



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

RECEIVED

JUL 06 2010

PUBLIC SERVICE
COMMISSION

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

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

July 6, 2010

RE: *Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of An Acquisition of Ownership and Control of Utilities – Case No. 2010-00204*

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and twelve (12) copies of the Joint Responses 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 to the Initial Request for Information of the Attorney General dated June 23, 2010, in the above-reference matter.

Also, enclosed are an original and twelve (12) copies of a Petition for Confidential Protection for certain information requested in Attorney General's Question Nos. AG 1-1, AG 1-22, and AG 1-31 and Commission Staff's Question Nos. KPSC 1-2 and KPSC 1-22.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

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)	CASE NO.
COMPANY AND KENTUCKY UTILITIES)	2010-00204
COMPANY FOR APPROVAL OF AN ACQUISITION)	
OF OWNERSHIP AND CONTROL OF UTILITIES)	

JOINT RESPONSE 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
TO THE
ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED JUNE 23, 2010

FILED: July 6, 2010

VERIFICATION

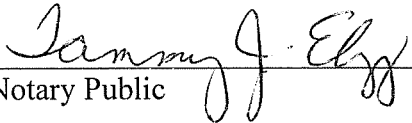
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 responses for which he is identified as the witness, and answers contained therein are true and correct to the best of his information, knowledge and belief.



LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2 day of July, 2010.



Notary Public (SEAL)

My Commission Expires:
November 9, 2010

VERIFICATION

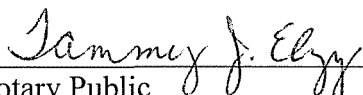
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of July, 2010.



Notary Public (SEAL)

My Commission Expires:
November 9, 2010

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF LEHIGH) SS:

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

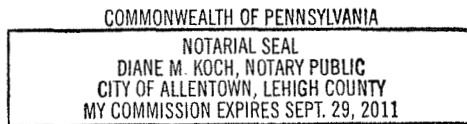
(Handwritten signature of Paul A. Farr)

PAUL A. FARR

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 1 day of July, 2010.

(Handwritten signature of Diane M. Koch)

Notary Public



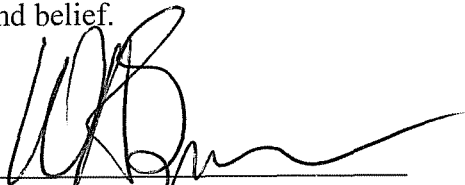
My Commission Expires:

9/29/2011

VERIFICATION

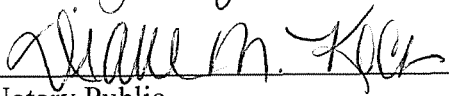
COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

WILLIAM H. SPENCE, being duly sworn, deposes and says that he has read the foregoing responses and exhibits and knows the matters contained therein; 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 for the above County and State, on this 1 day of July, 2010.



Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DIANE M KOCH, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES SEPT 10, 2011

My Commission Expires:
9/29/2011

VERIFICATION

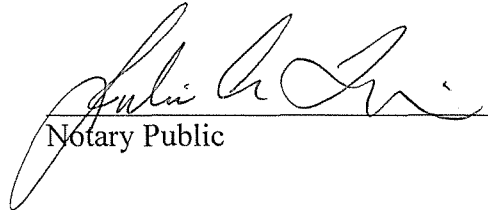
COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

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 responses for which he is identified as the witness, 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 2 day of July, 2010.



Notary Public (SEAL)

My Commission Expires:

March 29, 2014

VERIFICATION

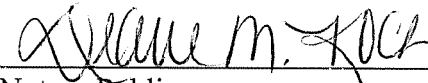
COMMONWEALTH OF PENNSYLVANIA)
) SS:
 COUNTY OF LEHIGH)

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



JAMES H. MILLER

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 1 day of July , 2010.



 Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DIANE M. KOCH, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES SEPT. 29, 2011

My Commission Expires:
 9/29/2011

VERIFICATION

STATE OF NEW YORK)
COUNTY OF New York) SS:

The undersigned, **Karl-Heinz Feldmann**, being duly sworn, deposes and says he is the General Counsel of E.ON AG, he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Karl-Heinz Feldmann
KARL-HEINZ FELDMANN

Subscribed and sworn to before me, a Notary Public in and for said State and County, this 30th day of June, 2010.

Nancy Rodriguez (SEAL)
Notary Public

My Commission Expires:

~~NANCY RODRIGUEZ
Notary Public, State of New York
No. 01RO4705524
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires March 30, 2011~~

VERIFICATION

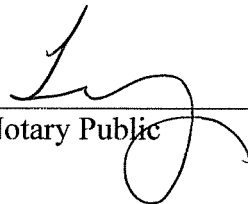
STATE OF COLORADO)
) SS:
COUNTY OF PITKIN)

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



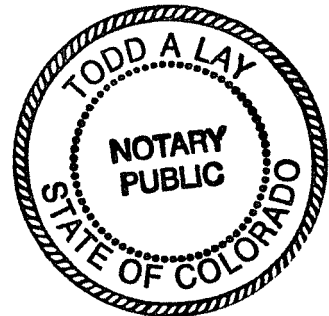
PAUL A. COOMES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2 day of JULY, 2010.



Notary Public (SEAL)

My Commission Expires:
1-25-2011



**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 1

**Responding Witness: S. Bradford Rives / Karl-Heinz Feldmann /
Paul A. Farr / William H. Spence**

- Q-1. Please provide all minutes of any meetings held whereat the acquisition was discussed: (a) between the shareholders and the company management; and (b) between the board of directors and the company management, of each of the Joint Applicants pertaining to the contemplated transaction. This request is meant to include, but not limited to, Board meetings of any of the joint applicants, meetings between joint applicants, meetings of any of the officers of any of the joint applicants, etc.
- A-1. The transaction did not require actions by the shareholders of PPL Corporation ("PPL") or E.ON AG, nor actions by the shareholders, members or boards of directors of E.ON U.S. LLC, LG&E or KU.

The proposed acquisition was authorized by PPL's Board of Directors and discussed at several of its meetings. The documents produced contain confidential and proprietary information and are being provided pursuant to a Petition for Confidential Protection. Attached are copies of minutes from several meetings of PPL's Board of Directors which contain discussions regarding the proposed acquisition, which has been given the project name "Atlantis." Please see attached. Minutes containing board discussions not relating to Project Atlantis have not been provided. Please see attached.

In addition, the minutes include confidential, market-sensitive, forward-looking financial information regarding PPL and its subsidiaries. PPL and its subsidiaries PPL Energy Supply, LLC and PPL Electric Utilities Corporation are SEC registrants with a large amount of publicly held securities. PPL has a large amount of common stock widely held by the public and actively traded on the New York Stock Exchange. Given the extreme market sensitivity and confidentiality of this financial information, which is not available to the general public and the investment community, PPL has not provided this portion of the minutes.

PPL's proposed offer to purchase the interests of E.ON U.S. LLC was authorized by E.ON AG's Supervisory Board meeting on April 27, 2010 and discussed in supervisory Board Calls on April 27 and 18, 2010. Minutes were not taken, but a resolution was adopted at the April 27, 2010 E.ON AG Supervisory Board meeting. Prior meetings concern the identities of persons and entities who participated in bidding and/or negotiating prior to the definitive PPL purchase agreement and E. ON AG's internal evaluations are not relevant to the Commission's inquiry in this matter. The document produced contains confidential and proprietary information and is being provided pursuant to a Petition for Confidential Protection and subject to the foregoing objection. Please see attached.

PPL's proposed offer to purchase the interests of E.ON U.S. LLC was also authorized on April 28, 2010 by E.ON US Investments Corp. through unanimous written consents dated the same day of its sole shareholder and Board of Directors. Please see attached.

Allentown, Pa., February 26, 2010

A meeting of the Executive Committee of the Board of Directors of PPL Corporation (the "Company") was held on Friday, February 26, 2010, at 9:00 a.m. by conference telephone call.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC,
LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES
COMPANY**

CASE NO. 2010-00204

Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010

Question No. 1

Answer A-1

CONFIDENTIAL

Allentown, Pa., March 26, 2010

The regular March meeting of the Directors of PPL Corporation ("Company") was held at the office of the Company, Two North Ninth Street, Allentown, Pennsylvania, on Friday, March 26, 2010 at 8:00 a.m.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC,
LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES
COMPANY**

CASE NO. 2010-00204

Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010

Question No. 1

Answer A-1

CONFIDENTIAL

Allentown, Pa., April 13, 2010

A special meeting of the Directors of PPL Corporation ("Company")
was held on Tuesday, April 13, 2010, at 3:30 p.m. by conference telephone call

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC,
LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES
COMPANY**

CASE NO. 2010-00204

Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010

Question No. 1

Answer A-1

CONFIDENTIAL

Allentown, Pa., April 23, 2010

A meeting of the Executive Committee of the Board of Directors of PPL Corporation (the "Company") was held on Friday, April 23, 2010, at 9:00 a.m. by conference telephone call.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC,
LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES
COMPANY**

CASE NO. 2010-00204

Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010

Question No. 1

Answer A-1

CONFIDENTIAL

Allentown, Pa., April 27, 2010

A special meeting of the Directors of PPL Corporation ("Company")
was held on Tuesday, April 27, 2010, at 7:15 p.m.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC,
LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES
COMPANY**

CASE NO. 2010-00204

Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010

Question No. 1

Answer A-1

CONFIDENTIAL

CONFIDENTIAL

Proposed Resolution:

The Supervisory Board of E.ON AG approves the sale of E.ON U.S. LLC to PPL Corporation, Allentown, Pennsylvania according to the terms outlined below.

1. Transaction Background

E.ON U.S., headquartered in Louisville, Kentucky, U.S.A., is a diversified Energy Services Company. E.ON U.S. owns and operates two subsidiaries: Louisville Gas and Electric Company (LG&E), a regulated utility that serves 318,000 natural gas customers and 390,000 electric customers in Louisville and 16 surrounding counties; and Kentucky Utilities Company (KU), a regulated power utility in Lexington that serves 518,000 customers in 77 Kentucky counties and five counties in Virginia.

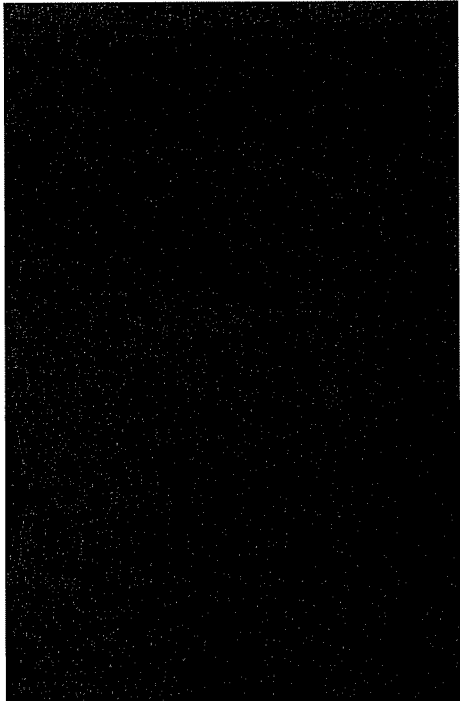
In preparation for a potential sale of E.ON U.S., we have increased the focus on the regulated core business and disposed of unregulated assets or reallocated them within the group. To this end, we have transferred E.ON U.S.'s stakes in two Argentine gas distribution companies to E.ON Spain at the end of 2009.

TOP X

Transactions requiring approval

- **Sale of E.ON U.S. LLC**

2. Strategic Rationale



**Proposal for a resolution to be adopted
by the Supervisory Board of E.ON AG**

April 27th, 2010

Feldmann
pgs 4

AG 1

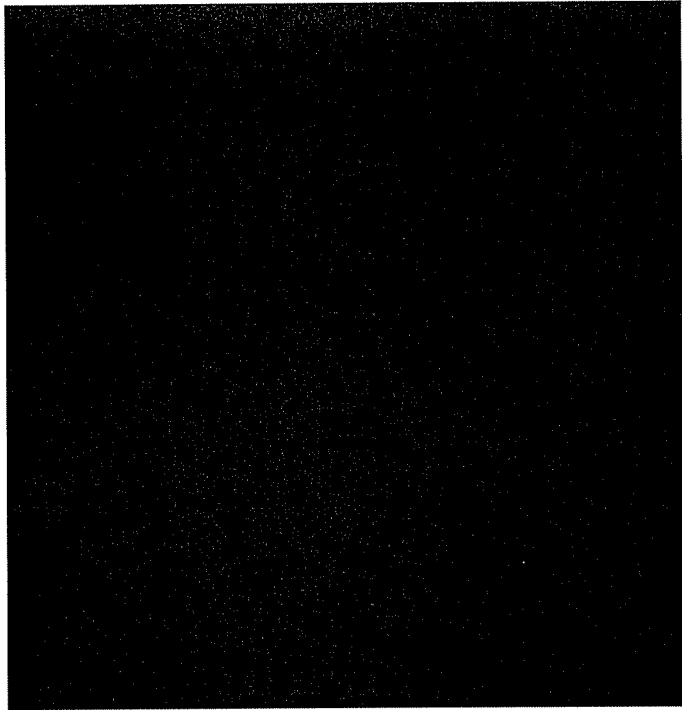
Public

Order

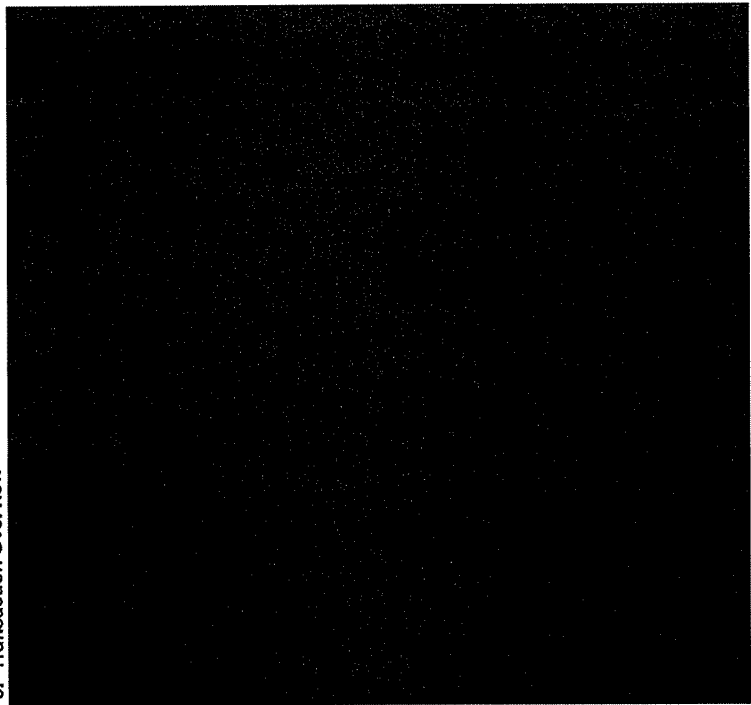
(2)



4. Purchase Price, Valuation and the Impact on the E.ON Group
Purchase Price and Valuation

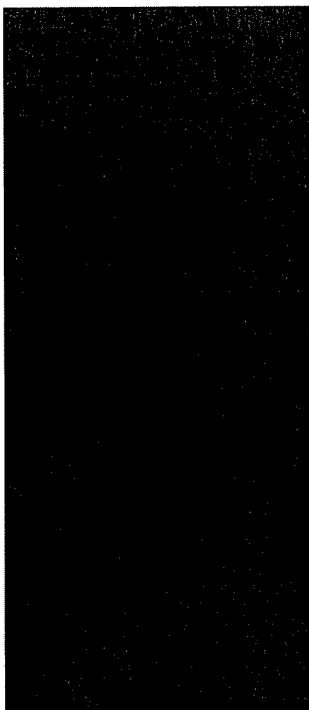


3. Transaction Overview

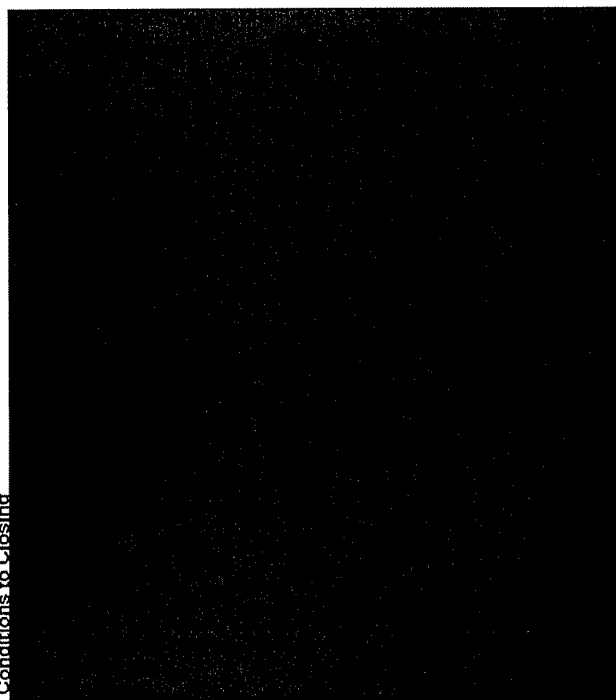


CONFIDENTIAL

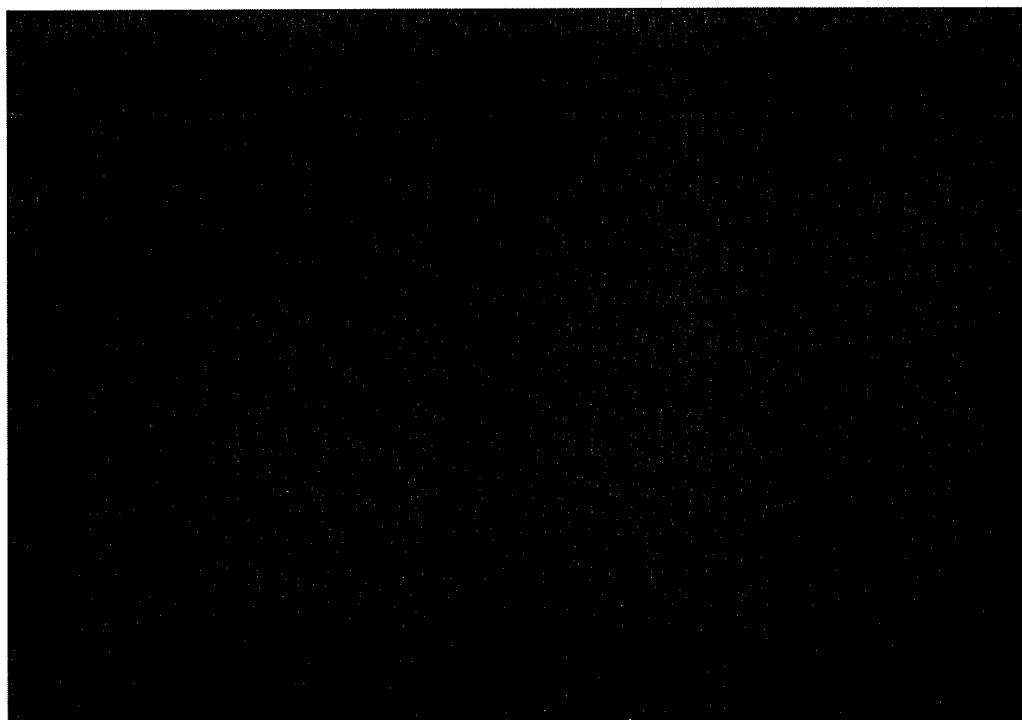
5. Financing of the Transaction



6. Material provisions
Conditions to Closing



- 6 -



- 5 -

[REDACTED]

Representations and warranties

[REDACTED]

7. Next steps

The following next steps are planned:

- Signing with PPL on 28.04.
- Announcement / Communication on 29.04.
- Application for regulatory approvals in May 2010
- Closing assumed at end of 2010

**ACTION OF THE BOARD OF DIRECTORS
OF
E.ON US INVESTMENTS CORP.
TAKEN BY UNANIMOUS WRITTEN CONSENT**

April 28, 2010

Pursuant to the provisions of Section 141 of the General Corporation Law of the State of Delaware, the Board of Directors of E.ON US Investments Corp., a Delaware corporation (the "Company"), hereby adopts the following resolutions in lieu of a meeting and consents to the corporate actions contemplated thereby:

APPOINTMENT OF OFFICERS

RESOLVED, that, in addition to the existing officers of the Company, each of the following persons be appointed to the office set forth below opposite his respective name to hold such office until the next annual meeting of the Board of Directors except as otherwise provided in the By-laws and to have all those duties and powers permitted by law, or by the Certificate of Incorporation or by the By-laws, or as otherwise appropriate:

Karl-Heinz Feldmann	Executive Vice President
Dr. Frank Possmeier	Executive Vice President

APPROVAL OF E.ON U.S. LLC SALE

WHEREAS, the Company desires to enter into a Purchase and Sale Agreement (the "Agreement") providing for the sale of all of the issued and outstanding limited liability company interests of E.ON U.S. LLC, a wholly-owned subsidiary of the Company, (the "Sale");

WHEREAS, the Board of Directors of the Company has reviewed the proposed Agreement among the Company, PPL Corporation, a Pennsylvania corporation, ("Purchaser") and E.ON AG ("Parent"), a German corporation; and

WHEREAS, the Board of Directors has considered matters relating to the Sale and deems it advisable and in the best interest of the Company and its affiliates to proceed with the Sale.

NOW, THEREFORE, BE IT:

RESOLVED, that the Board of Directors hereby determines that the Agreement and the Sale are fair to and in the best interests of the Company and hereby approves and adopts and declares advisable the Agreement in substantially the form presented to the Board of Directors and approves the transactions contemplated thereby, including the Sale, contemplated therein;


FURTHER RESOLVED, that each Executive Vice President of the Company individually be, and hereby is, authorized and empowered to execute and deliver, in the name of the Company and on its behalf, the Agreement, subject to such modifications or amendments thereto as such Executive Vice President shall approve as being necessary or appropriate, such approval to be conclusively evidenced by such Executive Vice President's execution thereof;

FURTHER RESOLVED, that the officers of the Company be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to take such additional lawful actions as such officer may deem necessary or advisable to consummate the transactions contemplated by the Agreement, including the Sale, including, without limitation, to sign, seal, execute, acknowledge, file, record and deliver all agreements, papers, instruments, documents and certificates and to pay all charges, fees, taxes and other expenses, from time to time necessary, desirable or appropriate to be done, signed, sealed, executed, acknowledged, filed, recorded, delivered or paid, under any applicable law or otherwise, in the name and on behalf of the Company necessary, advisable or appropriate to effectuate the purpose and intent of these resolutions or any of them, the Agreement and such other agreements and documents as may be executed by any officer pursuant to authorization granted in these resolutions or to carry out the transactions contemplated hereby and thereby;

RESOLVED FURTHER, that the officers of the Company be, and each of them acting alone hereby is, authorized to take, or cause the Company or any of its direct or indirect subsidiaries to take, any actions they deem necessary or appropriate in order to obtain all necessary permits, authorizations, orders and approvals under (i) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and (ii) any other applicable statutes or regulations, including federal, state, and foreign statutes or regulations, as may be required to carry out the transactions contemplated by the Agreement, including making all filings, providing all notices and obtaining all consents, waivers, licenses, registrations, permits, authorizations, tax rulings, orders and approvals; and

FURTHER RESOLVED, that all actions heretofore or hereinafter taken by any of the officers and directors of this Company in connection with, or with respect to, the matters referred to in the foregoing resolutions be and hereby are confirmed, ratified and approved in all respects.

WITNESS the signatures of the undersigned, who are all of the directors of E.ON
US Investments Corp. as of the date first written above.

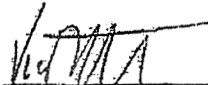


Dr. Wulf H Bernotat

Victor A. Staffieri

WITNESS the signatures of the undersigned, who are all of the directors of E.ON
US Investments Corp. as of the date first written above.

Dr. Wulf H Bernotat



Victor A. Staffieri

**ACTION OF THE SHAREHOLDERS
OF
E.ON US INVESTMENTS CORP.
TAKEN BY UNANIMOUS WRITTEN CONSENT**

April 28, 2010

The undersigned, being the sole stockholder of E.ON US Investments Corp., a Delaware corporation (the "Company"), does hereby adopt the following resolutions by written consent without a meeting in accordance with Section 228 of the General Corporation Law of the State of Delaware:

APPROVAL OF E.ON U.S. LLC SALE

WHEREAS, the Board of Directors of the Company has approved the sale of all of the issued and outstanding limited liability company interests of E.ON U.S. LLC (the "Sale") described in and subject to the terms of the Purchase and Sale Agreement (the "Agreement"), between the Company, PPL Corporation, a Pennsylvania corporation, and E.ON AG, a German corporation, and has declared advisable, approved and adopted the Agreement.

NOW, THEREFORE, BE IT:

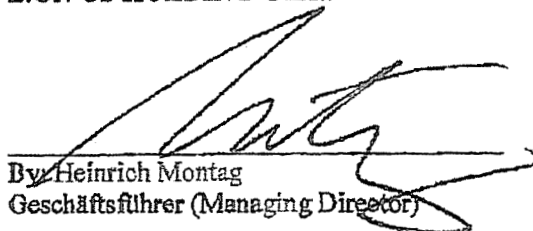
RESOLVED, that the Agreement and Sale be, and hereby is, in all respects authorized, approved and adopted.

RATIFICATION OF ACTS

RESOLVED, that any actions taken by any of the officers and directors of this Company since the last annual meeting of the Company's stockholder, which are within the authority conferred hereby, are hereby ratified, confirmed and approved.

WITNESS the signature of the undersigned, who is the sole stockholder of E.ON
US Investments Corp. as of the date first written above.

E.ON US HOLDING GmbH



By: Heinrich Montag
Geschäftsführer (Managing Director)

Michael Wilhelm
Geschäftsführer (Managing Director)

WITNESS the signature of the undersigned, who is the sole stockholder of E.ON
US Investments Corp. as of the date first written above.

E.ON US HOLDING GmbH

By: Heinrich Montag
Geschäftsführer (Managing Director)

A handwritten signature in black ink, appearing to read 'H. Montag', written over a horizontal line.

Michael Wilhelm
Geschäftsführer (Managing Director)

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 2

Responding Witness: Lonnie E. Bellar / Counsel

- Q-2. Please provide copies of any and all documentation between the joint applicants or amongst the joint applicants which discuss the application.
- A-2. Joint Applicants object to the question on grounds that the documents sought are protected by the attorney-client privilege and the work product doctrine. Discussions and documentation of discussions of Joint Applicants concerning the application in this case – an application which would be subject to litigation – were conducted and/or prepared in consultation with Joint Applicants' legal counsel. A response to this question would necessarily require the Joint Applicants to reveal the contents of communications with counsel and the mental impressions of counsel. The question is also overly broad, unduly burdensome, and vague and ambiguous, rendering it not susceptible to a reasonable response. Without waiving the objections above, please refer to the Joint Applicants' responses to the other 409 data requests, including subparts.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 3

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-3. Please provide copies of any reports, analyses or reviews of the cost of capital for KU after any approval of the application as conducted by any / each of the joint applicants.

- A-3. The only analysis of the cost of capital after the closing conducted by the joint applicants was the PV analysis that was attached to the original financing application. A copy of this analysis is attached.

Kentucky Utilities First Mortgage Bond Analysis

Impact on Cash Flow

EXISTING CAPITALIZATION

Fidelity Loans and Existing Bank Facilities

Date	Interest	Credit Facility Fees	L/C Fees	Taxes	Total Cash Outlay
12/31/2010					
2011 \$	71,758,950	\$ 24,500	\$ 1,386,000	\$ (28,462,916)	\$ 44,706,534
2012 \$	70,661,450	\$ 12,250	\$ 693,000	\$ (27,761,646)	\$ 43,605,054
2013 \$	67,288,950			\$ (26,175,402)	\$ 41,113,548
2014 \$	61,031,450			\$ (23,741,234)	\$ 37,290,216
2015 \$	55,581,450			\$ (21,621,184)	\$ 33,960,266
2016 \$	49,193,950			\$ (19,136,447)	\$ 30,057,503
2017 \$	43,541,450			\$ (16,937,624)	\$ 26,603,826
2018 \$	40,726,450			\$ (15,842,589)	\$ 24,883,861
2019 \$	29,547,700			\$ (11,494,055)	\$ 18,053,645
2020 \$	20,923,200			\$ (8,139,125)	\$ 12,784,075
2021 \$	20,923,200			\$ (7,552,571)	\$ 11,862,779
2022 \$	19,415,350			\$ (6,112,649)	\$ 9,601,101
2023 \$	15,713,750			\$ (5,259,280)	\$ 8,260,720
2024 \$	13,520,000			\$ (5,259,280)	\$ 8,260,720
2025 \$	13,520,000			\$ (5,259,280)	\$ 8,260,720
2026 \$	13,520,000			\$ (5,259,280)	\$ 8,260,720
2027 \$	13,520,000			\$ (5,259,280)	\$ 8,260,720
2028 \$	13,520,000			\$ (5,259,280)	\$ 8,260,720
2029 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2030 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2031 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2032 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2033 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2034 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2035 \$	7,560,000			\$ (2,940,840)	\$ 4,619,160
2036 \$	5,977,500			\$ (2,325,248)	\$ 3,652,253
2037 \$	2,197,500			\$ (854,828)	\$ 1,342,673
TOTAL	\$695,002,300			(\$271,178,921)	\$423,933,122

(1) Debt Amortization Expense includes issuing costs of new series.

(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

First Mortgage Bond Analysis

PROPOSED REFUNDING										PRESENT VALUE ANALYSIS		
FMB and New Bank Facilities										First Mortgage Bonds		
Interest	Debt Expense Amortization (L)	Credit Facility Fees	L/C Fees	Adm./Acc. Costs	Annual Issue Exp	Credit Facility Issuance	Issue Expenses	Taxes (Z)	Total Cash Outlay	SAVINGS from Refunding (Cost) or	Present Value Factor	Present Value SAVINGS
\$ 65,702,860	\$ 1,786,102	\$ 1,000,000	\$ 4,455,000	299,685	0	4,000,000	11,644,275	\$ -	\$15,644,275	\$ (15,644,275)	1.0000	\$15,644,275
\$ 64,546,110	\$ 1,796,652	\$ 500,000	\$ 2,227,500	310,951	316,500			\$ (28,491,779)	\$42,965,767	\$ 1,740,767	0.9700	\$1,688,544
\$ 61,075,860	\$ 1,796,652			319,979	316,500			\$ (26,989,292)	\$40,911,769	\$ 2,693,285	0.9408	\$2,533,854
\$ 55,292,110	\$ 1,807,202			331,779	316,500			\$ (24,581,879)	\$36,813,960	\$ 4,299,588	0.9094	\$3,910,124
\$ 50,665,110	\$ 807,202			341,357	316,500			\$ (22,340,694)	\$33,599,695	\$ 3,690,521	0.8781	\$3,240,755
\$ 44,881,360	\$ 817,752			353,723	316,500			\$ (17,914,533)	\$30,850,950	\$ 3,109,316	0.8461	\$2,630,653
\$ 40,254,360	\$ 817,752			363,884	316,500			\$ (16,118,602)	\$27,637,030	\$ 2,420,473	0.8215	\$1,988,341
\$ 37,940,860	\$ 828,302			376,851	316,500			\$ (15,227,799)	\$24,499,642	\$ 2,104,184	0.7973	\$1,677,761
\$ 29,071,110	\$ 828,302			387,632	316,500			\$ (11,781,660)	\$17,677,082	\$ 376,563	0.6992	\$263,304
\$ 19,969,210	\$ 838,852			401,235	316,500			\$ (8,250,417)	\$12,436,529	\$ 347,346	0.7119	\$247,422
\$ 19,969,210	\$ 241,913			412,673	316,500			\$ (8,022,656)	\$12,359,226	\$ 424,849	0.6881	\$292,350
\$ 18,470,105	\$ 252,463			426,953	316,500			\$ (7,449,164)	\$11,764,394	\$ 98,385	0.6651	\$65,439
\$ 14,849,625	\$ 252,463			439,086	316,500			\$ (6,045,517)	\$9,243,195	\$ 357,907	0.6429	\$230,103
\$ 12,728,250	\$ 263,013			454,084	316,500			\$ (5,230,240)	\$8,268,594	\$ (7,874)	0.6214	(\$4,893)
\$ 12,728,250	\$ 273,563			466,956	316,500			\$ (5,235,247)	\$7,959,959	\$ 300,761	0.6007	\$180,659
\$ 12,728,250	\$ 273,563			482,715	316,500			\$ (5,245,481)	\$8,281,984	\$ (21,264)	0.5806	(\$12,346)
\$ 12,728,250	\$ 284,113			496,372	316,500			\$ (5,250,794)	\$7,973,828	\$ 286,892	0.5612	\$161,006
\$ 7,071,250	\$ 284,113			512,938	316,500			\$ (5,261,342)	\$8,296,346	\$ (35,626)	0.4572	(\$16,288)
\$ 7,071,250	\$ 294,663			527,426	316,500			\$ (3,066,405)	\$4,532,271	\$ 86,889	0.5243	\$45,559
\$ 7,071,250	\$ 294,663			544,849	316,500			\$ (3,077,286)	\$4,855,312	\$ (236,152)	0.5068	(\$119,686)
\$ 7,071,250	\$ 305,213			560,219	316,500			\$ (3,083,265)	\$4,548,204	\$ 70,956	0.4899	\$34,760
\$ 7,071,250	\$ 305,213			578,551	316,500			\$ (3,094,500)	\$4,871,800	\$ (252,640)	0.4735	(\$119,629)
\$ 7,071,250	\$ 315,763			594,857	316,500			\$ (3,100,844)	\$4,565,264	\$ 53,896	0.4577	\$24,668
\$ 7,071,250	\$ 315,763			614,153	316,500			\$ (3,112,453)	\$4,889,449	\$ (270,289)	0.4424	(\$119,578)
\$ 7,071,250	\$ 315,763			631,452	316,500			\$ (3,119,183)	\$4,583,519	\$ 35,641	0.4276	\$15,241
\$ 5,657,000	\$ 326,313			651,771	316,500			\$ (2,581,048)	\$4,044,223	\$ (391,971)	0.4133	(\$162,017)
\$ 2,121,375	\$ 326,313			670,124				\$ (1,212,829)	\$1,578,670	\$ (235,998)	0.3995	(\$94,288)
\$643,606,265	\$16,996,886						\$11,644,275	(\$265,040,445)	\$419,059,349	\$6,879,779		\$4,034,091

Assumptions

Kentucky Utilities First Mortgage Bond Analysis

PROPOSED REFUNDING

5.051%

MISCELLANEOUS

Tax rate	38.900%
Inflation rate	3.00%
Discount rate	3.09%

	Debt Issuance Cost	Annual Amortization	Additional Annual Amortization
10-Year	\$ 2,116,944	\$ 211,694	
10-Year	\$ 3,852,444	\$ 385,244	
30-Year	\$ 4,141,194	\$ 138,040	\$ 10,550
30-Year	\$ 1,533,694	\$ 51,123	(Assumes 30yr Issuance)
Weighted Average Cost of Debt			
Loan #1	\$ 258,000,000	19.384%	4.627%
Loan #2	\$ 525,000,000	39.444%	1.825%
Loan #3	\$ 423,000,000	31.781%	5.657%
Loan #4	\$ 125,000,000	9.391%	0.531%
	\$ 1,331,000,000	100.000%	5.051%

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 4

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-4. Please provide copies of any reports, analyses or reviews of the cost of capital for LG&E after any approval of the application as conducted by any / each of the joint applicants.
- A-4. The only analysis of the cost of capital after the closing conducted by the joint applicants was the PV analysis that was attached to the original financing application. A copy of this analysis is attached.

Louisville Gas & Electric First Mortgage Bond Analysis

Impact on Cash Flow

EXISTING CAPITALIZATION

Fidelity Loans and Existing Bank Facilities

Date	Interest	Credit Facility Fees	Taxes	Total Cash Outlay
12/31/2010				
2011	\$ 26,641,800	\$ 84,000	\$(10,396,336)	\$16,329,464
2012	\$ 26,100,550	\$ 47,000	\$(10,169,452)	\$15,973,098
2013	\$ 23,284,300		\$(9,057,593)	\$14,226,707
2014	\$ 15,699,300		\$(6,107,028)	\$9,592,272
2015	\$ 15,699,300		\$(6,107,028)	\$9,592,272
2016	\$ 12,459,300		\$(4,846,668)	\$7,612,632
2017	\$ 12,459,300		\$(4,846,668)	\$7,612,632
2018	\$ 12,459,300		\$(4,846,668)	\$7,612,632
2019	\$ 10,906,800		\$(4,242,745)	\$6,664,055
2020	\$ 10,906,800		\$(4,242,745)	\$6,664,055
2021	\$ 10,906,800		\$(4,242,745)	\$6,664,055
2022	\$ 10,906,800		\$(4,242,745)	\$6,664,055
2023	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2024	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2025	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2026	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2027	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2028	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2029	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2030	\$ 8,218,400		\$(3,196,958)	\$5,021,442
2031	\$ 6,202,200		\$(2,412,656)	\$3,789,544
2032	\$ 4,186,000		\$(1,628,354)	\$2,557,646
2033	\$ 4,186,000		\$(1,628,354)	\$2,557,646
2034	\$ 4,186,000		\$(1,628,354)	\$2,557,646
2035	\$ 4,186,000		\$(1,628,354)	\$2,557,646
2036	\$ 4,186,000		\$(1,628,354)	\$2,557,646
2037	\$ 2,093,000		\$(814,177)	\$1,278,823
TOTAL	\$283,402,750		\$(3110,292,684)	\$173,236,066

(1) Debt Amortization Expense includes issuing costs of new series.

(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

First Mortgage Bond Analysis

PROPOSED REFUNDING

FMB and New Bank Facilities

PRESENT VALUE ANALYSIS

Interest	Debt Expense Amortization (1)	Credit Facility Fees	Adm./Acc. Costs	Annual Issue Exp	Credit Facility Issuance	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
\$ 23,779,950 \$	1,344,047 \$	1,000,000 \$	288,675	0	4,000,000	4,760,625	(10,274,579) \$	\$8,760,625	(8,760,625) \$	1.0000	(8,760,625)
\$ 23,201,575 \$	1,354,597 \$	500,000 \$	299,685	316,500			(9,863,438) \$	\$14,794,096	1,535,368 \$	0.9709	\$1,490,710
\$ 20,309,700 \$	1,354,597		308,451				(8,547,399) \$	\$14,454,332	1,518,766 \$	0.9426	\$1,431,576
\$ 13,369,200 \$	1,354,597		317,479				(5,851,056) \$	\$12,070,132	2,155,955 \$	0.9033	\$1,947,538
\$ 13,369,200 \$	365,147		329,279	316,500			(5,470,370) \$	\$8,544,228	1,756,649 \$	0.8836	\$1,552,197
\$ 10,798,200 \$	365,147		338,857				(4,474,337) \$	\$6,662,700	1,048,044 \$	0.8430	\$789,015
\$ 10,798,200 \$	365,147		348,723				(4,478,195) \$	\$6,668,728	943,905 \$	0.8053	\$760,127
\$ 10,798,200 \$	361,384		361,384	316,500			(4,487,224) \$	\$6,988,860	623,772 \$	0.7688	\$479,577
\$ 9,512,700 \$	375,697		371,851				(3,991,236) \$	\$5,892,315	770,740 \$	0.7570	\$583,441
\$ 9,512,700 \$	375,697		382,632				(3,995,430) \$	\$5,899,901	764,153 \$	0.7339	\$560,835
\$ 9,512,700 \$	174,216		396,235	316,500			(3,922,346) \$	\$6,303,090	360,965 \$	0.7116	\$256,853
\$ 9,512,700 \$	174,216		407,673				(3,924,795) \$	\$5,993,578	670,477 \$	0.6542	\$438,653
\$ 7,095,960 \$	184,766		419,453				(2,991,265) \$	\$4,524,147	497,295 \$	0.6689	\$332,633
\$ 7,095,960 \$	184,766		434,086	316,500			(3,001,062) \$	\$4,845,484	175,958 \$	0.6485	\$114,110
\$ 7,095,960 \$	184,766		446,584				(3,005,923) \$	\$4,536,620	484,822 \$	0.6288	\$304,834
\$ 7,095,960 \$	184,766		459,456				(3,010,931) \$	\$4,544,486	476,957 \$	0.6096	\$290,754
\$ 7,095,960 \$	195,316		475,215	316,500			(3,021,165) \$	\$4,866,510	154,932 \$	0.5910	\$91,570
\$ 7,095,960 \$	195,316		488,872				(3,026,477) \$	\$4,558,354	463,088 \$	0.5730	\$265,364
\$ 7,095,960 \$	205,866		502,938				(3,031,949) \$	\$4,566,949	454,494 \$	0.5556	\$252,506
\$ 5,347,680 \$	73,850		519,926	316,500			(3,042,661) \$	\$4,889,725	131,718 \$	0.5387	\$70,950
\$ 3,599,400 \$	84,400		534,849				(2,317,031) \$	\$3,565,497	224,047 \$	0.5222	\$117,007
\$ 3,599,400 \$	84,400		550,219				(1,642,929) \$	\$2,506,690	50,956 \$	0.5063	\$2,801
\$ 3,599,400 \$	84,400		568,551	316,500			(1,654,164) \$	\$2,830,286	(272,640) \$	0.4909	(\$133,843)
\$ 3,599,400 \$	84,400		584,857				(1,660,508) \$	\$2,524,750	33,896 \$	0.4760	\$16,133
\$ 3,599,400 \$	84,400		601,653				(1,667,041) \$	\$2,534,012	23,634 \$	0.4615	\$10,906
\$ 3,599,400 \$	94,950		621,452	316,500			(1,678,847) \$	\$2,858,505	(300,859) \$	0.4474	(\$134,606)
\$ 1,799,700 \$	94,950		639,271				(983,695) \$	\$1,453,276	(174,453) \$	0.4338	(\$75,674)
\$246,387,085	\$10,089,925		\$11,998,305	\$2,848,500			(\$105,020,398)	\$166,474,118	\$6,761,949		\$3,961,794

Assumptions
Louisville Gas & Electric First Mortgage Bond Analysis

PROPOSED REFUNDING

MISCELLANEOUS	4.903%
Tax rate	38.900%
Inflation rate	3.00%
Discount rate	3.00%

	Debt Issuance Cost	Annual Amortization	Additional Amortization
10-Year	\$ 2,120,313	\$ 212,031	\$ 10,550
20-Year	\$ 2,640,313	\$ 132,016	(Assumes 30yr Issuance)
Weighted Average Cost of Debt			
Loan #1	\$ 225,000,000	46.392%	2.147%
Loan #2	\$ 260,000,000	53.608%	2.757%
	\$ 485,000,000	100.000%	4.903%

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 5

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-5. Please provide copies of any reports, analyses or reviews of the credit profile for KU after any approval of the application as conducted by any / each of the joint applicants.

- A-5. Please see response to BREC 1-3.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 6

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-6. Please provide copies of any reports, analyses or reviews of the credit profile for LG&E after any approval of the application as conducted by any / each of the joint applicants.
- A-6. Please see response to BREC 1-3.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 7

Responding Witness: Lonnie E. Bellar

- Q-7. Please provide copies of any reports, analyses or reviews of the credit profile for E.ON after any approval of the application as conducted by any / each of the joint applicants.
- A-7. No reports, analyses, or reviews of E.ON's credit profile after any approval of the application were conducted by any of the joint applicants.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 8

Responding Witness: Lonnie E. Bellar

- Q-8. Please provide the total number of employees working in any and all of the joint applicants' customer service centers, regardless of location, dedicated to addressing inquiries and other needs of customers located in Kentucky. Please provide the total number of such employees as of the date of your response to this request, and an estimate for the number of such employees following the completion of the contemplated transaction.
- a. Please provide a copy of any existing agreement, whether a collective bargaining or otherwise, between both of the Joint Applicants and their respective union employees.
- A-8. There are currently 230 employees dedicated to addressing inquiries and other needs of customers located in Kentucky. Staffing levels are projected to stay the same or increase slightly at the time of completion of the contemplated transaction. These numbers include Management and supporting staff.
- a. These employees are not collective bargaining or otherwise and do not operate under an agreement with the Company. However, enclosed on the CD in the folder titled Question No. 8 are the Collective Bargaining Agreements for union employees with LG&E and KU.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 9

Responding Witness: Paul A. Farr

- Q-9. Please provide copies of any and all documents the Joint Applicants have filed with the Securities and Exchange Commission regarding the contemplated transaction, to the extent not already provided.
- A-9. Please see the enclosed CD in folder titled Question No. 9 for the following documents:
- Form 8-K dated June 28, 2010 – Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant (PPL announcing the completion of its Common Stock Offering and Equity Unit Offering)
 - Form 8-K dated June 22, 2010 – Entry into a Definitive Agreement (PPL entering into that certain Underwriting Agreement with Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Credit Suisse Securities (USA) LLC and various other underwriters)
 - Form 8-K dated June 21, 2010 – Entry into a Definitive Agreement (PPL, PPL Energy Supply, LLC, PPL Electric Utilities Corporation entering into that certain Escrow Agreement with Wells Fargo and the Lenders as defined therein)
 - Form 8-K dated June 21, 2010 – Filing of Financial Statements (Audited) Consolidated Financial Statements as of and for the Years Ended December 31, 2009 and 2008, (Unaudited) Condensed Consolidated Financial Statements as of March 31, 2010 and December 31, 2009, and for the three months ended March 31, 2010 and 2009
 - Form 424(B)(5) – Supplement to Prospectus dated March 25, 2009 (20,000,000 Corporate Units)

- Form 424(B)(5) – Supplement to Prospectus dated March 25, 2009 (90,000,000 Shares of Common Stock)
- Rule 433 FWP (Free Writing Prospectus) – PPL Common Stock and PPL Corporate Units Combined
- Form 424(B)(5) – Preliminary Prospectus Supplement (20,000,000 Corporate Units)
- Form 424(B)(5) – Preliminary Prospectus Supplement (90,000,000 Shares of Common Stock)
- Form 8-K dated June 9, 2010 – Entry into a Material Definitive Agreement and Regulation FD Disclosure (PPL entering into that certain \$6,500,000,000 Senior Bridge Term Loan Credit Agreement dated as of June 9, 2010)
- Form 10-Q filed May 6, 2010 – Quarterly Report for the Quarter Ended March 31, 2010
- Form 8-K dated April 28, 2010 – Entry into a Material Definitive Agreement (Purchase and Sale Agreement dated as of April 28, 2010 by and among E.ON US Investments Corp., PPL Corporation, and E.ON AG.

PPL will continue to provide the Kentucky Public Service Commission (“PSC”) a copy of its annual reports and quarterly interim reports on Form 10-K and Form 10-Q as filed with the Securities and Exchange Commission (“SEC”) (Regulatory Commitment No. 21).

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 10

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-10. Please state whether the Joint Applicants will agree to make available for inspection copies of any and all documents they have filed with any and all other regulatory bodies, whether state or federal, regarding the contemplated transaction.
- A-10. Upon request, the Joint Applicants will make available for inspection and copying the documents filed with other state and federal regulatory agencies. Some documents are confidential, and, if requested, such confidential documents would be filed with the Commission under a Petition for Confidential Treatment. Copies of the filings that have been made in Tennessee, Virginia and FERC have already been provided.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 11

Responding Witness: S. Bradford Rives / William H. Spence

- Q-11. Please provide copies of any and all reports and other documents identifying synergies expected to result from the contemplated transaction.
- a. Separately identify any synergies affecting the Joint Applicants' Kentucky-based operations;
 - b. State whether any synergy savings will be shared with the Joint Applicants' customers, and if so, whether this includes Kentucky customers, and how much.
- A-11. a. Please see the response to KPSC 1-18.
- b. Please see the response to KPSC 1-18.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 12

Responding Witness: S. Bradford Rives / William H. Spence

- Q-12. Please provide copies of any and all reports and other documents identifying economies of scale or scope expected to result from the contemplated transaction.
- a. Identify any economies of scope or scale affecting the Joint Applicants' Kentucky-based operations;
 - b. State whether any savings related to economies of scale or scope will be shared with the Joint Applicants' customers, and if so, how much.
- A-12. Please see the response to KPSC 1-18.
- a. Please see the response to KPSC 1-18.
 - b. Please see the response to KPSC 1-18.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 13

Responding Witness: S. Bradford Rives

- Q-13. Please state whether any of the PPL Kentucky, LG&E or KU executive management, and members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the electric or gas industry other than the Joint Applicants, and if so, identify them by name and by type of interest.
- A-13. None of the LG&E or KU executive management or members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the electric or gas industry other than the Joint Applicants, with the exception of Paul W. Thompson, Senior Vice President – Energy Services. Mr. Thompson is a board member of Electric Energy, Inc., Ohio Valley Electric Corporation and FutureGen. This information does not include memberships in industry associations or trade groups.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 14

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-14. Please identify, in detail, any and all tax savings the Joint Applicants expect to result from the contemplated transaction, and provide any relevant quantifications.
- A-14. The Joint Applicants do not expect any tax savings to result from the proposed acquisition of E.ON U.S. LLC by PPL Corporation.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 15

Responding Witness: S. Bradford Rives / Paul A. Farr

Q-15. Please state whether E.ON U.S., LG&E or KU currently have any deferred tax accounts on their balance sheets. If "yes," please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance.

a. For each deferred tax balance identified above, please state what impact the contemplated transaction will have on the account (e.g., will the contemplated transaction result in a loss of any deferred tax credits?).

A-15. E.ON U.S., LG&E and KU all currently have deferred tax accounts on their balance sheets. See attached exhibit.

a. LG&E is expected to recognize \$46 million of deferred intercompany gains from the 2008 and 2009 sales of certain Trimble County Unit 1 assets to KU. Tax gains of \$10 million and \$42 million initially resulted from these sales, however due to the intercompany nature of the sales, gains were allowed to be deferred within the consolidated tax filing group and are being amortized over the depreciable tax life of the underlying assets. As a result, KU will continue to benefit from the higher tax depreciation basis resulting from their purchases, however, LG&E will be required to recognize its unamortized gain upon termination of the EON US Investment Corp. consolidated tax filing group.

The contemplated transaction will generally not have an impact on any of the companies' other deferred income tax accounts.

GL Deferred Tax Account Balances by Company Period Name : 'DEC-2009'

Period:DEC-2009

Account	Account Description	LGE	KU	E.ON US
190007	FASB 109 ADJUSTMENT-FEDERAL	8,950,218	(4,176)	
190008	FASB 109 GROSS-UP-FEDERAL	13,365,849	7,372,183	
190009	FASB 109 ADJUSTMENT-STATE	1,632,259	(762)	
190010	FASB 109 GROSS-UP-STATE	2,437,542	1,344,471	
190307	DTA ON INVENTORIES	1,197,545		
190308	DTA ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVES) - CURRENT	740,507	619,488	(46,960)
190311	DTA ON OTHER RECEIVABLES FROM DERIVATIVES - CURRENT	371,215	397,250	
190316	DTA ON PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS - CURRENT	148,881	42,942	
190318	DTA ON LIABILITIES (EXCLUDING DERIVATIVES) - CURRENT	2,736,761	2,161,853	98,700
190403	DTA ON FIXED ASSETS		69,494	1,383,818
190408	DTA ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVES)	13,114,514	10,694,800	732,741
190410	DTA ON OTHER RECEIVABLES FROM DERIVATIVES FINANCIAL INSTRUMENTS	5,629,489	-	
190411	DTA ON OTHER RECEIVABLES FROM DERIVATIVES - NON-CURRENT	2,807,326		
190416	DTA ON PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	(1,615,201)	14,546,400	(1,026,060)
190418	DTA ON LIABILITIES (EXCLUDING DERIVATIVES)	1,948,812	1,299,901	-
190422	DTA ON LOSSES CARRIED FORWARD			7,487,741
190423	DTA ON TAX CREDITS			141,879,090
190507	DTA ON INVENTORIES - STATE	218,397		
190508	DTA ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVES) - STATE	135,047	112,977	134,171
190511	DTA ON OTHER RECEIVABLES FROM DERIVATIVES - STATE - CURRENT	67,699	72,447	
190516	DTA ON PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS - STATE	27,152	7,831	
190518	DTA ON LIABILITIES (EXCLUDING DERIVATIVES) - STATE	499,105	394,259	18,000
190603	DTA ON FIXED ASSETS - STATE (NON-CURRENT)		12,674	152,859
190608	DTA ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVES) - STATE (NON-CURRENT)	2,390,387	1,950,420	
190610	DTA ON OTHER RECEIVABLES FROM DERIVATIVES FINANCIAL INSTRUMENTS - STATE (NON-CURRENT)	1,026,654		
190611	DTA ON OTHER RECEIVABLES FROM DERIVATIVES - STATE - NON-CURRENT	511,974		
190616	DTA ON PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS - STATE (NON-CURRENT)	(294,565)	2,652,839	(187,123)
190618	DTA ON LIABILITIES (EXCLUDING DERIVATIVES) - STATE (NON-CURRENT)	219,561	214,440	-
190622	DTA ON LOSSES CARRIED FORWARD - STATE (NON-CURRENT)			1,697,555
282007	FASB 109 ADJUSTMENT-FEDERAL PROPERTY	(706,368)	(2,512,032)	
282009	FASB 109 ADJUSTMENT-STATE PROPERTY	14,944,377	8,104,144	
282603	DTL ON FIXED ASSETS	(328,120,450)	(260,277,569)	-
282703	DTL ON FIXED ASSETS - STATE (NON-CURRENT)	(68,993,469)	(48,425,517)	-
283011	FASB 109 GROSS-UP-FEDERAL-OTHER	-	(4,363,704)	
283012	FASB 109 GROSS-UP-STATE-OTHER	-	(795,812)	
283408	DTL ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVE)	(1,372)	(341,066)	
283413	DTL ON PREPAID EXPENSES	(1,691,235)		
283506	DTL ON OTHER FINANCIAL ASSETS (LOANS, SECURITIES, OTHER)	(7,606,261)	(4,271,900)	
283508	DTL ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVE)	(28,207,502)	(49,638,896)	(2,858,681)
283514	DTL ON PROVISIONS FOR PENSIONS - OCI - FEDERAL (NON-CURRENT)			1,306,901
283516	DTL ON PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	-	-	(705,340)
283618	DTL ON LIABILITIES (EXCLUDING DERIVATIVES)	(235,122)	(756,602)	(2,312,049)
283619	DTL ON LIABILITIES - EEI - FEDERAL (NON-CURRENT)		(3,510,880)	
283608	DTL ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVE) - STATE	(250)	(62,201)	
283613	DTL ON PREPAID EXPENSES - STATE	(308,432)		
283706	DTL ON OTHER FINANCIAL ASSETS (LOANS, SECURITIES, OTHER) - STATE (NON-CURRENT)	(1,387,160)	(779,070)	
283708	DTL ON RECEIVABLES AND OTHER ASSETS (NON DERIVATIVE) - STATE (NON-CURRENT)	(5,144,225)	(9,052,686)	(521,340)
283714	DTL ON PROVISIONS FOR PENSIONS - OCI - STATE (NON-CURRENT)			238,341
283715	DTL ON PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS - STATE (NON-CURRENT)			(129,109)
283718	DTL ON LIABILITIES (EXCLUDING DERIVATIVES) - STATE (NON-CURRENT)	(893)	173	(25,463)
283719	DTL ON LIABILITIES - EEI - STATE (NON-CURRENT)		(640,282)	
Sum		(369,191,236)	(333,362,172)	147,317,793

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 16

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-16. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the dollar value thereof.
- A-16. While there may be bonuses and/or retention payments made as a result of the transaction, the Companies have not yet made a determination as to who will receive them. Please also see response to KIUC 1-10.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 17

Responding Witness: S. Bradford Rives / Paul A. Farr / William H. Spence

- Q-17. Do the Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost the post-transaction structure (e.g., systems integration, etc.)? If not, please identify the categories and provide a definition. Regardless of the answer, please provide the following:
- a. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective shareholders, and those costs that are allocated to or the responsibility of their respective ratepayers, if any. Include any allocation methodologies.
 - b. For the costs-to-achieve cost the post-transaction structure, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective shareholders, and those costs that are allocated to or the responsibility of their respective ratepayers, if any. Include any allocation methodologies.
 - c. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective non-regulated operations. Include any allocation methodologies.
 - d. For the costs-to-achieve cost the post-transaction structure, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective regulated operations. Include any allocation methodologies.
 - e. Do the Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?

- f. Do the Joint Applicants consider the reduction of tax liability or the obtainment of tax benefits as cost savings?
 - g. Do the Joint Applicants consider the reduction of a company's or unit's operating loss a cost savings?
 - h. Please supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)
 - i. For the schedule requested under sub-part h (the prior question), please identify by year for as many years as your projections provide the following:
 - (1) the assignment of costs to each of the Joint Applicants' shareholders;
 - (2) the assignment of costs to each of the Joint Applicants' ratepayers, if any; and
 - (3) the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Joint Applicants.
 - j. Please supply an itemized schedule that shows the costs-to-achieve the cost post-transaction structure by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)
 - k. For the schedule requested under sub-part j (the prior question), please identify by year for as many years as your projections provide the following:
 - (1) the assignment of costs to each of the Joint Applicants' shareholders;
 - (2) the assignment of costs to each of the Joint Applicants' ratepayers, if any; and
 - (3) the breakdown of the assignment of costs between regulated and non-regulated operations.
- A-17. Joint Applicants object to the question and its many subparts on the grounds that they are irrelevant and that any attempt to answer them requires the acceptance of a premise that is unreasonable and contrary to long-standing regulatory policy and law. First, the premise of the question, an artificial categorization of alleged transaction costs, and costs-to-achieve cost the post-transaction structure, have no relevance to the case. Joint Applicants do not accept the proposed definition in the request for information of “costs-to-achieve cost the post-transaction structure (e.g., systems integration, etc.)” as reflecting a reasonable category or form of

additional costs incurred in connection with the transaction. Before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers.

Without waiving the objection, Joint Applicants state that [1] as stated at page 21 of the Application, PPL Kentucky, LG&E and KU, and their ratepayers, will not, either directly or indirectly, incur any additional costs in connection with the transaction; and [2] to the extent that the Attorney General's definition of one category – "costs-to-achieve cost the post-transaction structure" – refers to expenses of reorganizing or restructuring the utilities, Joint Applicants reiterate that, as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level and therefore no cost to achieve any change in that structure. To the extent that the Attorney General's "costs-to-achieve cost the post-transaction structure" refers to other reasonable and prudent costs of providing service, before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers without regard to the identity of the specific shareholder. The costs of refinancing which are expected to be more than offset by lower interest rates represent costs incurred to achieve cost-effective refinancing. LG&E and KU have issued secured first mortgage bonds in the past and can do so regardless of the specific identify of the shareholder. Likewise reasonable and prudent costs associated with costs such as information technology will be incurred regardless of specific shareholder ownership and are recoverable as part of the cost of providing service to customers.

- a. Costs incurred in connection with the transaction are identified and assigned to either E.ON AG or E.ON U.S. or E.ON US Capital Corp.
- b. To the extent that the Attorney General's definition of one category – "costs-to-achieve cost the post-transaction structure" – refers to expenses of reorganizing or restructuring the utilities, Joint Applicants reiterate that, as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level and therefore no cost to achieve any change in that structure.
- c. Costs associated with the transaction are identified and assigned to either E.ON AG or E.ON U.S. or E.ON U.S. Capital Corp. Costs associated with the transaction are not assigned to the non-regulated operations of E.ON U.S.
- d. To the extent that the Attorney General's definition of one category – "costs-to-achieve cost the post-transaction structure" – refers to expenses of reorganizing or restructuring the utilities, Joint Applicants reiterate that, as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level and therefore no cost to achieve any change in that structure.

- e. Yes. Please see the response to Question No. 17(a) above. As stated at page 21 of the Application, PPL Kentucky, LG&E and KU, and their ratepayers, will not, either directly or indirectly, incur any additional costs in connection with the transaction.
- f. The Joint Application does not propose any changes in the tax liability or the tax positions of KU and LGE.
- g. The Joint Application does not identify any change in the operating loss for KU or LG&E.
- h. The transaction is expected to close by the end of this year. The requested information is not available in the form requested.
- i. Costs associated with the transaction are identified and assigned to either E.ON AG or E.ON U.S. or E.ON U.S Capital Corp. Costs associated with the transaction are not assigned to KU or LG&E.
- j. To the extent that the Attorney General's definition of one category – "costs-to-achieve cost the post-transaction structure" – refers to expenses of reorganizing or restructuring the utilities, Joint Applicants reiterate that, as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level and therefore no cost to achieve any change in that structure.
- k. To the extent that the Attorney General's definition of one category – "costs-to-achieve cost the post-transaction structure" – refers to expenses of reorganizing or restructuring the utilities, Joint Applicants reiterate that, as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level and therefore no cost to achieve any change in that structure.

As discussed above, Joint Applicants do not accept the proposed definition in the request for information of "costs-to-achieve cost the post-transaction structure (e.g., systems integration, etc." as reflecting a reasonable category or form of additional costs incurred in connection with the transaction. Before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 18

Responding Witness: S. Bradford Rives

- Q-18. For the schedule requested under sub-part k. (the prior question), please identify by year for as many years as your projections provide the following:
- a. the assignment of costs to each of the Joint Applicants' shareholders;
 - b. the assignment of costs to each of the Joint Applicants' ratepayers; and
 - c. the breakdown of the assignment of costs between regulated and non-regulated operations.
- A-18. Please see the response to Question No. 17. Without waiving the objection stated therein, Joint Applicants state that as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level; and, as stated at page 21 of the Application, PPL Kentucky, LG&E and KU, and their ratepayers, will not, directly or indirectly, incur any additional costs in connection with the transaction. Before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 19

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-19. For each category of costs to achieve the post transaction structure, did both of the Joint Applicants determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did the Joint Applicants determine the amount of total staffing cost savings to allocate to regulated operations and the amount to allocate to non-regulated operations?
- A-19. Please see the response to Question No. 17. Without waiving the objection stated therein, Joint Applicants state that as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level; and, as stated at page 21 of the Application, PPL Kentucky, LG&E and KU, and their ratepayers, will not, directly or indirectly, incur any additional costs in connection with the transaction. Before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 20

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-20. For each category of costs to achieve the post transaction structure, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.
- A-20. Please see the response to Question No. 17. Without waiving the objection stated therein, Joint Applicants state that as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level; and, as stated at page 21 of the Application, PPL Kentucky, LG&E and KU, and their ratepayers, will not, directly or indirectly, incur any additional costs in connection with the transaction. Before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 21

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-21. For each category of costs to achieve the post transaction structure, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.
- A-21. Please see the response to Question No. 17. Without waiving the objection stated therein, Joint Applicants state that as it is E.ON U.S., the parent of LG&E and KU, that will be transferred, there will be no change to the corporate structure on the LG&E and KU level; and, as stated at page 21 of the Application, PPL Kentucky, LG&E and KU, and their ratepayers, will not, directly or indirectly, incur any additional costs in connection with the transaction. Before and after the transaction, the utilities are entitled to recover their prudently incurred, reasonable costs of providing service to their customers.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 22

Responding Witness: Paul A. Farr / William H. Spence / Counsel

- Q-22. Please provide a copy of any and all due diligence report(s) conducted.
- A-22. In the process of evaluating and analyzing the proposed acquisition, PPL retained outside counsel to assist with its diligence review and prepare various reports. The reports and related documents prepared by outside counsel contain legal advice and conclusions the Joint Applicants consider to be attorney-client privileged communications and/or attorney work product. The Joint Applicants therefore object to the request made in this data request. The Joint Applicants will provide a privilege log no later than July 9, 2010. PPL also obtained a report regarding due diligence from a consultant. A copy of this report is provided with this response under a Petition for Confidential Protection.

Project Atlantis: Draft Financial Due Diligence Report

April 13, 2010

Reliance Restricted

Draft

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

Joint Response to First Data Request of Attorney General
Dated June 23, 2010

Question No. 22

Answer A-22

CONFIDENTIAL

ERNST & YOUNG

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 23

Responding Witness: Paul A. Farr / William H. Spence

- Q-23. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on their customers? If yes, please identify same and provide the associated documents.
- A-23. Without waiving any objection made above in response to Question No. 22, the Joint Applicants did not identify any facts or circumstances in the course of conducting PPL's due diligence review that would have a material adverse effect on the customers of LG&E and KU.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 24

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-24. Will the contemplated transaction result in any changes in accounting principles for either of the Joint Applicants or any of their subsidiaries or affiliates? If yes, please summarize the change(s).
- A-24. Both PPL and E.ON U.S. follow the FERC Uniform System of Accounts and no changes in accounting principles are planned as a result of the transactions.

Please see responses to Question No. 86 and KIUC 1-9.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 25

Responding Witness: S. Bradford Rives / William H. Spence

- Q-25. Do the Joint Applicants anticipate any substantive changes in any existing contracts of the Joint Applicants with other vendors (e.g., engineering, information technology, maintenance, etc.)? If so, please summarize the changes.
- A-25. There are current efforts underway to ensure that KU, LG&E and E.ON U.S. are able to continue to operate effectively upon closing of the transaction. Although no substantive contract changes have been identified for certain at this point, it is likely that there will be changes to, for example, the replacement of IT licenses and insurance previously contracted through E.ON. The impact of such changes cannot be quantified until such time as replacement contracts have been put in place. However, such effects would be included in the formal analysis to be filed within 60 days of closing pursuant to Regulatory Commitment No. 39 contained in Exhibit B to the Purchase and Sale Agreement dated as of April 28, 2010 (the "PSA") between PPL and E.ON US Investments Corp.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 26

Responding Witness: S. Bradford Rives / William H. Spence

- Q-26. Do the Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Joint Applicants will enter into said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, stockholders, officers, contractors, consultants, or directors?
- A-26. See response to Question No. 25. At this time, no new contracts are anticipated with affiliates of the Joint Applicants as a consequence of the contemplated transaction. LG&E and KU will, however, continue to comply with all applicable statutes and regulations regarding affiliate transactions, including the timely filing of applications and reports. Additionally, the current contracting, compliance and business ethics policies and procedures of E.ON U.S. will remain in place and control the business decisions on contracting with employees, stockholders, officers, contractors, consultants, or directors.

Notwithstanding the above, the Joint Applicants anticipate entering into certain new contracts to replace those currently in place with E.ON AG, E.ON U.S., LG&E and KU, such as intercompany credit or loan agreements with Fidelia Corporation and others listed on Company Disclosure Schedule Section 3.3. Several insurance policies for E.ON U.S., including Directors & Officers Liability, Employment Practices Liability, and Fiduciary and Employee Benefit Liability, are provided for under policies carried by E.ON AG. These coverages will be extended under PPL corporate policies with no substantive change in coverage. Public liability insurance contracts issued in the name of E.ON U.S. will be cancelled on the closing date of the transaction and coverage for the current operating companies of E.ON U.S. will be included in those policies written for PPL. The insurers are the same for both E.ON U.S. and PPL so there will be no substantive change in coverage. There are also certain information technology arrangements that will need to be replaced upon the closing date, as listed on Company Disclosure Schedule Section 3.3, because access is currently provided by licensee or contractual arrangements through E.ON AG or its affiliates.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 27

Responding Witness: Lonnie E. Bellar

- Q-27. Provide the name and position of the person(s) who prepared each Exhibit to the application filing materials.
- A-27. The exhibits to the application were assembled under Lonnie E. Bellar's supervision and direction.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 28

Responding Witness: Lonnie E. Bellar / Paul A. Farr

- Q-28. Please provide a copy of any and all materials, including but not limited to transcripts of presentations, recordings or notes of presentations, or other information, regarding any and all financial analyses concerning the transaction.
- A-28. The request is overly broad and unduly burdensome. Without waiver of this objection, please see response to KPSC 1-2.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 29

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-29. Please state whether any of the Joint Applicants' subsidiaries or affiliates located in Kentucky, or any other state, will as a condition of the contemplated transaction be required to guarantee the debt of any other subsidiary, affiliate, or holding company of the Joint Applicants. If "yes," please provide complete details.
- a. If "yes," are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree, different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.
- A-29. None of the subsidiaries or affiliates located in Kentucky, or any other state, will be required to guarantee the debt of any other subsidiary, affiliate, or holding company of the Joint Applicants.
- a. Not applicable.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 30

Responding Witness: S. Bradford Rives / William H. Spence

- Q-30. Please state whether any of the Joint Applicants' subsidiaries or affiliates located in Kentucky, or any other state, will as a condition of the contemplated transaction be required to grant liens against their own assets in favor of any lender(s) providing financing or any portion of financing necessary for the contemplated merger to occur. If "yes," please provide complete details.
- a. If "yes," are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree, different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.
- A-30. a. LG&E and KU are planning to issue first mortgage bonds which will require the companies to grant the lenders a lien against the assets of the respective company. The proceeds of the first mortgage bond issuance will effectively replace the existing debt the utilities have issued to Fidelity. The liens granted by each utility will benefit only the lenders providing funds to that utility. This structure ensures the utilities will be paying the lowest costs and is the same structure used by the utilities for many years prior to the acquisition by E.ON. A form of the proposed indenture was attached to the financing application of each utility.

No other company affiliated with Joint Applicants located in Kentucky is expected to grant liens on their assets.

The use of first mortgage bonds by the utilities is the same structure utilized by PPL's other regulated utilities located in the U.S.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 31

Responding Witness: S. Bradford Rives / William H. Spence

- Q-31. Please provide a complete copy of any filings associated with the contemplated merger made pursuant to the Hart-Scott-Rodino Antitrust Improvements Acts of 1976 (15 U.S.C.A. § 18a; together with regulations promulgated thereunder at 16 CFR §§ 801-803) (hereinafter jointly referred to as "the Act").
- a. In the event the U.S. Department of Justice Antitrust Division determines that further inquiry is necessary and pursuant to the Act issues a second request for documents to the Joint Applicants, will the Joint Applicants agree to supply the PSC and the Kentucky Attorney General's Office with copies of any documents produced in response to such a request, regardless of when the Joint Applicants make their (its) response?
- A-31. When the premerger notification filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR") are filed with the Department of Justice or Federal Trade Commission, copies will be filed with the Commission under a Petition for Confidential Protection. The HSR filing contains confidential and proprietary commercial information related directly to issues of competition, and public disclosure of these materials would cause the Joint Applicants harm. Further, 15 U.S.C. § 18(a)(h) states in relevant part: "Disclosure exemption. Any information or documentary material filed with the Assistant Attorney General or the Federal Trade Commission pursuant to this section shall be exempt from disclosure under section 552 of title 5, United States Code, and no such information or documentary material may be made public, except as may be relevant to any administrative or judicial action or proceeding."
- a. The Joint Applicants do not believe that the proposed acquisition implicates any provision of the antitrust laws, and therefore does not anticipate any data requests from the Department of Justice or Federal Trade Commission. In the event that one or both of those agencies issues data requests, the Joint Applicants will file any responses and documents with the Commission under a Petition for Confidential Treatment.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 32

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-32. Please provide the current bond rating for each of the Joint Applicants' together with any projected bond ratings, issued by the three major bond rating agencies.
- A-32. On April 28, 2010 Standard & Poor's issued a release stating PPL's credit rating would remain at BBB and Moody's issued a release downgrading PPL's Issuer Rating to Baa3 from Baa2. Standard & Poor's placed PPL's rating on credit watch with positive implications on April 28. On April 29, 2010 Fitch issued a release affirming PPL's BBB Issuer Default Rating.

On May 11, 2010 Standard & Poor's issued a release affirming E.ON AG's rating of A and on April 30, 2010 Moody's issued a comment indicating their rating for E.ON AG would remain unchanged at A2.

On April 28, 2010 Standard & Poor's affirmed its BBB+ credit ratings of E.ON U.S., LG&E, and KU. On April 29, 2010 Moody's issued a release placing the A3 Issuer Rating of E.ON U.S. and the A2 ratings of LG&E and KU under review for possible downgrades. The release states "Moody's anticipates downgrading the Issuer Rating of E.ON U.S. most likely to Baa2 upon the closing of the sale to PPL."

E.ON AG and its subsidiaries are not rated by Fitch.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 33

Responding Witness: S. Bradford Rives

- Q-33. Will the contemplated merger have an impact on the ability of the PPL Kentucky to obtain capital? Describe in detail.
- A-33. The proposed transaction will not impact the ability of PPL Kentucky to obtain capital. With respect to the company's ability to raise debt, the bond rating agencies have indicated their expected ratings for PPL Kentucky will be Baa1 and BBB+. These are strong investment grade credit ratings which will allow for market access. PPL Kentucky does not expect to raise equity in the public markets, but would rely on contributions from PPL should such funds be required. As proven by PPL's recent equity issuance of a utility company record \$2.48 billion of common equity plus another \$1.15 billion of convertible bonds, PPL has the ability to access the market to fund any equity needs of PPL Kentucky.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 34

Responding Witness: S. Bradford Rives

Q-34. Will the contemplated merger have an impact on the ability of KU to obtain capital? Describe in detail.

A-34. The proposed transaction will not have an impact on KU's ability to obtain capital. Its unsecured credit ratings are expected to be Baa1/BBB+ which are solidly investment grade. First mortgage bonds are expected to be issued by KU, and the rating for those bonds will be one or two notches higher than the unsecured rating. These ratings are very similar to ratings of other electric utilities, and will allow the company to access the bond markets for required funding. No public issuance of equity is contemplated at KU and if additional equity is needed, it would be provided by PPL Kentucky. As noted in the response to Question No. 33, PPL Kentucky will have access to funds to provide equity as necessary.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 35

Responding Witness: S. Bradford Rives

- Q-35. Will the contemplated merger have an impact on the ability of LG&E to obtain capital? Describe in detail.
- A-35. The proposed transaction will not have an impact on LG&E's ability to obtain capital. Its unsecured credit ratings are expected to be Baa1/BBB+ which are solidly investment grade. First mortgage bonds are expected to be issued by LG&E, and the rating for those bonds will be one or two notches higher than the unsecured rating. These ratings are very similar to ratings of other electric and gas utilities, and will allow the company to access the bond markets for required funding. No public issuance of equity is contemplated at LG&E and if additional equity is needed, it would be provided by PPL Kentucky. As noted in the response to Question No. 33, PPL Kentucky will have access to funds to provide equity as necessary.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 36

Responding Witness: Lonnie E. Bellar

- Q-36. Will the surviving companies give clear and conspicuous notice to Kentucky consumers regarding any change in services resulting from the merger?
- A-36. The Joint Applicants do not anticipate any changes in services to Kentucky consumers as a result of the transaction. LG&E and KU will exist after the change in control as they exist now and will continue to provide the same high quality of service after the acquisition of their parent corporation has taken place.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 37

Responding Witness: Victor A. Staffieri / James H. Miller

- Q-37. Prior to Kentucky Commission approval, can the Joint Applicants complete their transaction? If not, please explain why the Joint Applicants had Mr. James Miller at the E.ON headquarters so that the employees could meet their new boss as reported in the Courier Journal on or about April 30th.
- A-37. The Joint Applicants cannot complete this transaction prior to Kentucky Commission approval. Mr. Miller appeared at the E.ON U.S. headquarters so that employees could learn more about PPL and the announced plans.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 38

Responding Witness: Karl-Heinz Feldmann

- Q-38. Will the transaction result in any write-ups, write-offs, or a restatement of financial results of E.ON AG? If yes, please explain.
- A-38. E.ON AG does not anticipate any restatements of its financial results except as it relates to reporting E.ON U.S. as a discontinued operation beginning with the second quarter of 2010. E.ON AG will record the actual sale of E.ON U.S. and any resulting gain or loss on sale upon closing of the transaction. In connection with the transaction process and announcement, E.ON AG recorded a goodwill impairment of approximately 0.9 million Euros during the first quarter of 2010.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 39

Responding Witness: S. Bradford Rives

- Q-39. Post-transaction, will E.ON be required to make any filings with the Securities and Exchange Commission? If yes, please identify and explain the filing requirement(s).
- A-39. No. E.ON AG filings before the SEC are required in connection with the transaction. During late 2007, pursuant to various SEC and New York Stock Exchange ("NYSE") rules, E.ON AG terminated (a) the listing status of its American Depositary Receipts on the NYSE and (b) its status as a registrant and filer of periodic reports with the SEC.

PPL and E.ON U.S. currently contemplate that certain entities, such as E.ON U.S., LG&E and KU, may become SEC registrants in connection with certain financing transactions to be completed in association with the acquisition. PPL is required to repay E.ON U.S.'s, LG&E's and KU's long-term debt and current notes payable with Fidelia Corporation ("Fidelia") and E.ON North America, both E.ON AG affiliates, which will not be acquired as part of the acquisition. This long-term debt and current notes payable will be replaced at closing with long-term debt and current notes payable with a PPL affiliate. The interest rates will be consistent with existing long-term debt and current notes payable with Fidelia. Shortly following the closing of the transaction, PPL expects to replace such long-term debt and current notes payable with a PPL affiliate with the issuance by E.ON U.S. of debt or other securities and by LG&E and KU of first mortgage bonds to unaffiliated entities. In the case of LG&E and KU, such transactions are the subject of the financing applications in Case No. 2010-00205 and Case No. 2010-00206.

In the event E.ON US, LG&E or KU become SEC registrants in connection with the above financing transactions and following filing of SEC Registration Statements, they will commence filing periodic reports under the Securities Exchange Act of 1934, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 40

Responding Witness: S. Bradford Rives

Q-40. Please identify and explain the post-transaction Sarbanes-Oxley-related requirements for PPL Kentucky.

A-40. E.ON U.S. (PPL Kentucky), LG&E and KU currently maintain robust and effective internal controls over financial reporting. These controls are substantially derived from the controls that E.ON U.S., LG&E and KU had in place through 2007 as a result of the Sarbanes-Oxley Act of 2002 ("SOX"), when LG&E/KU and E.ON AG, respectively, ceased being SEC registrants. The current controls incorporate suitable tailoring in scope, formality or method based upon the companies' circumstances, as well as relevant changes in industry practices, since that date. Because of the fundamental adequacy of their current controls, the companies do not anticipate significant changes in such controls when and if they become subject to post-transaction SOX requirements.

Nevertheless, certain modifications or changes to E.ON U.S.'s, LG&E's or KU's controls may occur, including in the below areas. In most cases, substantial compliance already exist at E.ON U.S., LG&E and KU, but the controls will need minor modifications to comply with SOX technical requirements and/or to promote consistency with PPL controls in the same areas:

- Adjustments to scope, materiality or documentation of certain existing internal controls over financial reporting (SOX Section 404)
- Expansion of existing internal CEO/CFO certificates to an external status (SOX section 302)
- Addition of further external CEO/CFO certificates (SOX Section 906)
- Expansion of existing controls around auditor independence (fee pre-approval and reporting, partner rotation, etc.)
- Re-designation of certain existing controls as designated disclosure controls
- Re-designation of an existing internal committee as a disclosure committee
- Re-adoption of a formal senior financial officer code of ethics
- Re-adoption of certain securities attorney reporting procedures

- Changes in the level of scope, materiality or documentation at which certain controls currently operate
- Stylistic or technical changes to comport with PPL or its external auditor's existing controls or principles relating to SOX matters

PPL is a publicly traded company. On a post-transaction, going-forward basis, E.ON U.S., LG&E and KU will be wholly owned subsidiaries of PPL and subject to the applicable internal governance controls imposed by SOX. E.ON U.S., LG&E and KU currently maintain robust internal controls over financial reporting ("ICFR"). In compliance with SOX, these ICFR were identified and assessed by E.ON U.S., LG&E and KU through late 2007, when E.ON U.S., LG&E and KU ceased being SEC registrants. Certain modifications or changes to E.ON U.S.'s, LG&E's or KU's ICFR, policies and procedures will be necessary to support PPL's compliance with SOX. During the integration and post-transaction activities, PPL will conduct a joint review with the acquired companies of their existing policies, procedures and ICFR at E.ON U.S., LG&E and KU in order to identify and implement any changes that may be necessary to ensure PPL's ongoing SOX compliance.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 41

Responding Witness: S. Bradford Rives

Q-41. Please identify and explain the post-transaction Sarbanes-Oxley-related requirements for KU.

A-41. Please see response to Question No. 40.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 42

Responding Witness: S. Bradford Rives

Q-42. Please identify and explain the post-transaction Sarbanes-Oxley-related requirements for LG&E.

A-42. Please see response to Question No. 40.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 43

Responding Witness: S. Bradford Rives

Q-43. Please identify and explain the post-transaction Sarbanes-Oxley-related requirements for E.ON U.S.

A-43. Please see response to Question No. 40.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 44

Responding Witness: S. Bradford Rives

Q-44. Please identify any anticipated/estimated change(s) in KU's equity-to-capital ratio.

A-44. There are no anticipated changes in KU's equity-to-capital ratio for regulatory purposes.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 45

Responding Witness: S. Bradford Rives

- Q-45. Please identify any anticipated/estimated change(s) in LG&E's equity-to-capital ratio.
- A-45. There are no anticipated changes in LG&E's equity-to-capital ratio for regulatory purposes.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 46

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-46. As of 28 April 2010, how much of E.ON's debt (in dollars and percentage of total capital) was held by PPL or any subsidiary of PPL? Concerning this debt:
- a. Please provide a copy of each debt instrument between E.ON and PPL or any subsidiary of PPL.
 - b. Please provide a workpaper showing, at 28 April 2010, and at the end of the most recent accounting period, the amount outstanding on each debt instrument and the interest rate.
 - c. What is anticipated to happen to each debt instrument as a result of the transaction proposed in this case?
- A-46. As of 28 April 2010, PPL did not hold any debt of E.ON; moreover, as of July 6, 2010, PPL does not hold any debt of E.ON
- a. Not applicable.
 - b. Not applicable.
 - c. Not applicable.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 47

Responding Witness: Lonnie E. Bellar

- Q-47. When did E.ON, whether by way of its own agent(s) or a contractor, conduct its last study on the integrity of the Dix Dam?
- a. Provide the name and qualifications of the person(s) who conducted the study.
 - b. Provide copies of any and all reports that were created as a result of the study.
 - c. Provide a copy of the most recent inspection report of Dix Dam issued by the Kentucky Department of water.
- A-47. a. See the attached file "2009 Dix Dam Inspectors".
- b. See enclosed on the CD in folder titled Question No. 47 for the "2009 Dix Dam Inspection Report Final" and "2009 Dix Dam STI Report Final".
 - c. See the attached file "2009 Dix Dam DOW Inspection".

Name	License	Title	Affiliation
Jim Erwin	PhD, PG	Senior Engineering Geologist	Erwin Geological, Inc.
Donald Bruce	PhD	Engineering Geologist	Geosystems, L.P.
Paul Booth	PE	Project and Department Manager	Arcadis
Bill Hunt	PE	Project Manager	Arcadis
Pete Zimmerman	PE, PG	Senior Geotechnical Engineer / Project Manager	Arcadis



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

November 2, 2009

KY Utilities Co
815 Dix Dam Rd
Harrodsburg, KY 40330

Re: Scheduled Inspection
ID of Dam: 0316
DIX RIVER DAM
Mercer County, Ky.
Hazard Class: HIGH
Agency Interest: 3148
HUC #051100205170

Dear KY Utilities Co:

On October 30, 2009, personnel from the Energy and Environment Cabinet, Division of Water, inspected the above referenced structure. A copy of the inspection report is enclosed. The Division of Water is responsible for performing safety inspections of dams in Kentucky.

Kentucky Revised Statutes Chapter 151 (KRS 151) and associated regulations establish minimum maintenance and design criteria for dams. KRS 151.125 gives the Division of Water authority to require any measures necessary to bring the dam into compliance with statutes and regulations. As the owner you are required to maintain the dam to assure public safety.

Based on our visual inspection of the dam, the following deficiencies need to be corrected:

- Monitor the concrete slab on the upstream slope for movement and damage to expansion joints.
- Monitor seepage for changes in volume or color.
- Repair leaks in penstocks.

If you have any questions concerning this matter, please contact Marilyn Thomas at (502) 564-3410.

Sincerely,

Marilyn Thomas, P.E.
Dam Safety and Floodplain Compliance Section
Water Resources Branch
Division of Water

Enclosure:

COPY



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

**CERTIFICATE OF INSPECTION
FOR
DAM AND APPURTENANT WORKS**

Note: The Division of Water does not intend this report to be taken as an assurance that no other problems exist at this site or that this dam is safe. The reports sole intent is to provide you a factual account of the conditions observed at the site during the inspection. If you have questions, write this office at the above listed address or call (502) 564-3410.

ID of Dam:	0316	Hazard Class:	HIGH
Name of Dam:	DIX RIVER DAM	Owner:	KY Utilities Co
Agency Interest:	3148		
IUC	#05100205170		
County:	Mercer	Address:	815 Dix Dam Rd
Inspection Date:	October 30, 2009	City:	Harrodsburg
		State:	KY
Weather:	Clear, 81 deg.	Zip:	40330
		Phone:	859-748-4401
Inspection Type:	Dams		

Persons Present at Inspection: Marilyn Thomas, Gary Wells, Fraley, Jeff

Height of Dam:	287 feet	Normal Pool Elevation (MSL):	750
Latitude Dec Deg:	37.785557	Current Pool Elevation (MSL):	750
Longitude Dec Deg:	-84.705833	Emer. Spillway Elevation (MSL):	760
Type of Dam:	ROCKFILL DAM 1020' LONG, TOP WIDTH 20'. WET SIDE IS FACED WITH DERRICK PLACED ROCK COVERED WITH CONC. SLAB 18" @ BOT. & 8" @ TOP; CONC. CORE WALL 8' MINIMUM THICKNESS. SEE REMARKS.		

Upstream Slope of Dam: The upstream slope is a concrete slab. Some of the expansion joints have opened with the settlement of the dam. There are weathered patches on the concrete. There are no appreciable changes since the last inspection.

Crest of Dam: The crest of the dam is a gravel road in good condition. A 15" gas line runs the length of the dam.

Downstream Slope of Dam: The downstream slope is rock-fill. There were no noted slumps, slides or subsidence areas. The downstream slope has not changed since the last inspection.

Toe Drains: No toe drains

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CERTIFICATE OF INSPECTION
FOR

KY ID: 0316

Principal Spillway: APPROX. 24' DIA. RISER WITH INTAKES AT 568.3. 24' DIA. CONCRETE LINED HORSESHOE TUNNEL 875' LONG IN EAST CLIFF FEEDS 3(8' DIA) PENSTOCKS WHICH LEAD TO GENERATORS IN THE POWERPLANT.

Principal Spillway Comment: The inlet tower is in good condition as seen from the dam. There is some leakage from the penstocks at the expansion joints. KU will repair that within the next two weeks.

Stilling Basin: The stilling basin is in good condition.

Emergency Spillway: TWO SECTIONS. OGEE SECTION 277' LONG WITH CONCRETE CREST AT 758.5. OGEE SECTION HAS 1 1/2 FOOT FLASHBOARDS(CREST OF OGEE AND FLASHBOARDS IS 760.0);10 GATES 35' WIDE; BOTTOMS OF GATES ARE: 2 AT 748.0; 3 AT 748.5; 2 AT 749.0; 3 AT 750.0. TOP OF GATES W

Emergency Spillway Comments: The emergency spillway, gate structures and concrete weir are in good condition. The millings around the access bridge are being painted this week.

Drawdown System: Drawdown is accomplished through the penstocks.

Location of Drawdown Valve: Drawdown is through penstocks

Last Date of Operation: 2009

Does Hazard Classification need to be Reevaluated? This is a high hazard structure. No changes.

Were Photographs Taken? Yes

General Comments and Recommendations:

The dam is in generally good condition. The expansion joints should continue to be monitored for movement. The seepage should be monitored for change in volume or color.

Inspector: Marilyn Thomas, P.E.

Reviewer: Marilyn Thomas, P.E.

Date: 11-2-09

COPY

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 48

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-48. Have any of the joint applicants conducted a recent, complete due diligence report of all EPA requirements associated with all EPA regulated facilities?
- a. If yes, please provide a copy of copies same.
 - b. If not, why not?
 - c. If not, do the surviving Kentucky companies believe it prudent to accept "ownership" of the applicable facilities without a due diligence report?
- A-48. a. No comprehensive due diligence report identifying the environmental compliance status of all facilities was prepared.
- b. PPL performed substantial due diligence of E.ON U.S.'s EPA-regulated facilities. PPL reviewed documents provided by E.ON AG during the due diligence process as well as other publicly available information, including E.ON U.S. submittals to the PSC regarding its environmental capital plans. PPL also participated in various due diligence calls with E.ON U.S. personnel concerning environmental matters. Due to the voluminous environmental requirements applicable to the regulated facilities and time constraints, no written report was prepared. Also, see response to Question No. 22.
 - c. The facilities subject to environmental regulations are currently owned and operated by LG&E or KU. The proposed acquisition of E.ON U.S. by PPL will not result in any change in ownership of facilities subject to environmental regulations.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 49

Responding Witness: S. Bradford Rives

- Q-49. Reference the application at page 17 at footnote 13. Please state how this transaction does not “involve a direct transfer of assets” if PPL will purchase “from E.ON US Investments 100% of the limited liability company interests of E.ON U.S., the parent company of LG&E and KU” as noted on page 1 of the application.
- A-49. Footnote 13 of the Application refers to the distinction between the language of KRS 278.020(5) and (6) (which govern a change of control of the utility *as an entity*) and KRS 278.218 (which governs a change of control of “assets that are *owned by a utility*”). Ownership of LG&E and KU will be transferred, but LG&E and KU are not in themselves “assets that are owned by a utility.” The change of control at issue here will occur wholly at the parent corporation level: LG&E and KU will remain structurally intact and will continue to own the assets they own today. As a result, this case is clearly governed by KRS 278.020(5) and (6), but it is unlikely that KRS 278.218 also applies.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 50

Responding Witness: S. Bradford Rives

- Q-50. Reference the application at page 17 at footnote 13. Please state how this transaction does not “involve a direct transfer of assets” if “PPL intends to acquire and operate LG&E and KU as important core assets” as noted on page 18 of the application.
- A-50. See response to Question No. 49. PPL plans to own and operate LG&E and KU as important core assets, but LG&E and KU are utilities rather than “assets that are owned by a utility.”

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 51

Responding Witness: Paul A. Farr / William H. Spence

- Q-51. Reference the application at page 10 wherein the joint applicants state that PPL "did not consider any synergies or savings in evaluating the economics of the proposed acquisition." Explain in detail how this would meet any due diligence test.
- A-51. The focus of due diligence is on the risks of the business and the accuracy of the business information. Please see the response to KPSC 1-18.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 52

Responding Witness: S. Bradford Rives / Paul A. Farr / William H. Spence

- Q-52. Reference the application at page 18. Explain in detail why the joint applicants propose to conduct a formal analysis of any potential synergies and benefits from the acquisition only after PPL completes the transaction. (See also the testimony of Mr. Miller at pages 25 and 26.)
- A-52. Please see the response to KPSC 1-18.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 53

Responding Witness: William H. Spence

- Q-53. Reference the application at pages 2 and 19. If “there will be no other changes in the corporate structure of E.ON U.S. and its subsidiaries” although the names may change, will the joint applicants commit to have the headquarters of PPL Kentucky, KU and Louisville remain in the respective indefinitely so along as PPL continues to be the owner and not just 15 years as noted in the application at page 19?
- A-53. 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 Exhibit B to the PSA (the “Regulatory Commitments”). The Regulatory Commitments include 54 specific commitments regarding the protection of the utility resources of LG&E and KU, the monitoring of their holding company and its other subsidiaries, and the adequacy of their reporting to the Commission; the continuity of the Kentucky presence of LG&E and KU, and the continuity of current management; the continuity of quality service by LG&E and KU; and the relationships of PPL and its Kentucky subsidiaries with government, the community, employees and other stakeholders. The Regulatory Commitments fully address the regulatory concerns that the Commission has historically expressed in previous cases involving a change of control of LG&E and KU, 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. The Joint Applicants believe that the Regulatory Commitments in the form presented to the Commission are in the best interest of and balance the needs of employees, customers, local communities and investors. The Regulatory Commitments ensure that the transfer of control of LG&E and KU to PPL, and the future operations of LG&E and KU under PPL’s ownership, will be fully consistent with the public interest. For this reason, the Joint Applicants do not believe that different or additional commitments regarding the headquarters of PPL Kentucky, KU and LG&E are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 54

Responding Witness: Paul A. Farr

- Q-54. Reference the application at page 19 wherein the following language appears: "the proposed acquisition will not be a financial investment." Does PPL expect to profit from any approval of the application?
- A-54. The proposed acquisition is a strategic acquisition by an acquirer that conducts business operations, not a financial acquisition by a private equity firm or similar acquirer. PPL anticipates that the proposed acquisition will diversify its operations and thereby enhance performance and diversify its risk. As a result, PPL fully expects to benefit from the proposed acquisition and to provide superior service to its customers at reasonable rates.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 55

Responding Witness: Lonnie E. Bellar / Counsel

- Q-55. Reference the application at pages 20 and 21. Please provide a list of any previously PSC imposed commitments which are not included on Exhibit B.
- A-55. The Joint Applicants object to this question on the grounds that it calls for original work to be performed in comparing the regulatory commitments proposed for this transaction to conditions imposed in previous change of control cases. The Attorney General has all information necessary to make the requested comparison. He has: (1) all historical commitments resulting from previous change of control cases; (2) the commitments that have been proposed for the transaction at issue; and (3) detailed discussion of those proposed commitments in the Application (pp. 19-28) and supporting testimony (Exhibit M to the Application).

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 56

Responding Witness: Lonnie E. Bellar

Q-56. Reference the application at pages 20 and 21. Please provide a list of any proposed commitments in Exhibit B that have not been previously imposed by the PSC.

A-56. See the response to Question No. 55.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 57

Responding Witness: Paul A. Farr

- Q-57. Reference the application at page 21. Will PPL commit to seek PSC approval prior to the transfer of any LG&E or KU property, plant or equipment with an original book value exceeding \$1 million instead of \$10 million?
- A-57. The Joint Applicants have agreed to Regulatory Commitment No. 6 by which they have committed to obtaining PSC approval prior the transfer of ownership or control of any KG&E or KU property, plant or equipment with an original book value in excess of \$10 million.

However, on a post-transaction, moving forward basis, PPL Kentucky will be required by KRS 278.218 to apply to obtain PSC approval prior to the transfer of ownership or control of any LG&E or KU property, plant or equipment with an original book value exceeding \$1 million.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 58

Responding Witness: William H. Spence

Q-58. Reference the application at page 22. Will PPL commit to not just endeavor but will in fact have an individual resident of Kentucky on PPL's Board of Directors?

A-58. PPL cannot commit with certainty to have an individual resident of Kentucky on its Board of Directors. PPL is a publicly traded company subject to various regulations imparted by the SEC, the NYSE and other regulatory agencies which impact, among other things, the availability of individuals to serve on its board. Otherwise competent and able candidates who are Kentucky residents might be disqualified from service by factors outside the PPL's control, including service on the board of another company.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 59

Responding Witness: Paul A. Farr

- Q-59. Reference the application at page 23. Will PPL commit to notify the PSC of any issuance of debt of \$50 million instead of \$100 million?
- A-59. See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments regarding prior notification to the PSC are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 60

Responding Witness: William H. Spence

- Q-60. Reference the application at pages 2 and 24. If "there will be no other changes in the corporate structure of E.ON U.S. and its subsidiaries" although the names may change, will the joint applicants commit to have the corporate management personnel PPL Kentucky in Kentucky?
- A-60. Please see response to KPSC 1-15.

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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 61

Responding Witness: William H. Spence

- Q-61. Reference the application at page 24. Will PPL commit to have at least one individual resident of Kentucky on PPL's Board of Managers?
- A-61. PPL interprets Question No. 61 to ask whether PPL will commit to have at least one individual resident of Kentucky on the Board of Managers of PPL Kentucky. If this interpretation is correct, PPL notes that it has already addressed this concern. PPL has made the commitment to the PSC that the Board of Managers of PPL Kentucky shall consist of at least three members, one of whom shall be its then-current chief executive officer ("CEO"). [Regulatory Commitment No. 42] PPL has also committed that the CEO of PPL Kentucky shall reside in Kentucky. [Regulatory Commitment No. 48] For this reason, the Joint Applicants do not believe that different or additional commitments regarding PPL Kentucky's Board of Managers are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 62

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-62. Reference the application at page 25. Please reconcile the statement that "local customer service offices will not be closed as a result of the proposed acquisition" with the statement that "any future closures of customer service offices will take into account the impact on customer service." Are any future closures being contemplated notwithstanding any approval of the acquisition?
- A-62. No. There are no future closures of customer service offices currently being contemplated notwithstanding any approval of the acquisition.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 63

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-63. Reference the application at page 26. Will the joint applicants commit to have LG&E maintain a contact person in Louisville to respond to special needs in the Louisville area?
- A-63. See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments regarding a contact person in Louisville are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 64

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-64. Reference the application at page 26. The joint applicants commit to minimize any negative impacts on customer service and satisfaction resulting from workforce reductions. Are workforce reductions contemplated as a result of any approval of this acquisition? Are workforce reductions currently being contemplated notwithstanding any approval of the acquisition?
- A-64. The word "planned" in Regulatory Commitment No. 16 means that the Joint Applicants have no current plan to reduce the workforce of E.ON U.S., LG&E or KU as a result of the proposed acquisition, and that PPL Corporation has no current plan to develop a workforce reduction plan after the closing of the proposed acquisition.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 65

Responding Witness: William H. Spence

- Q-65. Reference the application at pages 2, 25 and 26. If "there will be no other changes in the corporate structure of E.ON U.S. and its subsidiaries" although the names may change, will PPL maintain and support the relationship between LG&E and KU and the communities that each serves indefinitely so long as PPL continues to be the owner and not just 10 years as noted in the application at pages 25 and 26?
- A-65. See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments regarding community support are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 66

Responding Witness: Lonnie E. Bellar / Paul A. Farr

- Q-66. Reference Exhibit D, paragraph 8, last sentence which reads: "No generation assets located within Kentucky will be sold to finance this or any subsequent merger or acquisition without prior Commission authorization." Please reconcile this statement with that appearing at page 21 of the application that neither PPL Kentucky, LG&E or KU will incur any costs associated with this transaction other than the repayment and refinancing of closing indebtedness.
- A-66. There is no conflict between these two statements. No generation assets in Kentucky will be sold to finance this acquisition.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 67

Responding Witness: Lonnie E. Bellar / Paul A. Farr

- Q-67. Reference: Joint Application (Exhibit D Page 7 of 7, No. 54). If there is harm to the wholesale customers, then how will they be "held harmless"? Include in the discussion whether there is any potential adverse consequence to the non-wholesale customers associated with holding the wholesale customers harmless (or whether the shareholders / investors will bear all costs of holding the wholesale customers harmless).
- A-67. As PPL and E.ON explain in the Application to FERC, filed on June 28, 2010, PPL and E.ON have pledged to hold harmless all transmission and current wholesale customers from any costs associated with the transaction (e.g. transaction costs) for a period of five years to the extent that such costs exceed savings related to the transaction. In the past, FERC has found similar commitments by applicants sufficient to alleviate any concerns regarding the impact of a proposed transaction on rates. This "hold harmless" commitment, however, is not a rate freeze and would not preclude changes in rates attributable to non-transaction costs or to the costs of value of the assets themselves. In the past, FERC has accepted similar limitations on this "hold harmless" commitment.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 68

Responding Witness: Paul A. Farr

- Q-68. Reference the testimony of Mr. Miller at page 19. What is his understanding of the statement that "wholesale customers should be held harmless" if the acquisition is approved.
- A-68. See response to Question No. 67 for an understanding of the statement that "wholesale customers should be held harmless" if the acquisition is approved.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 69

Responding Witness: James H. Miller

Q-69. Reference the testimony of Mr. Miller at page 22. Why did PPL sell PPL Gas Utilities Corporation? Will PPL commit that if the acquisition is approved, it will not sell LG&E's gas operations for a period of 10 years?

A-69. At the time of entering into the agreement to sell PPL Gas Utilities Corporation and its propane business, PPL stated that these businesses had been operationally and financially successful, but their relative size and earnings contributions limited their strategic value to PPL's future growth. The sale helped to position PPL to focus on growth opportunities in its core businesses of power generation, energy marketing and electricity delivery.

See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments regarding the possible sale of LG&E's gas operations are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
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Question No. 70

Responding Witness: James H. Miller

Q-70. Reference the testimony of Mr. Miller at pages 22 and 23. What does PPL propose to provide to the customers of LG&E and KU that they do not otherwise currently have under the ultimate control of E.ON AG?

A-70. PPL recognizes LG&E and KU to be first-class utility companies, and remains committed to their continued success. PPL fully intends for LG&E and KU to continue their cost-based service histories and provide value to their ratepayers. PPL's acquisition of LG&E and KU provides LG&E and KU ratepayers oversight from a regionally located, focused domestic parent company whose business model is premised on long-term service and loyalty to local communities.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 71

Responding Witness: Paul A. Farr

- Q-71. Reference the testimony of Mr. Farr at page 2. Does Mr. Farr recognize that the standard for providing service is that it not just be reasonable but that which is adequate, efficient and reasonable?
- A-71. Yes. The Joint Applicants believe that the request for information is misstating the statutory requirements for approval of an acquisition of ownership and control of utilities. The Commission is statutorily required to grant its approval of an acquisition of ownership and control "if the person acquiring the utility has the financial, technical, and managerial abilities *to provide reasonable service.*" Ky Rev. Stat. § 278.020(5) (emphasis added). Mr. Farr's testimony shows that PPL has the financial ability to cause LG&E and KU to continue to provide reasonable service.

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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 72

Responding Witness: Lonnie E. Bellar / Paul A. Farr

- Q-72. Reference the testimony of Mr. Farr at page 5. What does he mean that after the acquisition is completed, it will acquire "utility franchises that currently operate under progressive and fair regulation?"
- A-72. The professionals at the Kentucky Public Service Commission have regulated LG&E and KU for decades in a fair and progressive manner that has resulted in excellent customer service, reasonable rates and reasonable returns to shareholders. That regulation, along with LG&E's and KU's long history of superior management, means that PPL will be acquiring best-in-class utility franchises.

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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 73

Responding Witness: Paul A. Farr

- Q-73. Reference the testimony of Mr. Farr at pages 5 and 6. What does he mean when he testifies that PPL “will give LG&E and KU a long-term advantage in the increasingly competitive energy market of the future?”
- A-73. Subject to the Regulatory Commitments, the phrase “energy market” in Mr. Farr’s testimony refers to the wholesale energy market. LG&E and KU will continue to make off-system sales into the wholesale energy market subject to the requirements of their native load customers.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 74

Responding Witness: Paul A. Farr

- Q-74. Reference the testimony of Mr. Farr at page 6. What does he mean where he testifies that the "proposed acquisition will contribute to the overall financial stability of PPL?"
- A-74. The acquisition by PPL of LG&E and KU will increase PPL's participation in the regulated power sector because of LG&E's and KU's regulated operations in Kentucky significantly increase the proportion of PPL's overall portfolio earnings-producing businesses in the regulated sector. In turn, this will result in increased predictability in PPL's overall earnings and reduced risk to overall earnings related to its unregulated operations.

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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
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Question No. 75

Responding Witness: Paul A. Farr

Q-75. Reference the testimony of Mr. Farr at page 6. Can Mr. Farr commit that the modification of the Tax Allocation Agreement will prevent any cross subsidization between the utilities and their holding company and its affiliates?

A-75. As Mr. Farr states at page 6 of his testimony:

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 similar to 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.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 76

Responding Witness: Karl-Heinz Feldmann

Q-76. Reference the testimony of Mr. Feldmann at page 4. On what specific date will the \$6 million in donations be paid?

A-76. The timing of the donations will be made in coordination with the recipients of them.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 77

Responding Witness: Karl-Heinz Feldmann

- Q-77. Will E.ON AG receive any tax advantage or benefit from these donations?
- A-77. In general, subject to final decisions regarding the specific donating entity and the tax regulations applicable to it, the donations should represent a tax deductible expense for the donating party.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 78

Responding Witness: Karl-Heinz Feldmann

- Q-78. For the past five years, please provide a dollar breakdown by year that E.ON AG has made donations or cash contributions to which it is contributing to the University of Kentucky, the University of Louisville, and the LG&E Foundation. This list should detail the donation by way of purpose or designation for the contribution.
- A-78. There have been no such donations or cash contributions made by E.ON AG for the past five years.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 79

Responding Witness: Victor A. Staffieri

Q-79. Reference the testimony of Mr. Staffieri at page 4. In regard to the discussions which PPL has had with Governor Beshear and Mayor Abramson, when did these discussions occur and what was the substance of them?

A-79. PPL was not directly involved in the face-to-face discussions noted in Mr. Staffieri's testimony. Mr. Staffieri discussed with Governor Beshear and Mayor Abramson the commitments, as outlined in his testimony, which were being negotiated with PPL. Additionally, in the evening of April 27th, the day before the public announcement, courtesy calls to inform these key stakeholders of the pending announcement were also made.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 80

Responding Witness: Victor A. Staffieri

Q-80. Please provide any and all documents pertaining to the discussions.

A-80. There are no documents. Please see response to Question No. 79.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 81

Responding Witness: S. Bradford Rives

Q-81. Reference the testimony of Mr. Staffieri at page 5. When Mr. Staffieri testifies that PPL will allow KU and LG&E to operate on a stand alone basis, does this also mean that the companies will be filing separate tax returns?

A-81. No. As Mr. Rives explains at page 8 of his testimony:

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 similar to 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.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 82

Responding Witness: William H. Spence

Q-82. Reference the testimony of Mr. Staffieri at page 6 where the witness testifies that the Boards of E.ON U.S., LG&E and KU post acquisition are "expected" to be similar to those as currently constituted. As a condition of any approval of the acquisition, would PPL make a more firm commitment as to the constitution of the Boards? If not, why not?

A-82. See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments regarding the composition of the Boards of E.ON US, LG&E and KU are necessary or appropriate.

Also see the response to Question No. 58.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 83

Responding Witness: Victor A. Staffieri

- Q-83. Reference the testimony of Mr. Staffieri at page 7 where the witness testifies that PPL will "endeavor" to have an individual resident of Kentucky on PPL's Board and that this "commitment again demonstrates the ability of PPL to take a broader view which includes, in this example, the greater interests of Kentucky." Is it the opinion of the witness that there should be a commitment to have this type of Board membership in order to fulfill this "broader view?"
- A-83. See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments regarding the Board of Directors of PPL are necessary or appropriate.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 84

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-84. Reference the testimony of Mr. Staffieri at page 7 where the witness discusses a "retention and incentive program for the E.ON U.S., LG&E and KU managers." Which of the joint applicants will bear those costs? Will any of those be borne by either LG&E or KU ratepayers, whether directly or indirectly?
- A-84. Please see response to Question No. 16.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 85

Responding Witness: Victor A. Staffieri

- Q-85. Reference the testimony of Mr. Staffieri at page 9 where he discusses the effect of the proposed acquisition on customers and employees of LG&E and KU. What are the benefits that the customers will receive other than those which they already receive under the current ultimate ownership by E.ON AG?
- A-85. Please see the response to Question No. 70. Additionally, the ownership of LG&E and KU will be aligned with a parent that has comparable focus on domestic energy and environmental and regulatory challenges.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 86

Responding Witness: S. Bradford Rives

- Q-86. Reference the testimony of Mr. Rives at pages 2 and 3 where he discusses "pushdown accounting." Will PPL commit to not use "pushdown Accounting" as the witness admits that he understands that PSC policy is to not use it? If not, why not?
- A-86. In order to comply with SEC reporting rules, PPL will push down acquisition accounting to E.ON U.S. Since LG&E and KU will become SEC registrants as a result of refinancing, push down accounting to those companies will be required. Applicants have agreed to specific commitments to both FERC and the Kentucky Commission not to reflect any costs associated with the Transaction, including the effects of push down accounting, in customer rates.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 87

Responding Witness: S. Bradford Rives

- Q-87. Reference the testimony of Mr. Rives at page 6 where the witness testifies that the acquisition will provide LG&E and KU with the "opportunity to refinance the current Fidelity debt with lower cost secured debt with longer tenor." (Emphasis added.) Does this not translate to higher costs? If not, why not?
- a. Joint Application (Testimony of S. Bradford Rives, page 6, line 8). Mr. Rives indicates that the "amount of debt" will be the same. Will the corresponding cost rate of the debt remain the same? If not, then please identify all differences.
- A-87. In recent years, LG&E and KU obtained long-term, taxable financing from Fidelity Corporation ("Fidelity"). LG&E and KU anticipate refinancing their current, long-term taxable financings with Fidelity by issuing secured First Mortgage Bonds directly to the market. This does not translate to higher costs because the annual interest rate savings from issuing the First Mortgage Bonds are greater than the costs associated with the issuance of the bonds. The tenor of the debt is projected to be extended from a current weighted average maturity of approximately 10 years to 15 years for LG&E and from approximately 9 years to 18 years for KU. The Net Present Value Savings for LG&E and KU is approximately \$4 million for each company. See the attached for more detail.
- a. The amount of debt issued will be the same, but the cost rate of the debt will be different. The cost rate of the debt will be determined at the time of issuance. See the attached for a detailed analysis of the projected cost rate of debt for LG&E and KU. In summary, the weighted average cost rate of debt is expected to decrease from 5.5% to 4.9% for LG&E and from 5.5% to 5.1% for KU based on market conditions at the time of the filing.

First Mortgage Bond Analysis

Kentucky Utilities First Mortgage Bond Analysis

Impact on Cash Flow

EXISTING CAPITALIZATION

Fidelity Loans and Existing Bank Facilities

Date	Interest	Credit Facility Fees	L/C Fees	Taxes	Total Cash Outlay
12/31/2010					
2011 \$	71,758,950 \$	24,500 \$	1,386,000 \$	(28,462,916) \$	44,706,534 \$
2012 \$	70,661,450 \$	12,250 \$	693,000 \$	(27,761,646) \$	\$43,605,054
2013 \$	67,288,950			(26,175,402) \$	\$41,113,548
2014 \$	61,031,450			(23,741,234) \$	\$37,290,216
2015 \$	55,581,450			(21,621,184) \$	\$33,960,266
2016 \$	49,193,950			(19,136,447) \$	\$30,057,503
2017 \$	43,541,450			(16,937,624) \$	\$26,603,826
2018 \$	40,726,450			(15,842,589) \$	\$24,883,861
2019 \$	29,547,700			(11,494,055) \$	\$18,053,645
2020 \$	20,923,200			(8,139,125) \$	\$12,784,075
2021 \$	20,923,200			(7,552,571) \$	\$11,862,779
2022 \$	19,415,350			(6,112,649) \$	\$9,601,101
2023 \$	15,713,750			(5,259,280) \$	\$8,260,720
2024 \$	13,520,000			(5,259,280) \$	\$8,260,720
2025 \$	13,520,000			(5,259,280) \$	\$8,260,720
2026 \$	13,520,000			(5,259,280) \$	\$8,260,720
2027 \$	13,520,000			(5,259,280) \$	\$8,260,720
2028 \$	13,520,000			(5,259,280) \$	\$8,260,720
2029 \$	7,560,000			(2,940,840) \$	\$4,619,160
2030 \$	7,560,000			(2,940,840) \$	\$4,619,160
2031 \$	7,560,000			(2,940,840) \$	\$4,619,160
2032 \$	7,560,000			(2,940,840) \$	\$4,619,160
2033 \$	7,560,000			(2,940,840) \$	\$4,619,160
2034 \$	7,560,000			(2,940,840) \$	\$4,619,160
2035 \$	7,560,000			(2,940,840) \$	\$4,619,160
2036 \$	5,977,500			(2,325,248) \$	\$3,652,253
2037 \$	2,197,500			(854,828) \$	\$1,342,673
TOTAL	\$695,002,300			(\$271,178,921)	\$423,939,129

(1) Debt Amortization Expense includes issuing costs of new series.

(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

PRESENT VALUE ANALYSIS												
FMB and New Bank Facilities												
First Mortgage Bonds												
Interest	Debt Expense Amortization (1)	Credit Facility Fees	L/C Fees	Adm./Acc. Costs	Annual Issue Exp	Credit Facility Issuance	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or Refunding SAVINGS from	Present Value Factor	Present Value SAVINGS
\$ 65,702,860	\$ 1,786,102	\$ 1,000,000	\$ 4,455,000	299,685	0	4,000,000	11,644,275	\$ -	\$15,644,275	\$ (15,644,275)	1.0000	(\$15,644,275)
\$ 64,546,110	\$ 1,796,652	\$ 500,000	\$ 2,227,500	310,951	316,500			\$ (28,491,779)	\$42,965,767	\$ 1,740,767	0.9700	\$1,688,544
\$ 61,075,860	\$ 1,796,652			319,979				\$ (26,989,292)	\$40,911,769	\$ 2,693,285	0.9408	\$2,533,854
\$ 55,292,110	\$ 1,807,202			331,779	316,500			\$ (24,581,879)	\$36,813,960	\$ 4,299,588	0.9094	\$3,910,124
\$ 50,665,110	\$ 807,202			341,357	316,500			\$ (22,340,694)	\$33,599,695	\$ 3,690,521	0.8781	\$3,240,755
\$ 44,881,360	\$ 817,752			353,723	316,500			\$ (20,155,517)	\$30,850,950	\$ 3,109,316	0.8461	\$2,630,653
\$ 40,254,360	\$ 817,752			363,884	316,500			\$ (17,914,553)	\$27,637,030	\$ 2,420,473	0.8215	\$1,988,341
\$ 37,940,860	\$ 828,302			376,851	316,500			\$ (16,118,602)	\$24,499,642	\$ 2,104,184	0.7973	\$1,677,761
\$ 29,071,110	\$ 838,852			387,632	316,500			\$ (15,227,799)	\$23,406,412	\$ 1,477,449	0.7422	\$1,096,548
\$ 19,969,210	\$ 828,302			401,235	316,500			\$ (11,781,660)	\$17,677,082	\$ 376,563	0.6992	\$263,304
\$ 19,969,210	\$ 241,913			412,673	316,500			\$ (8,250,417)	\$12,436,529	\$ 347,546	0.7119	\$247,422
\$ 18,470,105	\$ 252,463			426,953	316,500			\$ (8,022,656)	\$12,359,226	\$ 424,849	0.6881	\$292,350
\$ 14,849,625	\$ 252,463			439,086	316,500			\$ (7,449,164)	\$11,764,394	\$ 98,385	0.6651	\$65,439
\$ 12,728,250	\$ 263,013			454,084	316,500			\$ (6,045,517)	\$9,243,195	\$ 357,907	0.6429	\$230,103
\$ 12,728,250	\$ 263,013			466,956	316,500			\$ (5,230,240)	\$8,268,594	\$ (7,874)	0.6214	(\$4,893)
\$ 12,728,250	\$ 273,563			482,715	316,500			\$ (5,235,247)	\$7,959,959	\$ 300,761	0.6007	\$180,659
\$ 12,728,250	\$ 273,563			496,372	316,500			\$ (5,245,481)	\$8,281,984	\$ (21,264)	0.5806	(\$12,346)
\$ 12,728,250	\$ 284,113			512,938	316,500			\$ (5,250,794)	\$7,973,828	\$ 286,892	0.5612	\$161,006
\$ 7,071,250	\$ 284,113			527,426	316,500			\$ (5,261,342)	\$8,296,346	\$ (35,626)	0.4572	(\$16,288)
\$ 7,071,250	\$ 294,663			544,849	316,500			\$ (3,066,405)	\$4,532,271	\$ 86,889	0.5243	\$45,559
\$ 7,071,250	\$ 294,663			560,219	316,500			\$ (3,077,286)	\$4,855,312	\$ (236,152)	0.5068	(\$119,686)
\$ 7,071,250	\$ 305,213			578,551	316,500			\$ (3,083,265)	\$4,548,204	\$ 70,956	0.4899	\$34,760
\$ 7,071,250	\$ 305,213			594,857	316,500			\$ (3,094,500)	\$4,871,800	\$ (252,640)	0.4735	(\$119,629)
\$ 7,071,250	\$ 315,763			614,153	316,500			\$ (3,100,844)	\$4,565,264	\$ 53,896	0.4577	\$24,668
\$ 7,071,250	\$ 315,763			631,452	316,500			\$ (3,112,453)	\$4,889,449	\$ (270,289)	0.4424	(\$119,578)
\$ 5,657,000	\$ 326,313			651,771	316,500			\$ (2,581,048)	\$4,044,223	\$ 35,641	0.4276	\$15,241
\$ 2,121,375	\$ 326,313			670,124	316,500			\$ (1,212,829)	\$1,578,670	\$ (235,998)	0.3995	(\$94,288)
\$643,606,265	\$16,996,886						\$11,644,275	(\$265,040,445)	\$419,052,349	\$6,879,779		\$4,034,091

Assumptions
Kentucky Utilities First Mortgage Bond Analysis
PROPOSED REFUNDING

5.051%

MISCELLANEOUS

Tax rate	38.900%
Inflation rate	3.00%
Discount rate	3.09%

	Debt Issuance Cost	Annual Amortization	Additional Annual Amortization
10-Year	\$ 2,116,944	\$ 211,694	
10-Year	\$ 3,852,444	\$ 385,244	
30-Year	\$ 4,141,194	\$ 138,040	\$ 10,550
30-Year	\$ 1,533,694	\$ 51,123	(Assumes 30yr Issuance)

Weighted Average Cost of Debt	
Loan #1	\$ 258,000,000
Loan #2	\$ 525,000,000
Loan #3	\$ 423,000,000
Loan #4	\$ 125,000,000
	\$ 1,331,000,000

19.384%	4.627%	0.897%
39.444%	4.627%	1.825%
31.781%	5.657%	1.798%
9.391%	5.657%	0.531%
100.000%		5.051%

KU - Weighted Average Maturity

	<u>Amount</u>	<u>Years to Maturity</u>	<u>Weight</u>	<u>Weighted Average Mat.</u>
<u>Current</u>				
November 24, 2010	33,000,000	-0.1	2.48%	(0.0)
January 16, 2012	50,000,000	1.0	3.76%	0.0
April 30, 2013	100,000,000	2.3	7.51%	0.2
August 15, 2013	75,000,000	2.6	5.63%	0.1
December 19, 2014	100,000,000	4.0	7.51%	0.3
July 8, 2015	50,000,000	4.5	3.76%	0.2
December 21, 2015	75,000,000	5.0	5.63%	0.3
October 25, 2016	50,000,000	5.8	3.76%	0.2
April 24, 2017	50,000,000	6.3	3.76%	0.2
June 20, 2017	50,000,000	6.5	3.76%	0.2
July 25, 2018	50,000,000	7.6	3.76%	0.3
August 27, 2018	50,000,000	7.7	3.76%	0.3
December 17, 2018	75,000,000	8.0	5.63%	0.4
July 29, 2019	50,000,000	8.6	3.76%	0.3
October 25, 2019	70,000,000	8.8	5.26%	0.5
November 25, 2019	50,000,000	8.9	3.76%	0.3
February 7, 2022	53,000,000	11.1	3.98%	0.4
May 22, 2023	75,000,000	12.4	5.63%	0.7
September 14, 2028	100,000,000	17.7	7.51%	1.3
June 23, 2036	50,000,000	25.5	3.76%	1.0
March 30, 2037	75,000,000	26.3	5.63%	1.5
Total - KU	1,331,000,000		100.00%	8.9
<u>Refinanced</u>				
November 24, 2010	33,000,000			
January 16, 2012	50,000,000			
April 30, 2013	100,000,000			
August 15, 2013	75,000,000			
Loan #1	258,000,000	10.0	19.38%	1.9
December 19, 2014	100,000,000			
July 8, 2015	50,000,000			
December 21, 2015	75,000,000			
October 25, 2016	50,000,000			
April 24, 2017	50,000,000			
June 20, 2017	50,000,000			
July 25, 2018	50,000,000			
August 27, 2018	50,000,000			
July 29, 2019	50,000,000			
Loan #2	525,000,000	10.0	39.44%	3.9
December 17, 2018	75,000,000			
October 25, 2019	70,000,000			
November 25, 2019	50,000,000			
February 7, 2022	53,000,000			
May 22, 2023	75,000,000			
September 14, 2028	100,000,000			
Loan #3	423,000,000	30.0	31.78%	9.5
June 23, 2036	50,000,000			
March 30, 2037	75,000,000			
Loan #4	125,000,000	30.0	9.39%	2.8
Total	1,331,000,000		100.00%	18.2

KU - Weighted Average Interest Rate

	<u>Amount</u>	<u>Interest Rate</u>	<u>Weight</u>	<u>Weighted Average Mat.</u>
<u>Current</u>				
November 24, 2010	33,000,000	4.24%	2.48%	0.105%
January 16, 2012	50,000,000	4.39%	3.76%	0.165%
April 30, 2013	100,000,000	4.55%	7.51%	0.342%
August 15, 2013	75,000,000	5.31%	5.63%	0.299%
December 19, 2014	100,000,000	5.45%	7.51%	0.409%
July 8, 2015	50,000,000	4.74%	3.76%	0.178%
December 21, 2015	75,000,000	5.36%	5.63%	0.302%
October 25, 2016	50,000,000	5.68%	3.76%	0.213%
April 24, 2017	50,000,000	5.28%	3.76%	0.198%
June 20, 2017	50,000,000	5.98%	3.76%	0.225%
July 25, 2018	50,000,000	6.16%	3.76%	0.231%
August 27, 2018	50,000,000	5.65%	3.76%	0.212%
December 17, 2018	75,000,000	7.04%	5.63%	0.396%
July 29, 2019	50,000,000	4.81%	3.76%	0.181%
October 25, 2019	70,000,000	5.71%	5.26%	0.300%
November 25, 2019	50,000,000	4.45%	3.76%	0.167%
February 7, 2022	53,000,000	5.69%	3.98%	0.227%
May 22, 2023	75,000,000	5.85%	5.63%	0.330%
September 14, 2028	100,000,000	5.96%	7.51%	0.448%
June 23, 2036	50,000,000	6.33%	3.76%	0.238%
March 30, 2037	75,000,000	5.86%	5.63%	0.330%
Total - KU	1,331,000,000		100.00%	5.496%
<u>Refinanced</u>				
November 24, 2010	33,000,000			
January 16, 2012	50,000,000			
April 30, 2013	100,000,000			
August 15, 2013	75,000,000			
Loan #1	258,000,000	4.63%	19.38%	0.897%
December 19, 2014	100,000,000			
July 8, 2015	50,000,000			
December 21, 2015	75,000,000			
October 25, 2016	50,000,000			
April 24, 2017	50,000,000			
June 20, 2017	50,000,000			
July 25, 2018	50,000,000			
August 27, 2018	50,000,000			
July 29, 2019	50,000,000			
Loan #2	525,000,000	4.63%	39.44%	1.825%
December 17, 2018	75,000,000			
October 25, 2019	70,000,000			
November 19, 2019	50,000,000			
February 7, 2022	53,000,000			
May 22, 2023	75,000,000			
September 14, 2028	100,000,000			
Loan #3	423,000,000	5.66%	31.78%	1.798%
June 23, 2036	50,000,000			
March 30, 2037	75,000,000			
Loan #4	125,000,000	5.66%	9.39%	0.531%
Total	1,331,000,000		100.00%	5.051%

Louisville Gas & Electric First Mortgage Bond Analysis

Impact on Cash Flow

EXISTING CAPITALIZATION

Fidelity Loans and Existing Bank Facilities

Date	Interest	Credit Facility Fees	Taxes	Total Cash Outlay
12/31/2010				
2011 \$	26,641,800	\$ 84,000	(10,396,336)	\$16,329,464
2012 \$	26,100,550	\$ 42,000	(10,169,452)	\$15,973,098
2013 \$	23,284,300	\$	(9,057,593)	\$14,226,707
2014 \$	15,699,300	\$	(6,107,028)	\$9,592,272
2015 \$	15,699,300	\$	(6,107,028)	\$9,592,272
2016 \$	12,459,300	\$	(4,846,668)	\$7,612,632
2017 \$	12,459,300	\$	(4,846,668)	\$7,612,632
2018 \$	12,459,300	\$	(4,846,668)	\$7,612,632
2019 \$	10,906,800	\$	(4,242,745)	\$6,664,055
2020 \$	10,906,800	\$	(4,242,745)	\$6,664,055
2021 \$	10,906,800	\$	(4,242,745)	\$6,664,055
2022 \$	10,906,800	\$	(4,242,745)	\$6,664,055
2023 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2024 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2025 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2026 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2027 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2028 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2029 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2030 \$	8,218,400	\$	(3,196,958)	\$5,021,442
2031 \$	6,202,200	\$	(2,412,656)	\$3,789,544
2032 \$	4,186,000	\$	(1,628,354)	\$2,557,646
2033 \$	4,186,000	\$	(1,628,354)	\$2,557,646
2034 \$	4,186,000	\$	(1,628,354)	\$2,557,646
2035 \$	4,186,000	\$	(1,628,354)	\$2,557,646
2036 \$	4,186,000	\$	(1,628,354)	\$2,557,646
2037 \$	2,093,000	\$	(814,177)	\$1,278,823
TOTAL	\$283,402,750		(\$110,292,684)	\$173,236,066

(1) Debt Amortization Expense includes issuing costs of new series.

(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

First Mortgage Bond Analysis

PROPOSED REFUNDING

FMB and New Bank Facilities

PRESENT VALUE ANALYSIS

Interest	Debt Expense Amortization (1)	Credit Facility Fees	Adm./Acc. Costs	Annual Issue Exp	Credit Facility Issuance	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
\$ 23,779,950	\$ 1,344,047	\$ 1,000,000	288,675	0	4,000,000	4,760,625	\$ -	\$8,760,625	\$ (8,760,625)	1.0000	(\$8,760,625)
\$ 23,201,575	\$ 1,354,597	\$ 500,000	299,685	316,500			(10,274,529)	\$14,794,096	\$ 1,535,368	0.9709	\$1,490,710
\$ 20,309,700	\$ 1,354,597		308,451				(9,863,428)	\$14,454,332	\$ 1,518,766	0.9426	\$1,431,576
\$ 13,369,200	\$ 1,354,597		317,479				(8,547,399)	\$12,070,752	\$ 2,155,955	0.9033	\$1,947,538
\$ 13,369,200	\$ 365,147		329,279	316,500			(5,851,056)	\$7,835,623	\$ 1,756,649	0.8836	\$1,552,197
\$ 10,798,200	\$ 365,147		338,857				(5,470,750)	\$8,544,228	\$ 1,048,044	0.8430	\$883,449
\$ 10,798,200	\$ 365,147		348,723				(4,474,357)	\$6,662,700	\$ 949,933	0.8306	\$789,015
\$ 10,798,200	\$ 375,697		361,384	316,500			(4,478,195)	\$6,668,728	\$ 943,905	0.8053	\$760,127
\$ 9,512,700	\$ 375,697		371,851				(3,991,236)	\$6,988,860	\$ 623,772	0.7688	\$479,577
\$ 9,512,700	\$ 375,697		382,632				(3,995,430)	\$5,899,901	\$ 770,740	0.7570	\$583,441
\$ 9,512,700	\$ 174,216		396,235	316,500			(3,922,346)	\$6,303,090	\$ 764,153	0.7339	\$560,835
\$ 9,512,700	\$ 174,216		407,673				(3,926,795)	\$5,993,578	\$ 670,477	0.7116	\$256,853
\$ 7,095,960	\$ 184,766		419,453				(2,991,265)	\$4,524,147	\$ 497,295	0.6542	\$438,653
\$ 7,095,960	\$ 184,766		434,086	316,500			(3,001,062)	\$4,845,484	\$ 484,822	0.6689	\$332,633
\$ 7,095,960	\$ 184,766		446,584				(3,010,931)	\$4,544,486	\$ 476,957	0.6485	\$114,110
\$ 7,095,960	\$ 195,316		459,456				(3,021,165)	\$4,866,510	\$ 154,932	0.6288	\$304,834
\$ 7,095,960	\$ 195,316		475,215	316,500			(3,026,477)	\$4,558,354	\$ 463,088	0.5730	\$265,364
\$ 7,095,960	\$ 195,316		488,872				(3,031,949)	\$4,566,949	\$ 454,494	0.5556	\$252,506
\$ 7,095,960	\$ 205,866		502,938				(3,042,661)	\$4,889,725	\$ 131,718	0.5387	\$70,950
\$ 5,347,680	\$ 73,850		519,926	316,500			(2,317,031)	\$3,565,497	\$ 224,047	0.5222	\$117,007
\$ 3,599,400	\$ 73,850		534,849				(1,642,929)	\$2,506,690	\$ 50,956	0.5063	\$25,801
\$ 3,599,400	\$ 84,400		550,219				(1,654,164)	\$2,830,286	\$ (272,640)	0.4909	(\$133,843)
\$ 3,599,400	\$ 84,400		568,551	316,500			(1,660,508)	\$2,523,750	\$ 33,896	0.4760	\$16,133
\$ 3,599,400	\$ 84,400		584,857				(1,667,041)	\$2,534,012	\$ 23,634	0.4615	\$10,906
\$ 3,599,400	\$ 94,950		601,653				(1,678,847)	\$2,858,505	\$ (300,859)	0.4474	(\$134,606)
\$ 1,799,700	\$ 94,950		621,452	316,500			(985,695)	\$1,453,276	\$ (174,453)	0.4338	(\$75,674)
\$ 1,799,700	\$ 94,950		639,271								
\$246,387,083	\$10,089,925		\$11,998,305	\$2,848,500		\$4,760,625	(\$105,020,398)	\$166,474,118	\$6,761,949		\$3,961,794

Assumptions

Louisville Gas & Electric First Mortgage Bond Analysis

PROPOSED REFUNDING

4.903%

MISCELLANEOUS

Tax rate	38.900%
Inflation rate	3.00%
Discount rate	3.00%

	Debt Issuance Cost	Annual Amortization	Additional Amortization
10-Year	\$ 2,120,313	\$ 212,031	\$ 10,550
20-Year	\$ 2,640,313	\$ 132,016	(Assumes 30yr Issuance)

Weighted Average Cost of Debt			
Loan #1	\$ 225,000,000	46.392%	2.147%
Loan #2	\$ 260,000,000	53.608%	2.757%
	\$ 485,000,000	100.000%	4.903%

LG&E - Weighted Average Maturity

	<u>Amount</u>	<u>Years to Maturity</u>	<u>Weight</u>	<u>Weighted Average Mat.</u>
<u>Current</u>				
January 16, 2012	25,000,000	1.0	5.15%	0.1
April 30, 2013	100,000,000	2.3	20.62%	0.5
August 15, 2013	100,000,000	2.6	20.62%	0.5
November 23, 2015	50,000,000	4.9	10.31%	0.5
July 25, 2018	25,000,000	7.6	5.15%	0.4
November 26, 2022	47,000,000	11.9	9.69%	1.2
April 13, 2031	68,000,000	20.3	14.02%	2.8
April 13, 2037	70,000,000	26.3	14.43%	3.8
Total - LG&E	485,000,000		100.00%	9.8
<u>Refinanced</u>				
January 16, 2012	25,000,000			
April 30, 2013	100,000,000			
August 15, 2013	100,000,000			
Loan #1	225,000,000	10.0	46.39%	4.6
November 23, 2015	50,000,000			
July 25, 2018	25,000,000			
November 26, 2022	47,000,000			
April 13, 2031	68,000,000			
April 13, 2037	70,000,000			
Loan #2	260,000,000	20.0	53.61%	10.7
Total	485,000,000			15.4

LG&E - Weighted Average Interest Rate

	<u>Amount</u>	<u>Interest Rate</u>	<u>Weight</u>	<u>Weighted Average Mat.</u>
<u>Current</u>				
January 16, 2012	25,000,000	4.33%	5.15%	0.223%
April 30, 2013	100,000,000	4.55%	20.62%	0.938%
August 15, 2013	100,000,000	5.31%	20.62%	1.095%
November 23, 2015	50,000,000	6.48%	10.31%	0.668%
July 25, 2018	25,000,000	6.21%	5.15%	0.320%
November 26, 2022	47,000,000	5.72%	9.69%	0.554%
April 13, 2031	68,000,000	5.93%	14.02%	0.831%
April 13, 2037	70,000,000	5.98%	14.43%	0.863%
Total - LG&E	485,000,000		100.00%	5.493%
<u>Refinanced</u>				
January 16, 2012	25,000,000			
April 30, 2013	100,000,000			
August 15, 2013	100,000,000			
Loan #1	225,000,000	4.63%	46.39%	2.147%
November 23, 2015	50,000,000			
July 25, 2018	25,000,000			
November 26, 2022	47,000,000			
April 13, 2031	68,000,000			
April 13, 2037	70,000,000			
Loan #2	260,000,000	5.14%	53.61%	2.757%
Total	485,000,000			4.903%

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 88

Responding Witness: S. Bradford Rives

- Q-88. Reference the testimony of Mr. Rives at page 7 where he discusses access to capital markets. Does the witness agree that implicit support from the ultimate parent of a company is factored into a ratings analysis? If not, why not?
- A-88. The financial condition of the ultimate parent company is factored into a ratings analysis of a subsidiary company. The rating agencies will consider the parent company's need for dividends to meet debt service at the parent company and access to capital markets to fund unforeseen circumstances at the subsidiary in establishing the ratings of the subsidiaries. In this instance, it is clear from the press releases of Moody's and S&P that they are confident in the financial strength of PPL as they expect to maintain solid investment grade ratings for the two utilities post closing.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 89

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-89. Will the joint applicants agree to commit in this jurisdiction to any other conditions or commitments that are either imposed by or agreed upon in any other regulatory approval process associated with this transaction in any other jurisdiction?
- A-89. Joint Applicants would not agree to a "most favored nations clause" condition, and state that such a condition would be without merit in any event, given the nature of this transfer. In cases concerning utilities that provide service in many states, and face extensive transfer proceedings and commitments imposed by numerous state commissions, such a clause might have relevance. Here, however, neither the Virginia or Tennessee commissions, which have regulatory authority over relatively minor portions of KU's territory, is likely to impose any condition that pertains to any issue other than a purely local concern.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 90

Responding Witness: Paul A. Farr

Q-90. What amount of liquid assets does PPL hold?

A-90. As reported on PPL's Form 10-Q filed with the SEC on May 6, 2010, PPL reported Cash and Cash Equivalents in the amount of \$1,724 million for the quarter ended March 31, 2010.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 91

Responding Witness: Lonnie E. Bellar / Paul A. Farr / Counsel

- Q-91. Reference: Petition for Confidential Protection. The Petition (at numbered paragraph 3) indicates that "PPL became the purchaser of E.ON U.S. through a regimented negotiation process." With regard to this statement, please answer and provide the following:
- a. A narrative that describes the development of the structure for the bidding and negotiation process and include in the narrative the identity of the individuals who responsible for the development and approval of the structure of the bidding and negotiation process.
 - b. Identify every corporation, holding company, partnership, firm, individual, investor group, or other entity that was invited, solicited, or asked to participate in the bidding process.
 - c. Identify the criteria for selecting targets for soliciting a bid.
 - d. To the extent that there were "various sequences of the bidding process," describe in detail each sequence and identify the participants for each sequence and the corresponding result, by participant, of each sequence. (By participant, indicate whether the participant moved to the next level, whether the participant withdrew, whether the participant was eliminated, etc.)
 - e. For any participant in the bidding process that submitted a valuation of E.ON U.S. or otherwise identified a purchase price, please provide a copy of the valuation and identify the purchase price.
 - f. For any valuation or purchase price submitted, indicate whether E.ON AG or E.ON U.S. asked a third-party consultant (such as an investment advisor, financial consultant, etc.) to review, critique, or otherwise analyze the valuation or purchase price. If there was a request, then please provide details for each request and the response and include any documents relating to the request and response, including e-mails.

g. Were there any unsolicited requests for the purchase of E.ON U.S.? If yes, then please identify each unsolicited request and indicate the action taken regarding the request.

A-91. Joint Applicants object to the question and its subparts on the ground that they are irrelevant. Information concerning the identities of persons and entities who participated in bidding and/or negotiating prior to the PPL purchase agreement has nothing to do with the Commission's inquiry in this matter which, as the Commission has held, must remain focused "upon the qualifications of the acquiring party and the potential effects of the transfer actually before us."¹

¹ *The Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, Thames Water Aqua US Holdings Inc., Apollo Acquisition Company and American Water Works Company, Inc. for Approval of a Change of Control of Kentucky-American Water Company*, Case No. 2002-00317 (Ky. P.S.C. Dec. 20, 2002), at 12.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 92

Responding Witness: Lonnie E. Bellar / William H. Spence / Counsel

- Q-92. Reference: Joint Application (at pages 2 and, again, beginning at page 19). With regard to the statement that the transaction is "consistent with the public interest," please provide and answer the following:
- a. For the transaction through which E.ON AG obtained approval for the change of control and ownership of LG&E and KU, resulting from the acquisition by E.ON of Powergen (Ky PSC Case No. 2001-104), identify each factor, stated-reason, rationale provided by the Joint Applicants in that proceeding supporting an argument that approval of the acquisition by E.ON AG was consistent with the public interest within the meaning of KRS 278.020(5).
 - b. With regard to each factor, stated-reason, rationale provided by the Joint Applicants in Case No. 2001-104 in support of an argument that the acquisition by E.ON AG was consistent with the public interest, please indicate how the approval of the agreement presented in this proceeding impacts that factor, stated-reason, or rationale.
 - c. Please identify with specificity each factor, stated-reason, or rationale of the Joint Applicants offered in support of their argument that the PPL purchase is consistent with the public interest, within the meaning of KRS 278.020(5).
 - d. Is it the position of the Joint Applicants that "a financial investment by a global energy company" is inconsistent with (or otherwise not in) the public interest? If no, then please explain why the proposed acquisition provides any incremental public benefit. (For example, is the case that E.ON AG has no "incentive to operate LG&E and KU with the goal of sustainable long-term growth for the benefit of those companies and their customers, employees, managers and community stakeholders"?)
 - e. Is it the position of any of the Joint Applicants that continued ownership by E.ON AG is not in the public interest? If yes, then please identify the date on which any Joint Applicant made this determination.

A-92. Joint Applicants object to the question and its subparts on the grounds that they are argumentative, irrelevant, and/or cumulative and that any attempt to answer them would be unduly burdensome. The information sought by subpart a is of record in the case cited in the question, a case in which the Attorney General fully participated. The opinion sought in subpart b is wholly irrelevant to this proceeding, as it also concerns factors at issue in another case. The information sought in subpart c – Joint Applicants’ reasons for believing that the transfer of control proposed in *this* case is in the public interest – already appears in the Application. The argument and opinion invited by subparts d and e - whether Joint Applicants consider global energy company investments to be in the public interest, whether E.ON AG has incentive to operate LG&E and KU so as to sustain long term growth, and whether ownership by E.ON AG is in the public interest - have no relevance here because PPL, and not E.ON AG, is the proposed acquirer. Pursuant to KRS 278.020(5) and (6), the relevant issues concern “the qualifications of the acquiring party and the potential effects of the transfer actually before” the Commission.²

² *Id.*

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

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**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 93

Responding Witness: S. Bradford Rives / Paul A. Farr

Q-93. Reference: Joint Application (at page 4). With regard to Fidelity Corporation, please explain why the Joint Applicants believe that it is necessary and why it is reasonable for "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 Fidelity Corporation."

A-93. The existing loan agreements with Fidelity state the following:

"The following shall constitute an Event of Default hereunder:
The Borrower leaves E.ON Group (i.e. the companies consolidated in E.ON AG's balance sheet).

If a Termination Event occurs according to this Section, Lender shall in its discretion grant Borrower a reasonable grace period unless such grace period shall be detrimental to the Lender. If the Termination Event is uncured at the expiration of such period, the Loan Amount outstanding together with interest will become due and payable immediately."

As a result of the transactions contemplated in Case No. 2010-00204, KU and LG&E would leave the E.ON AG Group and it would be necessary for them to repay existing loans with Fidelity.

As noted in the financing applications filed by LG&E and KU, the companies expect that the refinancing of these loans will be accomplished at a lower rate by issuing first mortgage bonds.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 94

Responding Witness: Paul A. Farr

- Q-94. Reference: Joint Application (at pages 15, 16). "After the completion of the proposed acquisition, PPL will no longer qualify as a single-state holding company system under PUHCA 2005, and LG&E and KU will become part of PPL's holding company system under PUHCA 2005 and will be subject to the same regulation to which they are subject today." With regard to this statement, what is the projected incremental cost associated with the PPL losing its exemption from FERC regulation?
- A-94. See response to Question No. 15. PPL has not undertaken any review of the incremental cost, if any, associated with the loss of its exemption from FERC regulation. PPL is therefore unaware whether there will be a cost associated with this loss and the amount, if any, of such cost.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 95

Responding Witness: Paul A. Farr

- Q-95. Joint Application (Testimony of James H. Miller, page 17). Please confirm that PPL is currently required to comply with The Sarbanes-Oxley Act of 2002. And, please identify the projected incremental Sarbanes-Oxley compliance costs associated with PPL obtaining ownership and control of E.ON U.S.
- A-95. PPL Corporation, as well as its subsidiaries PPL Electric Utilities Corporation and PPL Energy Supply, LLC, are all currently SEC registrants and subject to the applicable requirements of the Sarbanes-Oxley Act ("SOX") of 2002.

Please see Question No. 40 for a discussion of the anticipated SOX-related actions at E.ON US, LG&E and KU.

Because relevant PPL-related entities are already subject to SOX requirements and because relevant E.ON US-related entities have maintained internal controls substantially consistent with SOX requirements, the Companies do not currently anticipate that the incremental compliance costs associated with SOX compliance will ultimately be material.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 96

Responding Witness: S. Bradford Rives / William H. Spence

- Q-96. Reference: Joint Application (at page 17). Is PPL Corporation a larger utility system than E.ON AG? Please explain.
- A-96. The reference on page 17 of the Joint Application was noting that this transaction, like the E.ON AG and Powergen acquisitions as well as the KU/LG&E merger, allow KU and LG&E to be part of a larger utility system as compared to being a stand-alone operation.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 97

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-97. Reference: Joint Application (at page 18 and, also, by reference, Testimony of James H. Miller, page 25). With regard to the statement, "PPL did not assume the existence of any synergies when it made the economic decision to purchase E.ON U.S.," please answer the following:
- a. Is it the case that PPL did not assume the existence of any synergies in determining the purchase price of E.ON U.S.?
 - b. Aside from the determination of the purchase price, did PPL (itself or acting through an agent or third-party) research, analyze, or otherwise investigate possible synergies associated with a purchase of E.ON U.S.? If yes, then please explain in detail the results of the research, analysis, or investigation and provide all corresponding documentation. If no, then explain why not.
 - c. With regard to Exhibit D Page 6 of 7, No. 39, have the Joint Applicants performed an informal or non-formal analysis of any potential synergies and benefits? If yes, then please supply the analysis.

- A-97. a. Yes.
- b. No. See the response to KPSC 1-18.
 - c. No.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 98

Responding Witness: Lonnie E. Bellar / William H. Spence

Q-98. Reference: Joint Application (at page 18). With regard to the statement that PPL "is aware from its domestic operation of the importance and viability of coal as a fuel supply for the generation of electric power," please answer the following:

- a. Is it the Joint Applicants' position that E.ON AG is not aware of the "importance and viability of coal as a fuel supply for the generation of electric power"? If yes, then please fully explain.
- b. Is it the Joint Applicants' position that PPL's alleged awareness represents an incremental improvement in awareness over that of E.ON AG (with regard to the importance and viability of coal as a fuel supply)? If yes, then please fully explain the basis for the position and include any analysis or documentation relating to the incremental improvement.

A-98. a. No.

b. No.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
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**Joint Response to the Attorney General's Initial Request for Information
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Question No. 99

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-99. Do the Joint Applicants anticipate, project, or otherwise forecast any additional reorganizations, mergers, change of control, or other transactions (in the nature of those in Ky PSC cases number 10296, 89-374, 97-300) involving KU or LG&E for the thirty-six (36) month period following an approval and consummation of this purchase agreement? If yes, then please describe in detail.
- A-99. The Joint Applicants do not anticipate any corporate reorganizations involving LG&E or KU for the period referenced in the question.

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Question No. 100

Responding Witness: Karl-Heinz Feldmann

- Q-100. In that E.ON AG is one of the applicants seeking approval of this transaction, please explain why E.ON is not making any regulatory commitment (as reflected by footnote 18 on page 21 of the Joint Application). Further, with regard to this fact, please confirm that post-approval and closing, E.ON AG will no longer bear any risk associated with any potential negative or adverse consequences of the transaction. If this is not the case, then please explain why not including the risk that E.ON AG will continue to bear post-consummation.
- A-100. E.ON AG made similar commitments when it acquired control of E.ON U.S. and its regulated utilities. However, upon consummation of this transaction and going forward, PPL will be the owner of E.ON U.S., LG&E and KU and will make its own commitments and will be in a position to cause E.ON U.S., LG&E and KU to abide by these new commitments. The terms of the PSA, including but not limited to Article IX INDEMNIFICATION, set forth the risks borne by E.ON AG associated with the contemplated transaction.

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Question No. 101

Responding Witness: Paul A. Farr / William H. Spence

- Q-101. Is PPL Corporation willing to make a commitment that if it does not hold LG&E and KU for a ten-year (10) period, then it will pay (to the Commonwealth of Kentucky) an exit fee if it voluntarily enters into an agreement to sell either LG&E or KU? If no, then please explain why not?
- A-101. See the response to Question No. 53. For the reasons stated therein, the Joint Applicants do not believe that different or additional commitments relating to an exit fee or termination payment in the context described above are necessary or appropriate.

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Question No. 102

Responding Witness: S. Bradford Rives / William H. Spence

Q-102. Reference: Joint Application (at page 22). Is it the position of the Joint Applicants that currently, under E.ON AG ownership, LG&E or KU are presently unable to offer a Kentucky perspective for decisions and otherwise participate in the debates regarding budgets, investments, dividend policies, projects, and business plans by E.ON A.G. for its Kentucky business? If yes, then please explain in detail.

A-102. No.

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Question No. 103

Responding Witness: Lonnie E. Bellar

Q-103. For each commitment made by the Joint Applicants, please identify the aspect of the commitment that does not presently exist. (In other words: For each commitment indicate whether it is simply a continuation of a current commitment or whether it represents an incremental increase in an existing commitment or a wholly-new commitment.)

A-103. Please see the response to Question No. 55.

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Question No. 104

Responding Witness: William H. Spence

- Q-104. Reference: Joint Application (at page 24 and again at Exhibit D Page 4 of 7). Please explain why it is necessary for PPL to "develop a retention and incentive program for managers of PPL Kentucky, LG&E and KU."
- A-104. PPL has made many of the same commitments that Powergen and E.ON made in the two previous cases. This specific commitment was negotiated in response to what the Joint Applicants believed would be the PSC's expectation based on prior transactions. Regardless of the express commitment, as a matter of prudence and risk management, PPL would evaluate, as it undertakes the transition, the likelihood that key executives might terminate employment in conjunction with the closing of the transaction. PPL would consider the need for retention arrangements in order to ensure continuing employment of key executives to maintain ongoing operations.

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Question No. 105

Responding Witness: William H. Spence

- Q-105. Reference: Joint Application (at page 26). With regard to PPL's commitment to "review with LG&E and KU whether policies more sympathetic to those (low-income) customers would be appropriate," please answer the following:
- a. Indicate whether it is the position of the Joint Applicants that the policies are currently under-reviewed or otherwise inadequately reviewed? If yes, then please explain in detail.
 - b. Please describe with specificity PPL's consideration of these policies to-date (including whether PPL considered these policies as part of its valuation of E.ON U.S.) and describe with specificity how PPL will review policies in terms of the goals of the review process that PPL proposes as well as a narrative which describes how PPL plans to incorporate the results of the review into its business process and business planning.
 - c. If PPL has not yet conducted any review of LG&E or KU's policies, then please indicate the lack of review and explain why the review has not been conducted.
- A105. a. The statement at page 26 of the Joint Application is taken from Regulatory Commitment No. 43. The Joint Applicants adopted the Regulatory Commitments, including Regulatory Commitment No. 43, because they fully address the regulatory concerns that the Commission has historically expressed in previous cases involving a change of control of LG&E and KU, to the extent that those concerns have not been addressed by intervening legislation and regulation. Same or similar commitments were made by Powergen and E.ON. In addition, the Regulatory Commitments address other matters that are of substantial public importance to the Commonwealth and its citizens. PPL has not reviewed current policies with respect to low-income customers with specificity but PPL has no reason to believe that they are currently inadequately reviewed.

- b. PPL has not reviewed the relevant policies in detail to date, and these policies were not considered with particularity in the valuation of E.ON U.S. PPL will review policies as outlined in the relevant Regulatory Commitments, and it will adopt the results of its reviews into its business planning as soon as practicable and according to the specific results of those reviews on a fact specific and case-by-case basis.

- c. PPL has not yet reviewed these policies with specificity because it has committed that none of the policies will change as a result of the purchase. [Regulatory Commitment No. 43] The Regulatory Commitments fully address the regulatory concerns that the Commission has historically expressed in previous cases involving a change of control of LG&E and KU, to the extent that those concerns have not been addressed by intervening legislation and regulation. Same or similar commitments were made by Powergen and E.ON.

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Question No. 106

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-106. Reference: Joint Application (Exhibit D, Page 2 of 7). Please explain why LG&E and KU, and their ratepayers, directly or indirectly, should incur any additional costs, liabilities, or obligations in conjunction with the Purchase in connection with the repayment and refinancing of Closing Indebtedness, in accordance with its terms?
- A-106. Since LG&E and KU will refinance the loans from Fidelity with proceeds of replacement notes issued to PPL on substantially the same terms and conditions as the existing Fidelity notes, including the same maturity dates and same interest rates, and since no make-whole payment is required, LG&E and KU will not be incurring additional expenses as a result of the initial repayment and refinancing.

While interest rates and maturity dates cannot be known for debt to be issued in the future, a representative net present value analysis using projected forward treasury rates at December 31, 2010, current market spreads above treasuries, and costs associated with the contemplated new credit facilities shows a net savings from replacing the PPL intercompany notes with First Mortgage Bonds even after covering all debt issuance expenses, additional costs that will result from once again being subject to the requirements of being an SEC registrant, and additional costs associated with the new credit facilities. Therefore, while LG&E and KU will incur costs in conjunction with the refinancing of intercompany debt, it is anticipated that LG&E and KU will realize overall net savings as a result of replacing intercompany debt with First Mortgage Bonds.

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Question No. 107

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-107. Reference: Joint Application (Exhibit D, page 3 of 7). With regard to future rate cases, please explain the following:
- a. How will LG&E and KU demonstrate that it is not seeking a higher rate of return on equity than would have been sought if no acquisition had occurred?
 - b. Will the Joint Applicants agree to a commitment through which the cost associated with demonstrating compliance with this provision will be borne solely by shareholders and not recovered through rates? If not, why not?
 - c. If LG&E and KU were to seek a higher rate of return on equity than would have been sought in the absence of an acquisition, then what is the remedy? Include in this discussion an answer to the inseparable question of whether the Joint Applicants believe that the Commission has the power to establish a return on equity for either LG&E or KU that is expressly below a return on equity that the Commission would otherwise authorize "but for" this commitment.
 - d. Does KRS Chapter 278 provide the authority for the Commission to, based upon this commitment, "cap" or otherwise limit the return on equity for LG&E or KU to a return on equity that would have been sought if no acquisition had occurred? If yes, then please identify the basis for the authority.
 - e. Do the Joint Applicants believe that the Commission's enforcement of this provision is permissible (as being lawful in view of federal and state constitutional protections relating to the taking of property as well as federal and state statutes relating to rate-setting)?
- A-107. a. In future rate cases involving LG&E and KU, the fact that a requested rate of return will not be higher than would have been sought absent the

acquisition will be self-evident. Factors affecting a fair rate of return for the entities that are regulated, KU and LG&E, will not change as a result of the transaction. Only the identity of the shareholder who will receive dividends will change. Of course, the identity of the shareholder is irrelevant in setting a fair rate of return.

b. The suggested commitment is not necessary. The factors that affect a fair rate of return will not change as a result of the transaction. Thus, future requested rates of return will not differ as a result of the transaction. Accordingly, no costs will need to be incurred to demonstrate compliance – it will be self-evident.

c. See response to a. and b. above.

d. and e.

The Joint Applicants object to Subsections d. and e. because they call for interpretations of a state statute and of the Kentucky and U.S. Constitutions. The provisions of statutes and of the Kentucky and U.S. Constitutions speak for themselves.

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Question No. 108

Responding Witness: Karl-Heinz Feldmann

- Q-108. With regard to any pending or threatened litigation (including any pending or threatened regulatory review or supervision enforcement actions) involving E.ON AG, E.ON U.S., LG&E, and KU, is E.ON AG making any provisions through which it will agree to fund the defense of pending or threatened litigation.
- A-108. No.

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Question No. 109

Responding Witness: James H. Miller

- Q-109. Joint Application (Testimony of James H. Miller, page 5, beginning at line 16). Please identify all "key" markets for electricity and also identify all non-key markets for electricity (and identify the basis for defining a market as "key" or non-key). (If Mr. Miller wishes to limit his identify of "key" markets to those in the United States, then that is acceptable. However, if he limits his answer to an analysis of key markets in the United States, then we ask that he expressly state or otherwise provide a disclaimer. Likewise, he may limit his answer as to non-key markets to the United States, providing that he provide a disclaimer.)
- A-109. The intent of Mr. Miller's testimony at page 5 is to describe PPL's operational structure and how it functions operationally. The particular comment referenced above attempts to identify PPL's generation and marketing operations in the northeastern and western United States, and to note the importance of those markets and operations to PPL. As used in this portion of Mr. Miller's testimony, the term "key" is better understood as "important." The northeastern United States is an important region to PPL for economic and marketing reasons. The western United States is also important to PPL for generation purposes.

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Question No. 110

Responding Witness: James H. Miller / William H. Spence

- Q-110. Joint Application (Testimony of James H. Miller, page 7, beginning at line 16 and again at page 8 beginning at line 9). Mr. Miller identifies the provision of "superior service at reasonable and competitive rates" as part of PPL's strategic vision for creating value for its customers. With regard to this portion of Mr. Miller's testimony, please answer the following:
- a. Is it Mr. Miller's belief that KU currently provides "superior service at reasonable and competitive rates" in a manner consistent with PPL's strategic vision? If yes, then please explain the basis for this belief. If no, then please explain the basis for this belief and identify the areas meriting improvement.
 - b. Is it Mr. Miller's belief that LG&E currently provides "superior service at reasonable and competitive rates" in a manner consistent with PPL's strategic vision? If yes, then please explain the basis for this belief. If no, then please explain the basis for this belief and identify the areas meriting improvement.
 - c. If the answers to sub-parts "a" and "b" are yes, then please confirm that KU and LG&E are currently operating in a manner which will achieve the "sustainable long-term growth for its (PPL's) shareholders." If you are unable to confirm this premise, then please explain why not.
 - d. With regard to the testimony on page 9, beginning on Line 11, is it the position of Mr. Miller that "investment needed to provide the highest quality services to customers in Kentucky" is investment for maintaining the status quo with regard to service? (Or is it the case that Mr. Miller believes that additional, incremental investment is needed in order for either LG&E or KU to provide a level of service consistent with PPL's long-term strategic vision?)

- A-110. a. Yes. KU is an award-winning utility that provides some of the lowest rates to customers in its region. PPL believes that KU provides the level of service at the rates that are consistent with PPL's long term strategic vision. In addition, PPL has committed that the base rates and services of KU's customers will not change as a result of the proposed acquisition. [Regulatory Commitments No. 5, 25] PPL has committed to maintain its levels of high quality utility service. [Regulatory Commitment No. 31]
- b. Yes. LG&E is an award-winning utility that provides some of the lowest rates to customers in its region. PPL believes that LG&E provides the level of service at the rates that are consistent with PPL's long term strategic vision. In addition, PPL has committed that the base rates and services of KU's customers will not change as a result of the proposed acquisition. [Regulatory Commitments No. 5, 25] PPL has committed to maintain its levels of high quality utility service. [Regulatory Commitment No. 31]
- c. It is PPL's current belief that LG&E and KU are operated by then current management in a manner that will achieve sustainable long term growth for PPL's shareholders. PPL has made a number of commitments pertaining to maintenance of the current corporate and managerial structures. [See, e.g., Regulatory Commitments Nos. 9, 46, 47, 48]
- d. Please see Question Nos. 110(a) and (b) above.

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Question No. 111

Responding Witness: S. Bradford Rives / Paul A. Farr

Q-111. Reference: Joint Application (Testimony of James H. Miller, page 10, beginning at line 5). For the portion of the transaction through which "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," will LG&E or KU, and their ratepayers, directly or indirectly, incur any additional costs, liabilities, or obligations in connection with PPL's causing of LG&E and KU to take these actions? If yes, please identify the additional costs, liabilities, or obligations and explain why the ratepayers should bear these items.

A-111. See the response to Question No. 106.

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Question No. 112

Responding Witness: S. Bradford Rives

- Q-112. Do the Joint Applicants anticipate that LG&E and KU will be participants in a consolidated tax return or will LG&E and KU file separate tax returns?
- A-112. LG&E and KU will be participants in a consolidated income tax return that includes other eligible entities affiliated with E.ON U.S. LLC and PPL.

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Question No. 113

Responding Witness: William H. Spence

- Q-113. Joint Application (Testimony of William H. Spence, page 7 beginning at line 10). Has Mr. Spence reviewed the Kentucky Public Service Commission Regulations (as well as other applicable Kentucky law including Kentucky Commission precedent) regarding assisting low-income customers? If yes, then please identify the PPL programs for assisting low-income customers that could be utilized in Kentucky. For any program utilized in Pennsylvania for which Mr. Spence holds the belief that it could not be utilized in Kentucky, provide an explanation regarding the inability to apply the program.
- A-113. Mr. Spence has and will rely on the current management of E.ON U.S. with respect to the law which relates to providing service to Kentucky's low-income customers, but he has not yet advised by E.ON U.S.'s management whether any particular provisions of Kentucky law would require or prohibit the implementation of PPL Electric's programs to assist low-income customers that are regulated under Pennsylvania's laws. PPL has committed that the current policies of LG&E and KU applicable to low-income customers will not change as a result of the proposed acquisition. In addition, PPL has committed to review these policies to determine whether any that are more sympathetic to the needs of low-income customers would be appropriate. [Regulatory Commitment No. 43.]

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Question No. 114

Responding Witness: Karl-Heinz Feldmann

- Q-114. Joint Application (Testimony of Karl-Heinz Feldmann, page 3). Please explain what Mr. Feldmann means by "more clarity in its portfolio and room for organic growth in other markets."
- A-114. This transaction allowed E.ON AG to meet its stated goal of achieving 10 billion euro from the disposition of existing assets. This provides additional capital for E.ON AG as it continues to pursue its current investment strategy which is more focused in Europe.

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Question No. 115

Responding Witness: S. Bradford Rives / Paul A. Farr

- Q-115. Joint Application (Testimony of S. Bradford Rives). Under the assumption that the transaction is approved under the conditions set forth in the application, please explain the process through which LG&E or KU will be able to challenge the allocation of a cost from a parent or affiliate. If the ability to challenge the allocation of a cost will not exist, then affirmatively state that fact.
- A-115. LG&E or KU will be able to challenge the allocation of a cost from a parent or affiliate in the same way as they do today.

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Question No. 116

Responding Witness: S. Bradford Rives

- Q-116. Joint Application (Testimony of S. Bradford Rives, page 8, line 14). Please confirm that "stand-alone" tax calculation for the parties under the 2009 Amended and Restated Tax Allocation Agreement is for the purpose of separating the regulated and non-regulated businesses.
- A-116. The "stand-alone" tax calculation maintains the separation of regulated and non-regulated business and prevents any cross subsidization between the utilities and their holding company and its affiliates.

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Question No. 117

Responding Witness: Paul A. Coomes

Q-117. Joint Application (Testimony of Paul A. Coomes). Prior to filing his testimony, did Dr. Coomes review any Kentucky Public Service Commission "final" orders from any of rate proceeding involving KU or LG&E? If yes, please identify the orders reviewed by Dr. Coomes.

A-117. No, I did not.

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Question No. 118

Responding Witness: Paul A. Coomes

- Q-118. Joint Application (Testimony of Paul A. Coomes and attached curriculum vitae). Please provide the following items and answer the following questions:
- a. Provide a copy of the journal article "Cyclical Patterns and Structural Changes in the Louisville Area Economy Since 1990."
 - b. Provide a copy of the journal article "An Evaluation of the Effectiveness of Louisville's Enterprise Zone."
 - c. Please provide the conference presentation materials for "Measurement Systems for Regional Economic Development" (San Antonio, Texas 1999).
 - d. Please provide a copy of "Capacity and Performance of Philanthropy, Charitable Giving, and the Public Sector In Owensboro-Daviess County Kentucky."
 - e. Please provide a copy of "An Economic Analysis of the Gainsborough to Rembrandt Art Show."
 - f. Please provide a narrative of Dr. Coomes' (1987) participation in the Delphi Panel on long-range utility forecasts.
 - g. Has Dr. Coomes ever filed testimony regarding the cost of capital (including the cost of equity) in a regulatory proceeding for setting the rates of a public utility? If yes, then please identify the proceeding (by jurisdiction and docket number, the date that the testimony was submitted, provide a copy of the testimony, and provide a copy of the corresponding final order for the proceeding).
- A-118. a. See online, Federal Reserve of St. Louis, *Regional Economic Development*, <http://research.stlouisfed.org/publications/red/past/2005/>

- b. See online, *Economic Development Quarterly*, at <http://edq.sagepub.com/cgi/reprint/15/2/168>
- c. A hard copy will be provided at a mutually agreed upon time.
- d. See online, at our university web site, <http://monitor.louisville.edu/kentucky/Owensboro%20Philanthropy%20Study.pdf>
- e. See online, at our university web site, <http://monitor.louisville.edu/arts/speed.pdf>
- f. A hard copy will be provided at a mutually agreed upon time.
- g. As best I can recall, I have never filed testimony regarding the cost of capital (including the cost of equity) in a regulatory proceeding for setting the rates of a public utility.

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Question No. 119

Responding Witness: Paul A. Coomes

Q-119. Reference: Joint Application (Testimony of Paul A. Coomes, page 1, line 7).
Please answer the following:

- a. Is Dr. Coomes' assistance to the Joint Applicants limited to providing "a regional economic development perspective on the proposed acquisition"? If no, then explain the scope of Dr. Coomes assistance to the Joint Applicants.
- b. Did Dr. Coomes review the most recent rate adjustment filing of LG&E? If yes, then please provide a narrative that discusses the nature of the review and Dr. Coomes' findings or opinions regarding the cost of capital and return on equity for LG&E.
- c. Did Dr. Coomes review the most recent rate adjustment filing of KU? If yes, then please provide a narrative that discusses the nature of the review and Dr. Coomes' findings or opinions regarding the cost of capital and return on equity for KU.
- d. Has Dr. Coomes researched the issue of whether any element of LG&E's cost of capital (debt, equity, etc.) would be different under PPL ownership as compared to ownership by E.ON AG? If yes, then please explain the findings to date.
- e. Has Dr. Coomes researched the issue of whether any element of KU's cost of capital (debt, equity, etc.) would be different under PPL ownership as compared to ownership by E.ON AG? If yes, then please explain the findings to date.
- f. Has Dr. Coomes performed any investigation into PPL Corporations' credit profile and ability to attract capital? If yes, then please explain the findings to date.

g. Has Dr. Coomes performed any investigation into E.ON AG credit profile and ability to attract capital? If yes, then please explain the findings to date.

- A-119. a. Yes.
b. No.
c. No.
d. No.
e. No.
f. No.
g. No.

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Question No. 120

Responding Witness: Paul A. Coomes

- Q-120. Reference: Joint Application (Testimony of Paul A. Coomes). Please provide the following:
- a. The date that Dr. Coomes was retained by the Joint Applicants.
 - b. A copy of Dr. Coomes' contract with the Joint Applicants regarding his assistance.
 - c. A list of the materials provided to Dr. Coomes by the Joint Applicants.
 - d. A list of materials (including articles, websites, trade publications, reports), utilized by Dr. Coomes in developing his testimony for this proceeding.
 - e. If Dr. Coomes conducted any interviews or otherwise engaged in any discussions regarding this transaction and is relying upon those interviews or discussions as the basis for forming his testimony, then please provide a list containing the individuals or participants in the interviews or discussions as well as the corresponding dates and provide any documents used, provided, or received in those interviews or discussions.
- A-120. a. May 13, 2010
- b. A copy of the contract is attached.
 - c. I was provided with two documents: (1) the Signing Documents for the proposed change of control; and (2) the 2005 Kentucky PSC order involving the Sigma Gas Company.
 - d. Materials other than that referenced in my testimony include: (1) the regional economic data on average pay, obtained from the US Bureau of Economic Analysis, www.bea.gov/regional/; (2) major corporate

headquarters from the May 2010 issue of *Fortune* Magazine and its associated web site.

- e. No interviews or discussions were held, other than with the various legal representatives of the parties, as a basis for the testimony filed.



STOLL · KEENON · OGDEN
P L L C

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May 14, 2010

Paul A. Coomes, Ph.D.
Professor of Economics
College of Business
University of Louisville
Louisville, KY 40292

**RE: Expert Witness Agreement Regarding LG&E/KU Change of Control
Application**

Dear Dr. Coomes:

This letter will confirm that you, Paul A. Coomes, Ph.D. have agreed to serve as an expert testifying witness on behalf of PPL Corporation ("PPL"), E.ON AG, E.ON U.S., LLC ("E.ON U.S."), Louisville Gas and Electric Company ("LG&E"), and Kentucky Utilities Company ("KU") (collectively, the "Parties"), with respect to the Parties' Joint Application for Approval of an Acquisition of Control of Utilities ("Joint Application"), to be filed on May 28, 2010 with the Kentucky Public Service Commission ("Commission").

Prior to contacting you to discuss the potential engagement, we requested and obtained permission to do so from the counsel for the Kentucky Industrial Utility Customers, Inc. Following that initial inquiry, we requested and obtained from the counsel for the Kentucky Industrial Utility Customers, Inc. consent to engage you for your professional services set forth in this letter.

You understand that you are being retained solely to assist the Parties with the Joint Application. The Parties in turn recognize that you have submitted expert testimony on behalf of the Kentucky Industrial Utilities Customers ("KIUC"), intervenors in LG&E's and KU's rate cases currently pending before the Commission, Case Nos. 2009-00549 (LG&E) and 2009-00548 (KU) on the relative economic importance of manufacturing and related industries relative to other industries in Kentucky. LG&E and KU have confirmed to you that each does not take any issue with your testimony in the pending rate cases; and each will file a statement in the record confirming this position.

You have advised us that you do not reasonably foresee that this engagement will cause you to make an assertion directly against the interests of the Kentucky Industrial Utility Customers in the change of control case or cause you to make an assertion directly against the

Paul A. Coomes, Ph.D.

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interests of LG&E or KU in their pending base rate cases before the Kentucky Public Service Commission. In reliance upon this advice, the Parties are willing to proceed with the engagement of your services.

As part of this Agreement, you agree to review the necessary information on this proposed acquisition, including, but not limited to, the Purchase and Sale Agreement and all attached commitments and disclosures and such other information as you may reasonably request. You agree to prepare verified testimony regarding your expert opinion on whether the proposed acquisition is consistent with the public interest. In addition, you agree to assist with the preparation of any responses to requests for information concerning your testimony any rebuttal testimony associated with your testimony, and to prepare for and testify in person at the anticipated August 2010 hearing on the proposed acquisition.

You will be paid for your services pursuant to your normal hourly rate of \$180.00 plus reasonable expenses and disbursements. Payment shall be based on an itemized statement that shall be submitted jointly each month to the attention of Kendrick R. Riggs, Stoll Keenon Ogden PLLC, 2000 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202 and Richard Northern, Wyatt, Tarrant & Combs LLP, 2800 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202. Payment for your services will be divided 50% to the purchaser, PPL, and 50% to the seller, E.ON AG., E.ON U.S., LG&E and KU. Payment will be made within 30 days of receipt of your invoices.

You agree that as part your retention on behalf on the Parties here, you will not divulge to the Parties or their outside counsel any information provided to you in confidence or opinions you have obtained or reached as part of your retention on behalf of the KIUC. You further agree that you will not divulge to the KIUC or its outside counsel information provided to you in confidence or opinions you may obtain or reach as a result of your retention by the Parties.

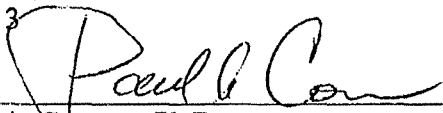
You agree that all information you or any of you assistants or agents receive from the Parties or any of their outside counsel, affiliates or agents, and information generated by you in the performance of services under this Agreement, shall be kept strictly confidential. If you are required to produce any information by lawful subpoena or other legal process, you shall immediately notify Stoll Keenon Ogden PLLC and Wyatt, Tarrant & Combs of such requirement before producing such information so that the Parties and their outside counsel may have an opportunity to assess and protect the confidential nature of the information.

If this letter accurately states the agreement of the parties, please sign below and return to our office. Of course, please feel free to contact us if you need additional information or have questions.

Paul A. Coomes, Ph.D.

May 14, 2010

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A handwritten signature in cursive script that reads "Paul A. Coomes". The signature is written in black ink and is positioned above a horizontal line.

Paul A. Coomes, Ph.D.

Professor of Economics and

~~National City Research Fellow~~

~~College of Business and Public Administration~~

University of Louisville

Louisville, KY 40292

Paul A. Coomes, Ph.D.

May 14, 2010

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- and -

John R. McCall

Executive Vice President, General Counsel,
and Corporate Secretary,

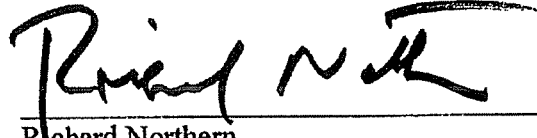
E.ON U.S., LG&E, and KU

220 West Main Street

Louisville, Kentucky 40202

Counsel for E.ON A.G., E.ON U.S., LLC,

*Louisville Gas and Electric Company,
and Kentucky Utilities*



Richard Northern

Francis J. Mellen, Jr.

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- and -

Paul E. Russell

Associate General Counsel

PPL Corporation

Counsel for PPL Corporation

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 121

Responding Witness: S. Bradford Rives

- Q-121. Will E.ON U.S., LG&E or KU be exposed to any type of contractual liability or obligations than otherwise if this acquisition is approved? If so, please describe in detail for any / each company.
- A-121. No, with the exception of the financial transactions described in the pending KRS 278.300 related cases.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 122

Responding Witness: S. Bradford Rives

- Q-122. Will E.ON U.S., LG&E or KU be exposed to any increase in insurance premiums, whether health insurance, disability, life, etc. than otherwise if this acquisition is approved? If so, please describe in detail for any / each company.
- A-122. E.ON U.S., LG&E and KU purchase some policies directly from insurers and are listed as an insured in E.ON AG policies in other instances. The largest premium costs of the utilities are purchased directly from insurers for coverage such as property insurance and liability insurance. No significant increases are expected in the costs of these policies as a result of the acquisition. For the coverage provided under E.ON AG policies, the companies expect to be covered under PPL policies. No specific cost information has been shared to date, but the cost differential (either favorable or unfavorable) should not be material. The PSA does require E.ON U.S. LLC to purchase "tail coverage" for six years for Director and Officer insurance and Fiduciary insurance. These policies would not have been required except for the acquisition, and the cost of these policies is capped at \$6 million.

At this time, we are not aware of any increases in health insurance, disability or life insurance costs and have no reason to believe any of these will increase as a result of this acquisition.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 123

Responding Witness: S. Bradford Rives

- Q-123. Will E.ON U.S., LG&E or KU be exposed to any additional contributions to any pension plans, medical plans, etc. for employees be required than otherwise if this acquisition is approved? If so, please provide in detail with any employee's or officer's name(s), if known, as well as amount.
- A-123. At this time, we are not aware of any additional contributions to these plans as a result of the acquisition.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 124

Responding Witness: Lonnie E. Bellar

- Q-124. Will E.ON U.S., LG&E or KU be exposed to any additional generation, transmission, or distribution requirements than otherwise if this acquisition is approved?
- A-124. There are no additional requirements contemplated or expected at this time.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**Joint Response to the Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 125

Responding Witness: Lonnie E. Bellar / William H. Spence

- Q-125. Reference: Purchase and Sale Agreement (Section 5.18 - Rate Cases). Has the purchaser provided any written consent(s) as described in this Section? If yes, please identify the date of the consent.
- A-125. The Purchaser's formal consent was not required under Section 5.18. However, Purchaser was kept informed regarding settlement efforts and expressed their comfort with the settlement.