lexington, KY, October 1995.

"Greater Louisville Forecasts of Jobs, People and Income: 1995 to 2020", Kentucky Economic Association annual meeting, Lexington, KY, October 1994.

"The Recreation Quotient: Measuring the Import Substitution Effect of Local Events", with Dennis Olson, Western Economic Association Meeting, Lake Tahoe, Nevada, June 1993.

"Measuring the Impact of the Kentucky Derby", Kentucky Economics Association annual meeting, Lexington KY, October 25, 1991.

"Using Linked Input-Output/Econometric Models to Analyze Economic Development Proposals", Association of University Business and Economic Research, 1991 Fall Conference, St. Petersburg, FL, October 9, 1991.

"Using a Metropolitan Area Econometric Model to Analyze Economic Development Proposals", Kentucky Economic Association meeting, Lexington KY, September 14, 1990.

"Research Tools for Economic Development", presentation to State Governments/Higher Education Partnership Conference, Louisville KY, December 5, 1989

"Tools for Evaluating the Benefits of Economic Development Proposals", presentation to Leadership Kentucky conference, Erlanger KY, October 13, 1989.

"Regional Information Sources, Applications and Techniques of Analysis", invited presentation at MODLER/DATAVIEW Users' Conference and Training Session, Philadelphia PA, October 10-11, 1989

"An Earnings-Weighted Job Index for Cities", Kentucky Economic Association meeting, Louisville KY, September 29, 1989

"Input-Output Studies and Econometric Models", American Chambers of Commerce Research Association, San Diego, CA, June 1989.

"The Recovery of Louisville and Other *Midwestern Cities*", *The Economic* Roundtable, Louisville KY, February 28, 1989

"Forecasting Regional Employment by Industry: Kalman Filters", 35th North American Meetings of the Regional Science Association, Toronto CANADA, November 13, 1988.

"Forecasting the Present: Regional Employment by Industry", presented at annual meeting of Kentucky Economic Association, Lexington, KY, September 23, 1988.

"Filtering Provisional Regional Employment Estimates by Industry", presented at 5th Annual Regional Modelling Conference, Louisville, KY, May 3, 1988

"Filtering Provisional Regional Employment Estimates by Industry", presented at Midwest Decision Sciences Institute meetings, Louisville, KY, May 7, 1988

"Using Your Model to Improve Preliminary Estimates of Regional Income and Employment", presented at 41st Annual Conference of Association of University Business and Economic Research, San Francisco, CA, November 3, 1987.

"Organizing Your Data for Economic Analysis" invited presentation at MODLER/DATAVIEW Users' Conference and Training Session, Philadelphia, PA, October 20-21, 1987.

"An Illustration of the Application of Stochastic Control Methods in Choosing Optimal U.S. Agricultural Policy", presented at Ninth Annual Conference of Society of Economic Dynamics and Control, Boston, June, 1987.

"Forecasting the Present in Regional Economies," (revised), presented at Seventh International Symposium on Forecasting, Boston, May 1987

"Forecasting the Present in Regional Economies," presented at Fourth Annual Economic Regional Modeling Conference, University of Louisville, May 1987.

"PLEM: A Computer Program for Passive Learning Stochastic Control Experiments," presented at Fifth IFAC/IFORS Conference on Dynamic Modeling of National Economies, June 1986, Budapest, HUNGARY.

"An Optimal Control Approach to Managing Unemployment Insurance Trust Funds," Third Annual Regional Economic Modeling Conference, University of Louisville, May 1986.

Reviewing and Refereeing

articles for:

Environment and Planning A
European Journal of Operational Research
Growth and Change
Kentucky Journal of Business and Economics
Regional Science Perspectives
International Journal of Forecasting
Journal of Forecasting
Journal of Economic and Social Measurement
Journal of Development Economics
Journal of Urban Affairs
National Tax Journal
Regional Science and Urban Economics
Urban Studies

books for:

Dryden Publishing Company
Grawemeyer World Order Award

Harcourt, Brace, Jovanovich, Publishers
McGraw-Hill
Society of Economic Dynamics and Control Sightings
West Publishing Company
Wadsworth Publishing Company

Contract research reports *(most available at http://monitor.louisville.edu)*

with Tom Rockaway, Barry Kornstein and Josh Rivard, *North American Residential Water Usage Trends Since 1992*, for the Water Research Foundation, Report #4031, 2010, 148 pages.

with Barry Kornstein, "The Economic and Fiscal Importance of the Distilling Industry in Kentucky", for the Kentucky Distillers Association, July 2009, 25 pages.

with Paminder Jassal, Barry Kornstein, and Greg Virgin, "The Economic Importance of Military Activity in Kentucky: 2008 Update", for the Kentucky Commission on Military Affairs, December 2008, 28 pages.

with Glenn Blomquist, Chris Jepsen, Brandon Koford, and Ken Troske, "Estimating the Social Value of Higher Education: Willingness to Pay for Community and Technical Colleges", for the Kentucky Community and Technical College System, December 2007, 75 pages.

with Barry Kornstein, "The Economic Impact of Events in 2005 at the Kentucky Fair and Exposition Center and the Kentucky International Convention Center", for the Kentucky State Fair Board, January 2006, 19 pages.

with Margaret Maginnis, "Louisville's Health-Related Economy 2006", for the Greater Louisville Health Enterprises Network, May 2006, 77 pages.

with Barry Kornstein, "Kentucky's Economic Competitiveness: A Call for Modernization of the State's Fiscal Policies", November 2004, 73 pages.

"The Economic Importance of Owensboro's Riverport", for Owensboro Riverport Authority, October 2004, 12 pages.

with Barry Kornstein and Raj Narang, "The Economic Importance of Military Activity in Kentucky: 2004 Update", with Raj Narang and Barry Kornstein, January 2004, 32 pages.

"Capacity and Performance of Philanthropy, Charitable Giving, and the Public Sector in Owensboro-Daviess County Kentucky", for the Hager Educational Foundation, January 2004, 30 pages.

with Michael Price, "The Louisville Labor Force: Report on the State of the Regional Workforce 2003", for KentuckianaWorks, 30 pages, April 2003.

with Ted Strickland, "The Size, Characteristics, and Performance of Technology-intensive Industries in the Louisville Area Economy", for Greater Louisville Inc Technology Network, October 2003, 56 pages.

with Mark Berger et al, "Kentucky Labor Supply and Demand Surveys", for Kentucky Cabinet for Workforce Development, November 2002, University of Kentucky and University of Louisville, 84 pages.

with Barry Kornstein, "The Economic Impact of Events in 2001 at the Kentucky Fair and Exposition Center and the Kentucky International Convention Center", for the Kentucky State Fair Board, January 2002, 19 pages,

with Alexei Izyumov and Babu Nahata, "Immigration to the Louisville Metropolitan Area: Trends and Characteristics", for C.S.&E. Foundation, June 2001, 52 pages.

with Raj Narang, "Louisville's Health-Related Economy: Size, Character and Growth", for Greater Louisville Inc, May 2001, 25 pages.

with Michael Price, "The Recent Economic Performance of Regions in Kentucky", for Kentucky Economic Development Cabinet, May 2001, 67 pages,.

with Barry Kornstein, "Macro Performance Indicators for the Louisville Area Economy", March 2001, sponsored by National City, 65 pages.

with William Hoyt and Mark Berger, Statutory and Economic Incidence of Taxes in Kentucky and Surrounding States" for the Kentucky Chamber of Commerce, January 2001, 25 pages.

with Barry Kornstein, "An Economic Analysis of the Gainsborough to Rembrandt Art Show", Speed Art Museum, December 2000, 16 pages.

with Raj Narang, "The Economic Importance of Arts and Cultural Attractions in the Louisville Area", Greater Louisville, Inc., November 1999, 22 pages.

with Michael Price, "The Louisville Labor Force: Trends and Issues", Workforce Investment Board, October 1999, 20 pages.

with Barry Kornstein, "The Intrastate Distribution of Kentucky State Government Revenues and Expenditures", Fiscal Year 1996-97", August 1999, 16 pages.

with Alexei Izymov and Babu Nahata, "Attracting Immigrants to Urban Areas", C.S.&E. Foundation, August 1999, 50 pages.

with Barry Kornstein, "The Economic Impact of the Breeders' Cup Race", Churchill Downs, July 1999, 18 pages.

with John Vahaly, "The Economic Impact of Military Activities in Kentucky", Kentucky Commission on Military Affairs, Fall 1997 (and December 2000 update), 32 pages.

with Barry Kornstein, "The Economic Impact of 1997 Events at the Kentucky Fair and Exposition Center and Commonwealth Convention Center", for the Kentucky State Fair Board, 1997, 22 pages.

with Nan-Ting Chou, "Long-Term Economic and Demographic Forecasts for the Louisville Market, including Forecasts of Electricity and Water Sales by Customer Type", for the Louisville Gas and Electric Company and the Louisville Water Company, five year contract beginning 1997, 23-page reports annually.

"The Economic Impact of Louisville's Downtown Medical Center", for Jewish Hospital, October 1996, 23 pages.

with Barry Kornstein, "1995 Macro Performance Indicators", sponsored by National City, March 1996, 75 pages.

"Agribusiness in the Louisville Area Economy", for Louisville Area Chamber of Commerce and Kentucky Department of Agriculture, May 1996, 65 pages.

with Michael Price, "Sub-Area Forecasts of People, Housing and Jobs: 1995 to 2020", for Jefferson County Comprehensive Land Use Plan, Louisville Area Chamber of Commerce and Greater Louisville Economic Development Partnership, August 1995, 68 pages.

with Michael Price and Nan-Ting Chou, "Greater Louisville Forecasts of Jobs, Population and Income: 1995 to 2020", for Jefferson County Comprehensive Land Use Plan, Louisville Area Chamber of Commerce and Greater Louisville Economic Development Partnership, July 1994, 24 pages.

with Stephan Gohmann, "The Impact of the University of Louisville on the Louisville Economy", for President's Office, University of Louisville, September 1994, 20 pages.

"The Economic and Fiscal Impact of the Downtown Medical Center", for Jewish Hospital Corporation, June 1994, 18 pages.

with Bruce Gale, "The Economic Impact of Events at the Kentucky Fair and Exposition Center and the Commonwealth Convention Center", for the Kentucky Fair Board, Summer 1993, 20 pages.

University Research Contracts (Principal Investigator)

"Water Demand Forecasts for the Cleveland Region", for Cleveland Division of Water, November 2009 to March 2010, $30,000.

"Forecasts of Metro Government Revenues", for Louisville-Jefferson County Government, January to July, 2009, $9,000.

with Barry Kornstein, "Updates to Occupational Outlook, Human Capital Scorecard", for KentuckianaWorks, July 2009 to June 2010, $40,000.

"The Economic and Fiscal Impact of Changes at Fort Knox", for Lincoln Trail Area Development District, July 2009 to December 2010, $40,000.

with Barry Kornstein, "The Economic and Fiscal Impact of Kentucky's Distilling Industry", for the Kentucky Distillers Association, May to August 2009, $30,000.

with Barry Kornstein, "Economic, Demographic and Water Sales Forecasts for the 23-County Regional Economy", for the CDM Engineering Company /Louisville Water Company, June 2008 to July 2009, $40,000.

with Barry Kornstein, "Updates to Occupational Outlook, Human Capital Scorecard", for KentuckianaWorks, June 2008 to June 2009, $40,000.

with Paminder Jassal, Barry Kornstein, and Greg Virgin, "The Economic Importance of Military Activity in Kentucky: 2008 Update", December 2008, $30,000.

with Barry Kornstein, "Economic Impact Modeling System for Hospitals", for Kentucky Hospital Association, May to December, 2007, $25,000.

with Ken Troske, " The Economic Value of the Kentucky Community and Technical College System", for KCTCS, joint with University of Kentucky, $260,000, January to December, 2007.

"The Economic Impact of 2007 Events at the Kentucky Horse Park", for Kentucky Horse Park, January 2007 to June 2008, $35,000.

with Tom Rockaway, "Changes in Water Use Patterns", for the American Water Works Association Research Foundation, November 2006 to August 2008, $301,000.

with Michael Price, "Updates to Occupational Outlook, Human Capital Scorecard", for KentuckianaWorks, $60,000, June 2006 to June 2007.

"Update to Strategic Plan", for Kentucky Commission on Military Affairs, $20,000, June to December 2006.

with William Hoyt (UK) "Property Taxation Practices and Impacts throughout the United States since Proposition 13", for National Center for Real Estate Research, $37,000, July 2005 to June 2006.

"Louisville's Health Related Economy", for the Greater Louisville Health Enterprises Network, $35,000, January to June 2006.

"Economic and Demographic Forecasting Model, with Forecasts, for Regions in Kentucky", for Louisville Gas and Electric Company, $20,000, November 2005 to June 2006.

"The Economic Impact of 2005 Events at the Kentucky Fair and Exposition Center, and the Louisville International Convention Center", for Kentucky Fair Board, $36,000, January 2005 to June 2006.

"Revenue Forecasting Model, with Forecasts", for Louisville-Jefferson County Metro Government, $30,000, July 2004 to June 2005.

"The Economic Importance of Owensboro's Riverport", for Owensboro Riverport Authority, October 2004, $15,000, July to December 2004.

"Economic and Demographic Forecasting Model, with Forecasts, for Regions in Kentucky", for Louisville Gas and Electric Company, $20,000, July 2004 to December 2004.

with Michael Price, "Occupational Characteristics and Forecasts for 24-County Louisville Economy", plus other labor-related projects, sponsored by KentuckianaWorks, April 2004 to June 2005, $70,000.

"The Intrastate Distribution of Kentucky State Government Revenues and Expenditures, FY 2003", sponsored by Greater Louisville Inc, Northern Kentucky Chamber of Commerce, TRI-ED economic development group in northern Kentucky, and Lexington Urban County Government, March to December 2004, $24,000.

"Capacity and Performance of Philanthropy, Charitable Giving, and the Public Sector in Owensboro-Daviess County Kentucky", for the Hager Educational Foundation, February to December 2003, $15,000.

"The Economic Importance of Military Activity in Kentucky: 2004 Update", for the Kentucky Commission on Military Affairs, May 2003 to February 2004, $20,000.

with Ted Strickland, "The Technology Industry in the Louisville Economy", for Greater Louisville Inc Technology Network, March to December 2003, $20,000.

with Michael Price, "Labor Supply Analysis of the Louisville Market", KentuckianaWorks, July 2002 forward, $25,000.

with Barry Kornstein, "Comparative Study of Light Rail Systems", Transit Authority of River City, July 2002, $20,000.

"Economic Impact Model for Hospitals in Kentucky", Kentucky Hospital Association, November 2001, $18,000.

with Bruce Gale, "Labor Market Supply and Demand Study", Kentucky Workforce Cabinet, September 2001, $155,000.

"Economic, Demographic and Water Sales Forecasts for the 23-County Regional Economy", for the Black and Veatch Corporation/Louisville Water Company, July 2001, $33,000,

with Nan-Ting Chou and Barry Kornstein "Economic, Demographic and Industrial Electricity Forecasts for the Louisville Area", for the Louisville Gas and Electric Company, $10,000.

"Economic Development Strategies for Kentucky Regions", Kentucky Economic Development Cabinet, July 2001, $20,000.

"Economic Analysis of Kentucky Fair Board Events During 2001", Kentucky Fair Board, February 2001, $30,000.

"Economic Monitoring System for Louisville's Health-Related Economy", Greater Louisville Inc, January 2001, $27,000.

"Economic Analysis Tools" for Industry Inc. of Owensboro, December 2000, $10,000.

with Michael Price, "Economic Performance Measures for Kentucky Regions", Kentucky Economic Development Cabinet, November 2000, $50,000.

with Barry Kornstein, "An Economic Analysis of the Gainsborough to Rembrandt Art Show", Speed Art Museum, September 2000, $15,000.

"The Economic Importance of Arts and Cultural Attractions in the Louisville Area", Greater Louisville, Inc., November 1999, $18,000.

with Michael Price, "Labor Force Analysis of the Louisville Economic Area", Workforce Investment Board, October 1999, $25,000.

with Alexei Izymov and Babu Nahata, "Analysis of Immigration Patterns Among US Cities", CS&E Foundation, August 1999, $56,000.

"The Economic Impact of the Breeders' Cup Race", Churchill Downs, October 1998, $18,000.

"The Fiscal Impact of UPS Operations in Louisville", United Parcel Service, Fall 1998, $6,000.

"Strategic Marketing Plan for Military Assets in Kentucky", the Kentucky Commission on Military Affairs, 1998-99, $200,000.

with Steve Gohmann, "The Economic Impact of the Hospital Industry in Kentucky", Kentucky Hospital Association, Winter 1997-98, $25,000.

with John Vahaly, "The Economic Impact of Military Activities in Kentucky", Kentucky Commission on Military Affairs, Fall 1997, $25,000.

"An Economic Impact Model for the Owensboro, Kentucky Regional Economy", Industry Incorporated, Owensboro, Spring 1997, $5,000.

"The Economic Impact of 1997 Events at the Kentucky Fair and Exposition Center and Commonwealth Convention Center", for the Kentucky State Fair Board, 1997, $20,000.

with Nan-Ting Chou, "Long-Term Economic and Demographic Forecasts for the Louisville Market, including Forecasts of Electricity and Water Sales by Customer Type", for the

Louisville Gas and Electric Company and the Louisville Water Company, five year contract beginning 1997, at $20,000 per year.

“The Economic Impact of Louisville’s Downtown Medical Center”, for Jewish Hospital, July 1996, $6,000.

“Agribusiness in the Louisville Area Economy”, for Louisville Area Chamber of Commerce and Kentucky Department of Agriculture, March 1995 to February 1996, $25,000.

with Michael Price, “Database on Municipal Finances”, Jefferson County Governance Task Force, Louisville Area Chamber of Commerce, September 1995, $8,000.

with Michael Price, "Sub-Area Forecasts of People, Housing and Jobs: 1995 to 2020", for Jefferson County Comprehensive Land Use Plan, Louisville Area Chamber of Commerce and Greater Louisville Economic Development Partnership, September 1994 to August 1995, $30,000.

with Michael Price and Nan-Ting Chou, "Greater Louisville Forecasts of Jobs, Population and Income: 1995 to 2020", for Jefferson County Comprehensive Land Use Plan, Louisville Area Chamber of Commerce and Greater Louisville Economic Development Partnership, December 1993 to July 1994, $65,000.

with Stephan Gohmann, "The Impact of the University of Louisville on the Louisville Economy", for President's Office, University of Louisville, September 1994, $6,000.

"The Economic and Fiscal Impact of the Downtown Medical Center", for Jewish Hospital Corporation, June 1994, $6,000.

with Bruce Gale, "The Economic Impact of Events at the Kentucky Fair and Exposition Center and the Commonwealth Convention Center", for the Kentucky Fair Board, Summer 1993, $18,000.

Economic impact study for ARCO Aluminum, June 1993, $6,000.

Economic consultant to Bank One of Kentucky, 1993 to 1995, $10,000 per year.

Economic consultant to General Electric Company, Winter 1992-93, $4,000.

Economic consultant to Louisville Water Company, 1992-95, $5,000 per year.

Economic consultant to Galloway Appraisal Company, Louisville, August 1992.

Principal Investigator, "A Cost Comparison Between the Archdiocese of Louisville School System and the Jefferson County Public School System" and "Public Tax Savings from the Operation of Catholic Schools in Jefferson County Kentucky, for the Archdioces of Louisville, November 1993 to February 1994, $5,000.

Principal Investigator, "The Archdiocese of Louisville Factbook", for the Archdiocese of Louisville, December 1992 to January 1993, $5,000.

Principal Investigator, "The Intra-State Distribution of Kentucky State Government Revenues and Expenditures", for Louisville Area Chamber of Commerce, funded by Greater Louisville Economic Development Partnership, November 1991 to August 1992, $20,000.

Principal Investigator, "Economic Development Electronic Information Network", sponsored by a grant from First National Bank, 1990 to 1995, $25,000 per year.

Principal Investigator, "The Impact of the 1991 Kentucky Derby and 1991 Breeders' Cup", sponsored by the Equine Industry program at the University of Louisville, February 1991 to July 1992, $30,000.

Co-Principal Investigator with Dennis Olson, "Analysis and Critique of Louisville Gas and Electric Company's 1988 Load Forecast, December 1989, $3,000.

Principal Investigator and Creator, "Economic Performance Index for Cities" for the Greater Louisville Economic Development Partnership, through the University Bureau of Economic Research, 1987 to 1993, $20,000 per year.

Principal Investigator, "Economic Impacts of Economic Development Initiatives", retainer with City/County Office for Economic Development to evaluate the economic and fiscal impact of proposed initiatives, 1989 to 1994, $20,000 per year.

Co-Principal Investigator with Dennis Olson, Dennis Glennon and Julia Lane, Economic Development Modelling System, funded by City of Louisville and Jefferson County through Bureau of Economic Research, University of Louisville, June to December, 1988, $120,000.

Long Range Economic Forecasts of the Louisville Economy, for Louisville Gas and Electric Company, through Bureau of Economic Research, University of Louisville, annual, 1987 to present, $6,000 per year.

Co-Principal Investigator with John Bernardo and Charles Hultman, "Impact of Increased User Fees on Kentucky's Waterborne Transportation," for Kentucky Department of Commerce, by Office of Research, College of Business and Economics, University of Kentucky, April 1982, 105 pages, $15,000.

Other Consulting, Service

Economic consultant, Brown-Forman, 2010.

Economic consultant, expert witness, for Kentucky Industrial Utility Customers, 2010.

Economic consultant, expert witness, for Noranda Aluminum, 2009-10.

Economic consultant, expert witness, for Ormet Aluminum, 2008-09.

Economic consultant to E.ON (LGE, KU), 2009.

Economic consultant to Home Builders Association of Louisville, 2008-09.

Economic consultant to Brown-Forman Corporation, 2007, 2008, 2010.

Economic consultant to Century and Rio Tinto aluminum companies, 2007, 2009.

Economic consultant to Nally and Haydon Holdings, Bardstown, 2006-07.

Economic consultant to Amazon corporation, 2006

Member of Transition Team, Governor Ernie Fletcher, November-December 2003, pro bono.

Economic Consultant to Elizabethtown Tourism and Convention Bureau, July 2003.

Economic Consultant to Bullitt family, per their real estate development of farm.

Member, Merger Transition Task Force, City of Louisville and Jefferson County Governments, 2001-2002, pro bono.

Expert witness before Kentucky Public Service Commission, E.ON acquisition of Powergen, August 2001.

Consultant to Indiana 21st Century Fund, dispersing $50 million to commercialize high tech ideas, May 2000.

Economic Consultant to Kentucky Economic Development Corporation, May-July, 1999.

Economic consultant to the City of Los Angeles and the Milken Institute for Job and Capital Creation, 1996-1998.

Economic consultant to Bullitt County (Kentucky) Tourist Commission, January to March, 1997.

Economic consultant to Harrison County (Indiana) Chamber of Commerce.

Economic consultant to Kentucky Utilities Company.

Member of Task Force, Jefferson County Governance Project, 1995, pro bono.

Economic consultant to Bullitt County (Kentucky) Tourist Commission, October-December 1994.

Economic consultant to Carroll County (Kentucky) Economic Development Corporation, July 1994.

Economic consultant to Perry County (Indiana) Economic Development Corporation, June 1993 forward.

Expert testimony, Reynolds Metal Company, April 1993.

Chairman of research committee, Louisville Area Chamber of Commerce, 1992-93, pro bono.

Member of Steering Committee, Regional Economic Development Strategy (REDS), Louisville Area Chamber of Commerce, 1992-94, pro bono.

Member of research committee, Goals for Greater Louisville, 1991-92, pro bono.

Economic consultant to Chi-Chi's restaurant company, 1990-91.

Computer system design and purchasing consultant to Kentucky Indiana Planning and Development Authority (KIPDA), pro bono, February 1989, pro bono.

Member, Delphi Panel on long-range utility forecasts, Louisville Gas and Electric Company, May 1987.

Forecasts for the Retail Automotive Sales and the Coal Industry in central and eastern Kentucky, for First Security National Bank, Lexington, KY, with Charles G. Renfro and Associates, 1980.

Study of the Impact of the Proposed Coal Gasification Plant on the Economies of Daviess and Henderson Counties, KY, for U.S. Department of Energy, with Charles G. Renfro and Associates, 1979.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul A. Coomes**, being duly sworn, deposes and says that he is a Professor of Economics at the University of Louisville and a consulting economist, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Paul A. Coomes

Paul A. Coomes

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27 day of May 2010.

_______________ (SEAL)
Notary Public

My Commission Expires:

4-21-12

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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**

TESTIMONY OF
LONNIE E. BELLAR
VICE PRESIDENT OF STATE REGULATION AND RATES
LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY

Dated: May 28, 2010

INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Lonnie E. Bellar. I am the Vice President of State Regulation and Rates for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, "Companies"), and an employee of E.ON U.S. Services Inc. My business address is 220 West Main Street, Louisville, Kentucky 40202. A statement of my qualifications is attached as Appendix A.

Q. Have you previously testified before the Kentucky Public Service Commission?

A. Yes. I have testified before the Commission multiple times, including Case Nos. 2007-00562 (LG&E) and 2007-00563 (KU) concerning the disposition of KU's and LG&E's merger surcredit mechanisms; in the Companies' 2009 Environmental Surcharge Compliance Plan proceedings, Case Nos. 2009-00197 (KU) and 2009-00198 (LG&E), the Companies' most recent base rate cases, Case Nos. 2008-00251 (KU) and 2008-00252 (LG&E); and in the current base rate proceedings, Case Nos. 2009-00548 (KU) and 2009-00549 (LG&E).

Q. Please describe your work experience and educational background.

A. I began my career with Kentucky Utilities in 1987 as an electrical engineer. I held several engineering roles in the transmission and generation areas, and was eventually promoted to Director of Generation Services in 2000. I then served as General Manager of the LG&E Can Run and Ohio Falls power stations; Director of Financial Planning and Controlling; and Director of Transmission.

I received a Bachelor of Science in Engineering Arts from Georgetown College and a Bachelor of Science in Electrical Engineering from the University of

Kentucky. I have completed various management and executive training courses sponsored by the E.ON Academy, including courses at Harvard University.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss the affiliate transactions related to the proposed acquisition and other regulatory issues.

AFFILIATE TRANSACTIONS

Q. Will the proposed acquisition affect or change E.ON U.S. Services Inc. ("E.ON Services")?

A. No. E.ON Services will continue to be a subsidiary of E.ON U.S. LLC ("E.ON U.S."). It will continue to act as a centralized service company to provide services to E.ON U.S. and its subsidiaries, including LG&E and KU. PPL Corporation ("PPL") will continue to utilize its existing service company for its other subsidiaries.

Q. Will the proposed acquisition adversely affect E.ON U.S.'s Notification of Holding Company Status filed with the Federal Energy Regulatory Commission ("FERC") under the Public Utility Holding Company Act of 2005 ("PUHCA 2005")?

A. No. E.ON AG, for itself and its intermediate companies, including E.ON U.S., filed Form 65, Notification of Holding Company Status, with FERC on June 15, 2006. Following consummation of the proposed acquisition, E.ON U.S. will submit a comparable Notification of Holding Company Status with FERC. Accordingly, E.ON U.S. will be recognized as a holding company under PUHCA 2005, and will continue to act as a holding company for the two utilities, LG&E and KU.

Q. Will the proposed acquisition affect the Commission's authority to regulate LG&E or KU's affiliate transactions?

A. No. The transfer of ownership and control of LG&E and KU will not alter the Commission's authority to regulate LG&E's or KU's affiliate transactions resulting from the proposed acquisition. LG&E and KU will remain subject to the same laws and rules that apply under the current E.ON AG – E.ON U.S. structure. Further, the proposed acquisition and resulting transfer of ownership and control of LG&E and KU will not prevent the Commission from reviewing LG&E's or KU's costs and operations. Access to books, records, and management will not change, and E.ON U.S.'s, LG&E's, and KU's books will continue to be kept in Kentucky. PPL commits that the Commission be allowed access to those books and records. There will be no change in the Commission's ability to make any inspection of books and records that might be necessary to accomplish proper regulatory purposes.

Q. Is there any area in which the Commission's regulatory oversight over affiliate transactions could be affected by the proposed acquisition?

A. No, there are no areas in which the Commission's regulatory oversight over affiliate transactions could be affected by the proposed acquisition. E.ON Services will continue to operate as a subsidiary of E.ON U.S. and serve as a centralized service company for purposes of complying with PUHCA 2005. FERC will regulate the provision of services and allocation of costs to ensure against any inappropriate cross-subsidization within the E.ON U.S. holding company system and the greater PPL holding company system.

Q. Will E.ON Services have affiliate transactions with PPL's subsidiaries?

A. E.ON Services has no plans at this time to engage in any specific affiliate transactions with PPL's subsidiaries. E.ON Services may enter into affiliate service agreements with subsidiaries of PPL after the completion of the proposed acquisition, if such agreements would enhance operational flexibility.

TRANSMISSION ISSUES

Q. Is PPL a member of a Regional Transmission Organization ("RTO")? If so, how will this affect whether LG&E or KU are members of a RTO?

A. Yes. PPL is a member of PJM Interconnection, an RTO. However, PPL has committed to use its reasonable best efforts to address market power concerns of FERC, the Department of Justice, and the Federal Trade Commission through mitigation measures that do not require participation by LG&E or KU in an RTO. Therefore, there are no plans at this time for LG&E or KU become members of any RTO as a result of this transaction. LG&E and KU expect to continue to operate independently from an RTO. It is, however, possible that retaining Southwest Power Pool, Inc., as the Companies' Independent Transmission Operator may be the most practical means of complying with FERC transmission independence requirements following the PPL transaction. If so, the Companies will file a separate application with the Commission under KRS 278.218.

EXISTING KU/LG&E OPERATING AGREEMENTS

Q. Will the proposed acquisition affect the Power Supply System Agreement ("PSSA") or Transmission Coordination Agreement ("TCA") between LG&E and KU?

A. No. The proposed acquisition will not affect the PSSA or TCA (collectively, the "Agreements") between LG&E and KU. The Agreements were established as a result of the LG&E – KU merger in 1998 for the purpose of facilitating the joint operation and planning of the KU and LG&E generation and transmission assets. The Agreements provide for the joint operation and planning of the KU and LG&E transmission and generation systems and also establish separate joint committees for making business decisions concerning these assets. The primary objective of the Agreements is to maximize economy, efficiency, and reliability in the transmission system as a whole. It is anticipated that the members of the PSSA and TCA committees will remain the same, and changes in those committees will only result through the normal procedures of the respective committees.

CONCLUSION

Q. Please provide a summary of your testimony.

A. My testimony discusses the affiliate transactions, and shows that the proposed acquisition will not affect or change E.ON Services, and that E.ON Services will continue to provide service to LG&E and KU. My testimony also shows that the proposed acquisition will not affect the Commission's authority to regulate LG&E's or KU's affiliate transactions, and that there is no area in which the Commission's regulatory oversight over affiliate transactions could be affected. My testimony also shows that PPL does not currently have plans for LG&E or KU to be members of an

RTO. Finally, my testimony shows that the proposed acquisition will not affect the PSSA or the TCA between LG&E and KU, and that the respective committees will also not be affected.

Q. What action are you requesting that the Commission take?

A. I request that the Commission approve the proposed acquisition and resulting transfer of ownership and control of LG&E and KU to PPL.

Q. Does this conclude your testimony?

A. Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says he is Vice President of State Regulation and Rates of Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Lonnie E. Bellar

LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of May, 2010.

Tammy J. Elzy (SEAL)

Notary Public

My Commission Expires:

November 9, 2010

APPENDIX A

Lonnie E. Bellar
E.ON U.S. Services Inc.
220 West Main Street
Louisville, Kentucky 40202

Education

Bachelors in Electrical Engineering;
University of Kentucky, May 1987
Bachelors in Engineering Arts;
Georgetown College, May 1987
E.ON Academy, Intercultural Effectiveness Program: 2002-2003
E.ON Finance, Harvard Business School: 2003
E.ON Executive Pool: 2003-2007
E.ON Executive Program, Harvard Business School: 2006
E.ON Academy, Personal Awareness and Impact: 2006

Professional Experience

E.ON U.S. LLC

Vice President, State Regulation and Rates	Aug. 2007 – Present
Director, Transmission	Sept. 2006 – Aug. 2007
Director, Financial Planning and Controlling	April 2005 – Sept. 2006
General Manager, Cane Run, Ohio Falls and Combustion Turbines	Feb. 2003 – April 2005
Director, Generation Services	Feb. 2000 – Feb. 2003
Manager, Generation Systems Planning	Sept. 1998 – Feb. 2000
Group Leader, Generation Planning and Sales Support	May 1998 – Sept. 1998

Kentucky Utilities Company

Manager, Generation Planning	Sept. 1995 – May 1998
Supervisor, Generation Planning	Jan. 1993 – Sept. 1995
Technical Engineer I, II and Senior, Generation System Planning	May 1987 – Jan. 1993

Professional Memberships

IEEE

Civic Activities

E.ON U.S. Power of One Co-Chair – 2007
Louisville Science Center – Board of Directors – 2008
Metro United Way Campaign – 2008
UK College of Engineering Advisory Board – 2009