



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

**RECEIVED**

**JUL 26 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 26, 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 First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. (“KIUC”) dated June 23, 2010, in the above-reference matter.

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:**

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

**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**  
**SECOND SET OF DATA REQUESTS OF**  
**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**  
**DATED JULY 16, 2010**

**FILED: July 26, 2010**

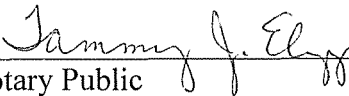
VERIFICATION

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 23<sup>rd</sup> day of July, 2010.

 (SEAL)  
\_\_\_\_\_  
Notary Public

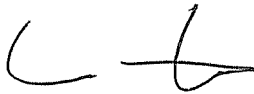
My Commission Expires:

November 9, 2010

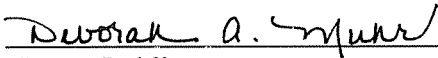
**VERIFICATION**

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.

  
\_\_\_\_\_  
**PAUL A. FARR**

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 22<sup>nd</sup> day of July, 2010.

  
\_\_\_\_\_  
Notary Public

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Deborah A. Muhr, Notary Public  
City of Allentown, Lehigh County  
My Commission Expires July 16, 2012

My Commission Expires:

July 16, 2012

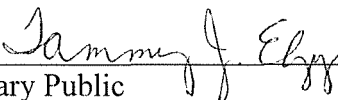
VERIFICATION

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 23<sup>rd</sup> day of July, 2010.

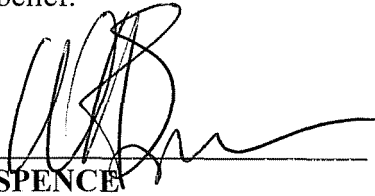
 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:  
November 9, 2010

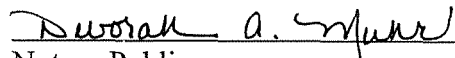
**VERIFICATION**

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 22<sup>nd</sup> day of July, 2010.

  
 \_\_\_\_\_  
 Notary Public

COMMONWEALTH OF PENNSYLVANIA  
 Notarial Seal  
 Deborah A. Muhr, Notary Public  
 City of Allentown, Lehigh County  
 My Commission Expires July 16, 2012

My Commission Expires:  
July 16, 2012



**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 Second Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated July 16, 2010**

**Question No. 2-1**

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

- Q2-1. Refer to the Applicants' response to KIUC 1-6. Please confirm that E.ON US, E.ON Services, LG&E and KU will not be allocated any PPL Services Corporation costs through allocations (as opposed to direct assignment for specific services that are provided) that will be charged directly or indirectly to LG&E and/or KU. If this is not the case, then please describe the safeguards that LG&E and KU will employ to protect ratepayers from these additional costs.
- A2-1. LG&E and KU may receive costs allocated by PPL Services Corporation, as well as direct cost charges, when the companies receive a benefit for those services. Costs may require allocation versus direct charge if both companies receive a benefit from the same service (i.e., a software license). LG&E and KU will employ the same controls currently in place to ensure any costs (third party or intercompany) directly charged or allocated to the companies are appropriate, including a review and approval of amounts charged by persons knowledgeable about those charges.





**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 Second Set of Data Requests of  
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Dated July 16, 2010**

**Question No. 2-2**

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

- Q2-2. Refer to the Applicants' response to KIUC 1-9(b)-(d). Please confirm that LG&E and KU also will commit to not seek to recover the costs that are reflected in expenses, as opposed to rate base or capitalization, resulting from push-down accounting. Such costs may include, but are not limited to, depreciation or amortization expense resulting from write-ups of assets and deferral of transaction costs.
- A2-2. The push-down accounting adjustments included in the response to KIUC 1-9 will result in no incremental expenses to be charged to LG&E or KU ratepayers as the adjustments to goodwill and the investment in EEI will not be depreciated or amortized. Interest expense on the intercompany debt with PPL will be the same as the intercompany debt with E.ON AG affiliates since the terms will be the same, and the amortization of any fair value adjustment to debt will be recorded below net operating income. LG&E and KU also commit to exclude expenses, such as depreciation or amortization, if any, associated with other push-down accounting adjustments when determining amounts to be recovered from ratepayers.



**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 Second Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated July 16, 2010**

**Question No. 2-3**

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

- Q2-3. Refer to the Applicants' response to KIUC 1-9(c) and (d). Please supplement these responses to include expense effects, not only the balance sheet effects reflected in the original responses.
- A2-3. Please see the response to Question No. 2-2.



**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 Second Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated July 16, 2010**

**Question No. 2-4**

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

- Q2-4. Refer to the Applicants' response to KIUC 1-10. The request seeks a commitment from the Applicants, not a statement as to the Applicants' current plans. Please respond to the question as it was posed. If the Applicants are unable or unwilling to make this commitment, then please identify all circumstances under which the Applicants could and/or would seek to obtain an accounting order.
- A2-4. Please see the response to AG 2-58.



**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 Second Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated July 16, 2010**

**Question No. 2-5**

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

- Q2-5. Refer to the Applicants' response to KIUC 1-11. The request seeks a commitment from the Applicants, not a statement as to the whether the Applicants expect to incur savings or costs to achieve. Please respond to the question as it was posed. If the Applicants are unable or unwilling to make this commitment, then please identify all circumstances under which the Applicants could and/or would seek to obtain an accounting order.
- A2-5. In response to KIUC 1-11, KU and LG&E stated that they do not expect significant savings or costs to achieve savings based on the regulatory commitments being made. However, because the formal analysis referenced in Regulatory Commitment No. 39 has not yet been performed, the Joint Applicants decline to make the commitment requested in KIUC 1-11. KU and LG&E could and/or would seek to obtain such an accounting order depending on the results of the formal analysis referenced in Regulatory Commitment No. 39.





**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 Second Set of Data Requests of  
Kentucky Industrial Utility Customers, Inc.  
Dated July 16, 2010**

**Question No. 2-6**

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

- Q2-6. Refer to the Applicants' response to KIUC 1-13. The request asks if the Applicants would oppose the Commission conditioning its approval of the acquisition on the avoidance of such requirements, not whether the Applicants consider it "unnecessary" or not "advisable."
- a. Please respond "yes" or "no" to the question as it was originally posed.
  - b. Are the Applicants willing to hold ratepayers harmless from any increased costs or reductions in revenues resulting from the imposition by the FERC, US DOJ or the FTC of requirements to join an RTO, divest utility operating assets, or require KU and LG&E to decline to use their generating facilities to serve native load customers? If not, please explain and provide all reasons why the Applicants are unwilling to make this commitment.
- A2-6. a. Yes, the Joint Applicants would oppose such a condition upon the Commission's approval of the proposed acquisition. The Joint Applicants believe any such condition would create significant preemption concerns, and could ultimately prove to be unenforceable. For the reasons the Joint Applicants provided in response to KIUC 1-13, the Joint Applicants believe it is unlikely that FERC will impose any of the conditions described in the request because there is no evidence of market power or other relevant concerns to support imposing any such conditions.
- b. No. Costs resulting from the requirements of federal law are recoverable through rates, and the Joint Applicants will not agree in the hypothetical to forego that recovery; again, for the reasons given in response to KIUC 1-13, it is not likely that FERC will require any of the actions this question contemplates. However, to the extent the imposition of any such requirements could result in higher or lower costs of service that the utilities would recover through base rates, customers would in fact not pay for such changes until the Commission approved new base rates for the utilities. To the extent facilities would not be used to serve native load customers, the utilities could not seek to recover the costs thereof through rates.



**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**

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Kentucky Industrial Utility Customers, Inc.  
Dated July 16, 2010**

**Question No. 2-7**

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

- Q2-7. Refer to the Applicants' response to KIUC 1-14(b). Please respond to the question posed with a "yes" or "no." The question asks for an agreement as a matter of principle. If the Applicants are unable or unwilling to confirm their agreement with this principle, then please explain and provide all reasons for your position.
- A2-7. The Joint Applicants respectfully assert that their response to KIUC 1-14(b) was responsive to the request for information. In response to KIUC 1-14(a), the Joint Applicants stated:

PPL, E.ON U.S., LG&E and KU in fact made such commitments in Regulatory Commitment Nos. 5 and 8. In Regulatory Commitment No. 5, they committed that "the Purchase will have no impact on the base rates ... of LG&E or KU." In Regulatory Commitment No. 8, they committed that the "ratepayers, directly or indirectly, shall not incur any additional costs, liabilities, or obligations in conjunction with the Purchase ...."

The Joint Applicants referred to their response to KIUC 1-14(a) as their response to KIUC 1-14(b). The Joint Applicants did so because assertions of adherence to generic, abstract principles are not helpful to the Commission because they can be interpreted to mean whatever a particular party wants in subsequent litigation or disputes. On the other hand, commitments like those the Joint Applicants have made, which are quoted above in relevant part, are much more useful to the Commission because they are clear and unequivocal, and therefore more easily enforceable.