

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

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
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June 18, 2010

Rick E. Lovekamp
Manager, Regulatory Affairs
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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 a copy of the filings submitted to the Virginia State Corporation Commission and the Tennessee Regulatory Authority by PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, and Kentucky Utilities Company for approval of the acquisition. These copies are being provided as noted in the application filed in the above referenced proceeding. Also enclosed are twelve CDs that include a copy of the filings.

Please confirm your receipt of this filing by placing the stamp of your office with the date received on the enclosed additional copy of this filing.

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

Sincerely,

Rick E. Lovekamp

RECEIVED

JUN 18 2010

**PUBLIC SERVICE
COMMISSION**

cc: Parties of Record (Enclosures on CD)



S T O L L · K E E N O N · O G D E N
P L L C

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June 15, 2010

Via Hand Delivery

Joel Peck
Clerk, Virginia State Corporation Commission
Document Control Center
1300 East Main Street, Tyler Building
Richmond, Virginia 23218

RE: *The Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company d/b/a Old Dominion Power Company for Approval of an Acquisition of Control of Utilities*
Case No. PUE-2010-00060

Dear Mr. Peck:

Please find enclosed and accept for filing the *Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company d/b/a Old Dominion Power Company for Approval of an Acquisition of Control of Utilities*.

The original and fifteen copies of the Joint Petition are enclosed with this letter for filing. One copy of the Joint Petition is not bound to facilitate the electronic scanning of this document by your office. A copy of this filing letter is attached to each copy of the Joint Petition.

Exhibit A to the Joint Petition is the Purchase and Sale Agreement. An original and four paper copies and eleven copies on separate compact discs of this exhibit are enclosed with this filing. Under separate cover, you will find a motion for a protective order and the confidential versions of Exhibit A in opaque envelopes marked "Under Seal."

Please also find enclosed the Transaction Summary supporting the Joint Petition. The original and fifteen copies are enclosed.

Joel Peck
June 15, 2010
Page 2

Yours very truly,

A handwritten signature in black ink, appearing to read "Kendrick R. Riggs". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kendrick R. Riggs

KRR:ec

Enclosures

cc: William H. Chambliss, General Counsel (w/ encl.)
Ronald A. Gibson, Director, Division of Public Utility Accounting (w/ encl.)
Howard M. Spinner, Director, Division of Economics & Finance (w/ encl.)
William F. Stephens, Director, Division of Energy Regulation (w/ encl.)
C. Meade Browder Jr., Sr. Assistant Attorney General, VA Office of the Attorney General
(w/ encl.)

Michael J. Quinan
Louis R. Monacell
Christian & Barton LLP

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

THE JOINT PETITION OF PPL CORPORATION,)
E.ON AG, E.ON US INVESTMENTS CORP.,)
E.ON U.S. LLC AND KENTUCKY UTILITIES) CASE NO. PUE-2010-00060
COMPANY D/B/A OLD DOMINION POWER)
COMPANY FOR APPROVAL OF AN)
ACQUISITION OF CONTROL OF UTILITIES)

JOINT PETITION

PPL Corporation (“PPL”), E.ON AG (“E.ON”), E.ON US Investments Corp. (“E.ON US Investments”), E.ON U.S. LLC (“E.ON US”) and Kentucky Utilities Company d/b/a Old Dominion Power Company (“KU/ODP”) (collectively referred to as “Petitioners”), by counsel, hereby jointly petition the State Corporation Commission of Virginia (“Commission”) for approval, pursuant to Chapter 5, Title 56, of the Virginia Code (§56-88 *et seq.*), as amended (the “Code”), of the transfer of ownership and control of KU/ODP by E.ON US Investments to PPL, all in accordance with the terms of the Purchase and Sale Agreement dated as of April 28, 2010 by and between PPL, E.ON US Investments and, solely for purposes of Articles VI, IX, and X thereof, E.ON (“PSA”), a true copy of which is attached as Exhibit A to this Joint Petition. Concurrently with the filing of the Joint Petition, Petitioners are filing a Motion for Protective Order pursuant to 5 VAC § 5-20-170 relating to portions of the Company Disclosure Schedule in the PSA.

In support of this Joint Petition, Petitioners state as follows:

I. Introduction.

Under the terms of the PSA, PPL intends to acquire all of the issued and outstanding limited liability company interests of E.ON U.S. from E.ON's indirect wholly owned subsidiary, E.ON US Investments, for \$7.625 billion comprised of \$2.062 billion in cash, the refinancing of outstanding debt of Louisville Gas and Electric Company ("LG&E") and KU/ODP held by an affiliate of E.ON that is not being transferred to PPL and the assumption of \$925 million in tax-exempt bonds of LG&E and KU. Upon the completion of the proposed acquisition, E.ON U.S. will be a wholly owned direct subsidiary of PPL. There are no other anticipated changes in the corporate structure of E.ON U.S. and its subsidiaries associated with the proposed acquisition, although the names of the entities with "E.ON" in their current names will be changed after the closing. The current name of "Kentucky Utilities Company d/b/a Old Dominion Power Company" will not be changed. PPL has not yet determined the new name of E.ON U.S. Solely for convenience, this Petition will refer to E.ON U.S. as "E.ON U.S." for the period before the completion of the proposed acquisition, and as "PPL Kentucky" for the period after the completion of the proposed acquisition.

Upon the completion of the proposed acquisition, PPL Kentucky will continue to hold KU/ODP as a wholly owned direct subsidiary, together with ("LG&E") (KU/ODP's sister utility, operating solely in Kentucky), E.ON U.S. Capital Corp. ("E.ON Capital"), E.ON U.S. Foundation, Inc., LG&E Energy Marketing, Inc., and E.ON U.S. Services, Inc. ("E.ON U.S. Services"). E.ON Capital will continue to hold its current direct and indirect subsidiaries. A chart showing the corporate structure of E.ON before the proposed acquisition is attached as Exhibit B to this Joint Petition. A chart showing the same corporate structure following the consummation of the acquisition is attached as Exhibit C to this Joint Petition.

The transactions contemplated by the PSA include the refinancing by KU/ODP, subject to the Commission's approval, of certain unsecured notes issued by KU/ODP to Fidelia Corporation. Fidelia Corporation is an affiliate of E.ON that will not be transferred to PPL. Contemporaneously with the completion of the proposed acquisition, PPL will cause KU/ODP to repay and refinance all amounts outstanding and all other amounts then due and payable under the unsecured notes held by Fidelia Corporation as well as certain third-party financial arrangements whose terms require repayment. KU/ODP has filed, at the same time as the filing of this Joint Petition, a separate application for approval of these refinancings.¹

II. The Petitioners.

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

¹ Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority under Chapter 3 of Title 56 of the Code of Virginia to Restructure and Refinance Unsecured Debt, to Assume Obligations, and for Amendment of Existing Authority, Case No. _____ (Filed June 15, 2010).

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

The mailing address of PPL is Two North Ninth Street, Allentown, PA 18101. Copies of the Articles of Incorporation and Bylaws of PPL are attached as Exhibit D to this Joint Petition. A chart that shows the current corporate structure of PPL is attached as Exhibit E to this Joint Petition.

E.ON AG. E.ON is an Aktiengesellschaft formed under the laws of the Federal Republic of Germany. An Aktiengesellschaft under German law corresponds to a U.S. stock corporation.² E.ON's shares are traded on all German stock exchanges, including the electronic stock exchange, and its American Depositary Receipts are traded on the over-the-counter market.

E.ON's mailing address is E.ON-platz 1, 40474 Düsseldorf, Federal Republic of Germany. Copies of the Articles of Association of E.ON are attached as Exhibit F to this Joint Petition.

E.ON US Investments Corp. E.ON US Investments is a corporation formed under the laws of Delaware. E.ON US Investments is a wholly owned indirect subsidiary of E.ON, and is the immediate parent company of E.ON U.S. The mailing address of E.ON US Investments is 220 West Main Street, Louisville, KY 40202. Copies of the Certificate of

² E.ON and E.ON US Investments have jointed in this Joint Petition because the Petitioners believe that Va. Code § 56-88 *et. seq.*, as amended, requires that the proposed transferor, in addition to the proposed transferee, obtains the approval of the Commission as to any transfer of ownership and control of a utility. The involvement of E.ON and E.ON US Investments in the preparation of this Joint Petition has been limited to confirmation of their respective corporate information.

Incorporation and Bylaws of E.ON US Investments are attached as Exhibit G to this Joint Petition.

E.ON U.S. LLC. E.ON U.S., also referred to in this Joint Petition as PPL Kentucky for the period after the closing of the proposed acquisition, is a limited liability company formed under the laws of Kentucky. The mailing address of E.ON U.S. is 220 West Main Street, Louisville, KY 40202. Copies of the Articles of Organization and Operating Agreement of E.ON U.S. are attached as Exhibit H to this Joint Petition. As noted above, a chart of the current corporate structure of E.ON is attached as Exhibit B to this Joint Petition.

Kentucky Utilities Company d/b/a Old Dominion Power Company. KU/ODP is a public service corporation organized and existing under the laws of the Commonwealths of Kentucky and Virginia. The address of KU/ODP's principal business office is One Quality Street, Lexington, Kentucky 40507. KU/ODP provides retail electric service to approximately 515,000 customers in 77 counties in Kentucky. KU/ODP conducts business in Virginia under the name "Old Dominion Power Company." In Virginia, KU/ODP provides retail electric service to approximately 30,000 customers in the Counties of Lee, Wise, Dickenson, Scott and Russell and the City of Norton, Virginia, pursuant to Certificates of Public Convenience and Necessity issued by the Commission. KU/ODP does not have any wholesale customers in Virginia. A map showing the areas in Virginia served by KU/ODP and the electric system used to provide service in these areas is attached as Exhibit I to this Joint Petition.

The Commission approved the acquisition of ownership and control of KU/ODP by E.ON resulting from the acquisition by E.ON of Powergen plc.³ As a result of the acquisition by E.ON of Powergen, E.ON US Investments became the parent company of LG&E Energy Corp. (“LG&E Energy”), which was then the parent company of KU/ODP. LG&E Energy was merged into E.ON U.S. (then named LG&E Energy LLC) on December 30, 2003 as an internal corporate reorganization. LG&E Energy LLC changed its name to E.ON U.S. LLC on December 1, 2005.

III. The Proposed Acquisition Will Be Made in Accordance with the Law.

The proposed acquisition was unanimously approved by the Board of Directors of PPL at a meeting held on April 27, 2010. The proposed acquisition does not require the approval of the shareholders of PPL. On April 27, 2010, the Supervisory Board of E.ON accepted the recommendation of the E.ON Board of Management to proceed with the proposed acquisition.

The closing of the transactions contemplated by the PSA is subject to several regulatory conditions, in addition to approval by the Commission. PPL, E.ON U.S., and KU/ODP will make all required federal and state regulatory filings on a timely basis, and they expect to receive all required approvals.

The proposed acquisition must be approved by the Federal Energy Regulatory Commission (“FERC”) under Section 203 of the Federal Power Act (“FPA”). PPL and KU/ODP will file the necessary applications for approval under the FPA with FERC.

³ *Joint Petition of E.ON AG, Powergen plc, LG&E Energy Corp. and Kentucky Utilities Company d/b/a Old Dominion Power Company for Approval of an Acquisition*, Case No. PUA010028, Final Order October 5, 2001.

KU/ODP will provide the Commission Staff with a copy of this application when it is filed at FERC.

The proposed acquisition will involve the transfer of ultimate control of certain wireless frequency licenses held by KU/ODP, which will require the approval of the Federal Communications Commission (“FCC”). KU/ODP will file an application for approval of the transfer of ultimate control of the licenses with the FCC.

The proposed acquisition must be approved by the Kentucky Public Service Commission (“KPSC”) and the Tennessee Regulatory Authority (“TRA”). The Petitioners filed a joint application for approval with the KPSC on May 28, 2010, and will file a joint petition for approval with the TRA. KU/ODP will provide the Commission Staff with a copy of these applications by June 18, 2010.

The proposed acquisition is subject to the premerger notification and reporting requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR Act”). PPL and E.ON will file the required premerger notification and report forms with the U.S. Department of Justice (“DOJ”) and the Federal Trade Commission (“FTC”).

The proposed acquisition, unlike the previous acquisitions by Powergen and E.ON, will not create conflicting regulatory issues under federal and state law governing public utility holding companies. Effective February 8, 2006, the Public Utility Holding Company Act of 1935 (the “1935 Act”) was repealed and replaced by the Public Utility Holding Company Act of 2005 (“PUHCA 2005”).⁴ PPL is a holding company under PUHCA 2005, and includes a service company, PPL Services Corporation (“PPL Services”), that supplies

⁴ Energy Policy Act of 2005, Pub. L. No.109-58, August 8, 2005, 119 Stat. 594 (the “Energy Policy Act”), §§ 1263, 1274.

non-power goods and services to affiliates. KU/ODP is currently part of a holding company system that is operated by E.ON in compliance with PUHCA 2005, including the similar use of a centralized service company, E.ON U.S. Services.⁵

PUHCA 2005 requires holding companies and their affiliate companies, unless they meet narrow exemptions or waivers, to maintain and make available books and records necessary and appropriate for the protection of utility customers.⁶ In addition, PUHCA 2005 requires holding company service companies, such as E.ON U.S. Services, to maintain their records in accordance with FERC's Uniform System of Accounts.⁷ Further, PUHCA 2005 mandates that holding companies and holding company service companies comply with FERC's record retention rules.⁸ PUHCA 2005 also grants authority to state regulatory commissions to obtain access to books and records of a holding company and its affiliate companies, if the state commission determines such books and records are relevant to the costs incurred by the electric or gas distribution utility it regulates and access is necessary for the effective discharge by the state commission of its responsibilities.⁹ More importantly,

⁵ Before the acquisition of LG&E Energy by Powergen in 2000, KU/ODP was exempt from the requirements of the 1935 Act. After that acquisition, Powergen and the intermediate companies between Powergen and LG&E Energy became registered public utility holding companies under the 1935 Act, and LG&E Energy and KU/ODP became part of Powergen's newly registered holding company system. After the acquisition of Powergen by E.ON in 2001, Powergen was reclassified as a foreign utility company under the 1935 Act, and E.ON became a registered public utility holding company system under the 1935 Act. LG&E Energy and KU/ODP became part of E.ON's newly registered holding company system.

⁶ 18 C.F.R. § 366.2 (2009).

⁷ 18 C.F.R. § 366.22(b) (2009).

⁸ 18 C.F.R. § 366.22(a) (2009); the record retention rules are contained in 18 C.F.R. pts. 125 and 225.

⁹ Energy Policy Act, § 1265, codified at 42 U.S.C. 16453.

nothing in PUHCA 2005 precludes FERC or a state commission from exercising its jurisdiction under otherwise applicable law to protect utility customers.¹⁰

PPL currently is exempt from certain FERC regulations under PUHCA 2005 because the bulk of its operations, as relevant to PUHCA 2005, are intrastate in character.¹¹ After the completion of the proposed acquisition, PPL will no longer qualify as a single-state holding company system under PUHCA 2005; and KU/ODP will become part of PPL's holding company system under PUHCA 2005 and will be subject to the same regulation to which it is subject today. As noted above, there will be no change in the corporate structure of E.ON U.S. as a result of the transaction, including the use of E.ON US Services in compliance with PUHCA 2005.

The existing Power Supply System Agreement ("PSSA") and Transmission Coordination Agreement ("TCA") between LG&E and KU, each dated October 9, 1997, will remain in place and will not be affected by the proposed acquisition.

Thus, after the completion of the proposed acquisition, KU/ODP will continue in existence as a corporation organized under Kentucky and Virginia law and will continue to use E.ON U.S. Services in compliance with PUHCA 2005; and the Commission will have

¹⁰ Energy Policy Act, § 1269, codified at 42 U.S.C. 16457.

¹¹ After the completion of the proposed acquisition, PPL expects to lose its "single-state holding company system" exemption under 18 C.F.R. § 366(3)(c)(1) and to be subject to FERC's requirements as provided under PUHCA 2005. E.ON US Services will continue to operate as centralized service company providing services to KU/ODP under the Services Agreement previously approved by the Commission. PPL Services will not provide services to KU/ODP, but will continue to provide services to PPL Electric "at cost" as was the standard under the 1935 Act. *See* Order No. 667, *Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005*, 113 F.E.R.C. STATS. & REGS. ¶ 61,248, 70 Fed. Reg. 75592-01 (to be codified at 18 C.F.R. pts. 365,366); *order on reh'g*, Order No. 667-A, F.E.R.C. STATS & REGS. ¶ 31,213 (2006), *order on reh'g*, Order No. 667-B, F.E.R.C. STATS & REGS. ¶ 31,224 (2006), *order on reh'g*, Order No. 667-C, 118 F.E.R.C. ¶ 61,133 (2007). KU/ODP does not believe that there will be any irreconcilable inconsistency between the application of FERC's requirements and the requirements of the Commission in pricing affiliate services.

the same ratemaking and regulatory authority to regulate the rates and services of KU/ODP under federal and Virginia law as it does today.

Because the proposed acquisition has received all necessary corporate approvals, because all federal and state regulatory filings incident to the proposed acquisition will be made on a timely basis and all required government approvals will be received before closing the transactions contemplated by the PSA, and because the proposed acquisition will not change the regulatory status of KU/ODP under Virginia law, the proposed acquisition will be made in accordance with law.

IV. PPL Has the Financial Ability to Complete the Proposed Acquisition and KU/ODP's Continuing Ability to Provide Adequate Service to the Public at Just and Reasonable Rates After the Proposed Acquisition Will Not be Impaired or Jeopardized.

PPL has the financial ability to complete the proposed acquisition of E.ON U.S., and thereafter to provide adequate service to customers at just and reasonable rates and to facilitate and participate in the growth of PPL Kentucky and the fulfillment of its strategic goals. PPL has resources, bank facilities and confirmed commitments to finance the acquisition, including a bridge financing commitment to ensure a cash tender making up nearly 85% of the total purchase price, and a plan to issue \$750 million to \$1.0 billion in high-equity-content securities and \$2.2 to \$2.6 billion in common stock to replace the bridge financing.

After the proposed acquisition, PPL will retain its strong financial position to provide adequate service at just and reasonable rates to the customers of KU/ODP. Furthermore, the proposed acquisition will not affect the balanced capital structures of KU/ODP. Neither PPL Kentucky nor any of PPL Kentucky's direct or indirect subsidiaries, including KU/ODP, will

incur any additional indebtedness or issue any securities to finance any part of the purchase price paid by PPL for all of the outstanding limited liability interests in E.ON U.S.

As noted above, contemporaneously with the completion of the proposed acquisition, PPL will cause KU/ODP to repay and refinance all amounts outstanding and all other amounts otherwise then due and payable under the unsecured notes held by Fidelia Corporation. KU/ODP has filed, concurrently with the filing of this Joint Petition, a separate application for these refinancings.

PPL is a major utility holding company with approximately \$22 billion in total assets, which generated over \$7.56 billion in total operating revenues in 2009. PPL targets disciplined growth in its energy supply margins and limited volatility in both its cash flows and earnings. PPL has also achieved stable long-term growth in its regulated electricity delivery businesses through efficient operations and strong customer and regulatory relationships.

KU/ODP will benefit from PPL's history of financial strength and consistent corporate health, which have resulted in a sound return on shareholder investment. Since December 31, 2004, PPL's five-year cumulative total return on its shareholders' investment has outperformed the Edison Electric Institute Index of Investor-Owned Electric Utilities and the Standard & Poor's 500 Index. PPL has increased its shareholder dividend for eight consecutive years, with dividends paid in 258 consecutive quarters. PPL's book value and market price per share increased by 7.5% and 5.2%, respectively, from December 31, 2008 to December 31, 2009. PPL currently forecasts 2010 earnings from ongoing operations of \$3.10 to \$3.50 per share. PPL and its subsidiaries have substantial access to financial

markets with an unused domestic credit capacity from its bank facilities exceeding \$3.5 billion.

As a result of the proposed acquisition, PPL will become a more geographically diverse utility holding company with approximately \$33 billion in total assets and combined annual revenues of about \$10 billion. The proposed acquisition will create an enterprise value of about \$25.4 billion, as measured by PPL's stock price on April 27, 2010. On a post-proposed acquisition basis, PPL and its subsidiaries, including KU/ODP, will serve nearly five million electricity customers in the United States and the United Kingdom, and own or control about 20,000 megawatts of U.S. electricity generating capacity. PPL's growth strategy is fiscally responsible, and the proposed acquisition exemplifies PPL's commitment to balancing its business mix and sustainable long-term growth.

Finally, PPL did not consider any synergies or savings in evaluating the economics of the proposed acquisition. The transaction is not dependent on any synergies or savings, but to the extent that any result, the customers of KU/ODP will benefit.

In summary, PPL is a substantial utility holding company that has the financial ability to cause KU/ODP to continue to provide adequate service at just and reasonable rates to its customers after the completion of the proposed acquisition.

V. PPL Has the Technical and Managerial Ability to Cause KU/ODP to Continue to Provide Adequate Service at Just and Reasonable Rates After the Completion of the Proposed Acquisition.

Through its subsidiaries, PPL is primarily engaged in the generation and marketing of electricity in two key markets (the northeastern and western U.S.), and in the delivery of electricity in Pennsylvania and the United Kingdom. PPL's principal direct subsidiaries are PPL Electric, which is responsible for regulated utility operations in Pennsylvania; PPL

Energy Funding Corporation (“PPL Energy Funding”), which is the parent company of PPL Energy Supply, LLC, a wholly owned subsidiary primarily responsible for unregulated energy operations; and PPL Capital Funding, Inc., (“PPL Capital”), which is responsible for certain corporate financing.

PPL delivers power to 1.4 million Pennsylvania customers through PPL Electric. PPL Electric’s utility service is extremely reliable; on average, its customers have power 99.9% of the time. PPL Electric maintains more than 48,000 miles of transmission and distribution lines to provide that service. Moreover, until October 2008, PPL owned and operated PPL Gas Utilities Corporation (“PPL Gas”), a Pennsylvania company with both natural gas distribution and storage facilities, providing PPL with institutional knowledge regarding operating and maintaining natural gas distribution and storage systems. PPL Electric has been an industry leader in helping customers in need as one of the first utilities in Pennsylvania to offer programs to help low-income customers pay electric utility bills. PPL Electric has ranked first in eight of the past eleven annual J.D. Power Studies of Business Customer Satisfaction among Eastern U.S. utilities, and has received a total of sixteen J.D. Power awards.

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

and PPL Global, LLC (“PPL Global”), which indirectly owns and operates PPL’s electricity distribution businesses in the United Kingdom.

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

PPL, through PPL EnergyPlus, sells electricity produced by the portfolio of generation assets owned and operated by subsidiaries of PPL Generation. PPL EnergyPlus participates and trades energy in the wholesale and retail sectors, and also markets various energy commodities, primarily in the northeastern and western United States.

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

PPL has substantial and long-established technical experience by virtue of its total generation capacity of about 12,000 megawatts, its large U.S. and U.K. electricity delivery

businesses, and its status as a leader in U.S. electricity generation, supply and delivery. PPL's management team has extensive experience providing efficient and reliable customer service to its customers. PPL's managerial experience and breadth of assets demonstrates that PPL has the technical ability to ensure that Virginia customers continue receiving high quality service from KU/ODP after the completion of the proposed acquisition.

VI. The Proposed Acquisition is for a Proper Purpose.

The proposed acquisition, like the previous acquisitions, will cause KU/ODP to be part of a larger utility system with the size and resources to permit it to continue to provide superior service, and the experience and expertise to succeed in the rapidly evolving energy industry. Thus, the proposed acquisition, like the previous acquisitions, will permit KU/ODP to continue to meet its commitments to its customers, their communities and the Commonwealth as a whole.

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

¹² *Joint Petition of Powergen plc, LG&E Energy Corp. and Kentucky Utilities Company, d/b/a Old Dominion Power Company For Approval of a Merger*, Case No. PUA000020; *Joint Petition of E.ON AG, Powergen plc, LG&E Energy Corp. and Kentucky Utilities Company, d/b/a Old Dominion Power Company For Approval of an Acquisition*, Case No. PUA010028.

satisfaction and commitment to the community. The proposed acquisition will serve the interest of KU/ODP's customers, their communities and the Commonwealth as a whole and is, therefore, for a proper purpose.

VII. The Proposed Acquisition is in the Public Interest.

The proposed acquisition will result in the transfer of control of KU/ODP to a substantial, financially strong and well-managed utility holding company that has core strength in operating rate-regulated utilities with an extraordinary degree of customer satisfaction. The proposed acquisition will not be a financial investment by a global energy company; it will be a strategic acquisition by one company of another company for the purpose of balancing the acquiring company's investment portfolio and both companies have similar business profiles and operating philosophies. For that reason, PPL will have every incentive to operate KU/ODP with the goal of sustainable long-term growth for the benefit of the company and its customers, employees, managers and community stakeholders. This is so for several reasons.

First, the proposed acquisition is structured to not impact adversely KU/ODP's continuity of presence and management. The headquarters of PPL Kentucky and LG&E will remain in Louisville, and the headquarters of KU/ODP will remain in Lexington for a period of 15 years. All persons who are corporate officers of KU/ODP during the 15-year period will reside in Kentucky, and the corporate headquarters of PPL Kentucky will include the corporate management personnel of PPL Kentucky. The corporate officers of PPL Kentucky and KU/ODP will maintain their current titles and responsibilities, and PPL will develop a retention and incentive program for managers of PPL Kentucky and KU/ODP. PPL

Kentucky's Board of Managers (currently known as Board of Directors) will consist of at least three members, one of whom will be the CEO of PPL Kentucky.

Second, the proposed acquisition is structured to not impact adversely KU/ODP's quality service. The transaction will have no impact on the base rates or the operation of the fuel adjustment clause, of KU/ODP. Customers will experience no adverse change in utility service due to changes, if any, related to the proposed acquisition, and PPL will maintain PPL Kentucky's level of commitment to high quality service and will fully maintain the KU/ODP track record for superior service quality. PPL will adequately fund and maintain KU/ODP's transmission and distribution systems to supply its customers' service needs. KU/ODP will continue to operate through regional offices with local service personnel and field crews, local customer service offices will not be closed as a result of the proposed acquisition, and any future closures of customer service offices will take into account the impact on customer service. KU/ODP's existing and future generation facilities will be dedicated to the requirements of its existing and future native load customers. The current policies of KU/ODP for low-income customers will not change as a result of the proposed acquisition, and PPL will review with KU/ODP whether policies more sympathetic to the needs of those customers would be appropriate. PPL will minimize any negative impacts on customer service and satisfaction resulting from workforce reductions. KU/ODP will periodically file with the Commission the various reliability and service quality measurements it currently maintains.

Finally, the proposed acquisition will not impact adversely PPL's or KU/ODP's relationships with government, the community, employees and other stakeholders, and no

planned reductions in the employee workforces of PPL Kentucky or KU/ODP will be made as a result of the proposed acquisition. Therefore, in day-to-day terms, the proposed acquisition is not expected to have any negative impact on customer service or reliability. Rates will not be affected. Because local management, operations and systems will remain intact, this will be a transparent transaction for customers. For all of the reasons set forth above, the proposed acquisition is consistent with the public interest.

VIII. Utility Accounts, Books and Records.

Following consummation of the proposed acquisition, KU/ODP will continue to operate as a public utility, will keep its books and records, and will make accounting entries according to the Uniform System of Accounts. PPL recognizes that access to its books and records may be necessary for the Commission to exercise adequate regulatory authority over KU/ODP. Accordingly, PPL will provide the Commission access to its books, records, and personnel as required to achieve this.

IX. Affiliate Transactions.

PPL acknowledges and accepts the requirements of Chapter 4, Regulation of Relations with Affiliated Interests, of Title 56 of the Code of Virginia. Following the consummation of the acquisition, PPL will cause KU to obtain such approvals as may be required.

The Commission approved KU/ODP's Services Agreement in its August 10, 2000 Order in Case No. PUA000050. No further approval of the Services Agreement under Chapter 4 of Title 56 of the Code is necessary at this time. If and when changes to the Services Agreement are desired, KU/ODP, pursuant to Chapter 4 of Title 56 of the Code, will request the Commission's approval. Further, there will be no change to KU/ODP's money

pool arrangement, approved on December 21, 2009 in Case No. PUE-2009-00104, and therefore no approval is required.

The proposed acquisition will require the modification of existing tax arrangements. approved on July 9, 2003 in Case No. PUE-2003-00187. The Petitioners expect the terms and conditions of any tax allocation agreement to be the same as those currently in effect 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 KU/ODP and its holding company and affiliates. Before modifying the existing arrangements, the required Commission approval will be obtained.

X. KU/ODP Will Not Guarantee the Debt of E.ON U.S. Without Prior Approval.

In its petition filed with the Commission in Case No. PUA970041, KU warranted that it would not guarantee the debt of LG&E Energy (now E.ON U.S.) or LG&E Energy’s non-utility affiliates. The Commission’s Order of January 20, 1998, in Case No. PUA970041, approved the merger on certain conditions, including prohibiting KU/ODP from guaranteeing the debt of E.ON U.S. and its affiliates without prior Commission approval.

XI. E.ON AG’s Acceptance of the Powergen Memorandum of Agreement.

PPL is aware of the Memorandum of Agreement dated July 13, 2000 entered into by Powergen plc, LG&E Energy Corp. and KU/OPD in Case No. PUA000050. PPL is also aware that E.ON AG accepted and reaffirmed the commitments by KU to the Virginia Commission in that Memorandum of Agreement as part of E.ON AG’s Joint Petition in Case No. PUA010028. Some of these commitments reflect the Virginia Commission’s concerns with the implications of the then effective 1935 Act. As discussed above, the proposed

acquisition, unlike the previous acquisitions by Powergen and E.ON, will not create conflicting regulatory issues under federal and state law governing public utility holding companies. For this reason, PPL is not offering a blanket adoption of the commitments in the Memorandum of Agreement, but understands and stands ready to discuss any reasonable concerns the Commission may wish to address with this transaction.

WHEREFORE, Petitioners request that the Commission enter a final order as follows:

1. Finding that approval of the proposed acquisition of ownership and control of E.ON U.S. by PPL, pursuant to the PSA, will not impair or jeopardize the provision of adequate service by KU/ODP to the public at just and reasonable rates;
2. Approving the transfer of ownership of KU/ODP through the acquisition of ownership and control of E.ON U.S. by PPL pursuant to Sections 56-88.1 and 56-90 of the Code;
3. Determining that PPL and any intermediate company between PPL and KU/ODP will not, by reason of ownership of all limited liability interests of E.ON U.S., which in turn owns all outstanding common shares of KU/ODP, be a public service company in Virginia as defined in Section 56-1 of the Code as they will not own, operate, or manage any facilities used in connection with the generation, production, transmission, and distribution of electricity for the public, for compensation for light, heat, power or other uses;
4. Petitioners further request that the Commission declare that no further approval of the Services Agreement under Chapter 4 of Title 56 of the Code is necessary; and
5. Granting all other necessary or appropriate authorizations.

Dated: June 15, 2010

Respectfully submitted

Louis R. Monacell *(with power of attorney)*

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Michael J. Quinan
Christian & Barton, L.L.P.
909 East Main Street, Suite 1200
Richmond, Virginia 23219-3095
Telephone: (804) 697-4120

– and –

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PPL Services Corporation
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VA State Bar #32247

– and –

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Executive Vice President, General Counsel
Corporate Secretary, and Chief Compliance
Officer

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(502) 627-3665

- and -

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Legal Affairs – M&A/Integration
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Federal Republic of Germany
+49 211-4579-757

*Counsel for E.ON AG, E.ON US
Investments Corp., E.ON U.S. LLC, and
Kentucky Utilities Company
d/b/a Old Dominion Power Company*

EXHIBITS

- EXHIBIT A Purchase and Sale Agreement
- EXHIBIT B Current corporate structure extract (E.ON)
- EXHIBIT C Corporate structure following the consummation of the acquisition (E.ON)
- EXHIBIT D Articles of Incorporation and Bylaws (PPL)
- EXHIBIT E Current corporate structure (PPL)
- EXHIBIT F Articles of Association (E.ON)
- EXHIBIT G Certificate of Incorporation and Bylaws (E.ON US Investments)
- EXHIBIT H Articles of Organization and Operating Agreement (E.ON. U.S.)
- EXHIBIT I Map showing areas served by KU/ODP in Virginia

CERTIFICATE OF SERVICE

This is to certify that the foregoing Joint Petition was served on the following by U.S. Mail, postage prepaid, or hand delivery this 15th day of June, 2010.

Mr. Joel Peck, Clerk
Virginia State Corporation Commission
Document Control Center
1300 East Main Street, Tyler Building
P.O. Box 1197
Richmond, VA 23218

William H. Chambliss
General Counsel
Virginia State Corporation Commission
1300 East Main Street, Tyler Building
P.O. Box 1197
Richmond, VA 23218

Ronald A. Gibson, Director
Division of Public Utility Accounting
Virginia State Corporation Commission
1300 East Main Street, Tyler Building
P.O. Box 1197
Richmond, VA 23218

Howard M. Spinner, Director
Division of Economics & Finance
Virginia State Corporation Commission
1300 East Main Street, Tyler Building
P.O. Box 1197
Richmond, VA 23218

William F. Stephens, Director
Division of Energy Regulation
Virginia State Corporation Commission
1300 East Main Street, Tyler Building
P.O. Box 1197
Richmond, VA 23218

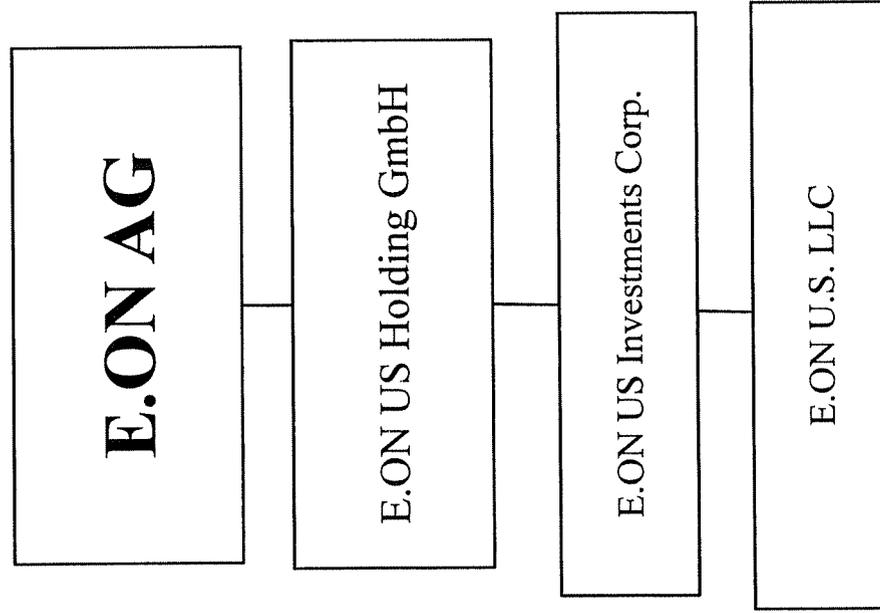
C. Meade Browder, Jr.
Assistant Attorney General
Insurance & Utilities Regulatory Section
Office of the Attorney General
Division of Consumer Counsel
900 East Main Street
Richmond, VA 23219


Counsel for Petitioners

Exhibit A
Purchase and Sale Agreement

Information is provided on attached CD

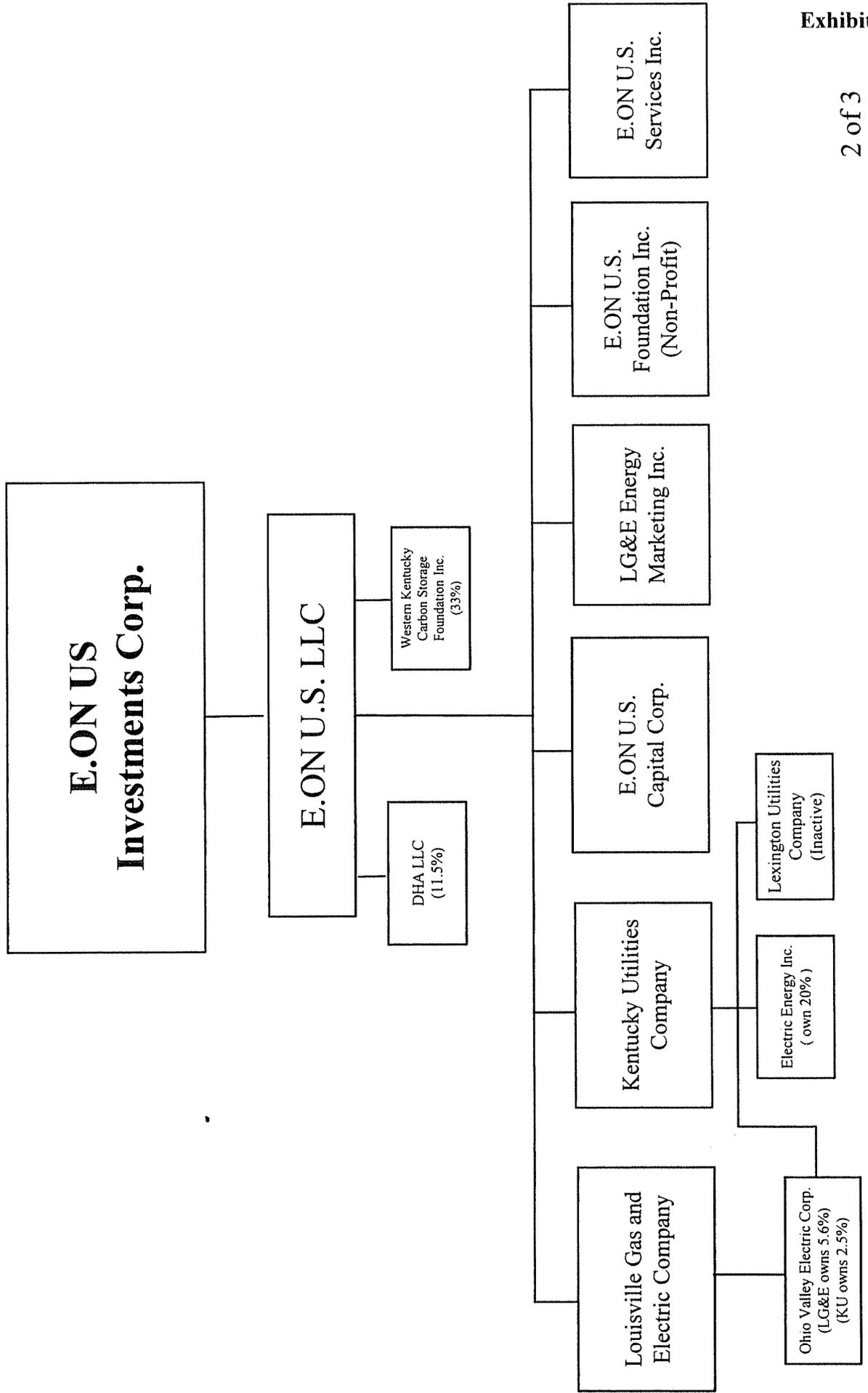
E.ON AG Organizational Chart Extract
E.ON U.S. Entities and Ownership Chain
Current



E.ON U.S. Corporate Organizational Chart Extract

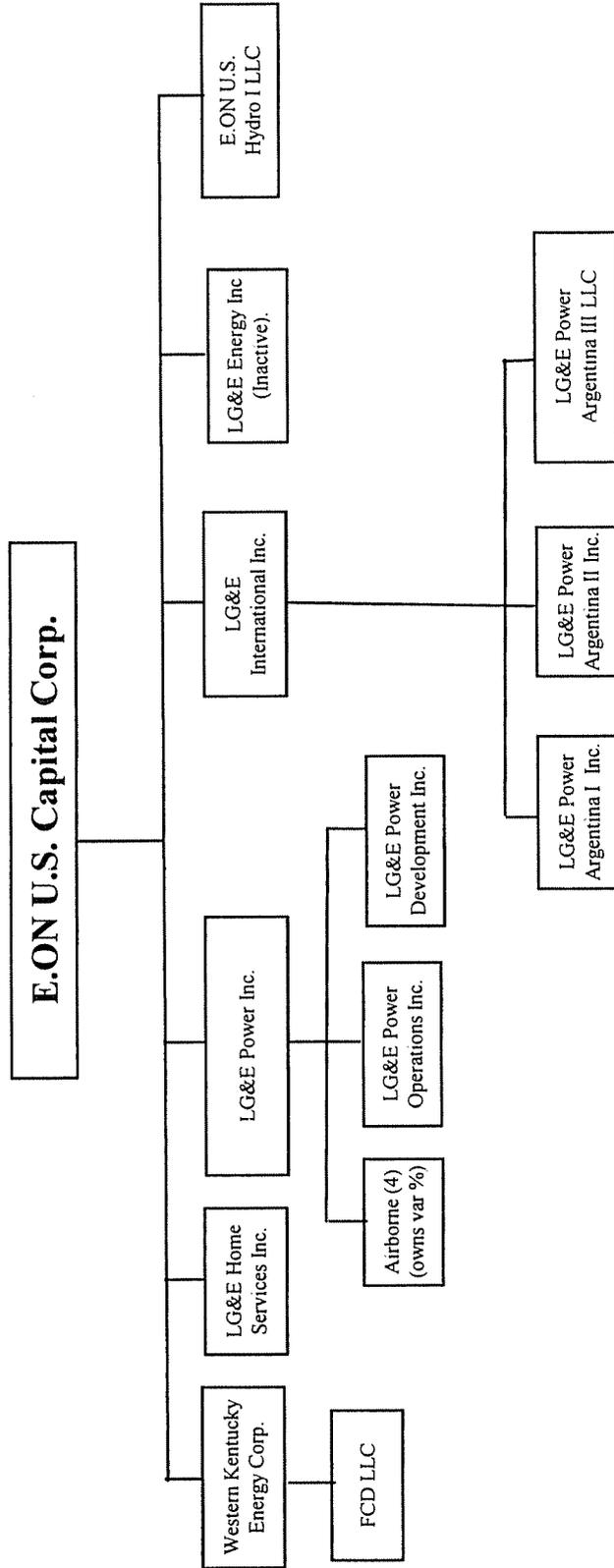
E.ON U.S. Entities and Ownership Chain

Current

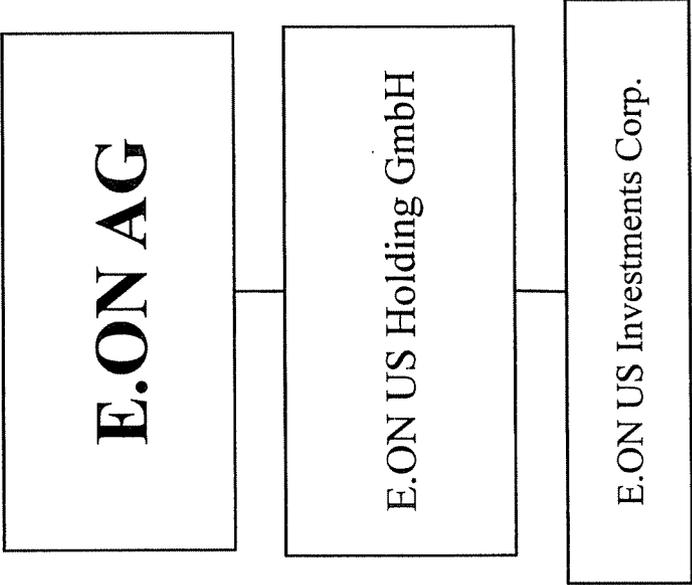


E.ON AG Organizational Chart Extract E.ON U.S. Entities and Ownership Chain

Current



E.ON AG Organizational Chart Extract
Former E.ON U.S. Ownership Chain
Post - Transaction



COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

MAY 19, 2010

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

PPL CORPORATION

I, Pedro A. Cortés, Secretary of the Commonwealth of Pennsylvania

do hereby certify that the foregoing and annexed is a true and correct
copy of

ARTICLES OF INCORPORATION filed on March 15, 1994,
ARTICLES OF AMENDMENT-BUSINESS filed on April 27, 1995,
ARTICLES OF AMENDMENT-BUSINESS filed on February 14, 2000,
ARTICLES OF AMENDMENT-BUSINESS filed on August 11, 2005,
ARTICLES OF AMENDMENT-BUSINESS filed on May 21, 2008

which appear of record in this department.

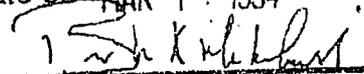


IN TESTIMONY WHEREOF, I have
hereunto set my hand and caused
the Seal of the Secretary's Office to
be affixed, the day and year above
written.

Pedro A. Cortés

Secretary of the Commonwealth

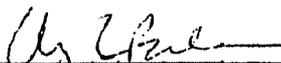
Filed in the Department of
State on MAR 11 1994


Secretary of the Commonwealth

25 107 26
**ARTICLES OF INCORPORATION
OF
PP&L RESOURCES, INC.**

1. The name of the corporation is PP&L Resources, Inc.
2. The address of the registered office of the corporation in this Commonwealth is Two North Ninth Street, Allentown, Lehigh County, Pennsylvania 18101-1179.
3. The corporation is incorporated under the provisions of the Business Corporation Law of 1988.
4. The aggregate number of shares which the corporation shall have the authority to issue is 100 shares, par value \$.01 per share.
5. The shareholders of the corporation shall not have the right to cumulate their votes for the election of directors of the corporation.
6. The following provisions of the Business Corporation Law of 1988 shall not be applicable to the corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchs. 25E-G (relating to control transactions, business combinations, control-share acquisitions and disgorgement by certain controlling shareholders following attempts to acquire control, respectively).
7. These articles of incorporation may be amended in the manner at the time prescribed by statute, and all rights conferred upon shareholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the Incorporator has executed these Articles of Incorporation this 14th day of March, 1994.


Wendy L. Bell, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

MAR 15 94

MAR 31 94

9507-622

APR 27 1995

Microfilm Number _____
Entity Number 2570936

Filed with the Department of State on _____
[Signature]
Secretary of the Commonwealth [Signature]

ARTICLES OF AMENDMENT-DOMESTIC BUSINESS CORPORATION
DSCB:15-1915 (Rev 91)

In compliance with the requirements of 15 Pa.C.S. § 1915 (relating to articles of amendment), the undersigned business corporation, desiring to amend its Articles, hereby states that:

1. The name of the corporation is: PP&L Resources, Inc.

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) Two North Ninth Street Allentown PA 18101 Lehigh
Number and Street City State Zip County

(b) c/o: _____
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: Business Corporation Law of 1988

4. The date of its incorporation is: March 15, 1994

5. (Check, and if appropriate complete, one of the following):
 The amendment shall be effective upon filing these Articles of Amendment in the Department of State.
 The amendment shall be effective on: _____ at _____
Date Hour

6. (Check one of the following):
 The amendment was adopted by the shareholders (or members) pursuant to 15 Pa.C.S. § 1914(a) and (b).
 The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 1914(c).

7. (Check, and if appropriate complete, one of the following):
 The amendment adopted by the corporation, set forth in full, is as follows:

The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

APR 27 95

9527-623

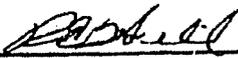
DSCB:15-1915 (Rev 91)-2

8. (Check if the amendment restates the Articles):

The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 27th day of April, 1995.

PP&L Resources, Inc.
(Name of Corporation)

BY: 
(Signature)

TITLE: _____
Senior Vice President-Financial
and Treasurer

9527-624

Exhibit A

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PP&L RESOURCES, INC.**

Article I.

The name of the Corporation is PP&L Resources, Inc.

Article II.

The address of the registered office of the Corporation in this Commonwealth is Two North Ninth Street, Allentown, Lehigh County, Pennsylvania 18101-1179.

Article III.

The Corporation is incorporated under the provisions of the Business Corporation Law of 1988.

Article IV.

The aggregate number of shares which the Corporation shall have the authority to issue is 400,000,000 shares, divided into 10,000,000 shares of Preferred Stock, par value \$.01 per share, and 390,000,000 shares of Common Stock, par value \$.01 per share.

Article V.

The designations, preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the shares of each class shall be as follows:

DIVISION A — PREFERRED STOCK

SECTION 1. General. To the extent permitted by these Amended and Restated Articles of Incorporation, the Board of Directors, by majority vote of a quorum, shall have the authority to issue shares of Preferred Stock from time to time in one or more classes or series, and to fix by resolution, at the time of issuance of each of such class or series, the distinctive designations, terms, relative rights, privileges, qualifications, limitations, options, conversion rights, preferences, and voting powers, and such prohibitions, restrictions and qualifications of voting or other rights and powers thereof except as they are fixed and determined in this Article V. The dividend rate or rates, dividend payment dates or other terms of a class or series of Preferred Stock may vary from time to time dependent upon facts ascertainable outside of these Amended and Restated Articles of Incorporation if the manner in which the facts will operate to fix or change such terms is set forth in the express terms of the class or series or upon terms incorporated by reference to an existing agreement between the Corporation and one or more other parties or to another document of independent significance or otherwise to the extent permitted by the Business Corporation Law of 1988.

SECTION 2. Dividends. The holders of shares of each class or series of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for the purpose under 15 Pa.C.S. § 1551 (relating to distributions to shareholders) or any superseding provision of law subject to any additional limitations in the express terms of the class or series, cash dividends at the rate or rates and on the terms which shall have been fixed by or pursuant to the authority of the Board of Directors with respect to such class or series and no more, payable at such time or times as may be fixed by or pursuant to the authority of the Board of Directors. If and to the extent provided by the express terms of any class or series of Preferred Stock, the holders of the class or series shall be entitled to receive such other dividends as may be declared by the Board of Directors.

SECTION 3. Liquidation of the Corporation. In the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preferred Stock shall be entitled to receive from the assets of the Corporation (whether capital or surplus), an amount per share, prior to the payment to the holders of shares of Common Stock or of any other class of stock of the Corporation ranking as to liquidation subordinate to the Preferred Stock, which shall have been fixed and determined by the Board of Directors with respect thereto.

9527-625

For the purposes of this section, the terms "involuntary liquidation, dissolution or winding up" shall include, without being limited to, a liquidation, dissolution or winding up of the Corporation resulting in the distribution of all of the net proceeds of a sale, lease or conveyance of all or substantially all of the property or business of the Corporation to any governmental body including, without limitation, any municipal Corporation or political subdivision or authority.

SECTION 4. Conversion Privileges. In the event any class or series of the Preferred Stock is issued with the privilege of conversion, such stock may be converted, at the option of the record holder thereof, at any time or from time to time, as determined by the Board of Directors, in the manner and upon the terms and conditions stated in the resolution establishing and designating the class or series and fixing and determining the relative rights and preferences thereof.

SECTION 5. Redemption. The Corporation, at its option to be exercised by its Board of Directors, may redeem the whole or any part of the Preferred Stock or of any class or series thereof at such time or times as may be fixed by the Board, at the applicable price for each share, and upon the terms and conditions which shall have been fixed and determined by the Board with respect thereto.

SECTION 6. Voting Rights. Each holder of record of shares of Preferred Stock shall have full, limited, multiple, fractional, conditional or no voting rights as shall be stated in the resolution or resolutions of the Board of Directors providing for the issue of such shares. Unless provided in such resolution or resolutions, no holder of shares of Preferred Stock shall have cumulative voting rights.

DIVISION B — COMMON STOCK

SECTION 1. Dividends and Shares in Distribution on Common Stock. Subject to the rights of the holders of the Preferred Stock and subordinate thereto, the Common Stock alone shall receive all further dividends and shares upon liquidation, dissolution, winding up or distribution.

SECTION 2. Voting Rights. At any meeting of the shareholders, each holder of Common Stock shall be entitled to one vote per share.

Article VI.

The shareholders of the Corporation shall not have the right to cumulate their votes for the election of directors of the Corporation.

Article VII.

The following provisions of the Business Corporation Law of 1988 shall not be applicable to the Corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchapter 25G (relating to control-share acquisitions).

Article VIII.

Business Combinations.

SECTION 1. Definitions. For the purposes of this Article VIII, the following terms shall have the meanings hereinafter set forth:

(A) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect from time to time.

(B) A person shall be a "Beneficial Owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as herein defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding,

except that a person shall not be deemed the Beneficial Owner of any Voting Stock under this paragraph (B) if the agreement, arrangement or understanding to vote such Voting Stock (X) arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made in accordance with the applicable rules and regulations under the Securities and Exchange Act of 1934 as in effect from time to time, and (Y) is not then reportable on a Schedule 13D under the Securities and Exchange Act of 1934 as in effect from time to time (or any comparable or successor report); or

(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(C) "Business Combination" shall mean any of the following:

(i) any merger or consolidation of the Corporation or any Subsidiary with (A) any Interested Shareholder, or (B) any other Corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$25,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$25,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities of the Corporation (including any reverse stock split), or recapitalization of the Corporation, statutory share exchange, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder), exclusive of any repurchase or redemption of securities of the Corporation in accordance with or solely in anticipation of the terms of any mandatory sinking fund or redemption provisions thereof, which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by an Interested Shareholder or any Affiliate of any Interested Shareholder.

(D) "Disinterested Director" shall mean any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with, and not a nominee of, the Interested Shareholder (as such term is used in the context of a particular proposed Business Combination) and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Shareholder and is designated to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board.

(E) "Fair Market Value" means:

(i) in the case of stock, the highest closing sale price during the thirty-day period immediately preceding the date in question of a share of such stock on the Composite Tape for the New York Stock Exchange — Listed Stocks, or, if such stock is not quoted on the Composite Tape for the New York Stock Exchange, or, if such stock is not listed on such exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such Exchange, the highest bid quotation with respect to a share of such stock during the thirty-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations Systems ("NASDAQ") or the NASDAQ National Market System or, if NASDAQ and the NASDAQ National Market System are not then in use, any other system then in use, or, if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and

(ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

(F) "Privately Held Stock" shall mean any class or series of the Preferred Stock which has not been registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(G) "Interested Shareholder" shall mean any person (other than the Corporation, any Subsidiary or any benefit plan for the employees of the Corporation or any subsidiary) who or which:

(i) is the Beneficial Owner, directly or indirectly, of more than ten percent of the voting power of the then outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question became the Beneficial Owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding Voting Stock, or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

For the purpose of determining whether a person is an Interested Shareholder pursuant to this paragraph (G), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by such person through application of paragraph (B) of this Section 1, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise. An Interested Shareholder as defined in this paragraph (G) shall not include a person engaged in business as an underwriter of securities who acquires the shares directly from the Corporation or any Affiliate or Associate of the Corporation through such person's participation in good faith in a firm commitment underwriting registered under the Securities Act of 1933 as in effect from time to time.

(H) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in Sections (A) and (B) of Section 2 of this Article VIII shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(I) A "person" shall mean any individual, firm, partnership, trust, Corporation or other entity.

(J) "Subsidiary" means any Corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Shareholder set forth in paragraph (G) of this Section 1, the term "Subsidiary" shall mean only (1) Pennsylvania Power & Light Company for so long as the Corporation owns, directly or indirectly, equity securities entitling it to cast a majority of the votes generally entitled to be cast in elections of Pennsylvania Power & Light Company directors and (2) each other corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(K) "Voting Stock" shall mean each share of stock of the Corporation generally entitled to vote in elections of directors.

A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine, for the purposes of this Article VIII on the basis of information known to them after reasonable inquiry, all facts necessary to determine the applicability of the various provisions of this Article VIII. Any such determination made in good faith shall be binding and conclusive on all parties.

SECTION 2. Unless a Business Combination shall have been approved by the affirmative vote of either a majority of Disinterested Directors or the holders of at least two-thirds of the voting power of all shares of Voting Stock, voting together as a single class, then, in addition to any vote of shareholders otherwise required by law or these Amended and Restated Articles of Incorporation, the consummation of any Business Combination shall require that all of the following conditions shall have been met:

(A) The aggregate amount of the cash and the fair market value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired

by it (A) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (B) in the transaction in which it became an Interested Shareholder, whichever is highest;

(ii) the fair market value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (such later date is referred to in this Article VIII as the "Determination Date"), whichever is higher; and

(iii) (if applicable) the price per share equal to the fair market value per share of Common Stock determined pursuant to paragraph (ii) above, multiplied by the ratio of (A) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (B) the fair market value per share of Common Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of Common Stock.

(B) The aggregate amount of the cash and the fair market value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock other than Common Stock (and other than any series or class of Privately Held Voting Stock), shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph (B) shall be required to be met with respect to every such class or series of outstanding Voting Stock, whether or not the Interested Shareholder has previously acquired any shares of a particular class or series of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class or series of Voting Stock acquired by it (A) within the two-year period immediately prior to the Announcement Date, or (B) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or, if higher, the voluntary redemption price per share for such class or series;

(iii) the fair market value per share of such class or series of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iv) (if applicable) the price per share equal to the fair market value per share of such class or series of Voting Stock determined pursuant to paragraph (iii) above, multiplied by the ratio of (A) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class or series of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (B) the fair market value per share of such class or series of Voting Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of such class or series of Voting Stock.

(C) The consideration to be received by holders of a particular class or series of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Shareholder has previously paid for shares of such class or series of Voting Stock. If the Interested Shareholder has paid for shares of any class or series of Voting Stock with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock previously acquired by it.

(D) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination except as approved by a majority of the Disinterested Directors:

(i) There shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock;

(ii) there shall have been (A) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock) and (B) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved

Certification# by a majority of the Disinterested Directors; and

9527-029

(iii) such Interested Shareholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder.

(E) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(F) A proxy or information statement describing the proposed Business Combination and containing the information specified for proxy or information statements under the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least thirty days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

SECTION 3. Nothing contained in this Article VIII shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

Article IX.

Amendment of Articles. These Amended and Restated Articles of Incorporation may be amended in the manner from time to time prescribed by statute and all rights conferred upon shareholders herein are granted subject to this reservation; provided, however, that, notwithstanding the foregoing (and in addition to any vote that may be required by law, these Amended and Restated Articles of Incorporation or the bylaws), the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast shall be required to amend, alter or repeal, or to adopt any provision inconsistent with, Articles VI, VII, VIII, IX and X of these Amended and Restated Articles of Incorporation; provided further that such two-thirds vote shall not be required for any such amendment, alteration or repeal of, or adoption of any provision inconsistent with, Article VIII which is recommended to the shareholders by a majority of the Disinterested Directors (which shall mean all the directors then in office when there is no Interested Shareholder).

Article X.

Amendment of Bylaws. Except as otherwise provided in the express terms of any class or series of Preferred Stock, the bylaws may be amended or repealed, or new bylaws may be adopted, either (i) by vote of the shareholders at a duly organized annual or special meeting of shareholders, or (ii) with respect to those matters that are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of a majority of the board of directors of the corporation in office at any regular or special meeting of directors; provided, however, that any amendment, alteration or repeal of, or the adoption of any provision inconsistent with, Sections 3.05(b), 3.16, 3.17, 4.03(a), 4.03(c), 4.04 or 4.05(a) of the bylaws, if by action of the shareholders, shall be only upon the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast and, if by action of the directors, shall be only upon the approval of at least two-thirds of the directors of the Corporation in office.

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CONSENT TO APPROPRIATION OF NAME

DSCB:17.2 (Rev 90)

273941

Pursuant to 19 Pa. Code § 17.2 (relating to appropriation of the name of a senior corporation) the undersigned association, desiring to consent to the appropriation of its name by another association, hereby certifies that:

The name of the association executing this Consent of Appropriation of Name is: PP&L, Inc.

The (a) address of this association's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 2 N. 9th St., Allentown, PA 18101-1179, Lehigh
Number and Street City State Zip County

(b) C/O _____
Name of Commercial Registered Office Provider County

For an association represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the association is located for venue and official publication purposes.

The date of its incorporation or other organization is: 6/4/20

The statute under which it was incorporated or otherwise organized is: Pennsylvania Business Corporation Law

The association is (check one):

- About to change its name.
- About to cease to do business.
- Being wound up.
- About to withdraw from doing business in this Commonwealth.

The association(s) entitled to the benefit of this Consent to Appropriation of Name is ~~(are)~~ PPL Corporation,
formerly PP&L Resources, Inc.

IN TESTIMONY WHEREOF, the undersigned association has caused this consent to be signed by a duly authorized officer hereof this _____ day of _____, ~~20~~ 2000 .

BY: James E. Abel
James E. Abel (Signature)

TITLE: Vice President-Finance and Treasurer

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8. (Check if the amendment restates the Articles):

The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 14th day of February, ~~19~~ 2000.

PP&L RESOURCES, INC.

(Name of Corporation)

BY: James E. Abel

James E. Abel

(Signature)

TITLE:

Vice President-Finance and Treasurer

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PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Articles of Amendment-Domestic Corporation
(15 Pa.C.S.)

Entity Number

2570936

- Business Corporation (§ 1915)
- Nonprofit Corporation (§ 5915)

Name

Address

City

State

Zip Code

CT CORP-COUNTER

Document will be returned to the name and address you enter to the left.

Fee: \$70

Filed in the Department of State on

AUG 17 2005

Secretary of the Commonwealth

In compliance with the requirements of the applicable provisions (relating to articles of amendment), the undersigned, desiring to amend its articles, hereby states that:

1. The name of the corporation is:
PPL Corporation

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

| (a) Number and Street | City | State | Zip | County |
|-----------------------|-----------|-------|-------|--------|
| 2 N. 9th Street | Allentown | PA | 18101 | Lehigh |

| (b) Name of Commercial Registered Office Provider | County |
|---|--------|
| c/o | |

3. The statute by or under which it was incorporated: Pennsylvania Business Corporation Law

4. The date of its incorporation: March 15, 1994

5. Check, and if appropriate complete, one of the following:

The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

The amendment shall be effective on: August 17, 2005 at _____
Date Hour

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DSCB:15-1915/5915-2

6. Check one of the following:

The amendment was adopted by the shareholders or members pursuant to 15 Pa.C.S. § 1914(a) and (b) or § 5914(a).

The amendment was adopted by the board of directors pursuant to 15 Pa. C.S. § 1914(c) or § 5914(b).

7. Check, and if appropriate, complete one of the following

The amendment adopted by the corporation, set forth in full, is as follows

The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. Check if the amendment restates the Articles

The restated Articles of Incorporation supersede the original articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this

11th day of August

2005

PPL Corporation

Name of Corporation



Signature

Elizabeth Stevens Duane, Assistant Secretary

Title

2005081-903

Exhibit A

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PPL CORPORATION**

Article I.

The name of the Corporation is PPL Corporation.

Article II.

The address of the registered office of the Corporation in this Commonwealth is Two North Ninth Street, Allentown, Lehigh County, Pennsylvania 18101-1179.

Article III.

The Corporation is incorporated under the provisions of the Business Corporation Law of 1988.

Article IV.

The aggregate number of shares which the Corporation shall have the authority to issue is 790,000,000 shares, divided into 10,000,000 shares of Preferred Stock, par value \$.01 per share, and 780,000,000 shares of Common Stock, par value \$.01 per share.

Article V.

The designations, preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the shares of each class shall be as follows:

DIVISION A-PREFERRED STOCK

SECTION 1. General. To the extent permitted by these Amended and Restated Articles of Incorporation, the Board of Directors, by majority vote of a quorum, shall have the authority to issue shares of Preferred Stock from time to time in one or more classes or series, and to fix by resolution, at the time of issuance of each of such class or series, the distinctive designations, terms, relative rights, privileges, qualifications, limitations, options, conversion rights, preferences, and voting powers, and such prohibitions, restrictions and qualifications of voting or other rights and powers thereof except as they are fixed and determined in this Article V. The dividend rate or rates, dividend payment dates or other terms of a class or series of Preferred Stock may vary from time to time dependent upon facts ascertainable outside of these Amended and Restated Articles of Incorporation if the manner in which the facts will operate to fix or change such terms is set forth in the express terms of the class or series or upon terms incorporated by reference to an existing agreement between the Corporation and one or more other parties or to another document of independent significance or otherwise to the extent permitted by the Business Corporation Law of 1988.

SECTION 2. Dividends. The holders of shares of each class or series of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for the purpose under 15 Pa.C.S § 1551

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(relating to distributions to shareholders) or any superseding provision of law subject to any additional limitations in the express terms of the class or series, cash dividends at the rate or rates and on the terms which shall have been fixed by or pursuant to the authority of the Board of Directors with respect to such class or series and no more, payable at such time or times as may be fixed by or pursuant to the authority of the Board of Directors. If and to the extent provided by the express terms of any class or series of Preferred Stock, the holders of the class or series shall be entitled to receive such other dividends as may be declared by the Board of Directors.

SECTION 3. *Liquidation of the Corporation.* In the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preferred Stock shall be entitled to receive from the assets of the Corporation (whether capital or surplus), an amount per share, prior to the payment to the holders of shares of Common Stock or of any other class of stock of the Corporation ranking as to liquidation subordinate to the Preferred Stock, which shall have been fixed and determined by the Board of Directors with respect thereto.

For the purposes of this section, the terms "involuntary liquidation, dissolution or winding up" shall include, without being limited to, a liquidation, dissolution or winding up of the Corporation resulting in the distribution of all of the net proceeds of a sale, lease or conveyance of all or substantially all of the property or business of the Corporation to any governmental body including, without limitation, any municipal Corporation or political subdivision or authority.

SECTION 4. *Conversion Privileges.* In the event any class or series of the Preferred Stock is issued with the privilege of conversion, such stock may be converted, at the option of the record holder thereof, at any time or from time to time, as determined by the Board of Directors, in the manner and upon the terms and conditions stated in the resolution establishing and designating the class or series and fixing and determining the relative rights and preferences thereof.

SECTION 5. *Redemption.* The Corporation, at its option to be exercised by its Board of Directors, may redeem the whole or any part of the Preferred Stock or of any class or series thereof at such time or times as may be fixed by the Board, at the applicable price for each share, and upon the terms and conditions which shall have been fixed and determined by the Board with respect thereto.

SECTION 6. *Voting Rights.* Each holder of record of shares of Preferred Stock shall have full, limited, multiple, fractional conditional or no voting rights as shall be stated in the resolution or resolutions of the Board of Directors providing for the issue of such shares. Unless provided in such resolution or resolutions, no holder of shares of Preferred Stock shall have cumulative voting rights.

DIVISION B-COMMON STOCK

SECTION 1. *Dividends and Shares in Distribution on Common Stock.* Subject to the rights of the holders of the Preferred Stock and subordinate thereto, the Common

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Stock alone shall receive all further dividends and shares upon liquidation, dissolution, winding up or distribution.

SECTION 2. Voting Rights. At any meeting of the shareholders, each holder of Common Stock shall be entitled to one vote per share

Article VI.

The shareholders of the Corporation shall not have the right to cumulate their votes for the election of directors of the Corporation.

Article VII.

The following provisions of the Business Corporation Law of 1988 shall not be applicable to the Corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchapter 25G (relating to control-share acquisitions).

Article VIII.

Business Combinations.

SECTION 1. Definitions. For the purposes of this Article VIII, the following terms shall have the meanings hereinafter set forth:

(A) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect from time to time.

(B) A person shall be a "Beneficial Owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as herein defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding, except that a person shall not be deemed the Beneficial Owner of any Voting Stock under this paragraph (B) if the agreement, arrangement or understanding to vote such Voting Stock (X) arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made in accordance with the applicable rules and regulations under the Securities and Exchange Act of 1934 as in effect from time to time, and (Y) is not then reportable on a Schedule 13D under the Securities and Exchange Act of 1934 as in effect from time to time (or any comparable or successor report); or

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(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(C) "Business Combination" shall mean any of the following:

(i) any merger or consolidation of the Corporation or any Subsidiary with (A) any Interested Shareholder, or (B) any other Corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$25,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$25,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities of the Corporation (including any reverse stock split), or recapitalization of the Corporation, statutory share exchange, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder), exclusive of any repurchase or redemption of securities of the Corporation in accordance with or solely in anticipation of the terms of any mandatory sinking fund or redemption provisions thereof, which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by an Interested Shareholder or any Affiliate of any Interested Shareholder.

(D) "Disinterested Director" shall mean any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with, and not a nominee of, the Interested Shareholder (as such term is used in the context of a particular proposed Business Combination) and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder

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and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Shareholder and is designated to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board.

(E) "Fair Market Value" means

(i) in the case of stock, the highest closing sale price during the thirty-day period immediately preceding the date in question of a share of such stock on the Composite Tape for the New York Stock Exchange - Listed Stocks, or, if such stock is not quoted on the Composite Tape for the New York Stock Exchange, or, if such stock is not listed on such exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such Exchange, the highest bid quotation with respect to a share of such stock during the thirty-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations Systems ("NASDAQ") or the NASDAQ National Market System or, if NASDAQ and the NASDAQ National Market System are not then in use, any other system then in use, or, if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and

(ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

(F) "Privately Held Stock" shall mean any class or series of the Preferred Stock which has not been registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(G) "Interested Shareholder" shall mean any person (other than the Corporation, any Subsidiary or any benefit plan for the employees of the Corporation or any subsidiary) who or which

(i) is the Beneficial Owner, directly or indirectly, of more than ten percent of the voting power of the then outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question became the Beneficial Owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the

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course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

For the purpose of determining whether a person is an Interested Shareholder pursuant to this paragraph (G), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by such person through application of paragraph (B) of this Section 1, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise. An Interested Shareholder as defined in this paragraph (G) shall not include a person engaged in business as an underwriter of securities who acquires the shares directly from the Corporation or any Affiliate or Associate of the Corporation through such person's participation in good faith in a firm commitment underwriting registered under the Securities Act of 1933 as in effect from time to time.

(H) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in Sections (A) and (B) of Section 2 of this Article VIII shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(I) A "person" shall mean any individual, firm, partnership, trust, Corporation or other entity.

(J) "Subsidiary" means any Corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation, provided, however, that for the purposes of the definition of Interested Shareholder set forth in paragraph (G) of this Section 1, the term "Subsidiary" shall mean only (1) PPL Electric Utilities Corporation for so long as the Corporation owns, directly or indirectly, equity securities entitling it to cast a majority of the votes generally entitled to be cast in elections of PPL Electric Utilities Corporation directors and (2) each other corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(K) "Voting Stock" shall mean each share of stock of the Corporation generally entitled to vote in elections of directors.

A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine, for the purposes of this Article VIII on the basis of information known to them after reasonable inquiry, all facts necessary to determine the applicability of the various provisions of this Article VIII. Any such determination made in good faith shall be binding and conclusive on all parties.

SECTION 2. Unless a Business Combination shall have been approved by the affirmative vote of either a majority of Disinterested Directors or the holders of at least two-thirds of the voting power of all shares of Voting Stock, voting together as a single

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class, then, in addition to any vote of shareholders otherwise required by law or these Amended and Restated Articles of Incorporation, the consummation of any Business Combination shall require that all of the following conditions shall have been met:

(A) The aggregate amount of the cash and the fair market value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it (A) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (B) in the transaction in which it became an Interested Shareholder, whichever is highest;

(ii) the fair market value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (such later date is referred to in this Article VIII as the "Determination Date"), whichever is higher; and

(iii) (if applicable) the price per share equal to the fair market value per share of Common Stock determined pursuant to paragraph (ii) above, multiplied by the ratio of (A) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (B) the fair market value per share of Common Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of Common Stock.

(B) The aggregate amount of the cash and the fair market value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock other than Common Stock (and other than any series or class of Privately Held Voting Stock), shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph (B) shall be required to be met with respect to every such class or series of outstanding Voting Stock, whether or not the Interested Shareholder has previously acquired any shares of a particular class or series of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class or series of Voting Stock acquired by it (A) within the two year period immediately prior to the

Announcement Date, or (B) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or, if higher, the voluntary redemption price per share for such class or series;

(iii) the fair market value per share of such class or series of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iv) (if applicable) the price per share equal to the fair market value per share of such class or series of Voting Stock determined pursuant to paragraph (iii) above, multiplied by the ratio of (A) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class or series of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (B) the fair market value per share of such class or series of Voting Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of such class or series of Voting Stock.

(C) The consideration to be received by holders of a particular class or series of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Shareholder has previously paid for shares of such class or series of Voting Stock. If the Interested Shareholder has paid for shares of any class or series of Voting Stock with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock previously acquired by it.

(D) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination except as approved by a majority of the Disinterested Directors.

(i) There shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock;

(ii) there shall have been (A) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock) and (B) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding

shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and

(iii) such Interested Shareholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder.

(E) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(F) A proxy or information statement describing the proposed Business Combination and containing the information specified for proxy or information statements under the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least thirty days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

SECTION 3. Nothing contained in this Article VIII shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

Article IX.

Amendment of Articles. These Amended and Restated Articles of Incorporation may be amended in the manner from time to time prescribed by statute and all rights conferred upon shareholders herein are granted subject to this reservation; provided, however, that, notwithstanding the foregoing (and in addition to any vote that may be required by law, these Amended and Restated Articles of Incorporation or the bylaws), the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast shall be required to amend, alter or repeal, or to adopt any provision inconsistent with, Articles VI, VII, VIII, IX and X of these Amended and Restated Articles of Incorporation; provided further that such two-thirds vote shall not be required for any such amendment, alteration or repeal of, or adoption of any provision inconsistent with, Article VIII which is recommended to the shareholders by a majority of the Disinterested Directors (which shall mean all the directors then in office when there is no Interested Shareholder).

Article X.

Amendment of Bylaws. Except as otherwise provided in the express terms of any class or series of Preferred Stock, the bylaws may be amended or repealed, or new

bylaws may be adopted, either (i) by vote of the shareholders at a duly organized annual or special meeting of shareholders, or (ii) with respect to those matters that are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of a majority of the board of directors of the Corporation in office at any regular or special meeting of directors; provided, however, that any amendment, alteration or repeal of, or the adoption of any provision inconsistent with, Sections 3.05(b), 3.16, 3.17, 4.03(a), 4.03(c), 4.04 or 4.05(a) of the bylaws, if by action of the shareholders, shall be only upon the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast and, if by action of the directors, shall be only upon the approval of at least two-thirds of the directors of the Corporation in office.

Article XI.

Uncertificated Shares. Any or all classes and series of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except as required by applicable law, including that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required by applicable law to be set forth or stated on certificates. Except as otherwise expressly provided by law, the rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Articles of Amendment-Domestic Corporation
(15 Pa.C.S.)

- Business Corporation (§ 1915)
 Nonprofit Corporation (§ 5915)

Name _____
Address _____
City _____ State _____ Zip Code _____
CT CORP-COUNTER

Document will be returned to the name and address you enter to the left.

Commonwealth of Pennsylvania
ARTICLES OF AMENDMENT-BUSINESS 6 Page(s)



Fec: S70

In compliance with the requirements of the applicable provisions (relating to articles of amendment), the undersigned, desiring to amend its articles, hereby states that:

1. The name of the corporation is: PPL Corporation

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

| (a) Number and Street | City | State | Zip | County |
|------------------------|-----------|-------|-------|--------|
| Two North Ninth Street | Allentown | PA | 18101 | Lehigh |

(b) Name of Commercial Registered Office Provider _____ County _____
c/o _____

3. The statute by or under which it was incorporated: Pennsylvania Business Corporation Law

4. The date of its incorporation: March 15, 1994

5. Check, and if appropriate complete, one of the following:

The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

The amendment shall be effective on: _____ at _____
Date Hour

6. Check one of the following:

- The amendment was adopted by the shareholders or members pursuant to 15 Pa.C.S. § 1914(a) and (b) or § 5914(a).
- The amendment was adopted by the board of directors pursuant to 15 Pa. C.S. § 1914(c) or § 5914(b).

7. Check, and if appropriate, complete one of the following:

- The amendment adopted by the corporation, set forth in full, is as follows

- The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. Check if the amendment restates the Articles:

- The restated Articles of Incorporation supersede the original articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this

21st day of May

2008

PPL Corporation

Name of Corporation

Signature

Elizabeth Stevens Duane, Assistant Secretary

Title

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PPL CORPORATION**

Article I.

The name of the Corporation is PPL Corporation.

Article II.

The address of the registered office of the Corporation in this Commonwealth is Two North Ninth Street, Allentown, Lehigh County, Pennsylvania 18101-1179.

Article III.

The Corporation is incorporated under the provisions of the Business Corporation Law of 1988.

Article IV.

The aggregate number of shares which the Corporation shall have the authority to issue is 790,000,000 shares, divided into 10,000,000 shares of Preferred Stock, par value \$.01 per share, and 780,000,000 shares of Common Stock, par value \$.01 per share.

Article V.

The designations, preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the shares of each class shall be as follows:

DIVISION A-PREFERRED STOCK

SECTION 1. General. To the extent permitted by these Amended and Restated Articles of Incorporation, the Board of Directors, by majority vote of a quorum, shall have the authority to issue shares of Preferred Stock from time to time in one or more classes or series, and to fix by resolution, at the time of issuance of each of such class or series, the distinctive designations, terms, relative rights, privileges, qualifications, limitations, options, conversion rights, preferences, and voting powers, and such prohibitions, restrictions and qualifications of voting or other rights and powers thereof except as they are fixed and determined in this Article V. The dividend rate or rates, dividend payment dates or other terms of a class or series of Preferred Stock may vary from time to time dependent upon facts ascertainable outside of these Amended and Restated Articles of Incorporation if the manner in which the facts will operate to fix or change such terms is set forth in the express terms of the class or series or upon terms incorporated by reference to an existing agreement between the Corporation and one or more other parties or to another document of independent significance or otherwise to the extent permitted by the Business Corporation Law of 1988.

SECTION 2. Dividends. The holders of shares of each class or series of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for the purpose under 15 Pa.C.S. § 1551 (relating to distributions to shareholders) or any superseding provision of law subject to

any additional limitations in the express terms of the class or series, cash dividends at the rate or rates and on the terms which shall have been fixed by or pursuant to the authority of the Board of Directors with respect to such class or series and no more, payable at such time or times as may be fixed by or pursuant to the authority of the Board of Directors. If and to the extent provided by the express terms of any class or series of Preferred Stock, the holders of the class or series shall be entitled to receive such other dividends as may be declared by the Board of Directors.

SECTION 3. *Liquidation of the Corporation.* In the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preferred Stock shall be entitled to receive from the assets of the Corporation (whether capital or surplus), an amount per share, prior to the payment to the holders of shares of Common Stock or of any other class of stock of the Corporation ranking as to liquidation subordinate to the Preferred Stock, which shall have been fixed and determined by the Board of Directors with respect thereto.

For the purposes of this section, the terms "involuntary liquidation, dissolution or winding up" shall include, without being limited to, a liquidation, dissolution or winding up of the Corporation resulting in the distribution of all of the net proceeds of a sale, lease or conveyance of all or substantially all of the property or business of the Corporation to any governmental body including, without limitation, any municipal Corporation or political subdivision or authority.

SECTION 4. *Conversion Privileges.* In the event any class or series of the Preferred Stock is issued with the privilege of conversion, such stock may be converted, at the option of the record holder thereof, at any time or from time to time, as determined by the Board of Directors, in the manner and upon the terms and conditions stated in the resolution establishing and designating the class or series and fixing and determining the relative rights and preferences thereof.

SECTION 5. *Redemption.* The Corporation, at its option to be exercised by its Board of Directors, may redeem the whole or any part of the Preferred Stock or of any class or series thereof at such time or times as may be fixed by the Board, at the applicable price for each share, and upon the terms and conditions which shall have been fixed and determined by the Board with respect thereto.

SECTION 6. *Voting Rights.* Each holder of record of shares of Preferred Stock shall have full, limited, multiple, fractional, conditional or no voting rights as shall be stated in the resolution or resolutions of the Board of Directors providing for the issue of such shares. Unless provided in such resolution or resolutions, no holder of shares of Preferred Stock shall have cumulative voting rights.

DIVISION B-COMMON STOCK

SECTION 1. *Dividends and Shares in Distribution on Common Stock.* Subject to the rights of the holders of the Preferred Stock and subordinate thereto, the Common Stock alone shall receive all further dividends and shares upon liquidation, dissolution, winding up or distribution.

SECTION 2. *Voting Rights.* At any meeting of the shareholders, each holder of Common Stock shall be entitled to one vote per share.

Article VI.

The shareholders of the Corporation shall not have the right to cumulate their votes for the election of directors of the Corporation.

Article VII.

The following provisions of the Business Corporation Law of 1988 shall not be applicable to the Corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchapter 25G (relating to control-share acquisitions).

Article VIII. [Reserved]

Article IX.

Amendment of Articles. These Amended and Restated Articles of Incorporation may be amended in the manner from time to time prescribed by statute and all rights conferred upon shareholders herein are granted subject to this reservation.

Article X.

Amendment of Bylaws. Except as otherwise provided in the express terms of any class or series of Preferred Stock, the bylaws may be amended or repealed, or new bylaws may be adopted, either (i) by vote of the shareholders at a duly organized annual or special meeting of shareholders, or (ii) with respect to those matters that are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of a majority of the board of directors of the Corporation in office at any regular or special meeting of directors.

Article XI.

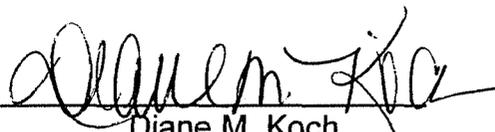
Uncertificated Shares. Any or all classes and series of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except as required by applicable law, including that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required by applicable law to be set forth or stated on certificates. Except as otherwise expressly provided by law, the rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

PPL Corporation
Assistant Secretary's Certificate

I, DIANE M. KOCH, the duly elected and acting Assistant Secretary of PPL Corporation (the "Company"), do hereby CERTIFY that attached hereto is a true and correct copy of the Bylaws of the Company, which have been in full force and effect at all times since May 19, 2010 to the date of this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Company this 20th day of May, 2010.

PPL CORPORATION

By: 
Diane M. Koch
Assistant Secretary

**Bylaws
of
PPL Corporation**

5/19/10

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BYLAWS
OF
PPL CORPORATION
(a Pennsylvania Registered Corporation)

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office.--The registered office of the corporation in the Commonwealth of Pennsylvania shall be at Two North Ninth Street, Allentown, PA 18101-1179, until otherwise established by an amendment of the articles of incorporation (the "articles") or by the board of directors and a record of such change is filed with the Pennsylvania Department of State in the manner provided by law.

Section 1.02. Other Offices.--The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year.--The fiscal year of the corporation shall begin on the 1st day of January in each year.

ARTICLE II

Notice--Waivers--Meetings Generally

Section 2.01. Manner of Giving Notice.

(a) General Rule.--Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission to the address (or to the telex, TWX, facsimile or telephone number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegram or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission when received. A

notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(b) Bulk Mail.--Notice of any regular or special meeting of the shareholders, or any other notice required by the Business Corporation Law or by the articles or these bylaws to be given to all shareholders or to all holders of a class or series of shares, may be given by any class of postpaid mail if the notice is deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

(c) Adjourned Shareholder Meetings.--When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with Section 2.03.

Section 2.02. Notice of Meetings of Board of Directors.--Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders.

(a) General Rule.--Except as otherwise provided in Section 2.01(b), written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting (and, in case of a meeting called to consider a merger, consolidation, share exchange or division, to each shareholder of record not entitled to vote at the meeting) called to consider a fundamental change under 15 Pa.C.S. Chapter 19 or (2) five days prior to the day named for the meeting in any other case. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws.--In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting

is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

(c) Notice of Action by Shareholders on Fundamental Change.--In the case of a meeting of the shareholders that has as one of its purposes action with respect to any fundamental change under 15 Pa.C.S. Chapter 19, each shareholder shall be given, together with written notice of the meeting, a copy or summary of the amendment or plan to be considered at the meeting in compliance with the provisions of Chapter 19.

(d) Notice of Action by Shareholders Giving Rise to Dissenters Rights.--In the case of a meeting of the shareholders that has as one of its purposes action that would give rise to dissenters rights under the provisions of 15 Pa.C.S. Subchapter 15D, each shareholder shall be given, together with written notice of the meeting:

(1) a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the provisions of Subchapter 15D (relating to dissenters rights); and

(2) a copy of Subchapter 15D.

Section 2.04. Waiver of Notice.

(a) Written Waiver.--Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance.--Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Modification of Proposal Contained in Notice.--Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06. Exception to Requirement of Notice.

(a) General Rule.--Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.

(b) Shareholders Without Forwarding Addresses.--Notice or other communications need not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of Conference Telephone and Similar Equipment.--Any director may participate in any meeting of the board of directors, and the board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place of Meeting.--All meetings of the shareholders of the corporation shall be held at the registered office of the corporation or such other place as may be designated by the board of directors in the notice of a meeting.

Section 3.02. Annual Meeting.--The board of directors may fix and designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the board, the meeting for any calendar year shall be held on the fourth Wednesday in April in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 1:30 o'clock P.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

Section 3.03. Special Meetings.--Special meetings of the shareholders may be called at any time by the chairman of the board, if there be one, or by resolution of the board of directors, which may fix the date, time and place of the meeting. If the chairman of the board or the board does not fix the date, time or place of the meeting, it shall be the duty of the secretary to do so. A date fixed by the secretary shall not be more than 60 days after the date of the receipt of the request from the chairman of the board or adoption of the resolution of the board calling the special meeting.

Section 3.04. Quorum and Adjournment.

(a) General Rule.--A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum.--The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally.--Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

(d) Electing Directors at Adjourned Meeting.--Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other Action in Absence of Quorum.--Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 3.05. Action by Shareholders.

(a) Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

(b) Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the shareholders who would be entitled to vote at a meeting for such purpose shall be filed with the secretary of the corporation.

Section 3.06. Organization.--At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as chairman of the meeting. The secretary or an assistant secretary, or, a person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 3.07. Voting Rights of Shareholders.--Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and Other Action by Proxy.

(a) General Rule.--

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by, a proxy of a shareholder shall constitute the presence of, or vote or action by, the shareholder.

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Execution and Filing.--Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A telegram, telex, cablegram, datagram or similar transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed for purposes of this subsection; and

(2) shall be so treated if it sets forth a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) Revocation.--A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation.

(d) Expenses.--The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 3.09. Voting by Fiduciaries and Pledges.--Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by Joint Holders of Shares.

(a) General Rule.--Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception.--If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

Section 3.11. Voting by Corporations.

(a) Voting by Corporate Shareholders.--Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares.--Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

Section 3.12. Determination of Shareholders of Record.

(a) Fixing Record Date.--The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination When a Record Date is Not Fixed.--If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given.

(2) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by Nominee.--The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

Section 3.13. Voting Lists.

(a) General Rule.--The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that if the corporation has 5,000 or more shareholders, in lieu of the making of the list, the corporation may make the information therein available at the meeting by any other means.

(b) Effect of List.--Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

Section 3.14. Judges of Election.

(a) Appointment.--In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies.--In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties.--The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report.--On request of the presiding officer of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.15. Minors as Securityholders.--The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

Section 3.16. Nominations for Election of Directors.--Except as otherwise provided in or fixed by or pursuant to the provisions of Article V of the articles of incorporation, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any shareholder entitled to vote in the election of directors generally. However, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice (meeting the requirements hereinafter set forth) of such shareholder's intent to make such nomination or nominations has been given by the shareholder and received by the secretary of the corporation in the manner and within the time specified by this Section. The notice shall be delivered to the secretary of the corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, 75 days in advance of the date of such meeting; provided, however, that in the event that less than 85 days' notice or prior public disclosure of the date of the annual meeting is given, notice from the shareholders to be timely must be received not later than the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the earlier of (A) the seventh day following the date on which notice of such meeting is first given to shareholders or (B) the fourth day prior to the meeting. In lieu of delivery to the secretary, the notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had proxies been solicited with respect to such nominee by the management or board of directors of the corporation; and (e) the consent of each nominee to serve as a director of the corporation if so elected. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this Section and, in such event, the nomination shall be disregarded. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

Section 3.17. Other Business to be Transacted.--Except as otherwise provided in Section 3.16 of these bylaws, at any annual meeting or special meeting of shareholders, only such business as is properly brought before the meeting in accordance with this Section may be transacted. To be properly brought before any meeting, any proposed business that is to be brought pursuant to this Section must be either (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) in the case of an annual meeting of shareholders, otherwise properly brought before the meeting by a shareholder (x) who is a shareholder of record on the date of giving notice provided for in these bylaws and on the record date for the determination of shareholders entitled to vote at such annual meeting, and (y) who complies with the notice provisions set forth in this Section. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to the secretary of the corporation not later than 75 days in advance of the date of such meeting; provided, however, that in the event that less than 85 days' notice or prior public disclosure of the date of the annual meeting is given, notice from the shareholders to be timely must be received not later than the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. In lieu of delivery to the secretary, the notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. A shareholder's notice to the secretary of the corporation, as required by this Section, shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class, series and number of shares of the corporation's stock which are beneficially owned by the shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder in such business, (v) all other information which would be required to be included in a proxy statement or other filing required to be filed with the Securities and Exchange Commission if, with respect to any such item of business, such shareholder were a participant in a solicitation subject to Regulation 14A under the Securities Exchange Act of 1934, as amended, and (vi) a representation that such shareholder intends to appear in person or by proxy at the annual meeting of shareholders to bring such business before the meeting. Except as provided in Section 3.16 of these bylaws, notwithstanding anything in the bylaws to the contrary, no business shall be conducted at any meeting of shareholders except in accordance with the procedures set forth in this Section, provided, however, that nothing in this Section shall be deemed to preclude discussion by any shareholders of any business properly brought before any such meeting. The presiding officer of a meeting may, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this

Section, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

ARTICLE IV

Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General Rule.--Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Personal Liability of Directors.

(1) To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(2) Any amendment or repeal of this Section 4.01 which has the effect of increasing directors' liability shall operate prospectively only, and shall not affect any action taken, or any failure to act, prior to its adoption.

(The provisions of this subsection (b) were first adopted by the shareholders of the corporation effective April 27, 1995.)

Section 4.02. Qualifications and Selection of Directors.

(a) Qualifications.--Each director of the corporation shall be a natural person of full age who need not be a resident of the Commonwealth of Pennsylvania or a shareholder of the corporation.

(b) Election of Directors.--In elections for directors, voting need not be by ballot, unless required by vote of the shareholders before the voting for the election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 4.03. Number and Term of Office.

(a) Number.--The board of directors shall consist of such number of directors, not less than six nor more than twenty, as may be determined from time to time by resolution of the board of directors.

(b) Resignation.--Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

(c) Term of Office. --Beginning with the 2011 annual meeting of shareholders, all directors, including any directors previously elected for three-year terms, must stand for election on an annual basis. Each director elected at or after the 2011 annual meeting of shareholders shall be elected for a one-year term. Each director shall hold office until the next annual meeting and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

Section 4.04. Vacancies.

(a) General Rule.--Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve until the next annual meeting and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Action by Resigned Directors.--When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 4.05 Removal of Directors.

(a) Removal by the Shareholders.--Any director may be removed from office, but only for cause. In case one or more directors are so removed, new directors may be elected at the same meeting. The repeal of a provision of the articles or bylaws prohibiting, or the addition of a provision to the articles or bylaws permitting, the removal by the shareholders of a director without assigning any cause shall not apply to any incumbent director during the balance of the term for which the director was selected.

(b) Removal by the Board.--The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

Section 4.06. Place of Meetings.--Meetings of the board of directors may be held at such place within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.07. Organization of Meetings.--At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 4.08. Regular Meetings.--Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 4.09. Special Meetings.--Special meetings of the board of directors shall be held whenever called by the chairman or by two or more of the directors.

Section 4.10. Quorum of and Action by Directors.

(a) General Rule.--A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by Written Consent.--Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

(c) Notation of Dissent.--A director of the corporation who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files his or her written dissent to the

action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.11. Executive and Other Committees.

(a) Establishment and Powers.--The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

- (1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.
- (2) The creation or filling of vacancies in the board of directors.
- (3) The adoption, amendment or repeal of these bylaws.
- (4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.
- (5) Action on matters committed by a resolution of the board of directors exclusively to another committee of the board.

(b) Alternate Committee Members.--The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term.--Each committee of the board shall serve at the pleasure of the board.

(d) Committee Procedures.--The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

Section 4.12. Compensation.--The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V

Officers

Section 5.01. Officers Generally.

(a) Number, Qualifications and Designation.--The officers of the corporation shall be a president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who may be officers of the corporation. Any number of offices may be held by the same person.

(b) Bonding.--The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care.--In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)), for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

Section 5.02. Election, Term of Office and Resignations.

(a) Election and Term of Office.--The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected annually by the board of directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations.--Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

Section 5.03. Subordinate Officers, Committees and Agents.--The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of Officers and Agents.--Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Vacancies.--A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06. Authority.

(a) General Rule.--All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

(b) Chief Executive Officer.--The chairman of the board or the president, as designated from time to time by the board of directors, shall be the chief executive officer of the corporation.

Section 5.07. The Chairman and Vice Chairman of the Board.--The chairman of the board or in the absence of the chairman, the vice chairman of the board, or in the absence of a chairman or vice chairman of the Board, a chairman appointed at the meeting, shall preside at meetings of the shareholders and of the board of directors, and shall perform such other duties as may from time to time be requested by the board of directors.

Section 5.08. The President.--The president shall have general supervision over the business and operations of the corporation, subject however, to the control of the board of directors and the chairman of the board, if the chairman is not also the president. The president shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president and such other duties as from time to time may be assigned by the board of directors and the chairman of the board, if the chairman is not also the president.

Section 5.09. The Vice Presidents.--The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors or the president.

Section 5.10. The Secretary.--The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.11. The Treasurer.--The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in banks or other places of deposit; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.12. Salaries.--The salaries or other compensation of the officers elected by the board of directors shall be fixed from time to time by the board of directors or in such manner as the board of directors shall from time to time provide. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE VI

Capital Stock

Section 6.01. Share Certificates.

(a) Form of Certificates.--Any or all classes and series of shares of the corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the board of directors, except as otherwise required by law or the articles. To the extent that certificates for shares of the corporation are issued, such certificates shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register.--The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

(c) Issuance.--The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be executed in such manner as the board of directors shall determine.

Section 6.02. Transfer.--Transfers of shares shall be made on the share register or transfer books of the corporation only by the record holder of such shares, or by attorney lawfully constituted in writing, and, in the case of shares represented by a certificate, upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing.

Section 6.03. Record Holder of Shares.--The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.04. Lost, Destroyed or Mutilated Certificates.--The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

Indemnification of Directors, Officers and Other Authorized Representatives

(The provisions of this Article VII were first adopted by the shareholders of the corporation effective April 27, 1995.)

Section 7.01. Indemnification of Directors and Officers.

(a) Right to Indemnification.--Except as prohibited by law, every director and officer of the corporation shall be entitled as of right to be indemnified by the corporation against reasonable expense and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the corporation or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director or officer of the corporation or by reason of the fact that such person is or was serving at the request of the corporation as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as "action"). Such indemnification shall include the right to have expenses incurred by such person in connection with an action paid in advance by the corporation prior to final disposition of such action, subject to such conditions as may be prescribed by law. Persons who

are not directors or officers of the corporation may be similarly indemnified in respect of service to the corporation or to another such entity at the request of the corporation to the extent the board of directors at any time denominates such person as entitled to the benefits of this Section 7.01. As used herein, "expense" shall include fees and expenses of counsel selected by such person; and "liability" shall include amounts of judgments, excise taxes, fines and penalties, and amounts paid in settlement.

(b) Right of Claimant to Bring Suit.--If a claim under paragraph (a) of this Section 7.01 is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such action that the conduct of the claimant was such that under Pennsylvania law the corporation would be prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel and its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the conduct of the claimant was not such that indemnification would be prohibited by law, nor an actual determination by the corporation (including its board of directors, independent legal counsel or its shareholders) that the conduct of the claimant was such that indemnification would be prohibited by law, shall be a defense to the action or create a presumption that the conduct of the claimant was such that indemnification would be prohibited by law.

(c) Insurance and Funding.--The corporation may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any action, whether or not the corporation would have the power to indemnify such person against such liability or expense by law or under the provisions of this Section 7.01. The corporation may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

(d) Non-Exclusivity; Nature and Extent of Rights.--The right of indemnification provided for herein (1) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any agreement, bylaw or charter provision, vote of shareholders or directors or otherwise, (2) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (3) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (4) shall be applicable to actions, suits or proceedings commenced after the adoption

hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The right of indemnification provided for herein may not be amended, modified or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to the effective date of any such amendment, modification or repeal.

Section 7.02. Indemnification of Persons Not Indemnified Under Section 7.01.

(a) The provisions of this Section 7.02 are applicable only to employees and other authorized representatives of the corporation who are not entitled to the benefits of Section 7.01 pursuant to either the terms of Section 7.01 or a resolution of the board of directors of the corporation.

(b) Employees; Third Party Actions.--The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an authorized representative of the corporation (which, for the purposes of this Section 7.02, shall mean an employee or agent of the corporation, or a person who is or was serving at the request of the corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which that person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) Employees; Derivative Actions.--The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an authorized representative of the corporation, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for

negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that the court of common pleas of the county in which the registered office of the corporation is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

(d) Other Authorized Representatives.--To the extent that an authorized representative of the corporation who is not an employee of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (b) and (c) of this Section 7.02 or in defense of any claim, issue or matter therein, such person shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Such an authorized representative may, at the discretion of the corporation, be indemnified by the corporation in any other circumstances and to any extent if the corporation would be required by subsections (b) and (c) of this Section 7.02 to indemnify such person in such circumstances and to such extent if such person were or had been an employee of the corporation.

(e) Procedure for Effecting Indemnification.--Indemnification under subsections (b), (c) or (d) of this Section 7.02 shall be made when ordered by a court (in which case the expenses, including attorneys' fees, of the authorized representative in enforcing such right of indemnification shall be added to and be included in the final judgment against the corporation) or shall be made upon a determination that indemnification of the authorized representative is required or proper in the circumstances because such person has met the applicable standard of conduct set forth in subsections (b) and (c) of this Section 7.02. Such determination shall be made:

- (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or
- (2) if such a quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so direct, by independent legal counsel in a written opinion, or
- (3) by the shareholders.

(f) Advancing Expenses.--Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of an employee to repay such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the corporation as required in this Section 7.02 or as authorized by law and may be paid by the corporation in advance on behalf of any other authorized representative when authorized by the board of directors upon receipt of a similar undertaking.

(g) Non-Exclusivity; Nature and Extent of Rights.--Each person who shall act as an authorized representative of the corporation and who is not entitled to the benefits of Section 7.01, shall be deemed to be doing so in reliance upon such rights of indemnification as are provided in this Section 7.02.

The indemnification provided by this Section 7.02 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, statute or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VIII

Miscellaneous

Section 8.01. Corporate Seal.--The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

Section 8.02. Checks.--All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the board of directors may from time to time designate.

Section 8.03. Contracts.--Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board of directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 8.04. Interested Directors or Officers; Quorum.

(a) General Rule.--A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another corporation, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.

(b) Quorum.--Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in subsection (a).

Section 8.05. Deposits.--All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees of the corporation as the board of directors shall from time to time designate.

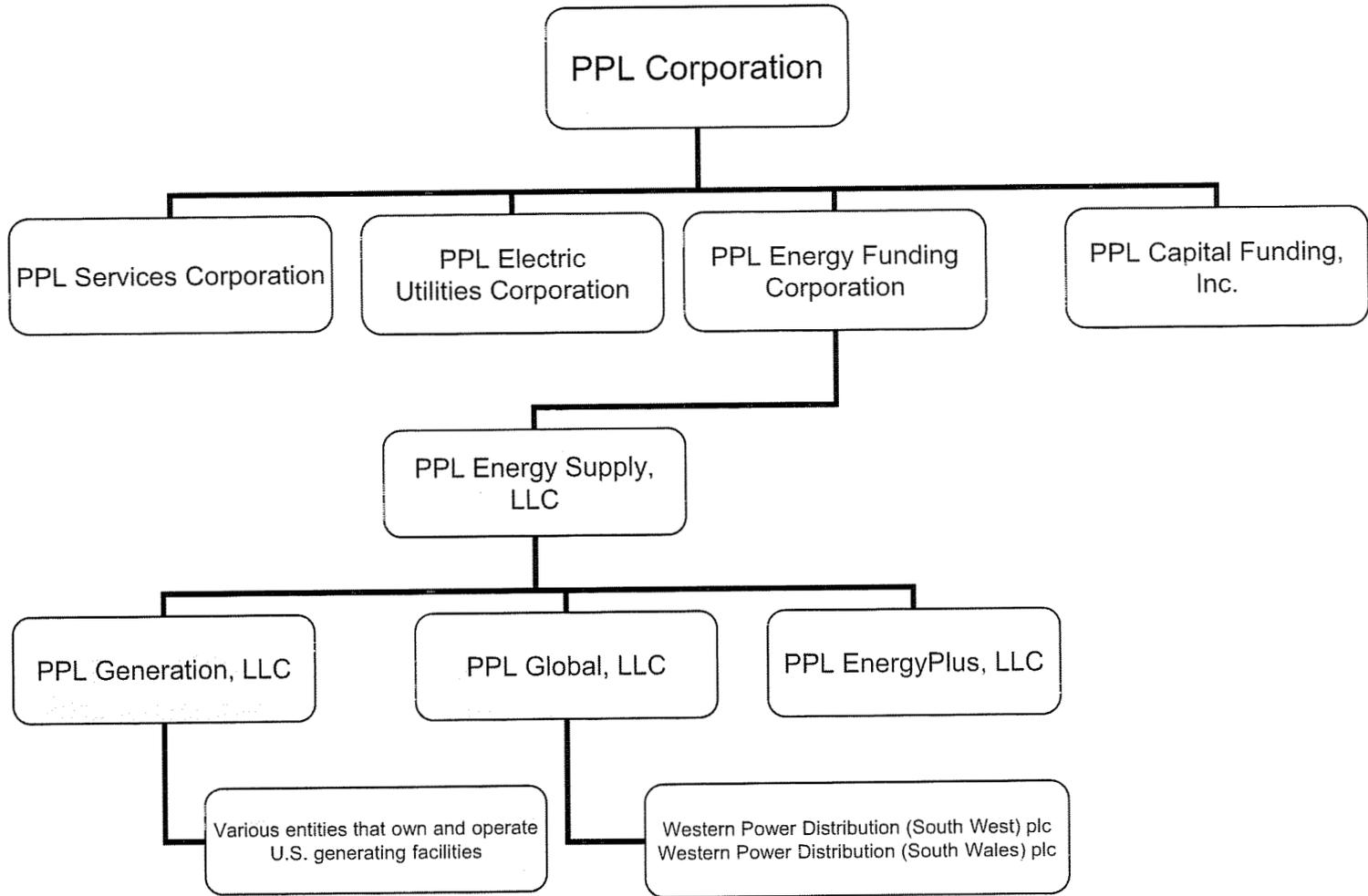
Section 8.06. Corporate Records.

(a) Required Records.--The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection.--Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

Section 8.07. Amendment of Bylaws.--These bylaws may be amended or repealed, or new bylaws may be adopted, by the shareholders and by the board of directors of the corporation in the manner provided in Article X of the articles. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change. See Section 2.03(b) (relating to notice of action by shareholders on bylaws).

PPL Organizational Structure Chart*



*PPL Corporation has numerous subsidiaries; this PPL Organizational Structure Chart highlights entities discussed in the Joint Application and supporting testimony.

OFFICER'S CERTIFICATE

I, Dorothy E. O'Brien, do hereby certify that I am a duly qualified and acting Vice President and Deputy General Counsel, Legal and Environmental Affairs of E.ON U.S. LLC, a Kentucky limited liability company, (the "Company"), and that as such officer, I have access to relevant personnel and records of the Company and its affiliates and that I am authorized to make this Certificate on the Company's behalf. I further hereby certify that the attached Articles of Association of E.ON AG as of October 2009 are a true and correct copy of such document and that the same has not been altered, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 27th day of May 2010.



Dorothy E. O'Brien
Vice President and Deputy General Counsel
Legal and Environmental Affairs

Satzung der E.ON AG
Stand Oktober 2009

e.on

Allgemeine Bestimmungen

§ 1

- (1) Die Gesellschaft führt die Firma E.ON AG. Sie hat ihren Sitz in Düsseldorf.
- (2) Das Geschäftsjahr ist das Kalenderjahr.

Gegenstand des Unternehmens

§ 2

- (1) Gegenstand des Unternehmens ist die Versorgung mit Energie (vornehmlich Strom und Gas) und mit Wasser sowie die Erbringung von Entsorgungsdienstleistungen.
Die Tätigkeit kann sich auf die Erzeugung bzw. die Gewinnung, die Übertragung bzw. den Transport, den Erwerb, den Vertrieb und den Handel erstrecken. Es können Anlagen aller Art errichtet, erworben und betrieben sowie Dienstleistungen und Kooperationen aller Art vorgenommen werden.
- (2) Die Gesellschaft kann in den in Abs. 1 bezeichneten oder verwandten Geschäftsbereichen selbst oder durch Tochter- oder Beteiligungsgesellschaften tätig werden. Sie ist zu allen Handlungen und Maßnahmen berechtigt, die mit dem Unternehmensgegenstand zusammenhängen oder ihm unmittelbar oder mittelbar zu dienen geeignet sind.
- (3) Die Gesellschaft kann auch andere Unternehmen gründen, erwerben oder sich an ihnen beteiligen, insbesondere an solchen, deren Unternehmensgegenstände sich ganz oder teilweise auf die in Abs. 1 genannten Geschäftsbereiche erstrecken. Des Weiteren ist sie berechtigt, sich vornehmlich zur Anlage von Finanzmitteln an Unternehmen jeder Art zu beteiligen. Sie kann Unternehmen, an denen sie beteiligt ist, strukturell verändern, unter einheitlicher Leitung zusammenfassen oder sich auf deren Verwaltung beschränken sowie über ihren Beteiligungsbesitz verfügen.

Grundkapital und Aktien

§ 3

- (1) Das Grundkapital beträgt 2.001.000.000,00 € und ist eingeteilt in 2.001.000.000 Stück auf den Namen lautende Stückaktien (Aktien ohne Nennbetrag).
- (2) Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrats bis zum 27. April 2010 das Grundkapital der Gesellschaft um bis zu 540.000.000 € durch ein- oder mehrmalige Ausgabe neuer, auf den Namen lautender Stückaktien gegen Bar- und/oder Sacheinlagen zu erhöhen (Genehmigtes Kapital gemäß §§ 202 ff. AktG). Wird das Grundkapital gegen Bareinlagen erhöht, ist den Aktionären ein Bezugsrecht einzuräumen. Der Vorstand ist jedoch ermächtigt, mit Zustimmung des Aufsichtsrats Spitzenbeträge vom Bezugsrecht der Aktionäre auszunehmen und das Bezugsrecht auch insoweit auszuschließen, als es erforderlich ist, um den Inhabern von im Zeitpunkt der Ausnutzung des Genehmigten Kapitals begebenen Teilschuldverschreibungen mit Wandel- oder Optionsrechten bzw. Wandlungspflichten ein Bezugsrecht auf neue Aktien in dem Umfang zu gewähren, wie es ihnen nach Ausübung des Wandel- oder Optionsrechts bzw. im Falle der Pflichtwandlung zustehen würde.

Darüber hinaus ist der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre bei Ausgabe von Aktien in Höhe von bis zu zehn Prozent des Grundkapitals im Zeitpunkt der Ausgabe auszuschließen – allerdings nur insoweit, wie unter Ausschluss des Bezugsrechts der Aktionäre und unter Anwendung des § 186 Abs. 3 Satz 4 AktG von einer Ermächtigung der Hauptversammlung zur Ausgabe von Teilschuldverschreibungen mit Wandel- oder Optionsrechten bzw. Wandlungspflichten einerseits und zur Veräußerung von Aktien, die aufgrund einer Ermächtigung der Hauptversammlung zum Erwerb eigener Aktien erworben worden sind, andererseits nicht Gebrauch gemacht worden ist. Bei einem solchen Ausschluss des Bezugsrechts darf der Ausgabebetrag der neuen Aktien den Börsenkurs nicht wesentlich unterschreiten.

Ferner ist der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre bei Ausgabe von Aktien an Personen, die in einem Arbeitsverhältnis zu der Gesellschaft oder einem mit ihr verbundenen Unternehmen stehen, auszuschließen. Schließlich ist der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre bei Aktienaussgabe gegen Sacheinlagen auszuschließen. Der Vorstand ist ermächtigt, mit

Zustimmung des Aufsichtsrats den weiteren Inhalt der Aktienrechte und die weiteren Einzelheiten der Durchführung der Kapitalerhöhungen festzulegen. Der Aufsichtsrat ist ermächtigt, die Fassung des § 3 der Satzung nach vollständiger oder teilweiser Durchführung der Erhöhung des Grundkapitals entsprechend der jeweiligen Ausnutzung des Genehmigten Kapitals und – falls das Genehmigte Kapital bis zum 27. April 2010 nicht oder nicht vollständig ausgenutzt worden ist – nach Ablauf der Ermächtigungsfrist anzupassen.

- (3) Das Grundkapital ist um weitere bis zu 175.000.000 €, eingeteilt in bis zu Stück 175.000.000 auf den Namen lautende Aktien bedingt erhöht (Bedingtes Kapital 2009 I). Die bedingte Kapitalerhöhung wird nur insoweit durchgeführt, wie die Inhaber von Options- oder Wandlungsrechten bzw. die zur Wandlung Verpflichteten aus Options- oder Wandelanleihen, Genussrechten oder Gewinnschuldverschreibungen, die von der E.ON AG oder einer Konzerngesellschaft der E.ON AG im Sinne von § 18 AktG, aufgrund der von der Hauptversammlung vom 6. Mai 2009 unter Tagesordnungspunkt 9 a) beschlossenen Ermächtigung I ausgegeben bzw. garantiert werden, von ihren Options- bzw. Wandlungsrechten Gebrauch machen oder, soweit sie zur Wandlung verpflichtet sind, ihre Verpflichtung zur Wandlung erfüllen, soweit nicht ein Barausgleich gewährt oder eigene Aktien oder Aktien einer anderen börsennotierten Gesellschaft zur Bedienung eingesetzt werden. Die Ausgabe der neuen Aktien erfolgt zu dem nach Maßgabe des vorstehend bezeichneten Ermächtigungsbeschlusses jeweils zu bestimmenden Wandlungs- bzw. Optionspreis. Die neuen Aktien nehmen vom Beginn des Geschäftsjahrs an, in dem sie aufgrund der Ausübung von Options- oder Wandlungsrechten bzw. der Erfüllung von Wandlungspflichten entstehen, am Gewinn teil. Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrats die weiteren Einzelheiten der Durchführung der bedingten Kapitalerhöhung festzusetzen.
- (4) Das Grundkapital ist um weitere bis zu 175.000.000 €, eingeteilt in bis zu Stück 175.000.000 auf den Namen lautende Aktien bedingt erhöht (Bedingtes Kapital 2009 II). Die bedingte Kapitalerhöhung wird nur insoweit durchgeführt, wie die Inhaber von Options- oder Wandlungsrechten bzw. die zur Wandlung Verpflichteten aus Options- oder Wandelanleihen, Genussrechten oder Gewinnschuldverschreibungen, die von der E.ON AG oder einer Konzerngesellschaft der E.ON AG im Sinne von § 18 AktG, aufgrund der von der Hauptversammlung vom 6. Mai 2009 unter Tagesordnungspunkt 9 b) beschlossenen Ermäch-

tigung II ausgegeben bzw. garantiert werden, von ihren Options- bzw. Wandlungsrechten Gebrauch machen oder, soweit sie zur Wandlung verpflichtet sind, ihre Verpflichtung zur Wandlung erfüllen, soweit nicht ein Barausgleich gewährt oder eigene Aktien oder Aktien einer anderen börsennotierten Gesellschaft zur Bedienung eingesetzt werden. Die Ausgabe der neuen Aktien erfolgt zu dem nach Maßgabe des vorstehend bezeichneten Ermächtigungsbeschlusses jeweils zu bestimmenden Wandlungs- bzw. Optionspreis. Die neuen Aktien nehmen vom Beginn des Geschäftsjahrs an, in dem sie aufgrund der Ausübung von Options- oder Wandlungsrechten bzw. der Erfüllung von Wandlungspflichten entstehen, am Gewinn teil. Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrats die weiteren Einzelheiten der Durchführung der bedingten Kapitalerhöhung festzusetzen.

- (5) Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrats ab dem 28. April 2010 bis zum 5. Mai 2014 das Grundkapital der Gesellschaft um bis zu 460.000.000 € durch ein- oder mehrmalige Ausgabe neuer, auf den Namen lautender Stückaktien gegen Bar- und/oder Sacheinlagen zu erhöhen (Genehmigtes Kapital gemäß §§ 202 ff. AktG).

Wird das Grundkapital gegen Bareinlagen erhöht, ist den Aktionären ein Bezugsrecht einzuräumen. Die Aktien sollen von Kreditinstituten übernommen werden mit der Verpflichtung, sie den Aktionären zum Bezug anzubieten.

Der Vorstand ist jedoch ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre bei Ausgabe von Aktien gegen Bareinlagen in Höhe von bis zu zehn Prozent des Grundkapitals im Zeitpunkt des Wirksamwerdens oder - falls dieser Wert geringer ist - im Zeitpunkt der Ausübung der vorliegenden Ermächtigung, auszuschließen. Bei einem solchen Ausschluss des Bezugsrechts darf der Ausgabebetrag der neuen Aktien den Börsenkurs nicht wesentlich unterschreiten (§ 186 Abs. 3 Satz 4 AktG). Auf die genannte Zehn-Prozent-Grenze sind etwaige Aktien anzurechnen, die vom 6. Mai 2009 bis zur Ausgabe der neuen Aktien unter diesem Genehmigten Kapital jeweils unter Ausschluss des Bezugsrechts der Aktionäre gemäß § 186 Abs. 3 Satz 4 AktG ausgegeben werden, und zwar durch

- Ausgabe von Schuldverschreibungen mit Wandel- oder Optionsrechten bzw. Wandlungspflichten,
- Veräußerung von Aktien, die aufgrund einer Ermächtigung der Hauptversammlung zum Erwerb eigener Aktien erworben worden sind,

- sowie durch Ausgabe von Aktien unter Ausnutzung des Genehmigten Kapitals gemäß Beschluss der Hauptversammlung vom 27. April 2005 (§ 3 Abs. 2 der Satzung).

Weiter ist der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre bei Aktienaussgabe gegen Sacheinlagen auszuschließen, allerdings nur insoweit, als dass die unter dieser Ermächtigung (§ 3 Abs. 5 der Satzung) und unter dem Genehmigten Kapital gemäß Beschluss der Hauptversammlung vom 27. April 2005 ausgegebenen Aktien gegen Sacheinlagen unter Ausschluss des Bezugsrechts der Aktionäre zusammen nicht mehr als 20 Prozent des Grundkapitals im Zeitpunkt des Wirksamwerdens oder – falls dieser Wert geringer ist – im Zeitpunkt der Ausübung der vorliegenden Ermächtigung ausmachen dürfen.

Im Übrigen darf die Summe der unter Ausschluss des Bezugsrechts gegen Bar- und Sacheinlagen ausgegebenen Aktien 20 Prozent des Grundkapitals im Zeitpunkt des Wirksamwerdens oder – falls dieser Wert geringer ist – im Zeitpunkt der Ausübung dieser Ermächtigung nicht übersteigen. Auf diese Zwanzig-Prozent-Grenze sind anzurechnen Aktien, die unter Ausschluss des Bezugsrechts gemäß § 186 Abs. 3 Satz 4 AktG sowie gegen Sacheinlagen unter diesem Genehmigten Kapital sowie unter dem Genehmigten Kapital gemäß Beschluss der Hauptversammlung vom 27. April 2005 ausgegeben wurden und solche Aktien, die unter mit Ausschluss des Bezugsrechts der Aktionäre ausgegebenen Schuldverschreibungen mit Wandel- oder Optionsrechten bzw. Wandlungspflichten gemäß Beschluss der Hauptversammlung vom 6. Mai 2009 auszugeben sind.

Weiter ist der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats Spitzenbeträge vom Bezugsrecht der Aktionäre auszunehmen und das Bezugsrecht auch insoweit auszuschließen, wie es erforderlich ist, um den Inhabern von bereits zuvor ausgegebenen Schuldverschreibungen mit Wandel- oder Optionsrechten bzw. Wandlungspflichten ein Bezugsrecht auf neue Aktien in dem Umfang zu gewähren, wie es ihnen nach Ausübung des Wandel- oder Optionsrechts bzw. im Falle der Pflichtwandlung zustehen würde.

Schließlich ist der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre bei Ausgabe von Aktien an Personen, die in einem Arbeitsverhältnis zu der Gesellschaft oder einem mit ihr verbundenen Unternehmen stehen, auszuschließen.

Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrats den weiteren Inhalt der Aktienrechte und die weiteren Einzelheiten der Durchführung der Kapitalerhöhungen festzulegen.

Der Aufsichtsrat ist ermächtigt, die Fassung des § 3 der Satzung nach vollständiger oder teilweiser Durchführung der Erhöhung des Grundkapitals entsprechend der jeweiligen Ausnutzung des Genehmigten Kapitals und - falls das Genehmigte Kapital bis zum 5. Mai 2014 nicht oder nicht vollständig ausgenutzt worden ist - nach Ablauf der Ermächtigungsfrist anzupassen.

§ 4

- (1) Form und Inhalt der Aktienurkunden sowie der Gewinnanteil- und Erneuerungsscheine bestimmt der Vorstand.
- (2) Der Anspruch der Aktionäre auf Verbriefung ihrer Aktien und Gewinnanteile ist ausgeschlossen, soweit nicht eine Verbriefung nach den Regeln erforderlich ist, die an einer Börse gelten, an der die Aktie zugelassen ist. Es können Sammelurkunden über Aktien ausgestellt werden.

Organe der Gesellschaft

§ 5

Organe der Gesellschaft sind:

1. der Vorstand,
2. der Aufsichtsrat,
3. die Hauptversammlung.

Vorstand

§ 6

Der Vorstand besteht aus mindestens zwei Mitgliedern. Die Bestellung stellvertretender Vorstandsmitglieder ist zulässig. Die Bestimmung der Anzahl der Mitglieder, ihre Bestellung und Abberufung erfolgt durch den Aufsichtsrat.

§ 7

Die Gesellschaft wird gesetzlich vertreten durch zwei Vorstandsmitglieder oder durch ein Vorstandsmitglied und einen Prokuristen.

Aufsichtsrat

§ 8

- (1) Der Aufsichtsrat besteht aus zwanzig Mitgliedern.
- (2) Die Mitglieder des Aufsichtsrats werden für die Zeit bis zur Beendigung derjenigen Hauptversammlung gewählt, die über die Entlastung für das vierte Geschäftsjahr nach der Wahl beschließt; hierbei wird das Geschäftsjahr, in welchem gewählt wird, nicht mitgerechnet.
- (3) Ersatzwahlen erfolgen für den Rest der Amtsdauer des ausgeschiedenen Mitglieds.

- (4) Jedes Aufsichtsratsmitglied kann sein Amt durch eine an den Vorsitzenden des Aufsichtsrats zu richtende schriftliche Erklärung unter Einhaltung einer Frist von zwei Wochen niederlegen.

§ 9

- (1) Der Aufsichtsrat wählt einen Vorsitzenden und einen Stellvertreter.
- (2) Scheidet der Vorsitzende oder sein Stellvertreter vor Ablauf der Amtszeit aus, so hat der Aufsichtsrat unverzüglich eine Neuwahl vorzunehmen.

§ 10

- (1) Der Aufsichtsrat hat nach den gesetzlichen Vorschriften den Vorstand bei seiner Geschäftsführung zu überwachen.
- (2) Alle Angelegenheiten, mit denen der Vorstand die Hauptversammlung befassen will, sind zuvor dem Aufsichtsrat zu unterbreiten.

§ 11

- (1) Der Aufsichtsrat wird durch schriftliche Einladungen des Vorsitzenden oder seines Stellvertreters unter Angabe der Tagesordnung, des Ortes und der Zeit der Sitzung berufen. In dringenden Fällen kann mündlich, fernmündlich, per Telefax oder über elektronische Medien einberufen werden.
- (2) Der Vorsitzende ist verpflichtet, den Aufsichtsrat zu berufen, wenn dies von einem Mitglied des Aufsichtsrats oder von dem Vorstand beantragt wird.

§ 12

- (1) Der Aufsichtsrat ist beschlussfähig, wenn sämtliche Mitglieder geladen sind und mindestens die Hälfte der Mitglieder, aus denen er insgesamt zu bestehen hat, an der Beschlussfassung teilnimmt.
- (2) Abwesende Aufsichtsratsmitglieder können dadurch an der Beschlussfassung teilnehmen, dass sie durch andere Aufsichtsratsmitglieder schriftliche Stimmabgaben überreichen lassen.

- (3) Die Beschlüsse werden mit einfacher Mehrheit der abgegebenen Stimmen gefasst, soweit das Gesetz nichts anderes vorschreibt.
- (4) Ergibt eine Abstimmung im Aufsichtsrat Stimmengleichheit, so hat bei einer erneuten Abstimmung über denselben Gegenstand, wenn auch sie Stimmengleichheit ergibt, der Aufsichtsratsvorsitzende zwei Stimmen. § 108 Abs. 3 des Aktiengesetzes ist auch auf die Abgabe der zweiten Stimme anzuwenden. Dem Stellvertreter steht die zweite Stimme nicht zu. Der Vorsitzende bestimmt den Sitzungsablauf und die Art der Abstimmung. Er entscheidet bei Stimmengleichheit, ob eine erneute Abstimmung in derselben Sitzung erfolgt.
- (5) Über die Verhandlungen und Beschlüsse des Aufsichtsrats ist eine Niederschrift anzufertigen, die vom Vorsitzenden oder seinem Stellvertreter zu unterzeichnen ist.

§ 13

- (1) Beschlüsse des Aufsichtsrats können auch durch Einholung schriftlicher oder fernmündlicher Stimmabgaben sowie durch Übermittlung per Telefax oder über elektronische Medien gefasst werden. Das Ergebnis hat der Vorsitzende in einer Niederschrift festzustellen.
- (2) Die Bestimmungen über die mündliche Stimmabgabe finden entsprechende Anwendung.

§ 14

Willenserklärungen des Aufsichtsrats werden in dessen Namen vom Vorsitzenden des Aufsichtsrats oder seinem Stellvertreter abgegeben.

§ 15

- (1) Die Mitglieder des Aufsichtsrats erhalten neben dem Ersatz ihrer Auslagen, zu denen auch die auf ihre Bezüge entfallende Umsatzsteuer gehört, für jedes Geschäftsjahr eine feste Vergütung in Höhe von 55.000,00 €. Daneben erhalten sie - vorbehaltlich der Gewährleistung der Ausschüttung einer Dividende an die Aktionäre der Gesellschaft in Höhe von mindestens vier Prozent des Grundkapitals - für jedes Geschäftsjahr eine variable Vergütung in

Höhe von 345 € für je 0,01 € Dividende, die über 3 1/3 Cent € je Stückaktie hinaus für das abgelaufene Geschäftsjahr an die Aktionäre ausgeschüttet wird, und eine weitere variable Vergütung in Höhe von 210 € für jede 0,01 €, um die der Durchschnitt der im Geschäftsbericht der Gesellschaft im Einklang mit den jeweils anwendbaren Rechnungslegungsvorschriften ausgewiesenen Ergebnisse je Aktie (Anteil der Gesellschafter der E.ON AG) aus Konzernüberschuss für die letzten drei abgelaufenen Geschäftsjahre den Betrag von 76 2/3 Cent € übersteigt.

Sofern die Durchschnittsbildung die Geschäftsjahre 2006 oder 2007 umfasst, ist für diese Jahre das Ergebnis je Aktie aus Konzernüberschuss mit jeweils einem Drittel des tatsächlichen Wertes anzusetzen. Mitglieder des Aufsichtsrats, die nur während eines Teils des Geschäftsjahres dem Aufsichtsrat oder einem Ausschuss angehört haben, erhalten für jeden angefangenen Monat ihrer Tätigkeit eine zeitanteilige Vergütung. Die feste Vergütung ist zahlbar nach Ablauf des Geschäftsjahrs. Die variablen Vergütungen sind zahlbar nach Ablauf der Hauptversammlung, die über die Entlastung der Mitglieder des Aufsichtsrats für das jeweils abgelaufene Geschäftsjahr entscheidet.

- (2) Der Vorsitzende des Aufsichtsrats erhält insgesamt das Dreifache, sein Stellvertreter und jeder Vorsitzende eines Aufsichtsratsausschusses jeweils insgesamt das Doppelte und jedes Mitglied eines Ausschusses insgesamt das Anderthalbfache der Vergütung. Die Mitgliedschaft im Nominierungsausschuss bleibt unberücksichtigt.
- (3) Weiterhin erhalten die Mitglieder des Aufsichtsrats für ihre Teilnahme an den Sitzungen des Aufsichtsrats und der Aufsichtsratsausschüsse ein Sitzungsgeld von 1.000,00 € je Tag der Sitzung. Für Sitzungen des Nominierungsausschusses wird kein Sitzungsgeld gewährt.
- (4) Die Gesellschaft kann zugunsten der Mitglieder des Aufsichtsrats eine Haftpflichtversicherung abschließen, welche die gesetzliche Haftpflicht aus der Aufsichtsrats Tätigkeit abdeckt.

Hauptversammlung

§ 16

Die Hauptversammlung wird mindestens 30 Tage vor dem Tag, bis zu dessen Ablauf sich die Aktionäre vor der Versammlung anzumelden haben (vgl. § 18), vom Vorstand oder in den im Gesetz vorgeschriebenen Fällen vom Aufsichtsrat einberufen.

§ 17

Der Ort der Hauptversammlung ist der Sitz der Gesellschaft oder eine andere deutsche Großstadt. Die Einberufung erfolgt durch den Vorstand im Einvernehmen mit dem Vorsitzenden des Aufsichtsrats.

§ 18

- (1) Zur Teilnahme an der Hauptversammlung und zur Ausübung des Stimmrechts sind nur diejenigen Aktionäre berechtigt, die rechtzeitig angemeldet und für die angemeldeten Aktien im Aktienregister eingetragen sind.
- (2) Die Anmeldung zur Teilnahme an jeder Hauptversammlung muss der Gesellschaft mindestens sechs Tage vor der Versammlung unter der in der Einberufung hierfür mitgeteilten Adresse zugehen. Der Tag des Zugangs ist nicht mitzurechnen.

§ 19

- (1) Den Vorsitz in der Hauptversammlung führt der Vorsitzende des Aufsichtsrats. Ist der Vorsitzende des Aufsichtsrats abwesend oder aus anderen Gründen an der Übernahme des Vorsitzes in der Hauptversammlung gehindert, übernimmt ein von ihm bestimmtes Mitglied des Aufsichtsrats den Vorsitz in der Hauptversammlung, in Ermangelung einer solchen Bestimmung oder im Fall der Hinderung des insofern bestimmten Mitglieds an der Übernahme des Vorsitzes in der Hauptversammlung ein anderes vom Aufsichtsrat bestimmtes Mitglied des Aufsichtsrats.

- (2) Der Vorsitzende der Hauptversammlung leitet die Verhandlungen und entscheidet über die Reihenfolge der Verhandlungsgegenstände. Er bestimmt Art, Form und Reihenfolge der Abstimmungen. Wenn dies in der Einladung zur Hauptversammlung angekündigt ist, kann der Vorsitzende der Hauptversammlung die Aufzeichnung und Übertragung der Hauptversammlung auch über elektronische oder andere Medien zulassen.
- (3) Der Vorsitzende der Hauptversammlung kann das Frage- und Rederecht der Aktionäre zeitlich angemessen beschränken. Er ist insbesondere berechtigt, zu Beginn der Hauptversammlung oder während ihres Verlaufs den zeitlichen Rahmen sowohl des Versammlungsverlaufs als auch der Aussprache zu den Tagesordnungspunkten sowie des einzelnen Frage- und Redebeitrags angemessen festzusetzen. Bei der Festlegung der für den einzelnen Frage- und Redebeitrag zur Verfügung stehenden Zeit kann der Versammlungsleiter zwischen erster und wiederholter Wortmeldung und nach weiteren sachgerechten Kriterien entscheiden.

§ 20

- (1) Das Stimmrecht kann durch Bevollmächtigte ausgeübt werden. Die Erteilung der Vollmacht, ihr Widerruf und der Nachweis der Bevollmächtigung gegenüber der Gesellschaft bedürfen der Textform. Die Erteilung der Vollmacht, ihr Widerruf und der Nachweis der Bevollmächtigung können auch auf einem von der Gesellschaft näher zu bestimmenden elektronischen Weg erteilt werden. Die Einzelheiten für eine elektronische Vollmachtserteilung werden zusammen mit der Einberufung der Hauptversammlung in den Gesellschaftsblättern bekannt gemacht.
- (2) Bei Zweifeln über die Gültigkeit der Vollmacht entscheidet der Vorsitzende der Hauptversammlung.

§ 21

- (1) Die Beschlüsse der Hauptversammlung werden mit einfacher Stimmenmehrheit und, soweit eine Kapitalmehrheit erforderlich ist, mit einfacher Kapitalmehrheit gefasst, falls nicht das Gesetz oder die Satzung zwingend etwas anderes vorschreibt.

- (2) Entfällt bei Wahlen auf niemanden die Mehrheit der abgegebenen Stimmen, so findet eine engere Wahl unter den Personen statt, denen die beiden größten Stimmenzahlen zugefallen sind.
- (3) In der Hauptversammlung gewährt eine Aktie eine Stimme.

Jahresabschluss und Gewinnverteilung

§ 22

- (1) Die alljährlich innerhalb der gesetzlichen Frist von acht Monaten zur Entgegennahme des festgestellten Jahresabschlusses und des vom Aufsichtsrat gebilligten Konzernabschlusses oder in den im Gesetz vorgesehenen Fällen zur Feststellung des Jahresabschlusses sowie zur Beschlussfassung über die Gewinnverwendung stattfindende Hauptversammlung beschließt auch über die Entlastung des Vorstands und des Aufsichtsrats und die Wahl des Abschlussprüfers (ordentliche Hauptversammlung).
- (2) Die Hauptversammlung kann bei der Beschlussfassung über die Verwendung des Bilanzgewinns anstelle oder neben einer Barausschüttung auch eine Sachausschüttung beschließen.

Bekanntmachungen und Informationsübermittlung

§ 23

- (1) Alle Bekanntmachungen erfolgen in den durch Gesetz oder Verordnung vorgeschriebenen Anzeigemitteln.
- (2) Informationen an die Inhaber zugelassener Wertpapiere dürfen auch im Wege der Datenfernübertragung übermittelt werden.

Schlussbestimmungen

§ 24

Der Aufsichtsrat ist ermächtigt, Satzungsänderungen zu beschließen, die nur die Fassung betreffen.

E.ON AG
E.ON-Platz 1
40479 Düsseldorf
Germany

Articles of Association of E.ON AG
As of October 2009



2 Articles of Association of E.ON AG as of October 2009

(Only the German version is legally binding.)

General Provisions

§ 1

- (1) The name of the Company is E.ON AG. Its registered office is situated in Düsseldorf.
- (2) The financial year is the calendar year.

Corporate Purpose of the Company

§ 2

- (1) The corporate purpose of the Company is the provision of energy supply (primarily electricity and gas) and water supply as well as the provision of disposal services.
The company's activities may encompass the generation and/or production, transmission and/or transport, the acquisition, distribution and trading. Facilities of all kinds may be built, acquired and operated, and services and cooperations of all kinds may be performed.
- (2) The Company may conduct its business activities in the industries specified in para. 1, or in related industries, itself or through subsidiaries and/or companies in which it holds an interest. It is entitled to take all actions and measures that are connected with its corporate purpose or which are suitable to directly or indirectly serve such purpose.
- (3) The Company may also establish, acquire or hold an interest in other enterprises, in particular in such enterprises whose corporate purpose extends, in whole or in part, to be business areas specified in para. 1. In addition, it is entitled to acquire interests in enterprises of any kind with the primary purpose of a financial investment. The Company may change the structure of the enterprises in which it holds an interest, may unite them under a unified management or confine itself to managing them and may dispose of the interests it holds.

Registered Share Capital and Shares

§ 3

- (1) The registered share capital amounts to €2,001,000,000.00 and is divided into 2,001,000,000 registered no-par value shares (shares without nominal amount).

- (2) The Board of Management is authorized, with the approval of the Supervisory Board, to increase until April 27, 2010, the registered share capital of the Company by up to a total of €540,000,000, through the issuance, one or several times, of new registered no-par value shares against contributions in cash and/or in kind (Authorized Capital pursuant to Sections 202 et seqq. AktG). If the registered share capital is increased against cash contributions, the shareholders have to be granted a subscription right. However, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right and also to exclude the subscription right to such extent as is necessary in order to grant to the holders of partial bonds with conversion or option rights or, respectively, conversion obligations, which are issued at the point in time of the utilization of the Authorized Capital, a subscription right for new shares to such extent as they would be entitled to upon exercising their conversion or option right or, respectively, in the case of a mandatory conversion. In addition, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in the case of an issue of shares in an amount of up to 10 percent of the registered share capital at the time of the issue - however, only to such extent no use has yet been made, with an exclusion of the shareholders' subscription right and in application of Section 186 para. 3 sentence 4 AktG, of an authorization by the General Meeting of Shareholders for an issue of partial bonds with conversion or option rights or, respectively, conversion obligations, on the one hand, and for the disposal of shares which have been acquired on the basis of an authorization from the General Meeting of Shareholders for the acquisition of treasury shares, on the other hand. In the case of such an exclusion of the subscription right, the issue price of the new shares may not be significantly lower than the stock market price.

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(Only the German version is legally binding.)

The Board of Management is further authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right for the issue of shares to persons in an employment relationship with the Company or one of its affiliated companies. Finally, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in case of an issue of shares against contributions in kind. The Board of Management, with the approval of the Supervisory Board, is authorized to determine the further content of the rights attached to the shares as well as the further details of the conduction of capital increases. The Supervisory Board is authorised to make adjustments to the wording of Section 3 of the Articles of Association after the increase of the registered share capital has been conducted, in whole or in part, in accordance with the respective utilization, in each case, of the Authorized Capital and - if the Authorized Capital has not or not completely been utilized until April 27, 2010 - after the expiry of the term of the authorization.

- (3) The registered share capital is conditionally increased by another up to €175,000,000, divided into up to 175,000,000 no-par value registered shares (Conditional Capital 2009 I). The Conditional Capital increase is to be carried out only to the extent that the holders of option or conversion rights or persons obliged to conversion under option or convertible bonds, profit participation rights or participating bonds issued or guaranteed by E.ON AG or a group company of E.ON AG as defined in Section 18 German Stock Corporation Act in accordance with the Authorization I resolved by the General Meeting of May 6, 2009, under Item 9 a) of the agenda exercise their option or conversion rights or, if they are obliged to conversion, fulfill their conversion obligation, except to the extent that a cash compensation is granted or treasury shares or shares of another listed company are used to satisfy such claims. The issue of the new shares is effected at the conversion or option price to be determined, in each case, in accordance with the aforementioned authorization resolution.

The new shares are entitled to profit participation starting from the beginning of the financial year in which they come into existence by virtue of the exercising of option or conversion rights or the fulfillment of conversion obligations. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the Conditional Capital increase.

- (4) The registered share capital is conditionally increased by another up to €175,000,000, divided into up to 175,000,000 no-par value registered shares (Conditional Capital 2009 II). The Conditional Capital increase is to be carried out only to the extent that the holders of option or conversion rights or persons obliged to conversion under option or convertible bonds, profit participation rights or participating bonds issued or guaranteed by E.ON AG or a group company of E.ON AG as defined in Section 18 German Stock Corporation Act in accordance with the Authorization II resolved by the General Meeting of May 6, 2009, under Item 9 b) of the agenda exercise their option or conversion rights or, if they are obliged to conversion, fulfill their conversion obligation, except to the extent that a cash compensation is granted or treasury shares or shares of another listed company are used to satisfy such claims. The issue of the new shares is effected at the conversion or option price to be determined, in each case, in accordance with the aforementioned authorization resolution.

The new shares are entitled to profit participation starting from the beginning of the financial year in which they come into existence by virtue of the exercising of option or conversion rights or the fulfillment of conversion obligations. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the Conditional Capital increase.

- (5) The Board of Management is authorized, with the approval of the Supervisory Board, to increase from April 28, 2010, until May 5, 2014, the registered share capital of the Company by up to a total of €460,000,000, through the issuance, one or several times, of new registered no-par value shares against contributions in cash and/or in kind (Authorized Capital pursuant to Sections 202 et seqq. German Stock Corporation Act).

If the registered share capital is increased against cash contributions, the shareholders are to be granted a subscription right. The shares are to be issued to financial institutions subject to the obligation to offer them to the shareholders for subscription.

However, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in the case of an issue of shares against cash contributions in an amount of up to 10 percent of the registered share capital at the time of the becoming effective or—in the event that this amount is the lower one—at the time of the utilization of this authorization. In the case of such an exclusion of the subscription

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(Only the German version is legally binding.)

right, the issue price of the new shares may not be significantly lower than the stock market price (Section 186 para. 3 sent. 4 German Stock Corporation Act). To the aforementioned 10 percent limit, any shares, if applicable, are to be credited which are issued from May 6, 2009, until the issue of the new shares under this Authorized Capital, in each case with an exclusion of the shareholders' subscription right pursuant to Section 186 para. 3 sent. 4 German Stock Corporation Act, by way of

- the issue of bonds carrying conversion or option rights or, respectively, conversion obligations,
- the disposal of shares acquired on the basis of an authorization by the General Meeting for the acquisition of treasury shares,
- as well as by the issue of shares under the Authorized Capital granted by way of a resolution of the General Meeting of April 27, 2005 (Section 3 para. 2 of the Articles of Association).

Furthermore, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in case of an issue of shares against contributions in kind, but only to such extent that the aggregate amount of the shares issued under this authorization (Section 3 para. 5 of the Articles of Association) and under the Authorized Capital pursuant to the resolution of the General Meeting of Shareholders of April 27, 2005, against contribution in kind with an exclusion of the shareholders' subscription right may not exceed 20 percent of the registered share capital at the time of the becoming effective or—in the event that this amount is the lower one—at the time of the utilization of this authorization. Besides, the total amount of the shares issued against contributions in cash or in kind with an exclusion of the subscription right may not exceed 20 percent of the registered share capital at the time of the becoming effective or—in the event that this amount is the lower one—at the time of the utilization of this authorization. To this 20 percent limit, such issue of shares is to be credited which is made with an exclusion of the subscription right pursuant to Section 186 para. 3 sent. 4 German Stock Corporation Act as well as against contributions in kind under this Authorized Capital as well as under the Authorized Capital pursuant to the resolution of the General Meeting of Shareholders of April 27, 2005, as well as such shares to be issued with an exclusion of the shareholders' subscription right under bonds carrying conversion or option rights or, respectively, conversion obligations pursuant to the resolution of the General Meeting of Shareholders of May 6, 2009.

The Board of Management is further authorized, with the approval of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right and also to exclude the subscription right to such extent as is necessary in order to grant to the holders of previously issued bonds carrying conversion or option rights or, respectively, conversion obligations, a subscription right for new shares to such extent as they would be entitled to upon exercising their conversion or option right or, respectively, in the case of a conversion obligation.

Finally, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right for the issue of shares to persons in an employment relationship with the Company or one of its affiliated companies.

The Board of Management, with the approval of the Supervisory Board, is authorized to determine the further content of the rights attached to the shares as well as the further details of the conduction of capital increases. The Supervisory Board is authorized to make adjustments to the wording of Section 3 of the Articles of Association after the increase of the registered share capital has been conducted, in whole or in part, in accordance with the respective utilization, in each case, of the Authorized Capital and—if the Authorized Capital has not or not completely been utilized until May 5, 2014—after the expiry of the term of the authorization.

§ 4

- (1) The form and content of the share certificates and of the dividend coupons and talons are determined by the Board of Management.
- (2) The shareholders' right to have their shares securitized is excluded, unless securitization is required under the rules applicable at a stock exchange on which the shares are admitted. Global certificates for shares may be issued.

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(Only the German version is legally binding.)

Corporate Bodies of the Company

§ 5

The Company's corporate bodies are:

1. the Board of Management,
2. the Supervisory Board,
3. the General Meeting of Shareholders.

Board of Management

§ 6

The Board of Management consists of at least two members. The appointment of substitute members of the Board of Management is permissible. The determination of the number of members, their appointment and dismissal is made by the Supervisory Board.

§ 7

The Company is legally represented by two members of the Board of Management or by one member of the Board of Management and a Prokurist (an executive holding a general power of attorney).

Supervisory Board

§ 8

- (1) The Supervisory Board comprises twenty members.
- (2) The members of the Supervisory Board are elected for a term until the close of the General Meeting resolving on the discharge in respect of the fourth financial year after their election; in this regard, the financial year in which the election takes place is not included in the calculation.

- (3) Elections of substitute members are made for the remainder of the term of office of the member who has left the board.
- (4) Any member of the Supervisory Board may resign from office with two weeks' notice by a written declaration addressed to the Chairman of the Supervisory Board.

§ 9

- (1) The Supervisory Board elects a Chairman and a Deputy Chairman.
- (2) In case the Chairman or his Deputy should cease to be a member of the Supervisory Board before the expiry of his term of office, the Supervisory Board has to conduct a new election without undue delay.

§ 10

- (1) The Supervisory Board is responsible, as stipulated by law, for monitoring the management of the Company by the Board of Management.
- (2) All matters which the Board of Management wishes the General Meeting to address first have to be presented to the Supervisory Board.

§ 11

- (1) The Supervisory Board is convened by written invitation from the Chairman or his Deputy, including the agenda, venue and time of the meeting. In urgent cases, meetings may be convened verbally, by telephone, telefax or by means of electronic media.
- (2) The Chairman is obliged to convene the Supervisory Board if this is requested by a member of the Supervisory Board or by the Board of Management.

§ 12

- (1) The Supervisory Board constitutes a quorum if all members have been invited and at least half of the total number of members, of which it is required to be comprised, participates in the adoption of a resolution.

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(Only the German version is legally binding.)

- (2) Absent Supervisory Board members may participate in the adoption of resolutions by arranging for their written votes to be submitted by other Supervisory Board members.
- (3) Resolutions are adopted with a simple majority of the votes cast, unless otherwise stipulated by law.
- (4) In the event of a tie in a vote of the Supervisory Board, the Chairman of the Supervisory Board has two votes if a new vote is taken on the same matter and such vote also results in a tie. Section 108 para. 3 AktG is to be applied also to the casting of the second vote. The Deputy Chairman is not entitled to such second vote. The Chairman determines the proceedings at the meeting and the form of voting. In the event of a tied vote, he decides whether a second vote is to be taken in the same meeting.
- (5) Minutes are to be prepared of the deliberations and the resolutions adopted by the Supervisory Board, which are to be signed by the Chairman or his Deputy.

§ 13

- (1) Resolutions of the Supervisory Board may also be adopted by votes cast in writing or by telephone as well as by transmission via telefax or electronic media. The result is to be put on record by the Chairman.
- (2) The provisions governing the verbal casting of votes shall apply accordingly.

§ 14

Declarations of intent of the Supervisory Board are to be issued on its behalf by the Chairman of the Supervisory Board or his Deputy.

§ 15

- (1) In addition to reimbursement of their expenses, which also includes the VAT payable on their remuneration, the members of the Supervisory Board receive a fixed remuneration for each financial year in the amount of €55,000.00. In addition, they receive - provided that a dividend is distributed to the shareholders of the Company in an amount at least equivalent to 4 percent of the

registered share capital - for each financial year a variable remuneration in the amount of €345.00 for each €0.01 of the dividend which is distributed to the shareholders for the completed financial year in excess of 3 1/3 € ct per no-par value share, and an additional variable remuneration in the amount of €210.00 for each €0.01 by which the average of the earnings per share (interests of E.ON AG shareholders) from consolidated net income for the last three completed financial years, which are shown in the Annual Report of the Company in accordance with the relevant applicable accounting provisions, exceeds the amount of 76 2/3 € ct. Where the the 2006 or 2007 financial years are included in the calculation of the average, the earnings per share from consolidated net income for these years shall in each case be taken into account with a third of their actual value.

Supervisory Board members, who served on the Supervisory Board or a committee for only part of a financial year, receive a remuneration on a pro-rata temporis basis for each month or part of a month of service. The fixed remuneration is payable after the conclusion of the financial year. The variable remunerations are payable after the close of the General Meeting resolving on the discharge of the members of the Supervisory Board in respect of the financial year last concluded.

- (2) The Chairman of the Supervisory Board receives a total of three times, his Deputy and each chairman of a Supervisory Board committee receive a total of two times and each member of a committee receives a total of one and half times the regular remuneration. The membership in the Nomination Committee is not to be taken into account.
- (3) In addition, the members of the Supervisory Board receive an attendance fee in the amount of €1,000 for each day of meeting for their attendance at the meetings of the Supervisory Board and of the Supervisory Board committees. For meetings of the Nomination Committee, no attendance fee is to be granted.
- (4) The Company may conclude for the benefit of the members of the Supervisory Board a third-party liability insurance covering the statutory liability arising from the activities as a Supervisory Board member.

General Meeting of Shareholders

§ 16

The General Meeting of Shareholders has to be convened by the Board of Management or, in the case is stipulated by law, by the Supervisory Board with at least 30 days' notice prior to the day by the end of which the shareholders have to register for participation in the General Meeting (cf. Para. 18).

§ 17

The General Meeting is to be held at the registered office of the Company or in another major German city. The General Meeting is to be convened by the Board of Management in agreement with the Chairman of the Supervisory Board.

§ 18

- (1) Only those shareholders are entitled to participate in the General Meeting of Shareholders and to exercise their voting right who have registered in due time and for whom the registered shares are registered in the share register.
- (2) The registration for participation in each General Meeting has to be received by the Company at the address stated for this purpose in the invitation no later than six days prior to the meeting. The date on which the registration is received is not to be included in the calculation of the period.

§ 19

- (1) The General Meeting is to be chaired by the Chairman of the Supervisory Board or, in the event of his not being available, by another member of the Supervisory Board to be determined by the Supervisory Board.
- (2) The Chairman of the General Meeting chairs the deliberations and decides on the sequence of the items to be addressed. He determines the manner, form and sequence of the voting. If so announced in the invitation to the General Meeting, the Chairman of the General Meeting may authorize the recording and transmission of the General Meeting also via electronic and other media.

- (3) The Chairman of the General Meeting may reasonably restrict, in terms of time, the right of shareholders to put questions and to speak. At the beginning or in the course of the General Meeting, he may, in particular, determine an appropriate framework, in terms of time, for both the course of the General Meeting and the discussion on individual items on the agenda as well as for individual questions and speaking contributions. In determining the time available for the individual questions and speaking contributions, the Chairman of the General Meeting may distinguish between first and repeated contributions and in accordance with further appropriate criteria.

§ 20

- (1) The voting right may be exercised through proxies. The granting of the power of attorney, its revocation and the provision of evidence vis-à-vis the Company for the granting of the power of attorney have to be made in text form. The granting of the power of attorney, its revocation and the provision of evidence for the granting of the power of attorney may also be effected by other electronic means to be determined by the Company in more detail. The relevant details for the granting of a power of attorney by electronic means are to be published together with the invitation to the General Meeting in the publication media of the Company.
- (2) In the case of doubts regarding the validity of a power of attorney, the decision lies with the Chairman of the General Meeting.

§ 21

- (1) The resolutions of the General Meeting of Shareholders are to be adopted with the simple majority of votes and, to the extent that a capital majority is required, with the simple capital majority, unless otherwise mandatorily stipulated by law or the Articles of Association.
- (2) If none of the candidates in an election achieves the majority of the votes cast, a new election is to be held between those persons who have achieved the two highest numbers of votes.
- (3) In the General Meeting, each share entitles its holder to one vote.

Annual Financial Statements and Appropriation of Profits

§ 22

- (1) The General Meeting held each year within the statutory period of eight months for the purpose of accepting the approved annual financial statements and the consolidated financial statements approved by the Supervisory Board or, in the cases provided for by law, for the purpose of approving the annual financial statements as well as for the adoption of a resolution on the appropriation of profits also decides on the discharge of the Board of Management and of the Supervisory Board as well as on the appointment of the auditor (Annual General Meeting of Shareholders).
- (2) When deciding on the appropriation of balance sheet profits, the General Meeting may also adopt a resolution for a distribution in kind instead of or in addition to a cash distribution.

Notifications and Transmission of Information

§ 23

- (1) All notifications are to be published by such means of publication as prescribed by statute or regulation.
- (2) Information to the holders of admitted securities may also be transmitted by means of telecommunication.

Concluding Provisions

§ 24

The Supervisory Board is authorized to resolve on amendments to the Articles of Association which only concern their wording.

E.ON AG
E.ON-Platz 1
40479 Düsseldorf
Germany

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "E.ON US INVESTMENTS CORP." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE FIRST DAY OF DECEMBER, A.D. 2000, AT 1:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF INCORPORATION IS THE SECOND DAY OF DECEMBER, A.D. 2000, AT 10:30 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE SECOND DAY OF AUGUST, A.D. 2001, AT 12 O'CLOCK P.M.

RESTATED CERTIFICATE, FILED THE SECOND DAY OF AUGUST, A.D. 2001, AT 12:15 O'CLOCK P.M.

CERTIFICATE OF RETIREMENT, FILED THE SECOND DAY OF AUGUST, A.D. 2001, AT 12:30 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-FIFTH DAY OF OCTOBER, A.D. 2001, AT 11:30 O'CLOCK A.M.

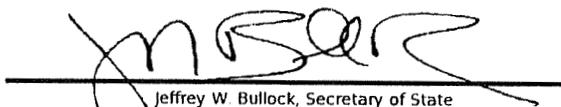
RESTATED CERTIFICATE, FILED THE TWENTY-FIFTH DAY OF OCTOBER, A.D. 2001, AT 11:45 O'CLOCK A.M.



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You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8011208

DATE: 05-24-10

Delaware

PAGE 2

The First State

CERTIFICATE OF MERGER, FILED THE TWENTY-FIFTH DAY OF
OCTOBER, A.D. 2001, AT 12 O'CLOCK P.M.

CERTIFICATE OF RETIREMENT, FILED THE TWENTY-FIFTH DAY OF
OCTOBER, A.D. 2001, AT 12:15 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE TWENTY-FIFTH DAY OF
OCTOBER, A.D. 2001, AT 12:30 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE TWENTY-FIFTH DAY OF
OCTOBER, A.D. 2001, AT 12:45 O'CLOCK P.M.

CERTIFICATE OF RETIREMENT, FILED THE TWENTY-FIFTH DAY OF
OCTOBER, A.D. 2001, AT 12:46 O'CLOCK P.M.

CERTIFICATE OF RETIREMENT, FILED THE THIRTY-FIRST DAY OF
DECEMBER, A.D. 2002, AT 12:30 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "POWERGEN
US INVESTMENTS CORP." TO "E.ON US INVESTMENTS CORP.", FILED THE
THIRD DAY OF MARCH, A.D. 2003, AT 10 O'CLOCK A.M.

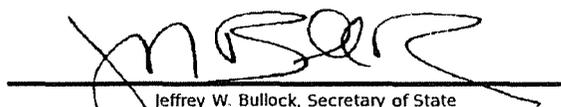
AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID
CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE
AFORESAID CORPORATION, "E.ON US INVESTMENTS CORP."

3323546 8100H

100554819



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8011208

DATE: 05-24-10

CERTIFICATE OF INCORPORATION
OF
POWERGEN US INVESTMENTS CORP.

FIRST. The name of the corporation is Powergen US Investments Corp.

SECOND. The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares which the corporation shall have authority to issue is 1,000 shares of Common Stock, par value \$0.01 per share.

FIFTH. The name and mailing address of the incorporator is Scott I. Sonnenblick, c/o Sullivan & Cromwell, 125 Broad Street, New York, New York 10004.

SIXTH. The board of directors of the corporation is expressly authorized to adopt, amend or repeal by-laws of the corporation.

SEVENTH. Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the corporation.

EIGHTH. The number of directors of the corporation shall be fixed from time to time pursuant to the by-laws of the corporation. Any director or the entire board

of directors may be removed, with or without cause, by the holders of a majority of the shares at the time entitled to vote at an election of directors.

NINTH. Any action required or permitted to be taken by the holders of Common Stock of the corporation, including but not limited to the election of directors, may be taken by written consent or consents but only if such consent or consents are signed by all holders of Common Stock.

TENTH. A director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended. No amendment, modification or repeal of this Article TENTH shall adversely affect any right or protection of a director that exists at the time of such amendment, modification or repeal.

ELEVENTH. The effective time and date of this Certificate of Incorporation shall be 10:30 A.M., City of Wilmington time, on December 2, 2000.

IN WITNESS WHEREOF, I have signed this certificate of incorporation this 1st day of December, 2000.



Scott L. Sonnenblick
Sole Incorporator

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
POWERGEN US INVESTMENTS CORP.

Powergen US Investments Corp., a Delaware corporation, hereby certifies as follows:

FIRST. The Board of Directors of said corporation duly adopted a resolution setting forth and declaring advisable the amendment of the certificate of incorporation of said corporation to add the following provision:

TWELFTH. Any shares of Common Stock redeemed by the corporation in any manner, whether through redemption, recapitalization, repurchase or otherwise, shall automatically and without any action by the corporation be retired immediately upon payment therefore by the corporation, no such redeemed shares may be reissued by the corporation and the number of authorized shares of Common Stock shall be reduced by the number of shares redeemed and retired.

SECOND. The Board of Directors of said corporation duly adopted a resolution setting forth and declaring advisable the amendment of the certificate of incorporation of said corporation to delete the paragraph Fourth in its entirety and replace such paragraph **FOURTH** with the following provision:

FOURTH. The total number of shares which the corporation shall have authority to issue is 1,100 shares of Common Stock, of which 1,000 shares, par value \$0.01 per share, shall be designated as "Class A Common Stock", and 100 shares, par value \$0.01 per share, shall be designated as "Class B Common Stock" (Class A Common Stock and Class B Common Stock, taken together, shall be referred to herein as "Common Stock").

The following is a statement of the designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of each of the Class A Common Stock and the Class B Common Stock.

A. Dividends

Subject to any other provisions of the Certificate of Incorporation, as amended from time to time, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive equally on a per share basis such dividends and other distributions in cash, stock or property of the corporation as may be declared thereon by the Board of Directors from time to time; provided, that the dividends payable to holders of Class B Common Stock in any year shall in no event exceed five dollars (\$5.00) per share of Class B Common Stock per calendar year and once such amount has been distributed to holders of Class B Common Stock such holders shall be entitled to receive no further dividends or other distributions in such year and any dividends and distributions in respect of Common Stock in excess of such amount shall be paid only to holders of Class A Common Stock.

B. Voting

Except as otherwise required by statute, the Class A Common Stock and the Class B Common Stock shall vote on all matters together as a single class, with each share being entitled to cast one vote.

C. Liquidation Rights

In the event of any dissolution, liquidation or winding up of the affairs of the corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the corporation, the remaining assets and funds of the corporation shall be divided so that holders of Class B Common Stock receive two hundred dollars (\$200.00) per share of Class B Common Stock held by such holder and holders of Class A Common Stock receive all remaining assets and funds of the corporation, divided ratably among the holders of Class A Common Stock.

THIRD. In lieu of a vote of stockholders, written consent to the foregoing amendments has been given by the holders of all of the outstanding stock entitled to vote thereon and all of the outstanding stock of each class entitled to vote thereon as a class in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware; and such amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH. The effective date of this Certificate of Amendment shall be August 2, 2001 at 12:00 p.m. Delaware time.

IN WITNESS WHEREOF, Powergen US Investments Corp. has caused this certificate to be signed on the 2nd day of August, 2001.

POWERGEN US INVESTMENTS
CORP.

By: *Ronald L. Miller*
Name: Ronald, L. Miller
Title: Asst. Secretary

RESTATED CERTIFICATE OF INCORPORATION

OF

POWERGEN US INVESTMENTS CORP.

Adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law ("DGCL").

FIRST. The name of the Corporation is Powergen US Investments Corp. The date of the filing of the original certificate of incorporation is December 1, 2000 and such certificate of incorporation became effective on December 2, 2000.

SECOND. The Corporation has issued and received payment for its common stock.

THIRD. This restated certificate of incorporation restates and integrates provisions of the certificate of incorporation of said Corporation and has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the Board of Directors of the Corporation and by the consent of its sole shareholder.

FOURTH: This restated certificate of incorporation shall become effective on August 2, 2001 at 12:15 p.m. Delaware time.

FIFTH: The text of the certificate of incorporation is hereby amended and restated to read in full as set forth in herein:

FIRST. The name of the corporation is Powergen US Investments Corp.

SECOND. The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares which the corporation shall have authority to issue is 1,100 shares of Common Stock, of which 1,000 shares, par value \$0.01 per share, shall be designated as "Class A Common Stock", and 100 shares, par value \$0.01 per share, shall be designated as "Class B Common Stock" (Class A Common Stock and Class B Common Stock, taken together, shall be referred to herein as "Common Stock").

The following is a statement of the designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of each of the Class A Common Stock and the Class B Common Stock.

A. Dividends

Subject to any other provisions of the Certificate of Incorporation, as amended from time to time, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive equally on a per share basis such dividends and other distributions in cash, stock or property of the corporation as may be declared thereon by the Board of Directors from time to time; provided, that the dividends payable to holders of Class B Common Stock in any year shall in no event exceed five dollars (\$5.00) per share of Class B Common Stock per calendar year and once such amount has been distributed to holders of Class B Common Stock such holders shall be entitled to receive no further dividends or

other distributions in such year and any dividends and distributions in respect of Common Stock in excess of such amount shall be paid only to holders of Class A Common Stock.

B. Voting

Except as otherwise required by statute, the Class A Common Stock and the Class B Common Stock shall vote on all matters together as a single class, with each share being entitled to cast one vote.

C. Liquidation Rights

In the event of any dissolution, liquidation or winding up of the affairs of the corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the corporation, the remaining assets and funds of the corporation shall be divided so that holders of Class B Common Stock receive two hundred dollars (\$200.00) per share of Class B Common Stock held by such holder and holders of Class A Common Stock receive all remaining assets and funds of the corporation, divided ratably among the holders of Class A Common Stock.

FIFTH. The name and mailing address of the incorporator is **Scott J. Sonnenblick, c/o Sullivan & Cromwell, 125 Broad Street, New York, New York 10004.**

SIXTH. The board of directors of the corporation is expressly authorized to adopt, amend or repeal by-laws of the corporation.

SEVENTH. Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the corporation.

EIGHTH. The number of directors of the corporation shall be fixed from time to time pursuant to the by-laws of the corporation. Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares at the time entitled to vote at an election of directors.

NINTH. Any action required or permitted to be taken by the holders of Common Stock of the corporation, including but not limited to the election of directors, may be taken by written consent or consents but only if such consent or consents are signed by all holders of Common Stock.

TENTH. A director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended. No amendment, modification or repeal of this Article TENTH shall adversely affect any right or protection of a director that exists at the time of such amendment, modification or repeal.

ELEVENTH. The effective time and date of this Certificate of Incorporation shall be 10:30 A.M., City of Wilmington time, on December 2, 2000.

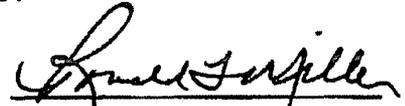
TWELFTH. Any shares of Common Stock redeemed by the corporation in any manner, whether through redemption, recapitalization, repurchase or otherwise,

shall automatically and without any action by the corporation be retired immediately upon payment therefore by the corporation, no such redeemed shares may be reissued by the corporation and the number of authorized shares of Common Stock shall be reduced by the number of shares redeemed and retired.

IN WITNESS WHEREOF, Powergen US Investments Corp. has caused this certificate to be signed on the 2nd day of August, 2001.

POWERGEN US INVESTMENTS
CORP.

By:


Name: Ronald L. Miller
Title: Asst. Secretary

CERTIFICATE OF RETIREMENT OF STOCK

POWERGEN US INVESTMENTS CORP.

Powergen US Investments Corp., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation, a resolution was duly adopted that provides for the repurchase of shares of the capital stock of the Corporation from Powergen USA, a Delaware general partnership, and immediate cancellation and retirement of such shares of the capital stock of the Corporation to the extent hereinafter set forth.

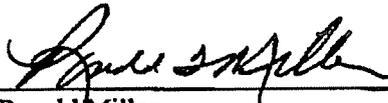
SECOND: That the shares of capital stock of the Corporation, which are retired, are identified as thirty-four (34) shares of the Class A Common Stock with a par value of \$0.01 per share, and represented by share certificate number 002, which are being retired as of the effective time of this Certificate of Retirement of Stock.

THIRD: That the Certificate of Incorporation, as amended, prohibits the reissuance of the shares of Common Stock when so retired; and pursuant to the provisions of Section 243 of the General Corporation Law of the State of Delaware, upon the effective time of the filing of this Certificate of Retirement of Stock as therein provided, the Certificate of Incorporation, as amended, of the Corporation shall be amended so as to effect a reduction in the authorized number of shares of the Class A Common Stock to the extent of thirty-four (34) shares, being the total number of shares retired with a par value of \$0.01 per share and an aggregate par value of thirty-four cents (\$0.34). After giving effect to the reduction effected by this Certificate of Retirement of Stock, the number of authorized shares of Class A Common Stock of the Corporation shall be nine-hundred sixty-six (966) shares.

FOURTH: This Certificate of Retirement of Stock shall be effective on August 2, 2001 at 12:30 p.m. Delaware time.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Retirement of Stock to be executed and delivered, this 2nd day of August, 2001.

Powergen US Investments Corp.

By 

Ronald Miller
Assistant Secretary

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CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
POWERGEN US INVESTMENTS CORP.

Powergen US Investments Corp., a Delaware corporation, hereby certifies as follows:

FIRST. The Board of Directors of said corporation duly adopted a resolution setting forth and declaring advisable the amendment of the certificate of incorporation of said corporation to delete the first paragraph of the paragraph FOURTH in its entirety and replace such first paragraph of paragraph FOURTH with the following provision:

FOURTH. The total number of shares which the corporation shall have authority to issue is 1,266 shares of Common Stock, of which 1,166 shares, par value \$0.01 per share, shall be designated as "Class A Common Stock", and 100 shares, par value \$0.01 per share, shall be designated as "Class B Common Stock" (Class A Common Stock and Class B Common Stock, taken together, shall be referred to herein as "Common Stock").

SECOND. The Board of Directors of said corporation duly adopted a resolution setting forth and declaring advisable the amendment of the certificate of incorporation of said corporation to delete the paragraph B of the paragraph FOURTH in its entirety and replace such paragraph B of paragraph FOURTH with the following provision:

FOURTH.

B. Voting

Except as otherwise required by statute, (i) each share of Class A Common Stock shall be entitled to cast one vote on all matters and (ii) the Class B Common Stock shall not be entitled to vote on any matter.

THIRD. In lieu of a vote of stockholders, written consent to the foregoing amendments has been given by the holders of all of the outstanding stock entitled to vote thereon and all of the outstanding stock of each class entitled to vote thereon as a class in accordance with the provisions of Section 228 of the General

Corporation Law of the State of Delaware; and such amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH. The effective date of this Certificate of Amendment shall be October 25, 2001 at 11:30 a.m. Delaware time.

IN WITNESS WHEREOF, Powergen US Investments Corp. has caused this certificate to be signed on the 25th day of October, 2001.

POWERGEN US INVESTMENTS
CORP.

By: 

Ronald Miller
Assistant Secretary

**SECOND RESTATED CERTIFICATE OF INCORPORATION
OF
POWERGEN US INVESTMENTS CORP.**

Adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law ("DGCL").

FIRST. The name of the Corporation is Powergen US Investments Corp. The date of the filing of the original certificate of incorporation is December 1, 2000 and such certificate of incorporation became effective on December 2, 2000. The date of filing of the first restated certificate of incorporation is August 2, 2001 and such restated certificate of incorporation became effective on August 2, 2001 at 12:15 p.m., Delaware time.

SECOND. The Corporation has issued and received payment for its common stock.

THIRD. This second restated certificate of incorporation restates and integrates provisions of the certificate of incorporation of said Corporation and has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the Board of Directors of the Corporation and by the consent of its sole shareholder.

FOURTH: This second restated certificate of incorporation shall become effective on October 25, 2001 at 11:45 a.m. Delaware time.

FIFTH: The text of the certificate of incorporation is hereby amended and restated to read in full as set forth in herein:

FIRST. The name of the corporation is Powergen US Investments Corp.

SECOND. The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares which the corporation shall have authority to issue is 1,266 shares of Common Stock, of which 1,166 shares, par value \$0.01 per share, shall be designated as "Class A Common Stock", and 100 shares, par value \$0.01 per share, shall be designated as "Class B Common Stock" (Class A Common Stock and Class B Common Stock, taken together, shall be referred to herein as "Common Stock").

The following is a statement of the designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of each of the Class A Common Stock and the Class B Common Stock.

A. Dividends

Subject to any other provisions of the Certificate of Incorporation, as amended from time to time, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive equally on a per share basis such dividends and other distributions in cash, stock or property of the corporation as may be declared thereon by the Board of Directors from time to time; provided, that the dividends payable to holders of Class B Common Stock in any year shall in no event exceed five dollars (\$5.00) per share of Class B Common Stock per calendar year and once such amount has been distributed to holders of Class B

Common Stock such holders shall be entitled to receive no further dividends or other distributions in such year and any dividends and distributions in respect of Common Stock in excess of such amount shall be paid only to holders of Class A Common Stock.

B. Voting

Except as otherwise required by statute, (i) each share of Class A Common Stock shall be entitled to cast one vote on all matters and (ii) the Class B Common Stock shall not be entitled to vote on any matter.

C. Liquidation Rights

In the event of any dissolution, liquidation or winding up of the affairs of the corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the corporation, the remaining assets and funds of the corporation shall be divided so that holders of Class B Common Stock receive two hundred dollars (\$200.00) per share of Class B Common Stock held by such holder and holders of Class A Common Stock receive all remaining assets and funds of the corporation, divided ratably among the holders of Class A Common Stock.

FIFTH. The name and mailing address of the incorporator is Scott I. Sonnenblick, c/o Sullivan & Cromwell, 125 Broad Street, New York, New York 10004.

SIXTH. The board of directors of the corporation is expressly authorized to adopt, amend or repeal by-laws of the corporation.

SEVENTH. Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the corporation.

EIGHTH. The number of directors of the corporation shall be fixed from time to time pursuant to the by-laws of the corporation. Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares at the time entitled to vote at an election of directors.

NINTH. Any action required or permitted to be taken by the holders of Common Stock of the corporation, including but not limited to the election of directors, may be taken by written consent or consents but only if such consent or consents are signed by all holders of Common Stock.

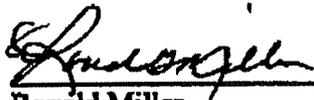
TENTH. A director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended. No amendment, modification or repeal of this Article TENTH shall adversely affect any right or protection of a director that exists at the time of such amendment, modification or repeal.

ELEVENTH. Any shares of Common Stock redeemed by the corporation in any manner, whether through redemption, recapitalization, repurchase or otherwise, shall automatically and without any action by the corporation be retired immediately upon payment therefore by the corporation, no such redeemed shares may be reissued by

the corporation and the number of authorized shares of Common Stock shall be reduced by the number of shares redeemed and retired.

IN WITNESS WHEREOF, Powergen US Investments Corp. has caused this certificate to be signed on the 25th day of October, 2001.

POWERGEN US INVESTMENTS
CORP.

By: 
Ronald Miller
Assistant Secretary

CERTIFICATE OF MERGER

OF

POWERGEN HOLDINGS LLC

INTO

POWERGEN US INVESTMENTS CORP.

(Under Section 264 of the General Corporation Law of the State of Delaware and section 18-209 of the Delaware Limited Liability Company Act)

The undersigned corporation DOES HEREBY CERTIFY:

FIRST: The name and jurisdiction of formation or organization of each of the constituent entities which is to merge are as follows:

| <u>Name</u> | <u>Jurisdiction of Formation or Organization</u> |
|-------------------------------|--|
| Powergen Holdings LLC | Delaware |
| Powergen US Investments Corp. | Delaware |

SECOND: An Agreement and Plan of Merger, between Powergen US Investments Corp. and Powergen Holdings LLC, has been approved, adopted, certified, executed and acknowledged by each of the constituent entities in accordance with Section 264(c) of the General Corporation Law of the State of Delaware, 8 Del. C. §101, et seq. (the "GCL") and Section 18-209 of the Delaware Limited Liability Company Act, 6 Del. C. § 18-101, et seq. (the "Act").

THIRD: The name of the surviving Delaware corporation is Powergen US Investments Corp. The Certificate of Incorporation, as amended, of Powergen US Investments Corp. shall be the Certificate of Incorporation of the surviving Delaware corporation.

FOURTH: The merger of Powergen Holdings LLC into Powergen US Investments Corp. shall be effective on October 25, 2001 at 12:00 p.m. Delaware time.

FIFTH: The executed Agreement and Plan of Merger is on file at a place of business of the surviving Delaware corporation. The address of such place of business of the surviving Delaware corporation is 220 West Main Street, Louisville, Kentucky 40232.

SIXTH: A copy of the Agreement and Plan of Merger will be furnished by the surviving Delaware corporation, on request and without cost, to any

**member of Powergen Holdings LLC, and to any stockholder of Powergen US
Investments Corp.**

IN WITNESS WHEREOF, the undersigned has duly executed this
Certificate of Merger this 25th day of October 2001.

POWERGEN US INVESTMENTS CORP.

By: *Ronald Miller*
Ronald Miller
Assistant Secretary

CERTIFICATE OF RETIREMENT OF STOCK

POWERGEN US INVESTMENTS CORP.

Powergen US Investments Corp., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation, a resolution was duly adopted that provides for the repurchase of shares of the capital stock of the Corporation from Powergen USA, a Delaware general partnership, and immediate cancellation and retirement of such shares of the capital stock of the Corporation to the extent hereinafter set forth.

SECOND: That the shares of capital stock of the Corporation, which are retired, are identified as seven hundred fifty-two (752) shares of the Class A Common Stock with a par value of \$0.01 per share, and represented by share certificate number 004, which are being retired as of the effective time of this Certificate of Retirement of Stock.

THIRD: That the Certificate of Incorporation, as amended, prohibits the reissuance of the shares of Common Stock when so retired; and pursuant to the provisions of Section 243 of the General Corporation Law of the State of Delaware, upon the effective time of the filing of this Certificate of Retirement of Stock as therein provided, the Certificate of Incorporation, as amended, of the Corporation shall be amended so as to effect a reduction in the authorized number of shares of the Class A Common Stock to the extent of seven hundred fifty-two (752) shares, being the total number of shares retired with a par value of \$0.01 per share and an aggregate par value of seven dollars and fifty-two cents (\$7.52). After giving effect to the reduction effected by this Certificate of Retirement of Stock, the number of authorized shares of Class A Common Stock of the Corporation shall be four hundred fourteen (414) shares.

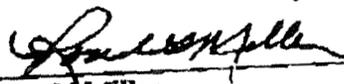
FOURTH: This Certificate of Retirement of Stock shall be effective on October 25, 2001 at 12:15 p.m., Delaware time.

NY12534-77666.7

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:15 PM 10/25/2001
010534633 - 3323546

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Retirement of Stock to be executed and delivered, this 25th day of October, 2001.

Powergen US Investments Corp.

By 
Ronald Miller
Assistant Secretary

CERTIFICATE OF MERGER
OF
POWERGEN US HOLDINGS CORP.
WITH AND INTO
POWERGEN US INVESTMENTS CORP.

(Under Section 251 of the General Corporation Law of the State of Delaware)

The undersigned corporation DOES HEREBY CERTIFY:

FIRST: The name and state of incorporation of each of the constituent entities which is to merge are as follows:

| <u>Name</u> | <u>State of Incorporation</u> |
|-------------------------------|-------------------------------|
| Powergen US Holdings Corp. | Delaware |
| Powergen US Investments Corp. | Delaware |

SECOND: An Agreement and Plan of Merger, between Powergen US Holdings Corp. and Powergen US Investments Corp. has been approved, adopted, certified, executed and acknowledged by each of the constituent entities in accordance with Section 251 of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving Delaware corporation is Powergen US Investments Corp.

FOURTH: The Certificate of Incorporation of Powergen US Investments Corp., as amended, shall be the Certificate of Incorporation of the surviving Delaware corporation.

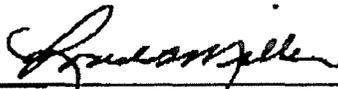
FIFTH: The merger of Powergen US Holdings Corp. into Powergen US Investment Corp. shall be effective on October 25, 2001 at 12:30 p.m. Delaware time.

SIXTH: The executed Agreement and Plan of Merger is on file at a place of business of the surviving Delaware corporation, the address of such place of business of the surviving corporation is 220 West Main Street, Louisville, Kentucky 40232.

SEVENTH: A copy of the Agreement and Plan of Merger will be furnished by the surviving Delaware corporation, on request and without cost, to any stockholder of Powergen US Holdings Corp. and Powergen US Investments Corp.

IN WITNESS WHEREOF, the undersigned has duly executed this
Certificate of Merger this 25th day of October 2001.

POWERGEN US INVESTMENTS CORP.

By: 

Ronald Miller
Assistant Secretary

CERTIFICATE OF MERGER

OF

POWERGEN USA

WITH AND INTO

POWERGEN US INVESTMENTS CORP.

(Under Section 263 of the General Corporation Law of the State of Delaware and Section 15-902 of the Revised Uniform Partnership Act of the State of Delaware)

The undersigned corporation DOES HEREBY CERTIFY:

FIRST: The name and state of formation of each of the constituent entities which is to merge are as follows:

| <u>Name</u> | <u>State of Formation</u> |
|-------------------------------|---------------------------|
| Powergen USA | Delaware |
| Powergen US Investments Corp. | Delaware |

SECOND: An Agreement and Plan of Merger, between Powergen USA and Powergen US Investments Corp. has been approved, adopted, certified, executed and acknowledged by each of the constituent entities in accordance with Section 263 of the General Corporation Law of the State of Delaware and Section 15-902 of the Revised Uniform Partnership Act of the State of Delaware.

THIRD: The name of the surviving Delaware corporation is Powergen US Investments Corp.

FOURTH: The Certificate of Incorporation of Powergen US Investments Corp., as amended, shall be the Certificate of Incorporation of the surviving Delaware corporation.

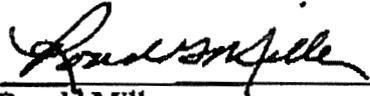
FIFTH: The merger of Powergen USA into Powergen US Investment Corp. shall be effective on October 25, 2001 at 12:45 p.m. Delaware time.

SIXTH: The executed Agreement and Plan of Merger is on file at a place of business of the surviving Delaware corporation, the address of such place of business of the surviving corporation is 220 West Main Street, Louisville, Kentucky 40232.

SEVENTH: A copy of the Agreement and Plan of Merger will be furnished by the surviving Delaware corporation, on request and without cost, to any partner of Powergen USA and to any stockholder of Powergen US Investments Corp.

IN WITNESS WHEREOF, the undersigned has duly executed this
Certificate of Merger this 25th day of October 2001.

POWERGEN US INVESTMENTS CORP.

By: 
Ronald Miller
Assistant Secretary

CERTIFICATE OF RETIREMENT OF STOCK
POWERGEN US INVESTMENTS CORP.

Powergen US Investments Corp., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation, a resolution was duly adopted that provides for the cancellation and retirement of shares of the capital stock of the Corporation pursuant to a merger agreement between the Corporation and Powergen USA, a Delaware general partnership.

SECOND: That the shares of capital stock of the Corporation, which are retired, are identified as two hundred fourteen (214) shares of the Class A Common Stock with a par value of \$0.01 per share, and represented by share certificate number 005, which are being retired as of the effective time of this Certificate of Retirement of Stock.

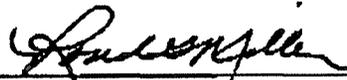
THIRD: That the Certificate of Incorporation, as amended, prohibits the reissuance of the shares of Common Stock when so retired; and pursuant to the provisions of Section 243 of the General Corporation Law of the State of Delaware, upon the effective time of the filing of this Certificate of Retirement of Stock as therein provided, the Certificate of Incorporation, as amended, of the Corporation shall be amended so as to effect a reduction in the authorized number of shares of the Class A Common Stock to the extent of two hundred fourteen (214) shares, being the total number of shares retired with a par value of \$0.01 per share and an aggregate par value of two dollars and fourteen cents (\$2.14). After giving effect to the reduction effected by this Certificate of Retirement of Stock, the number of authorized shares of Class A Common Stock of the Corporation shall be two hundred (200) shares.

FOURTH: This Certificate of Retirement of Stock shall be effective on October 25, 2001 at 12:46 p.m., Delaware time.

*STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:46 PM 10/25/2001
010534670 - 3323546*

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Retirement of Stock to be executed and delivered, this 25th day of October, 2001.

Powergen US Investments Corp.

By 

Ronald Miller
Assistant Secretary

CERTIFICATE OF RETIREMENT OF STOCK**POWERGEN US INVESTMENTS CORP.**

Powergen US Investments Corp., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation adopted by unanimous written consent in lieu of a meeting, a resolution that provides for the redemption of shares of the capital stock of the Corporation from Powergen US Securities Ltd., an English limited company, and the immediate cancellation and retirement of such shares of the capital stock of the Corporation to the extent hereinafter set forth.

SECOND: That the shares of capital stock of the Corporation, which are redeemed, are identified as 50 Class B shares, par value \$0.01 per share, and represented by share certificate number 001, which are being redeemed and retired as of the effective time of this Certificate of Retirement of Stock.

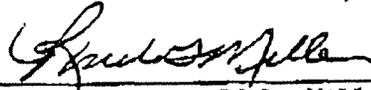
THIRD: That the Certificate of Incorporation, as amended, prohibits the reissuance of the shares of Common Stock when so retired; and pursuant to the provisions of Section 243 of the General Corporation Law of the State of Delaware, upon the effective time of the filing of this Certificate of Retirement of Stock as therein provided, the Certificate of Incorporation, as amended, of the Corporation shall be amended so as to effect a reduction in the authorized number of shares of the Class B Common Stock to the extent of 50 shares being the total number of shares retired with a par value of \$.01 per share and an aggregate value of \$10,000. After giving effect to the reduction effected by this Certificate of Retirement of Stock, the number of authorized shares of Class B Common Stock of the Corporation shall be 50 shares.

FOURTH: This Certificate of Retirement of Stock shall be effective upon its filing with the Secretary of State of the State of Delaware.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:30 PM 12/31/2002
020811677 - 3323546

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Retirement of Stock to be executed and delivered this 31st day of December, 2002.

Powergen US Investments Corp.

BY: 
Name: Ronald L. Miller
Title: Assistant Secretary

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
POWERGEN US INVESTMENTS CORP.**

Powergen US Investments Corp., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of Powergen US Investments Corp., by the unanimous written consent of its members, filed with the minutes of the board, duly adopted resolutions setting forth a proposed amendment to the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the First Article thereof so that, as amended said Article shall be and read as follows:

"The Name of the corporation is E.ON US Investments Corp."

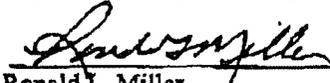
SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held upon written waiver of notice signed by all stockholders, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That this Certificate of Amendment of the Certificate of Incorporation shall be effective on March 3, 2003.

IN WITNESS WHEREOF, said Powergen US Investments Corp. has caused this certificate to be signed by Ronald L. Miller, its Assistant Secretary, this 3rd day of March, 2003.

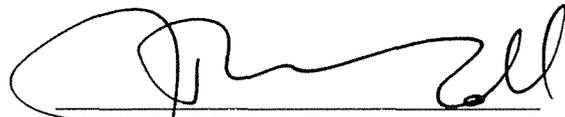
POWERGEN US INVESTMENTS CORP.

BY: 
Ronald L. Miller,
Assistant Secretary

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am a duly qualified and acting Vice President and Secretary of E.ON US Investments Corp., a Delaware corporation, (the "Company"), and that as such officer, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached By-laws are a true and correct copy of the By-laws of the Company, and that the same have not been altered, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 27th day of May 2010.

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

John R. McCall
Vice President and Secretary

AMENDMENT TO BY-LAWS
OF
E.ON US INVESTMENTS CORP.

Dated March 5, 2004

ARTICLE II

Board of Directors

Section 2.6 Quorum; Vote Required for Action. At all meetings of the Board of Directors, a majority of the entire board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the Certificate of Incorporation or these by-laws shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, the members of the Board present may adjourn the meeting from time to time until a quorum shall be present.

BY-LAWS
OF
POWERGEN US INVESTMENTS CORP.

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place either within or without the State of Delaware as may be designated by the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of stockholders may be called at any time by the Chairman of the Board, if any, the Vice Chairman of the Board, if any, the President or the Board of Directors, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting. A special meeting of stockholders shall be called by the Secretary upon the written request of stockholders who together own of record a majority of the outstanding shares of each class of stock entitled to vote at such meeting. The written request of the stockholders must state the purpose of the meeting.

Section 1.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of

the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5. Quorum. At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of stock entitled to vote on a matter at the meeting, present in person or represented by proxy, shall constitute a quorum. In the absence of a quorum of the holders of any class of stock entitled to vote on a matter, the holders of such class so present or represented may, by majority vote, adjourn the meeting of such class from time to time in the manner provided by Section 1.4 of these by-laws until a quorum of such class shall be so present or represented. Shares of its own capital stock belonging on the record date for the meeting to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the absence of the Chairman of the Board by the Vice Chairman of the Board, if any, or in the absence of the Vice Chairman of the Board by the President, or in the absence of the President by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7. Voting; Proxies. Unless otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power, regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the holders of a majority of the outstanding shares of all classes of stock

entitled to vote thereon present in person or represented by proxy at such meeting shall so determine. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. In all other matters, unless otherwise provided by law or by the certificate of incorporation or these by-laws, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Where a separate vote by class or classes is required, the affirmative vote of the holders of a majority of the shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class or classes, except as otherwise provided by law or by the certificate of incorporation or these by-laws.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to

corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 1.9. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the certificate of incorporation or by law, any action required by law to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by all the holders of outstanding stock entitled to vote thereon and shall be delivered to the Corporation by delivery to (a) its registered office in the State of Delaware by hand or by certified mail or registered mail, return receipt requested, (b) its principal place of business, or (c) an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this by-law to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to (a) its registered office in the State of Delaware by hand or by certified or registered mail, return receipt requested, (b) its principal place of business, or (c) an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded.

Section 1.10. List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

ARTICLE II

Board of Directors

Section 2.1. Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the certificate of incorporation. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by the Board. Directors need not be stockholders.

Section 2.2. Election; Term of Office; Resignation; Removal; Vacancies. Each director shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any director may resign at any time upon written notice to the Board of Directors or to the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Unless otherwise provided in the certificate of incorporation or these by-laws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Any director elected or appointed to fill a vacancy shall hold office until his or her successor is elected and qualified or until his or her earliest resignation or removal.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board may from time to time determine, and if so determined notice thereof need not be given.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman of the Board, if any, by the Vice Chairman of the Board, if any, by the President or by any two directors. Reasonable notice thereof shall be given by the person or persons calling the meeting.

Section 2.5. Participation in Meetings by Conference Telephone Permitted. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which

all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. Quorum; Vote Required for Action. At all meetings of the Board of Directors of one-third of the entire Board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation or these by-laws shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, the members of the Board present may adjourn the meeting from time to time until a quorum shall be present.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in the absence of the Chairman of the Board by the Vice Chairman of the Board, if any, or in the absence of the Vice Chairman of the Board by the President, or in their absence by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Action by Directors Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 2.9. Compensation of Directors. Unless otherwise restricted by the certificate of incorporation or these by-laws, the Board of Directors shall have the authority to fix the compensation of directors.

ARTICLE III

Committees

Section 3.1. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or

disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in these by-laws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by law to be submitted to stockholders for approval, (ii) adopting, amending or repealing these by-Laws or (iii) removing or indemnifying directors.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

Officers

Section 4.1. Officers; Election. As soon as practicable after the annual meeting of stockholders in each year, the Board of Directors shall elect a President and a Secretary, and it may, if it so determines, elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board may also elect one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as the Board may deem desirable or appropriate and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person unless the certificate of incorporation or these by-laws otherwise provide.

Section 4.2. Term of Office; Resignation; Removal; Vacancies. Unless otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board or to the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal

shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board at any regular or special meeting.

Section 4.3. Powers and Duties. The officers of the Corporation shall have such powers and duties in the management of the Corporation as shall be stated in these by-laws or in a resolution of the Board of Directors which is not inconsistent with these by-laws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board. The Secretary shall have the duty to record the proceedings of the meetings of the stockholders, the Board of Directors and any committees in a book to be kept for that purpose. The Board may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE V

Stock

Section 5.1. Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, representing the number of shares of stock in the Corporation owned by such holder. If such certificate is manually signed by one officer or manually countersigned by a transfer agent or by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

Miscellaneous

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 6.2. Seal. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

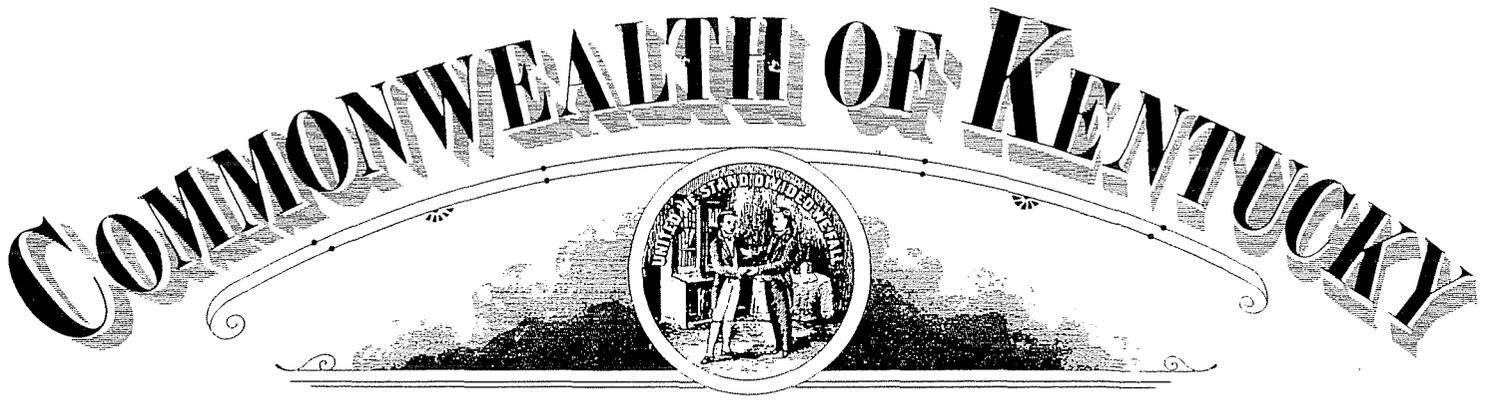
Section 6.4. Indemnification of Directors, Officers and Employees. The Corporation shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a director, officer or employee of the Corporation or serves or served at the request of the Corporation any other enterprise as a director, officer or employee. Expenses, including attorneys' fees, incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by the Corporation promptly upon receipt by it of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The rights provided to any person by this by-law shall be enforceable against the Corporation by such person who shall be presumed to have relied upon it in serving or continuing to serve as a director, officer or employee as provided above. No amendment of this by-law shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this by-law, the term "Corporation" shall include any predecessor of the Corporation and any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Corporation" shall include service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be

indemnifiable expenses; and action by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Section 6.5. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (1) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 6.6. Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 6.7. Amendment of By-Laws. These by-laws may be amended or repealed, and new by-laws adopted, by the Board of Directors, but the stockholders entitled to vote may adopt additional by-laws and may amend or repeal any by-law whether or not adopted by them.



Trey Grayson
Secretary of State

Certificate

I, Trey Grayson, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

ARTICLES OF ORGANIZATION OF

LEC LLC FILED DECEMBER 29, 2003;

ARTICLES OF MERGER OF LG&E ENERGY CORP. MERGING INTO LEC LLC
CHANGING NAME TO LG&E ENERGY LLC FILED DECEMBER 30, 2003;

ARTICLES OF AMENDMENT OF LG&E ENERGY LLC CHANGING NAME TO E.ON
U.S. LLC FILED DECEMBER 1, 2005.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
Official Seal at Frankfort, Kentucky, this 18th day of May, 2010.



Trey Grayson

Trey Grayson
Secretary of State
Commonwealth of Kentucky
mmullins/0575122 - Certificate ID: 98237

ARTICLES OF ORGANIZATION
OF
LEC LLC

0575122.06 Dcomish
John Y. Brown III LAOO
Secretary of State
Received and Filed
12/29/2003 1:49:46 PM
Fee Receipt: \$40.00

The undersigned organizer, desiring to form a limited liability company under the Kentucky Limited Liability Company Act, hereby states the following:

1. **NAME.** The name of the limited liability company is "LEC LLC".
2. **REGISTERED AGENT.** The name and address of the registered agent are:

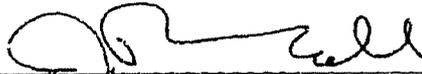
John R. McCall
220 West Main Street
Louisville, Kentucky 40202

3. **PRINCIPAL OFFICE.** The mailing address of the initial principal office of the limited liability company is:

220 West Main Street
Louisville, Kentucky 40202

4. **MANAGEMENT.** The limited liability company is to be managed by one or more managers.

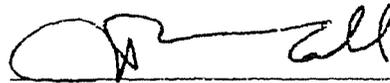
In Witness Whereof, the undersigned has duly executed these Articles of Organization this 29th day of December, 2003.



John R. McCall, Organizer

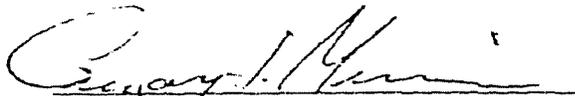
CONSENT OF REGISTERED AGENT

The undersigned, having been named in these Articles of Organization as the registered agent of the Company, hereby consents to serve in that capacity.



John R. McCall

The foregoing instrument was prepared by:



Gregory J. Meiman
220 West Main Street, 11th Floor
Louisville, Kentucky 40202

© Gregory J. Meiman, 2013

**ARTICLES OF MERGER
OF
LG&E ENERGY CORP.
INTO
LEC LLC**

0575122.06

Ghance
LAOM

John Y. Brown III
Secretary of State
Received and Filed
12/30/2003 3:42:13 PM
Fee Receipt: \$50.00

Pursuant to the provisions of KRS 271B.11-080 and KRS 275.360, the undersigned entities ("Constituent Entities") hereby adopt the following Articles of Merger for the purpose of merging **LG&E Energy Corp.**, a Kentucky corporation ("Corporation"), with and into **LEC LLC**, a Kentucky limited liability company ("Company"), which shall be the surviving entity in the Merger.

- FIRST:** The names of each of the Constituent Entities are LG&E Energy Corp. and LEC LLC. The Corporation is incorporated under the corporation laws of the Commonwealth of Kentucky and the Company is organized under the limited liability company laws of the Commonwealth of Kentucky.
- SECOND:** The Agreement and Plan of Merger, duly authorized and approved by each of the Constituent Entities, is attached hereto as Exhibit A and is hereby incorporated by referenced herein as a part of these Articles of Merger.
- THIRD:** The name of the surviving entity is LEC LLC. Pursuant to the Agreement and Plan of Merger attached hereto as Exhibit A, the Articles of Organization of the surviving entity are amended to change its name to "LG&E Energy LLC".
- FOURTH:** The Agreement and Plan of Merger was duly authorized and approved by each of the Constituent Entities in accordance with the laws of the Commonwealth of Kentucky.

Dated: December 30, 2003.

LG&E Energy Corp.

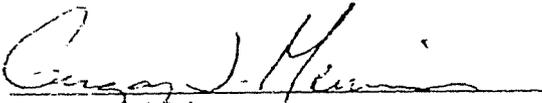
By: 

John R. McCall
Executive Vice President,
Corporate Secretary and
General Counsel
("Corporation")

LEC LLC

By: 
S. Bradford Rives
Chief Financial Officer
("Company")

The foregoing instrument was prepared by:


Gregory J. Meiman
220 West Main Street, 11th Floor
Louisville, Kentucky 40202

**AGREEMENT AND PLAN OF MERGER
BETWEEN
LG&E ENERGY CORP.
AND
LEC LLC**

THIS AGREEMENT AND PLAN OF MERGER ("Agreement") is entered into and effective as of the 30th day of December, 2003, by and between (i) **LG&E Energy Corp.**, a Kentucky corporation ("Corporation"), and (ii) **LEC LLC**, Kentucky limited liability company ("Company")

1. MERGER.

1.1 Merger of the Corporation With and Into the Company. Subject to the terms and conditions of this Agreement, the Corporation shall be merged with and into the Company ("Merger"), effective upon the filing of Articles of Merger with the Secretary of State of Kentucky ("Effective Time"). The separate existence of the Corporation as a corporation shall thereupon cease; the Company shall be the surviving entity and the separate existence of the Company as a limited liability company, with all its purposes, objects, rights, privileges, powers, franchises and interests, shall continue unaffected and unimpaired by the Merger. The Merger shall be pursuant to the provisions of, and with the effect provided in, the laws of the Commonwealth of Kentucky.

1.2 Effect of Merger. At and after the Effective Time:

(a) The Company shall possess all of the respective rights, privileges, powers, franchises and interests of the Corporation in and to every type of property (real, personal and mixed), and chooses in action, all of which shall be transferred to, and vested in, the Company by virtue of the Merger without any deed or other transfer and without reversion or impairment. Any action or proceeding, whether civil, criminal or administrative, pending by or against the Corporation may be continued as if the Merger did not occur, or the Company may be substituted in the proceeding for the Corporation in such action or proceeding.

(b) The Company shall be liable for all liability of the Corporation, and all debts, liabilities, obligations and contracts of the Corporation, whether matured or unmatured, whether accrued, absolute, contingent or otherwise, and whether or not reflected or reserved against on the balance sheet, books of account or records of the Corporation, shall be those of the Company and shall not be released or impaired by the Merger. Further, all rights of creditors and other obligees and all liens on properties of the Corporation shall be preserved unimpaired.

1.3 Articles of Organization, Operating Agreement and Management of Surviving Entity. The Company shall be the surviving entity pursuant to the Merger. At and after the Effective Time:

(a) The Articles of Organization of the Company, as in effect immediately prior to the Effective Time, shall be the Articles of Organization of the surviving entity with the exception that Article 1 of the Articles of Organization shall be amended so as to be and read in its entirety as follows:

"1. NAME. The name of the limited liability company is
"LG&E Energy LLC".

(b) The Operating Agreement of Company, as in effect immediately prior to the Effective Time, shall be the Operating Agreement of the surviving entity with the exception that the title and Article 2.1 of the Operating Agreement shall be amended so as to be and read in their entirety as follows:

"OPERATING AGREEMENT
OF
LG&E ENERGY LLC"

2.1 Name. The name of the Company shall be LG&E Energy LLC.

(c) The management of Company as in effect immediately prior to the Effective Time, including any and all persons then serving as its officers and directors if the Operating Agreement provides for same, shall be the managers of the surviving entity until duly altered in accordance with the provisions of the laws of the Commonwealth of Kentucky and the surviving entity's Articles of Organization and Operating Agreement.

1.4 Additional Actions. If, at any time after the Effective Time, the Company shall consider or be advised that any further assignments or assurances in law or any other acts are necessary or desirable to (i) vest, perfect or confirm of record or otherwise, in the Company its right, title or interest in, to or under any of the rights, properties or assets of the Corporation acquired or to be acquired by the Company as a result of, or in connection with, the Merger, or (ii) otherwise carry out the purposes of this Agreement, the Corporation and the proper officers and directors of the Corporation shall be deemed to have granted to the Company an irrevocable power of attorney to (a) execute and deliver all such proper deeds, assignments and assurances in law, (b) do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Company and (c) otherwise carry out the purposes of this Agreement. The President of the Company is fully authorized in the name of the Corporation or otherwise to take any and all such actions.

2. CONVERSION OF STOCK INTERESTS.

2.1 Conversion of Company Interests. At the Effective Time:

(a) Each share of Common Stock of the Corporation, no par value per share, ("Common Stock") outstanding immediately prior to the Effective Time shall, *ipso facto*

and without any action on the part of the holder thereof, become and be converted into one Unit of the Company.

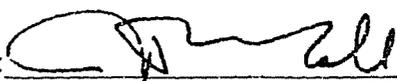
(b) Each interest in the Company held immediately prior to the Effective Time by LG&E Energy Corp shall be canceled and no consideration issued in respect thereof. Each interest in the Company held immediately prior to the Effective Time by E.ON US Investments Corp. shall remain issued and outstanding.

3. **EXCHANGE OF STOCK.** As soon as practicable after the Effective Time, and upon surrender to the Company of any certificate which prior to the Effective Time shall have represented any shares of Common Stock, the Company shall cause to be distributed to the person or entity in whose name such certificate shall have been registered a certificate for the number of Units of the Company into which the shares of Common Stock previously represented by the surrendered certificate shall have been converted at the Effective Time. Until surrendered as contemplated by the preceding sentence, each certificate which immediately prior to the Effective Time shall have represented any shares of Common Stock shall be deemed at and after the Effective Time to represent only the right to receive the Units of the Company into which it shall have been converted.

4. **GOVERNING LAW.** This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflict of laws rules.

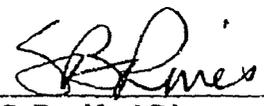
IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

LG&E Energy Corp.

By: 

John R. McCall,
Executive Vice President,
Corporate Secretary and
General Counsel
("Corporation")

LEC LLC

By: 

S. Bradford Rives
Chief Financial Officer
("Company")

ARTICLES OF AMENDMENT
TO
ARTICLES OF ORGANIZATION
OF
LG&E ENERGY LLC

0575122.06 MMcCulloh
LAOA
Trey Grayson
Secretary of State
Received and Filed
12/01/2005 9:26:25 AM
Fee Receipt: \$40.00

Pursuant to the provisions of KRS 275.030, the following Articles of Amendment to the Articles of Organization of LG&E Energy LLC, a Kentucky limited liability company (the "Company"), are hereby adopted:

FIRST: The name of the limited liability company is LG&E Energy LLC.

SECOND: The text of the amendment to Article 1 of the Company's Articles of Organization is as follows:

"1. The name of the limited liability company is E.ON U.S. LLC".

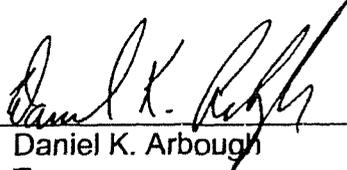
THIRD: The designated amendment was adopted by the Company's sole member on December 1, 2005 in accordance with the provisions of KRS 275.030 and KRS 275.175.

FOURTH: These Articles of Amendment shall be effective as of December 1, 2005.

DATED: Dec. 1, 2005

LG&E Energy LLC

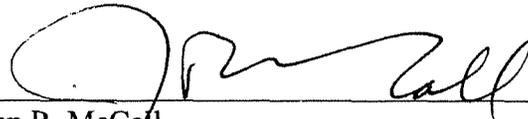
BY: _____


Daniel K. Arbough
Treasurer

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am a duly qualified and acting Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer of E.ON U.S. LLC (formerly LEC LLC), a Kentucky limited liability company, (the "Company"), and that as such officer, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached Operating Agreement is a true and correct copy of the Operating Agreement of the Company, and that the same has not been altered, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 27th day of May 2010.

A handwritten signature in black ink, appearing to read "John R. McCall", written over a horizontal line.

John R. McCall
Executive Vice President, General Counsel,
Corporate Secretary and Chief Compliance Officer

**OPERATING AGREEMENT
OF
LEC LLC**

This Operating Agreement (“Agreement”) is made and entered into as of the 29th day of December, 2003, by **E.ON US Investments Corp.**, a Delaware corporation (“EUSIC”) (“Members”). The foregoing party, and any others later admitted as members under this Agreement are referred to herein as the “Members.” For purposes of this Agreement, the term “Members” includes all persons then acting in such capacity in accordance with the terms of this Agreement.

RECITALS:

A. EUSIC is the sole shareholder of LG&E Energy Corp. (“LEC”). The Member desires to form a Kentucky limited liability company (“Company”) for the purpose of merging LEC into LEC LLC. (the “Company”).

B. The Members desire that the Company be governed in accordance with the terms of this Agreement.

AGREEMENT:

NOW, THEREFORE, the Member hereby agrees as follows:

1. FORMATION AND MEMBERS.

1.1 Formation. The Member does hereby form the Company pursuant to the provisions of the Kentucky Limited Liability Company Act (“Act”).

1.2 Members. The name, business address and number of Units of participation held by the Member is set forth on Annex A. Annex A will be amended from time to time by the Company’s officers to reflect a current listing of the Company’s Members, their respective addresses and number of units.

1.3 Issuance of Additional Units of Participation and Admission of Additional Members. The Board of Directors will have the discretion to issue Units of participation, so long as the Company receives adequate consideration in the form of cash, other property or services for such Units. With the consent of the Members, the Board of Directors may issue Units with economic or voting preferences. If preferred Units are issued, then the President will provide each Member with a description of the Company’s capitalization after such issuance, including the relative rights and preferences of each class of the Company’s Units. The provisions of this Agreement addressing distributions and allocations are subject to, upon consent of the Members, modification through the issuance of preferred Units. In connection with the issuance of additional Units, whether or not preferred, the Board of Directors will have the right to admit additional persons as Members. A prerequisite to admission to membership in

the Company shall be the written agreement by the additional Member to be bound by the terms of this Agreement.

1.4 Initial Contributions. The initial capital contribution required for issuance of Units to a Member will be determined by the Board of Directors and set forth in a subscription or contribution agreement to be executed by the Member and the Company. Upon receipt of the subscription payment or capital contribution set forth in the agreement, a Unit will be fully paid and nonassessable. The Company's books and records will reflect the aggregate capital contributions made with respect to each of the Company's issued and outstanding Units.

2. NAME AND OFFICE.

2.1 Name. The name of the Company shall be LEC LLC.

2.2 Principal Office. The principal office of the Company shall be at 220 West Main Street, Louisville, Kentucky 40202, or at such other place as shall be determined by the Board (as hereinafter defined) from time to time. The books of the Company shall be maintained at the principal office or such other place that the Board shall deem appropriate. The Company shall designate an agent for service of process in Kentucky in accordance with the provisions of the Act. The Company shall maintain, at the Company's principal office, those items referred to in KRS 185(1).

3. PURPOSE AND TERM.

3.1 Purpose. The purpose of the Company is to engage in all lawful activities in which a limited liability company may engage under the Act.

3.2 Company's Power. In furtherance of the purpose of the Company as set forth in Section 3.1, the Company shall have the power to do any and all things whatsoever necessary, appropriate or advisable in connection with such purpose, or as otherwise contemplated in this Agreement.

3.3 Term. The term of the Company shall commence upon the filing of Articles of Organization with the Kentucky Secretary of State's office, and shall continue until dissolved in accordance with Section 14.

4. CAPITAL.

4.1 Capital Structure. The total number of units ("Units") which the Company is authorized to issue is 10,000,000 Units. The Units shall have identical powers, preferences, limitations and relative rights, and shall have one vote per Unit. The holders of Units shall be entitled to receive, to the extent permitted by law, such distributions as may be declared from time to time by the Board.

4.2 No Liability of Members. Except as otherwise specifically provided in the Act, no Member shall have any personal liability for the obligations of the Company. No Member shall be obligated to contribute funds or loan money to the Company.

4.3 No Interest on Capital Contributions. No Member shall be entitled to interest on any capital contributions made to the Company.

4.4 No Withdrawal of Capital. No Member shall be entitled to withdraw any part of such Member's capital contributions to the Company, except as specifically provided in this Agreement. No Member shall be entitled to demand or receive any property from the Company other than cash, except as otherwise expressly provided for herein.

5. ACCOUNTING.

5.1 Books and Records. The Company shall maintain full and accurate books of the Company at the Company's principal place of business, or such other place as the Board shall determine, showing all receipts and expenditures, assets and liabilities, net income and loss, and all other records necessary for recording the Company's business and affairs. Upon reasonable request of a Member, such books and records shall be open to the inspection and examination by such Member in person or by the Member's duly authorized representatives during normal business hours and may be copied at the Member's expense.

5.2 Fiscal Year. The fiscal year of the Company shall end on December 31 of each calendar year.

6. BANK ACCOUNTS.

6.1 Bank Accounts. All funds of the Company shall be deposited in its name into such checking, savings and/or money market accounts or time certificates as shall be designated by the Board. Withdrawals therefrom shall be made upon such signature or signatures as the Board may designate. Company funds shall not be commingled with those of any other person or entity.

7. TREATMENT AS CORPORATION FOR INCOME TAX PURPOSES.

7.1 Corporate Tax Treatment. It is the intention of the Members that the Company be treated as a corporation for Federal, state and local income tax purposes, and no Member shall take any position or make any election, in a tax return or otherwise, inconsistent with such treatment. The Company shall make such election as is necessary for the Company to be treated as a corporation for income tax purposes. Upon consent of the Members, the Board of Directors may change the tax treatment of the Company.

8. BOARD OF DIRECTORS.

8.1 General Powers. All powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company managed under the direction of, its Board of Directors.

8.2 Number, Election and Term. The Board shall consist of not less than one, nor more than three individuals, the exact number of which shall be determined by the directors from time to time. Initially, there shall be three directors, Victor A. Staffieri, Dr. Hans Michael Gaul and Michael Söhlke. Directors shall be elected at the first annual Members' meeting and at each annual meeting thereafter. A decrease in the number of directors shall not shorten an incumbent director's term. Each director shall hold office until the next annual meeting of Members or until removed. Despite the expiration of a director's term, such director shall continue to serve until the director's successor is elected and qualifies, until there is a decrease in the number of directors or until the director is removed.

8.3 Resignation of Directors. A director may resign at any time by delivering written notice to the Board, its Chairman (as hereinafter defined), if any, or the Company. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

8.4 Removal of Directors by Members. A director shall be removed by the Members only at a meeting called for the purpose of removing such director, and the meeting notice shall state that the purpose, or one of the purposes, of the meeting is removal of the director. The Members may remove one or more directors with or without cause. A director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal.

8.5 Vacancy on Board. If a vacancy occurs on the Board, including a vacancy resulting from an increase in the number of directors, the Board shall fill the vacancy, and if the directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office. A vacancy that will occur at a specific later date may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

8.6 Compensation of Directors. The Board may fix the compensation of directors. No such compensation shall preclude any director from serving the Company in any other capacity and from receiving compensation therefore.

8.7 Meetings. The Board may hold regular or special meetings in or out of the Commonwealth of Kentucky. The Board may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means shall be deemed to be present in person at the meeting.

8.8 Special Meetings. Special meetings of the Board may be called by, or at the request of, the Chairman, if any, or the chief executive officer of the Company. All special meetings of the Board shall be held at the principal office or such other place as may be specified in the notice of the meeting.

8.9 Action Without Meetings. Any action required or permitted to be taken at a Board meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents describing the action taken, signed by each director, and delivered to the Company for inclusion in the minutes or for filing with the Company.

8.10 Notice of Meeting. Regular meetings of the Board may be held without notice of the date, time, place or purpose of the meeting. Special meetings of the Board shall be preceded by at least two days notice of the date, time and place of the meeting. The notice shall not be required to describe the purpose of the special meeting. The notice provisions of Section 12.6 shall be applicable to notices given to directors.

8.11 Waiver of Notice. A director may waive any notice required by this Agreement before or after the date and time stated in the notice. Except as otherwise provided in this Section 8.11, the waiver shall be in writing, signed by the director entitled to the notice, and filed with the minutes of Company records. A director's attendance at or participation in a meeting shall waive any required notice to such director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

8.12 Quorum and Voting. One-third of the number of directors fixed by, or determined in accordance with, this Agreement shall constitute a quorum of the Board. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present shall be the act of the Board. A director who is present at a meeting of the Board or a committee of the Board when action is taken shall be deemed to have assented to the action taken unless (i) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding it or transacting business at the meeting or (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting or the director delivers written notice of the director's dissent or abstention to the president officer of the meeting before its adjournment or to the Company immediately after adjournment of the meeting. The right of dissent or abstention shall not be available to a director who votes in favor of the action taken.

8.13 Chairman and Vice-Chairman of the Board. The Board may appoint one of its members Chairman of the Board ("Chairman"). The Board may also appoint one of its members as Vice-Chairman of the Board, and such individual shall serve in the absence of the Chairman and perform such additional duties as may be assigned to such person by the Board.

9. EXECUTIVE AND OTHER COMMITTEES.

9.1 Executive Committee. The Board, by resolution adopted by the greater of a majority of all directors in office when the action is taken, or the number of directors required to take action under Section 8.12, may create and appoint from among its members an Executive Committee consisting of two or more directors, who shall serve at the pleasure of the Board.

9.2 Authority of Executive Committee. When the Board is not in session, the Executive Committee shall have and may exercise all of the authority of the Board, unless otherwise specified by the resolution appointing the Executive Committee. Neither the Executive Committee, nor any other committee created by the Board shall have the authority to (i) authorize distributions (ii) approve or propose to Members action that this Agreement requires be approved by Members, (iii) fill vacancies on the Board or on any of its committees, (iv) amend this Agreement, (v) authorize or approve reacquisition of Units, except according to a formula or method prescribed by the Board, or (vi) authorize or approve the issuance or sale or contract for sale of Units, or determine the designation and relative rights, preferences and limitations of a class or series of Units, except that the Board may authorize a committee (or a senior officer of the Corporation) to do so within limits specifically prescribed by the Board.

9.3 Tenure and Qualifications. Each member of the Executive Committee shall hold office until the next annual meeting of the Board following such member's designation and until such member's successor shall be duly designated and qualified.

9.4 Meetings. Sections 8.7 through 8.11, which address meetings, action without meeting, notice of meeting and waiver of notice with respect to the Board shall apply to the Executive Committee and its members as well.

9.5 Quorum and Voting. A majority of the number of members appointed by the Board shall constitute a quorum of the Executive Committee. If a quorum is present when a vote is taken, the affirmative vote of a majority of members present shall be the act of the Executive Committee. A member who is present at a meeting of the Executive Committee when corporate action is taken shall be deemed to have assented to the action taken unless (i) such member objects at the beginning of the meeting, or promptly upon such member's arrival, to holding it or transacting business at the meeting, or (ii) such member's dissent or abstention from the action taken is entered in the minutes of the meeting, or such member delivers written notice of the member's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Company immediately after adjournment of the meeting. The right of dissent or abstention shall not be available to a member who votes in favor of the action taken.

9.6 Vacancies. Any vacancy in the Executive Committee may be filled by a resolution adopted by the Board in accordance with Section 9.1.

9.7 Resignations and Removals. Any member of the Executive Committee may be removed at any time, with or without cause, by resolution adopted by the Board in

accordance with Section 9.1. Any member of the Executive Committee may resign from the Executive Committee at any time by giving written notice to the Board, and resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

9.8 Other Committees. The Board, by resolution adopted by the greater of a majority of all directors in office when the action is taken, or the number of directors required to take action under Section 8.12, may create and appoint from among its members such other committees, consisting of two or more Board members, as from time to time it may consider necessary or appropriate to conduct the affairs of the Company. Each such committee shall have such power and authority as the Board may, from time to time, legally establish for it. The tenure and qualifications of the members of each committee, the time, place and organization of such committee's meetings, the notice required to call any such meeting, the number of members of each such committee that shall constitute a quorum, the affirmative vote of the committee members required effectively to take action at any meeting at which a quorum is present, the action that any such committee can take without a meeting, the method in which a vacancy among the members of such committee can be filled and the procedures by which resignations and removals of members of such committee shall be acted upon or accomplished shall be fixed by the resolution adopted by the Board relative to such matters.

10. OFFICERS.

10.1 Authorized Officers. The Company is authorized to have the officers described in this Agreement or appointed by the Board in accordance with this Agreement. The President may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the Company. Section 10.10 delegates to the Secretary, if such office be created and filled, the required responsibility of preparing minutes of the directors' and Members' meetings and for authenticating records of the Company. If such office shall not be created and filled, then the Board shall delegate to one of the officers of the Company such responsibility.

10.2 Duties of Officers. Each officer of the Company shall have the authority and shall perform the duties set forth in this agreement for such office or, to the extent consistent with this Agreement, the duties prescribed by the Board or by direction of an officer authorized by the Board to prescribe the duties of other officers.

10.3 Appointment and Term of Office. The officers of the Company shall be appointed by the Board at the first, and thereafter at each annual, meeting of the Board. If the appointment of officers shall not be made at any such meeting, such appointment shall be made as soon thereafter as is practicable by the Board or the President. Vacancies may be filled or new offices created and filled by the President or at any meeting of the Board. Each officer shall hold office until such officer's successor shall be duly appointed or until the officer's death or until the officer shall resign or shall have been removed in the manner hereinafter provided.

10.4 Resignation and Removal of Officers. An officer may resign at any time by delivering notice to the Company. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a

later date and the Company accepts the future effective date, the Board may fill the pending vacancy before the effective date if the Board provides that the successor shall not take office until the effective date. The Board may remove any officer at any time with or without cause.

10.5 Contract Rights of Officers. Appointment of an officer or agent shall not of itself create contract rights. An officer's removal shall not affect the officer's contract rights, if any, with the Company. An officer's resignation shall not affect the Company's contract rights, if any, with the officer.

10.6 Chairman of the Board. The Chairman, if that office be created and filled, may, at the discretion of the Board, be the chief executive officer of the Company and, if such, shall, in general, supervise and control the affairs and business of the Company, subject to control by the Board. The Chairman shall preside at all meetings of the Members and the Board.

10.7 President. The President, if that office be created and filled, shall be the chief executive officer of the Company, unless a Chairman is appointed and designated chief executive officer pursuant to Section 10.6. If no Chairman has been appointed, or, in the absence of the Chairman, the President shall preside at all meetings of the Members and of the Board. The President may sign certificates for Units, any deeds, mortgages, bonds, contracts or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by this Agreement to some other officer or agent of the Company, or shall be required by law to be otherwise signed or executed. The President shall, in general, perform all duties incident to the office of President of a Kentucky corporation and such other duties as may be prescribed by the Board or the Chairman from time to time. Unless otherwise ordered by the Board, the President shall have full power and authority on behalf of the Company to attend, act and vote in person or by proxy at any meetings of shareholders of any corporation in which the Company may hold stock, and at any such meeting shall hold and may exercise all rights incident to the ownership of such stock which the Company, as owner, would have had and could have exercised if present. The Board may confer like powers on any other person or persons.

10.8 Vice President. In the absence of the President, or in the event of the President's death, inability or refusal to act, the Vice President (or, in the event there be more than one Vice President, the Vice Presidents in order designated at the time of their appointment, or in the absence of any designation, then in the order of their appointment), if that office be created and filled, shall perform the duties of the President and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. Any Vice President may sign, with the Secretary or an assistant secretary, certificates for Units and shall perform such other duties as from time to time may be assigned to such person by the Chairman, the President or by the Board.

10.9 Treasurer. The Treasurer, if that office be created and filled, shall have charge and custody of, and be responsible for, all funds and securities of the Company, receive and give receipts for monies due and payable to the Company from any source whatsoever, and deposit all such monies in the name of the Company in such banks, trust companies and other depositories as shall be selected in accordance with the provisions of Section 6.1, and in general,

perform all the duties incident to the office of Treasurer of a Kentucky corporation and such other duties as from time to time may be assigned to such person by the Chairman, the President or the Board. If required by the Board, the Treasurer shall give a bond for the faithful discharge of such officer's duties in such sum and with such surety or sureties as the Board shall determine.

10.10 Secretary. The Secretary, if that office be created and filled, shall keep the minutes of the Members' meetings and of the Board's meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of this Agreement or as required by law, be custodian of the Company records and of the seal, if any, of the Company, be responsible for authenticating records of the Company, keep a register of the mailing address of each Member, which shall be furnished to the Secretary by each Member, sign with the President or a Vice President certificates for Units, have general charge of the transfer books of the Company, and in general, perform all duties incident to the office of Secretary of a Kentucky corporation and such other duties as from time to time may be assigned to such person by the Chairman, the President or the Board.

10.11 Assistant Treasurers and Assistant Secretaries.

(a) Assistant Treasurer. The Assistant Treasurer, if that office be created and filled, shall, if required by the Board, give bond for the faithful discharge of such officer's duty in such sum and with such surety as the Board shall determine.

(b) Assistant Secretary. The Assistant Secretary, if that office be created and filled, and if authorized by the Board, may sign, with the President or Vice Presidents, certificates for Units.

(c) Additional Duties. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such additional duties as shall be assigned to them by the Treasurer or the Secretary, respectively, or by the Chairman, the President or the Board.

**11. STANDARD OF CARE OF DIRECTORS AND OFFICERS;
INDEMNIFICATION.**

11.1 Standard of Care. The directors and officers of the Company shall not be liable, responsible or accountable in damages to any Member or the Company for any act or omission on behalf of the Company performed or omitted by them in good faith and in a manner reasonably believed by them to be in the best interests of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that the conduct was unlawful.

11.2 Indemnification.

(a) To the fullest extent permitted by the Act, the Company shall indemnify each director or officer of the Company against reasonable expenses (including reasonable attorneys' fees), judgments, taxes, penalties, fines (including any excise tax assessed

with respect to an employee benefit plan) and amounts paid in settlement (collectively "Liability"), incurred by such person in connection with defending any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative, and whether formal or informal) to which such person is, or is threatened to be made, a party because such person is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, partner, member, employee or agent of another domestic or foreign corporation, partnership, limited liability company, joint venture, trust or other enterprise, including service with respect to employee benefit plans, provided that (i) the director or officer acted in good faith and in a manner reasonably believed by the director or officer to be in the best interests of the Company or, in the case of an employee benefit plan, the interests of the participants and beneficiaries, (ii) in the case of a criminal proceeding, the director or officer had no reasonable cause to believe the conduct unlawful, (iii) in connection with a proceeding brought by or in the right of the Company, the officer or director was not adjudged liable to the Company, and (iv) the officer or director was not adjudged liable in a proceeding charging improper personal benefit. A director or officer shall be considered to be serving an employee benefit plan at the Company's request of such person's duties to the Company also impose duties on or otherwise involve services by such person to the plan or to participants in or beneficiaries of the plan.

(b) To the fullest extent permitted by the Act, the Company shall pay or reimburse reasonable expenses (including reasonable attorneys' fees) incurred by a director or officer who is a party to a proceeding in advance of final disposition of such proceeding if:

(1) The director or officer furnishes the Company a written affirmation of his good faith belief that he has met the standard of conduct described in Section 11.1;

(2) The director or officer furnishes the Company a written undertaking, executed personally or on the director's or officer's behalf, to repay the advance if it is ultimately determined that the director or officer did not meet the standard of conduct. Such undertaking shall be an unlimited general obligation of the director or officer, but shall not be required to be secured and may be accepted without reference to financial ability to make repayment.

(3) A determination is made that the facts then known to those making the determination would not preclude indemnification under the provisions of this Section 11.2.

(c) The indemnification against Liability and advancement of expenses provided by, or granted pursuant to, this Section 11.2 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement may be entitled under any agreement, action of Members or disinterested directors or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office of the Company, shall continue as to a person who has ceased to be a director or officer of the Company, and shall inure to the benefit of the heirs, executors and administrators of such a person.

(d) Any repeal or modification of this Section 11.2 by the Board or Members shall not adversely affect any right or protection of a director or officer of the Company under this Section 11.2 with respect to any act or omission occurring prior to the time of such repeal or modification.

12. MEMBERS.

12.1 Annual Meeting. The annual meeting of the Members shall be held at such time, place and on such date as the chief executive officer may designate within or without the Commonwealth of Kentucky. The purpose of such meeting shall be the election of directors and the transaction of such other business as may properly come before it. If the election of directors shall not be held on the day designated for an annual meeting, or at any adjournment thereof, the Board shall cause the election to be held at a special meeting of the Members to be held as soon thereafter as may be practicable.

12.2 Special Meeting. Special meetings of the Members may be called by the chief executive officer or the Board, and shall be called by the chief executive officer at the demand of the holders of at least 20% of all votes entitled to be cast on any issue proposed to be considered at the proposed special meeting, provided that such requisite number of Members sign, date and deliver to the Secretary of the Company one or more written demands for the meeting describing the purpose or purposes for which it is to be held. Unless otherwise fixed in this Agreement, the record date for determining Members entitled to demand a special meeting shall be the date the first Member signs the demand.

12.3 Place of Members' Meeting. The Board may designate any place within or without the Commonwealth of Kentucky as the place for any meeting of Members called by the Board. If no designation of place is properly made, the place of the meeting shall be at the principal office. If a meeting is called at the demand of the Members and they designate any place, either within or without the Commonwealth of Kentucky, as the place for the holding of such meeting, the meeting shall take place at the place designated. If no designation is properly made, the place of meeting shall be at the principal office.

12.4 Action Without Meeting.

(a) **Action.** Any action required or permitted by the Act or this Agreement to be taken at a Members' meeting may be taken without a meeting and without prior notice if the action is taken by Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which the holders of all of the Units entitled to vote at a meeting were present and voted. The action taken under this Section 12.4 shall be evidenced by one or more written consents describing the action taken, signed by the Members taking the action, and delivered to the Company for inclusion in the minutes or filing with the Company records. Action taken under this Section 12.4 shall be effective when consents representing the votes necessary to take the action are delivered to the Company or upon delivery of the consents representing the necessary votes, or such different date specified in

the consent. A consent under this Section 12.4 shall have the effect of a vote at a meeting and may be described as such in any document.

(b) Notice to Other Members. Prompt notice of the taking of any action by Members without a meeting under this Section 12.4 by less than unanimous written consent of the Members entitled to vote shall be given to those Members entitled to vote on the action who have not consented in writing.

12.5 Notice of Meeting. The Company shall notify Members of the date, time and place of each annual or special Members' meeting no fewer than 10, nor more than 60, days before the meeting date. Unless the Act or this Agreement requires otherwise, the Company shall be required to give notice only to Members entitled to vote at the meeting and notice of an annual meeting shall not be required to include a description of the purpose or purposes for which the meeting is called. Notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called.

12.6 Form of Notice. Notice under this Agreement shall be in writing unless oral notice is reasonable under the circumstances. Notice may be communicated in person, or by telephone, telegraph, teletype, telephonic facsimile transmission or other form of wire or wireless communication, or by mail or local private courier service or by a nationally recognized overnight courier service. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by radio, television, or other form of public broadcast communication. Written notice by the Company to its Members, if in a comprehensible form, shall be effective when mailed, if mailed postpaid and correctly addressed to the Member's address shown in the Company's current record of Members. Written notice to the Company may be addressed to its registered agent at its registered office or to the Company or its Secretary at its principal office. Except as otherwise provided in this Section 12.6, written notice, if in a comprehensible form, shall be effective at the earliest of (i) when received, or (ii) five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed or on the date shown on the return receipt, if sent by certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee. Oral notice shall be effective when communicated if communicated in a comprehensible manner.

12.7 Waiver of Notice. A Member may waive any notice required by this Agreement before or after the date and time stated in the notice. The waiver shall be in writing, be signed by the Member entitled to the notice and be delivered to the Company for inclusion in the minutes or filing with the Company records. A Member's attendance at a meeting shall waive objection to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting. A Member's attendance at a meeting shall be deemed a waiver of any objection to the consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.

12.8 Record Date. The Board may fix a record date of Members of not more than 70 days before the meeting or action requiring a determination of Members in order to determine the Members entitled to notice of a Members' meeting, to demand a special meeting, to vote or to take any other action. A determination of Members entitled to notice of, or to vote at, a Members' meeting shall be effective for any adjournment of the meeting unless the Board fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. If not otherwise fixed by the Board in accordance with this agreement, the record date for determining Members entitled to notice of and to vote at an annual or special Members' meeting shall be the day before the first notice is delivered to Members, and the record date for any consent action taken by Members without a meeting and evidenced by one or more written consents shall be the first date upon which a signed written consent setting forth such action is delivered to the Company at its principal office.

12.9 Members' List for Meeting. After fixing a record date for a meeting, the Company shall prepare a complete list of the names of all the Company's Members who are entitled to notice of a Members' meeting. The list shall be arranged by voting group and show the address of, and number of Units held by, each Member. The Members' list shall be available for inspection by any Member beginning five business days before the meeting for which the list was prepared and continuing through the meeting, at the Company's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A Member, or the Member's agent or attorney, shall be entitled on written demand to inspect and to copy the list during regular business hours and at the Member's expense, during the period it is available for inspection provided the demand is made in good faith and for a proper purpose. The Company shall make the list of Members available at the meeting and any Member, or the Member's agent or attorney, shall be entitled to inspect the list at any time during the meeting or any adjournment. Refusal or failure to prepare or make available the Members' list shall not affect the validity of any action taken at the meeting.

12.10 Proxies. At all meetings of Members, the Members may vote their Units in person or by proxy. A Member may appoint a proxy to vote or otherwise act for the Member by signing an appointment form, either personally or by the Member's duly authorized attorney-in-fact. An appointment of a proxy shall be effective when the appointment form is received by the Secretary, or other officer or agent authorized to tabulate votes. An appointment shall be valid for 11 months unless a longer, or shorter, period is expressly provided in the appointment form. An appointment of proxy shall be revocable by the Member unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest. The revocation of an appointment of proxy shall not be effective until the Secretary or such other officer or agent authorized to tabulate votes has received written notice thereof. All proxies shall be filed with the Secretary or the person authorized to tabulate votes before or at the time of the meeting.

12.11 Quorum and Voting Requirements. Members shall be entitled to take action on a matter at a meeting only if a quorum exists. Unless this Agreement provides otherwise, a majority of those votes entitled to be cast on the matter shall constitute a quorum for action on that matter. Once a Unit is represented for any purpose at a meeting, it shall be

deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. Except as otherwise required by the Act, if a quorum exists, action on a matter shall be approved if the votes cast favoring the action exceed the votes cast opposing the action.

12.13 Voting of Units by Certain Holders.

(a) Units Held by Corporations. Units standing in the name of a corporation, domestic or foreign, may be voted by either any officer of that corporation or by proxy appointed by any officer of that corporation, unless the board of directors of such corporation authorizes another person to vote such Units.

(b) Units Held by Estate or Guardian. Units held by an administrator, executor, guardian or conservator may be voted by such person or entity, either in person or by proxy, without a transfer of such Units into the name of such person or entity. Units standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote Units held by the trustee without a transfer of such Units into the trustee's name.

(c) Units Held by Receiver. Units standing in the name of a receiver may be voted by such receiver, and Units held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority to do so is contained in an appropriate order of the court by which such receiver was appointed.

(d) Units Held Jointly. Where Units are held jointly, such Units may be voted by any of the co-owners appearing to act on behalf of all of the co-owners.

(e) Hypothecated Units. A Member whose Units are pledged shall be entitled to vote such Units until the Units have been transferred into the name of the pledge, and thereafter, the pledge shall be entitled to vote the Units so transferred.

(f) Rejection of Votes. The Company shall be entitled to reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the member.

(g) Acceptance of Votes. If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a Member, the Company, if acting in good faith, shall be entitled to accept the vote, consent, waiver or proxy appointment and give it effect as the act of the Member. For purposes of this Section 12.13, a telegram or telephonic facsimile transmission appearing to have been transmitted by the proper person, or a photocopy or equivalent reproduction of a writing appointing a proxy may be accepted by the Company if acting in good faith as a sufficient, signed appointment form.

(h) Discrepancy in Signature of Member. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of its Member, the

Company, if acting in good faith, shall nevertheless be entitled to accept the vote, consent, waiver or proxy appointment and give it effect as the act of the Member if:

(1) the Member is an entity and the name signed purports to be that of an officer or agent of the entity;

(2) the name signed purports to be that of an administrator, executor, guardian or conservator representing the Member and, if the Company requests, evidence of fiduciary status acceptable to the Company has been presented with respect to the vote, consent, waiver or proxy appointment;

(3) the name signed purports to be that of a receiver or trustee in bankruptcy of the Member and, if the Company requests, evidence of this status acceptable to the Company has been presented with respect to the vote, consent, waiver or proxy appointment;

(4) the name signed purports to be that of a pledge, beneficial owner or attorney-in-fact of the Member and, if the Company requests, evidence acceptable to the Company of the signatory's authority to sign for the Member has been presented with respect to the vote, consent, waiver or proxy appointment; or

(5) two or more persons are the Member as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

(i) Relief From Liability if Acting in Good Faith. The Company and its officers or agents who accept or reject a vote, consent, waiver or proxy appointment in good faith and in accordance with the standards of this Section 12.13 shall not be liable in damages to the Member for the consequences of the acceptance or rejection. Any action of the Company or its officers or agents based upon the acceptance or rejection of a vote, consent, waiver or proxy appointment under the Section 12.13 is valid unless a court of competent jurisdiction determines otherwise.

12.14 Cumulative Voting for Directors. At each election for directors, each Member entitled to vote at such election shall have the right to cast, in person or by proxy, as many votes in the aggregate as the Member shall be entitled to vote under this Agreement, multiplied by the number of directors to be elected at such election. Each Member may cast the whole number of votes for one candidate, or distribute such votes among two or more candidates. Directors shall not be elected in any other manner.

12.15 Voting Rights on Sale of Assets. The consent of the Members shall be required for a sale, lease, exchange, merger, consolidation or other disposition by the Company of all, or substantially all, of its property other than in the usual and regular course of business. All Members, whether or not entitled to vote, shall be given notice of the Members' meeting at which such transaction is to be voted upon. Such notice shall state that the purpose, or one of the

purposes, of the meeting is to consider such sale, lease, exchange, merger, consolidation or other disposition.

13. CERTIFICATES FOR UNITS; TRANSFERS.

13.1 Certificates for Units. Certificates representing Units shall be in such form as may be determined by the Board. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary, if such offices be created and filled, or signed by two officers designated by the Board to sign such certificates. If a seal has been adopted, such certificates may bear such seal or its facsimile. The signature of such officers upon such certificates may be signed manually or by facsimile. All certificates for Units shall be consecutively numbered.

13.2 Transfer of Units on Company's Books. Transfer of Units shall be made only on the books of the Company by the registered holder thereof, or by the registered holder's legal representative who shall furnish proper evidence of authority to transfer, or by the registered holder's attorney-in-fact thereunto authorized by power of attorney duly executed and filed with the secretary, and on surrender for cancellation of the certificate for such Units. The person in whose name Units stand on the books of the Company shall be deemed the owner thereof for all purposes as regards the Company.

13.3 Assignment. The Member may freely assign its Units. The transferee of any Units shall automatically become a substitute Member in the place of the transferor Member with respect to the Units transferred.

14. DISSOLUTION.

14.1 When Dissolution Occurs. Except as otherwise specifically provided in the Act, the Company shall dissolve upon, but not before, the decision of the Board and the Members to dissolve the Company. Dissolution of the Company shall be effective upon the date on which the event giving rise to the dissolution occurs, but the Company shall not terminate until the assets of the Company shall have been distributed as provided in Section 14.3. Notwithstanding dissolution of the Company, prior to the liquidation and termination of the Company, the business of the Company and the affairs of the Members, as such, shall continue to be governed by this Agreement.

14.3 Distributions Upon Dissolution. Upon the dissolution of the Company, the properties of the Company to be sold shall be liquidated in orderly fashion and the proceeds thereof, and the property to be distributed in kind, shall be distributed as follows:

(a) First, to the payment and discharge of all of the Company's debts and liabilities, to the necessary expenses of liquidation and to the establishment of any reserves which the Board determines to create for unmatured and/or contingent liabilities or obligations of the Company.

(b) Second, to the Members, in accordance with the number of Units owned by each of them.

15. NO RIGHT OF WITHDRAWAL.

15.1 No Right of Withdrawal. A Member may not withdraw from the Company voluntarily and receive payment for the Member's Units.

16. EMERGENCY PROVISIONS.

16.1 Adoption of Emergency Provisions. The provisions of the Section 16 ("Emergency Provisions") shall be operative during any emergency. An emergency shall exist for purposes of this Section 16.1 if a quorum of the Board cannot readily be assembled because of some catastrophic event. All provisions of this Agreement which are consistent with the Emergency Provisions shall remain effective during the emergency. The Emergency Provisions shall not be effective after the emergency ends.

16.2 Emergency Provisions.

(a) Call of Meeting. A meeting of the Board may be called by any officer or director of the Company. Notice of the time and place of the meeting need be given by the person calling the meeting to such of the directors as it may be practicable to reach and may be given in any practicable manner, including by publication or radio. Such notice shall be given at such time in advance of the meeting as circumstances permit in the judgment of the person calling the meeting.

(b) Quorum. The director or directors in attendance at the meeting shall constitute a quorum.

(c) Lines of Succession. The Board, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such an emergency, any or all directors, officers, employees or agents of the Company shall, for any reason, be rendered incapable of discharging their duties.

(d) Change in Principal Office. The Board, either before or during any such emergency, may, effective in the emergency, change the principal office or designate several alternative principal or regional offices, or authorize the officers to do so.

(e) Liability of Officers and Directors. All Company action taken in good faith in accordance with the Emergency Provisions shall bind the Company and shall not be used to impose liability on a director, officer, employee or agent of the Company.

16.3 Changes in Emergency Provisions. The Emergency Provisions shall be subject to repeal or change by further action of the Board or by action of the Members, but no such repeal or change shall modify the provisions of this Section 16.3 with regard to action taken prior to the time of such repeal or change.

17. AMENDMENT.

17.1 Amendment of Agreement. Except as otherwise specifically provided in this Agreement, this Agreement may be modified or amended from time to time only upon the consent of the holders of a majority of the Units.

18. GENERAL.

18.1 Captions; Section References. Section titles or captions contained in this Agreement are inserted only as a matter of convenience and reference, and in no way define, limit, extend or describe the scope of this Agreement, or the intent of any provision hereof. All references herein to Sections shall refer to Sections of this Agreement unless the context clearly otherwise requires.

18.2 Number and Gender. Unless the context otherwise requires, when used herein, the singular shall include the plural, the plural shall include the singular, and all nouns, pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require.

18.3 Severability. If any provision of this Agreement, or the application thereof to any person, entity or circumstances, shall be invalid or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to the other persons, entities or circumstances, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

18.4 Binding Agreement. Except as otherwise provided herein, this Agreement shall be binding upon, and inure to the benefit of, the parties hereto, and their respective executors, administrators, heirs, successors and assigns.

18.5 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflict of laws rules.

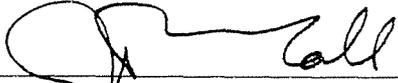
18.6 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof.

18.7 Counterparts. This Agreement may be executed in any number of counterparts and all such counterparts shall, for all purposes, constitute one agreement, binding upon the parties hereto, notwithstanding that all parties are not signatory to the same counterpart.

IN WITNESS WHEREOF, the Member has duly executed this Agreement as of the day

and year first above written.

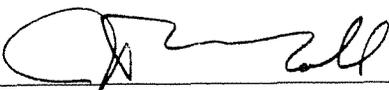
E.ON US INVESTMENTS CORP.

BY: 

John R. McCall
Chief Executive Officer and
President

and year first above written.

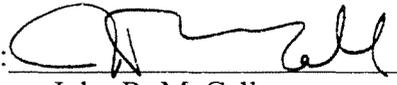
E.ON US INVESTMENTS CORP.

BY: 

John R. McCall
Chief Executive Officer and
President

and year first above written.

E.ON US INVESTMENTS CORP.

BY: 
John R. McCall
Chief Executive Officer and
President

**ANNEX A
TO
OPERATING AGREEMENT
OF
LEC LLC**

Current Members

| <u>Member Name</u> | <u>Business Address</u> | <u>Number of Units</u> |
|---------------------------|---------------------------|------------------------|
| E.ON US Investments Corp. | Grand Duchy of Luxembourg | 1 |

Dated: 29 December 2003

**ANNEX A
TO
OPERATING AGREEMENT
OF
LEC LLC**

Current Members

| <u>Member Name</u> | <u>Business Address</u> | <u>Number of Units</u> |
|---------------------------|---------------------------|------------------------|
| E.ON US Investments Corp. | Grand Duchy of Luxembourg | 1 |

Dated: 29 December 2003

**ANNEX A.1
TO
OPERATING AGREEMENT
OF
LEC LLC**

Current Members

| <u>Member Name</u> | <u>Business Address</u> | <u>Number of Units</u> |
|--------------------|-------------------------|------------------------|
| LG&E Energy Corp. | Louisville, Kentucky | 5,400,000 |

Dated: December 30, 2003 (a.m.)

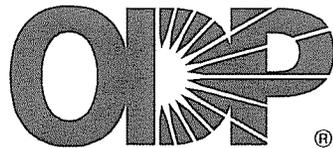
**ANNEX A.2
TO
OPERATING AGREEMENT
OF
LEC LLC**

Current Members

| <u>Member Name</u> | <u>Business Address</u> | <u>Number of Units</u> |
|---------------------------|---------------------------|------------------------|
| E.ON US Investments Corp. | Grand Duchy of Luxembourg | 1,001 |

Dated: December 30, 2003 (p.m.)

Old Dominion Power Company

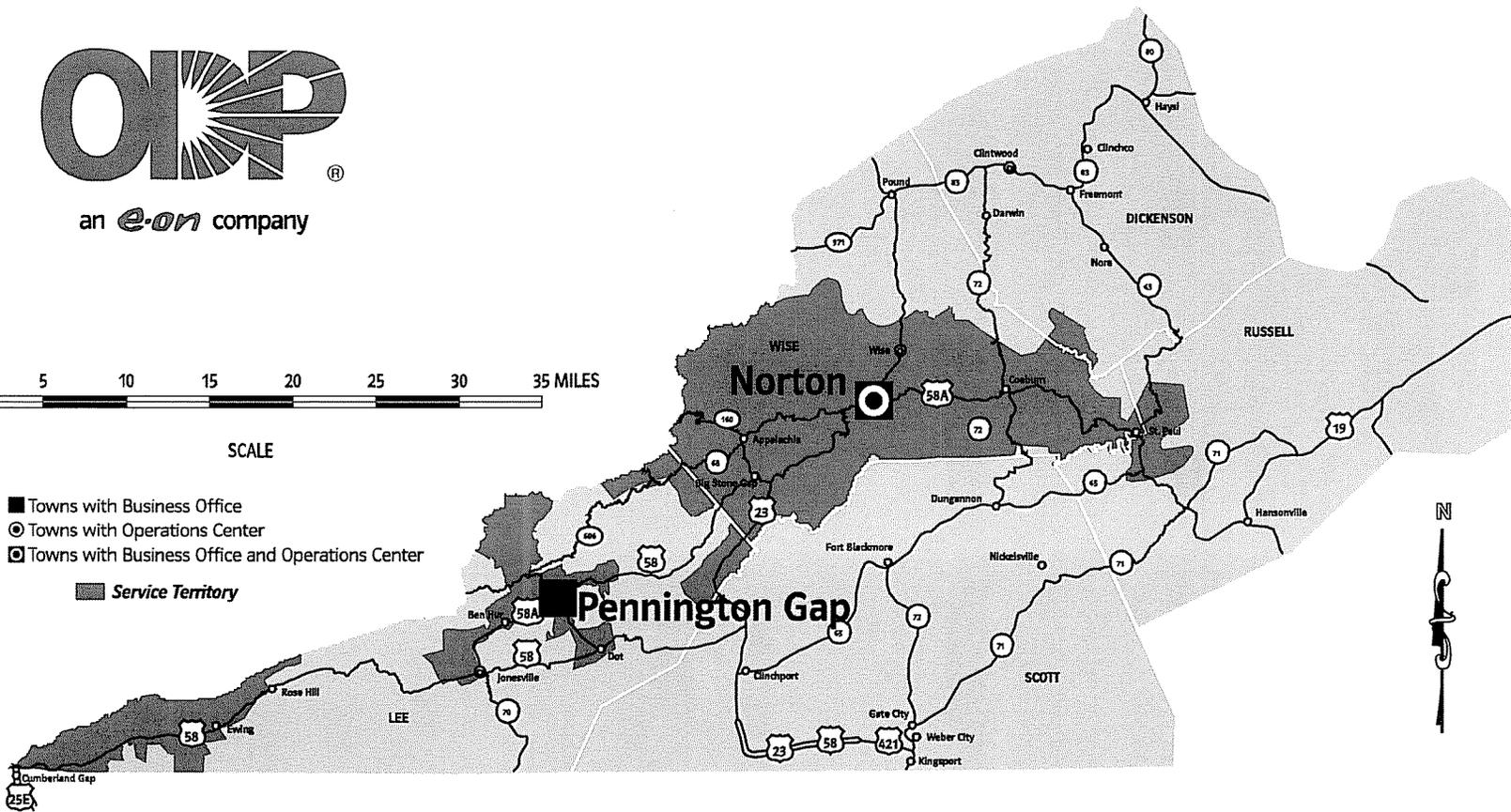


an *e-on* company



SCALE

- Towns with Business Office
- Towns with Operations Center
- ◻ Towns with Business Office and Operations Center
- ▨ Service Territory



COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

THE JOINT PETITION OF)
PPL CORPORATION, E.ON AG,)
E.ON US INVESTMENTS CORP., E.ON U.S. LLC)
AND KENTUCKY UTILITIES COMPANY D/B/A) **CASE NO. PUE-2010-00060**
OLD DOMINION POWER COMPANY)
FOR APPROVAL OF AN ACQUISITION)
OF CONTROL OF UTILITIES)

TRANSACTION SUMMARY
FOR UTILITY TRANSFERS ACT PETITION

Petitioners file this Transaction Summary in support of their petition for approval, pursuant to Chapter 5, Title 56 of the Virginia Code (§56-88 *et seq.*), as amended, of the transfer of ownership and control of Kentucky Utilities Company d/b/a Old Dominion Power Company (“KU/ODP”) (the “Joint Petition”), all in accordance with the terms of the Purchase and Sale Agreement dated as of April 28, 2010 between PPL Corporation (“PPL”), E.ON US Investments Corp. (“E.ON US Investments”), and solely for the purposes of Articles VI, IX, and X, E.ON AG (“E.ON”).¹

1. Provide a copy of the agreement.

A copy of the Purchase and Sale Agreement dated as of April 28, 2010 between PPL, E.ON US Investments, and solely for the purposes of Articles VI, IX and X, E.ON (the “Purchase and Sale Agreement”) is attached as Exhibit A to the Joint Petition. Concurrently with the filing of the Joint Petition, Petitioners are filing a Motion for Protective Order pursuant to 5 VAC § 5-20-170 relating to portions of the Company Disclosure Schedule in the Purchase and Sale Agreement.

¹ E.ON and E.ON US Investments have joined in this Joint Petition and Transaction Summary because the Petitioners believe that Va. Code §56-88 *et seq.*, as amended, requires that the proposed transferor, in addition to the proposed transferee, obtain the approval of the Commission to any transfer of ownership and control of a utility. The involvement of E.ON and E.ON US Investments in the preparation of this Joint Petition and Transaction Summary has been limited to confirmation of their respective corporate information.

2. Explain how the sales price was determined. Provide the methodology for determining the sales price as well as calculations and assumptions used.

The purchase price in the Purchase and Sale Agreement is \$7.625 billion. PPL intends to acquire all of the issued and outstanding limited liability company interests of E.ON U.S. from E.ON's indirect wholly owned subsidiary, E.ON US Investments, for \$7.625 billion comprised of \$2.062 billion in cash, refinancing the outstanding debt held by Louisville Gas and Electric Company ("LG&E") and KU/ODP currently held by an affiliate of E.ON that is not being transferred to PPL and the assumption of \$925 million in all tax-exempt bonds issued of LG&E and KU/ODP. The bonds will remain the obligations of LG&E and KU/ODP. The purchase price was determined by arms length negotiations between the parties.

3. Describe how the proposed transaction will be accounted for on the regulated utility's books of record.

The accounting for the proposed transaction has not been finalized at this time. The Purchase and Sale Agreement contemplates that the transaction will be accounted for on E.ON U.S.'s books and records and not on KU/ODP's books and records. However, it is possible that the proposed acquisition will require "pushdown accounting," under which KU/ODP's assets and liabilities would be revalued to fair value as of the date of the acquisition and an amount of goodwill may need to be recorded at the utility level. The Securities and Exchange Commission ("SEC") rules governing "pushdown accounting" are complex and the Petitioners continue to evaluate the potential effect on KU/ODP's books. The Petitioners commit, however, that they will not seek regulatory rate-recovery of costs caused by any required "pushdown."

Otherwise, the proposed acquisition will not affect KU/ODP's accounting records. KU/ODP will continue to operate as a public utility, maintain separate accounting records from

its holding company, E.ON U.S. LLC (“E.ON U.S.”)², and file reports and financial information with the Commission as a separate and distinct company in accordance with Generally Accepted Accounting Practices (“GAAP”) and the Uniform System of Accounts, as required by the Federal Energy Regulatory Commission (“FERC”), and as required by this Commission.

- 4. Provide an explanation as to why the proposed transfer is to take place and address, in specific terms, the anticipated impact on the provision of adequate service to the public at just and reasonable rates. Indicate specifically how rates will be affected and how customers will obtain service after the proposed transfer. In terms of rate impact, provide specific comparisons before and after the proposed transfer.**

E.ON has made the strategic decision to divest itself of E.ON U.S. in order to realign its operations, simplify its corporate structure, and sell certain holdings to reduce its debt. With PPL as the new owner, E.ON U.S.’s employees in Virginia gain a new and strong domestic partner for the future. E.ON, on the other hand, gains more clarity in its portfolio and room for organic growth in other markets.

The proposed acquisition will not have any adverse effect on the technical ability of KU/ODP to provide service. PPL is committed to maintaining E.ON U.S.’s and KU/ODP’s current high quality technical staff. There are no planned workforce reductions at E.ON U.S. or KU/ODP as a result of the proposed acquisition. Further, the proposed acquisition will not have any adverse effect on KU/ODP’s quality of utility service. KU/ODP has always been committed to high quality, reliable utility service and will continue to maintain such service going forward. This commitment will only be strengthened by PPL’s commitment to the same. KU/ODP will continue to maintain a substantial presence throughout its service territory in

² The current name of KU/ODP will not be changed. PPL has not yet determined the new name of E.ON U.S. For convenience, this Transaction Summary will continue to refer to E.ON U.S. as “E.ON U.S.”

Virginia in order to serve its Virginia customers, including maintaining its business office and operations center in Norton and its business office in Pennington Gap.

Finally, the proposed acquisition will not have any adverse effect on KU/ODP's Virginia customers. The proposed acquisition is not dependent on cost savings or synergies like those created when LG&E Energy merged with KU Energy in May 1998. This will be a transparent transaction for customers because local management, operations, and systems will remain intact. Similarly, the proposed acquisition will not have any effect on the rates customers pay, and PPL will not request rate increases to pay for any portion of the proposed acquisition. Approval of the proposed acquisition will not impair or jeopardize the provision of adequate service to the public at just and reasonable rates.

- 5. Indicate whether customers have been notified of the proposed transfer of control. If so, provide a copy of the notice. If not, explain why notice was not given. Also provide the number of customers in Virginia and types of services provided.**

In Virginia, KU/ODP provides retail electric service to approximately 30,000 customers. Customers were notified of the proposed acquisition in the June 2010 edition of KU/ODP's PowerSource publication. PowerSource is included each month with customer billing statements. A copy of this notice is attached as Exhibit A to this Transaction Summary.

6. **Provide complete financial statements (audited, if available), to include a Balance Sheet, Income Statement, and Cash Flow Statement, of the entity acquiring control for the last three years, if available. If the entity acquiring control already has financial statements on file with the Commission, such as Form M, Form 1, Form 2, or other Annual Financial and Operating Report, it will not be necessary to duplicate those filings.**

Copies of PPL's Form 10-K are available online at the following:

2007:

<http://www.sec.gov/Archives/edgar/data/317187/000092222408000013/pp110k2007.htm>

2008:

<http://www.sec.gov/Archives/edgar/data/317187/000092222409000020/form10k2008.htm>

2009:

<http://www.sec.gov/Archives/edgar/data/317187/000092222410000012/form10k.htm>

7. **Provide the most current financial statements (audited, if available), to include a Balance Sheet, Income Statement, Cash Flow Statement, and Capital Structure Statement for the entity disposing of control if financial statements as referenced above are not on file with the Commission.**

E.ON's financial statements for the years 2007, 2008, and 2009 are available online at:

<http://www.eon.com/en/corporate/20173.jsp>. E.ON US Investments does not have audited financial statements, but is providing relevant financial information, attached as Exhibit B to this Transaction Summary.

8. **Provide pro forma financial statements reflecting the proposed transaction for all entities involved. Include capitalization ratios.**

Copies of pro forma financial statements reflecting the proposed transaction, including capitalization ratios, for PPL, E.ON US Investments, E.ON, E.ON U.S., and KU/ODP are being prepared. Petitioners will supplement this Transaction Summary and provide relevant statements as soon as they are available.

9. **Provide copies of Virginia-specific cost/benefit analyses, merger savings analyses, market power studies, or similar reports related to the proposed transaction prepared for or on behalf of the companies in connection with the proposed transfer of control.**

PPL did not consider any synergies or savings in evaluating the economics of the proposed acquisition. Accordingly, no Virginia-specific analyses exist.

As part of its filing with the FERC, Petitioners anticipate that a market power study will be submitted. If so, Petitioners will supplement this Transaction Summary and provide the market power study.

10. **Provide as accurate as possible an estimate of any anticipated upgrades or improvements that will need to be made as a result of the proposed transfer and what impact the improvements will likely have on customers' rates.**

The Petitioners do not anticipate that any upgrades or improvements will need to be made as a result of the proposed acquisition, and therefore there will not be any impact on customers' rates.

11. **Provide any available information on additional investment that will be required to improve service quality as a result of the proposed transfer and what the likely impact will be on customers' rates.**

The Petitioners do not anticipate that any additional investment will be required to improve KU/ODP's already outstanding service quality as a result of the proposed acquisition. Following the proposed acquisition, customers of KU/ODP will continue to receive the same high-quality energy services and will have the same business arrangements with KU/ODP as before the proposed acquisition. PPL, E.ON U.S., and KU/ODP commit, however, that if new or different practices or business arrangements are implemented in the future, they will take into full consideration the related impacts on the levels of customer service and customers' rates, including any negative impacts resulting from workforce reductions.

12. Describe how the proposed transfer will be financed.

PPL has a combination of cash on hand and credit facilities in place to finance the proposed acquisition. In connection with entering into the Purchase and Sale Agreement, PPL entered into an agreement with Bank of America, N.A., Banc of America Securities LLC, Merrill Lynch, Credit Suisse AG, and Credit Suisse Securities (USA) LLC, under which PPL has been provided a 364-day unsecured bridge financing commitment to ensure a cash tender making up nearly 85% of the total purchase price. PPL also has \$3.5 billion in credit capacity under other existing multi-year credit facilities. The permanent financing contemplated by PPL for the proposed acquisition includes the offering by PPL of \$750 million to \$1 billion in high-equity-content securities, and the public offering by PPL of \$2.2 billion to \$2.6 billion in common stock. Upon completion of the proposed acquisition, PPL will have available resources and assets of about \$33 billion (about \$22 billion as of December 31, 2009), including \$3.5 billion in unused credit capacity with which to continue to pursue its business goals through its direct and indirect subsidiaries, including KU/ODP. PPL expects to issue \$800 million in unsecured corporate debt. Neither E.ON U.S. nor any of its subsidiaries, including KU/ODP, will borrow or issue any security, incur any debt or pledge any assets to finance any part of the proposed acquisition.

13. List any other jurisdictions from which approval for the proposed transfer is necessary. Provide a summary of any approvals already granted and copies of any orders already issued. Provide bi-weekly updates until a Commission Order is issued.

The Petitioners filed a Joint Application for Approval of an Acquisition of Ownership and Control of Utilities with the Kentucky Public Service Commission on May 28, 2010, and an order is anticipated in September 2010. Petitioners will also file a petition for approval of the proposed acquisition with the Tennessee Regulatory Authority, and applications with the

FERC and the Federal Communications Commission. In addition, although not an approval, the Petitioners will file a premerger notification pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976. KU/ODP will provide this Commission with bi-weekly updates and with copies of all orders as they become available.

14. Explain how and in what accounts any acquisition costs or premiums will be reflected in financial statements. Provide an estimate of the amount of such premium.

As explained above, it is possible that the proposed acquisition will require “pushdown accounting” that may affect the books and records of KU/ODP whereby its assets and liabilities may be revalued to fair value as of the date of the acquisition and a corresponding amount of goodwill may need to be recorded at the utility level. The SEC rules governing “pushdown accounting” are complex and the Petitioners continue to evaluate the potential effect on KU/ODP’s books. The Petitioners commit, however, that they will not seek rate-recovery of costs caused by any required “pushdown.” Customers of KU/ODP will not bear any costs of the proposed acquisition.

15. Provide copies of any equity analysts’ reports, press releases, or bond ratings reports regarding the proposed transfer.

Copies of available equity analysts’ reports, press releases, and bond ratings reports are attached collectively as Exhibit C to this Transaction Summary.

16. Indicate how the proposed transfer affects existing company stock plans for the regulated entity.

KU/ODP does not have a company stock plan.

17. Indicate how the proposed transfer affects the outstanding debt of the regulated entity.

Contemporaneously with the filing of the Joint Petition, KU/ODP is filing an application with this Commission for approval to issue first mortgage bonds which KU/ODP will use to repay its current unsecured indebtedness owed to Fidelia Corporation, an affiliate of E.ON, or to be issued debt in lieu of previously authorized debt to Fidelia Corporation. KU/ODP has also requested authority to issue first mortgage bonds for the purpose of securing its outstanding pollution control obligations. Neither will increase the amount of KU/ODP's outstanding or previously authorized debt. In addition, KU/ODP's existing multi-year revolving credit facilities will no longer be available once KU/ODP leaves the E.ON group. KU/ODP is requesting authority to replace those facilities as well.

18. Explain whether a different company or different individuals will be providing service to customers as a result of the proposed transfer. Be specific in your response.

Following the consummation of the proposed acquisition, the same company, KU/ODP, will continue to provide service to customers. In fact, the proposed acquisition will be transparent to KU/ODP's customers, who will see no change to their quality service. First, KU/ODP's current presence and current management will continue as presently established. The headquarters of E.ON U.S. will remain in Louisville, Kentucky, and the headquarters of KU/ODP will remain in Lexington, Kentucky for a period of 15 years. The corporate officers of E.ON U.S. and KU/ODP will maintain their current titles and responsibilities and PPL will develop a retention and incentive program for managers of E.ON U.S. and KU/ODP. E.ON U.S.'s Board of Managers (currently known as Board of Directors) will consist of at least three members, one of whom will be the CEO of E.ON U.S.

Second, KU/ODP's quality service will also continue after the proposed acquisition. The transaction will have no impact on the base rates or the operation of the fuel adjustment clauses, environmental surcharges, or demand side management clause of KU/ODP. KU/ODP's customers will experience no adverse change in utility service due to changes, if any, related to the proposed acquisition. PPL will maintain E.ON U.S.'s level of commitment to high quality service and will fully maintain KU/ODP's track record for superior service quality. PPL will adequately fund and maintain KU/ODP's transmission and distribution systems to supply their customers' service needs, and KU/ODP will continue to operate through regional offices with local service personnel and field crews. Local customer service offices will not be closed as a result of the proposed acquisition and any future closures of customer service offices will take into account the impact on customer service. KU/ODP's existing and future generation facilities will be dedicated to the requirements of its existing and future native load customers. The current policies of KU/ODP for low-income customers will not change as a result of the proposed acquisition, and PPL will review with KU/ODP whether policies more sympathetic to the needs of those customers would be appropriate. PPL and its utility subsidiary will minimize any negative impacts on customer service and satisfaction resulting from workforce reductions. KU/ODP will periodically file with the Commission the various reliability and service quality measurements it currently maintains.

19. Provide charts or diagrams illustrating the corporate structure of the involved entity or entities before and after the proposed transaction. Be sure to include the Virginia regulated entity in such charts or diagrams.

Charts illustrating relevant extracts of PPL's, E.ON AG, E.ON U.S.'s and KU/ODP's pre-acquisition corporate structures are attached as Exhibit D to this Transaction Summary. Also included in Exhibit D is the post-acquisition structure for E.ON U.S., KU/ODP and E.ON

AG. The post-acquisition structure for PPL is being completed and will be filed as soon as it is available.

20. Provide your best estimate as to the anticipated closing date for the proposed transaction.

The Petitioners are targeting a closing date on or before December 30, 2010, pending receipt of all necessary federal and state regulatory approvals and clearances.

21. Identify and quantify any anticipated costs and savings as a result of the proposed transfer. Include costs and savings due to applicable service company charges resulting from new services agreements as well as tax obligations that will be incurred as a result of the proposed transfer. Identify and quantify the portion of such costs and savings attributed to the Virginia regulated utility. Explain how any such savings will benefit Virginia customers.

PPL did not consider any synergies or savings in evaluating the economics of the proposed acquisition. The transaction is not dependent on any synergies or savings, but to the extent that any result, the customers of KU/ODP will benefit.

22. If control of a Virginia utility is being transferred to an entity that has not previously done business in Virginia, or that is not certificated in Virginia, but has previously acquired other utilities in other states, provide information on experiences in other jurisdictions and a contact person at the regulatory agency in each of the jurisdictions. In addition, provide the acquiring company's senior management's related managerial and utility experience.

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

Through PPL Electric, PPL delivers extremely reliable power to 1.4 million retail customers. Its customers have power 99.9% of the time. PPL Electric maintains more than 48,000 miles of transmission and distribution lines to provide that service. PPL Energy Funding serves as the holding company for PPL Energy Supply, LLC, the parent company of PPL's principal unregulated subsidiaries. Those principal unregulated subsidiaries are PPL Generation, LLC ("PPL Generation"), which owns and operates U.S. generating facilities; PPL EnergyPlus, LLC ("PPL EnergyPlus"), which markets and trades electricity and gas in the wholesale and retail markets, and supplies energy in some markets; and PPL Global, LLC ("PPL Global"), which indirectly owns and operates PPL's electricity distributor in the United Kingdom.

PPL, through PPL Generation and its subsidiaries, owns and operates a portfolio of domestic power generating assets located primarily in Pennsylvania, Montana, Illinois, Connecticut, and Maine. PPL Generation's power plants generally utilize a variety of fuel sources including coal, natural gas, oil, uranium, and water to produce energy. PPL, through PPL EnergyPlus, sells electricity produced by the portfolio of generation assets owned and operated by subsidiaries of PPL Generation. PPL EnergyPlus participates and trades energy in the wholesale and retail sectors, and also markets various energy commodities, primarily in the northeastern and western United States.

PPL has had several subsidiaries that have previously qualified, or are now qualified, to do business in Virginia, including: (1) Power Markets Development Company (now known as PPL Global, LLC), PPL's development subsidiary, which qualified to do business in Virginia on January 24, 1995 and withdrew its qualification on June 9, 2003 when it relocated its main offices from Virginia to Pennsylvania; (2) PPL EnergyPlus, which qualified to do business on

June 23, 2008 for the purpose of a gas marketing opportunity that ultimately did not come to fruition, though it remains qualified in Virginia; and (3) McClure Company, which does periodic HVAC work that is not a significant part of its business and which qualified to do business on May 21, 2005 and remains qualified to do business in Virginia.

PPL is under the jurisdiction of the Pennsylvania Public Utility Commission. The contact information is:

- James H. Cawley, Chairman, Pennsylvania Public Utility Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120
PPL is managed primarily by its Corporate Leadership Council, which sets the strategic direction for the company and its subsidiaries. The Corporate Leadership Council is comprised of:
- James H. Miller, Chairman, President and Chief Executive Officer, has more than 35 years of diverse experience in the electricity industry. He joined PPL in February 2001 as president of PPL Generation, PPL's subsidiary that controls or owns more than 12,000 megawatts of electrical generation capacity in the United States. He was promoted to executive vice president of PPL Corporation in January 2004 and became chief operating officer in September 2004. Mr. Miller was named president and a member of the company's board of directors in August 2005 and assumed the additional roles of chairman and CEO on October 1, 2006. Before coming to PPL, Mr. Miller was executive vice president of USEC Inc. The company, based in Bethesda, Maryland, is an international supplier of enriched uranium to nuclear utilities. Previously, he was president of two ABB Group subsidiaries: ABB Environmental Systems,

which supplied air pollution control equipment for the power industry, and ABB Resource Recovery Systems, which specialized in the design, construction and operation of waste-to-energy plants. He also served as president of the former UC Operating Services, a partnership between Constellation Energy and LG&E Energy Corp., which provided power plant operations and maintenance services. He began his career in the electricity industry at the former Delmarva Power & Light Co., where he held various engineering and management positions. A native of Wilmington, Delaware, Mr. Miller received his bachelor's degree in electrical engineering from the University of Delaware. He also served in the U.S. Navy nuclear submarine program.

- Paul A. Farr, Executive Vice President and Chief Financial Officer, joined PPL in 1998 as director of international tax for PPL Global, the subsidiary that owns and operates electricity distribution businesses serving about 2.6 million customers in the United Kingdom. He created global tax deferral structures and financing vehicles, and performed tax and financial due diligence for international acquisitions. When PPL acquired 13 generating plants in Montana in 1999, Mr. Farr served as PPL Montana's chief financial officer and vice president-Finance. He led the finance department of PPL Montana, implementing financial systems, controls and reporting procedures, and helping to create a corporate organization. He returned to PPL Global in October 2001 as vice president-Operations and chief operating officer. He was promoted to senior vice president of PPL Global in December 2003, with responsibility for overseeing all day-to-day operations of the subsidiary, including international

operations and international and domestic business development. He became vice president and controller for PPL Corporation in 2004, and was promoted to senior vice president-Financial in August 2005. In April 2007, he assumed his current position. Mr. Farr came to PPL from Illinova Generating Company, where he served as international project finance manager, coordinating financial, tax and legal due diligence for international acquisitions of electricity assets. Earlier, he was international tax manager for Price Waterhouse LLP and was employed by Arthur Andersen as an international tax senior. A native of Green Bay, Wisconsin, Mr. Farr received a master's degree in management from Purdue University and a bachelor's degree in accounting from Marquette University. He is a certified public accountant.

- William H. Spence, Executive Vice President and Chief Operating Officer, oversees the day-to-day operations of PPL's generation, marketing, and distribution and transmission companies. This includes the company's electricity delivery businesses in the United Kingdom and its nuclear development company. Mr. Spence joined PPL in 2006. Previously, he had 19 years of service with Pepco Holdings and its heritage companies, Delmarva Power and Conectiv. He joined Delmarva Power in 1987 in the company's regulated gas business, where he held various management positions before being named vice president of trading for Delmarva Power in 1996. In that position, he helped to grow the trading operations from inception to more than \$2 billion in revenues and integrated the merchant operations of Atlantic City Electric and Delmarva Power during the merger of the two companies. Mr.

Spence was named senior vice president of Conectiv in 2000, prior to the merger with Pepco, and eventually was named president of Pepco Holdings' \$3 billion competitive generation and retail marketing businesses. Mr. Spence earned a bachelor's degree in petroleum and natural gas engineering from Penn State University and a master's degree in business administration from Bentley College in Waltham, Massachusetts. He also is a graduate of the Executive Development Program at the University of Pennsylvania's Wharton School and the Nuclear Technology Program of the Massachusetts Institute of Technology.

- Robert J. Grey, Senior Vice President, General Counsel and Secretary, joined PPL in March 1995 as vice president, general counsel and secretary. He was promoted to his current position in March 1996. Prior to his work at PPL, Mr. Grey was general counsel for Long Island Lighting Co. Prior to that, he had been a partner with the law firm of Preston Gates & Ellis (now K&L Gates) in Seattle, Washington, and Portland, Oregon. His experience also includes several years as a staff counsel for the New York Public Service Commission, and he served as an attorney for the U.S. Environmental Protection Agency. Mr. Grey is a member of the bar in Maryland, the District of Columbia, New York, Oregon, Washington, Pennsylvania and Georgia (inactive). He also is a member of the American Bar Association, where he serves on the Council Group of the Public Utility, Communications and Transportation Law Section. A native of Westbury, Long Island, in New York, Mr. Grey earned a bachelor's degree from Columbia University, a doctor of laws degree from Emory

University, and a master of laws degree in taxation from George Washington University.

23. Discuss any anticipated economic impacts related to jobs and facilities in Virginia as a result of the proposed transfer. Explain and discuss any anticipated elimination or increase in jobs in Virginia.

There will be no adverse economic impact related to jobs or facilities in Virginia as a result of the proposed acquisition. There are no planned workforce reductions as a result of the proposed acquisition. Further, KU/ODP will continue to operate through regional offices with local service personnel and field crews, and local customer service offices will not be closed as a result of the proposed acquisition. KU/ODP intends to maintain its business office and operations center in Norton and its business office in Pennington Gap.

24. Identify the source of debt and equity for the regulated company after the proposed transaction.

As noted in Item 17, KU/ODP intends to replace its current debt to an E.ON affiliate with external secured first mortgage bonds, and also to use first mortgage bonds to secure its outstanding and future pollution control obligations. KU/ODP anticipates that for long-term debt financing it will rely upon external, secured debt in the future. Following consummation of the proposed acquisition, its equity will be held within the PPL system, rather than the E.ON system. Contemporaneously with the filing of the Joint Petition, KU/ODP is filing an application for approval of this refinancing.

25. Explain how the proposed transaction will impact the regulated company's cost of capital.

As discussed in more detail in the financing application being filed concurrently with the filing of the Joint Petition, KU/ODP expects that by replacing its unsecured debt with secured debt, its cost of capital will be lower.

26. Explain how the proposed transaction will affect the regulated company's access to financial and capital markets.

KU/ODP will continue to have access to the capital markets and will, when and as required by applicable laws, seek approval from this Commission, as well as the Kentucky Public Service Commission, the Tennessee Regulatory Authority, and the FERC before issuing any securities or forms of debt. The proposed acquisition by PPL will continue to provide KU/ODP full access to capital markets to raise funds for investments in facilities to serve customers. The restructuring of the current unsecured debt and issuance of first mortgage bonds, discussed in more detail in KU/ODP's Refinancing Application, will allow it to continue to raise capital at reasonable rates. Historically, first mortgage bonds have provided KU/ODP with access to reasonably priced capital.

27. Discuss what impact the proposed transfer is likely to have on competition in Virginia and how that impact will affect the provision of adequate service to the public at just and reasonable rates. Include a list of companies considered to be competitors.

The Petitioners do not believe that the proposed acquisition will have any effect whatsoever on competition in Virginia. KU/ODP is not in any competitive market in Virginia.

EXHIBITS

- Exhibit A: June 2010 edition of PowerSource
- Exhibit B: Financial information on E.ON US Investments
- Exhibit C: Relevant equity analysts reports, press releases and bond rating reports
- Exhibit D: Charts showing relevant extracts of PPL's, E.ON AG, E.ON U.S.'s and KU/ODP's pre-acquisition structure and E.ON AG, E.ON U.S.'s and KU/ODP's post-acquisition structure



POWERSOURCE

Customers first. Energy that lasts.



In Your Community

For 15 years, Clyde Rowlett, Coal Equipment Operator at Ghent Plant, has been a volunteer firefighter at the Westside Fire Department in Carroll County. Rowlett and other volunteers respond to fires, vehicle accidents and other events where assistance is needed. As part of the completely volunteer fire department, Rowlett knows his involvement is critical. Without volunteers like him, there likely would be no first responders.

Although all of his runs are important, one stands out in his mind. "The children really wanted the dog that was still in the burning house, but we had pretty much given up hope," said Clyde. "But there he was, in between two pieces of drywall, a little warm but safe. The children were so excited. It just makes you feel good when you're able to give people something they really want."



PPL Corporation to acquire E.ON U.S.

PPL Corporation and E.ON A.G. entered into a definitive agreement for the sale of E.ON U.S. (the parent company of Old Dominion Power) to PPL for \$7.625 billion. PPL, headquartered in Allentown, Pennsylvania, currently owns or controls nearly 12,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to about four million customers in Pennsylvania and the United Kingdom.

"We are extremely pleased that we've crossed the finish line with a new partner that will be a great asset. PPL is an outstanding company with a strong commitment to their customers and the communities they serve," said Victor A. Staffieri, chairman, CEO and president of E.ON U.S.

"Through this transaction, we are taking advantage of a rare opportunity to add to the PPL family of companies the experience, talent and values of an organization with a proven track record of cost-effective operations, a strong focus on customer service and constructive regulatory relationships," stated James H. Miller, PPL's chairman, president and chief executive officer. "Together we expect to build on each company's superior track record for customer service and dedication to the communities we serve."

PPL is dedicated to being a strong partner to ODP and the communities in which it operates. PPL commitments include:

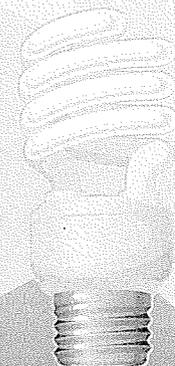
- Name of ODP to remain unchanged.
- Management team will remain intact and continue current duties and responsibility of running the day-to-day operations.
- E.ON headquarters to remain in Kentucky for 15 years.

- Power produced will be dedicated to existing and future native load customers.
- No downsizing of ODP work force.
- Company to maintain commitments to local communities, charitable giving and economic development opportunities.
- Continued pursuit of emission control technology as part of its environmental stewardship. Approximately 50 percent of its portfolio consists of coal-fired plants, and PPL has made significant investments to upgrade its plants with state-of-the-art emission control technology.
- Best-in-class service will be maintained.

The transaction is subject to approvals by the Kentucky Public Service Commission, the Virginia State Corporation Commission and Federal Energy Regulatory Commission, among others. The companies anticipate completing the transaction by the end of the year, subject to regulatory approvals and customary closing conditions.

Be a Smart Saver USE CFL BULBS!

To save up to \$27 a year, change your five most-used light bulbs to energy-efficient compact fluorescent light (CFL) bulbs. The more bulbs you change, the more you'll save.



An easy way to pay your bill

Looking for ways to save money? How about helping the environment? With auto pay, you can do both. Auto pay saves you money because you won't have to buy checks or stamps to mail your payment. It also helps the environment by cutting down on the amount of paper you use and trips to the post office to mail your payment.

More than one hundred thousand customers take advantage of the auto pay program, which deducts your payment

automatically each month from your bank account on the payment due date.

As an auto pay customer, you will still receive a monthly statement in plenty of time to verify the information on your statement and to record the amount that will be automatically withdrawn from your bank account. Enrollment is easy.

For more information or to enroll, visit www.eon-us.com or call (800) 981-0600.

Simple ways to manage your energy costs

- **Review your bill carefully each month.** Look for unexpected increases in your usage. They could be a signal of a larger problem, such as decayed caulking around your windows.
- **Don't place lamps or TV sets near your air-conditioning thermostat.** The thermostat senses heat from these appliances, which can cause the air conditioner to run longer than necessary.
- **Turn off fans in rooms not in use.** Fans are effective at cooling you – not the room.
- **Take short showers instead of baths.** You will save on hot water energy costs and also reduce your waste water bill.
- **In the summer, keep curtains, drapes and blinds closed during the hottest part of the day** to prevent the sun's rays from heating your home.
- **Raise the thermostat at least two degrees** in the summer. Raise it even more when on vacation or at work.
- **Unplug.** Be it a phone charger or blender, anything plugged into an outlet is drawing energy even when turned off. Avoid this by unplugging anything not in use.
- **Flip the switch.** Turn off lights when leaving a room. Avoid the temptation to have the lights on all evening and be sure to turn off all the lights when heading to bed.



Technotes

Energy efficiency for your computer and home office

Technology allows us advantages we could scarcely dream of years ago. It also significantly increases our home energy usage. Follow these tips to help lower your usage and safeguard your technological devices.

- **Turn off your computer and printer when not in use.** This not only will save you energy, it can help prolong the life of your fans and other computer parts that wear out with use.
- **Screen savers save your screen's integrity, not energy!** It is a common misconception that screen savers save energy, so remember instead to set your computer monitor to sleep or turn it off.
- **Unplug your peripherals.** Have a printer, fax machine, scanner or other extra equipment in your home office that you use sparingly? Save energy by unplugging these when not in use.
- **In the market for a new computer, printer or other device?** Select an energy-efficient model. ENERGY STAR® labeled computers use 70% less electricity than other computers.
- **Don't forget your desk lamp!** Use a compact fluorescent light (CFL) bulb in your home office's lamp as well as your home lighting.

Contact Information

Old Dominion Power
ODP Customer Service
Monday – Friday
7 a.m. – 7 p.m. (EST)
(800) 981-0600

www.twitter.com/eonus



24-hour Power Outages
(800) 981-0600

Business Service Center
Monday – Friday
7 a.m. – 6 p.m. (EST)
(859) 367-1200
(800) 383-5582

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E.ON US INV CORP
Balance Sheets and Income Statements
12/31/09, 12/31/08 and 12/31/07, and the Years then Ended

| | 2009 | 2008 | 2007 |
|--|---------------------------|---------------------------|-----------------------|
| REVENUES: | | | |
| Electric utility | 2,144,979 | 2,221,302 | 2,060,195 |
| Gas utility | 354,285 | 451,903 | 352,682 |
| International and non-utility | 1,870 | 2,139 | 2,492 |
| Net revenues | <u>2,501,134</u> | <u>2,675,344</u> | <u>2,415,369</u> |
| OPERATING EXPENSES: | | | |
| Operation and maintenance: | | | |
| Fuel and power purchased | 949,048 | 1,053,674 | 925,673 |
| Gas supply expenses | 236,823 | 349,354 | 254,616 |
| Utility operation and maintenance | 607,110 | 532,617 | 491,432 |
| International and non-utility operation and maintenance | 26,131 | 30,152 | 34,073 |
| Depreciation, accretion and amortization | 271,180 | 265,026 | 248,346 |
| Total operating expenses | <u>2,090,292</u> | <u>2,230,823</u> | <u>1,954,140</u> |
| Losses on impairment of assets | <u>(1,493,000)</u> | <u>(1,806,000)</u> | <u>0</u> |
| OPERATING (LOSS) INCOME | (1,082,158) | (1,361,479) | 461,229 |
| Equity in earnings of unconsolidated ventures | 346 | 29,128 | 26,239 |
| Other income and (deductions) | 40,934 | (7,592) | 74,692 |
| Interest expense - affiliated companies | (191,723) | (237,143) | (225,593) |
| Interest charges and preferred dividends | <u>(23,291)</u> | <u>(38,881)</u> | <u>(53,507)</u> |
| <i>(Loss) income from continuing operations, before income taxes</i> | <i>(1,255,892)</i> | <i>(1,615,967)</i> | <i>283,060</i> |
| Income taxes | <u>66,672</u> | <u>(32,958)</u> | <u>63,717</u> |
| <i>(Loss) income from continuing operations</i> | <i>(1,322,564)</i> | <i>(1,583,009)</i> | <i>219,343</i> |
| Loss from discontinued operations, net of income tax benefit | (150,761) | (173,004) | (109,352) |
| Loss on disposal of discontinued operations | <u>(69,066)</u> | <u>0</u> | <u>0</u> |
| Net (loss) income excluding noncontrolling interest | (1,542,391) | (1,756,013) | 109,991 |
| Noncontrolling interest - income statement | <u>(4,628)</u> | <u>(7,532)</u> | <u>(583)</u> |
| NET (LOSS) INCOME | <u>(1,547,019)</u> | <u>(1,763,545)</u> | <u>109,408</u> |
| ASSETS: | | | |
| Cash and temporary cash investments | 36,095 | 69,301 | 53,953 |
| Restricted cash | 761 | 11,915 | 17,922 |
| Accounts receivable - less reserve | 320,214 | 367,709 | 361,539 |
| Materials and supplies | | | |
| Fuel (predominantly coal) | 158,235 | 123,209 | 87,696 |
| Gas stored underground | 56,183 | 112,152 | 81,188 |
| Other materials and supplies | 72,384 | 68,074 | 65,211 |
| Deferred income taxes | 37,877 | 35,797 | 15,188 |
| Assets of discontinued operations | 90,241 | 919,204 | 921,794 |
| Prepayments and other | 100,971 | 164,241 | 46,000 |
| Total current assets | <u>872,961</u> | <u>1,871,602</u> | <u>1,650,491</u> |
| Net utility plant | 7,145,009 | 6,714,594 | 6,018,043 |

E.ON US INV CORP
Balance Sheets and Income Statements
12/31/09, 12/31/08 and 12/31/07, and the Years then Ended

| | 2009 | 2008 | 2007 |
|---|------------------|-------------------|-------------------|
| Investments in unconsolidated ventures | 20,656 | 31,160 | 31,432 |
| Investments in combustion turbines and other | 4,915 | 11,843 | 9,465 |
| Total other property and investments | <u>25,571</u> | <u>43,003</u> | <u>40,897</u> |
| Regulatory assets - pension and postretirement benefits | 308,788 | 387,000 | 137,728 |
| Regulatory assets - other | 242,459 | 153,062 | 180,966 |
| Goodwill, net | 837,244 | 2,330,244 | 4,136,244 |
| Restricted cash | 0 | 21,965 | 11,722 |
| Other deferred debits | 75,374 | 55,449 | 72,200 |
| Total deferred debits and other assets | <u>1,463,865</u> | <u>2,947,720</u> | <u>4,538,860</u> |
| Total assets | <u>9,507,406</u> | <u>11,576,919</u> | <u>12,248,291</u> |
| CAPITAL AND LIABILITIES: | | | |
| Current portion of long-term debt | 347,977 | 347,977 | 177,020 |
| Current portion of long-term debt - affiliated company | 98,041 | 75,468 | 2,433,874 |
| Notes payable – affiliated company | 850,806 | 298,606 | 61,800 |
| Accounts payable | 211,049 | 280,800 | 286,748 |
| Accounts payable to affiliated companies | 32,523 | 52,056 | 26,260 |
| Liabilities of discontinued operations | 7,268 | 1,006,563 | 887,628 |
| Customer deposits | 44,435 | 42,701 | 38,947 |
| Other current liabilities | 265,709 | 192,616 | 188,144 |
| Total current liabilities | <u>1,857,808</u> | <u>2,296,787</u> | <u>4,100,421</u> |
| Long-term debt - affiliated | 5,625,977 | 5,328,977 | 2,396,000 |
| Long-term debt - external | 415,906 | 416,156 | 756,201 |
| Total long-term debt | <u>6,041,883</u> | <u>5,745,133</u> | <u>3,152,201</u> |
| Accumulated deferred income taxes | 87,688 | 435,498 | 486,358 |
| Investment tax credit | 152,192 | 130,301 | 101,098 |
| Accumulated provision for pensions and related benefit | 540,360 | 591,122 | 277,441 |
| Asset retirement obligations | 65,525 | 63,299 | 59,946 |
| Regulatory liability - accumulated COR | 586,223 | 579,399 | 550,871 |
| Regulatory liability - other | 75,580 | 96,836 | 101,721 |
| Other deferred credits | 111,681 | 121,448 | 83,770 |
| Total deferred credits and other liabilities | <u>1,619,249</u> | <u>2,017,903</u> | <u>1,661,205</u> |
| Member's equity | <u>(11,534)</u> | <u>1,517,096</u> | <u>3,334,464</u> |
| Total capital and liabilities | <u>9,507,406</u> | <u>11,576,919</u> | <u>12,248,291</u> |



Press Release

4.28.2010

PPL Corporation to Acquire E.ON U.S.

- *Headquarters and Management of LG&E and KU to Remain Unchanged*
- *No Downsizing of LG&E and KU Work Forces*
- *Combination Creates Strong Partnership for LG&E, KU and the Served Communities*
- *Companies to Maintain Commitments to Local Communities and Charitable Giving*

LOUISVILLE, Ky. — E.ON U.S., a diversified energy services company that owns and operates Louisville Gas and Electric Company and Kentucky Utilities Company, today announced that E.ON (NYSE: EON; Frankfurt: EOA), its parent company, and PPL Corporation (NYSE: PPL) have entered into a definitive agreement for the sale of E.ON U.S. to PPL for \$7.625 billion.

"In a week in which all eyes are on Kentucky, we are extremely pleased that we've crossed the finish line with a new partner that will be a great asset for the Commonwealth of Kentucky. PPL is an outstanding company with a strong commitment to their customers and the communities they serve," said Victor A. Staffieri, chairman, CEO and president of E.ON U.S.

"As part of the transaction, PPL is making a series of commitments, created in part through discussions with Governor Beshear and Mayor Abramson, ensuring that the headquarters remain in Kentucky for 15 years, the management team remains intact, no jobs will be lost as a result of the transaction, our community investment levels remain unchanged and our support of economic development continues.

"It is a winning combination that benefits employees, customers, investors and the Commonwealths of Kentucky and Virginia," added Staffieri.

"With LG&E and KU we have found strategic partners that will benefit our shareholders as well as the Commonwealths of Kentucky and Virginia," said James H. Miller, PPL's chairman, president and chief executive officer. "Through this transaction, we are taking advantage of a rare opportunity to add to the PPL family of companies the experience, talent and values of an organization with a proven track record of cost-effective operations, a strong focus on customer service and constructive regulatory relationships.

"We are committed to becoming a trusted partner and valued corporate citizen in the Commonwealths of Kentucky and Virginia. We are committed to continuing high-quality service to customers, preserving jobs and maintaining the management team and corporate headquarters in Kentucky," continued Miller. "Together we expect to build on each company's superior track record for customer service and dedication to the communities we serve."

PPL Commitments

PPL is dedicated to being a strong partner to LG&E, KU, and the communities in which they operate. As part of this commitment, PPL noted that:

- **LG&E and KU Will Maintain Existing Headquarters and Names:** The corporate headquarters will remain in Louisville. LG&E and KU will also maintain their headquarters in Louisville and Lexington, respectively, and will continue to operate under their current names.
- **Management Team Remains in Place and in Kentucky:** Local leadership of E.ON U.S. will remain intact, continuing their current duties and responsibilities — in Kentucky — running the day-to-day operations of LG&E and KU.
- **No Downsizing as a Result of this Transaction:** PPL commits that no planned work force reductions will be made as a result of this transaction. All union contracts remain in place, and LG&E and KU will maintain their same position of neutrality on future organizing activities in our area.
- **Power from LG&E and KU Dedicated to Existing Customers:** Consistent with current operations, power produced by LG&E and KU will be dedicated to their existing and future native load customers.

- **Same Economic Development Criteria:** PPL has committed to helping further LG&E's and KU's existing efforts to help bring new jobs to Kentucky. They will continue to work with the Commonwealth of Kentucky and the various agencies to proactively pursue economic development opportunities.
- **Support for Low-Income Customers to Continue:** LG&E and KU will continue to provide at least the same level of assistance for low-income customers that they do today.
- **Local Communities Can Continue to Count on LG&E and KU:** PPL has an established record as a leader in community giving. LG&E and KU will maintain at least the same level of charitable giving as they do today.
- **Clean Coal and Alternative Energy Investments to be Pursued:** PPL has an established track record of responsible environmental stewardship. Approximately 50 percent of its portfolio consists of coal-fired plants, and PPL has made significant investments to upgrade its plants with state-of-the-art emission control technology. PPL is committed to working with Kentucky officials to continue to pursue these opportunities in the Commonwealth.
- **Best-in-Class Service Will Be Maintained:** Like LG&E and KU, PPL and its employees are known for providing award-winning customer service. PPL Electric Utilities Corp. has - and LG&E and KU have - received numerous J.D. Power and Associates awards for customer satisfaction. Both companies are committed to ensuring continued high-quality customer service.

In an initiative that was not part of the transaction agreement, E.ON has voluntarily committed, in recognition of the community relationships it has built as the parent company of LG&E and KU over the past decade, to make the following donations: \$2 million to the University of Kentucky for clean coal research; \$2 million to the University of Louisville for engineering and energy efficiency programs; and \$2 million to the E.ON U.S. Foundation for community and charitable needs.

"E.ON has been a strong partner in Kentucky and they want to leave a legacy for the future," Staffieri said. "Throughout their ownership, they have invested in LG&E and KU, especially in areas of research and development and supporting the civic and charitable organizations in the communities we serve. In addition to the commitments made by PPL, E.ON's donations will help ensure those efforts continue."

Approvals and Timing

Among others, the transaction is subject to approvals by the Kentucky Public Service Commission, the Virginia State Corporation Commission and Federal Energy Regulatory Commission. The companies anticipate completing the transaction by the end of the year, subject to regulatory approvals and customary closing conditions.

About E.ON U.S.

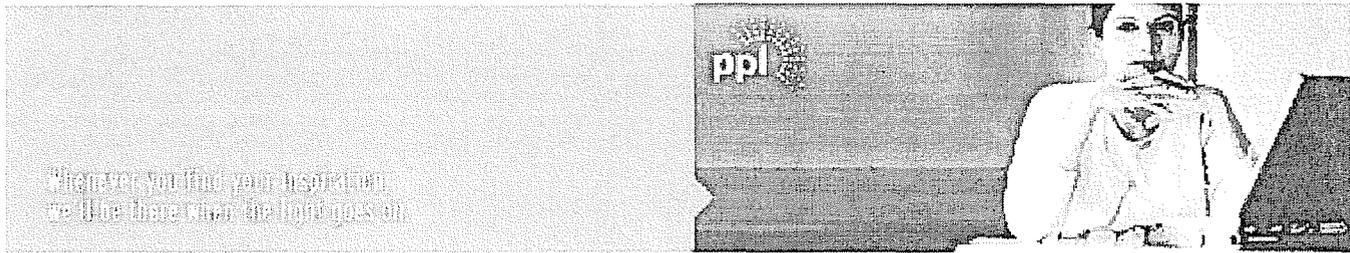
E.ON U.S., headquartered in Louisville, Ky., is a subsidiary of E.ON, the world's largest investor-owned energy services provider. E.ON U.S. is a diversified energy services company that owns and operates Louisville Gas and Electric Company, a regulated utility that serves 321,000 natural gas and 396,000 electric customers in Louisville and 16 surrounding counties, and Kentucky Utilities Company, a regulated electric utility in Lexington, Ky., that serves 545,000 customers in 77 Kentucky counties and five counties in Virginia.

About E.ON

With just under EUR82 billion in sales and roughly 88,000 employees, E.ON is one of the world's largest investor-owned power and gas companies.

About PPL Corporation

PPL Corporation, headquartered in Allentown, Pa., owns or controls nearly 12,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to about four million customers in Pennsylvania and the United Kingdom.



 Print this article

APRIL 28, 2010

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PPL Corporation to acquire Kentucky's two major utilities

Transaction expands footprint and improves business mix

PPL Corporation (NYSE: PPL) and E.ON AG today announced a definitive agreement under which PPL will acquire E.ON U.S. LLC, the parent company of Kentucky's two major utilities, Louisville Gas & Electric Company and Kentucky Utilities Company. These high-performing utilities serve 1.2 million customers, principally in Kentucky.

PPL is acquiring E.ON U.S. for \$7.625 billion and will receive tax benefits with a present value of about \$450 million as part of the transaction. Taking into account the tax benefits, the effective purchase price is \$7.175 billion.

The acquisition will transform PPL into a more geographically diverse utility holding company with combined annual revenues of about \$10 billion, serving nearly 5 million electricity customers in the United States and the United Kingdom, and owning or controlling about 20,000 megawatts of U.S. electricity generating capacity.

"This is a transformational, value-rich transaction, which will immediately improve PPL's business mix by adding high-performing regulated utility operations to our already strong combination of excellent regulated businesses and our high-value competitive generation fleet," said James H. Miller, PPL's chairman, president and chief executive officer.

"We are adding scale, creating a much stronger and more diversified enterprise while providing additional opportunities for regulated-business growth and, importantly, retaining the upside benefits of our competitive fleet when wholesale power market prices improve," said Miller. "Clearly, for PPL shareowners, this is the right deal at the right time."

The transaction, Miller said, takes advantage of "a rare opportunity to add to PPL the experience, talent and values of an organization with a proven track record of cost-effective operations, a strong focus on customer service and constructive regulatory relationships."

Miller said PPL intends to operate the company as a wholly owned subsidiary of PPL Corporation, retaining the headquarters in Louisville, as has been the case with E.ON AG ownership. Customers will continue to be served by LG&E and KU, with operational headquarters in Louisville and Lexington, respectively.

"We are very pleased to join the excellent management team and employees of PPL, who operate one of the most effective and customer-friendly utilities in the United States and the U.K.," said Vic Staffieri, chairman, chief executive officer

and president of E.ON U.S.

PPL, Miller said, is committed to providing the highest quality service to Kentucky customers and does not anticipate any change in Kentucky employment levels as a result of this transaction.

PPL will pay for the transaction with \$6.7 billion of cash and through the assumption of \$925 million of tax-exempt debt. PPL has committed bridge financing in place from Bank of America Merrill Lynch and Credit Suisse. Miller said the permanent financing plan will include a combination of common equity, first mortgage bonds, corporate debt, high-equity-content securities and cash on hand. Proceeds from the sale of PPL non-core assets may be explored as a potential to fund a portion of the transaction.

Miller said the transaction is anticipated to be modestly dilutive in the first full year and accretive to earnings by 2013.

"Adding the proven operations of LG&E and KU in the constructive Kentucky regulatory framework will enhance the overall business risk profile of PPL, which we believe will lead to improved access to capital, a stronger credit profile and solid, investment-grade credit ratings in each of our businesses," said Miller.

Miller also said that the company expects to announce next week (May 6) reported earnings of \$0.66 per share for the first quarter of 2010 compared with \$0.64 per share for the first quarter of 2009, and earnings from ongoing operations of \$0.94 per share for the first quarter of 2010 compared with \$0.60 per share for the first quarter of 2009.

At that time, he said, the company also will reaffirm its 2010 forecast of earnings from ongoing operations of \$3.10 to \$3.50 per share and for reported earnings of \$2.82 to \$3.22 per share (reflecting special items recorded through March 31, 2010). These forecasts do not reflect any impact of this transaction or the related financings.

The transaction is expected to close by the end of this year. It requires approvals by state regulators in Kentucky, Virginia and Tennessee and by the Federal Energy Regulatory Commission as well as the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. No shareowner approvals are necessary for the transaction. Credit Suisse and Bank of America Merrill Lynch served as PPL's financial advisers. Simpson Thacher & Bartlett, LLP, served as legal adviser.

E.ON U.S., through LG&E and KU, provides electricity service to 941,000 customers, mostly in the state of Kentucky, with some customers in Virginia and Tennessee. LG&E also provides natural gas delivery service to 321,000 customers in Kentucky. E.ON U.S. has about 3,100 employees and owns and operates about 8,000 megawatts of regulated electric generation capacity.

PPL Corporation, headquartered in Allentown, Pa., owns or controls nearly 12,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to about 4 million customers in Pennsylvania and the United Kingdom. The company has about 10,000 employees. [Click here](#) for a fact sheet for the combined companies.

#

Conference Call and Webcast

PPL invites interested parties to listen to the live webcast of management's teleconference with financial analysts about the acquisition in New York City at 8 a.m. Thursday (4/29). The meeting is

available online live, in audio format, along with slides of the presentation, by [clicking here](#). The webcast will be available for replay on the site for 30 days. Interested individuals also can access the live conference call via telephone at 1-888-396-2386, passcode PPL.

#

Statements contained in this press release, including statements with respect to future events and their timing, including the acquisition by PPL Corporation of E.ON U.S. LLC and its subsidiaries Louisville Gas & Electric Company and Kentucky Utilities Company (collectively, the "E.ON Entities"), the expected results of operations of any of the E.ON Entities or PPL Corporation both before or following PPL Corporation's acquisition of the E.ON Entities, as well as statements as to future earnings, energy prices, margins and sales, growth, revenues, expenses, cash flow, credit profile, ratings, financing, asset disposition, marketing performance, hedging, regulation, corporate strategy and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: capital market conditions and decisions regarding capital structure; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; stock price performance; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, the E.ON Entities and either of their subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; the impact of state, federal or foreign investigations applicable to PPL Corporation, the E.ON Entities and either of their subsidiaries; the outcome of litigation against PPL Corporation, the E.ON Entities and either of their subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation, the E.ON Entities and either of their subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax or environmental legislation or regulation; and the commitments and liabilities of PPL Corporation, the E.ON Entities and each of their subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

"Earnings from ongoing operations" should not be considered as an alternative to reported earnings, or net income attributable to PPL, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that "earnings from ongoing operations," although a non-GAAP financial measure, is also useful and meaningful to investors because it provides them with management's view of PPL's fundamental earnings performance as another criterion in making their investment decisions. PPL's management also uses "earnings from ongoing operations" in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

"Earnings from ongoing operations" is adjusted for the impact of special items. Special items include:

- *The impact of energy-related economic activity (as discussed below).*
- *Foreign currency-related economic hedges.*
- *The impact of sales of assets not in the ordinary course of business.*
- *Impairment charges (including impairments of securities in the company's nuclear decommissioning trust).*
- *Workforce reduction and other restructuring impacts.*
- *Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.*

Energy-related economic activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL's generation assets, load-following and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Also included in this special item are the ineffective portion of qualifying cash flow hedges and the premium amortization associated with options classified as economic activity. These items are included in ongoing earnings over the delivery period of the item that was hedged or upon realization. Management believes that adjusting for such amounts provides a better matching of earnings from ongoing operations to the actual amounts settled for PPL's underlying hedged assets.

[Click here](#) for details of all special items and the reconciliation of earnings from ongoing operations to reported earnings.

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28 April 2010

PPL Corp.

Reuters: PPL.N Bloomberg: PPL UN Exchange: NYS Ticker: PPL

And the winner is...

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PPL announces acquisition of E.On's US utilities

This evening, PPL announced that it will acquire E On U.S., a subsidiary of E On and the parent of two regulated utilities located primarily in Kentucky (Louisville Gas & Electric and Kentucky Utilities) for \$7.625B. PPL had previously indicated that it would be interested in acquiring mostly regulated utility assets to lower its risk profile and add scale. We reiterate our Hold rating, as we expect execution risk related to the transaction to be an overhang for the next several months.

Kentucky utilities outlook key for transaction value

PPL's purchase price of \$7.625B represents roughly 9.3x the 2009 adjusted EBITDA reported by E On for the business and excluding the tax benefits in the purchase price. We note that with the utilities only earning ~6% ROE in 2009, simply improving the earned returns (which we expect pending rate cases to allow for), should push earnings higher. At tomorrow's meeting, we expect PPL to focus on a "normalized" earnings level, showing improvement in earned ROEs, the addition of major capital projects to rate base, and lower sales (from the economic downturn) being reflected in rates. We also expect them to provide some outlook for rate base growth at the utilities going forward. We note that both LG&E and KU have rate cases pending before the Kentucky PSC, and they should be decided later this year (3Q09).

Waiting for more details on financing, tax benefits

PPL laid out its permanent financing options (common equity, first mortgage bonds, corporate debt, hybrids, and cash on hand), but we expect clarity on more specific financing plans at tomorrow's meeting. Based on PPL's comments on only modest dilution in 2011, we do not expect more than 40% equity in the mix. We believe a 30%-40% equity financing range is most likely, and we estimate it would require a \$150M-\$235M improvement in EBITDA contribution (20%-30%) from the Kentucky utilities to eliminate dilution. Based on the depressed EBITDA levels seen in 2009, we do not view this as terribly difficult to achieve by 2013, when PPL expects the transaction to be accretive. PPL also highlighted a \$450M NPV of tax benefits they will receive related to the transaction, but it is unclear when these would be realized.

No change to \$32 price target as we assess transaction's impact

We value PPL using a sum-of-the-parts analysis. We value PPL's utilities at 11x 2012 EPS and the merchant segment at 7.5x 2012 EBITDA. Key upside risks include higher commodity prices and better rate case outcomes. Downside risks include lower commodity prices and capital spending delays or disallowances.

Financial ratios

| Year End Dec 31 | 2009A | 2010E | 2011E |
|--------------------|-------|-------|-------|
| FY EPS (USD) | 1.95 | 3.35 | 3.05 |
| P/E (x) | 15.7 | 7.7 | 8.4 |
| DPS (USD) | 1.37 | 1.40 | 1.42 |
| Dividend yield (%) | 4.5 | 5.4 | 5.5 |

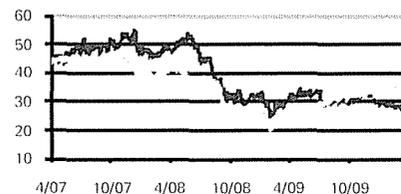
Source: Deutsche Bank estimates company data

¹ Includes the impact of FAS123R requiring the expensing of stock options

Breaking News

Hold

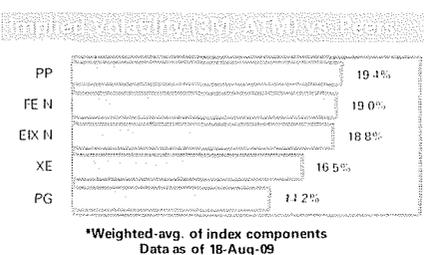
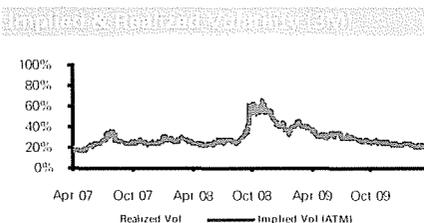
| | |
|----------------------------|---------------|
| Price at 28 Apr 2010 (USD) | 25.60 |
| Price target | 32.00 |
| 52-week range | 34.34 - 25.60 |



S&P 500 INDEX (Rebased)

| | | | |
|-----------------|------|-------|-------|
| Performance (%) | 1m | 3m | 12m |
| Absolute | -7.2 | -13.8 | -14.0 |
| S&P 500 INDEX | 2.1 | 9.9 | 39.3 |

| | |
|-------------------------------------|-----------|
| Market cap (USDm) | 9,660.2 |
| Shares outstanding (m) | 377.3 |
| Free float (%) | 100 |
| Volume (28 Apr 2010) | 3,638,300 |
| Option volume (und. shrs., 1M avg.) | 35,465 |
| Short interest (m) | - |
| Short interest (%) | - |
| Institutional ownership (%) | - |
| DPS (USD) | 1.40 |



Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 106/05/2009

Global Markets Research

Model updated: 22 April 2010

Running the numbers

North America

United States

Utilities and Power

PPL Corp.

Reuters: PPL N

Bloomberg: PPL UN

Hold

Price (28 Apr 10) USD 25.60

Target price USD 32.00

52-week Range USD 25.60 - 34.34

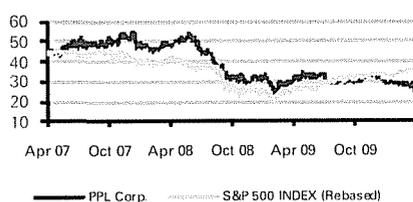
Market Cap (m) USDm 9,660

EURm 7,316

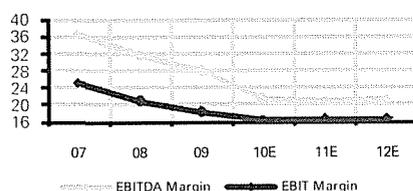
Company Profile

PPL Corporation is an energy and utility holding company that operates through three main segments (Supply, International Delivery, and Pennsylvania Delivery). Supply owns and operates domestic power plants and markets and trades power. Supply controls nearly 12,000MW of generation in the northeastern and western US. Pennsylvania Delivery delivers electricity to 1.4M customers in eastern and central PA. International Delivery operates 2 electricity distribution networks in the UK, serving 2.6M customers in southwest England and Wales.

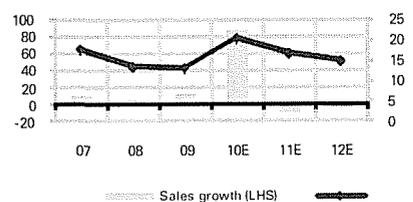
Price Performance



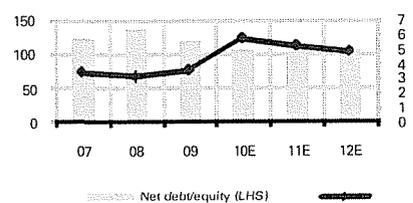
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

| | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Financial Summary | | | | | | |
| DB EPS (USD) | 2.60 | 2.02 | 1.95 | 3.35 | 3.05 | 2.95 |
| Reported EPS (USD) | 2.60 | 2.02 | 1.96 | 3.35 | 3.05 | 2.95 |
| DPS (USD) | 1.19 | 1.31 | 1.37 | 1.40 | 1.42 | 1.44 |
| BVPS (USD) | 15.39 | 14.39 | 15.41 | 17.37 | 19.05 | 20.60 |

Valuation Metrics

| | | | | | | |
|--------------------|------|------|------|-----|-----|-----|
| Price/Sales (x) | 2.6 | 2.3 | 1.5 | 0.7 | 0.7 | 0.7 |
| P/E (DB) (x) | 17.4 | 21.4 | 15.7 | 7.7 | 8.4 | 8.7 |
| P/E (Reported) (x) | 17.4 | 21.4 | 15.6 | 7.7 | 8.4 | 8.7 |
| P/BV (x) | 3.4 | 2.1 | 2.1 | 1.5 | 1.3 | 1.2 |
| FCF yield (%) | nm | 1.1 | 5.4 | 3.6 | nm | nm |
| Dividend yield (%) | 2.6 | 3.0 | 4.5 | 5.4 | 5.5 | 5.6 |
| EV/Sales | 3.6 | 3.3 | 2.3 | 1.1 | 1.3 | 1.3 |
| EV/EBITDA | 9.9 | 10.3 | 8.2 | 5.1 | 6.0 | 6.3 |
| EV/EBIT | 14.4 | 15.6 | 12.6 | 6.7 | 7.5 | 8.0 |

Income Statement (USDm)

| | | | | | | |
|-------------------|--------------|------------|------------|--------------|--------------|--------------|
| Sales | 6,589 | 6,983 | 7,830 | 14,690 | 13,358 | 13,094 |
| EBITDA | 2,405 | 2,218 | 2,194 | 3,151 | 2,781 | 2,785 |
| EBIT | 1,649 | 1,464 | 1,421 | 2,393 | 2,227 | 2,182 |
| Pre-tax profit | 1,266 | 1,063 | 1,078 | 2,024 | 1,848 | 1,781 |
| Net income | 1,000 | 761 | 738 | 1,264 | 1,154 | 1,116 |

Cash Flow (USDm)

| | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash flow from operations | 1,571 | 1,589 | 1,852 | 2,161 | 1,778 | 1,789 |
| Net Capex | -1,657 | -1,418 | -1,225 | -1,811 | -1,919 | -1,973 |
| Free cash flow | -86 | 171 | 627 | 350 | -141 | -184 |
| Equity raised/(bought back) | -680 | -19 | 60 | 20 | 20 | 20 |
| Dividends paid | -459 | -491 | -517 | -527 | -535 | -543 |
| Net inc/(dec) in borrowings | -170 | 1,255 | -770 | 0 | 200 | 550 |
| Other investing/financing cash flows | 1,031 | -246 | 301 | 167 | 0 | 0 |
| Net cash flow | -364 | 670 | -299 | 11 | -456 | -157 |
| Change in working capital | -178 | -9 | 106 | 0 | 0 | 0 |

Balance Sheet (USDm)

| | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and cash equivalents | 430 | 1,100 | 801 | 812 | 356 | 200 |
| Property, plant & equipment | 12,605 | 12,416 | 13,174 | 14,310 | 15,675 | 17,044 |
| Goodwill | 991 | 763 | 799 | 799 | 799 | 799 |
| Other assets | 5,946 | 7,126 | 7,391 | 7,391 | 7,391 | 7,391 |
| Total assets | 19,972 | 21,405 | 22,165 | 23,312 | 24,221 | 25,434 |
| Debt | 7,660 | 8,517 | 7,782 | 7,782 | 7,982 | 8,532 |
| Other liabilities | 6,436 | 7,492 | 8,568 | 8,958 | 9,028 | 9,098 |
| Total liabilities | 14,096 | 16,009 | 16,350 | 16,740 | 17,010 | 17,630 |
| Total shareholders' equity | 5,876 | 5,396 | 5,815 | 6,572 | 7,211 | 7,804 |
| Net debt | 7,230 | 7,417 | 6,981 | 6,970 | 7,626 | 8,332 |

Key Company Metrics

| | | | | | | |
|------------------------|-------|-------|-------|-------|-------|-------|
| Sales growth (%) | 9.6 | 6.0 | 12.1 | 87.6 | -9.1 | -2.0 |
| DB EPS growth (%) | 15.6 | -22.3 | -3.5 | 71.6 | -8.8 | -3.4 |
| Payout ratio (%) | 45.3 | 64.3 | 69.8 | 41.7 | 46.3 | 48.6 |
| EBITDA Margin (%) | 36.5 | 31.8 | 28.0 | 21.4 | 20.8 | 21.3 |
| EBIT Margin (%) | 25.0 | 21.0 | 18.1 | 16.3 | 16.7 | 16.7 |
| ROE (%) | 17.7 | 13.5 | 13.2 | 20.5 | 16.8 | 14.9 |
| Net debt/equity (%) | 123.0 | 137.5 | 120.1 | 106.1 | 105.8 | 106.8 |
| Net interest cover (x) | 3.5 | 3.2 | 3.6 | 5.8 | 5.3 | 4.9 |

DuPont Analysis

| | | | | | | |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EBIT margin (%) | 25.0 | 21.0 | 18.1 | 16.3 | 16.7 | 16.7 |
| x Asset turnover (x) | 0.3 | 0.3 | 0.4 | 0.6 | 0.6 | 0.5 |
| x Financial cost ratio (x) | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 |
| x Tax and other effects (x) | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 |
| = ROA (post tax) (%) | 5.0 | 3.7 | 3.4 | 5.6 | 4.9 | 4.5 |
| x Financial leverage (x) | 3.5 | 3.7 | 3.9 | 3.7 | 3.5 | 3.3 |
| = ROE (%) | 17.7 | 13.5 | 13.2 | 20.5 | 16.8 | 14.9 |
| annual growth (%) | 10.6 | -23.6 | -2.5 | 54.9 | -18.0 | -11.2 |
| x NTA/share (avg) (x) | 14.6 | 14.9 | 14.8 | 16.4 | 18.2 | 19.8 |
| = Reported EPS | 2.60 | 2.02 | 1.96 | 3.35 | 3.05 | 2.95 |
| annual growth (%) | 15.6 | -22.2 | -3.0 | 70.6 | -8.8 | -3.4 |

Source: Company data, Deutsche Bank estimates

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PPL to buy E.On U.S. for \$7.625B

This evening, PPL announced plans to acquire the US utilities owned by E.On for \$7.625B. The purchase price includes \$450M of the NPV of tax benefits, which PPL excludes to calculate a \$7.175B effective purchase price. While we expect more detail on these tax benefits tomorrow, it is currently unclear when those will be realized. In the deal, PPL will acquire E.On U.S., which owns Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU). In total, they serve 1.2M customers mainly in Kentucky, but also in Virginia and Tennessee. PPL needs regulatory approvals from all 3 states, but expects the deal to close by year-end. We note that PPL does not include any synergies in the deal, as it will keep the E.On U.S. management team intact, as far as we can tell at this point. PPL will assume \$925M of tax-exempt pollution control bonds in the deal, and will pay cash for the remaining \$6.7B. While PPL does have bridge financing in place, it expects to complete permanent financing prior to transaction close. The deal should reduce its earnings volatility from commodity price sensitivity, reduce overall company risk, and solidify or improve its credit ratings (which were previously on negative outlook).

Financing, KY utilities outlook key to deal value

The two major topics we expect PPL to focus on at tomorrow's meeting are the financing details to fund the transaction and the earnings outlook for the Kentucky utilities. On financing, PPL has indicated that it will consider funding the transaction through a mix of equity, debt at the Kentucky utilities, debt at a new Kentucky utility HoldCo, hybrid securities, and cash on hand (PPL had ~\$800M at year-end 2009). Based on our analysis, we estimate that a 30%-40% equity financing range is most likely to fund the transaction based on PPL's expectations for modest dilution in 2011 and accretion by 2013. We also note that S&P removed PPL's negative outlook after the transaction was announced and placed it on CreditWatch Positive, signaling a potential upgrade. This eases concerns that PPL would need to maintain its current credit metrics with the transaction, which in our view would require a much larger portion of the transaction to be financed using equity. In fact, the lower risk profile of the pro forma business mix likely more than offsets potentially weaker headline credit metrics post-deal.

Assuming an improvement in earned returns at the Kentucky utilities (to ~9% ROE from 6% in 2009), we estimate PPL will need to issue ~\$2B-\$3B of equity. This would imply only modest dilution in 2011, as PPL has guided. To get to accretion in 2013, the Kentucky utilities would need to grow EBITDA further (by at least \$100M if we assume 40% equity funding). Our assumptions are based on a 5% interest rate for the newly-issued utility debt and a share price roughly around current levels for the new equity issuance. We expect PPL to lay out more clearly rate base growth opportunities at the utilities tomorrow. We also note that if the rate case decision is better than we assume (meaning it would allow for a higher earned ROE than 9%), there would need to be little, if any, improvement in EBITDA by 2013 to make the deal accretive.

We note that PPL has assumed no synergies from the acquisition. Given that they are keeping the management team and structure in place, this is not surprising. In our view, PPL's need to lower its risk profile to keep its credit metrics intact provides the value proposition for which other companies may have needed to find synergies. In the current economic environment, we view this as making the deal more likely approved, since regulators and politicians place a high premium on job retention, or even creation.

We expect tomorrow's meeting (and the time period until transaction close) to focus on what we view as the three key risks to the transaction:

- Getting the deal approved by regulators – requires approval from Kentucky, Virginia, and Tennessee; Kentucky is the largest jurisdiction for E On by far and has a 120-day statutory review period
- Completing the financing for the transaction – needs \$6.7B of cash to purchase the assets; had ~\$800M of cash on hand at year-end 2009; PPL has a bridge loan in place, but does not plan to use it
- Improving the performance at the Kentucky utilities – in our view, the rate case decisions later this year will be a big part of this (decisions likely in August)

Attractive valuation, but transaction overhang may persist

After falling ~7.7% today, PPL is now trading at \$25.60/sh, well below our \$32 price target. If PPL can make a convincing case tomorrow that it can meaningfully improve the performance at the Kentucky utilities and can successfully execute all parts of the transaction, we would expect it to make up some of today's losses. We also believe that the planned equity component of financing may end up being less than some may have feared today. That said, given the still sizable (\$2.2B-\$3B) equity issuance expected later this year and the general transaction risks (deal approval and Kentucky rate cases that are ongoing), we believe that an overhang on the stock may persist for a while.

Key questions for tomorrow morning's meeting

- Financial outlook of the Kentucky utilities
 - How to improve earned returns
 - Growth outlook
- Mix and timing of financing to fund the transaction
- Credit metrics targets with new risk profile
- Details on the tax benefit and over what time frame it will be realized
- Clarity on regulatory processes for approval (in KY, TN, and VA)

PPL pre-announces 1Q10 EPS beat, reaffirms guidance

PPL also preannounced its 1Q10 earnings, which it will fully report on May 6. PPL expects to report ongoing EPS of \$0.94, well above our and consensus' \$0.86. No drivers or details about the quarter were provided. They also reaffirmed 2010 guidance of \$3.10-\$3.50.

Valuation and Risks

We value PPL on a sum-of-the-parts basis. We apply a regulated peer average P/E multiple to our 2012 EPS estimates for the Pennsylvania Delivery and International Delivery segments. We value the merchant generation segment, which comprises roughly 2/3 of our total valuation, at 7.5x our 2012 EBITDA estimate, roughly in line with peers. We adjust our EBITDA estimate to add back PPL's estimated operating lease expense, as we treat operating leases like debt. We add in \$1-\$2 for our estimate of the NPV of PPL's potential carbon benefit, largely due to PPL's sizable nuclear and hydro fleet. We then assign a 5% discount to our total valuation to reflect M&A fears.

Downside risks for PPL include weaker power prices or higher coal prices than we assume, weaker-than-expected generation performance, and inability to contain and manage risks at the *marketing and trading* subsidiary. Delays in capital projects (namely the Susquehanna-Roseland transmission line) or unfavorable rate case outcomes at Pennsylvania delivery are also risks. Renewed political noise in Pennsylvania around the transition to market-priced

power procurement could affect both the PA Delivery segment and Supply. At International Delivery, inability to manage costs and improve efficiency could weaken expected returns. Upside risks include stronger power prices and higher generation output than we assume. PPL ruling out acquisitions would also be a risk to our valuation.

Appendix 1

Important Disclosures

Additional information available upon request

| Disclosure checklist | | | |
|----------------------|--------|-----------------------|----------------|
| Company | Ticker | Recent price* | Disclosure |
| PPL Corp. | PPL.N | 25.60 (USD) 28 Apr 10 | 6,7,8,14,15,17 |

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See "Important Disclosures Required by Non-US Regulators" and Explanatory Notes.

6. Deutsche Bank and/or its affiliate(s) owns one percent or more of any class of common equity securities of this company calculated under computational methods required by US law.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
8. Deutsche Bank and/or its affiliate(s) expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.
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15. This company has been a client of Deutsche Bank Securities Inc. within the past year, during which time it received non-investment banking securities-related services.

Important Disclosures Required by Non-U.S. Regulators

Please also refer to disclosures in the "Important Disclosures Required by US Regulators" and the Explanatory Notes.

6. Deutsche Bank and/or its affiliate(s) owns one percent or more of any class of common equity securities of this company calculated under computational methods required by US law.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
17. Deutsche Bank and/or its affiliate(s) has a significant Non-Equity financial interest (this can include Bonds, Convertible Bonds, Credit Derivatives and Traded Loans) where the aggregate net exposure to the following issuer(s), or issuer(s) group, is more than 25m Euros.

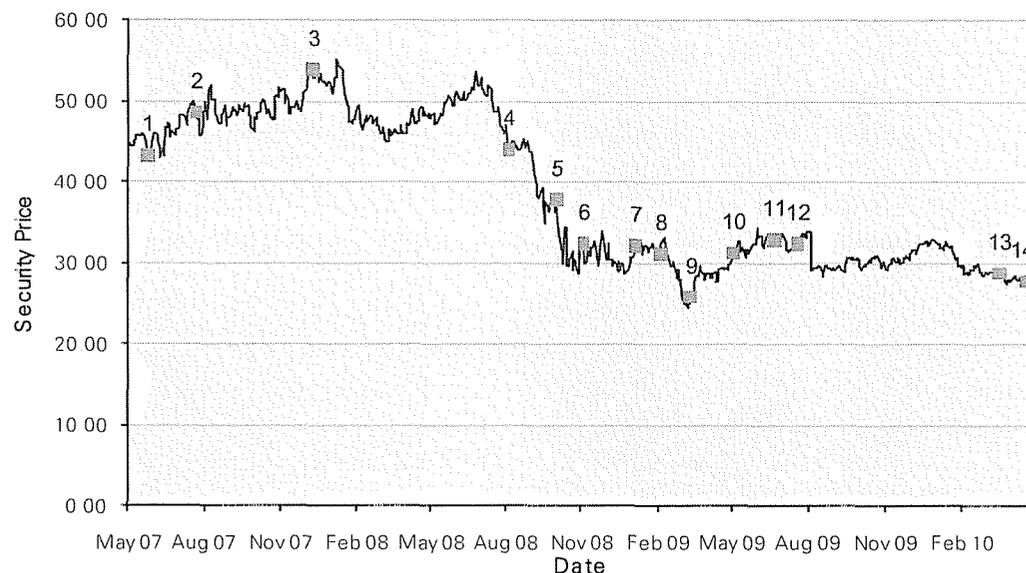
For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://qm.db.com/qer/disclosure/Disclosure.eqsr?ricCode=PPL.N>.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Jonathan Arnold

Historical recommendations and target price: PPL Corp. (PPL.N)

(as of 4/28/2010)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

| | | | | | |
|---|-------------|-----------------------------------|----|------------|--|
| 1 | 5/24/2007. | Buy, Target Price Change USD51.00 | 8 | 2/5/2009. | Buy, Target Price Change USD40.00 |
| 2 | 7/23/2007. | Buy, Target Price Change USD57.00 | 9 | 3/13/2009. | Buy, Target Price Change USD35.00 |
| 3 | 12/11/2007. | Buy, Target Price Change USD60.00 | 10 | 5/4/2009. | Buy, Target Price Change USD36.00 |
| 4 | 8/4/2008. | Buy, Target Price Change USD57.00 | 11 | 6/22/2009. | Buy, Target Price Change USD37.00 |
| 5 | 10/2/2008. | Buy, Target Price Change USD55.00 | 12 | 7/20/2009. | No Recommendation, Target Price Change USD0.00 |
| 6 | 11/4/2008. | Buy, Target Price Change USD44.00 | 13 | 3/19/2010. | Hold, Target Price Change USD33.00 |
| 7 | 1/6/2009. | Buy, Target Price Change USD42.00 | 14 | 4/22/2010. | Hold, Target Price Change USD32.00 |

Equity rating key **Equity rating dispersion and banking relationships**

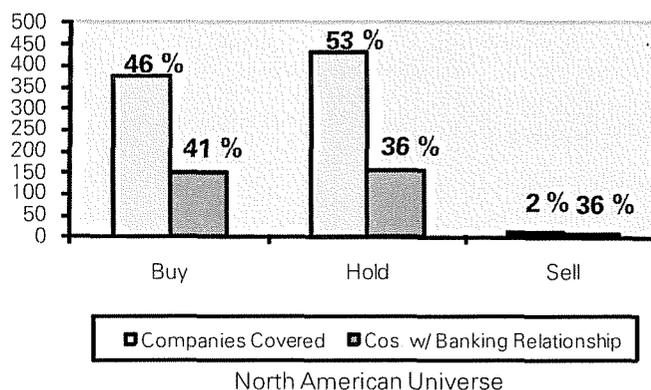
Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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2. Ratings definitions prior to 27 January, 2007 were:
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 - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
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Global Credit Portal RatingsDirect®

April 28, 2010

Research Update:

E.ON U.S. LLC And Subsidiaries 'BBB+' Ratings Affirmed On Planned Buyout

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Research Update:

E.ON U.S. LLC And Subsidiaries 'BBB+' Ratings Affirmed On Planned Buyout

Overview

- PPL Corp. (PPL) is planning to acquire E.ON U.S., the parent company of Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU).
- We affirmed all of the ratings on E.ON U.S. LLC and subsidiaries, including the 'BBB+' corporate credit ratings. The outlooks are stable.
- We expect the pro forma consolidated entity to have a "strong" business risk profile and a "significant" financial risk profile.
- The ratings affirmation reflects our expectations that the combined entity will have a financial condition commensurate for the upper end of the 'BBB' rating category.

Rating Action

On April 29, 2010, Standard & Poor's Ratings Services affirmed the 'BBB+' corporate credit ratings on E.ON U.S., LG&E, and KU following the announcement that PPL plans to acquire E.ON U.S. for \$7.625 billion in cash. The outlooks are stable. At the same time, we placed the 'BBB' corporate credit ratings on diversified energy company PPL and affiliate PPL Energy Supply LLC on CreditWatch with positive implications (see PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC.)

The transaction includes the assumption of \$574 million of tax-exempt debt at LGE and \$351 million of tax-exempt debt at KU. LG&E and KU had about \$2.59 billion of long-term debt outstanding at the end of 2009, of which \$925 million was in the form of publicly rated tax-exempt pollution control revenue bonds; the balance consisted of intercompany notes payable to affiliated companies. The acquisition requires approvals by state regulators in Kentucky, Virginia and Tennessee, and by the FERC. The transaction is expected to close by the end of 2010.

The inclusion of LG&E and KU into PPL will rebalance PPL's portfolio toward a greater regulated mix. With regulated operations contributing 60%-65% of the overall cash flow post acquisition compared with about 30% in 2009, the "excellent" business risk profile of the utility businesses will more than offset the "satisfactory" business risk profile of the generation business. This will result in a pro forma "strong" consolidated business risk profile. We expect consolidated debt to EBITDA and total debt to total capital ratios to range in the "significant" financial risk profile category. Projected FFO to total debt of 23.5%-25% will likely support ratings at the higher end of the 'BBB' rating category on successful completion of the acquisition.

Upon closing of the transaction, we could raise ratings on PPL and PPL Energy one notch if financing is consistent with our expectations. Yet, material changes to the expected financial risk profile and cash flow generation capability of the pro forma company could stem this upside

momentum. The acquisition requires large permanent financing that has attendant execution risks. PPL's ability to finalize permanent funding will be monitored. If the transaction with PPL is not ultimately consummated, we will affirm the 'BBB+' ratings on E.ON U.S., LG&E, and KU.

Rationale

Our ratings on E.ON U.S. are primarily based on the credit profile of its two operating utilities in Kentucky, LG&E and KU and the company's focus on operating the fully integrated utilities. Current ratings are linked to ultimate parent E.ON AG (A/Stable/A-1).

We view E.ON U.S.'s consolidated business risk profile as 'excellent' (we categorize business risk profiles as 'excellent' to 'vulnerable') and its financial profile as 'aggressive' (financial profiles are ranked from 'minimal' to 'highly leveraged'). The company's business risk profile is supported by relatively low-risk, regulated vertically integrated electric and natural gas distribution operations, a stable and credit supportive regulatory environment in Kentucky, efficient generation facilities that allow for competitive rates, consistently high customer satisfaction rankings, and effective cost containment. The company's electric operations benefit from a fuel and purchased power (energy only) adjustment clause, an environmental cost recovery surcharge, and other timely cost recovery mechanisms, while its smaller gas operations benefit from a gas supply clause. These strengths are tempered by the lack of fuel diversity (nearly all coal-fired), a relatively heavy construction program, and rate relief needs during a time of unusual economic weakness. Construction outlays focus on the company's 75% ownership share in the 750 MW Trimble County Unit 2 coal-fired facility that's slated for completion later this year, ongoing environmental requirements, and other project betterments.

On July 16, 2009, the power plant lease arrangement between E.ON U.S.'s subsidiary Western Kentucky Energy Corp. and Big Rivers Electric Corp. was terminated. While unwinding of the contract required a large one-time cash payment of \$575 million and other concessions, it significantly reduces E.ON U.S.'s dependence on riskier unregulated activities, and enhances the company's business risk profile within the "excellent" category.

Currently pending before the Kentucky Public Service Commission are rate applications for a \$94.6 million (12.1%) electric rate hike and a \$22.6 million (7.7%) natural gas rate increase for LG&E and a \$135 million (11.5%) electric rate hike for KU. The rate requests are predicated upon an 11.5% return on equity. Commission orders are expected this summer. Higher rates are needed to recover the utilities' investment in Trimble County Unit 2, damage costs related to severe storms, and higher costs. Because the state regulators will be reviewing large rate hike requests in a weakened economy is a credit concern. Therefore, the company's ability to manage regulatory risk will be critical to credit quality.

E.ON U.S.'s consolidated financial metrics have declined somewhat, owing primarily to its heavy construction program. However, with well controlled operating and maintenance expenses, continued efficient operations, responsive regulatory treatment, and credit supportive actions by management, bondholder

protection parameters should strengthen to levels more commensurate with the current rating level.

Short-term credit factors

Standard & Poor's expects E.ON U.S.'s capital spending to exceed cash flow from operations primarily because of significant environmental expenditures and outlays to complete the Trimble County Unit 2 station. The steady internal cash flow generated by KU's and LG&E's regulated operations will not be enough to meet these obligations, thus creating a reliance on outside capital. Such funding is expected to be concentrated at Germany-based parent E.ON AG, which will also provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON AG's credit facility protects E.ON U.S. as long as it is a "material subsidiary".) An E.ON AG-related entity provides a credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook on E.ON U.S. is based on corporate strategy that maintains a primarily low-risk, utility-based business risk profile. Standard & Poor's could lower the ratings absent future sufficient rate relief, if construction expenditures materially increase resulting in higher-than-expected reliance on debt, and if cash flow metrics erode. In light of a prospectively heavy capital program and subpar financial metrics, higher ratings are not envisioned.

Related Criteria And Research

Corporate Criteria: Analytical Methodology

Ratings List

Ratings Affirmed

E.ON U.S. LLC

Corporate Credit Rating

BBB+/Stable/--

Kentucky Utilities Co.

Corporate Credit Rating

BBB+/Stable/A-2

Louisville Gas & Electric Co.

Corporate Credit Rating

BBB+/Stable/--

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Research Update: E.ON U.S. LLC And Subsidiaries 'BBB+' Ratings Affirmed On Planned Buyout

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Global Credit Portal RatingsDirect®

April 28, 2010

Research Update:

PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC

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Research Update:

PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC

Overview

- We placed the 'BBB' corporate credit ratings on diversified energy company, PPL Corp. (PPL), and affiliate PPL Energy Supply LLC (PPL Energy) on CreditWatch with positive implications.
- The CreditWatch listing follows PPL's proposed acquisition of E.ON U.S. LLC, the parent company of Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co (LGE).
- We affirmed the 'A-' corporate credit rating on utility affiliate PPL Electric Utilities (PPLEU).
- The transaction requires approvals by state regulators in Kentucky, Virginia, and Tennessee, and by the Federal Energy Regulatory Commission.

Rating Action

On April 28, 2010, Standard & Poor's Ratings Services placed its 'BBB' corporate credit ratings on PPL and affiliate PPL Energy on CreditWatch with positive implications following the planned acquisition of E.ON U.S. The CreditWatch listing indicates that we could either raise or affirm the ratings following the completion of our review. At the same time, we are affirming the 'A-' corporate credit ratings on PPLEU. The outlook on PPLEU is negative. We are also affirming the 'BBB+' corporate credit ratings on KU and LGE (see separate research update).

Allentown, Pa.-based PPL has about \$4.7 billion of long-term debt at the end of 2009, excluding debt at PPLEU and the Western Power Distribution (WPD) group of companies.

Rationale

PPL will fund the all-cash \$7.625 billion (excluding \$250 million in related transaction expenses/fees) acquisition through a combination of cash on hand, common equity issuance at PPL, first-mortgage bonds at KU and LGE, and unsecured debt at Kentucky Holdings, KU's intermediate holding company. In addition, PPL will issue equity units at PPL Capital Funding, which will likely receive high equity credit under our rating criteria. The enterprise value includes the assumption of \$925 million of tax-exempt pollution control revenue bonds at KU and LGE. We consider the acquisition as large for the company, but note that the transaction will include significant amount of equity financing and utilize about \$435 million of tax benefits.

Our CreditWatch listing factors the inclusion of KU and LGE's business

risk profiles into PPL's portfolio. The acquisition would include these two fully regulated vertically-integrated electric utilities serving customers in Louisville and its surrounding area. The strengths of these utilities include relatively predictable utility operations and associated cash flows, constructive regulatory environment, and competitive rates. The offsetting factor is the reliance on mostly all coal-fired generation, but the assets are up to date for current environmental requirements and have a significant proportion of future capital spending through 2014 approved in rates.

The inclusion of the two utilities businesses will rebalance PPL's portfolio towards a greater regulated mix. With regulated operations contributing 60%-65% of the overall cash flow after the acquisition compared with about 30% in 2009, the "excellent" business risk profile of the utility businesses will more than offset the "satisfactory" business risk profile of the generation business. This will result in a pro forma "strong" consolidated business risk profile. We expect consolidated debt to EBITDA and debt to capital ratios to range in the "significant" financial risk profile category. Projected FFO to debt at 23.5%-25% will likely support ratings at the higher end of the 'BBB' category on successful completion of the acquisition.

Current ratings on PPL predominantly reflect PPL Energy's business and financial risk profiles. Given the legal ring-fencing provisions in place, Standard & Poor's analyzes PPLEU and WPD as equity investments, with dividends to PPL as their primary contribution to the consolidated entity. The lower-risk dividends from these two companies, which contribute about 20% to PPL's cash flow, temper the merchant risk from PPL Energy.

The expiration of PPLEU's long-term provider-of-last-resort (POLR) supply contract, which hitherto provided cash flow stability, has increased volatility of realized margins and PPL's liquidity requirements for collateral. As a result, PPL's and PPL Energy's business risk profiles are "satisfactory" compared with the "strong" position that the company enjoyed under the nine-year POLR supply plan with PPLEU. While PPL's cash flow is expected to improve because the company has contracted much of its 2010 and 2011 generation at price levels that are substantially higher than the capped prices in 2009, existing ratings also reflect a backwardated EBITDA profile and execution risks associated with PPL's ability to achieve stronger financial metrics and counter the higher business risk that will come attendant with its greater merchant exposure.

Short-term credit factors

Standard & Poor's views PPL's financial flexibility as adequate, in light of expected debt maturities and available credit facilities. PPL Energy, excluding WPD, has strong liquidity, with \$4.11 billion in credit facilities, \$3.2 billion of which matures beyond 2011. As of Dec. 31, 2009, there was about \$947 million in LOCs and draws under these facilities, leaving about \$3.15 billion available. Debt maturities at PPL Capital Funding and PPL Energy should be manageable during the next few years, with only a \$500 million maturity at PPL Energy in 2011 and about \$735 million in 2013. Non-discretionary capital expenditure in 2010 aggregates approximately \$550 million, which includes environmental expenditure at Brunner Island and replacement of components at Martin's Creek and Montour. Still, discretionary spending at the hydro units at Holtwood and Montana (Project Rainbow) project

could be substantial.

CreditWatch

The CreditWatch listing will remain until transaction closing, with periodic updates. At financial close, we could raise the ratings on PPL and PPL Energy by one notch if financing is consistent with our expectation. However, material changes to the expected financial risk profile and cash flow generation capability of the pro forma company could stem this upward momentum. The acquisition requires large permanent financing that has attendant execution risks. We will monitor PPL's ability to finalize permanent financing, which will also influence the CreditWatch listing.

Related Research And Research

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

Ratings List

Ratings Affirmed; CreditWatch Action

| | To | From |
|---|------------------|-----------------|
| PPL Corp. PPL Energy Supply LLC Corporate Credit Rating | BBB/Watch Pos/-- | BBB/Negative/-- |
| PPL Capital Funding Inc. Senior Unsecured | BBB-/Watch Pos | BBB- |
| Junior Subordinated | BB+/Watch Pos | BB+ |
| PPL Capital Funding Trust I Preference Stock | BB+/Watch Pos | BB+ |
| PPL Energy Supply LLC Senior Unsecured | BBB/Watch Pos | BBB |

Ratings Affirmed

| | |
|---|-----------------|
| PPL Electric Utilities Corp. Corporate Credit Rating | A-/Negative/A-2 |
| PPL Capital Trust Preferred Stock | BBB |
| PPL Electric Utilities Corp. Senior Secured | A- |

Research Update: PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC

| | |
|------------------|-----|
| Recovery Rating | 1 |
| Preferred Stock | BBB |
| Preference Stock | BBB |
| Commercial Paper | A-2 |

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April 29, 2010

United States of America
Power & Utilities
Power

PPL Corporation (PPL - US\$ 25.60) 2-Equal Weight

Change of Price Target

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PPL to Acquire Kentucky Utilities

Investment Conclusion

□ We reiterate our 2-EW rating and are updating our eps estimates from \$3.32/\$3.15E for '10/11E to \$3.28/\$3.09E respectively. We are also publishing a '12 estimate of \$3.24E. We are lowering our price target from \$32 to \$28 premised upon the methodologies outlined below.

Summary

- The company announced last night that they would acquire E.ON US from E.ON AG, the German utility company. E.ON US is the parent company of Kentucky Utilities and Louisville Gas & Electric, two regulated utilities mainly in KY, but also in TN and VA.
- The company will acquire E.ON US for \$7.175B net of \$450M of tax benefits acquired. This will be for \$6.7B in cash and \$925M in assumed debt. The deal will be sourced with approximately \$2.4B in common equity, \$525M in cash on hand, and a balance of debt. Using an assumed issuance price of \$26 would lead to an incremental 92 million shares. The transaction requires regulatory approvals from KY, TN, VA and the FERC as well as anti-trust approval. The transaction is expected to close by the end of the year.
- Management expects the deal to be mildly dilutive near term and accretive by 2013.

Stock Rating

| | |
|---------------------|-----------------|
| New: 2-Equal Weight | New: US\$ 28.00 |
| Old: 2-Equal Weight | Old: US\$ 32.00 |

Target Price

Sector View: 2-Neutral

EPS (US\$) (FY Dec)

| | 2009 | | 2010 | | 2011 | | % Change | | |
|------|--------|-------|-------|----------|-------|-------|----------|------|------|
| | Actual | Old | New | St. Est. | Old | New | St. Est. | 2010 | 2011 |
| 1Q | 0.60A | N/A | 0.94A | 0.86E | N/A | N/A | 0.82E | 57% | N/A |
| 2Q | 0.32A | N/A | N/A | 0.69E | N/A | N/A | 0.70E | N/A | N/A |
| 3Q | 0.52A | N/A | N/A | 0.95E | N/A | N/A | 0.84E | N/A | N/A |
| 4Q | 0.52A | N/A | N/A | 0.85E | N/A | N/A | 0.74E | N/A | N/A |
| Year | 1.95A | 3.32E | 3.28E | 3.33E | 3.15E | 3.09E | 3.20E | 68% | -6% |
| P/E | 7.8 | | | 8.3 | | | | | |

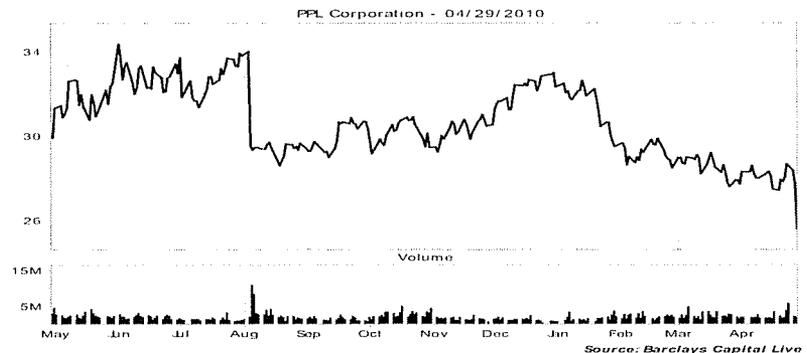
Market Data

| | |
|-------------------|---------------|
| Market Cap (Mil.) | 9675 |
| Dividend Yield | 4.82 |
| 52 Week Range | 34.42 - 25.54 |

Financial Summary

| | |
|--------------------|--------|
| Revenue TTM (Mil.) | 7564.0 |
|--------------------|--------|

Stock Overview



VIEWPOINT

We believe the transaction is positive from the perspective that it reduces the risks related to PPL's large unregulated business mix which is susceptible to downside in earnings in '12/13 once above market hedges roll off. Further it allows for long-term growth potential in quality regulated franchises in good regulatory jurisdictions. Execution of the capital plan and the regulatory relationship are key in this regard, in our view. It also helps to offset the bearish tenor related to dark and spark spreads going forward. On the negative side there is regulatory risk to approval – only around two thirds of utility deals actually close. There is a large equity issuance forthcoming which will require

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PLEASE SEE ANALYST(S) CERTIFICATION(S) ON PAGE 6 AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 7

cess and execution, and while there are benefits in the longer term, the deal is nearer term dilutive. We believe that the regulatory approvals and the required equity create significant process risk and despite the longer term upside potential we maintain our 2-EW rating, with 13% total return upside potential to our price target, inclusive of a 5.4% dividend yield. We see the dividend payout ratio as sustainable. We are updating our eps estimates from \$3.32/\$3.15E for '10/'11E to \$3.28/\$3.09E respectively. We are also publishing a '12 estimate of \$3.24E. We are lowering our price target from \$32 to \$29 premised upon the methodologies outlined below.

Valuation Methodologies

Our price target of \$28 is premised upon the average of three methodologies. First, the integrated P/E multiple of 10x our '12E eps of \$3.24E, which yields \$32. Second, our core DCF asset valuation which yields \$29. Third, an Open EBITDA multiple of 7.1x our \$3.2B in '11E Open EBITDA, net of \$11.9B in net debt and an NPV of hedges of \$713M, which yields \$24. The average of these three methods yields our final target of \$28. Our prior price target of \$32 was premised upon the average of three methodologies for PPL stand alone. First, the then integrated P/E multiple of 10.1x our '11E eps of \$3.07E, which yielded \$31. Second, our core DCF asset valuation which yielded \$29. Third, an Open EBITDA multiple of 7.1x our \$2.8B in '11E Open EBITDA, net of \$7.0B in net debt and an NPV of hedges of \$473M, which yielded \$35. The average of these three methods yielded our final prior target of \$32.

MY OLD KENTUCKY HOME

The transaction will move PPL from a largely competitive company where 70% of EBITDA was unregulated based upon 2010 stand alone estimates to one where 2011 combined estimates yield only 40-45% of EBITDA from unregulated sources. A quick look at the transaction is provided below:

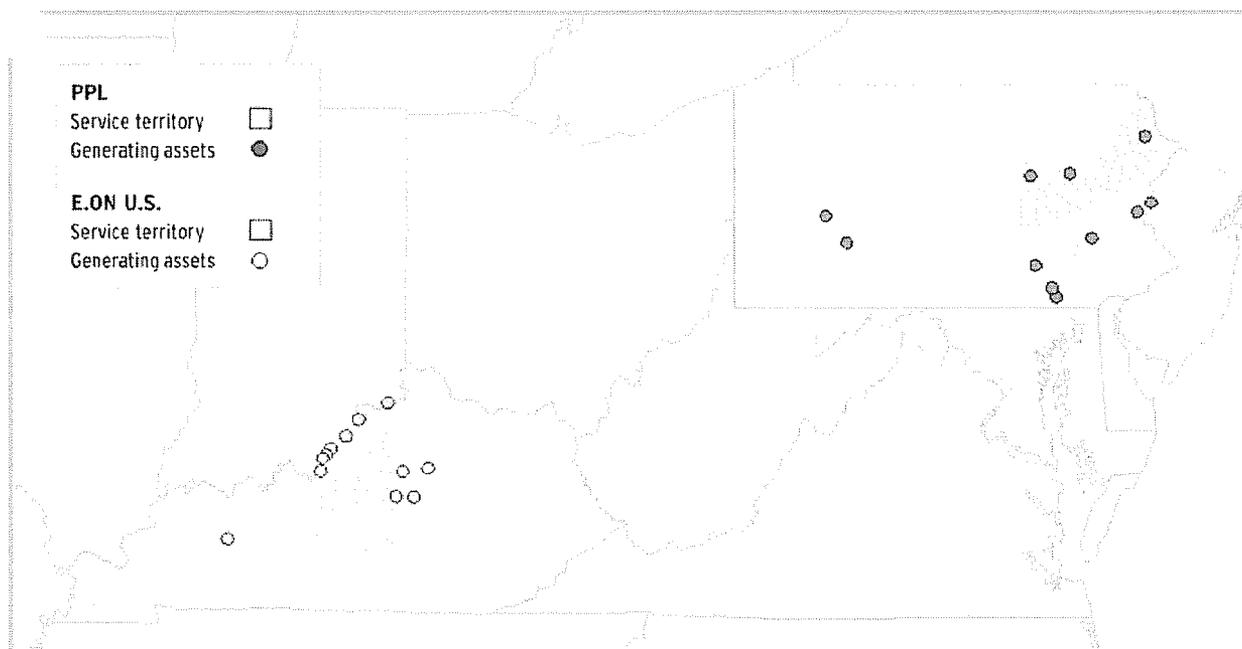
| | PPL | E.ON U.S. | Combined Companies |
|---------------------------------|--|-----------------|--------------------|
| Utility customers | 4 million (includes 2.6 million in U.K.) | 1.2 million | 5.2 million |
| Revenues (2009) | \$7.556 billion | \$2.64 billion | \$10.196 billion |
| Rate base (2011 estimated) | \$6.4 billion | \$6.7 billion | \$13.1 billion |
| Total assets (as of 12/31/09) | \$22.2 billion | \$8.5 billion | \$30.7 billion |
| Competitive generation capacity | 11,695 megawatts | None | 11,695 megawatts |
| Regulated generation capacity | None | 8,077 megawatts | 8,077 megawatts |
| Number of employees | 10,489 | 3,127 | 13,616 |
| Enterprise value (1) | \$17.8 billion | \$7.6 billion | \$25.4 billion |

(1) Based on PPL stock price as of 4/27/10

Source: PPL Deal Fact Sheet

Kentucky Utilities and Louisville Gas & Electric provide the majority of Kentucky with electric and gas utility services. They have a small customer base in both Virginia and Tennessee. They are vertically integrated fully regulated entities at the state and FERC level. Louisville Gas & Electric (LG&E) serves metro Louisville, KY and 16 surrounding counties. The company has 396k electric and 321k gas customers. LG&E has a rate base of \$2.34B, of which \$487M is gas and generated 2009 revenue of \$1.28B. Kentucky Utilities (KU) serves Lexington, KY and 82 surrounding counties (77 in KY and 5 in VA). The company has 545k electric customers, 515k in KY and 30k in VA. KU has a rate base of \$3.55B and generated 2009 revenues of \$1.36B. Between them the companies own 8,100MW of regulated generation.

A map of the relevant service territories of the two companies, excluding PPL's non-PA assets (mainly MT and WPD) is provided below:



Source: PPL Deal Fact Sheet

The companies also both have pending rate cases in Kentucky. Their current regulation was under black box settlements around their acquisition. The filings were made on 1/29/10 and request a \$253M rate increase that is premised upon a 53% equity ratio and an allowed return on equity of 11.5%. The majority of the request is related to ice storm cost recovery and previously approved infrastructure improvements. Rebuttal testimony in the case is due on May 28th, a public hearing will take place on June 8th, and new rates should take effect on August 1st.

We view Kentucky as a constructive regulatory environment. There are several tracking mechanisms including CWIP in rate base, a fully reconciling real-time environmental cost recovery (ECR) mechanism, a fuel adjustment clause, a gas supply adjustment clause, and concurrent recovery of demand side management costs including lost revenues. The company's stand alone capital expenditure and rate base outlook is provided below:

LG&E and KU CapEx and Rate Base

| | <u>2009</u> | <u>2010E</u> | <u>2011E</u> | <u>2012E</u> | <u>2013E</u> | <u>2014E</u> |
|-------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| CapEx (US\$M) | 726 | 610 | 651 | 661 | 810 | 704 |
| Rate Base (US\$B) | 6.0 | 6.4 | 6.7 | 7.0 | 7.4 | 7.7 |

Source: PPL and E.ON US Presentation

The transaction will acquire market power approval by the FERC and anti-trust approval from the Department of Justice, both of which we see no issues with. Regulatory approvals are also required from the Kentucky Public Service Commission, the Virginia State Corporation Commission, and the Tennessee Regulatory Authority. Kentucky has a 120 day statutory review period and management indicated they see VA and TN following similar timelines, although no statutory limit exists.

Based upon FERC Form 1 filings we developed a pro-forma look of 2009 financials for KU and LG&E which follows below:

**and LG&E Pro Forma
2009 US\$M**

| <u>Income Statement</u> | <u>Kentucky Utilities</u> | <u>Louisville Gas & Electric</u> | <u>LG&E and KU</u> |
|-------------------------|---------------------------|--------------------------------------|------------------------|
| Revenues | 1,356 | 1,281 | 2,637 |
| Operation Expenses | 829 | 856 | 1,685 |
| Maintenance Expenses | 103 | 96 | 199 |
| D&A | 133 | 137 | 270 |
| Other Taxes | 20 | 24 | 44 |
| Total OpEx | 1,085 | 1,113 | 2,198 |
| EBIT | 271 | 168 | 439 |
| EBITDA | 404 | 305 | 709 |
| Interest Expense | 75 | 48 | 123 |
| Other Items | (6) | (21) | (27) |
| EBT | 201 | 141 | 343 |
| Taxes @ 35% | 70 | 49 | 120 |
| Net Income | 131 | 92 | 223 |
| Debt Outstanding | 1,649 | 896 | 2,545 |
| Interest Rate | 4.55% | 5.36% | 4.83% |

Source: FERC Form 1's for Kentucky Utilities and Louisville Gas & Electric, Barclays Capital Estimates

SOURCES & USES

As noted above PPL will acquire E.ON US from E.ON AG, a German utility company for \$6.7B in cash, the assumption of \$925M in tax exempt utility debt, and assume \$450M of NOL and NOL-like tax benefits. The transaction will be funded based upon the sources and uses outlined below. We have used midpoints from the analysis as provided by PPL. PPL also mentioned that they would consider the sale of "non-core" assets to fund a portion of the transaction. We have not included any asset sales. It should be noted that management indicated that both WPD in the UK and their Montana generating plants in the US are both considered core assets. There is some goodwill in the transaction although management did not indicate how much. There is also a break fee of unknown amount. Management did indicate that it is only possible to break in limited circumstances. PPL's view was that the KU and LG&E debt required to be issued would not be ring fenced, although that could change. A sources and uses look follows:

Source & Uses
Uses

| | |
|----------------------|-------|
| Total Uses - Cash | 6,700 |
| Assumption of Debt | 925 |
| Total Purchase Price | 7,625 |
| NOLs Assumed | 450 |
| Value net of NOLs | 7,175 |

Sources

| | |
|---------------------------|-------|
| Unsecured Corporates | 800 |
| KU and LG&E Debt for Debt | 2,100 |
| Cash on Hand | 525 |
| Equity Like Securities | 875 |
| Common Stock | 2,400 |
| Total Sources | 6,700 |

Source: PPL Presentation, Barclays Capital Estimates

Adding the \$2.4B in required equity issuance and an assumed issuance stock price of \$26 per share would lead to 92 million additional shares being issued and take the combined entities share count to 470 million vs. the 378 million currently at PPL. There is also an implied incremental cost of the re-issued debt and the incremental new debt required in the transaction. On the straight debt issued we assumed and equivalent cost of debt to that which we calculated for KU and LG&E pro-forma of 4.83%. On the equity-like securities portion we assumed an interest rate at half that amount. This led to \$54 million in post-tax incremental interest costs for the combined entity as shown below:

w Cost of Debt Funding

| | |
|-------------------------|-------|
| Old KU and LG&E Debt | 2,545 |
| Interest Expense | 123 |
| Cost of Debt | 4.83% |
| | |
| New Debt Issued | 3,825 |
| Assumed Cost of Debt | 4.83% |
| Interest Expense | 185 |
| | |
| Equity Like Securities | 875 |
| Assumed Cost of Debt | 2.42% |
| Interest Expense | 21 |
| | |
| Pre-tax interest costs | 83 |
| Post-tax interest costs | 54 |

Source: Barclays Capital Estimates

EARNINGS AND VALUATION

We projected earnings for KU and LG&E by assuming a 100 basis point regulatory lag to an approved return on equity of 10.5% and an equity ratio of 53% using the company's rate base forecast as provided. The results are shown below:

LG&E and KU Projected Earnings

| US\$M | <u>2009A</u> | <u>2010E</u> | <u>2011E</u> | <u>2012E</u> | <u>2013E</u> | <u>2014E</u> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Rate Base | 6,000 | 6,400 | 6,700 | 7,000 | 7,400 | 7,700 |
| Assumed Equity Ratio | 50% | 53% | 53% | 53% | 53% | 53% |
| Equity portion of RB | 3,000 | 3,392 | 3,551 | 3,710 | 3,922 | 4,081 |
| Return on Equity | 7.43% | 9.50% | 9.50% | 9.50% | 9.50% | 9.50% |
| Net Income | 223 | 322 | 337 | 352 | 373 | 388 |
| Allowed ROE | n/a | 10.50% | 10.50% | 10.50% | 10.50% | 10.50% |

Source: PPL Presentation, Barclays Capital Utilities

By taking these earnings projections for the Kentucky entities adding PPL stand alone net income, and accounting for incremental interest and additional shares we can project combined earnings per share:

Projected EPS

| | <u>2009A</u> | <u>2010E</u> | <u>2011E</u> | <u>2012E</u> | <u>2013E</u> | <u>2014E</u> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PPL Net Income | 738 | 1,240 | 1,171 | 1,225 | 1,286 | 1,350 |
| KU and LG&E Net Income | - | - | 337 | 352 | 373 | 388 |
| Interest Costs, post tax | - | - | (54) | (54) | (54) | (54) |
| Total NI | 738 | 1,240 | 1,454 | 1,523 | 1,605 | 1,684 |
| Estimated Shares | 378 | 378 | 470 | 470 | 470 | 470 |
| Estimated EPS | \$ 1.95 | \$ 3.28 | \$ 3.09 | \$ 3.24 | \$ 3.41 | \$ 3.58 |
| PPL Stand Alone | \$ 1.95 | \$ 3.28 | \$ 3.15 | \$ 3.24 | \$ 3.40 | \$ 3.57 |
| Accretion/Dilution | \$ 0.00 | \$ 0.00 | \$ (0.06) | \$ (0.00) | \$ 0.01 | \$ 0.01 |

Source: PPL Presentation, Barclays Capital Utilities

As is shown in the above table, based upon our estimates the transaction is near term dilutive but mildly accretive in the long term. Along with this mild accretion the business becomes lower risk overall. Further it is important to note that no synergies are assumed in the above analysis.

To develop our price target we valued the company three different ways. First we redid our 2011 Open EBITDA valuation inclusive of the KU and LG&E EBITDA and the new level of net debt and share count. This is the downside case because it removes the hedges in the near term to determine a better metric of earnings power. Under this method the combined entity is worth \$24 as shown below:

| <u>2011E EBITDA</u> | <u>2011E</u> |
|---------------------------|--------------|
| PPL Stand Alone Regulated | 1,043 |
| Assumed KU and LG&E | 824 |
| PPL Energy Supply | <u>1,373</u> |
| Total | 3,240 |
| Open Multiple | 7.1 |
| Enterprise Value | 23,004 |
| PPL Debt | 8,401 |
| Assumed KU and LG&E Debt | 3,825 |
| Cash | 276 |
| Open Equity Value | 11,054 |
| Shares Outstanding | 470 |
| Implied Share Price | \$ 24 |

Source: Barclays Capital Estimates

We also looked at a straight P/E Multiple approach using a 10x multiple of our 2010E eps of \$3.24, which yielded \$32 per share. Lastly, we redid our asset value look, which values competitive generation at an NPV of future cash flows and that analysis for the combined entity yielded \$29 per share as shown below:

| <u>Asset Backed Valuation</u> | |
|---------------------------------------|--------|
| 2011 PPL Stand Alone Regulated EBITDA | 1,043 |
| 2011 Utility Multiple | 7.3 |
| PPL Stand Alone Regulated EV | 7,614 |
| Price Paid for KU and LG&E | 7,175 |
| Asset Based EV | 10,103 |
| Value of Hedges | 713 |
| Total EV | 25,605 |
| Total Net Debt | 11,950 |
| Equity Value | 13,655 |
| Shares Outstanding | 470 |
| Implied Share Price | \$ 29 |

Source: Barclays Capital Estimates

Analyst Certification:

We, Daniel Ford, CFA and Ross A. Fowler, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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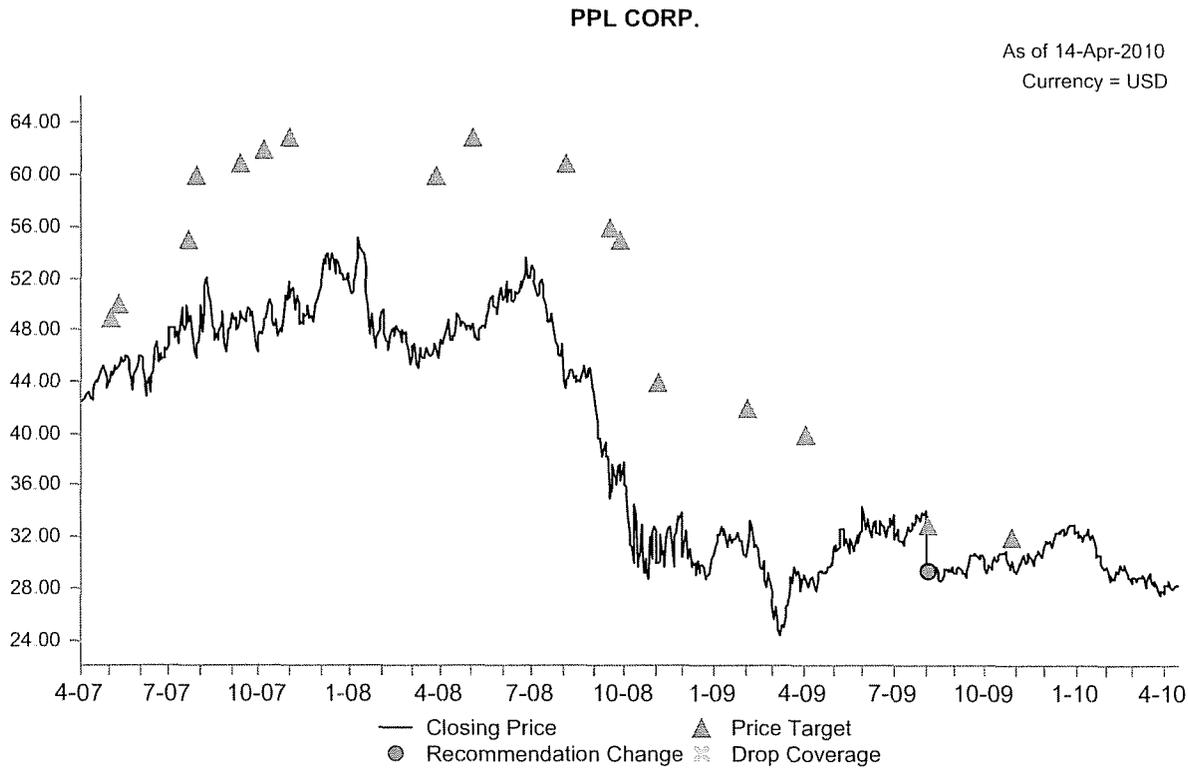
Important Disclosures:

PPL Corporation (PPL)

US\$ 25.60 (28-Apr-2010)

2-Equal Weight / 2-Neutral

Rating and Price Target Chart:



Source: FactSet

Currency=US\$

| Date | Closing Price | Rating | Price Target |
|-----------|---------------|-----------------|--------------|
| 29-Oct-09 | 30.09 | | 32.00 |
| 05-Aug-09 | 29.33 | 2 -Equal weight | |
| 05-Aug-09 | 29.33 | | 33.00 |
| 03-Apr-09 | 28.67 | | 40.00 |
| 04-Feb-09 | 31.22 | | 42.00 |
| 05-Nov-08 | 30.00 | | 44.00 |
| 26-Sep-08 | 37.60 | | 55.00 |
| 17-Sep-08 | 34.98 | | 56.00 |
| 04-Aug-08 | 43.53 | | 61.00 |

| Date | Closing Price | Rating | Price Target |
|-----------|---------------|--------|--------------|
| 02-May-08 | 48.50 | | 63.00 |
| 27-Mar-08 | 46.48 | | 60.00 |
| 31-Oct-07 | 51.70 | | 63.00 |
| 05-Oct-07 | 48.76 | | 62.00 |
| 12-Sep-07 | 49.44 | | 61.00 |
| 27-Jul-07 | 45.84 | | 60.00 |
| 20-Jul-07 | 48.60 | | 55.00 |
| 10-May-07 | 45.25 | | 50.00 |
| 03-May-07 | 44.45 | | 49.00 |

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Valuation Methodology: Our price target of \$28 is premised upon the average of three methodologies. First, the integrated P/E multiple of our '12E eps of \$3.24E, which yields \$32. Second, our core DCF asset valuation which yields \$29. Third, an Open EBITDA multiple of 11x our \$3.2B in '11E Open EBITDA, net of \$11.9B in net debt and an NPV of hedges of \$713M, which yields \$24. The average of these three methods yields our final target of \$28.

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| Company Name | Ticker | Price | Price Date | Stock / Sector Rating |
|-----------------|--------|------------|-------------|----------------------------|
| PPL Corporation | PPL | US\$ 25.60 | 28-Apr-2010 | 2-Equal Weight / 2-Neutral |

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| | |
|-------------------------------------|-----------------------------|
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| Dynegy Inc. (DYN) | Edison International (EIX) |
| Entergy Corp. (ETR) | Exelon Corp. (EXC) |
| FirstEnergy Corp. (FE) | FPL Group (FPL) |
| Mirant Corp. (MIR) | NRG Energy (NRG) |
| Ormat Technologies (ORA) | PPL Corporation (PPL) |
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**FITCH AFFIRMS RATINGS OF PPL ON AGREEMENT TO
ACQUIRE E. ON U.S. LLC**

Fitch Ratings-New York-29 April 2010: Fitch Ratings has affirmed the 'BBB' Issuer Default Ratings (IDR) and various instrument ratings of PPL Corp. (PPL) and its subsidiaries PPL Energy Supply, LLC and PPL Electric Utilities Corp. following the announcement of a definitive agreement to acquire E. ON U.S., LLC, the parent company of Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU), for \$6.7 billion in cash. The total enterprise value of the transaction, including the assumption of \$975 million of tax exempt debt, is \$7.625 billion. The Rating Outlook is Stable. A full list of the ratings is shown below.

The rating affirmation reflects the high equity content in the cash offer and the reduction in PPL's business risk from the addition of two financially healthy regulated electric utilities. In addition, PPL will receive tax benefits of approximately \$450 million as part of the transaction. The financing plan includes up to \$2.6 billion of PPL common stock, up to \$1 billion of mandatory convertible debt, approximately \$2.9 billion of subsidiary debt and the remainder available cash. The subsidiary debt is comprised of approximately \$2.1 billion of utility first mortgage bonds to be issued by LG&E and KU and \$800 million of senior unsecured debt to be issued by Kentucky Holdings, an intermediate holding company and direct parent company of LG&E and KU. A portion of the proceeds will be used by the newly acquired entities to retire the \$4.6 billion of inter-company borrowings. The hybrid securities are expected to be issued by PPL Capital Funding, Inc., a financing subsidiary of PPL. PPL has also put in place a \$6.5 billion bridge loan facility.

The acquisition substantially reduces PPL's commodity exposure, adds scale, geographic and regulatory diversity and lowers business risk. After the acquisition, PPL will derive approximately 60% of EBITDA and cash flow from regulated utility operations and the remainder from merchant generation, compared to the current mix of about 30% from regulated utilities currently and 70% from merchant generation. The regulated contribution should continue to grow over time due to the projected rate base growth of the company's domestic utilities and the unfavorable market conditions in the merchant power markets. Moreover the credit quality of the two Kentucky utilities, which are not currently rated by Fitch, appear to be consistent with an IDR equal to or greater than PPL's current 'BBB' IDR.

The primary credit concerns are the capital market risk of placing the proposed debt and equity issues on a timely basis and the concentration of coal-fired generation at the two Kentucky utilities. Maintenance of current ratings is contingent on the successful completion of the proposed financing plan as presented to Fitch without relying on the bridge loan facility. The coal exposure is mitigated by constructive regulatory provisions in Kentucky that provide for the recovery of environmental expenditures. Consummation of the transaction is subject to regulatory approvals, which management expects will take six to nine months.

Fitch affirms the following ratings:

PPL Corp

--Long-term IDR at 'BBB';

--Short-term IDR at 'F2';

PPL Energy Supply, LLC

--Long-term IDR at 'BBB';

--Senior unsecured debt at 'BBB';

--Short-term IDR at 'F2'.

PPL Capital Funding Corp.

--Long-term IDR at 'BBB';

--Short-term IDR at 'F2';
--Senior unsecured debt at 'BBB';
--Junior subordinated notes at 'BB+'.

PPL Electric Utilities Corp.
--Long-term IDR at 'BBB';
--Secured debt at 'A-';
--Preferred Stock 'at BBB-';
--Preference Stock at 'BBB-';
--Short-term IDR at 'F2';
--Commercial Paper at 'F2'.

These rating actions reflect the application of Fitch's current criteria which are available at 'www.fitchratings.com' and specifically include the following reports:

--'Corporate Rating Methodology' (Nov. 24, 2009).
--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007).
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug.22, 2007).

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E.ON

US business sold to PPL for \$8.1bn EV, above expectations - ALERT

E.ON has confirmed the sale of its US business to PPL. The achieved price (\$8.1bn EV) is above latest press report. It should take the group close to its target of 3.0x net debt/EBITDA at a minimum EPS cost.

- ◊ E.ON has announced late last night the sale of its US regulated business (ie LG&E and KU, but not its wind business) to PPL. The transaction had been widely reported in the press (eg WSJ).
- ◊ The price is \$8.1bn EV (\$6.7bn equity, \$0.9bn debt and \$0.5bn pension provisions), ie €6.1bn. This is well above the \$6bn-7bn range mentioned in the press (source: WSJ, 27 April 2010) and consensus valuation (source: company) in analysts' SOTP of c.€4.5bn (c.€1.6bn more, €0.8/share). It implies a 38% premium over headline rate base of \$5.9bn and 9.9x 2009 EV/EBITDA multiple.
- ◊ E.ON had sold c.€6bn of assets in 2009. With this deal, it will exceed its €10bn target (c.€12bn), and have more time for other transactions. Net debt/EBITDA should fall by 0.3x to close to 3.0x.
- ◊ E.ON will book a €0.4bn goodwill impairment in Q1 2010 (on top of the €1.5bn booked in 2008). On an underlying basis, we calculate a 1.5-2% EPS dilution. However, E.ON's valuation multiples are undemanding (9.8x 2010E P/E, including the €1.50 dividend payable on 7 May) and can accommodate it, in our view.
- ◊ Strategically, we think the deal makes sense. E.ON's US business was acquired with Powergen in 2002 and seen then as a springboard for more M&A, but consolidation failed to materialise.
- ◊ So, it formalises E.ON's clear focus on Europe and should help reduce the group's complexity – we think a key investor concern following the recent entries into Italy, Spain and Russia. The timing of the deal also suggests that the CEO transition is going smoothly (with Dr Teysen due to take over from Dr Bernotat on 1 May). E.ON having a lot to deal with, this is reassuring, we think.
- ◊ Finally, E.ON expects the deal to close at year end. This looks stretched to us. The regulatory approval process for US utilities deals is long, with Kentucky not the easiest counterpart, in our view.

The shares have performed well recently (+4.8% relative to the sector in the past month), mainly due to higher power prices in Germany and macro fears elsewhere, but also in expectation of this deal. Given the price achieved, we think the shares should hold on to their gains, and retain our preference for E.ON over RWE (Neutral).

See page 2 for analyst certification and important disclosures, including non-US analyst disclosures.

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Neutral

EONGn.DE, EOAN GR

Price: €27.73

28 April 2010

Electric Utilities

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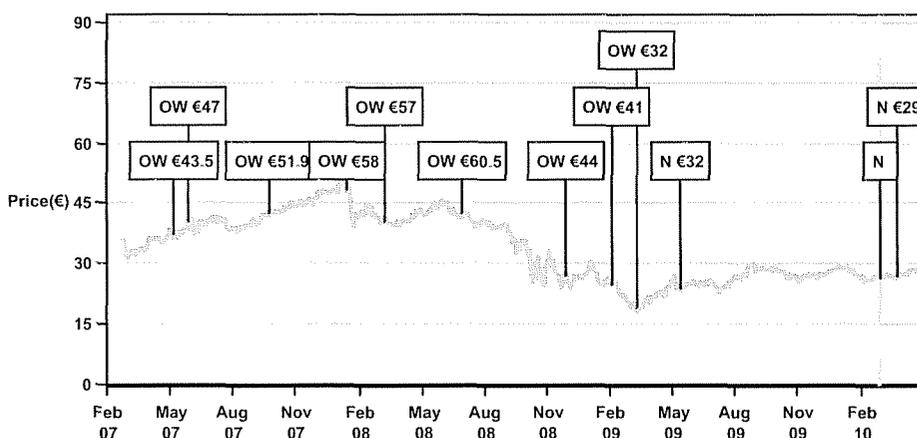
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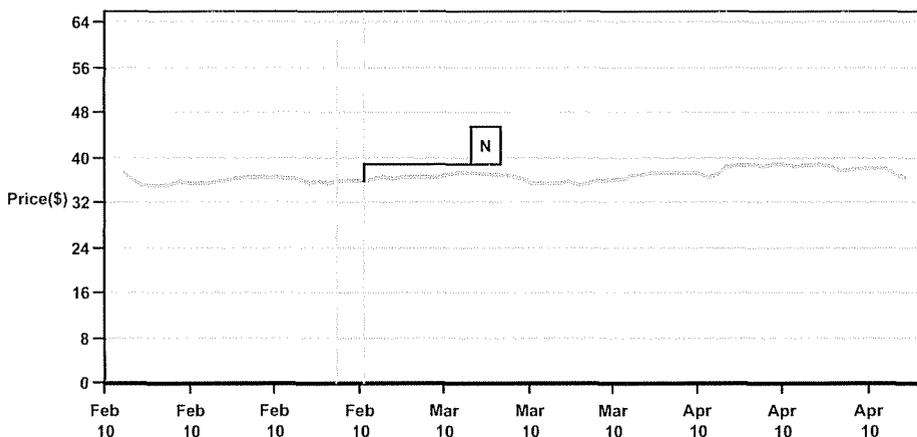
E.ON (EONGn.DE) Price Chart



| Date | Rating | Share Price (€) | Price Target (€) |
|-----------|--------|-----------------|------------------|
| 08-May-07 | OW | 37.26 | 43.50 |
| 31-May-07 | OW | 40.61 | 47.00 |
| 26-Sep-07 | OW | 42.55 | 51.90 |
| 14-Jan-08 | OW | 48.30 | 58.00 |
| 10-Mar-08 | OW | 40.63 | 57.00 |
| 30-Jun-08 | OW | 42.65 | 60.50 |
| 28-Nov-08 | OW | 27.12 | 44.00 |
| 03-Feb-09 | OW | 24.87 | 41.00 |
| 11-Mar-09 | OW | 19.34 | 32.00 |
| 15-May-09 | N | 24.04 | 32.00 |
| 01-Mar-10 | N | 26.58 | -- |
| 26-Mar-10 | N | 27.03 | 29.00 |

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Feb 26, 2010 - Mar 01, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight

E.ON (E) Price Chart



| Date | Rating | Share Price (\$) | Price Target (\$) |
|-----------|--------|------------------|-------------------|
| 01-Mar-10 | N | 35.63 | - |

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Feb 26, 2010 - Mar 01, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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| | Overweight (buy) | Neutral (hold) | Underweight (sell) |
|-------------------------------------|---------------------|-------------------|-----------------------|
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| IB clients* | 48% | 46% | 32% |
| JPMSI Equity Research Coverage | 42% | 49% | 10% |
| IB clients* | 70% | 58% | 48% |

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Company Alert

E.ON

COMPANY



RATING

BUY (UNCHANGED)

TARGET PRICE

UNDER REVIEW (30 EUR)

Company Update: Disposal of US Midwest announced - divestment target exceeded

HIGHLIGHTS

- Purchase price of USD 7.6 bn exceeds expectations
- We will most likely increase the target price by 0.60-0.90 EUR

Last night, E.ON announced the sale of US Midwest to the US utility PPL Corporation. Key points of the signed contracts have been. The agreed purchase price is USD 7.6 bn (EUR 5.7 bn), which implies a 2009 EV/EBITDA-multiple of approx. 9.9x. This comprises USD 6.7 bn in cash proceeds and USD 0.9 bn third party debt. The closing is expected at the end of 2010.

E.ON signalled the following implications of the sale:

1) **P&L:** US Midwest is treated as discontinued operations for the whole of 2010 (starting in Q2 2010). The adj. EBIT will therefore be reduced by approx. EUR 400 m (LBBWe EUR 417 m). E.ON will record a goodwill impairment of appr. EUR 0.9 bn in Q1 of 2010. Adjusted net income, which is the base for dividend payments, will be diluted by approx. EUR 260 m, as discontinued operations are not part of it. In 2011, the dilution effect is signalled to be only EUR 90 m. This is in our view due to reduced interest expenses (LBBWe approx. EUR -320 m).

2) **Balance sheet:** Like-for-like, 2009 economic net debt is reduced by EUR 6 bn to EUR 39 bn. This implies an improvement of the debt factor (economic net debt/adj. EBITDA) by 0.3x to 3.0x. This would mean that E.ON is reaching exactly its target of 3.0x. The goodwill impairment of EUR 0.9 bn will negatively impact E.ON's equity accordingly.

Conclusion - again, slightly positive share price reaction justified:

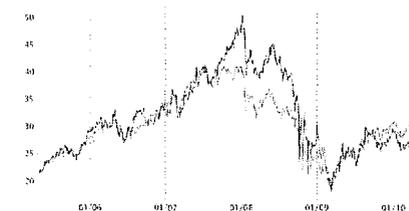
The announced sale of US Midwest and especially the purchase price is a good news for the E.ON share. We had expected the sale of US Midwest to be the most likely option in order to achieve the divestment target. However, the sales price comes as a positive surprise. Our conservative assumption have been approximately EUR 4 bn (=EV/EBITDA 6.6x). Therefore, we have to adjust our estimates. Most likely, we will increase the target price by EUR 0.60-0.90 from previously EUR 30.00 per share. With this disposal, E.ON has already surpassed its target to realize at least EUR 10 bn from the divestment of assets by the end of 2010. This is a positive news in our view as this contributes to resolve uncertainties associated with that programme. We again expect a slightly positive share price reaction. :

+++ Reuters: EONGn +++ Bloomberg: EOA GY +++

Current Price (XETRA (Germany); 2010-04-28; 05:35 pm) 27.73 EUR
CLOSING PRICE (2010-04-28): 27.73 EUR
EXPECTED PERFORMANCE: 5.7%
MARKET CAPITALIZATION: 56,778.38 EUR m
ENTERPRISE VALUE: 97,456.65 EUR m
NUMBER OF SHARES: 2,001.00 m
FREE FLOAT: 100.0 %
INDEX (WEIGHT): DAX (9.83 %)
AVG. DAILY TRADEVOL.: 8,532,705
ISIN: DE000ENAG999
SECTOR: Utilities

| KEY DATA (DEC) | 2009 | 2010E | 2011E |
|--------------------|----------|----------|----------|
| Sales (EUR m) | 81,817.0 | 86,353.6 | 86,822.8 |
| EBITDA (EUR m) | 13,526.0 | 13,994.1 | 14,378.7 |
| EBIT (EUR m) | 9,646.0 | 10,024.1 | 10,242.7 |
| Net profit (EUR m) | 8,396.0 | 5,989.5 | 5,984.8 |
| FCF (EUR m) | -4,387.0 | -1,993.1 | 3,594.5 |
| FCF yield | n.a. | -3.5 % | 6.3 % |
| EPS (EUR) | 2.80 | 2.86 | 3.06 |
| DPS (EUR) | 1.50 | 1.55 | 1.60 |
| EV / Sales (x) | 1.1 | 1.1 | 1.1 |
| EV / EBITDA (x) | 6.9 | 7.0 | 6.8 |
| EV / EBIT (x) | 9.7 | 9.7 | 9.5 |
| P / E (x) | 10.5 | 9.9 | 9.3 |
| P / BV (x) | 1.38 | 1.25 | 1.18 |
| Dividend yield | 5.1 % | 5.5 % | 5.6 % |

PRICE PERFORMANCE



Source: E.ON, LBBW Research, Thomson Reuters

UPCOMING EVENTS

May 06-10 AGM

**Bernhard Jeggle, CRA**

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Analyst's Certification

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Disclosures

Please Note

Important Disclosures Required by Regulators

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LBBW Research Rating-Systematics (absolute share rating system)

Rating definitions:

| | |
|----------------------|--|
| Buy: | Based on a time horizon of up to 12 months, we recommend that investors buy the stock |
| Sell: | Based on a time horizon of up to 12 months, we recommend that investors sell the stock |
| Hold: | We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell |
| Under review: | The rating is currently updated |
| Suspended: | The evaluation of the company is currently not feasible. |

Percentage of companies within this rating category

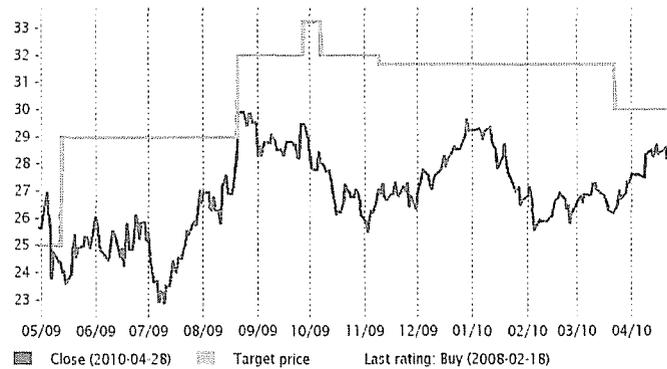
| | |
|----------------------|-------|
| Buy: | 48,3% |
| Sell: | 12,6% |
| Hold: | 36,6% |
| Under review: | 1,7% |
| Suspended: | 0,8% |

Notes: Rating definitions prior to 6th April, 2009 were:

Buy: The price potential of the share is at least 10%. Hold: The price potential of the share is between 0% and 10% Sell: A negative price performance of the share is expected. Ratings relate to a time horizon of up to 6 months

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Price and Rating History E.ON as of 2010-04-29





Rating Action: E.ON U.S. LLC

Moody's places the ratings of E.ON US and its subsidiaries under review for possible downgrade

New York, April 29, 2010 -- Moody's Investors Service placed the ratings of E.ON U.S. LLC (E.ON U.S.: A3 Issuer Rating) and its subsidiaries Kentucky Utilities Company (KU: A2 senior unsecured) and Louisville Gas and Electric Company (LGE: A2 senior unsecured) under review for possible downgrade.

Today's rating action follows the announcement that PPL Corporation (PPL: Baa3 Issuer Rating) has entered into a definitive agreement to acquire E.ON U.S, the parent company of KU and LGE, for \$7.625 billion. E.ON U.S. is currently a subsidiary of E.ON AG (E.ON: A2 senior unsecured). The transaction is expected to close by the end of 2010. It requires approvals by state regulators in Kentucky, Virginia and Tennessee, and by the Federal Energy Regulatory Commission.

"E.ON's ownership of KU and LGE has been a critical factor supporting the current ratings" said Moody's Vice President Scott Solomon. "Specifically, E.ON AG's size, scale and credit profile has provided the utilities liquidity and financial flexibility in the form of significant inter-company funding along with a liberal and flexible dividend policy that has strengthened their respective financial positions and provided ratings lift. Eliminating these tangible benefits through the proposed sale would likely trigger a two-notch downgrade of each E.ON U.S., KU and LGE," added Solomon.

Combined, KU and LGE had approximately \$2.6 billion of long-term debt outstanding at December 31, 2009. Of this amount, approximately 70% was intercompany debt provided indirectly by E.ON with the remainder consisting of senior unsecured tax-exempt debt. E.ON U.S, which had approximately \$1.6 billion of long-term debt outstanding at fiscal year end, was 100% funded with intercompany debt.

The amount of long-term debt at KU and LGE is not expected to be impacted by the proposed acquisition; however, PPL anticipates refinancing the existing intercompany debt with proceeds from the issuance of first mortgage bonds at both KU and LGE. It is Moody's general policy to rate first mortgage bonds two alpha-numeric ratings higher than a issuer's unsecured rating.

The review for possible downgrade will focus on PPL's ability to secure the regulatory approvals necessary to close the transaction. We also will consider the outcome of KU and LGE's rates cases which were filed in January 2010 should they be made available during the period of our review.

KU's ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt and CFO pre-W/C interest coverage for the twelve months ended December 31, 2009 were approximately 19% and 5.0 times, respectively, while LGE's metrics were slightly higher at approximately 22% and 6.0 times, respectively. On a standalone basis these financial metrics position KU and LGE as fully integrated utilities strongly in the Baa1 rated category. The slight difference in credit metrics between the utilities reflects in large part KU's higher capital expenditure program that resulted in higher intercompany debt balances. These financial metrics are expected to trend modestly upward for both over the near-term due in large part to the anticipated higher electric rates that KU and LGE requested in recently filed rate cases.

KU and LGE benefit from a generally supportive regulatory environment that provides for timely recovery of costs offset in part by a significant reliance on coal-fired generating capacity.

Moody's anticipates downgrading the Issuer Rating of E.ON U.S. most likely to Baa2 upon the closing of the sale to PPL.

Ratings placed under review follow;

E.ON U.S. LLC

A3 Issuer Rating

- Kentucky Utilities Company

A2 Issuer Rating

A2 senior unsecured rating

Prime-1 rating for short-term variable rate demand debt

- Louisville Gas and Electric Company

2 Issuer Rating

A2 senior unsecured rating

Prime-1 rating for short-term variable rate demand debt

The last rating action taken on E.ON U.S. occurred on February 22, 2006 when the ratings were affirmed.

The last rating actions taken on KU and LGE occurred on May 8, 2007 when certain tax-exempt debt issues were downgraded to A2 from A1 due to the termination of mortgage indentures.

The principal methodologies used in rating E.ON U.S. was Rating Methodology: Regulated Electric & Gas Utilities, published in August 2009 and available on www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

E.ON U.S. LLC is headquartered in Louisville, Kentucky.

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April 29, 2010

Stock Rating
Equal-weight
Industry View
In-Line

PPL Corporation

E.On deal moves business mix to 63% regulated, dilutes commodity exposure

What's Changed

Price Target **\$30.25 to \$28.00**

What's new: On 4/29, PPL and E.On announced PPL intends to acquire E.On's U.S. utilities for \$7.63 bn. \$450 mm of tax attributes (PV of NOLs) lowers the value to \$7.18 bn. This is a multiple of 1.12x '10 rate base. We assume PPL will finance this by issuing \$2.5 bn of stock, \$750mm of hybrids, use \$350mm of cash, and issuing/assuming 4.0 bn of debt. The deal is expected to close by YE'10. No shareholder approval is required.

Deal looks modestly accretive to EPS by 2013...

Using our updated forecast for earnings and CF, the transaction appears to be \$0.15 dilutive to eps in '11 and \$0.10 accretive to eps in '13. We assume no synergies. While this is consistent with mgmt's expectations, investors should note that even with this benefit, eps declines from \$3.30 in '10 to \$2.45 in '13 due to the expiration of above market hedges at PPL Supply.

But makes PPL less levered to power markets.

PPL's earnings mix will move from 2/3 merch pwr in '10 to just under 2/3 reg. in '13. This assumes LGE/KU hit a rate base of 7.4bn, 53% equity layer & a 10% ROE (they earned ~8% in '09). Pwr mrkt leverage will be diminished by 20%, from \$0.50/sh per a \$5/MWh pwr px move to \$0.40/sh, which still gives PPL meaningful leverage but essentially "hedges out" a big chunk of this risk at what could be the bottom of the cycle.

Fundamental value \$28: While this deal doesn't appear to create higher equity value it does lower risk in terms of earnings mix and credit quality. PPL has traded a portion of its commodity leverage for the relative stability of a regulated earnings stream. Our pro forma value reflects 12.1x '12 reg. eps of \$1.63 for a \$19.75 value, \$11.50 for the merch. business and \$3.50 drag for deal/parent leverage to arrive at a pro forma \$28.00 value. Our updated standalone value for PPL is also \$28.00.

Key Ratios and Statistics

Reuters: PPL.N Bloomberg: PPL US
Elec. Utilities/Diversified / United States of America

| | |
|---------------------------------|----------------|
| Price target | \$28.00 |
| Shr price, close (Apr 29, 2010) | \$25.00 |
| Mkt cap, curr (mm) | \$9,430 |
| 52-Week Range | \$34.41-24.67 |

PPL Pro Forma Snapshot

| Current Segment Valuation | Bear | Base | Bull |
|------------------------------------|--------------|--------------|--------------|
| PPL_Electric | 6.70 | 8.15 | 9.25 |
| UK Delivery | 4.05 | 5.35 | 7.35 |
| LG&E / KU | 0.00 | 0.00 | 0.00 |
| GenCo | 6.50 | 13.80 | 22.25 |
| Plus / (Less) NPV of Forward Curve | -0.60 | -1.15 | -2.00 |
| Plus / (Less) NPV of MTM Hedges | 2.00 | 2.00 | 2.00 |
| Plus / (Less) NPV of Carbon Upside | 0.00 | 0.00 | 0.00 |
| Adjusted GenCo | 7.90 | 14.65 | 22.25 |
| Plus / (Less) Parent Net Debt | -0.15 | -0.15 | -0.15 |
| Total Value | 18.50 | 28.00 | 38.70 |

| Pro Forma Segment Valuation | Bear | Base | Bull |
|------------------------------------|--------------|--------------|--------------|
| PPL_Electric | 5.35 | 6.50 | 7.35 |
| UK Delivery | 3.20 | 4.25 | 5.85 |
| LG&E / KU | 7.70 | 9.30 | 10.80 |
| GenCo | 5.15 | 11.00 | 17.75 |
| Plus / (Less) NPV of Forward Curve | -0.40 | -1.05 | -1.60 |
| Plus / (Less) NPV of MTM Hedges | 1.60 | 1.60 | 1.60 |
| Plus / (Less) NPV of Carbon Upside | 0.00 | 0.00 | 0.00 |
| Adjusted GenCo | 6.35 | 11.55 | 17.75 |
| Plus / (Less) Parent Net Debt | -3.60 | -3.60 | -3.60 |
| Total Value | 19.00 | 28.00 | 38.15 |

| Pro Forma Transaction Summary* | 2010E | 2011E | 2012E | 2013E |
|---|---------|---------|---------|---------|
| PPL Current EPS Estimates | 3.30 | 3.15 | 3.05 | 2.35 |
| PPL Pro Forma EPS Estimates | 3.30 | 3.00 | 3.00 | 2.45 |
| Accretion Dilution (\$/sh) | 0.00 | -0.15 | -0.05 | 0.10 |
| Accretion Dilution (%) | 0% | -5% | -2% | 4% |
| Current Share Count Forecast | 379 | 381 | 384 | 386 |
| Pro Forma Share Count Forecast* | 478 | 480 | 481 | 483 |
| Current Impact from a \$5/MWh Change in Pwr | \$ 0.04 | \$ 0.10 | \$ 0.24 | \$ 0.49 |
| Pro Forma Impact from a \$5/MWh Change in Pwr | \$ 0.03 | \$ 0.08 | \$ 0.19 | \$ 0.39 |

* Assumes Deal Closes 12/31/10

Source: Company Reports, Morgan Stanley Research:

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Exhibit 1

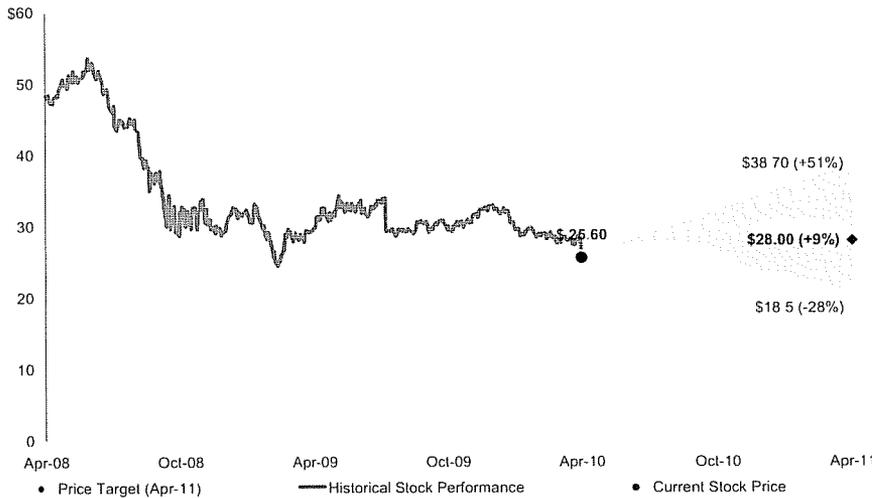
PPL Pro Forma Financial Summary

| PPL Corporation Financial Dashboard | | | | | | | | | | | | | |
|--|---|---------------------------|------------------|---------------------------|-----------------------|---------------|---------------------|--------------|-------|-------|-------|-------|-------|
| Year Ending Dec 31, | | 2009A | 2010E | 2011E | 2012E | 2013E | Year Ending Dec 31, | | 2009A | 2010E | 2011E | 2012E | 2013E |
| Summary Financial Info | | | | | | | | | | | | | |
| # | Net Income By Division | <i>Merchant</i> | <i>Regulated</i> | <i><Standalone></i> | <i>Pro Forma ></i> | | | | | | | | |
| | PPL_Electric | 0% | 100% | 132 | 123 | 185 | 248 | 274 | | | | | |
| | UK Delivery | | 100% | 269 | 157 | 177 | 181 | 190 | | | | | |
| | LG&E / KU | | 100% | | | 348 | 361 | 375 | | | | | |
| | PPL_Supply | 100% | 0% | 336 | 965 | 829 | 737 | -139 | | | | | |
| | Deal Leverage / Other | 0% | 0% | -1 | 5 | -91 | -91 | -91 | | | | | |
| | Consolidated Net Income | | | 736 | 1,250 | 1,448 | 1,436 | 1,189 | | | | | |
| | Consolidated EPS | | | 1.95 | 3.30 | 3.00 | 3.00 | 2.45 | | | | | |
| | Wtd Average Shares Outstanding | | | 376 | 379 | 480 | 481 | 483 | | | | | |
| Earnings Breakdown | | | | | | | | | | | | | |
| | Regulated Utility | | | 54% | 22% | 43% | 49% | 63% | | | | | |
| | Merchant Power | | | 46% | 77% | 57% | 51% | 37% | | | | | |
| Dividend Profile | | | | | | | | | | | | | |
| | Dividends Per Share | | | 1.37 | 1.44 | 1.50 | 1.56 | 1.62 | | | | | |
| | Dividend Yield | | | 5.5% | 5.8% | 6.0% | 6.2% | 6.5% | | | | | |
| | Dividend Payout Ratio | | | 70% | 44% | 50% | 52% | 66% | | | | | |
| | Dividend Growth Rate | | | 4.8% | 4.9% | 4.2% | 4.0% | 3.8% | | | | | |
| Cash Flow / Capex Profile | | | | | | | | | | | | | |
| | PPL Regulated EBITDA | | | 761 | 728 | 793 | 958 | 1,013 | | | | | |
| | LG&E / KU EBITDA | | | | | 1,058 | 1,113 | 1,151 | | | | | |
| | Merchant EBITDA | | | 1,199 | 2,353 | 2,220 | 2,129 | 1,711 | | | | | |
| | Other EBITDA | | | -220 | 0 | 0 | 0 | 4 | | | | | |
| # | Consolidated EBITDA | | | 1,740 | 3,081 | 4,071 | 4,200 | 3,879 | | | | | |
| | PPL Regulated OCF | | | 294 | 264 | 606 | 719 | 733 | | | | | |
| | LG&E / KU OCF | | | | | 798 | 846 | 875 | | | | | |
| | Merchant OCF | | | 1,413 | 1,713 | 1,398 | 1,333 | 1,064 | | | | | |
| # | Other OCF | | | 145 | -42 | 15 | -2 | 23 | | | | | |
| | Consolidated Operating Cash Flow | | | 1,852 | 1,935 | 2,817 | 2,896 | 2,696 | | | | | |
| | PPL Regulated Capex | | | 298 | 589 | 801 | 664 | 719 | | | | | |
| | LG&E / KU OCF | | | | | 651 | 661 | 810 | | | | | |
| # | Merchant Capex | | | 985 | 1,320 | 1,384 | 1,269 | 1,126 | | | | | |
| | Other Capex | | | 30 | 0 | 0 | 0 | 0 | | | | | |
| | Consolidated Capital Expenditure | | | 1,313 | 1,909 | 2,836 | 2,594 | 2,655 | | | | | |
| | Pre-Financing PPL Regulated Cash Flow | | | 300 | -325 | -195 | 55 | 14 | | | | | |
| | Pre-Financing LG&E Regulated Cash Flow | | | | | 147 | 185 | 65 | | | | | |
| # | Pre-Financing Merchant Cash Flow | | | 862 | 393 | 14 | 64 | -62 | | | | | |
| | Pre-Financing Other Cash Flow | | | -190 | -64 | 15 | -2 | 23 | | | | | |
| | Consolidated Pre-Financing Cash Flow | | | 972 | 4 | -19 | 302 | 41 | | | | | |
| Summary Capitalization Data | | | | | | | | | | | | | |
| | Cash | <i><Standalone></i> | | <i>Pro Forma ></i> | | | | | | | | | |
| | | 801 | 839 | 352 | 350 | 150 | | | | | | | |
| | Short Term Debt | 639 | 639 | 639 | 639 | 639 | | | | | | | |
| | Long Term Debt | 7,143 | 7,643 | 12,782 | 12,832 | 13,202 | | | | | | | |
| | Preferred Equity and Minority Interest | 319 | 319 | 319 | 319 | 319 | | | | | | | |
| | Common Equity | 5,496 | 6,281 | 9,646 | 10,298 | 10,660 | | | | | | | |
| | Total Capitalization | 13,597 | 14,882 | 23,386 | 24,088 | 24,820 | | | | | | | |
| Leverage Ratios | | | | | | | | | | | | | |
| | LT Debt / Total Cap | 53% | 51% | 55% | 53% | 53% | | | | | | | |
| | Total Debt / Total Cap | 57% | 56% | 57% | 56% | 56% | | | | | | | |
| | Net Debt / EBITDA | 4.0x | 2.4x | 3.2x | 3.1x | 3.5x | | | | | | | |
| | FFO / Total Debt | 21% | 25% | 20% | 21% | 18% | | | | | | | |
| Coverage Ratios | | | | | | | | | | | | | |
| | FFO Interest Coverage | 5.0x | 5.8x | 4.2x | 4.2x | 3.7x | | | | | | | |
| | Profx Interest Coverage | 2.5x | 5.3x | 4.3x | 4.1x | 3.5x | | | | | | | |
| Free Cash Flow Yields | | | | | | | | | | | | | |
| | Regulated FCF Yield | -0.1% | -10.4% | -0.5% | 2.5% | 0.8% | | | | | | | |
| | Merchant FCF Yield | 6.8% | 6.2% | 0.6% | 2.8% | -2.6% | | | | | | | |
| | Consolidated FCF Yield | 5.7% | 0.3% | -0.2% | 2.5% | 0.3% | | | | | | | |
| Summary Valuation Ratios | | | | | | | | | | | | | |
| | Price to Earnings | 12.8x | 7.6x | 8.3x | 8.3x | 10.2x | | | | | | | |
| | EV / EBITDA | 9.4x | 5.5x | 6.2x | 6.0x | 6.6x | | | | | | | |
| | Dividend Yield | 5.5% | 5.8% | 6.0% | 6.2% | 6.5% | | | | | | | |
| Current | | | | | | | | | | | | | |
| | Share Price: | | | | | | | | | | | | |
| | Current Shares Outstanding | | | | | | | | | | | | |
| | Equity Market Capitalization | | | | | | | | | | | | |
| | Plus Consolidated Net Debt | | | | | | | | | | | | |
| | Enterprise Value | | | | | | | | | | | | |
| Pro Forma | | | | | | | | | | | | | |
| | Regulated MS Valuation | | | | | | | | | | | | |
| | Unregulated MS Valuation | | | | | | | | | | | | |
| | Total MS Equity Valuation | | | | | | | | | | | | |
| | Plus Consolidated Net Debt | | | | | | | | | | | | |
| | Total MS Ent Valuation | | | | | | | | | | | | |

Source: Company data. Morgan Stanley Research

PPL Corp (PPL, \$25.00, Equal-weight, Price Target \$28)

Hedges Secure NT Cash Flows



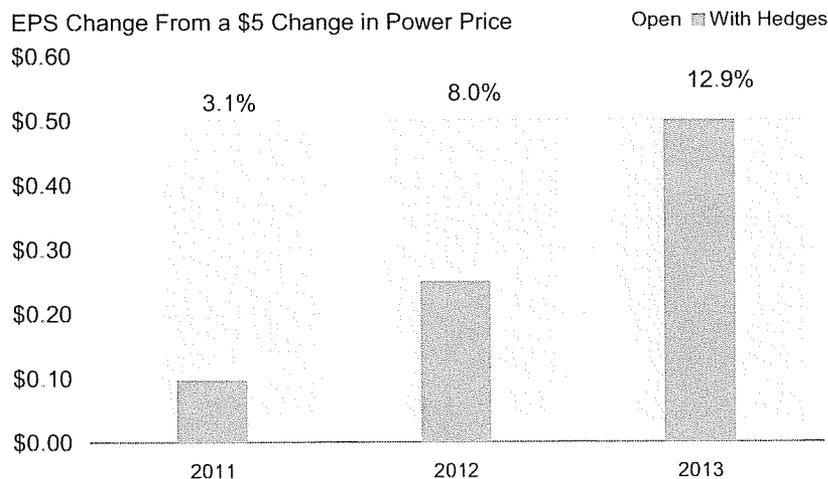
Source: FactSet, Morgan Stanley Research

Price Target \$28: Utility valued using DDM

Genco valued using "Open EBITDA"

| | Utility | Genco |
|------------------|---|-------------------------------------|
| Bull Case | 11.3% ROE in 2012, stable post-2012 | \$7.00 mid-cycle gas case |
| Case | 11.7% rate base growth to 2013, 3% LT | 8.0x "open" EV/EBITDA multiple |
| \$38.70 | 13.0x 2012 utility EPS of \$0.71 = \$9.23 | Load serving margin rise to \$150mm |
| | UK Delivery worth 1.4x RAB = \$7.34 | |
| Base Case | 10.3% ROE in 2012, stable post-2012 | \$6.00 mid-cycle gas case |
| Case | 11.7% rate base growth to 2013, 2% LT | 7.0x "open" EV EBITDA multiple |
| \$28 | 12.5x 2012 ute EPS of \$0.65 = \$8.15 | Load serving margin rise to \$100mm |
| | UK Delivery worth 1.15x RAB=\$5.50/shr | |
| Bear Case | 9.3% ROE in 2012 | \$5.00 mid-cycle gas case |
| Case | 6% rate base growth to 2013, 2% LT | 6.0x "open" EV EBITDA multiple |
| \$18.50 | 11.5x 2012 ute EPS of \$0.58 = \$6.70 | Load serving margins are \$50mm |
| | UK Delivery worth 1.0x RAB = \$4.00/shr | |

A \$5 Change in Power Prices Moves EPS 3% in 2011, 10% in 2013



Source: Morgan Stanley Research estimates 2011/2012 hedge data provided by PPL, 2013 is estimated

Investment Thesis

- We forecast a earnings rising from \$1.95/share in 2009 to \$3.30/share in 2010 due to expiration of a legacy power contract commitment.
- However, earnings then decline to \$2.35 in 2013 as the company shows a declining benefit from having hedged generation output at above market prices, mitigated by growth in regulated EPS through capital deployment at the Pennsylvania and U.K. Delivery segments.
- We expect Pennsylvania regulated rate base growth of >19% from 2009 to 2013, improving EPS from \$0.35 to \$0.71. A recent UK rate decision gives earnings clarity in that segment for the next five years.
- PPL has leverage to an improvement in the commodity and economic backdrop through two avenues. A \$5 change in power price would drive a change in our 2012/2013 EPS estimates of \$0.25/\$0.50 (8.0%/12.9%), while a resurgence in economic activity could allow for a recovery in margins at its marketing and trading segment.

Key Drivers/ Catalysts

- The PA Delivery business has a pending rate case in which it is seeking a 114.7mm rate increase premised on a 48.4% equity layer and a 11.75% ROE. We expect resolution by year-end.

Potential Risks

- We assume a \$40 million improvement to marketing and trading margin post-2010 to \$75 million. If PPL realizes above/below this level, there could be upside/downside to our PPL Supply earnings outlook.
- PPL does have exposure to currency fluctuations related to UK Delivery.
- If the regulatory approvals the Pennsylvania Delivery segment in 2010 result in less constructive outcomes than we anticipate, there could be downside to our earnings forecast.

| | |
|---|--|
|  | <p>Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.</p> |
|---|--|

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(as of March 31, 2010)

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| Stock Rating Category | Coverage Universe | | Investment Banking Clients (IBC) | | |
|--------------------------|-------------------|------------|----------------------------------|----------------|----------------------|
| | Count | % of Total | Count | % of Total IBC | % of Rating Category |
| Overweight/Buy | 1042 | 41% | 325 | 43% | 31% |
| Equal-weight/Hold | 1095 | 43% | 348 | 46% | 32% |
| Not-Rated/Hold | 15 | 1% | 4 | 1% | 27% |
| Underweight/Sell | 373 | 15% | 87 | 11% | 23% |
| Total | 2,525 | | 764 | | |

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Attractive (A). The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Cautious (C). The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

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April 29, 2010
PPL Corporation

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Industry Coverage: Elec. Utilities/Diversified

| Company (Ticker) | Rating (as of) | Price* (04/29/2010) |
|--|----------------|---------------------|
| Greg Gordon | | |
| Allegheny Energy Inc (AYE.N) | ++ | \$21.49 |
| Constellation Energy Group, Inc. (CEG.N) | E (12/21/2009) | \$37.56 |
| Dominion Resources, Inc (D.N) | U (04/09/2010) | \$41.3 |
| Edison International (EIX.N) | E (09/17/2009) | \$33.72 |
| Entergy Corp (ETR.N) | O (09/17/2009) | \$80.55 |
| Exelon Corp (EXC.N) | E (09/17/2009) | \$43.26 |
| FPL Group Inc (FPL.N) | E (11/16/2009) | \$50.69 |
| FirstEnergy Corp. (FE.N) | ++ | \$37.4 |
| PPL Corporation (PPL.N) | E (12/21/2009) | \$25 |
| Public Service Enterprise Group, Inc (PEG.N) | E (09/17/2009) | \$31.84 |
| Sempra Energy (SRE.N) | E (09/17/2009) | \$49.43 |

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* Historical prices are not split adjusted



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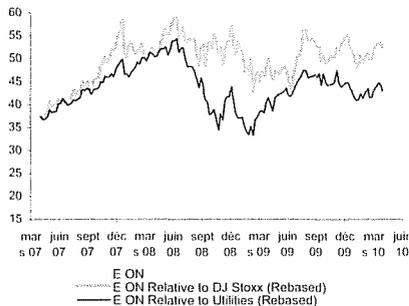
E.ON

Electricity & Gas

Germany

Disposals

| | |
|--------------------|-----------|
| Recommendation | Buy (1) |
| Price (28/04/2010) | 27.80 EUR |
| Target price | 32.00 EUR |



| | |
|----------------|---------|
| Reuter: | EONG F |
| Bloomberg: | EOAN GR |
| 12-month high: | 29.93 |
| 12-month low: | 22.96 |

Multiples

| | 12/08 | 12/09 | 12/10e | 12/11e |
|----------------|-------|-------|--------|--------|
| P/E | 13.1 | 9.1 | 9.6 | 9.5 |
| Net yield (%) | 3.9% | 5.9% | 5.4% | 5.4% |
| FCF yield (%) | -2.8% | 0.3% | -0.3% | 2.3% |
| P/Book value | 2.1 | 1.2 | 1.2 | 1.2 |
| EV/Sales | 1.2 | 1.0 | 1.0 | 1.0 |
| EV/EBITDA | 8.0 | 5.9 | 6.1 | 6.0 |
| EV/EBIT(recur) | 10.8 | 8.3 | 8.6 | 8.4 |

Per share data

| EUR | 12/08 | 12/09 | 12/10e | 12/11e |
|------------|--------|-------|--------|--------|
| EPS (AANP) | 2.94 | 2.80 | 2.89 | 2.93 |
| %Change | 8.9% | -4.8% | 3.4% | 1.3% |
| EPS (ANP) | 0.67 | 4.41 | 3.18 | 2.93 |
| %Change | -82.2% | ns | -27.8% | -7.9% |
| Dividend | 1.50 | 1.50 | 1.50 | 1.50 |
| Book value | 18.10 | 21.19 | 22.74 | 24.04 |

Income statement

| (EUR m) | 12/08 | 12/09 | 12/10e | 12/11e |
|-------------------|--------|--------|--------|--------|
| Sales | 86 753 | 81 817 | 85 485 | 90 645 |
| %Change | 26.2% | -5.7% | 4.5% | 6.0% |
| Op.profit(recur.) | 9 878 | 9 646 | 9 980 | 10 432 |
| %Change | 7.6% | -2.3% | 3.5% | 4.5% |
| Op.profit(EBIT) | 9 750 | 9 474 | 9 980 | 10 432 |
| Attr net profit | 1 283 | 8 396 | 6 065 | 5 583 |
| Adj attr NP | 5 597 | 5 328 | 5 510 | 5 583 |

Financial data

| | 12/08 | 12/09 | 12/10e | 12/11e |
|-----------------|----------|--------|--------|---------|
| ROCE bef Tax | 10.8% | 10.0% | 9.9% | 9.9% |
| ROCE after Tax | 9.7% | 6.0% | 7.2% | 7.2% |
| ROE | 13.4% | 14.2% | 13.2% | 12.5% |
| FCF | -2 122.9 | 150.0 | -164.4 | 1 279.7 |
| Net debt | 29 693 | 27 991 | 29 555 | 31 380 |
| Gearing | 77.3% | 63.7% | 62.7% | 62.9% |
| Net Debt/EBITDA | 2.2 | 2.1 | 2.1 | 2.1 |
| EBITDA/Interest | 7.3 | 6.2 | 6.0 | 6.0 |

Performance

| | 1 mo | 3 mos | 12 mos |
|-----------------|------|-------|--------|
| Absolute perf. | 4.0% | 4.0% | 13.5% |
| Perf./country | 0.97 | 0.88 | 1.73 |
| Perf./DJ sector | 1.14 | 1.05 | 1.13 |

Liquidity

| | |
|------------------|---------|
| Market Cap. | 52 677 |
| EV | 85 687 |
| No of shares (m) | 1 894.9 |
| Free Float | 89.0% |
| Allianz | 6.5% |
| E.on | 4.5% |

Disposal of E.on US: a catalyst

E.on announced this morning the sale of its Kentucky-based US business to PPL for \$ 7.6bn, i.e. a transaction multiple of nearly 10.0x EBITDA 2010e, higher than our SOP valuation (€ 5.1bn). This transaction, in line with our expectations, allows the group to improve its debt ratios (in line with its target: 3.0x EBITDA), strengthens the unity of its position in Europe and could be a catalyst for the share price in the lead up to the strategy presentation expected this summer.

Although the group was hard hit in 2009 by overcapacity on the gas markets, we believe that E.on could now benefit from an improved backdrop for raw materials prices and the wrapping up of its disposals programme. Given the current valuation, the growth expected over the next two years and the improved momentum, we are upgrading to a Buy (1) recommendation with a higher target price of € 32 (vs. € 31 previously).

A financially attractive disposal...

E.on announced this morning that it was selling its Kentucky-based US division which it calls "US Midwest" to PPL for \$ 7,625m (€ 5.7bn), implying a multiple of 10.0x EBITDA 2010e, which is greater than our sum-of-the-parts valuation (€ 5.1bn). We expect this deal to result in a deconsolidation of around € 560m in EBITDA in 2010 and € 390m in EBIT. The transaction should dilute recurring EPS slightly in 2010 (-5%) and 2011 (-2%). US Midwest will be booked under this continued operation and with no impact on reported net profit. The deal is expected to be wrapped up at the end of 2010 due mostly to the various regulatory confirmations.

This transaction, which was part of E.on's disposal plan (€ 10bn to be carried out by the end of the year 2010) should allow E.on to reduce its debt to around € 6.0bn, i.e. a 0.3x drop in its debt ratio (adjusted net debt/adjusted EBITDA). Consequently, we forecast debt of 3.0x EBITDA at end-2010, in line with the group's targeted debt reduction.

In keeping with our scenario (see our note "Private visit: limited downside"), E.on has exceeded its disposals target by nearly € 2bn at € 12bn. We now expect the group to make some minor disposals (residual Thüga stakes that we value at nearly € 500m) before ending this programme. As a reminder, we think that this surplus should allow E.on to maintain its debt ratios over the course of the next two years.

... which bolsters the strategic logic

We believe that the disposal of E.on's US division should improve the unity of the group's position in Europe. Moreover, E.on reduces its exposure to the US market where regulatory changes (especially for CO2) remain uncertain. We would highlight that 98% of its generation capacity (7.5 GW) is coal.

We also believe that the group is getting out of a regulated business where upside potential seemed limited and where cash generation in the coming years is likely to be limited given the levels of capex expected (€ 450m/year according to our estimates).

Upgrade to Buy (1) – Target price: € 32

In our previous note, we had identified two catalysts for the share price: the disposal of the US business and the new CEO's strategy presentation expected this summer. In light of: (i) the improved backdrop (increase in gas and electricity prices in the past weeks); (ii) growth expected over the next two years; and (iii) the attractive valuation (6.0x EBITDA 2011e), we are upgrading our recommendation to Buy (1) from Add (2). The disposal price, higher than our current valuation for that business, results in a boost to our target price to € 32.

The new CEO (Johannes Teysen) who is expected to start after the next AGM (6 May 2010) should announce his strategy during the summer. This could continue to fuel the stock's momentum.

Next event: Quarterly results on 11 May 2010

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UBS Investment Research

First Read: E.ON

Value for US assets beats expectations

■ E.ON sells its US unit to PPL

Yesterday E.ON announced selling its US unit (LG&E and Kentucky Utilities) to PPL for \$7.6bn (€5.7bn). The US business comprised of 7.5GW of generation capacity mostly coal-fired, with 2009 adjusted EBITDA of USD770mn. With this sale, E.ON has completed its \$10bn disposal target by 2010.

■ Assets attractively valued at 9.9x of 2009 EBITDA

The EV of €7.6bn for the US assets is in-line with our valuation (\$7.4bn) and above the higher end of market expectations of \$6-7bn. The transaction value assumes \$6.7bn in cash proceeds while the remaining \$0.9bn as third party debt. With 2009 adjusted EBITDA of \$770mn, the assets look attractively valued at 2009 EV/EBITDA of 9.9x.

■ Leveraged lowered, cash flow position strengthened further

The deal strengthens E.ON's balance sheet significantly. In our view, this will reduce economic net debt for 2010 by €6bn to €41.5bn, reducing net debt factor by 0.3x (<3.0x). Market will view the disposal positively given the lack of synergy with E.ON core business, its low historical returns and the attractive selling price. However, the deal will reduce 2010E EPS by around 3.5% in our view.

■ Valuation (Buy, €32)

E.ON remains among our most preferred stocks in the utilities space with key multiples trading at discount to the sector. E.ON price target is based on sum-of-the-parts valuation.

| Highlights (€m) | 12/08 | 12/09 | 12/10E | 12/11E | 12/12E |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Revenues | 86,753.00 | 81,817.00 | 85,784.32 | 91,689.00 | 97,440.23 |
| EBIT (UBS) | 9,878.27 | 9,646.00 | 9,778.43 | 10,027.71 | 10,428.60 |
| Net Income (UBS) | 5,598.30 | 5,340.00 | 5,415.11 | 5,424.73 | 5,730.08 |
| EPS (UBS, €) | 3.01 | 2.80 | 2.84 | 2.85 | 3.01 |
| Net DPS (UBS, €) | 1.50 | 1.50 | 1.50 | 1.50 | 1.53 |

| Profitability & Valuation | 5-yr hist av. | 12/09 | 12/10E | 12/11E | 12/12E |
|---------------------------|---------------|-------|--------|--------|--------|
| EBIT margin % | 13.5 | 11.8 | 11.4 | 10.9 | 10.7 |
| ROIC (EBIT) % | 14.5 | 12.3 | 11.9 | 11.5 | 11.6 |
| EV/EBITDA (core) x | 7.6 | 7.1 | 7.0 | 6.8 | 6.3 |
| PE (UBS) x | 17.2 | 9.1 | 9.8 | 9.7 | 9.2 |
| Net dividend yield % | 3.8 | 5.9 | 5.4 | 5.4 | 5.5 |

Source: Company reports, Thomson Reuters, UBS estimates. (UBS) valuations are based on our public, corporate and other research reports. Valuations based on an average share price that year. (E) based on a share price of €27.73 on 26 Apr 2010 (12/11/09).

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Global Equity Research

Germany

Electric Utilities

12-month rating

Buy

Unchanged

12m price target

€32.00/US\$42.20

Unchanged

Price

€27.73/US\$36.50 (ADR)

RIC: EONGn DE BBG: EOAN GR

29 April 2010

Trading data (local/US\$)

| | |
|--------------------------|------------------------------|
| 52-wk range | €29.93-22.88/US\$43.10-31.50 |
| Market cap. | €57.6bn/US\$75.8bn |
| Shares o/s | 2,076m (ORD)/2,076m (ADR) |
| ADR ratio | 1 ADR:1 ORD |
| Free float | 100% |
| Avg. daily volume ('000) | 8,585/77 |
| Avg. daily value (€m) | 232.2/2.8 |

Balance sheet data 12/10E

| | |
|----------------------|-----------|
| Shareholders' equity | €41.7bn |
| P/BV (UBS) | 1.3x |
| Net Cash (debt) | (€29.8bn) |

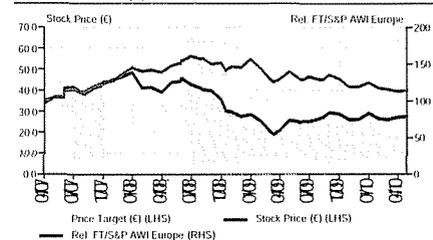
Forecast returns

| | |
|-----------------------------|--------|
| Forecast price appreciation | +15.4% |
| Forecast dividend yield | 5.4% |
| Forecast stock return | +20.8% |
| Market return assumption | 5.8% |
| Forecast excess return | +15.0% |

EPS (UBS, €)

| | 12/10E | | 12/09 |
|--------|--------|-------|--------|
| | UBS | Cons. | Actual |
| Q1E | - | 1.63 | - |
| Q2E | - | 1.63 | - |
| Q3E | - | 1.71 | - |
| Q4E | - | 1.71 | - |
| 12/10E | 2.84 | 2.85 | - |
| 12/11E | 2.85 | 2.85 | - |

Performance (€)



Source: UBS

www.ubs.com/investmentresearch

■ **E.ON**

E.ON is one of the largest utilities in Europe. It generates, transports and distributes power in Germany; it generates, distributes and supplies power and gas in the UK; and it transports and supplies gas in Germany through Ruhrgas (number one market share of c60%). E.ON also has a significant presence in Russia, the Nordics, Spain, and Italy, and owns c3.6% of Gazprom. The group benefits from rising power prices in Europe and seems fairly well protected against a potential cut in free carbon allocations, given its reliance on nuclear and hydro generation.

■ **Statement of Risk**

E.ON is exposed to volatile commodity markets and its network operations are regulated and therefore subject to political decisions, which may be hard for an external analyst to assess.

■ **Analyst Certification**

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| UBS 12-Month Rating | Rating Category | Coverage ¹ | IB Services ² |
|-----------------------|-----------------|-----------------------|--------------------------|
| Buy | Buy | 50% | 39% |
| Neutral | Hold/Neutral | 40% | 33% |
| Sell | Sell | 11% | 24% |
| UBS Short-Term Rating | Rating Category | Coverage ³ | IB Services ⁴ |
| Buy | Buy | less than 1% | 29% |
| Sell | Sell | less than 1% | 0% |

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2010.

UBS Investment Research: Global Equity Rating Definitions

| UBS 12-Month Rating | Definition |
|-----------------------|---|
| Buy | FSR is > 6% above the MRA. |
| Neutral | FSR is between -6% and 6% of the MRA. |
| Sell | FSR is > 6% below the MRA. |
| UBS Short-Term Rating | Definition |
| Buy | Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event. |
| Sell | Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. |

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| Company Name | Reuters | 12-mo rating | Short-term rating | Price | Price date |
|-------------------------------------|----------|--------------|-------------------|--------|-------------|
| E.ON ^{2, 4, 5, 15, 16, 22} | EONGn.DE | Buy | N/A | €27.73 | 28 Apr 2010 |

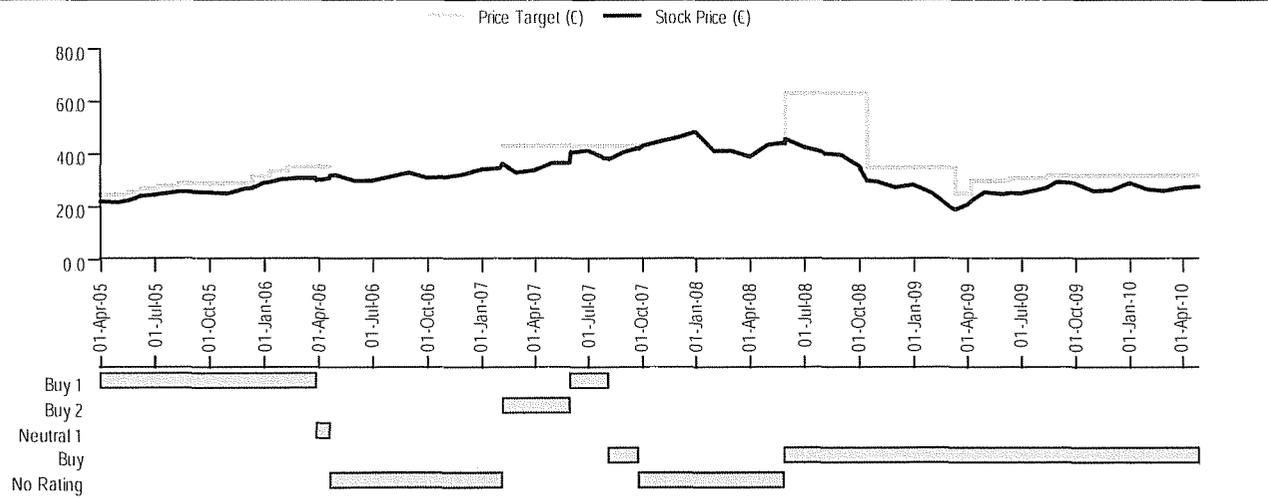
Source: UBS. All prices as of local market close.

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

E.ON (€)



Source: UBS, as of 28 Apr 2010

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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April 29, 2010



Equity Research

PPL Corporation

**PPL: Lowering EPS Outlook For Kentucky Purchase
Reiterate Market Perform**

- **Summary.** We are reiterating our Market Perform rating and our 12-18 month valuation range of \$29-30 in light of PPL's proposed purchase of the E.On's Kentucky utilities. Our 2011-13E EPS are \$2.85, \$2.65, and \$2.50 versus \$2.95, \$2.60, and \$2.45 previously. Consistent with PPL's guidance, we project the transaction will be modestly dilutive in 2011 and accretive by 2013.
- **Acquisition Details.** On April 28, PPL announced an agreement to purchase E.On's Kentucky utilities for \$7.625B, or \$7.175B after including the \$450MM present value of tax benefits. The projected year-end 2011 capitalization (rate base) for the Kentucky utilities is \$6.7B. The transaction is projected to close by year-end 2011 pending FERC and state regulatory approvals in Kentucky, Virginia, and Tennessee. Shareholder approvals are not required.
- **Financing.** PPL plans to finance the purchase via the assumption of \$925MM of tax-exempt debt and \$6.7B of cash financed through a mix of equity (\$2.2-2.6B), utility debt (\$2.1B), parent-level debt (\$0.8B), hybrid securities (\$0.75-1.0B), cash on hand (\$0.25-0.75B), and the possible sale of noncore assets. PPL expects the deal to be modestly dilutive near term but accretive by 2013.
- **EPS Outlook.** We assume the transaction closes at year-end 2010. No change to our 2010E EPS of \$3.25. Our 2011-14E EPS are \$2.85, \$2.65, \$2.50, and \$2.45 versus \$2.95, \$2.60, \$2.45, and NE, previously. We assume the Kentucky utilities contribute \$350MM in 2011, growing to just under \$400MM by 2014 (earned ROEs of roughly 10.0%). We assume financing consistent with PPL's guidance (equity at high-end and hybrids at low-end of guidance). We price the equity at \$25 per share; every \$1.00 change impacts annual EPS by \$0.02-0.03.
- **Initial Thoughts.** Despite near-term EPS dilution, we understand the merits of the deal as it strengthens PPL's financial (credit) profile and shifts the business mix more toward regulated operations. By 2013, we calculate that PPL's regulated businesses will contribute over 65% of EPS versus 50% without the Kentucky utilities. Shares appear relatively inexpensive trading at 9.1x and 9.8x our 2011E and 2012E EPS versus IPP/regulated peers at 11.1x and 11.8x--and this does not reflect the \$0.75 per share PV of the tax benefits. However, we believe shares may continue to trade at a discount given the financing overhang. We would also prefer to gain more comfort/knowledge about the Kentucky operations before rendering a strong opinion. Reiterate Market Perform rating.

Valuation Range: \$29.00 to \$30.00

We value PPL under a P/E multiple (10.5X multiple to our 12E EPS) and residual income analyses, which indicate a 12-18 month valuation range of \$29-30 per share, including \$2 per share for carbon. Risks include earnings sensitivity to power prices, regulatory/political risks and generation-related operating risks.

Investment Thesis:

We rate shares of PPL Corp. Market Perform. PPL has an attractively located and diverse generation fleet, however, the long-term outlook is uncertain due to unfavorable macro-economic conditions. That said, the proposed purchase of E.On's Kentucky utilities skews PPL's business mix more towards lower-risk regulated operations.

**Please see page 2 for rating definitions, important disclosures
and required analyst certifications**

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Market Perform

Sector: IPP/Regulated Electric Utilities

Market Weight

Earnings Estimate Revised Down

| EPS | 2009A | 2010E | | 2011E | |
|-----------|---------|---------------|-------------|---------------|-------------|
| | | Curr. | Prior | Curr. | Prior |
| Q1 (Mar.) | \$0.60 | \$0.94 | 0.89 | NE | |
| Q2 (June) | 0.32 | 0.71 | NC | NE | |
| Q3 (Sep.) | 0.52 | 0.85 | NC | NE | |
| Q4 (Dec.) | 0.52 | 0.75 | 0.80 | NE | |
| FY | \$1.95 | \$3.25 | NC | \$2.85 | 2.95 |
| CY | \$1.95 | \$3.25 | | \$2.85 | |
| FY P/E | 13.2x | 7.9x | | 9.0x | |
| Rev.(MM) | \$7,556 | \$8,677 | | \$8,636 | |

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

| | |
|-----------------------------|-------------|
| Ticker | PPL |
| Price (04/29/2010) | \$25.68 |
| 52-Week Range: | \$25-35 |
| Shares Outstanding: (MM) | 377.9 |
| Market Cap.: (MM) | \$9,704.5 |
| S&P 500: | 1,200.50 |
| Avg. Daily Vol.: | 4,135,230 |
| Dividend/Yield: | \$1.40/5.5% |
| LT Debt: (MM) | \$7,143.0 |
| LT Debt/Total Cap.: | 52.5% |
| ROE: | 22.0% |
| 3-5 Yr. Est. Growth Rate: | (7.0)% |
| CY 2010 Est. P/E-to-Growth: | NM |
| Last Reporting Date: | 02/05/2010 |
| | Before Open |

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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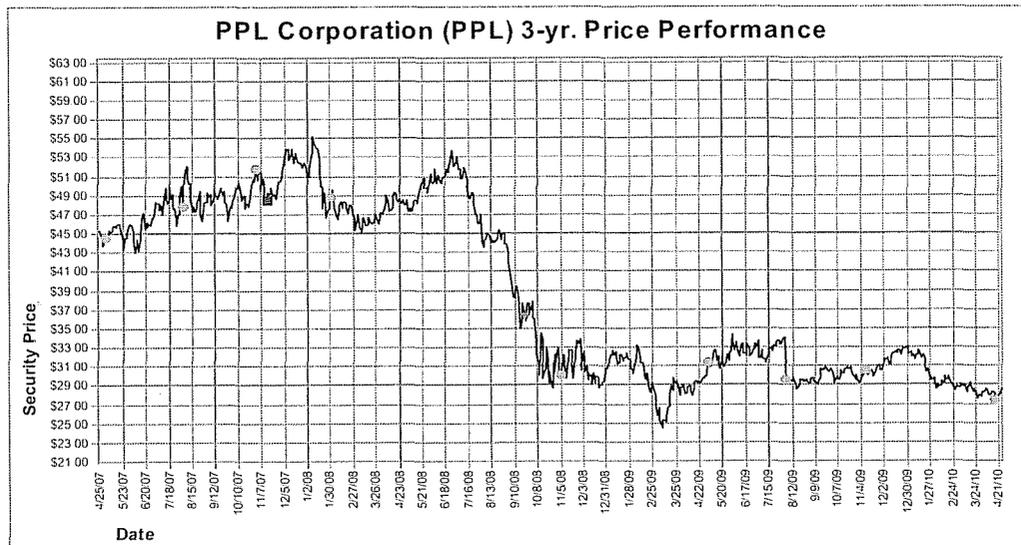
Together we'll go far



Company Description:

PPL Corp is the holding company for PPL Electric Utilities, PPL Global and PPL Generation. PPL Electric Utilities is a regulated electric distribution company that serves 1.4 million customers in Pennsylvania. PPL Generation owns over 11,000 MW of unregulated generation capacity, primarily located in Pennsylvania. PPL Global serves 2.5 million regulated electric distribution customers in the United Kingdom.

Required Disclosures



| | Date | Publication Price (\$) | Rating Code | Val. Rng. Low | Val. Rng. High | Close Price (\$) |
|---|------------|------------------------|-------------|---------------|----------------|------------------|
| | 4/25/2007 | | Brothwell | | | |
| | 4/25/2007 | NA | 2 | 38.00 | 41.00 | 45.27 |
| ⊕ | 5/3/2007 | NA | 2 | 41.00 | 44.00 | 44.45 |
| ⊕ | 8/3/2007 | NA | 2 | 45.00 | 48.00 | 47.85 |
| ⊕ | 10/31/2007 | 51.38 | 2 | 50.00 | 53.00 | 51.70 |
| ⊕ | 11/14/2007 | | Kalton | | | |
| ⊕ | 11/14/2007 | 48.53 | 1 | 59.00 | 61.00 | 48.53 |
| ⊕ | 1/31/2008 | 48.85 | 1 | 56.00 | 58.00 | 48.85 |
| ⊕ | 9/24/2008 | 36.48 | 2 | 42.00 | 44.00 | 36.06 |
| ⊕ | 11/5/2008 | 30.00 | 2 | 33.00 | 35.00 | 30.00 |
| ⊕ | 5/1/2009 | 31.29 | 2 | 31.00 | 33.00 | 31.29 |
| ⊕ | 8/4/2009 | 29.50 | 2 | 29.00 | 30.00 | 29.50 |
| ⊕ | 11/11/2009 | 30.87 | 2 | 30.00 | 31.00 | 30.53 |
| ⊕ | 4/16/2010 | 28.09 | 2 | 29.00 | 30.00 | 27.47 |

Source: Wells Fargo Securities, LLC estimates and Reuters data

| | | | |
|--------------------------|---|------------------------|----------------|
| Symbol Key | | Rating Code Key | |
| ▼ Rating Downgrade | ◆ Initiation, Resumption, Drop or Suspend | 1 Outperform/Buy | SR Suspended |
| ⬆ Rating Upgrade | ⬆ Analyst Change | 2 Market Perform/Hold | NR Not Rated |
| ⊕ Valuation Range Change | — Split Adjustment | 3 Underperform/Sell | NE No Estimate |

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PPL Corporation

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: April 29, 2010

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SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

3 April 2010

E.ON

Neutral

€27.7

(Remains Unchanged)

Target Price: n/a

Reuters Code: EONGn.DE

Bloomberg Ticker: EOA GR

EPS adj.

Dec 2009A €2.80

Dec 2010E €2.83

Dec 2011E €2.89

Dec 2012E €3.01

WestLB Research estimates

Market Cap: € 52,813m

Current recommendation since 13/11/2009

Previous recommendation was Add

For disclosures and statements required by regulatory bodies, please see the last page

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E.ON

Sale of US unit at a good price ends disposal programme

- E.ON says it had sold its US entity LG&E to US utility PPL for an enterprise value of \$7.6bn, which is more than \$1bn above our expectation. The only negative is that this price is below LG&E's book value. E.ON will include an impairment of €0.9bn in its Q1 accounts, which is not meaningful for its recurring profits. PPL paid a high strategic premium, which is visible in a sale EV/EBITDA multiple of 9.9x. This brings the total of E.ON's asset disposals to €12bn, markedly above its €10 billion goal. Contrary to previous disposals, this deal will barely dilute E.ON's EPS. E.ON expect to close the deal by end-2010, and its new CEO Mr Teysen can now concentrate streamlining the group. We plan to come up with an in-depth view in the next few days.

E.ON: forecasts and multiples

| Year End | Sales | EBITDA | EPS adj | P/E | EV/EBITDA | Yield |
|----------------|--------|--------|---------|------|-----------|-------|
| Dec | (€m) | (€m) | (€) | (x) | (x) | (%) |
| 2009A | 81,817 | 13,526 | 2.80 | 10.4 | 7.4 | 5.1 |
| 2010E | 82,209 | 13,896 | 2.83 | 9.8 | 6.9 | 5.4 |
| 2011E | 87,154 | 14,294 | 2.89 | 9.6 | 6.8 | 5.8 |
| 2012E | 94,955 | 15,060 | 3.01 | 9.2 | 6.4 | 6.1 |
| Net cash/Share | -€13.9 | | | | | |
| NAV/Share | €23.0 | | | | | |

¹ Cash/debt at end of current year

Source E.ON, WestLB Research estimates

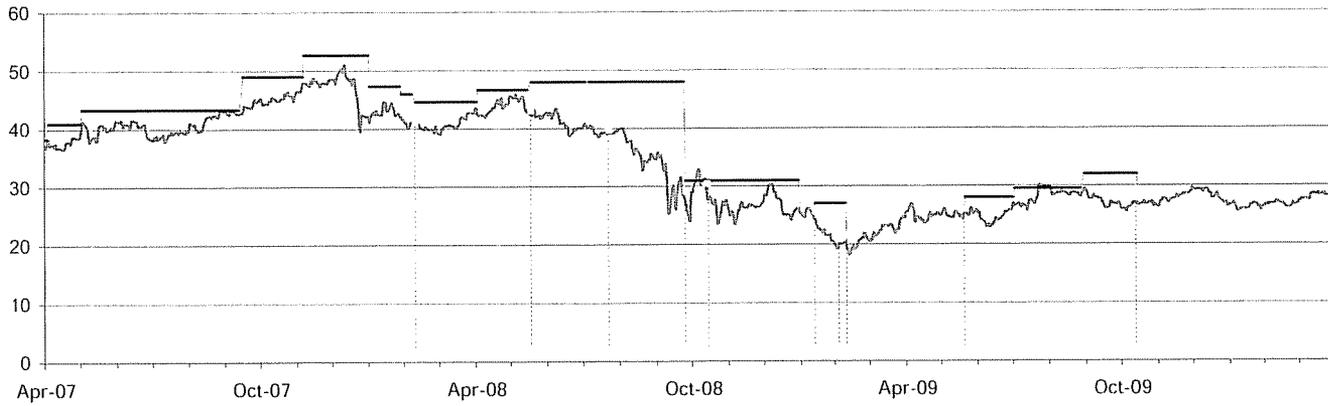
- LG&E was an obvious candidate for sale without hurting E.ON's strategy, and we believe its sale makes its €10 billion-disposal programme a success.
- The deal has come a bit earlier than we expected, and at a higher price. Therefore, the risk that disposal could lead to earnings dilution is now removed. E.ON stated that the impact on recurring profits is zero in every year but 2011. The effect in that year is stated at €90m, which is insignificant in our view.
- An attractive deal for E.ON. Other deals in the US early this year were executed at much lower multiples. Therefore the announced sale price of \$7.6bn is a positive surprise to us.
- Book value of LG&E was about \$1.2bn higher than the realised disposal price.
- Debt is now within the guided range. Debt factor improves by 0.3x according to E.ON, and brings it within the guided range of economic net debt/EBITDA multiple of 3.0x. With a multiple of 3.0x at the end of 2009, the target was not quite reached at that time.
- No room for an extra payout, in our view. Some might argue for an extra dividend. But there is no book gain, and the group's debt should now come under control and should no longer be at risk of being downgraded (in a weaker than expected economic environment).

- E.ON can now concentrate on the future, and record slightly higher earnings growth. LG&E has been a regulated company with solid earnings but unimpressive prospects of earnings growth. In our view, earnings growth for the streamlined group may be slightly better now.
- E.ON's multiples now have room to improve vs the European sector average. E.ON's multiples versus the European Utilities sector have weakened since 2008 due to the uncertainty of keeping debt levels under control. EV/EBITDA is now 10% below European the Utilities sector average. It seems to us to be too low, now that the issue of E.ON's net debt is now resolved – considering that E.ON is delivering earnings growth which is on par with the European sector average.

Peter Wirtz

29 April 2010

E.ON EONGn.DE



| Date | Price | Changed to | Date | Price | Changed to | Date | Price | Changed to |
|-----------|-------|------------|-----------|-------|------------|-----------|-------|------------|
| 13-Nov-09 | 26.68 | Neutral | 11-Feb-09 | 24.25 | Add | 16-Jun-08 | 42.40 | Add |
| 19-Jun-09 | 25.80 | Add | 12-Nov-08 | 27.75 | Hold | 10-Mar-08 | 40.65 | Hold |
| 10-Mar-09 | 19.34 | Neutral | 24-Oct-08 | 27.22 | Add | | | |
| 04-Mar-09 | 20.55 | Buy | 19-Aug-08 | 39.03 | Buy | | | |

Coverage History Rating at 30/04/2007 was Add

Source FactSet/JCF, WestLB Research

Since 30/1/2009 the rating Hold is replaced by Neutral. When the rating is Neutral the target price is equal to the actual share price.



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* Updating this information may take up to ten days after month end.

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| Coverage universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy/Add | 89 | 48 | Buy/Add | 30 | 64 |
| Neutral | 71 | 38 | Neutral | 14 | 30 |
| Sell/Reduce | 27 | 14 | Sell/Reduce | 3 | 6 |

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Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment.

Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political and social conditions. This discussion of valuation methods and risk factors is not comprehensive. Further information is available upon request.

Stock ratings are based on the analyst's expectation of the stock's total return during the twelve months following assignment of the rating. This view is based on the target price, set as described above, and on the analyst's opinions on general market and economic developments.

Within that overall framework, a Buy rating means that the total return from the stock is expected to exceed 20%; Add means between 10% and 20%. Reduce means between 0% and minus 10%; Sell means the stock is expected to return less than minus 10%; a Neutral rating means that we believe the share is fairly valued at current share price levels. For this reason we do not specifically provide a numeric target price for this rating, as by definition this corresponds closely to the market price that is determined on a daily basis until such time that we change our rating.

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30 April 2010

PPL Corp.

Reuters: PPL.N Bloomberg: PPL UN Exchange: NYS Ticker: PPL

Deal turns focus to 2013

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Acquisition makes long-term sense, but key risks remain

Yesterday, PPL hosted a meeting to provide more details behind their announced acquisition of E.ON's US utilities. Based on our analysis using the utilities' rate base estimates and PPL's financing plans, we see longer-term value in the deal and expect it to be accretive in 2013, as PPL has indicated. Despite the transaction's value, we still see considerable near-term risks (completing financing, getting regulatory approvals, and improving the ROEs at the Kentucky utilities) to be an overhang on the stock and are maintaining our Hold rating.

Focusing on Kentucky utilities' rate base

As expected, PPL detailed the rate base forecast for the Kentucky utilities to provide a view of its earnings potential. Using the provided rate base guidance, we believe that the KY utilities could reasonably contribute \$375M of earnings in 2013 (assuming a 10% ROE on 2012 rate base using a historical test year). With the utilities' having a longer-term history of earning 10%-12% on current year rate base, we view this as very achievable.

2013 accretion guidance brings attention to weakening outlook at Supply

In our view, PPL's discussion of the deal being accretive to 2013 is focusing attention on PPL's standalone 2013 EPS outlook, which we estimate could be in the \$2.50-range. We note that some investors fear a lower number, but we believe that does not fully take into account PPL's 2013 hedges. We note that while PPL is only 13% hedged on the power side, it is 57% hedged on coal. Thus, assuming 2013 coal is priced at the current forward curve is too aggressive in our view. Based on our rough calculation of \$375M of earnings contribution from the KY utilities and using PPL's financing guidance, we expect the deal could offset some of the 2013 earnings decline.

Lowering PT by \$3 to \$29 as we look to 2013

We value PPL at \$29 based a rough view of the post-transaction earnings profile, which is in line with a 2013 standalone sum-of-the-parts analysis. On a post-transaction basis, we calculate a rough earnings view using our ~\$2.50 standalone 2013 EPS plus the earnings contribution from the KY utilities less the financing costs and apply a peer average regulated utility multiple of 11x to arrive at our \$29 price target. On a standalone basis, we would shift our sum-of-the-parts out by one year to 2013 and remove the M&A discount from our previous valuation to get to \$29. Key risks include capital spending disallowance, negative rate case decisions, commodity prices, and transaction financing.

| Forecasts and trends | | | |
|----------------------|---------|----------|----------|
| Year End Dec 31 | 2009A | 2010E | 2011E |
| FY EPS (USD) | 1.95 | 3.35 | 3.05 |
| P/E (x) | 15.7 | 7.5 | 8.2 |
| Dividend yield (%) | 4.5 | 5.6 | 5.7 |
| Revenue (USDm) | 7,830.0 | 14,689.8 | 13,356.7 |

Source: Deutsche Bank estimates, company data

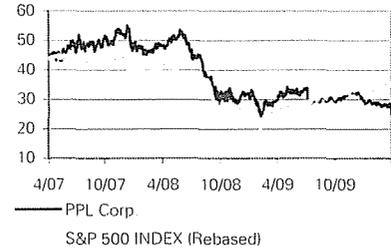
¹ Includes the impact of FAS123R requiring the expensing of stock options.

Forecast Change

Hold

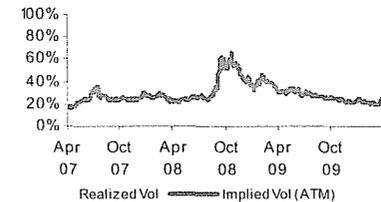
| | |
|----------------------------|---------------|
| Price at 29 Apr 2010 (USD) | 25.00 |
| Price target | 29.00 |
| 52-week range | 34.34 - 25.00 |

| | | | |
|--------------|----------------|---|-------|
| Price target | 32.00 to 29.00 | ↓ | -9.4% |
| EPS (USD) | 3.35 to 3.35 | ↑ | 0.1% |



| Performance (%) | 1m | 3m | 12m |
|-----------------|-------|-------|-------|
| Absolute | -10.4 | -15.2 | -16.5 |
| S&P 500 INDEX | 2.9 | 12.4 | 38.1 |

| | |
|-------------------------------------|------------|
| Market cap (USDm) | 9,437.9 |
| Shares outstanding (m) | 377.5 |
| Free float (%) | 100 |
| Volume (29 Apr 2010) | 15,224,000 |
| Option volume (und. shrs., 1M avg.) | 85,361 |
| Short interest (m) | - |
| Short interest (%) | - |
| Institutional ownership (%) | - |
| DPS (USD) | 1.40 |



Implied Volatility (3M, 6M) vs. Peer

| | |
|-------|-------|
| AES N | 41.9% |
| STR N | 30.3% |
| PPL N | 25.2% |
| DTE N | 18.9% |
| XEL N | 17.0% |

*Weighted-avg. of index components
 Data as of 29-Apr-10

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 106/05/2009

Model updated:30 April 2010

Running the numbers**North America****United States****Utilities and Power****PPL Corp.**

Reuters: PPLN

Bloomberg: PPL UN

Hold

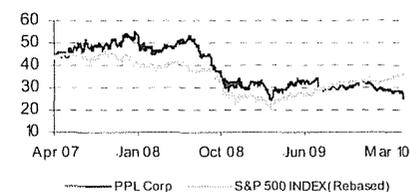
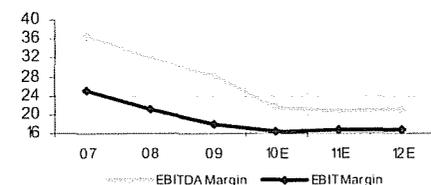
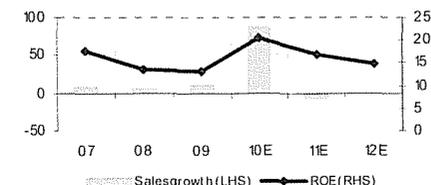
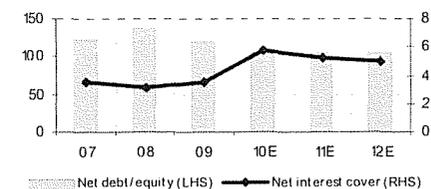
Price (29 Apr 10) USD 25.00

Target price USD 29.00

52-week Range USD 25.00 - 34.34

Market Cap (m) USDm 9,438
EURm 7,126**Company Profile**

PPL Corporation is an energy and utility holding company that operates through three main segments (Supply, International Delivery, and Pennsylvania Delivery). Supply owns and operates domestic power plants and markets and trades power. Supply controls nearly 12,000MW of generation in the northeastern and western US. Pennsylvania Delivery delivers electricity to 1.4M customers in eastern and central PA. International Delivery operates 2 electricity distribution networks in the UK, serving 2.6M customers in southwest England and Wales.

Price Performance**Margin Trends****Growth & Profitability****Solvency**

Fiscal year end 31-Dec

Financial Summary

| | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E |
|--------------------|-------|-------|-------|-------|-------|-------|
| DB EPS (USD) | 2.60 | 2.02 | 1.95 | 3.35 | 3.05 | 2.95 |
| Reported EPS (USD) | 2.60 | 2.02 | 1.96 | 3.35 | 3.05 | 2.95 |
| DPS (USD) | 1.19 | 1.31 | 1.37 | 1.40 | 1.42 | 1.44 |
| BVPS (USD) | 15.39 | 14.39 | 15.41 | 17.36 | 19.03 | 20.56 |

Valuation Metrics

| | | | | | | |
|--------------------|------|------|------|-----|-----|-----|
| Price/Sales (x) | 2.6 | 2.3 | 1.5 | 0.6 | 0.7 | 0.7 |
| P/E (DB) (x) | 17.4 | 21.4 | 15.7 | 7.5 | 8.2 | 8.5 |
| P/E (Reported) (x) | 17.4 | 21.4 | 15.6 | 7.5 | 8.2 | 8.5 |
| P/BV (x) | 3.4 | 2.1 | 2.1 | 1.4 | 1.3 | 1.2 |
| FCF yield (%) | nm | 1.1 | 5.4 | 3.7 | nm | nm |
| Dividend yield (%) | 2.6 | 3.0 | 4.5 | 5.6 | 5.7 | 5.7 |
| EV/Sales | 3.6 | 3.3 | 2.3 | 1.1 | 1.2 | 1.3 |
| EV/EBITDA | 9.9 | 10.3 | 8.2 | 5.0 | 5.9 | 6.2 |
| EV/EBIT | 14.4 | 15.6 | 12.6 | 6.6 | 7.4 | 7.9 |

Income Statement (USDm)

| | | | | | | |
|----------------|-------|-------|-------|--------|--------|--------|
| Sales | 6,589 | 6,983 | 7,830 | 14,690 | 13,357 | 13,091 |
| EBITDA | 2,405 | 2,218 | 2,194 | 3,151 | 2,780 | 2,782 |
| EBIT | 1,649 | 1,464 | 1,421 | 2,393 | 2,226 | 2,179 |
| Pre-tax profit | 1,266 | 1,063 | 1,078 | 2,027 | 1,851 | 1,784 |
| Net income | 1,000 | 761 | 738 | 1,265 | 1,156 | 1,118 |

Cash Flow (USDm)

| | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Cash flow from operations | 1,571 | 1,589 | 1,852 | 2,163 | 1,780 | 1,791 |
| Net Capex | -1,657 | -1,418 | -1,225 | -1,811 | -1,919 | -1,973 |
| Free cash flow | -86 | 171 | 627 | 352 | -139 | -182 |
| Equity raised/(bought back) | -680 | -19 | 60 | 20 | 20 | 20 |
| Dividends paid | -459 | -491 | -517 | -527 | -536 | -544 |
| Net inc/(dec) in borrowings | -170 | 1,255 | -770 | 0 | 200 | 550 |
| Other investing/financing cash flows | 1,031 | -246 | 301 | 167 | 0 | 0 |
| Net cash flow | -364 | 670 | -299 | 12 | -455 | -156 |
| Change in working capital | -178 | -9 | 106 | 0 | 0 | 0 |

Balance Sheet (USDm)

| | | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| Cash and cash equivalents | 430 | 1,100 | 801 | 813 | 359 | 202 |
| Property, plant & equipment | 12,605 | 12,416 | 13,174 | 14,310 | 15,675 | 17,044 |
| Goodwill | 991 | 763 | 799 | 799 | 799 | 799 |
| Other assets | 5,946 | 7,126 | 7,391 | 7,391 | 7,391 | 7,391 |
| Total assets | 19,972 | 21,405 | 22,165 | 23,313 | 24,223 | 25,437 |
| Debt | 7,660 | 8,517 | 7,782 | 7,782 | 7,982 | 8,532 |
| Other liabilities | 6,436 | 7,492 | 8,568 | 8,958 | 9,028 | 9,098 |
| Total liabilities | 14,096 | 16,009 | 16,350 | 16,740 | 17,010 | 17,630 |
| Total shareholders' equity | 5,876 | 5,396 | 5,815 | 6,573 | 7,213 | 7,807 |
| Net debt | 7,230 | 7,417 | 6,981 | 6,969 | 7,623 | 8,330 |

Key Company Metrics

| | | | | | | |
|------------------------|-------|-------|-------|-------|-------|-------|
| Sales growth (%) | 9.6 | 6.0 | 12.1 | 87.6 | -9.1 | -2.0 |
| DB EPS growth (%) | 15.6 | -22.3 | -3.5 | 71.8 | -8.8 | -3.4 |
| Payout ratio (%) | 45.3 | 64.3 | 69.8 | 41.6 | 46.3 | 48.6 |
| EBITDA Margin (%) | 36.5 | 31.8 | 28.0 | 21.4 | 20.8 | 21.3 |
| EBIT Margin (%) | 25.0 | 21.0 | 18.1 | 16.3 | 16.7 | 16.6 |
| ROE (%) | 17.7 | 13.5 | 13.2 | 20.5 | 16.8 | 14.9 |
| Net debt/equity (%) | 123.0 | 137.5 | 120.1 | 106.0 | 105.7 | 106.7 |
| Net interest cover (x) | 3.5 | 3.2 | 3.6 | 5.8 | 5.3 | 4.9 |

DuPont Analysis

| | | | | | | |
|-----------------------------|------|-------|------|------|-------|-------|
| EBIT margin (%) | 25.0 | 21.0 | 18.1 | 16.3 | 16.7 | 16.6 |
| x Asset turnover (x) | 0.3 | 0.3 | 0.4 | 0.6 | 0.6 | 0.5 |
| x Financial cost ratio (x) | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 |
| x Tax and other effects (x) | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 |
| = ROA (post tax) (%) | 5.0 | 3.7 | 3.4 | 5.6 | 4.9 | 4.5 |
| x Financial leverage (x) | 3.5 | 3.7 | 3.9 | 3.7 | 3.5 | 3.3 |
| = ROE (%) | 17.7 | 13.5 | 13.2 | 20.5 | 16.8 | 14.9 |
| annual growth (%) | 10.6 | -23.6 | -2.5 | 55.1 | -18.0 | -11.2 |
| x NTA/share (avg) (x) | 14.6 | 14.9 | 14.8 | 16.3 | 18.2 | 19.8 |
| = Reported EPS | 2.60 | 2.02 | 1.96 | 3.35 | 3.05 | 2.95 |
| annual growth (%) | 15.6 | -22.2 | -3.0 | 70.8 | -8.8 | -3.4 |

Source: Company data, Deutsche Bank estimates

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Near-term risks overshadow longer-term value

PPL hosted an investor meeting yesterday morning to discuss its planned acquisition of E.ON US, which owns Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU). As expected, PPL provided a rate base outlook for the utilities to signal earnings potential and more details on its financing plans. While certainly helpful, the presentation did not include a detailed historical and projected earnings trajectory, instead relying on 2009-2014 rate base forecasts to show potential earnings power. Overall, we do expect the deal to add value longer-term through its earnings contribution, which shifts PPL's structure to a more regulated company and lower risk. Despite our view of the acquisition's value, in the short-term, we believe three key risks will keep an overhang on the stock: completing the financing; securing the necessary regulatory approvals; improving the earned ROEs at the Kentucky utilities.

Approvals are needed from the Kentucky PSC—by far the largest jurisdiction—which has a 120-day statutory review period, the Tennessee Regulatory Authority, and the Virginia SCC. With such small numbers of customers in Tennessee and Virginia, we expect the Kentucky approval process to be the focus. We note that in utility M&A deals, regulators often push for cost savings from the merger to be at least shared with customers. With PPL indicating no expectations for synergies and committing to maintaining the Kentucky headquarters and not laying off any employees in the state, this could be an interesting issue to watch in the proceedings. On financing, PPL plans to complete all of its financing prior to the transaction's close (estimated by year-end 2010). Management did note, however, that they would be open to doing some of the financing earlier this year if they see opportunities, rather than waiting until right before close to complete the deal. To improve the earned ROEs at the Kentucky utilities, the pending rate cases for LG&E and KU are the most important drivers. We note that the rate cases will not only add major new projects into rate base, it will also allow rates to reflect the much weaker sales environment in 2009 and recovery of major storm restoration costs from 2008 and 2009. Kentucky uses a historical test year in rate cases, which causes regulatory lag, but if the economy improves meaningfully from 2009, LG&E and KU could overearn versus their allowed returns. A decision in the pending rate cases is expected this August.

Rate base forecast, financing details provided

In its slide presentation for the meeting, PPL also provided a rate base outlook for the E.ON US utilities, which we used to estimate earnings potential for the business. PPL expects LG&E and KU's combined rate base to have a CAGR of 5% from 2011 through 2014. This compares to the PA utility's CAGR of 12% and the UK utility's of 6%. While the utilities will add growth to PPL's earnings, their lower growth trajectory does dilute the overall earnings growth rate from the regulated businesses. Given that Kentucky uses a historical rate base in rate cases, we expect some regulatory lag in earnings. Thus, in our modeling, we have based our 2013 earnings assumption on 2012 rate base. If we assume that LG&E and KU can earn ~10% ROE on their 2012 rate base, 2013 earnings contribution would be \$375M. With the utilities having a history of regularly (excluding 2009) earning a 10%-12% ROE on current-year rate base, we view our 10% assumption as very achievable.

PPL also provided more details on its financing plans. To fund the \$6.7B purchase price (this excludes the \$925M of debt assumed from the utilities), PPL plans to use a mix of debt, cash on hand, high-equity-content securities, and common stock. On the debt, PPL plans to issue \$800M of corporate unsecured debt, most likely at a new HoldCo level above LG&E and KU, and \$2.1B of first mortgage bonds at the utilities. In our analysis, we have assumed that the unsecured HoldCo issuance will carry a coupon rate of ~6%. We also assume that the utilities' debt will be recovered through rates and will not be dilutive to PPL. We assume \$900M of mandatory convertibles are issued at a ~7% interest rate, and will not affect diluted shares outstanding. We assume PPL uses \$400M of cash on hand (versus its

~\$800M cash balance at year-end 2009), and funds the remainder (\$2.5B) with an equity issuance at a level around the current share price. This mix could clearly change based on several factors, including PPL's share price at the time of issuance and ongoing discussions with the rating agencies. We also note that yesterday morning, Moody's downgraded PPL Corp. by one notch despite the transaction. We were a bit surprised given S&P's move to remove PPL's negative outlook and place it on CreditWatch positive after the deal was announced.

Looking ahead to 2013

Given PPL's discussion of 2013 as a year in which the deal is expected to be accretive, we believe focus has shifted to PPL's earnings profile in that year. With PPL's major hedge disclosure only running through 2012, we believe some investors may be looking at 2013 EPS on a more open basis. We note, however, that based on PPL's hedge disclosures in its 2009 10-K, Supply is 13% hedged on power and 57% hedged on coal in 2013. Plus the contango forward curve means that open estimates for 2012 are not a perfect proxy for 2013 earnings power. Thus, looking at the earnings on an open basis likely dramatically understates the more likely earnings potential, particularly on the fuel side. We estimate that 2013 EPS could be in the \$2.50-range for standalone PPL (assuming no acquisition). This reflects lower estimated generation output at Supply (as PPL has forecasted in its 10-K), lower hedge positions, particularly for the East Baseload fleet; and expected earnings growth at the UK and PA utilities.

Looking at 2013 earnings potential for a combined entity using our previously-discussed \$375M earnings potential for LG&E and KU and our financing assumptions, we would expect earnings roughly \$0.10 higher than our PPL standalone baseline. This is in line with PPL's guidance toward the deal being accretive in 2013. While this would clearly still represent a declining earnings trajectory from 2010, the acquisition would help mitigate the steep decline in Supply's earnings contribution.

We highlight that the upcoming equity issuance as a key overhang risk, given the major declines in PPL's share price since the deal was rumored on Wednesday morning. PPL does not have the ability to back out of the deal based on its share price, so if PPL's stock continues to decline, it will still have to issue \$2.2B-\$2.6B of common equity albeit at an increasingly dilutive level. In our view, this is likely to be a major overhang on the stock until the issuance is announced, which could provide a more attractive entry point. In Figure 1, we show the 2013 combined company EPS sensitivity assuming a share issuance price from \$22-\$28 and an earned ROE at the Kentucky utilities (based on 2012 rate base) ranging from 8%-12%. We use our ~\$2.50 standalone PPL EPS estimate as the base.

Figure 1: 2013 Combined company rough EPS sensitivity analysis

| | | 2013 Kentucky utilities' earned ROE | | | | |
|-------------------|----|-------------------------------------|--------|--------|--------|--------|
| | | 8% | 9% | 10% | 11% | 12% |
| Share issue price | 28 | \$2.51 | \$2.59 | \$2.67 | \$2.75 | \$2.83 |
| | 27 | \$2.49 | \$2.57 | \$2.65 | \$2.73 | \$2.81 |
| | 26 | \$2.48 | \$2.55 | \$2.63 | \$2.71 | \$2.79 |
| | 25 | \$2.46 | \$2.53 | \$2.61 | \$2.69 | \$2.77 |
| | 24 | \$2.43 | \$2.51 | \$2.59 | \$2.67 | \$2.74 |
| | 23 | \$2.41 | \$2.49 | \$2.56 | \$2.64 | \$2.72 |
| | 22 | \$2.39 | \$2.46 | \$2.54 | \$2.62 | \$2.69 |

Source: Deutsche Bank

Lowering PT by \$3 to \$29 as we focus on 2013

We are lowering our price target for PPL from \$32 to \$29 as we shift our focus from 2012 to 2013. We arrive at our price target primarily looking at a rough pro-forma EPS for the combined company. As shown in Figure 1, if we assume a 10% earned ROE in 2013 on the 2012 rate base and a share issuance price around current levels, we estimate that 2013 EPS could be \$2.61. We then apply an 11x P/E multiple, in line with the regulated utility average multiple, to arrive at our \$29 price target. Looking at PPL on a standalone basis, we would arrive at the same target using a rough 2013 sum-of-the-parts analysis. We apply an 11x P/E multiple (in line with the 2013 average for regulated utilities) to UK and PA utilities' earnings potential in 2013. We apply a 7.5x EV/EBITDA multiple to an estimated 2013 EBITDA for supply and add in \$1-\$2 per share for PPL's potential carbon benefits to arrive at \$29.

Risks

Downside risks for PPL include weaker power prices or higher coal prices than we assume, weaker-than-expected generation performance, and inability to contain and manage risks at the marketing and trading subsidiary. Delays in capital projects (namely the Susquehanna-Roseland transmission line) or unfavorable rate case outcomes at Pennsylvania delivery are also risks. Renewed political noise in Pennsylvania around the transition to market-priced power procurement could affect both the PA Delivery segment and Supply. At International Delivery, inability to manage costs and improve efficiency could weaken expected returns. Related to the announced merger, downside risks would include a longer or more contentious regulatory approval process than expected, higher equity issuance (or at a lower share price) than we assume, and unfavorable rate case decisions at the Kentucky utilities. More favorable transaction terms than we assume (lower coupon rates on debt, higher share price for issuance, or lower equity issuance amount) or a more significant improvement in ROEs at the Kentucky utilities would be upside risks. Other upside risks include stronger power prices and higher generation output than we assume.

Appendix 1

Important Disclosures

Additional information available upon request

| Disclosure checklist | | | |
|----------------------|--------|-----------------------|----------------|
| Company | Ticker | Recent price* | Disclosure |
| PPL Corp. | PPL.N | 25.00 (USD) 29 Apr 10 | 6,7,8,14,15,17 |

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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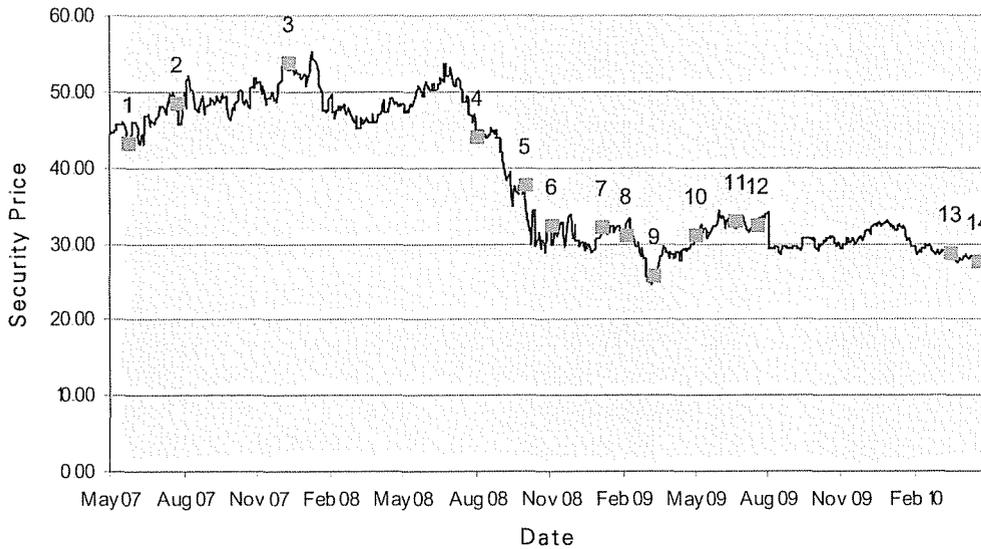
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Historical recommendations and target price: PPL Corp. (PPL.N)

(as of 4/29/2010)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

| | | | | | |
|---|-------------|-----------------------------------|----|------------|--|
| 1 | 5/24/2007: | Buy, Target Price Change USD51.00 | 8 | 2/5/2009: | Buy, Target Price Change USD40.00 |
| 2 | 7/23/2007: | Buy, Target Price Change USD57.00 | 9 | 3/13/2009: | Buy, Target Price Change USD35.00 |
| 3 | 12/11/2007: | Buy, Target Price Change USD60.00 | 10 | 5/4/2009: | Buy, Target Price Change USD36.00 |
| 4 | 8/4/2008: | Buy, Target Price Change USD57.00 | 11 | 6/22/2009: | Buy, Target Price Change USD37.00 |
| 5 | 10/2/2008: | Buy, Target Price Change USD55.00 | 12 | 7/20/2009: | No Recommendation, Target Price Change USD0.00 |
| 6 | 11/4/2008: | Buy, Target Price Change USD44.00 | 13 | 3/19/2010: | Hold, Target Price Change USD33.00 |
| 7 | 1/6/2009: | Buy, Target Price Change USD42.00 | 14 | 4/22/2010: | Hold, Target Price Change USD32.00 |

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Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

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Notes:

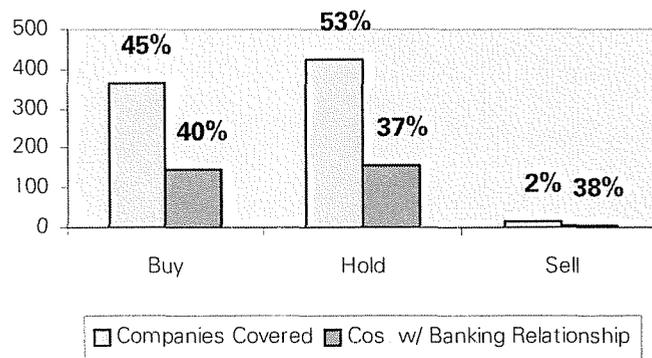
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2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period



North American Universe

Regulatory Disclosures

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E.ON

Full price for US division brings gearing to target level at minimum EPS cost

In this brief note, we formally adjust our E.ON forecasts and valuation for the sale of the US regulated business to PPL, announced on 28 April.

- Very attractive price.** PPL is paying \$8.1bn EV (\$6.7bn cash, \$1.4bn assumed debt/provisions), or €6.1bn. This implies a 38% premium over headline rate base (\$5.9bn, not fully reflecting Trimble County 2 capex, we believe) and 9.9x 2009 EV/EBITDA multiple. Consensus valuation was €4.5bn (source: E.ON). We had €3.9bn, so this increases our SOTP-derived price target by €1/share (or 3%) to €30/share (end 2010).
- ND/EBITDA cut to c.3.0x.** E.ON had raised €6bn so far from disposals. With this deal, it will clearly exceed its €10bn target (although we think closing could slip into 2011), and reduce economic net debt/EBITDA by 0.3x, to close to 3.0x. We think this should give management more time and flexibility to execute on and/or consider further potential disposals.
- Only c.2% EPS dilution.** The business will be treated as discontinued operations (DO) from 1 January 2010, reducing adj. EBITDA and EBIT by 4%. As DO are not included in adj. net income, it will reduce 2010E adj. net income too (by 5%); however we expect E.ON to communicate on a pro forma figure, relevant for dividend payout purposes. For 2011E, we calculate the deal is 1.5% dilutive, and set a new EPS of €2.90.
- Sensible strategic decision.** The US business was bought with Powergen in 2002 and seen then as a springboard for further M&A. Consolidation failed to materialise, leaving it subscale. Its sale formalises E.ON's clear focus on Europe, and should reduce the group's complexity. The timing also suggests that management is focused, despite the change in CEO.
- Keep preference vs. RWE.** We continue to see other stocks in the sector with more growth and catalysts. However, short term, the higher power prices in Germany, macro fears elsewhere, and undemanding valuation (9.9x 2010 P/E, cum €1.50 DPS payable on 7 May) are supportive, in our view. In Germany, we continue to favour E.ON over RWE (Neutral).

E.ON (EONGn.DE;EOAN GR)

| FYE Dec | 2009A | 2010E | 2010E | 2011E | 2011E |
|--------------------|-------|-------|-------|--------|-------|
| | | (Old) | (New) | (Old) | (New) |
| Adj EPS FY (€) | 2.80 | 2.84 | 2.84 | 2.94 | 2.90 |
| Adj P/E FY | 10.0 | 9.9 | 9.9 | 9.5 | 9.6 |
| DPS (Gross) FY (€) | 1.50 | 1.50 | 1.50 | 1.55 | 1.55 |
| Gross Yield FY | 5.4% | 5.4% | 5.4% | 5.5% | 5.5% |
| EV/EBITDA FY | 6.8 | 6.4 | 6.4 | 6.2 | 6.2 |
| EBITDA margin FY | 15.0% | 15.8% | 15.5% | 16.0% | 15.7% |
| EBIT margin FY | 11.5% | 11.9% | 11.7% | 12.0% | 11.8% |
| EBIT FY (€ mn) | 9,646 | 9,926 | 9,541 | 10,333 | 9,934 |

Source: Company data, Bloomberg, J.P. Morgan estimates

Neutral

EONGn.DE, EOAN GR

Price: €27.95

▲ Price Target: €30.00
Previous: €29.00

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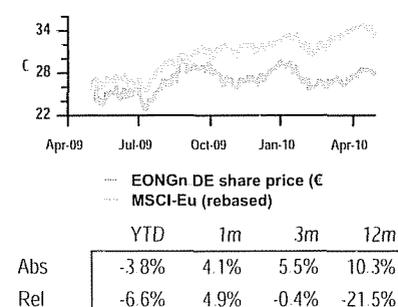
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J.P. Morgan Securities Ltd

Price Performance



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Updated forecasts

Our updated forecasts are shown in tables 1 to 3. We assume the deal completes at the end of December 2010, although we see this is a tight deadline. As mentioned, our 2010E adjusted net income and adjusted EPS include income from discontinued operations. Excluding income from discontinued operations, they would amount to €5,124m and €2.69, respectively.

Table 1: Adjusted EBIT by division

| € million | 2008A | 2009A | 2010E | 2011E | 2012E | 2013E |
|------------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Central Europe | 4,720 | 4,817 | 4,808 | 6,177 | 4,896 | 4,019 |
| Pan European Gas | 2,631 | 1,754 | 1,500 | 1,644 | 2,096 | 2,418 |
| UK | 922 | 649 | 723 | 751 | 787 | 586 |
| Nordic | 770 | 535 | 739 | 730 | 681 | 737 |
| US Midwest | 395 | 384 | 0 | 0 | 0 | 0 |
| Energy Trading | 645 | 949 | 1,123 | -407 | 70 | 332 |
| New Markets | 90 | 862 | 896 | 1,237 | 1,619 | 1,617 |
| Other/holding | -295 | -304 | -247 | -197 | -147 | -97 |
| Total | 9,878 | 9,646 | 9,541 | 9,934 | 10,002 | 9,612 |

Source: Company data, J.P. Morgan estimates

Table 2: Income statement

| € million | 2008A | 2009A | 2010E | 2011E | 2012E | 2013E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| EBITDA | 12,416 | 12,524 | 12,615 | 13,196 | 13,421 | 13,135 |
| Change (%) | | 1% | 1% | 5% | 2% | -2% |
| Adjusted EBITDA | 13,384 | 13,526 | 13,363 | 13,952 | 14,186 | 13,909 |
| Change (%) | | 1% | -1% | 4% | 2% | -2% |
| EBIT | 8,910 | 8,644 | 8,793 | 9,177 | 9,237 | 8,838 |
| Change (%) | | -3% | 2% | 4% | 1% | -4% |
| Adjusted EBIT | 9,878 | 9,646 | 9,541 | 9,934 | 10,002 | 9,612 |
| Change (%) | | -2% | -1% | 4% | 1% | -4% |
| Financial result | -1,835 | -2,177 | -2,294 | -2,056 | -2,040 | -1,995 |
| Income from equity investments | 968 | 1,002 | 748 | 756 | 765 | 774 |
| Exceptionals | -5,448 | 4,324 | -400 | 0 | 0 | 0 |
| Income tax | -863 | -2,976 | -1,884 | -2,088 | -2,150 | -2,095 |
| Minority interests | -338 | -249 | -239 | -269 | -315 | -302 |
| Income from discontinued operations | -128 | -172 | 280 | 0 | 0 | 0 |
| Reported net income | 1,266 | 8,396 | 5,004 | 5,521 | 5,497 | 5,220 |
| Change (%) | | 563% | -40% | 10% | 0% | -5% |
| Reported EPS (€) | 0.68 | 4.41 | 2.63 | 2.90 | 2.88 | 2.74 |
| Change (%) | | 548% | -40% | 10% | 0% | -5% |
| Adjusted net income | 5,598 | 5,328 | 5,404 | 5,521 | 5,497 | 5,220 |
| Change (%) | | -5% | 1% | 2% | 0% | -5% |
| Adjusted EPS (€) | 3.01 | 2.80 | 2.84 | 2.90 | 2.88 | 2.74 |
| Change (%) | | -7% | 1% | 2% | 0% | -5% |
| Ordinary DPS (€) | 1.50 | 1.50 | 1.50 | 1.55 | 1.60 | 1.65 |
| Change (%) | | 0% | 0% | 3% | 3% | 3% |
| Adjusted payout (%) | 50% | 54% | 53% | 53% | 55% | 60% |

Source: Company data, J.P. Morgan estimates

Table 3: Cash flow statement

€ million

| | 2008A | 2009A | 2010E | 2011E | 2012E | 2013E |
|--|----------------|---------------|---------------|---------------|---------------|---------------|
| Cash flow from operating activities | 6,738 | 9,054 | 8,675 | 9,399 | 9,786 | 9,660 |
| Investments in fixed and intangible assets | -8,996 | -9,200 | -8,281 | -7,034 | -6,213 | -5,291 |
| Free cash flow | -2,258 | -146 | 394 | 2,365 | 3,573 | 4,369 |
| Acquisitions | -12,874 | -824 | 0 | 0 | 0 | 0 |
| Disposals | 432 | 4,925 | 6,785 | 0 | 0 | 0 |
| Dividends | -2,937 | -3,156 | -3,172 | -3,188 | -3,300 | -3,412 |
| Other | -4,562 | 903 | 0 | 0 | 0 | 0 |
| Decrease/(increase) in net debt | -22,199 | 1,702 | 4,006 | -823 | 274 | 957 |
| Net debt/(cash) at start of period | 7,494 | 29,693 | 27,991 | 23,985 | 24,808 | 24,534 |
| Net debt/(cash) at end of period | 29,693 | 27,991 | 23,985 | 24,808 | 24,534 | 23,577 |

Source: Company data, J.P. Morgan estimates

Updated valuation

Our updated SOTP is shown in table 4 below.

Table 4: SOTP valuation

€ million

| | Value (€m) | Implicit EV/EBITDA (x) | | | Other comments/metrics |
|-----------------------------------|---------------|------------------------|------------|------------|-------------------------------|
| | | 2010E | 2011E | 2012E | |
| Generation & supply | 22,581 | 5.5 | 4.4 | 6.0 | |
| T&D | 11,092 | 8.0 | 7.3 | 7.1 | |
| Eastern Europe | 4,167 | 7.6 | 6.7 | 5.9 | |
| Other/consolidation | 885 | 9.9 | 4.7 | 4.7 | |
| Central Europe | 38,725 | 6.3 | 5.2 | 6.2 | |
| E&P | 4,920 | 11.6 | 9.1 | 5.8 | |
| Supply & sales | 3,173 | 31.7 | 31.7 | 15.9 | |
| Storage | 5,703 | 8.5 | 8.2 | 7.8 | |
| T&D | 3,664 | 8.1 | 8.9 | 7.7 | |
| Other/consolidation | 607 | 12.1 | 6.1 | 6.1 | |
| Pan European Gas | 18,067 | 10.7 | 9.8 | 7.7 | |
| UK | 8,567 | 7.3 | 7.0 | 6.7 | £270/kW, 1.1x RAV, £315/cust. |
| Nordic | 8,869 | 8.4 | 8.4 | 8.8 | |
| Energy Trading | 2,087 | 1.8 | -5.3 | 25.3 | |
| New Markets | 14,693 | 8.5 | 6.6 | 5.6 | |
| Other/consolidation | -675 | 4.2 | 6.2 | 11.4 | |
| Enterprise value | 90,334 | 7.1 | 6.8 | 6.7 | |
| Gazprom (3.5%) | 3,824 | | | | \$6.0/share |
| Equity investments | 7,342 | | | | 1.0x end 2010E BV |
| Other financial assets | 3,672 | | | | 0.5x end 2010E BV |
| Net debt | -23,985 | | | | End 2010E |
| Minorities | -3,787 | | | | 1.0x end 2010E BV |
| Nuclear provisions | -11,332 | | | | €2.8bn time value adjustment |
| Pensions provisions | -2,628 | | | | 1.0x end 2010E BV |
| Other provisions | -6,269 | | | | |
| Equity value | 57,171 | | | | |
| Number of shares (m) | 1,905.5 | | | | |
| Equity value per share (€) | 30 | | | | |
| Upside/(downside) (%) | 7% | | | | |

Source: J.P. Morgan estimates

Valuation Methodology and Risks

E.ON (Neutral; Price Target €30.00)

Valuation Methodology

We value E.ON using a SOTP, based mainly on divisional DCFs, but also RABs (eg UK distribution), asset-based multiples (eg renewables), and market prices for certain listed assets (Gazprom). Our SOTP is at end 2010.

Risks to Our View

The main risks to our Neutral stance are: (1) a material change in the outlook for power prices, especially in Germany and Scandinavia; (2) a material change in the outlook for gas midstream; (3) a stop to the Russian liberalisation process; and (4) a significant increase in cost cutting (above and beyond the €1.5bn planned by 2011).

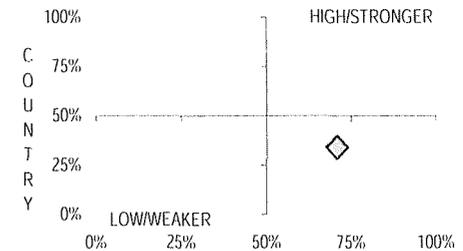
All Data As Of 23-Apr-10

Q-Snapshot: E.ON AG

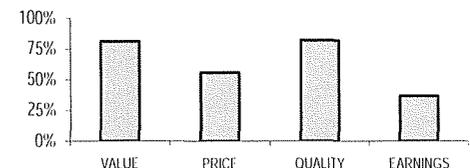
Quant Return Drivers (a Score >50% indicates company ranks 'above average')

| Score 0% (worst) to 100% (best) | vs Country | vs Industry | Raw Value |
|--|------------|-------------|-----------|
| Value | | | |
| P/E Vs Market (12mth fwd EPS) | 91% | 89% | 0.7x |
| P/E Vs Sector (12mth fwd EPS) | 76% | 81% | 0.9x |
| EPS Growth (forecast) | 8% | 32% | 2.2% |
| Value Score | 66% | 81% | |
| Price Momentum | | | |
| 12 Month Price Momentum | 25% | 69% | 20.8% |
| 1 Month Price Reversion | 24% | 13% | 3.9% |
| Momentum Score | 13% | 56% | |
| Quality | | | |
| Return On Equity (forecast) | 78% | 84% | 16.3% |
| Earnings Risk (Variation in Consensus) | 85% | 68% | 0.06 |
| Quality Score | 84% | 82% | |
| Earnings & Sentiment | | | |
| Earnings Momentum 3mth (risk adjusted) | 20% | 51% | -44.3 |
| 1 Mth Change in Avg Recom | 23% | 26% | -0.05 |
| Net Revisions FY2 EPS | 22% | 42% | -33% |
| Earnings & Sentiment Score | 17% | 37% | |
| COMPOSITE Q-SCORE* (0% To 100%) | 34% | 71% | |

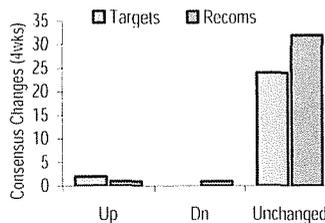
J.P. Morgan Composite Q-Score



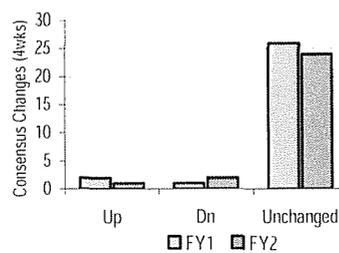
INDUSTRY
 Quant Return Drivers Summary (vs Industry)



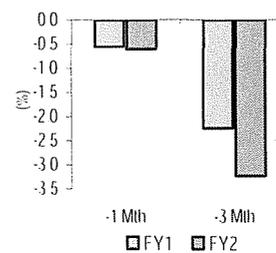
Targets & Recommendations**



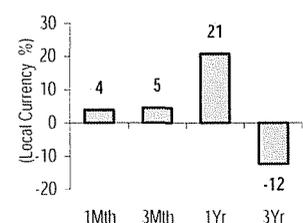
EPS Revisions**



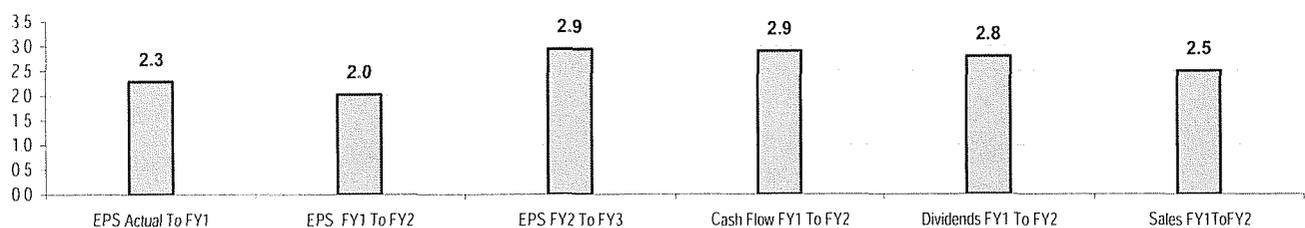
EPS Momentum (%)



Historical Total Return (%)



Consensus Growth Outlook (%)



Closest in Industry by Size (Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

| Code | Name | Country | USD MCAP | ADV | PE FY1 | Q-Score* |
|----------------|--------------------------------|----------------|---------------|---------------|------------|------------|
| EDF-FR | Electricite de France S.A. | France | 97,958 | 74.04 | 18.7 | 13% |
| GSZ-FR | GDF Suez S.A. | France | 79,213 | 158.90 | 13.2 | 38% |
| EOAN-DE | E.ON AG | Germany | 70,453 | 281.34 | 9.7 | 71% |
| IBE-ES | Iberdrola S.A. | Spain | 42,067 | 323.50 | 11.4 | 40% |
| IBE1-DE | Iberdrola S.A. | Spain | 41,174 | 0.09 | 11.2 | 51% |
| RWE-DE | RWE AG | Germany | 40,222 | 218.90 | 8.7 | 76% |
| ELE-ES | Endesa S.A. | Spain | 30,485 | 16.74 | 9.6 | 58% |
| NG-GB | National Grid PLC | United Kingdom | 24,505 | 46.07 | 10.9 | 62% |
| SSE-GB | Scottish & Southern Energy PLC | United Kingdom | 15,944 | 35.43 | 10.1 | 71% |
| VVD-DE | Veolia Environnement S.A. | France | 15,570 | 0.12 | 17.6 | 78% |
| GAS-ES | Gas Natural SDG S.A. | Spain | 15,536 | 73.62 | 8.5 | 87% |

Source: Factset, Thomson and J.P. Morgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>
 Q-Snapshots are a product of J.P. Morgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'
 Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the J.P. Morgan analysts' recommendation.
 * The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe. ** The number of up, down and unchanged target prices, recommendations or EPS forecasts that make up consensus.

Other Companies Recommended in This Report (all prices in this report as of market close on 29 April 2010, unless otherwise indicated)

RWE (RWE.G.DE/€61.23/Neutral), RWE (RC/\$6.91 [20-November-2003]/Neutral)

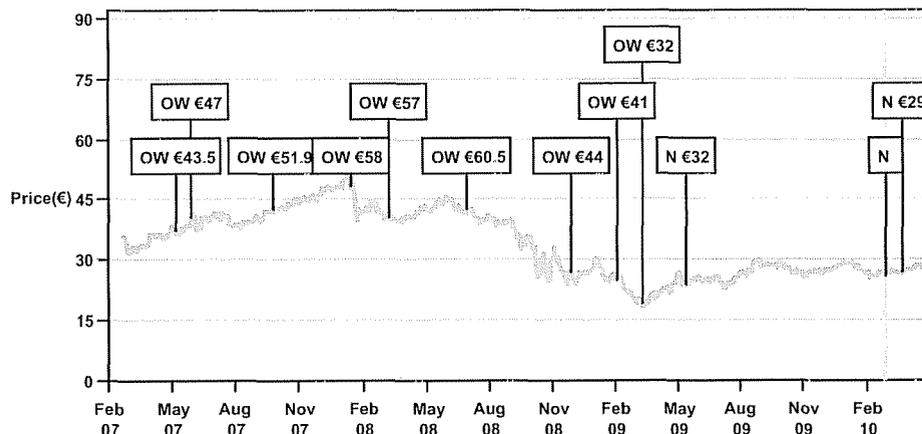
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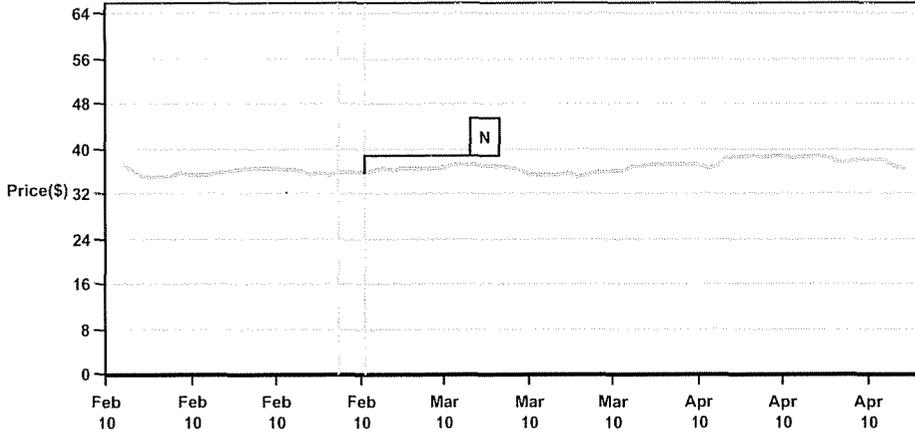
E.ON (EONGn.DE) Price Chart



| Date | Rating | Share Price (€) | Price Target (€) |
|-----------|--------|-----------------|------------------|
| 08-May-07 | OW | 37.26 | 43.50 |
| 31-May-07 | OW | 40.61 | 47.00 |
| 26-Sep-07 | OW | 42.55 | 51.90 |
| 14-Jan-08 | OW | 48.30 | 58.00 |
| 10-Mar-08 | OW | 40.63 | 57.00 |
| 30-Jun-08 | OW | 42.65 | 60.50 |
| 28-Nov-08 | OW | 27.12 | 44.00 |
| 03-Feb-09 | OW | 24.87 | 41.00 |
| 11-Mar-09 | OW | 19.34 | 32.00 |
| 15-May-09 | N | 24.04 | 32.00 |
| 01-Mar-10 | N | 26.13 | -- |
| 26-Mar-10 | N | 27.03 | 29.00 |

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Feb 26, 2010 - Mar 01, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight

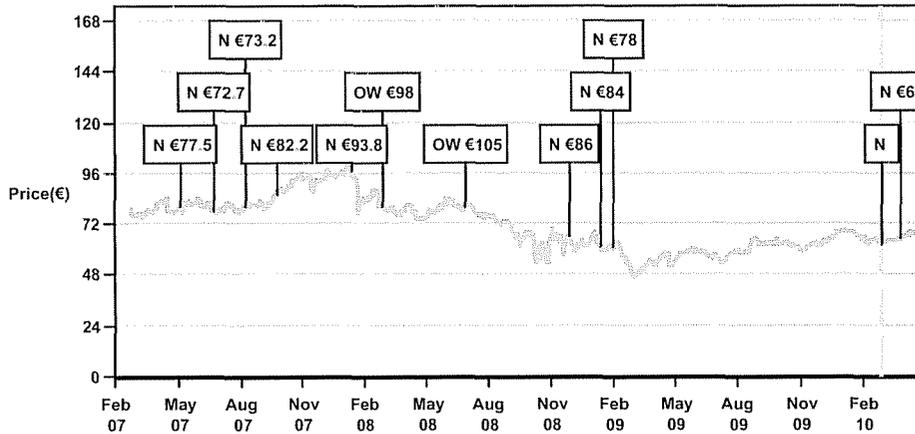
E.ON (E) Price Chart



| Date | Rating | Share Price (\$) | Price Target (\$) |
|-----------|--------|------------------|-------------------|
| 01-Mar-10 | N | 35.63 | - |

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Feb 26, 2010 - Mar 01, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

RWE (RWE.G) Price Chart



| Date | Rating | Share Price (€) | Price Target (€) |
|-----------|--------|-----------------|------------------|
| 08-May-07 | N | 80.00 | 77.50 |
| 25-Jun-07 | N | 78.41 | 72.70 |
| 09-Aug-07 | N | 80.25 | 73.20 |
| 25-Sep-07 | N | 85.66 | 82.20 |
| 14-Jan-08 | N | 96.84 | 93.80 |
| 29-Feb-08 | OW | 79.86 | 98.00 |
| 30-Jun-08 | OW | 79.95 | 105.00 |
| 28-Nov-08 | N | 65.75 | 86.00 |
| 14-Jan-09 | N | 61.55 | 84.00 |
| 02-Feb-09 | N | 61.14 | 78.00 |
| 01-Mar-10 | N | 62.30 | -- |
| 26-Mar-10 | N | 64.83 | 68.00 |

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Feb 26, 2010 - Mar 01, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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Coverage Universe: **Vincent de Blic, CFA:** E.ON (EONGn.DE), EDF (EDF.PA), RWE (RWE.G)

J.P. Morgan Equity Research Ratings Distribution, as of March 31, 2010

| | Overweight (buy) | Neutral (hold) | Underweight (sell) |
|-------------------------------------|-----------------------------|---------------------------|-------------------------------|
| JPM Global Equity Research Coverage | 45% | 42% | 13% |
| IB clients* | 48% | 46% | 32% |
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| IB clients* | 70% | 58% | 48% |

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Europe Equity Research
30 April 2010

J.P.Morgan CAZENOVE

MOODY'S

INVESTORS SERVICE

Issuer Comment: Moody's says PPL downgrade does not change WPD's ratings

Global Credit Research - 30 Apr 2010

Moody's Investors Service says that the downgrade to Baa3 from Baa2 of the issuer rating of PPL Corporation ("PPL"), the ultimate parent of the Western Power Distribution ("WPD") group, does not affect the ratings of the latter because the credit quality of both groups remains generally aligned. Moody's currently maintains Baa1 long-term senior unsecured ratings on Western Power Distribution (South Wales) plc and Western Power Distribution (South West) plc, the regulated subsidiaries, and Baa3 ratings on Western Power Distribution Holdings Ltd, the holding company.

Whilst Moody's rating action on PPL followed the announced agreement that it will acquire E.ON U.S. LLC and its subsidiaries Louisville Gas & Electric Company and Kentucky Utilities Company for a total consideration of \$7.6 billion, the rating downgrade was driven more by weakening financial metrics and the negative outlook that had been in place (please refer to related press release on www.moody's.com).

PPL's current Baa3 issuer rating reflects pro-forma consolidated credit profile and the structurally subordinate position of ultimate holding company creditors relative to creditors at intermediate holding and operating company levels, including Baa2-rated PPL Electric Utilities Corporation and Baa2-rated PPL Energy Supply, the direct parent of the WPD group. Therefore, given that the overall credit quality of the WPD Group and that of the PPL group are generally aligned, our ratings of the WPD group currently do not factor in any support or constraint from the wider PPL group.

Headquartered in Bristol, United Kingdom, the Western Power Distribution group runs two of the 14 regulated electricity distribution networks in Great Britain. It reported consolidated revenues of GBP444 million for the year ending 31 March 2009.

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MOODY'S

INVESTORS SERVICE

Credit Opinion: PPL Energy Supply, LLC

Global Credit Research - 29 Apr 2010

*Pennsylvania, United States***Ratings**

| Category | Moody's Rating |
|--------------------------------|----------------|
| Outlook | Stable |
| Sr Unsec Bank Credit Facility | Baa2 |
| Senior Unsecured | Baa2 |
| Parent: PPL Corporation | |
| Outlook | Stable |
| Issuer Rating | Baa3 |

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Key Indicators

| | 2009 | 2008 | 2007 | 2006 |
|-------------------------------------|-------|--------|--------|-------|
| (CFO Pre-W/C + Interest) / Interest | 3.4x | 3.3x | 4.4x | 4.9x |
| (CFO Pre-W/C) / Debt | 13.6% | 14.7% | 22.4% | 19.7% |
| (CFO Pre-W/C - Dividends) / Debt | 0.5% | 3.8% | 8.7% | 7.9% |
| FCF / Debt | -6.0% | -15.9% | -18.5% | -6.9% |

[1] All ratios calculated in accordance with the Unregulated Utilities and Power Companies Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying *User's Guide*.

Opinion**Rating Drivers**

Strong market and competitive position

Merchant generation company with historically stable cash flow

Increasing volatility due to termination of long term sales contract with affiliate

Significant geographic and fuel diversification

Cash flow credit metrics expected to strengthen commensurate with increased business risk

Corporate Profile

PPL Energy Supply (PPL Supply Baa2 senior unsecured, stable) is a holding company engaged primarily in generation and marketing of power primarily in the northeastern and western power markets of the U.S., and in the delivery of electricity in the

PPL Supply's businesses are conducted through PPL Generation, PPL Energy Plus and PPL Global. PPL Supply's U.K. operations are conducted by Western Power Distribution Holdings Limited (WPD, Baa3 senior unsecured, stable) through its subsidiaries Western Power Distribution South Wales Plc (Baa1 senior unsecured, stable) and Western Power Distribution South West Plc (Baa1 senior unsecured, stable). PPL Supply is an indirect wholly owned subsidiary of PPL Corporation (PPL, Baa3 Issuer Rating, stable), a diversified energy holding company based in Allentown, Pennsylvania, which has as its other primary subsidiary PPL Electric Utilities Corporation (PPL EU, Baa2 senior unsecured, stable), a Pennsylvania regulated transmission and distribution utility.

SUMMARY RATING RATIONALE

The Baa2 rating and stable outlook for PPL Supply recognizes that 2010 is the first year the company is able to sell power produced by its Pennsylvania generation resources at market rates. Historically, PPL Supply's cash flows have been relatively stable as the majority of the company's production has been dedicated to supply its utility affiliate, PPL EU, at fixed prices. For 2010 and beyond, we anticipate increased volatility of cash flows mitigated to some extent by PPL Supply's hedging strategy; however, we also expect a strengthening of its cash flow credit metrics commensurate with the company's increased business risk profile. We will now be evaluating PPL Supply's credit metrics within the framework of Moody's August 2009 Rating Methodology for Unregulated Utilities and Power Companies (the Wholesale Methodology). PPL Supply's credit metrics will continue to be negatively impacted by its ownership of its U.K. distribution utilities, which benefit from reasonably stable cash flows, but also employ leverage consistent with their regulated network activities.

DETAILED RATING CONSIDERATIONS

Relatively strong market and competitive position

With approximately 12,000 MWs of generation resources, including approximately 2,200 MWs of nuclear and 3,500 MWs of coal facilities, located primarily within the highly liquid and transparent PJM market, and also considering the strategic positioning of its approximately 1,300 MWs of coal and hydro assets in Montana, we consider PPL Supply's market and competitive position to be relatively strong.

PPL Supply's generation assets have demonstrated satisfactory operational performance. In 2009, for example, its 1,140 MW Susquehanna Unit 2 (90% ownership for PPL Supply) set a generation record (approximately 19,492,431 MWh) with 723 consecutive days generating electricity. In 2008, PPL Supply's coal plants had approximately 75% capacity factor, comparable to the national average of 72.2%, while its nuclear units demonstrated around 91% capacity factor, on par with the national average of 91.1%. The capacity factor at its hydroelectric assets in the same year (about 58%) exceeded that of the national average (37.2%).

Within the framework of the Methodology, for Factor 1 Sub-factor: Market and Competitive Position, PPL Supply maps to a rating factor in the A range, and for Factor 2 Sub-factor: Fleet Efficiency and Operational Characteristics, it maps to a rating factor in the Baa range.

Merchant generation company with historically stable cash flow

Although the majority of PPL Supply's operations involve the generation and sale of electricity into markets that are deregulated through 2009, cash flows have been fairly stable and predictable. The stability of the cash flows comes primarily from its business strategy of locking in operating margins through supply contracts and/or long-term hedges; historically, this had been accomplished primarily via long-term sales contracts with its affiliate, PPL EU, which, through 2009, was the off-taker for a substantial portion of PPL Supply's electric output. In 2010 and beyond, hedging will be accomplished via participation in PJM capacity auctions, as well as contracts and hedges with third parties, which will likely increase PPL Supply's collateral posting requirements.

Increased revenue and margin volatility post 2009 - mitigated to some extent by hedging strategy

PPL Supply's long-term sales contract with PPL EU terminated in December 2009. This agreement was in place in conjunction with PPL EU's obligation as a provider of last resort (POLR) in Pennsylvania; during this time, PPL Supply provided electricity to PPL EU at predetermined prices. In 2010, PPL EU transitioned to competitive market rates and PPL Supply's revenues are no longer fixed under a long-term sales contract. As a result, PPL Supply's cash flows are expected to increase, but to also become more volatile.

The company has attempted to mitigate its cash flow volatility by following a structured hedging strategy. As of December 31, 2009, electric sales for 2010 were approximately 99% hedged, 2011 was 88% hedged, and 2012 was hedged about 55%, with modest positions beyond 2012. PPL Supply intends to maintain this type of laddered 3-4 year hedging approach. In the area of fuel sourcing, PPL Supply has hedged 99%, 89% and 70% for its expected coal needs for 2010, 2011, and 2012, respectively, 100% for its uranium needs up to year 2012.

The stability of PPL Supply's regulated WPD operation in U.K. also provides an offset to the broader market volatility of its merchant activities in U.S. and provides additional stability to its cash flows. In 2009, WPD contributed approximately 13% of the company's total operating revenue and approximately 30% of its cash from operations excluding changes in working capital.

Within the framework of the Methodology, for Factor 2 Sub-factor: Effectiveness of Hedging Strategy, PPL Supply maps to a rating factor in the Baa range.

Strong geographic and fuel diversification

PPL Supply also benefits from its geographic and fuel diversification. PPL Supply's generation assets are predominately in Pennsylvania, but it also has generating facilities in Montana, Illinois, and currently still in New England. In addition to geographic diversification, the company also benefits from a predominately low-cost base load portfolio, however, it does have a significant exposure to carbon intensive fuels. In 2010, approximately 52% of PPL Supply's power production is expected to be produced from coal, 31% from nuclear, 9% from gas/oil, and 8% from hydro.

Within the framework of the Methodology, for Factor 1 Sub-factor: Geographic Diversity, PPL Supply maps to a rating factor in the Baa range, while, for Factor 2 Sub-factor: Fuel Strategy and Mix, it maps to a rating factor in the Ba range.

Cash flow credit metrics are likely to improve over the medium term.

Historical cash flow metrics for PPL Supply were consistent with those of electric utilities, rated Baa2, but below those appropriate for wholesale power generators of similar rating. For example, its ratio of cash from operations before changes in working capital (CFO Pre-WC) to Debt, calculated in accordance with Moody's standard analytical adjustments, was in the mid-teens in 2008 and 2009. In 2010 and beyond, Moody's expects this metric to remain above 25% (excluding cash flow and debt associated with), which would be appropriate for a wholesale generator with PPL Supply's risk profile.

Liquidity Profile

PPL Supply's liquidity profile is supported by the historical stability of its cash flows, which remain significantly hedged in 2010. Liquidity is further enhanced by sizable external liquidity facilities.

In 2009, PPL Supply's cash flow from operations of approximately \$1.4 billion covered around 76% of its cash outlays of \$907 million for capital expenditures plus \$943 million for dividends to PPL. The shortfall was met via a combination of internal and external sources, including asset sales, cash on hand, and short term borrowings. For 2010, Moody's anticipates that the company will likely experience positive free cash flow, as the transition to market rates in Pennsylvania is expected to result in significantly increased cash flows; however, capital expenditures are expected to remain significant at above \$1.2 billion.

PPL Supply's nearest debt maturity is \$500 million of senior notes due November 2011.

PPL Supply's external liquidity facilities for its U.S. operations total approximately \$4.1 billion, including a \$3.2 billion five-year credit facility that expires in June 2012, a \$300 million five-year structured letter of credit facility expiring in March 2011, a \$400 million 364-day credit facility that expires in September 2010, and a \$200 million amended three-year credit facility expiring in March 2013. As of December 31, 2009, there were approximately \$662 million of letters of credit issued and \$285 million of cash borrowings under these facilities. All of PPL Supply's credit facilities contain one financial covenant: limitation on the ratio of debt to capitalization of 65%. As of December 31, 2009, the debt to capitalization ratio as defined in the agreements was approximately 46%. None of these facilities contain a material adverse change (MAC) clause.

WPD has its own committed credit facility totaling approximately £364 million (approximately \$596 million); £150 million (approximately \$246 million) expiring in January 2013, and £210 million (approximately \$344 million) expiring in July 2012, and £4 million (approximately \$7 million) that expired in March 2010. It also has £65 million (approximately \$107 million) of uncommitted facilities. As of December 31, 2009, there was approximately \$349 million of available capacity under these facilities. WPD has no debt maturities until 2017.

Within the framework of the Methodology, for Factor 3: Financial Policy, PPL Supply maps to a rating factor in the Baa range.

Rating Outlook

The stable outlook for PPL Supply reflects our view that its low-cost, strategically located, primarily base load generation portfolio should enable the company to maintain its relatively strong market and competitive position, and over the near-to-medium term rate more robust cash flows. The stable outlook assumes the volatility of these cash flows will be mitigated to some extent by the company's strategic hedging strategy. The stable outlook also assumes that the company will continue to successfully manage its fuel costs and that the transition to the competitive electricity market in 2010 will continue to proceed relatively smoothly. The stable outlook assumes that planned capital expenditures will be financed in a manner that is supportive of PPL Supply's current credit quality.

What Could Change the Rating - Up

The ratings could be revised upward if PPL Supply is successful in maintaining a modest level business risk after the termination of POLR supply contracts, and if there were to be a sustained improvement in financial metrics as demonstrated, for example, by a ratio of CFO Pre-WC to Debt, (excluding cash flow and debt associated with WPD) calculated in accordance with Moody's standard analytical adjustments, in the low 30% range.

What Could Change the Rating - Down

The rating could be adjusted downward if there is a meaningful increase in business risk beyond the levels currently contemplated after the termination of existing long-term supply agreements, if there is a significant deterioration of plant availability, if the company is unsuccessful in managing fuel cost increases, or if its planned capital expenditures are funded in a manner that is inconsistent with its current rating level. The rating could also be revised downward if metrics beyond 2009 do not strengthen as currently anticipated, if for example, by the ratio of CFO Pre-WC to debt (excluding the cash flow and debt associated with WPD), calculated in accordance with Moody's standard analytical adjustments, remaining below the mid-twenty percent range.

Rating Factors

Energy Supply, LLC

| Power Companies | Aaa | Aa | A | Baa | Ba | B | Caa |
|--|-----|----|---|------|----|---|-----|
| Factor 1: Market Assessment, Scale and Competitive Position (20%) | | | | | | | |
| a) Market and Competitive Position (15%) | | | X | | | | |
| b) Geographic Diversity (5%) | | | | X | | | |
| Factor 2: Cash Flow Predictability of Business Model (20%) | | | | | | | |
| a) Effectiveness of hedging strategy (10%) | | | | X | | | |
| b) Fuel Strategy and mix (5%) | | | | | X | | |
| c) Capital requirements and operating performance (5%) | | | | X | | | |
| Factor 3: Financial policy (10%) | | | | X | | | |
| Factor 4: Financial Strength - Key Financial Metrics (50%) | | | | | | | |
| a) CFO pre-WC + Interest / Interest (15%) (3yr Avg) | | | | X | | | |
| b) CFO pre-WC / Debt (20%) (3yr Avg) | | | | | X | | |
| c) RCF / Debt (7.5%) (3yr Avg) | | | | | | X | |
| d) FCF / Debt (7.5%) (3yr Avg) | | | | | | X | |
| Rating: | | | | | | | |
| a) Methodology Implied Senior Unsecured Rating | | | | Baa3 | | | |
| b) Actual Senior Unsecured Rating | | | | Baa2 | | | |

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Global Credit Research - 29 Apr 2010

Allentown, Pennsylvania, United States

Ratings

| Category | Moody's Rating |
|---|----------------|
| Outlook | Stable |
| Issuer Rating | Baa3 |
| PPL Energy Supply, LLC | |
| Outlook | Stable |
| Sr Unsec Bank Credit Facility | Baa2 |
| Senior Unsecured | Baa2 |
| PPL Electric Utilities Corporation | |
| Outlook | Stable |
| Issuer Rating | Baa2 |
| First Mortgage Bonds | A3 |
| Senior Secured | A3 |
| Sr Unsec Bank Credit Facility | Baa2 |
| Preference Stock | Ba1 |
| Commercial Paper | P-2 |

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Key Indicators

[1]

PPL Corporation

| ACTUALS | 2009 | 2008 | 2007 | 2006 |
|---|-------|-------|-------|-------|
| (CFO Pre-W/C + Interest) / Interest Expense [2] | 4.4x | 3.7x | 4.0x | 4.3x |
| (CFO Pre-W/C) / Debt [2] | 19.1% | 16.4% | 21.2% | 18.9% |
| (CFO Pre-W/C - Dividends) / Debt [2] | 13.7% | 11.5% | 15.7% | 14.5% |
| Debt / Book Capitalization | 55.0% | 58.5% | 50.7% | 54.4% |

[1] All ratios are calculated using Moody's Standard Adjustments [2] CFO pre-W/C is equal to net cash flow from operations less net changes in working capital items

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Key Drivers

Historically stable cash flow generated by regulated and highly contracted businesses

Increased volatility mitigated by hedging strategy and increased proportion of regulated business

Relative geographic and fuel diversity

Generally supportive regulatory environments - with Pennsylvania still in transition

Structural subordination

Corporate Profile

PPL Corporation (PPL Baa3 Issuer Rating, stable) is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL's Pennsylvania regulated businesses are conducted primarily through its utility subsidiary PPL Electric Utilities Corporation (PPL EU Baa2 senior unsecured, stable). PPL Energy Supply LLC (PPL Supply Baa2 senior unsecured, stable), is an intermediate holding company for PPL's non-regulated businesses that are engaged in the generation and marketing of power primarily in the northeastern and western power markets of the U.S., and in the delivery of electricity in the U.K.

On April 28, 2010, PPL announced its agreement to acquire E.ON U.S. LLC (E.ON U.S.) and its subsidiaries, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Companies (KU), two regulated utilities operating principally in Kentucky.

SUMMARY RATING RATIONALE

PPL's rating is reflective of the challenges facing the company, as it continues to transition to a fully competitive market in its Pennsylvania service territory where significant utility investment is needed to support its aging infrastructure, while its wholesale generation business continues to operate in weak commodities markets. The rating considers PPL's relatively strong wholesale market and competitive position emanating from PPL Supply's low-cost, strategically placed, primarily base load generating assets. The rating also considers PPL's consolidated credit profile, including the significant proportion of cash flow generated by its merchant business, the volatility of which is balanced by increasing regulated cash flows, and disciplined hedging strategies. The rating reflects an assumption of a modest amount of additional consolidated leverage as a result of PPL's planned acquisition of E.ON U.S. LLC, and also considers the additional regulatory scale, diversity and increase in cash flow stability that is expected to come from that transaction.

DETAILED RATING CONSIDERATIONS

Historically stable cash flow generated by regulated and highly contracted businesses

PPL's operations consist primarily of regulated utility businesses in the U.S. and the U.K., and non-regulated merchant generation in the United States. In 2009, PPL EU's cash from operations represented approximately 32% of consolidated total cash flow, while the U.K. operations accounted for approximately 13% with the balance generated primarily PPL Supply's non-regulated merchant generating business in the United States. PPL's cash flows, from both regulated and non-regulated operations, have been relatively stable over the last few years, reflecting primarily the low-cost nature of the company's generating assets and the Provider of Last Resort (POLR) arrangements between its subsidiaries, which mitigated the impact of volatile wholesale prices with capped electric rates in its service regions. The POLR agreements, which helped to stabilize cash flows and effectively reduced overall business risk by providing an offset to PPL's significant non-regulated merchant operations were terminated in December 2009. As a result, we anticipate increased volatility in cash flows generated by the merchant business.

Volatility somewhat mitigated by hedging and by an increasing proportion of regulated business

Anticipated volatility in PPL's cash flows is mitigated to some degree by its hedging strategy and the increasing proportion of regulated operations that would result from its planned acquisition of the Kentucky utilities. PPL generally employs a disciplined, laddered 3-4 year hedging strategy for its generation sales and for its fuel sourcing, which tends to make its cash flows relatively more stable and predictable. PPL's current regulated transmission and delivery businesses in Pennsylvania and the U.K., along with the expected added regulated presence in Kentucky, should provide additional stability and predictability.

Generally supportive regulatory environments - Pennsylvania is still in transition

PPL's regulated business, Moody's generally characterizes its Pennsylvania regulatory framework as being about average for U.S. utilities in terms of supportiveness of credit quality and ability to recover costs and earn returns on invested capital. PPL has historically received reasonable and timely decisions in its transmission and distribution rate cases, and the Pennsylvania market transition appears to be working relatively smoothly. However, we remain cautious about the significant rate increase for customers in the Pennsylvania service territory and the potential for political intervention. The potential inclusion of the Kentucky

utilities in the consolidated family would be viewed positively in terms of overall regulatory supportiveness. LG&E and KU also benefit from numerous alternative rate mechanisms which reduce regulatory lag including cash returns on construction work in progress and mechanisms that provide for the recovery of, and return on, environmental investment.

Within the framework of Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Methodology), for Factor 1: Regulatory Framework, and for Factor 2: Ability to Recover Costs and Earn Returns, PPL currently maps to a rating factor in the Ba range, reflecting the current significant proportion of the unregulated operations in its business mix and the greater unpredictability surrounding these cash flows. The score for this rating factor would likely move upward when the acquisition of the Kentucky utilities is consummated.

Relative geographic and fuel diversity

With approximately 12,000 MWs of wholesale generation resources located primarily within the highly liquid and transparent PJM market along with the strategic positioning of PPL Supply's assets in Montana, we consider PPL's wholesale market and competitive position to be relatively strong. PPL also has generating facilities in Illinois, and New England, as well as the regulated operations in Pennsylvania, the U.K., and potentially Kentucky. PPL benefits from a relatively diverse portfolio of fuel resources, including coal, nuclear, gas, and hydro, albeit with a significant, and likely increasing, exposure to carbon intense fuels.

Within the framework of the Methodology, for Factor 3: Diversification, PPL maps to a rating factor in the Baa range.

Structural subordination

PPL's rating also reflects its structurally subordinate position relative to the Baa2 senior unsecured debt of PPL Supply and PPL EU, and to debt likely to exist at the Kentucky utilities.

Liquidity Profile

As a holding company, PPL's primary source of liquidity is the dividends it receives from its operating subsidiaries. In 2009, PPL received dividends of approximately \$1.2 billion, including approximately \$940 million from PPL Supply plus approximately \$290 million from PPL EU, which was more than sufficient to cover its overhead costs, interest expense at PPL Capital Funding of approximately \$40 million, as well as dividends to common shareholders of approximately \$520 million. We anticipate 2010 full year funds will again be sufficient to cover overhead costs, interest expenses at PPL Capital Funding and PPL's common stock dividends.

On a consolidated basis in 2009, cash flow from operations of approximately \$1.9 billion was sufficient to cover PPL's outlays including approximately \$1.2 billion of capital expenditures and approximately \$520 million of common stock dividends. In 2010, capital expenditures are projected to be approximately \$1.9 billion resulting in total outlays including dividends to modestly exceed cash flow from operations. Moody's anticipates the cash shortfall to be funded via a combination of internal and external sources.

While PPL has no parent level debt outstanding, it does fully guarantee all of the debt at PPL Capital, which has no debt maturities until 2047. At the subsidiary level, PPL EU's nearest debt maturity is November 2013, when \$400 million of senior secured notes are due. PPL Supply's nearest debt maturity is \$500 million of senior notes due November 2011. At PPL's U.K. subsidiaries, there is no maturing debt until 2017. This debt continues to be non-recourse to PPL Supply or PPL.

PPL's subsidiaries have external liquidity facilities totaling approximately \$5 billion in committed facilities to support the short-term liquidity needs that are scheduled to expire between 2010 and 2013, of which approximately \$3.7 billion was immediately available as of December 31, 2009. The credit facilities each contain one financial covenant. PPL Supply's credit facilities have a limitation on debt to capitalization ratio to 65%. As of December 31, 2009, the ratio as defined in the agreement was approximately 46%. PPL EU's credit facility limits the ratio of debt to capitalization to 70%. As of December 31, 2009, the ratio as defined in the agreement was approximately 44%. None of these facilities contain a material adverse change (MAC) clause. PPL's overall liquidity is considered satisfactory.

Within the framework of the methodology, for Factor 4: Sub-factor Liquidity, PPL maps to a rating factor in the Baa range.

Rating Outlook

The stable outlook for PPL reflects our view that, in 2010 and beyond, its low-cost, strategically placed, primarily base load generating assets will generate increased cash flows, and that PPL will continue to seek to mitigate the volatility of these market based cash flows by the use of disciplined hedging strategies. The stable outlook also assumes that the company will continue to successfully manage its fuel and other operating costs, that the transition to the competitive electricity market in Pennsylvania will

continue to proceed relatively smoothly; and that planned capital expenditures will be financed in a manner that is supportive of its credit quality. The stable outlooks recognize the cash flow stability that should result from PPL's acquisition of E.ON U.S. LLC, and assumes the transaction will be funded in a manner that is supportive of PPL's current credit profile.

Could Change the Rating - Up

An upgrade is unlikely in near to medium term. Ratings could be revised upward if there were to be a sustained improvement in financial metrics, as demonstrated, for example, by a ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, in the range of 20%. An upgrade of PPL Supply would also likely put upward pressure on the rating of PPL Corp.

What Could Change the Rating - Down

The ratings could be adjusted downward if there is a meaningful increase in business risk beyond the levels currently contemplated, if there is a significant deterioration of plant availability, if the company is unsuccessful in managing the transition to a competitive market, if its planned capital expenditures are funded in a manner inconsistent with its current rating level, or if there were to be adverse regulatory rulings on transmission and distribution rate cases such that financial metrics deteriorate; as demonstrated, for example, by a sustainable ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, in the low-to-mid teens level. The ratings could also have downward pressure if the financing for the E.ON U.S. acquisition is executed in a manner that is inconsistent with PPL's current credit profile.

Rating Factors

PPL Corporation

| Regulated Electric and Gas Utilities | Aaa | Aa | A | Baa | Ba | B |
|---|-----|----|---|------|----|---|
| Factor 1: Regulatory Framework (25%) | | | | | X | |
| Factor 2: Ability to Recover Costs and Earn Returns (25%) | | | | | X | |
| Factor 3: Diversification (10%) | | | | | | |
| a) Market Position (5%) | | | | X | | |
| b) Generation and Fuel Diversity (5%) | | | | X | | |
| Factor 4: Financial Strength, Liquidity & Financial Metrics (40%) | | | | | | |
| a) Liquidity (10%) | | | | X | | |
| b) CFO pre-WC + Interest / Interest (7.5%) | | | | X | | |
| c) CFO pre-WC / Debt (7.5%) | | | | X | | |
| d) CFO pre-WC - Dividends / Debt (7.5%) | | | | X | | |
| e) Debt / Capitalization or Debt / RAV (7.5%) | | | | X | | |
| Rating: | | | | | | |
| a) Methodology Implied Senior Unsecured Rating | | | | Baa3 | | |
| b) Actual Senior Unsecured Rating | | | | Baa3 | | |

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MOODY'S

INVESTORS SERVICE

Credit Opinion: PPL Electric Utilities Corporation

Credit Research - 29 Apr 2010

*Pennsylvania, United States***Ratings**

| Category | Moody's Rating |
|--------------------------------|----------------|
| Outlook | Stable |
| Issuer Rating | Baa2 |
| First Mortgage Bonds | A3 |
| Senior Secured | A3 |
| Sr Unsec Bank Credit Facility | Baa2 |
| Preference Stock | Ba1 |
| Commercial Paper | P-2 |
| Parent: PPL Corporation | |
| Outlook | Stable |
| Issuer Rating | Baa3 |

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Key Indicators

[1]

PPL Electric Utilities Corporation

| ACTUALS | 2009 | 2008 | 2007 | 2006 |
|---|-------|-------|-------|-------|
| (CFO Pre-W/C + Interest) / Interest Expense [2] | 4.9x | 5.5x | 5.5x | 4.5x |
| (CFO Pre-W/C) / Debt [2] | 29.4% | 27.8% | 34.6% | 25.5% |
| (CFO Pre-W/C - Dividends) / Debt [2] | 14.5% | 23.0% | 27.6% | 20.5% |
| Debt / Book Capitalization | 42.9% | 49.6% | 45.3% | 49.6% |

[1] All ratios are calculated using Moody's Standard Adjustments [2] CFO pre-W/C is equal to net cash flow from operations less net changes in working capital items

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide

Opinion**Rating Drivers**

Relatively stable cash flow generated by regulated operations

Regulatory environment that appears to be undergoing an orderly transition

Significant planned capital expenditures

Cash flow credit metrics appropriate for the rating

Corporate Profile

Electric Utilities Corporation (PPL EU: Baa2 senior unsecured, Prime-2 short term, stable) is a regulated utility subsidiary of PPL Corporation (PPL: Baa3 Issuer Rating, stable), that transmits and distributes electricity to approximately 1.4 million customers in eastern and central Pennsylvania. PPL EU provides electricity to retail customers as a Provider of Last Resort (POLR) under Pennsylvania's Customer Choice Act.

The Pennsylvania power market is in transition. Through the end of 2009, all of PPL EU's power was supplied under a fixed price power purchase agreement with its affiliate PPL Energy Supply, LLC (PPL Supply: Baa2 senior unsecured, stable). Beginning in 2010, however, PPL EU's retail rates for generation are set based on market rates for power, which resulted in significantly higher rates for end users (an approximate 30% increase in 2010). Also beginning in 2010, PPL EU is no longer collecting competition transition revenue, which has resulted in lower cash flow for the utility.

SUMMARY RATING RATIONALE

PPL EU's Baa2 rating is driven by the relatively stable and predictable nature of its regulated transmission and distribution utility cash flows, the reasonably supportive regulatory treatment the company has received from the Pennsylvania Public Utilities Commission (PPUC), and cash flow credit metrics that are expected to remain appropriate for the rating category. The rating also considers the moderate business risk profile of the consolidated PPL corporate family, whose other operations include non-regulated electricity generation and marketing in Pennsylvania as well as other parts of the United States.

DETAILED RATING CONSIDERATIONS

Regulatory environment is generally supportive - however still in transition

Moody's generally categorizes the Pennsylvania regulatory framework as being about average for U.S. utilities in terms of supportiveness of credit quality and ability to recover costs and earn returns. PPL EU has historically received reasonable and timely decisions in its transmission and distribution rate cases, and although the Pennsylvania market remains in the midst of a full transition to market rates, to date, the process appears to be working relatively smoothly.

Given the magnitude of the rate increase that recently occurred for customers in PPL EU's service territory, (approximately 30%) we remain somewhat cautious about the potential for political intervention, though we recognize this risk has subsided significantly with the passage of time and the reduction in market price for power. In addition, the expiration of generation rate caps applicable to three other large regulated Pennsylvania utilities will not occur until 2011 and some legislative proposals related to rate caps and rate increase mitigation are still lingering. More recently, several lawmakers in Pennsylvania objected to PPL EU's March 2010 distribution rate increase request and asked the PPUC to reject the case, citing that the increase will put a strain on ratepayers.

Pennsylvania has been transitioning to a deregulated market for generation since 1998. During this time, PPL EU retained POLR responsibilities in its service territory, and operated under rate caps for generation. Through 2009, PPL EU met its POLR obligation via a PPUC approved fixed price power supply agreement with its affiliate PPL Supply. As of January 1, 2010, the rate cap ended, the POLR agreement was terminated, and the company has now transitioned fully into retail market competition.

Over the past few years, there has been a significant amount of regulatory and legislative concern over the potential for rate shock when the generation caps expire. In PPL EU's territory rates were at one time expected to increase approximately 40%. However, there has also been observable support for the process. In November 2008, legislation was passed establishing guidelines for all delivery utilities to follow when acquiring power supplies beyond 2010 which includes a prescribed mixture of long-term, short-term and spot purchases. PPL EU's procurement process is consistent with these guidelines and the company has generally been successful in managing the market transition and attempting to limit rate shock exposure.

Beginning in 2008, PPL EU conducted a series of electricity purchases through a competitive bidding process. The power purchase plan, approved by the PPUC, included a staggered bidding process involving a number of power blocks awarded by PPL EU to suppliers. For its 2010 power requirement, PPL EU completed six planned auctions, securing 100% of the expected needs. The company has also completed four solicitations for the January 2011 through May 2013 period. The price of power secured in the last auction, completed in April, is about 16% lower than the prices obtained for 2010.

In an effort to mitigate the customer impact of the anticipated 2010 rate increase, PPL EU took proactive steps and implemented two programs in 2008 and 2009. The advance-payment program, approved by PPUC in August 2008, allowed customers to make prepayments toward their 2010 and 2011 electric bills to enable them to pay a portion of the anticipated increase over 39 months,

beginning October 1, 2008. Approximately 10% of the customers took advantage of this plan. PPL EU has also implemented a second "opt-in" program whereby customers could elect to defer any 2010 rate increase in excess of 25% over one to two years. At December 31, 2009, PPL EU had recorded a liability of \$36 million for these programs. Given the decline in wholesale power prices (around 16% lower in PPL EU's latest solicitation versus initial 2010 procurements), the risk of additional cash deferrals is not significantly lower.

An additional mitigant to rate shock is the fact that more than 411,000 PPL EU customers have selected an alternate competitive electric supplier, which represents approximately 30% of PPL EU's customer base and about 48% in the total retail load in its service territory. Generation rates for these consumers are significantly (generally around 10%) lower than they would have been with PPL EU as their provider. Customer "shopping", however, should have limited impact on the operating results of PPL EU, as cost of power for generation is ultimately passed through to customers without margin.

PPL EU has generally received what appears to be reasonable treatment in its transmission and distribution rate proceedings. Pennsylvania distribution cases have been rendered in less than one year with authorized increases in excess of two thirds of the requested amounts. In March 2010, PPL EU filed a delivery rate case, requesting a \$114.7 million revenue increase, based on 11.75% ROE and 48.37% equity ratio, to address distribution infrastructure upgrade investments it made since its last rate case in 2007. Although the requested increase represents a 13.4% increase in distribution rates, PPL EU estimates that, after consideration of the lower prices of power procured for 2011 versus 2010, its customers' all-in rates shock increases by only approximate 2.4%. The company anticipates a PPUC decision by the end of 2010, with new rates effective January 2011.

Transmission rates are determined by the Federal Energy Regulatory Commission (FERC). In October 2008, FERC granted PPL EU's request to establish its transmission rates via a forward-looking formula with annual true-ups, which FERC has encouraged as a means to promote investment in transmission. FERC has also awarded incentive rate treatment for PPL EU's participation in a large PJM approved transmission project. The PPUC allows PPL EU rider recovery of any FERC approved transmission charges within its Pennsylvania retail rates.

Within the framework of Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Methodology), for Factor 1: Regulatory Framework, and for Factor 2: Ability to Recover Costs and Earn Returns, PPL EU maps to a rating factor in the Baa range.

Capital expenditure plans remain significant.

For the three year period of 2010 to 2012, PPL EU plans to spend about \$2 billion in capital expenditures, a significantly larger amount than the approximate \$860 million incurred in 2007-2009 time frame. The increased capital budget relates to plans to replace PPL EU's aging transmission and distribution assets, and to fund its PJM-approved transmission project involving the joint construction of a 150-mile, 500-KV line between its Susquehanna substation in eastern Pennsylvania and the Roseland substation in northern New Jersey. PPL EU's share of this transmission investment is estimated at approximately \$510 million.

Credit metrics appropriate for current rating.

PPL EU's 2009 credit metrics remained strong, as it continued to receive competition transition charge (CTC) revenues while meeting its entire POLR obligation via a fixed power purchase agreements. During this time capital expenditures also remained relatively modest. For the past three years, PPL EU's ratio of cash from operation before changes in working capital (CFO Pre-WC) to debt, as calculated in accordance with Moody's standard adjustments, averaged 30%.

Going forward, as retail market rates for generation are established as a direct pass through of power costs with no additional margin for the utility, and as CTC revenues are eliminated, cash flow from operations will be materially reduced. At the same time, capital spending is expected to increase significantly leading to an increase in debt burden as negative free cash flows are partially debt financed. As a result, we anticipate that PPL EU's ratio of CFO Pre-WC to debt will move into the low-to-mid teens, and remain there on a sustainable basis, and we expect that its ratio of CFO Pre-WC plus interest to interest will remain about three times.

Liquidity Profile

PPL EU has reasonable liquidity supported by relatively stable and predictable cash flows (albeit somewhat less robust and predictable due to transition to market competition), which are also supported by its own credit facilities.

In 2009, PPL EU's cash flow from operations of approximately \$294 million covered approximately 51% of its total cash outlays including \$298 million of capital expenditures and \$274 million of dividends to the parent. The shortfall was funded primarily via a portion of \$400 million equity infusion from its parent. In the 2010 - 2012 timeframe, when the company is projected to fund approximately \$2 billion of capital investments, Moody's expects PPL EU's cash shortfalls to be funded via a combination of

internal and external sources of cash, including equity contributions from PPL

PPL EU's liquidity is supported by a \$190 million 5-year credit facility that expires in May 2012. The committed capacity under this facility was originally \$200 million but was reduced by \$10 million in December 2008, as a result of terminating the commitment of PNC Financial Services Group, Inc. This credit facility is used primarily as back-stop to PPL EU's \$200 million commercial paper program and to issue letters of credit. As of December 31, 2009, the company had no cash borrowings under the facility, no commercial paper outstanding, and \$6 million of letters of credit outstanding. PPL EU's credit facility contains one financial covenant, a limitation on the ratio of debt to capitalization of 70%. As of December 31, 2009, the debt to capitalization ratio as defined in the agreement was approximately 44%. The facility does not contain a material adverse change clause.

PPL EU also participates in a \$150 million asset-backed commercial paper program through the sale of accounts receivable and unbilled revenue to a wholly owned special purpose vehicle. As of December 31, 2009, there was no borrowing under this agreement. This facility expires in July 2010. The company intends to renew it to maintain its current total committed capacity level.

PPL EU's Prime-2 rating for its short term obligations recognizes the utility's financial profile and cash flow stability, and assumes that the amount of commercial paper and other near term obligations outstanding will be managed within the limits of the company's readily available sources of cash, including its committed bank credit facilities.

PPL EU's closest long-term debt maturity is \$400 million of senior secured notes due November 2013.

Within the framework of the Methodology, on Factor 4: Liquidity, PPL EU maps to a rating factor in the Baa range.

Rating Outlook

The stable outlook reflects our expectation that beyond 2009, PPL EU's financial metrics will generally remain within the ranges appropriate for by electric T&D utilities rated Baa. The outlook also assumes that PPL EU will finance its significant capital expenditure program in a manner that is consistent with maintaining its current credit profile and that it will continue to successfully manage its regulatory relationships.

What Could Change the Rating - Up

It is unlikely the rating would be revised upward over the near-to-medium term. The rating could move upward if PPL EU finances its planned capital expenditures in a manner that improves its financial profile; if for example, PPL EU's ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, were to remain in an approximate range of 18-20% on a sustainable basis.

What Could Change the Rating - Down

The rating could be adjusted downward if PPL EU is unsuccessful in managing the transition to competitive markets in a manner that allows the timely recovery of its costs for purchased power, or if there were to be adverse regulatory rulings or unfavorable legislative ramifications such that we would anticipate a sustained deterioration in financial performance. The rating could be adjusted downward if there were to be a further material deterioration in financial metrics, if for example, its ratio of CFO Pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, were to move below the low-teens for an extended period. The rating could be adjusted downward if there is a meaningful increase in the consolidated business risk profile of PPL.

Rating Factors

PPL Electric Utilities Corporation

| Regulated Electric and Gas Utilities | Aaa | Aa | A | Baa | Ba | B |
|---|-----|----|---|-----|----|---|
| Factor 1: Regulatory Framework (25%) | | | | X | | |
| Factor 2: Ability to Recover Costs and Earn Returns (25%) | | | | X | | |
| Factor 3: Diversification (10%) | | | | | | |

| | | | | | | |
|--|---|--|---|----|------|--|
| a) Market Position (5%) | | | | X | | |
| b) Generation and Fuel Diversity (5%) | | | | NA | | |
| Factor 4: Financial Strength, Liquidity & Financial Metrics (40%) | | | | | | |
| a) Liquidity (10%) | | | | X | | |
| b) CFO pre-WC + Interest / Interest (7.5%) | | | X | | | |
| c) CFO pre-WC / Debt (7.5%) | X | | | | | |
| d) CFO pre-WC - Dividends / Debt (7.5%) | | | X | | | |
| e) Debt / Capitalization or Debt / RAV (7.5%) | | | | X | | |
| Rating: | | | | | | |
| a) Methodology Implied Senior Unsecured Rating | | | | | Baa1 | |
| b) Actual Senior Unsecured Rating | | | | | Baa2 | |

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Rating Action: Moody's downgrades PPL and PPL Electric, outlook stable

Global Credit Research - 28 Apr 2010

Approximately \$1.3 billion of rated instruments affected

New York, April 28, 2010 -- Moody's Investors Service (Moody's) downgraded the long-term unsecured ratings of PPL Corporation (PPL Issuer Rating to Baa3 from Baa2), and its subsidiaries PPL Electric Utilities Corporation (PPL EU: senior unsecured to Baa2 from Baa1), and PPL Capital Funding, Inc. (PPL Capital: senior unsecured guaranteed by PPL to Baa3 from Baa2); the A3 rating for PPL EU's secured debt, and its Prime-2 rating for commercial paper are affirmed. The outlook for PPL, PPL EU, and PPL Capital is stable. The ratings of PPL's subsidiary PPL Energy Supply (PPL Supply: Baa2 senior unsecured) are affirmed and the outlook remains stable.

The rating actions follow PPL's announced agreement to acquire E.ON U.S. LLC (E.ON U.S.) and its subsidiaries Louisville Gas & Electric Company (LG&E) and Kentucky Utilities Company (KU), and while reflective of the announced transaction, are driven more by weakening financial metrics and the negative outlooks that had been in place for PPL EU and PPL for the past year.

On April 28, 2010, PPL announced that it had reached a definitive agreement with E.ON AG to acquire E.ON U.S., the parent company of LG&E and KU, two regulated utilities with operations principally in Kentucky. The transaction values E.ON U.S. at approximately \$7.6 billion, including the assumption of \$925 million of existing tax-exempt debt and the repayment of E.ON AG intercompany debt. Permanent financing for the transaction will include a combination of common equity, utility first mortgage bonds, utility holding company bonds, hybrid securities and cash on hand. We anticipate that PPL will arrange the permanent financing in a balanced manner that will be supportive of its Baa3 Issuer Rating.

PPL's Baa3 Issuer Rating considers the additional regulatory scale, diversity and cash flow stability that are likely to result from its planned acquisition of E.ON U.S. On a pro-forma basis, we anticipate that over 50% of PPL's assets and cash flows would be associated with regulated operations; absent the transaction, we would expect regulated contributions to remain significantly below 50%. The rating also considers the challenges the company is facing as it transitions to a fully competitive market in its Pennsylvania service territory where significant utility investment is needed while its wholesale generation business continues to operate within weakened commodities markets. The rating reflects pro-forma consolidated credit profile and cash flow credit metrics that we anticipate will remain within ranges appropriate for the rating. The Baa3 ratings for PPL and PPL Capital also recognize their structurally subordinate position relative to the Baa2 senior unsecured debt of PPL Supply and PPL EU, and to likely holding company and operating company debt at the Kentucky utilities.

The downgrade for PPL EU reflects our continued expectation that beginning in 2010, the company's cash flow credit metrics will decline dramatically from their recent levels and will remain toward the lower end of the ranges indicated in Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Regulated Methodology) rated Baa for the foreseeable future. The expected decline in metrics comes as PPL EU implements market rates for generation while simultaneously incurring increased expenditures for capital investment to support and maintain the reliability of its aging distribution and transmission systems. As a result, PPL EU's debt burden will increase, and cash flow coverage of debt and debt service is expected to be dramatically reduced. For example, for the foreseeable future, the ratio of cash flow from operations excluding changes in working capital (CFO Pre -- WC) to debt, calculated in accordance with Moody's standard analytical adjustments, is expected to remain in the low-to-mid teens, and the ratio of CFO Pre -- WC plus interest to interest is anticipated to remain around three times.

The affirmation of the A3 rating for the senior secured debt at PPL EU reflects its priority position within PPL EU's capital structure and follows Moody's August 2009 implementation of wider notching between the vast majority of ratings for senior secured and senior unsecured debt ratings for investment grade regulated utilities. Issuers with negative outlooks were excluded from the August implementation.

The affirmation of the Baa2 senior unsecured ratings for PPL Supply considers the relatively strong market and competitive position that results from its significant base-load generation portfolio located primarily near load serving entities within the highly liquid and transparent PJM market. The affirmation also recognizes that 2010 is the first year the company is able to sell power produced by its Pennsylvania generation resources at market rates. For 2010 and beyond, we anticipate increased volatility of cash flows, mitigated to some extent by PPL Supply's hedging strategy; however, we also anticipate a strengthening of its cash flow credit metrics commensurate with the company's

increased business risk. For example, we anticipate the ratio of CFO Pre-WC to debt (excluding the debt and cash flows associated with its U.K. distribution utilities) to remain above 25%. PPL Supply's published consolidated credit metrics will continue to be impacted by the ownership of its U.K. distribution utilities, which benefit from reasonably stable cash flow, but also employ leverage commensurate with their regulated network activities. We anticipate PPL Supply's consolidated published ratio of CFO Pre-WC to debt will remain above 20%.

The stable outlook for PPL EU reflects our expectation that PPL EU's financial metrics will generally remain within the ranges indicated for electric distribution and transmission utilities rated Baa. The outlook also assumes that PPL EU will finance its significant capital expenditure program in a manner that is consistent with maintaining its current credit profile and that it will continue to successfully manage its regulatory relationships as Pennsylvania continues its statewide transition to market rates.

The stable outlooks for PPL Supply, PPL Capital, and PPL reflect our view that the planned acquisition of E.ON U.S. will be financed in a balanced manner that is consistent with PPL's Baa3 Issuer rating. The stable outlooks also assume that in 2010 and beyond, PPL Supply's low-cost, strategically placed, primarily base load generating assets will generate increased cash flows, and that PPL will continue to seek to mitigate the volatility of these market based cash flow by use of disciplined hedging strategies. In addition, the stable outlooks assume that the transition to the competitive electricity market in Pennsylvania will continue to proceed relatively smoothly and that PPL EU's planned capital expenditures will be financed in a manner that is supportive of its credit quality.

The principal methodology used in rating PPL EU, PPL and PPL Capital was Rating Methodology: Regulated Electric and Gas Utilities, published August 2009 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab. The principal methodology used in rating PPL Supply was Rating Methodology: Unregulated Utilities and Power Companies, published in August 2009 and also available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Moody's last rating action on PPL EU, PPL, PPL Capital and PPL Supply occurred May 11, 2009 the outlooks of PPL EU, PPL and PPL Capital were revised to negative from stable and the ratings of PPL Supply were affirmed with a stable outlook.

PPL is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL EU is a regulated transmission and distribution utility; PPL Supply is a holding company engaged primarily in non-regulated generation and marketing of power in the U.S. and the regulated delivery of electricity in the U.K.; PPL Capital is a financing subsidiary of PPL - its debt is guaranteed by PPL.

Downgrades:

PPL Corporation

Issuer Rating, Downgraded to Baa3 from Baa2

PPL Capital Funding, Inc

Junior Subordinated Regular Bond/Debenture, Downgraded to Ba1 from Baa3

Multiple Seniority Shelf, Downgraded to (P)Baa3, (P)Ba1 from (P)Baa2, (P)Baa3

Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

PPL Electric Utilities Corporation

Issuer Rating, Downgraded to Baa2 from Baa1

Multiple Seniority Shelf, Downgraded to (P)Ba1 from (P)Baa3

Preferred Stock, Downgraded to Ba1 from Baa3

Senior Unsecured Bank Credit Facility, Downgraded to Baa2 from Baa1

Senior Unsecured Revenue Bonds (Lehigh County Industrial Development Authority), Downgraded to Baa2 from Baa1

Outlook Actions:

PPL Corporation

Outlook, Changed To Stable From Negative

PPL Capital Funding, Inc.

Outlook, Changed To Stable From Negative

PPL Electric Utilities Corporation

Outlook, Changed To Stable From Negative

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Kentucky acquisition; sticking with this horse

Price Objective
Change

BUY

Equity | United States | Electric Utilities
03 May 2010

**Bank of America
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Maintaining Buy rating, lowering PO to \$28 from \$33

We are maintaining our Buy rating on PPL, but lowering our PO to \$28/share following PPL's unexpected \$7.6 billion acquisition of E.ON U.S Kentucky based utilities. We believe that PPL paid a full price for the assets and that its current share price could be higher in the absence of this transaction. That said, following the more than 10% decline in PPL shares after its winning bid was first reported we see total return potential of approximately 18% relative to our new price objective.

After the shock there are positives....

While paying for it in terms of price and upfront dilution we see some positives. We project PPL's regulated earnings contribution to climb to 68% by 2013 on a MTM basis, which should provide greater downside protection if power prices remain weak. In addition, we believe that this transaction will help protect PPL's dividend which currently implies an attractive 5.7% divided yield.

...and concerns

The all cash nature of the transaction will necessitate a significant amount of external financing. The large (we estimate up to \$2.6 billion) equity issuance needed to complete the acquisition financing may weigh on PPL shares in the near-term. In addition, we expect the transaction to be dilutive to earnings until 2013.

\$28 price objective based on Pro-forma 2013E EPS

We arrive at our \$28 price objective by applying 12.5x P/E multiple to our estimated 2013 pro-forma mark-to-market EPS estimate (\$2.25/share) utilizing current forward power and coal prices. In addition, to further round-out our valuation work we also apply a 10x P/E multiple to our 2013E pro forma EPS estimate of \$2.77 which utilizes our current power and coal price assumptions.

Estimates (Dec)

| (US\$) | 2008A | 2009A | 2010E | 2011E | 2012E |
|---------------------------|--------|-------|-------|-------|-------|
| EPS | 2.02 | 1.90 | 3.41 | 3.20 | 3.01 |
| GAAP EPS | 2.02 | 1.90 | 3.41 | 3.20 | 3.01 |
| EPS Change (YoY) | -22.0% | -5.9% | 79.5% | -6.2% | -5.9% |
| Consensus EPS (Bloomberg) | | | 3.31 | 3.16 | 3.03 |
| DPS | 1.34 | 1.38 | 1.42 | 1.46 | 1.50 |

Valuation (Dec)

| | 2008A | 2009A | 2010E | 2011E | 2012E |
|-----------------------|-------|-------|-------|-------|-------|
| P/E | 12.3x | 13.0x | 7.3x | 7.7x | 8.2x |
| GAAP P/E | 12.3x | 13.0x | 7.3x | 7.7x | 8.2x |
| Dividend Yield | 5.4% | 5.6% | 5.7% | 5.9% | 6.1% |
| EV / EBITDA* | 9.1x | 10.1x | 6.9x | 7.0x | 7.0x |
| Free Cash Flow Yield* | 0.9% | 6.7% | 0.6% | 2.1% | 2.6% |

* For full definitions of *iQmethod*SM measures, see page 9

Stock Data

| | |
|------------------------------|-------------------|
| Price | US\$24.76 |
| Price Objective | US\$28.00 |
| Date Established | 3-May-2010 |
| Investment Opinion | B-1-7 |
| Volatility Risk | MEDIUM |
| 52-Week Range | US\$24.66-34.42 |
| Mrkt Val / Shares Out (mn) | US\$9,327 / 376.7 |
| BofAML Ticker / Exchange | PPL / NYS |
| Bloomberg / Reuters | PPL US / PPL.N |
| ROE (2010E) | 21.9% |
| Total Dbt to Cap (Dec-2009A) | 62.4% |
| Est. 5-Yr EPS / DPS Growth | 12.9% / 3.0% |

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8. 10934170

03 May 2010

iQprofileSM PPL Corporation

iQmethodSM - Bus Performance*

| (US\$ Millions) | 2008A | 2009A | 2010E | 2011E | 2012E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 5.9% | 5.5% | 8.4% | 7.6% | 6.9% |
| Return on Equity | 14.3% | 13.6% | 21.9% | 18.4% | 15.8% |
| Operating Margin | 20.9% | 18.8% | 29.7% | 28.4% | 27.1% |
| Free Cash Flow | 88 | 627 | 59 | 195 | 241 |

iQmethodSM - Quality of Earnings*

| (US\$ Millions) | 2008A | 2009A | 2010E | 2011E | 2012E |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio | 2.0x | 2.6x | 1.5x | 1.9x | 1.9x |
| Asset Replacement Ratio | 1.9x | 1.6x | 2.9x | 2.9x | 2.5x |
| Tax Rate | 36.0% | 28.4% | 36.3% | 36.1% | 35.9% |
| Net Debt-to-Equity Ratio | 137.5% | 120.1% | 113.6% | 108.2% | 104.5% |
| Interest Cover | 3.7x | 3.6x | 5.0x | 4.4x | 4.0x |

Income Statement Data (Dec)

| (US\$ Millions) | 2008A | 2009A | 2010E | 2011E | 2012E |
|-----------------------------|--------|--------|-------|-------|-------|
| Sales | 8,044 | 7,564 | 8,594 | 8,700 | 8,823 |
| % Change | 21.5% | -6.0% | 13.6% | 1.2% | 1.4% |
| Gross Profit | 4,773 | 4,042 | 5,392 | 5,404 | 5,428 |
| % Change | -2.9% | -15.3% | 33.4% | 0.2% | 0.5% |
| EBITDA | 2,434 | 2,198 | 3,198 | 3,177 | 3,145 |
| % Change | -3.9% | -9.7% | 45.5% | -0.7% | -1.0% |
| Net Interest & Other Income | (459) | (396) | (507) | (557) | (599) |
| Net Income (Adjusted) | 761 | 717 | 1,283 | 1,206 | 1,134 |
| % Change | -23.7% | -5.8% | 78.9% | -6.0% | -6.0% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2008A | 2009A | 2010E | 2011E | 2012E |
|--|---------|---------|---------|---------|---------|
| Net Income from Cont Operations (GAAP) | 781 | 736 | 1,301 | 1,224 | 1,152 |
| Depreciation & Amortization | 754 | 774 | 650 | 706 | 750 |
| Change in Working Capital | (81) | 106 | 0 | 132 | 0 |
| Deferred Taxation Charge | 43 | 104 | 0 | 91 | 88 |
| Other Adjustments, Net | 20 | 132 | (31) | 111 | 124 |
| Capital Expenditure | (1,429) | (1,225) | (1,861) | (2,069) | (1,873) |
| Free Cash Flow | 88 | 627 | 59 | 195 | 241 |
| % Change | NM | 612.5% | -90.5% | 229.6% | 23.3% |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2008A | 2009A | 2010E | 2011E | 2012E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents | 1,100 | 801 | 825 | 1,371 | 1,722 |
| Trade Receivables | 533 | 597 | 597 | 597 | 597 |
| Other Current Assets | 2,750 | 3,769 | 3,769 | 3,637 | 3,637 |
| Property, Plant & Equipment | 12,416 | 13,174 | 14,267 | 15,501 | 16,482 |
| Other Non-Current Assets | 4,606 | 3,824 | 3,954 | 3,954 | 3,954 |
| Total Assets | 21,405 | 22,165 | 23,413 | 25,060 | 26,392 |
| Short-Term Debt | 1,366 | 639 | 639 | 639 | 639 |
| Other Current Liabilities | 2,927 | 3,543 | 3,543 | 3,543 | 3,543 |
| Long-Term Debt | 7,151 | 7,143 | 7,643 | 8,543 | 9,218 |
| Other Non-Current Liabilities | 4,565 | 5,025 | 5,025 | 5,116 | 5,205 |
| Total Liabilities | 16,009 | 16,350 | 16,850 | 17,841 | 18,605 |
| Total Equity | 5,396 | 5,815 | 6,563 | 7,219 | 7,787 |
| Total Equity & Liabilities | 21,405 | 22,165 | 23,413 | 25,060 | 26,392 |

* For full definitions of iQmethodSM measures, see page 9

Company Description

PPL owns 12,000MW of generation, 10,800MWs of nuclear, coal, gas, and hydro in PA, and 1,200MW of hydro and coal in Montana. The company also owns an electric utility in PA serving 1.4 million customers. Finally, PPL owns Western Power Distribution (WPD), a regulated utility in the southwestern UK serving 2.6 million customers.

Investment Thesis

We rate PPL as a Buy. The company's quality generation portfolio and highly hedged position through 2012 make it a good place to wait for a potential power market recovery. An above-average dividend yield is also attractive. Even after adjusting for the initial EPS dilution related to the company's pending acquisition of two Kentucky based utilities, PPL's valuation appears compelling.

Stock Data

Average Daily Volume 3,240,529

Quarterly Earnings Estimates

| | 2009 | 2010 |
|----|-------|-------|
| Q1 | 0.55A | 0.94E |
| Q2 | 0.31A | 0.77E |
| Q3 | 0.52A | 0.85E |
| Q4 | 0.52A | 0.85E |

Kentucky Derby recap

We are maintaining our Buy rating on PPL shares, but lowering our price objective to \$28/share

The near-term dilution in 2011 and 2012 along with a sizeable equity overhang (we estimate up to \$2.6 billion in common equity) has weighed on PPL shares following the transaction announcement, but we see some positives at the current share price

We are maintaining our Buy rating on PPL shares, but lowering our price objective to \$28/share following PPL's surprising acquisition announcement. We believe that PPL paid a full price for E.ON's U.S.' utility assets and that its current share price could be higher in the absence of this transaction. That said, following the more than 10% decline in PPL shares after its winning bid was first reported, we see total return potential of approximately 18% relative to our new price objective.

PPL's triumph in the auction process for German utility, E.ON's, two Kentucky based utilities, Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU) accomplishes the company's goal of a more balanced business mix, but comes at price. The near-term dilution in 2011 and 2012 along with a sizeable equity overhang (we estimate up to \$2.6 billion in common equity) has weighed on PPL shares following the transaction announcement and may continue to do so in the near-term. Despite these factors we see the following positives from the transaction:

- **PPL's pro-forma earnings mix** will be significantly more weighted towards regulated earnings. We estimate 2013 regulated EPS of 68% of the company's projected total EPS on a mark-to-market basis and
- **Greater downside protection** in the event commodity prices do not recover or deteriorate further and a
- **Prospective dividend yield of 5.7%** and finally,
- **Credit rating stability** following Moody's and S&P's largely positive views on the transaction, which should allow the company to continue to support its collateral needs associated with its hedging program as well as support its current dividend.

We expect the transaction to be initially dilutive in 2011 and 2012 before eventually turning accretive in 2013

We expect the transaction to be initially dilutive in 2011 and 2012 before eventually turning accretive in 2013. Table 1 summarizes our accretion/dilution analysis utilizing both our current commodity price assumptions and current forward power and coal prices (MTM/mark-to-market). We see the transaction as marginally accretive, 0.5%, in 2013 using our current commodity price assumptions vs. 7.6% accretive using current market prices.

Table 1: Accretion/Dilution Summary

| | Accretion/Dilution Summary | | |
|---------------------------|----------------------------|---------------|-------------|
| | 2011 | 2012 | 2013 |
| Current Standalone EPS | \$3.20 | \$3.01 | \$2.76 |
| Pro-Forma EPS | \$3.06 | \$2.94 | \$2.77 |
| Accretion/Dilution | (4.5%) | (2.4%) | 0.5% |
| Stand alone MTM EPS | \$3.13 | \$2.77 | \$2.09 |
| Pro-Forma MTM EPS | \$3.00 | \$2.75 | \$2.25 |
| Accretion/Dilution | (4.1%) | (0.8%) | 7.6% |

Source: BofAML Global Research

Table 2: Pro Forma Valuation Summary

| 2013 MTM Valuation | | |
|---------------------------------|---------|---------|
| Low | Base | High |
| 11.5x | 12.5x | 13.5x |
| \$25.85 | \$28.10 | \$30.34 |
| 2013 BAML Price Curve Valuation | | |
| Low | Base | High |
| 9.0x | 10.0x | 11.0x |
| \$24.94 | \$27.71 | \$30.48 |

Source: BofAML Global Research

The valuation (P/E) multiples used to arrive at our \$28 price objective are at a meaningful discount relative to PPL's diversified utility peer group

We arrive at our \$28 price objective by applying 12.5x P/E multiple to our estimated 2013 pro-forma mark-to-market EPS estimate utilizing current forward power and coal prices. In addition, to further round-out our valuation work, we also apply a 10x P/E multiple to our 2013 pro forma EPS estimate of \$2.77 which utilizes our current power and coal price assumptions. Our valuation scenarios are shown in table 2 above.

As shown in table 3 below the 12.5x P/E utilized in our 2013 MTM valuation is relatively conservative compared to the 12.9x average of PPL's diversified peers some of which have substantially greater portions of earnings derived from commodity sensitive businesses.

Table 3: Diversified Comparables, Mark-to-Market EPS

| Company Name | Ticker | Current Price | BofAML Rating | Mkt Cap (\$M) | Mark to Market EPS | | | | Mark to Market P/E | | | |
|----------------|--------|---------------|---------------|---------------|--------------------|--------|--------|--------|--------------------|--------------|--------------|--------------|
| | | | | | 2010E | 2011E | 2012E | 2013E | 2010E | 2011E | 2012E | 2013E |
| Dominion | D | \$41.30 | B-2-7 | \$24,520 | \$3.28 | \$3.11 | \$3.08 | \$3.16 | 12.6x | 13.3x | 13.4x | 13.1x |
| Edison Intl | EIX | 33.72 | B-2-7 | 11,026 | 3.16 | 2.76 | 2.73 | 2.64 | 10.7x | 12.2x | 12.4x | 12.8x |
| Entergy | ETR | 80.55 | B-1-7 | 15,775 | 6.67 | 6.69 | 6.14 | 5.95 | 12.1x | 12.0x | 13.1x | 13.5x |
| Exelon | EXC | 43.26 | B-3-7 | 28,616 | 3.78 | 3.98 | 2.93 | 2.70 | 11.4x | 10.9x | 14.8x | 16.0x |
| FirstEnergy | FE | 37.40 | B-2-7 | 11,393 | 3.67 | 3.78 | 3.31 | 3.33 | 10.2x | 9.9x | 11.3x | 11.2x |
| FPL Group | FPL | 50.69 | B-1-7 | 20,528 | 4.32 | 4.47 | 4.65 | 4.79 | 11.7x | 11.3x | 10.9x | 10.6x |
| Average | | | | | | | | | 11.4x | 11.6x | 12.6x | 12.9x |

Source: BofAML Global Research

Table 4 below highlights PPL's peers using our current estimates and commodity price assumptions. The 11.5x average 2013E P/E multiple for the group is meaningfully higher than the discounted 10x multiple utilized in our pro-forma valuation.

Table 4: Diversified Comparables, BofAML Estimates

| Company Name | Ticker | Current Price | BofAML Rating | Mkt Cap (\$M) | BofAML EPS | | | | BofAML P/E | | | |
|----------------|--------|---------------|---------------|---------------|------------|--------|--------|--------|--------------|--------------|--------------|--------------|
| | | | | | 2010E | 2011E | 2012E | 2013E | 2010E | 2011E | 2012E | 2013E |
| Dominion | D | \$41.30 | B-2-7 | \$24,520 | \$3.30 | \$3.23 | \$3.24 | \$3.39 | 12.5x | 12.8x | 12.7x | 12.2x |
| Edison Intl | EIX | 33.72 | B-2-7 | 11,026 | 3.30 | 3.00 | 2.94 | 3.09 | 10.2x | 11.2x | 11.5x | 10.9x |
| Entergy | ETR | 80.55 | B-1-7 | 15,775 | 6.79 | 6.87 | 6.61 | 6.64 | 11.9x | 11.7x | 12.2x | 12.1x |
| Exelon | EXC | 43.26 | B-3-7 | 28,616 | 3.79 | 4.04 | 3.10 | 3.24 | 11.4x | 10.7x | 13.9x | 13.4x |
| FirstEnergy | FE | 37.40 | B-2-7 | 11,393 | 3.70 | 4.02 | 3.62 | 3.70 | 10.1x | 9.3x | 10.3x | 10.1x |
| FPL Group | FPL | 50.69 | B-1-7 | 20,528 | 4.41 | 4.56 | 4.76 | 4.91 | 11.5x | 11.1x | 10.6x | 10.3x |
| Average | | | | | | | | | 11.3x | 11.1x | 11.9x | 11.5x |

Source: BofAML Global Research

PPL will be able to harness \$450 million of existing NOL's

Transaction overview and thoughts

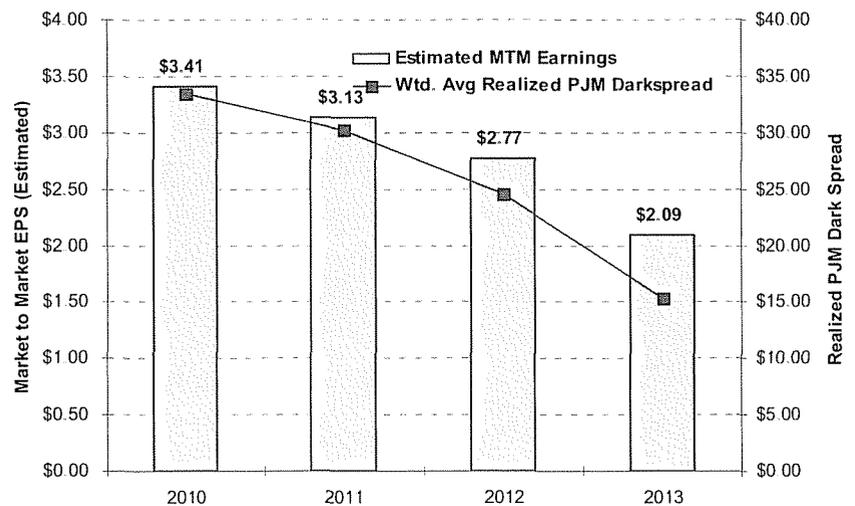
PPL agreed to acquire E.ON USA and its primary operating subsidiaries LG&E and Kentucky Utilities in an all cash transaction for \$7.625 billion. The consideration consists of \$6.7 billion in cash and \$925 million in assumption of existing tax-exempt debt at the utilities. We note that PPL will be able to harness \$450 million of existing NOL carry-forwards generated by previous divestitures of non-regulated businesses that were associated with these merchant operations. We see the following benefits and challenges associated with the acquisition under the terms proposed:

PPL's earnings mix will shift towards its regulated operations following the acquisition and could eventually lead to some expansion of its trading multiple

Given the uncertainty regarding the likelihood, timing and magnitude of power market and dark spread recovery PPL has essentially traded near-term dilution for longer-term regulated earnings growth

- **Earnings mix now primarily regulated:** In 2010 PPL earnings mix is 70% weighted towards the commodity sensitive generation business, which is facing significant margin pressure post-2010. Pro-forma for the acquisition the company now expects its percentage of EBITDA from regulated business to grow from 30% to 55-60% by 2011. We estimate 55% of earnings will come from regulated operations in 2013 using our current commodity price assumptions or 68% using current market forwards. This shift in earnings is primarily a function a declining generation earnings and some regulated growth. The growth of more visible, regulated related earnings should presumably lead to some expansion of PPL's trading multiple as it will more closely resemble its more regulated, diversified utility peers.
- **Transaction price looks full, but better than on the surface:** The \$7.625 billion transaction price combined with the utilities' 2009 earnings of approximately \$230 million seemed to imply a P/E ratio in the 14x-15x area. However, given the significant regulatory lag incurred at the utilities along with 2009 storm restoration costs we believe PPL acquired the two utilities at a price in closer to 13.5x forward earnings excluding the additional corporate debt that will be issued to complete the transaction. We believe the transaction value implies an EV/EBITDA valuation of roughly 9x 2011E EBITDA. In addition, after including the NPV of the NOL's and adjusting the rate base for the completion of the Trimble County 2 generation facility, the acquisition price implies a price of 1.25x of book value.
- **Dark spread concerns:** PPL's earnings trajectory reflects significant pressure in coming years as its existing hedges roll off. The hedge roll-off has been exacerbated by the significant deterioration in forward dark spreads. We believe the full magnitude of the decline is not currently reflected in consensus estimates. Thus the transaction may seem very dilutive relative to consensus estimates, but on a mark-to-market basis the transaction is less so. Given the uncertainty regarding the likelihood, timing and magnitude of power market and dark spread recovery PPL has essentially traded near-term dilution for longer-term regulated earnings growth.

Chart 1: Estimated PPL Standalone Mark-to-Market EPS



Source: Bo/AML Global Research

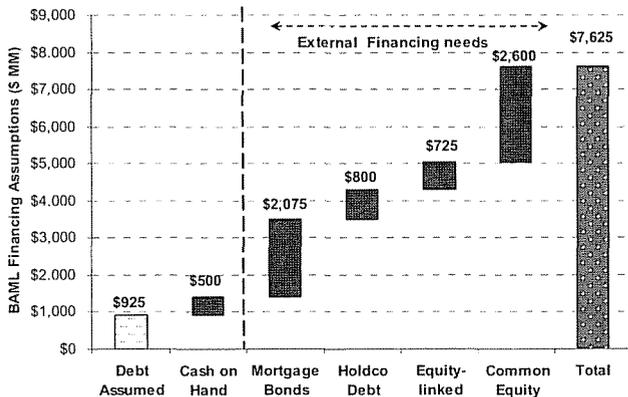
We expect the regulatory approval process to conclude before the end of 2010

With an estimated up to \$2.6 billion in equity issuance needed to complete the transaction, PPL shares may serve as a temporary overhang

Timeline and ease of regulatory approval: The Company expects a fairly straightforward and timely regulatory approval process to complete the transaction. Unlike other states, Kentucky regulators have taken a fairly constructive approach to utility M&A and the approval process should only take 3-4 months to complete. We expect FERC approval in 6 months or less and believe the company's target completion date by year-end 2010 as feasible. The company's assurance of no-work force reductions and maintenance of the existing headquarters in Louisville and Lexington likely also will help smooth the approval process, but likely eliminates the potential for significant cost savings near-term.

Financing and equity overhang present risks: The all cash nature of the transaction along with relatively little permanent debt capital that will be retained the utilities will necessitate a significant amount of external financing. Our assumptions regarding PPL's acquisition financing plan is highlighted in chart 2 below:

Chart 2: Transaction Financing Assumptions



Source: BofAML Global Research

Chart 3: Pro Forma Capital Structure

| Uses | | Sources | | Status Quo Capital Structure | |
|-------------------|----------------|----------------|-------|------------------------------|-----------------|
| Purchase Price | \$7,625 | Debt Assumed | \$925 | PPL Gross Debt | \$8,282 |
| | | Mortgage Bonds | 2,075 | Projected Cash | (825) |
| | | Holdco Debt | 800 | Status Quo Net Debt | \$7,457 |
| | | Cash on Hand | 500 | Est Shareholder Equity | \$6,244 |
| | | Convertibles | 725 | Total Capitalization | \$13,700 |
| | | Equity | 2,600 | Debt/Cap | 54.4% |
| Total Uses | \$7,625 | | | | |

| Proforma Capital Structure | |
|-----------------------------|-----------------|
| PPL Gross Debt | 12,945 |
| Projected Cash | (325) |
| Status Quo Net Debt | \$12,619 |
| Est Shareholder Equity | \$9,206 |
| Total Capitalization | \$21,825 |
| Debt/Cap | 57.8% |

Source: BofAML Global Research

We note that the transaction is not subject to a financeability condition and should capital markets conditions deteriorate this could erode the returns PPL will likely be able to generate from the acquired assets. More importantly the large (estimated at up to \$2.6 billion) equity issuance needed to complete the financing package will likely create a meaningful overhang on PPL shares in the near-term.

Accretion/Dilution analysis

We have attempted to quantify the earnings and valuation impact of the transaction utilizing both our current commodity prices assumptions as well as current forward market prices. We project modest accretion (0.5%) by 2013 under the first scenario which utilizes our commodity price assumptions and pro forma earnings of \$2.77/share. In the second scenario we project more significant accretion 7.6% but more modest earnings power of \$2.25/share driven by significantly higher market coal prices and forward power prices that don't reflect any heat rate upside.

03 May 2010

Table 5: Accretion/Dilution (BofAML Commodity Price Assumptions)

| | 2011 | 2012 | 2013 |
|--|-----------------|-----------------|----------------|
| PPL Earnings Per Share | \$3.20 | \$3.01 | \$2.76 |
| Diluted Shares | 377 | 377 | 377 |
| Net Income | \$1,206 | \$1,134 | \$1,039 |
| LG&E EPS | N/A | N/A | N/A |
| Diluted Shares | N/A | N/A | N/A |
| Pre Synergy Net Income | \$310 | \$325 | \$340 |
| Net Synergies | | | |
| Purchase Accounting Step-up | \$0 | \$0 | \$0 |
| Loss of EBIT from Asset Sales | 0 | 0 | 0 |
| Synergies (net of regulatory clawback) | 0 | 0 | 0 |
| Costs to Achieve | 0 | 0 | 0 |
| Total Net Synergies | \$0 | \$0 | \$0 |
| Combined Net Income | \$1,516 | \$1,459 | \$1,379 |
| Total Pre-Tax Incremental Adj | \$0 | \$0 | \$0 |
| Tax Rate | 36% | 36% | 36% |
| Total After-Tax Incremental Adj | \$0 | \$0 | \$0 |
| Pro Forma Net Income Pre-financing | \$1,516 | \$1,459 | \$1,379 |
| Incremental Interest Expense (after-tax) | (47) | (47) | (47) |
| Pro Forma Net Income | \$1,469 | \$1,412 | \$1,332 |
| PPL Diluted Shares | 377 | 377 | 377 |
| Incremental Equity Issued | 0 | 0 | 0 |
| Shares issued for deal | 104 | 104 | 104 |
| Pro Forma Shares | 481 | 481 | 481 |
| Pro Forma Net Income | \$3.06 | \$2.94 | \$2.77 |
| Accretion/(Dilution) - EPS | (\$0.15) | (\$0.07) | \$0.01 |
| Accretion / Dilution | (4.5%) | (2.4%) | 0.5% |
| Regulated EPS Proforma % | 40% | 48% | 55% |
| Current EPS Mix | 22% | 29% | 35% |

Source: BofAML Global Research estimates

Table 6: Accretion/Dilution (BofAML Commodity Price Assumptions)

| | 2011 | 2012 | 2013 |
|--|-----------------|-----------------|----------------|
| PPL Earnings Per Share | \$3.13 | \$2.77 | \$2.09 |
| Diluted Shares | 377 | 377 | 377 |
| Net Income | \$1,179 | \$1,045 | \$787 |
| LG&E EPS | N/A | N/A | N/A |
| Diluted Shares | N/A | N/A | N/A |
| Pre Synergy Net Income | \$310 | \$325 | \$340 |
| Net Synergies | | | |
| Purchase Accounting Step-up | \$0 | \$0 | \$0 |
| Loss of EBIT from Asset Sales | 0 | 0 | 0 |
| Synergies (net of regulatory clawback) | 0 | 0 | 0 |
| Costs to Achieve | 0 | 0 | 0 |
| Total Net Synergies | \$0 | \$0 | \$0 |
| Combined Net Income | \$1,489 | \$1,370 | \$1,127 |
| Total Pre-Tax Incremental Adj | \$0 | \$0 | \$0 |
| Tax Rate | 36% | 36% | 36% |
| Total After-Tax Incremental Adj | \$0 | \$0 | \$0 |
| Pro Forma Net Income Pre-financing | \$1,489 | \$1,370 | \$1,127 |
| Incremental Interest Expense (after-tax) | (47) | (47) | (47) |
| Pro Forma Net Income | \$1,442 | \$1,323 | \$1,081 |
| PPL Diluted Shares | 377 | 377 | 377 |
| Incremental Equity Issued | 0 | 0 | 0 |
| Shares issued for deal | 104 | 104 | 104 |
| Pro Forma Shares | 481 | 481 | 481 |
| Pro Forma Net Income | \$3.00 | \$2.75 | \$2.25 |
| Accretion/(Dilution) - EPS | (\$0.13) | (\$0.02) | \$0.16 |
| Accretion / Dilution | (4.1%) | (0.8%) | 7.6% |
| Regulated Earnings Proforma % | 41% | 51% | 68% |
| Current Earnings Mix | 22% | 30% | 38% |

Source: BofAML Global Research estimates

Other key assumptions in our analysis used in tables 1 and 2 above include the following:

- Assumes transaction close of 12/31/2010
- No synergies or cost savings
- Adjust earnings contribution from LG&E and Kentucky utilities by incremental after-tax interest expense from new parent debt and interest component of hybrid securities
- Assumes \$2.6 billion equity issuance at \$25 share price
- 2011 LG&E realized ROE of 9%

Our current PPL standalone estimates are largely unchanged pending the completion of the acquisition. Our current EPS estimates for PPL on a standalone basis are \$3.41, \$3.20, \$3.01 and \$2.76 for 2010, 2011, 2012 and 2013, respectively. On a mark-to-market basis our EPS estimates are \$3.41, \$3.13, \$2.77 and \$2.09. Our lower 2013 estimate reflects our lower assumed hedge percentage for PPL Energy Supply in 2013.

Price objective basis & risk

PPL Corporation (PPL)

We value PPL based upon our comparables multiple valuation analysis and adjust our estimates from the potential earnings contribution for its pending acquisition of Louisville Gas and Electric and Kentucky Utilities. We arrive at our \$28 price objective by applying 12.5x P/E multiple to our estimated 2013 pro-forma mark-to-market EPS estimate utilizing current forward power and coal prices. In addition, to further round-out our valuation work, we also apply a 10x P/E multiple to our 2013 pro forma EPS estimate, which utilizes our current power and coal price assumptions. Risks to our price objective are higher than anticipated financing costs or greater than anticipated equity issuance related to PPL's pending acquisition of two Kentucky based utilities, regulatory delays in approval of the transaction and additional declines in power prices.

Link to Definitions

Energy

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Steve Fleishman, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Merrill Lynch is currently acting as financial advisor to PPL Corp. in connection with its proposed acquisition of E.ON U.S. LLC, a subsidiary of E.ON AG, which was announced on April 28, 2010.

US - Electric Utilities/Competitive Power Coverage Cluster

| Investment rating | Company | BofAML ticker | Bloomberg symbol | Analyst |
|-------------------|----------------------|---------------|------------------|------------------|
| BUY | American Water Works | AWK | AWK US | Steve Fleishman |
| | CMS Energy | CMS | CMS US | Steve Fleishman |
| | Entergy | ETR | ETR US | Steve Fleishman |
| | FPL Group | FPL | FPL US | Steve Fleishman |
| | Northeast Utilities | NU | NU US | Steve Fleishman |
| | PG&E Corporation | PCG | PCG US | Steve Fleishman |
| | PPL Corporation | PPL | PPL US | Steve Fleishman |
| | TECO Energy | TE | TE US | Steve Fleishman |
| | Wisconsin Energy | WEC | WEC US | Alex Kania |
| NEUTRAL | Alliant Energy | LNT | LNT US | Steve Fleishman |
| | Calpine | CPN | CPN US | Ameet I. Thakkar |
| | Consolidated Edison | ED | ED US | Steve Fleishman |
| | Dominion Resources | D | D US | Steve Fleishman |
| | Edison International | EIX | EIX US | Steve Fleishman |
| | FirstEnergy | FE | FE US | Steve Fleishman |
| | NRG Energy | NRG | NRG US | Ameet I. Thakkar |
| | NSTAR | NST | NST US | Steve Fleishman |
| | Pinnacle West | PNW | PNW US | Steve Fleishman |
| | Progress Energy | PGN | PGN US | Steve Fleishman |
| | SCANA Corp | SCG | SCG US | Steve Fleishman |
| | Xcel Energy | XEL | XEL US | Steve Fleishman |

JS - Electric Utilities/Competitive Power Coverage Cluster

| Investment rating | Company | BofAML ticker | Bloomberg symbol | Analyst |
|---------------------|-----------------------------------|---------------|------------------|------------------|
| UNDERPERFORM | | | | |
| | DPL Inc | DPL | DPL US | Steve Fleishman |
| | DTE Energy | DTE | DTE US | Steve Fleishman |
| | Duke Energy | DUK | DUK US | Steve Fleishman |
| | Dynegy | DYN | DYN US | Ameet I. Thakkar |
| | Exelon | EXC | EXC US | Steve Fleishman |
| | Hawaiian Electric Industries | HE | HE US | Steve Fleishman |
| | NV Energy | NVE | NVE US | Steve Fleishman |
| | Portland General Electric Company | POR | POR US | Steve Fleishman |
| | RRI Energy | RRI | RRI US | Ameet I. Thakkar |
| | Southern Company | SO | SO US | Steve Fleishman |

iQmethodSM Measures Definitions

| Business Performance | Numerator | Denominator |
|----------------------------|---|--|
| Return On Capital Employed | $\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$ | $\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$ |
| Return On Equity | Net Income | Shareholders' Equity |
| Operating Margin | Operating Profit | Sales |
| Earnings Growth | Expected 5-Year CAGR From Latest Actual | N/A |
| Free Cash Flow | Cash Flow From Operations - Total Capex | N/A |
| Quality of Earnings | | |
| Cash Realization Ratio | Cash Flow From Operations | Net Income |
| Asset Replacement Ratio | Capex | Depreciation |
| Tax Rate | Tax Charge | Pre-Tax Income |
| Net Debt-To-Equity Ratio | Net Debt = Total Debt, Less Cash & Equivalents | Total Equity |
| Interest Cover | EBIT | Interest Expense |
| Valuation Toolkit | | |
| Price / Earnings Ratio | Current Share Price | Diluted Earnings Per Share (Basis As Specified) |
| Price / Book Value | Current Share Price | Shareholders' Equity / Current Basic Shares |
| Dividend Yield | Annualised Declared Cash Dividend | Current Share Price |
| Free Cash Flow Yield | Cash Flow From Operations - Total Capex | Market Cap. = Current Share Price * Current Basic Shares |
| Enterprise Value / Sales | $\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales Other LT Liabilities}$ | |
| EV / EBITDA | Enterprise Value | Basic EBIT + Depreciation + Amortization |

iQmethodSM is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology; Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabaseSM is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Merrill Lynch.

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Important Disclosures

PPL Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31 2008 the investment opinion system included Buy Neutral and Sell. As of May 31 2008 the investment opinion system includes Buy Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31 2010 or such later date as indicated.

BofAML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website.

Investment Rating Distribution: Utilities Group (as of 01 Apr 2010)

| Coverage Universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy | 68 | 38.64% | Buy | 38 | 61.29% |
| Neutral | 57 | 32.39% | Neutral | 34 | 66.67% |
| Sell | 51 | 28.98% | Sell | 17 | 36.96% |

Investment Rating Distribution: Global Group (as of 01 Apr 2010)

| Coverage Universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy | 1818 | 52.41% | Buy | 952 | 58.01% |
| Neutral | 873 | 25.17% | Neutral | 490 | 61.95% |
| Sell | 778 | 22.43% | Sell | 355 | 49.72% |

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster* |
|-------------------|---|---|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

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03 May 2010

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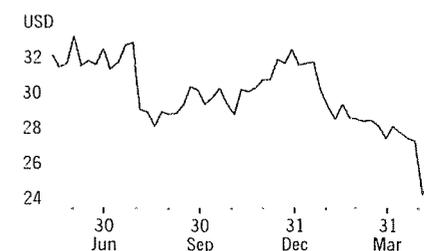
12 May 2010 | 14 pages

PPL Corp (PPL)

 Equity \$7
 Target price change \$5
 Estimate change \$3

Events/Catalysts To Unfold In Coming Months; Underperformance Merits Monitoring For Opportunities

| | |
|------------------------------|-----------------------|
| Hold/Medium Risk | 2M |
| Price (12 May 10) | US\$26.00 |
| Target price | US\$28.00 |
| | <i>from US\$30.00</i> |
| Expected share price return | 7.7% |
| Expected dividend yield | 5.4% |
| Expected total return | 13.1% |
| Market Cap | US\$9,826M |

Price Performance (RIC: PPL.N, BB: PPL US)


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Meaningful underperformance may at some point create opportunity: PPL Corp's shares are down ~(-20%) on a YTD basis, compared with a ~5% increase for the S&P 500 Index, and a (2.5%) decline for the UTY Index. Since the news of the purchase of the E.On assets were reported on 4/28/10, PPL Corp's shares are down ~(-6%), compared to a (1.5%) decline for S&P 500, and an 1.5% increase for the UTY Index. Our revised target price suggests PPL shares might merit a more constructive stance below ~\$25/share, all else being equal.

Events and Catalysts coming up: We expect the following events/catalyst to unfold in the next 4-5 months - the successful resolution of these events will help clarify the PPL story. 1) Possible resolution of the LG&E and KU Rate Case (Hearings expected to begin in June) 2) Deliberation of the LG&E and KU purchase (decision within 120-days from the date of filing of purchase application) 3) Possible issuance of ~ \$3B common equity & mandatory converts (part of it could come to market prior to the final Commission approval) 4) Staff Recommendation for the PA General Rate Case (expect in July/August timeframe). We discuss the regulatory steps associated with both the LG&E and KU rate case, and the asset purchase in more detail later in the report.

We continue to rate PPL Corp Hold/Medium Risk. However, the name has low expectations, and improved risk/return due to YTD underperformance. Our EPS estimates reflect the PPL stand-alone business. However, we include an updated accretion/dilution estimate later in this report incorporating the impact of the LG&E and KU purchase in 2012. Our target price of \$28/share incorporates the potential impact of the proposed transaction. Our favored Buy-rated integrated utility is Entergy.

| EPS | Q1 | Q2 | Q3 | Q4 | FY | FC Cons |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2009A | 0.58A | 0.34A | 0.52A | 0.47A | 1.91A | 1.95A |
| 2010E | 0.94A | 0.69E | 0.80E | 0.75E | 3.20E | 3.30E |
| Previous | 1.00E | 0.69E | 0.81E | 0.75E | 3.28E | na |
| 2011E | na | na | na | na | 3.01E | 3.12E |
| Previous | na | na | na | na | 3.07E | na |
| 2012E | na | na | na | na | 2.92E | 2.92E |
| Previous | na | na | na | na | 2.96E | na |

Source: Company Reports and dataCentral, CIR FC Cons: First Call Consensus

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| Fiscal year end 31-Dec | 2008 | 2009 | 2010E | 2011E | 2012E |
|--|---------------|---------------|---------------|---------------|---------------|
| Valuation Ratios | | | | | |
| P/E adjusted (x) | 12.9 | 13.6 | 8.1 | 8.6 | 8.9 |
| EV/EBITDA adjusted (x) | 8.8 | 10.1 | 6.3 | 6.5 | 6.6 |
| P/BV (x) | 1.9 | 1.8 | 1.5 | 1.4 | 1.3 |
| Dividend yield (%) | 5.2 | 5.3 | 5.4 | 5.5 | 5.6 |
| Per Share Data (US\$) | | | | | |
| EPS adjusted | 2.02 | 1.91 | 3.20 | 3.01 | 2.92 |
| EPS reported | 2.47 | 1.26 | 3.20 | 3.01 | 2.92 |
| BVPS | 13.53 | 14.37 | 16.88 | 18.53 | 20.21 |
| DPS | 1.34 | 1.38 | 1.40 | 1.43 | 1.46 |
| Profit & Loss (US\$M) | | | | | |
| Net sales | 8,044 | 7,546 | 8,059 | 7,182 | 7,376 |
| Operating expenses | -6,487 | -6,195 | -5,666 | -4,869 | -5,081 |
| EBIT | 1,557 | 1,351 | 2,393 | 2,313 | 2,295 |
| Net interest expense | -459 | -390 | -548 | -560 | -575 |
| Non-operating/exceptionals | 284 | -330 | 19 | 5 | 5 |
| Pre-tax profit | 1,382 | 631 | 1,865 | 1,758 | 1,725 |
| Tax | -440 | -126 | -612 | -574 | -560 |
| Extraord./Min.Int./Pref.div. | -12 | -30 | -36 | -35 | -35 |
| Reported net income | 930 | 475 | 1,216 | 1,148 | 1,130 |
| Adjusted earnings | 760 | 720 | 1,216 | 1,148 | 1,130 |
| Adjusted EBITDA | 2,011 | 1,804 | 2,865 | 2,804 | 2,822 |
| Growth Rates (%) | | | | | |
| Sales | 23.8 | -6.2 | 6.8 | -10.9 | 2.7 |
| EBIT adjusted | 28.0 | -12.8 | 77.2 | -3.4 | -0.8 |
| EBITDA adjusted | 21.4 | -10.3 | 58.8 | -2.1 | 0.6 |
| EPS adjusted | -22.3 | -5.5 | 67.9 | -6.1 | -2.8 |
| Cash Flow (US\$M) | | | | | |
| Operating cash flow | 1,589 | 1,609 | 1,998 | 1,759 | 1,657 |
| Depreciation/amortization | 461 | 453 | 472 | 491 | 527 |
| Net working capital | -39 | -107 | 287 | 0 | 0 |
| Investing cash flow | -1,627 | -659 | -1,526 | -1,969 | -1,970 |
| Capital expenditure | -1,503 | -1,225 | -1,688 | -1,969 | -1,970 |
| Acquisitions/disposals | -103 | 227 | 162 | 0 | 0 |
| Financing cash flow | 721 | -1,271 | 361 | -470 | 12 |
| Borrowings | 1,255 | -770 | 811 | 0 | 350 |
| Dividends paid | -491 | -517 | -530 | -545 | -563 |
| Change in cash | 667 | -297 | 840 | -680 | -302 |
| Balance Sheet (US\$M) | | | | | |
| Total assets | 21,405 | 22,078 | 25,855 | 26,681 | 27,814 |
| Cash & cash equivalent | 1,250 | 800 | 1,724 | 1,073 | 763 |
| Accounts receivable | 533 | 468 | 559 | 559 | 559 |
| Net fixed assets | 12,416 | 13,174 | 13,977 | 15,455 | 16,898 |
| Total liabilities | 16,009 | 16,350 | 19,106 | 19,264 | 19,614 |
| Accounts payable | 766 | 619 | 796 | 796 | 796 |
| Total Debt | 8,517 | 7,782 | 8,491 | 8,491 | 8,841 |
| Shareholders' funds | 5,396 | 5,729 | 6,705 | 7,374 | 8,157 |
| Profitability/Solvency Ratios (%) | | | | | |
| EBITDA margin adjusted | 25.0 | 23.9 | 35.5 | 39.0 | 38.3 |
| ROE adjusted | 14.3 | 13.7 | 20.6 | 17.1 | 15.2 |
| ROIC adjusted | 6.6 | 7.2 | 10.1 | 9.2 | 8.5 |
| Net debt to equity | 134.7 | 121.9 | 100.9 | 100.6 | 99.0 |
| Total debt to capital | 61.2 | 57.6 | 55.9 | 53.5 | 52.0 |

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Regulatory Steps In Kentucky & Updated Valuation

LG&E and KU Transaction Approval Process

- There are 4 separate standards or tests that need to be met in order for PPL to be successful in obtaining approval from the Kentucky Public Service Commission for the LG&E and KU purchase. There are 3 technical standards, and one 'Public Interest' standard.
- **Technical Standards:** The 3 technical standards tests the ability of the acquirer (in this case, PPL) to see if it has the '**Managerial, Technical and Financial**' capability to provide reliable service to customers. Although it is very early in the process, our initial take is given that PPL is a utility (as opposed to say a financial sponsor) with proven operational history in Pennsylvania and the UK, PPL should not have trouble proving its managerial and technical capability to continue to provide reliable service to LG&E and KU customers
- **'Public Interest' standard:** This standard essentially requires the acquirer to prove that the purchase would be in 'Public Interest.' Commission would look at issues such as 1) Economic impact on the community (i.e., impact on jobs from the transaction), 2) Whether or not the transaction would impact the LG&E and KU headquarters, which is currently part of the local community. Although it is very early in the process, our initial take is given that PPL is a U.S based entity essentially buying the local utility from a foreign entity, and planning to maintain the current local headquarters, and the management team, the road to approval is reasonably clear (at least, as far as regulated utility acquisitions go). Additionally, PPL has not publicly mentioned synergies (i.e., cost cutting) as one of the main drivers for this transaction, which should also help smoothen regulatory relationships during the approval process. This is in stark contrast to the First Energy-Allegheny transaction, where the buyer, First Energy, has highlighted synergies as one of the primary rationales for the combination.
- **Decision in 120 days or less:** The statute of the Kentucky Public Service Commission requires a decision to be made within 120 days from the date of the receipt of the purchase application (can not go over this maximum 120 day review period). The Commission initially has 60-days to conduct their review, but it can come back and ask for another 60-days to complete the review process. So, a decision theoretically could come as early as in 60-days, but given the gravity of this asset purchase, it is likely that the Commission would take the full 120 days. The statute for the Kentucky PSC requires a decision to be made within 120 days, closing the possibility of the approval process being dragged on for longer than 4 months.

LG&E and KU General Rate Case And Recent AG Comments

- The General Rate Case for LG&E and KU are expected to move on a completely separate track than the deliberation that is expected to take place for the purchase. Regardless of intervenor requests (such as the Attorney General for the State of Kentucky), there is no statutory mechanism within the Kentucky Public Service Commission for General Rate Cases to be cancelled, once the process has already begun. However, the Commission has as alternate option in-lieu of not being able to cancel a pending General Rate Case: The Commission can choose to 'dismiss' the pending rate cases. The Commission would have to show 'good cause' in dismissing the pending rate cases. If the Commission chooses to go down this path, it would have the impact of shelving the rate cases during the deliberation for the purchase of the utilities.

Detailed Stand-Alone Valuation

Valuation of Generation Business:

- We value PPL's generation business on an 'Open EBITDA' basis, based on our expected Open EBITDA in 2012. This is an update from our previous research, where we had valued the generation business on expected 2011 Open EBITDA.
- We utilize current commodity curves, as of 5/5/2010.
- In our Open EBITDA calculation, for the coal mix in PPL's eastern generation fleet, we assume a mix of 95% NAAP and 5% CAAP. Our calculations include a 2012 CAAP price of \$76/ton, and we assume a 5% discount as a proxy for 2012 NAAP price.
- Longview PPA adjustment: Beginning in 3Q'09, PPL reclassified the way it reported the PPA that the company has with the Longview coal fired plant for 300MW. The PPA is expected to begin in 2012. Previously, PPL had included the Longview PPA within its Marketing & Trading business, separate from the core baseload generation business. However, beginning in 3Q09, the company began to include the Mwbs associated with the 300MW PPA as part of the baseload generation business. This is the reason why there is an uptick in PPL's expected baseload generation in 2012 vs. 2011 (see slide # 14 in PPL's 1Q'10 presentation).

Given that PPAs have a finite life, we exclude the Longview PPA from our Open EBITDA calculation in 2012. This is done to avoid applying a multiple to the EBITDA generated from the PPA, because it would imply a value in perpetuity. Instead, we calculate an NPV value associated with the PPA and incorporate it as part of our other NPV adjustments within the generation business.

We note that PPL has not disclosed a lot of information on the Longview PPA. Therefore, some of the assumptions that we make for the Longview NPV adjustment are on a 'best-efforts' basis, and explained later in the report.

Figure 2. Generation Target Price

| Year | 2012 |
|------------------------------------|---------|
| Open EBITDA | 1,136 |
| Multx | 8.0x |
| EV of Generation | 9,086 |
| EV of Wholesale M&T and Other | 260 |
| Less: Net Debt | (1,824) |
| Equity Value | 5,722 |
| NPV of Hedges | \$359 |
| NPV of below-market Ux hedge | \$81 |
| NPV of below-market coal contracts | \$457 |
| NPV of Climate Legislation | \$369 |
| NPV of Longview PPA | \$203 |
| NPV of L/T Capacity Prices | \$396 |
| NPV of Colstrip Lease Pmts | (3,215) |
| Adjusted Equity Value | 7,262 |
| Generation Value/Share | \$19.00 |
| Discount Rate | 11% |
| Period | 0.5 |
| PV of Generation | \$18.00 |

Source: Citi Investment Research and Analysis

- We expect PPL's generation business to generate an Open EBITDA of ~\$1.1B. We then apply an 8x multiple to calculate an EV of ~\$9B.
- We estimate that the Marketing & Trading (M&T) business will earn \$34mm of gross margin in '12 (essentially flat vs. 2011). Given the volatility associated with M&T businesses in general, we apply a 4x multiple to calculate an EV of \$136mm.
- PPL's generation segment also has a service business which we estimate to generate gross margin of \$25mm in '12 (essentially flat vs. 2011). We apply a 5x multiple to the Service business to calculate an EV of \$125mm. The service business' below-gross margin expenses are rolled into the overall SG&A that we apply to the core generation business, for our valuation purposes.

All in all, we calculate the total EV of the generation business to be ~\$9.3B. We then subtract expected net debt of ~\$3.6B, which we allocate to the merchant business based on our review of cash flow volatility and appropriate capital structures. The merchant debt amount is allocated to

calculate an equity value of ~\$5.7B. We then make several adjustments to this equity value.

Positive Adjustments to Equity Value

- **NPV of Power Hedges:** PPL's generation business has entered into power hedges for '12 that are 'in the money' based on current commodity prices. We calculate the NPV of the above-market power hedges to be \$359mm.
- **NPV of Nuclear fuel contract:** We estimate that PPL's generation segment has a nuclear fuel contract that is 'in the money' by ~\$2/Mwh. This 'in the money' contract is in effect until 2015. We calculate the NPV of this contract to be ~\$81mm.
- **NPV of Coal contract:** We estimate that PPL's eastern generation fleet has a coal contract for 3mm tons that runs through 2018. Our understanding is that the hedge price for this 3mm tons is ~\$50/ton. Therefore, based on our expected '12 NAAP price of \$72/ton (5% discount to \$76/ton CAAP price in '12), this 3mm is 'in the money' by \$22/ton, which is a substantial amount. We also give value to 'in the money' coal hedges that PPL has for 2012. The total NPV benefit from below-market coal contracts are \$457mm.
- **NPV of future Climate Change Legislation:** We assume that a Climate Change legislation is implemented in 2019, with a price for Carbon of \$15/ton. We calculate the NPV of a future Climate Change legislation to be \$369mm.
- **NPV of Longview PPA:** We assume a 20-year life for the 300MW PPA. We assume a 90% capacity factor (which would be typical for a new coal plant), and then apply the current 2012 forward PJM dark spread of ~\$20/Mwh. We then subtract O&M to arrive an EBITDA of \$40mm/per year for the Longview PPA. We calculate the NPV of this PPA to be \$203mm.
- **NPV of L/T Term Capacity Price:** Our assumption of any benefit or loss associated with future capacity prices deals with our views of future capacity prices in PJM and in New England. The vast majority of PPL's installed capacity (in MW's), ~94%, is based in the MAAC region of the PJM. PPL has only one plant, the 574MW plant in IL, in the RTO region of the PJM.

The capacity price for the '12/'13 auction in the MAAC region of the PJM is \$133.37/Mw-Day. Since our valuation is based on 2012, the capacity price for MAAC used in our assumption is ~\$121/Mw-day, which is an average of the capacity prices in the '11/'12 and '12/'13 auctions.

Beginning with the '13/'14 auction, we assume that capacity prices gradually begins to improve in the MAAC region, and ultimately reaches \$150/Mw-day by the '16/'17 auction. We calculate an NPV to take into the delta between our long-term capacity forecast, and the level embedded in our 2012 estimate. The NPV of this adjustment is ~\$336mm.

We make a similar NPV adjustment for capacity price in the RTO. We take an average of the '11/'12 and the '12/'13 auction prices (~\$63/Mw-day) in our 2012 estimate. We assume that the RTO price recovers to \$142/Mw-day by the '16/'17 auction. We then make an NPV adjustment to take into account the delta between our long-term capacity forecast, and the level embedded in our 2012 estimate. The NPV of this adjustment is ~\$49mm.

Lastly, we make a similar adjustment for capacity prices in New England, where PPL has a total of 303MW of capacity in the form of a 252MW gas plant in Connecticut, and a 51MW oil fired facility in Maine.

In our 2012 estimate, we include a capacity price of \$2.87/kw-month, which is an average of the capacity prices in '11/'12 and the '12/'13 auctions. We assume that by the '16/'17 auction, the capacity price in New England recovers to \$3.90/kw-month. We then calculate the NPV of the delta between our long-term capacity market estimate, and the estimate embedded in our 2012 estimate. The NPV of this adjustment is ~\$10mm.

The total NPV adjustment from future capacity prices is ~\$400mm. This is a meaningful increase in value from capacity market uplift vs. our prior research. This is due to the fact that by valuing the generation business in 2012, we are capturing what we think is close to the trough-year for capacity prices. Therefore, once we assume our capacity market uplift beginning with the '13/'14 auction, the overall NPV benefit is meaningfully positive.

Figure 3. Long-Term Capacity Market Uplift

| | Capacity Prices | | | | Projected ----->> | | | |
|--------------------|-----------------|---------|---------|---------|-------------------|---------|---------|---------|
| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| MAAC (\$/Mw-d) | 191.32 | 174.00 | 110.00 | 133.37 | 135.00 | 140.00 | 145.00 | 150.00 |
| RTO(\$/Mw-d) | 102.04 | 174.29 | 110.00 | 16.46 | 50.00 | 75.00 | 142.00 | 142.00 |
| New Eng (\$/kw-mo) | 4.10 | 4.27 | 3.15 | 2.59 | 2.85 | 3.30 | 3.60 | 3.90 |

Source: Citi Investment Research and Analysis

Negative Adjustments to Equity Value

- **NPV of Colstrip Lease payments:** PPL's generation segment has a 36-year lease on its Montana coal plant, the Colstrip facility, that was originally signed back in 2000. The annual lease payments are \$40mm. We treat at the NPV of the lease payments as debt, therefore, add-back the lease payments to our EBITDA. We calculate the NPV of the Colstrip lease payments to be \$363mm.

After incorporating all the above-mentioned adjustments, we calculate the adjusted equity value of PPL to be ~\$7.3B. This equates to \$19/share. We then discount it back half-year, at 11%, to end of 2011, for a one-year forward value of \$18/share.

Value of Regulated Utilities

- We estimate the PA Utility earns \$0.39/share in 2012. We apply a 13x P/E multiple to calculate a value of ~\$5/share.
- We estimate the UK utility, WPD, earns \$0.51/share in 2012. This is based on a GBP/USD 2012 forward FX rate of 1.50. We assume an inflation factor of 2% in 2012. We apply a 13x multiple to calculate a value of ~\$7/share for WPD.

Therefore, together we value PPL's current 'stand-alone' regulated utilities to be ~\$12/share. We then discount this by half-year, at 11%, to calculate a one-year forward value of ~\$11.50/share.

Total Value

- Incorporating the present value of the Generation business of \$18/share, and the ~\$11.50/share for the regulated utilities, we calculate a stand-alone value of PPL of ~\$29.50/share.
- Assuming that the LG&E and KU purchase is approved, we calculate a ~6.5% dilution to PPL in 2012. Therefore, we subtract ~\$1.90/share (6.5% of stand-alone value of \$29.50/share), to calculate a pro-forma target value of ~\$28/share.

PPL Corp

Company description

PPL Corp (PPL) is a holding company whose principal subsidiaries generate, distribute, and transmit electricity. PPL Generation owns more than 11,000 megawatts (MW) of unregulated generation assets, predominantly in Pennsylvania and Montana. PPL Electric, the Pennsylvania regulated utility, delivers electricity to 1.4 million customers in Pennsylvania. PPL Energy Plus supplies unregulated wholesale and retail electricity and energy services to customers in the Mid-Atlantic region. PPL also owns WPD, which is the electricity network operator for South West England and South and West Wales. The company delivers electricity to 2.5mm customers over a 26,000 sq km service area.

Investment strategy

We rate the shares of PPL Hold / Medium Risk (1M). In spite of PPL's significant hedges over its merchant generation fleet, we find the recent compression in forward dark spreads too large to leave material upside for PPL shares. We also continue to have a cautious view towards forward dark spreads. We would reconsider our stance if forward dark spreads show signs of improvement not reflected in the share price.

Valuation

We value PPL on a sum-of-the parts basis, where we value the US and the UK regulated businesses on a P/E basis, and value the generation business on EV/EBITDA basis. We use the 'Open EBITDA' approach in valuing the generation business, and incorporate NPV of both power and fuel hedges, NPV of a future Climate Change Legislation, NPV of future capacity prices, NPV of the Colstrip facilities lease payments, as well as NPV of possible future environmental obligations. We calculate the present value of the Generation business to be ~ \$18/share, based on an EV/EBITDA multiple of 8x.

We calculate the combined present value of the regulated businesses to be approximately ~\$11.50/share, based on a P/E of 13x on our estimated 2011 earnings for the US and UK utility. The combined totals result in our target price of ~\$29.50/share. We then deduct ~\$1.90/share to take into account the pro-forma impact of the Kentucky transaction to calculate a pro-forma target price of ~\$28/share.

Risks

We rate PPL Medium Risk, due to its regulated business mix (approximately ~30% of expected 2011 EPS), as well for high-degree of hedging for the generation fleet. Additionally, even though PPL's generation segment will effectively operate as a fully de-regulated entity, beginning in 2010, one of the primary reasons we classify PPL Corp. as a Medium Risk company, is due to the fact that the vast majority of PPL's Generation assets are located in one geographic area – Pennsylvania, an area which the generation unit has a history of serving load. Therefore, it gives us comfort that even when the generation unit operates as a fully de-regulated entity, it will use its market knowledge of Pennsylvania load pockets to make optimal decisions for its generation assets.

Risks we see to the stock achieving our target price include the following:

Transition to Market Rates in 2010: If political pressures concerning the transition to a market based structure were to arise in Pennsylvania, earnings power in '10 and beyond could be impacted.

Execution of the E. On US asset purchase: PPL's management of regulatory relationships in Kentucky will be to obtaining an approval for the purchase of LG&E and KU. Additionally, PPL will also need to navigate through the pending rate case for these two utilities. Any failure to management regulatory relationships constructively during this process could risk the long-term value of LG&E and KU. Additionally, assuming that the asset purchase is approved, PPL will also need to successfully execute a large equity offering to finance the purchase. A failure to execute the equity offering well could also impact the long-term value of the combined entity.

Rate Case filing in 2010 for PA regulated utility: PPL could face consumer and political backlash when it files for a new rate case in 2010, with the backdrop of already higher prices for consumers due to the transition to 'market rates' combined with a weak local and national economy.

International Operation: PPL's primary foreign subsidiary is its electric distribution business in the UK, called WPD. Performance of this business could be impacted by fluctuations in FX rates between the USD&GBP, combined with deteriorating regulatory dynamics or actions, that might impair PPL's ability to recognize earnings and cash flow from the WPD subsidiary.

Entergy Corp

(ETR.N; US\$79.03; 1M)

Valuation

Our Entergy target price is \$87.00/share. We value Entergy, an integrated utility, based on a sum of the parts approach. Our target is intended to reflect where the shares should trade one year forward from today. Our target results from adding the value for the regulated and for the merchant businesses. We calculate a \$65.00 rounded target for the regulated and a \$22.00 rounded target for the merchant business.

Risks

We rate Entergy Corporation Medium Risk based on its greater than 90% regulated/contracted EPS profile, which results in greater earnings stability than its peer average and its investment-grade credit rating at BBB. Risks we see to the stock achieving our valuation target include the following:

Forward natural gas prices can have a significant effect on the Nuclear merchant financial outlook and per share value. This is because natural gas prices are the marginal fuel for deregulated power generation. We estimate every \$1/mmbtu +/- in long-term natural gas prices can affect our Entergy target share value by +/- \$11.00. We currently assume a long-term gas price based on the current forward curve. As forward natural gas prices are often correlated with oil prices and the overall economic outlook, Entergy's share value can be significantly affected by macroeconomic cyclical factors.

Nuclear operations -- Entergy's nuclear fleet must manage costs and successfully re-contract nuclear capacity for 2011-12. Failure to adequately manage costs could affect Entergy's ability to reach our target price. Entergy's nuclear fleet is 88% contracted at an average power price of \$57 per megawatt hour (MWh) in 2010 and 74% contracted at an average price of \$56 per MWh in 2011. A drop in forward power prices could result in nuclear contracts at lower-than- expected price levels, which would negatively affect our earnings estimate. This would affect the nuclear business post-spin.

Regulatory Risk -- All regulated utilities are subject to state and federal regulatory agencies that can materially affect shareholder returns. Failure to obtain fair recovery for capital expenditures or increases in operating costs can diminish returns to shareholders and adversely affect the share price. Recently, regulatory activity in Arkansas has proved contentious, which could have a continued negative impact on earnings.

If the negative impact on the company from any of these factors proves greater than we anticipate, it may prevent the stock from achieving our target price.

Appendix A-1

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Ratings and Target Price History Fundamental Research

Analyst: Brian Chin
Covered since October 22 2009

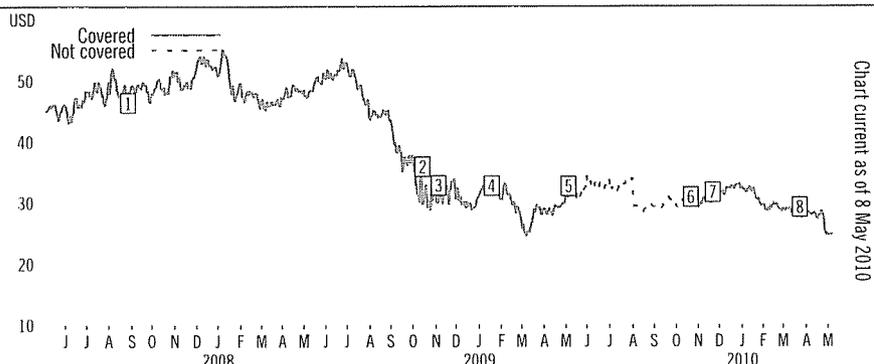


Chart current as of 8 May 2010

| | Date | Rating | Target Price | Closing Price |
|---|-----------|--------|--------------|---------------|
| 1 | 29-Aug-07 | 1M | *57.00 | 48.02 |
| 2 | 15-Oct-08 | 1M | *45.50 | 29.69 |
| 3 | 6-Nov-08 | 1M | *40.00 | 30.16 |

| | Date | Rating | Target Price | Closing Price |
|---|-----------|--------------------|--------------|---------------|
| 4 | 20-Jan-09 | 1M | *38.00 | 31.53 |
| 5 | 6-May-09 | Coverage suspended | | |
| 6 | 22-Oct-09 | 1M | *35.00 | 30.88 |

| | Date | Rating | Target Price | Closing Price |
|---|-----------|--------|--------------|---------------|
| 7 | 23-Nov-09 | 1M | *33.00 | 30.69 |
| 8 | 24-Mar-10 | *2M | *30.00 | 28.24 |

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Entergy Corp (ETR)

Ratings and Target Price History Fundamental Research

Analyst: Brian Chin



Chart current as of 8 May 2010

| | Date | Rating | Target Price | Closing Price |
|---|-----------|--------|--------------|---------------|
| 1 | 1-Aug-07 | 1M | *119.00 | 101.19 |
| 2 | 11-Nov-07 | *2M | *130.00 | 119.46 |
| 3 | 22-Jan-08 | *1M | 130.00 | 107.24 |

| | Date | Rating | Target Price | Closing Price |
|---|-----------|--------|--------------|---------------|
| 4 | 28-Sep-08 | 1M | *120.00 | 90.53 |
| 5 | 15-Oct-08 | 1M | *92.50 | 73.50 |
| 6 | 19-Apr-09 | 1M | *83.50 | 68.19 |

| | Date | Rating | Target Price | Closing Price |
|---|-----------|--------|--------------|---------------|
| 7 | 11-Jun-09 | 1M | *86.00 | 76.01 |
| 8 | 22-Oct-09 | 1M | *94.00 | 80.89 |
| 9 | 24-Feb-10 | 1M | *87.00 | 76.73 |

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|--|-----|------|------|
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PPL Corp (PPL)

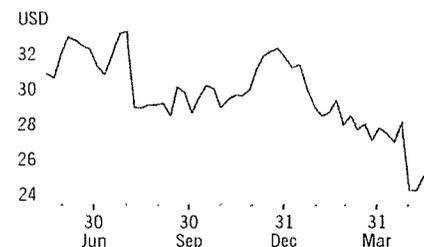
Forward Dark Spreads Bounce & PJM Capacity Prices Give A Lift: Upgrade To Buy

 Equity Gr
 Rating change Gr
 Target price change Gr
 Estimate change Gr

- Rising value of Genco creates the opportunity:** PPL shares' are down ~(-20%) on a YTD basis, compared with a ~2% increase for the S&P 500 Index, and a ~(-4%) decline in the Philadelphia Utility Index (UTY). In our note on 5/12/10, we had mentioned that this underperformance is worth monitoring and could create an opportunity in PPL shares. Two recent events have led us to take a constructive view: 1) Based on our latest commodity curve, we have noted an upward bounce in forward dark and quark spreads, which is value-add for PPL's generation unit on an 'Open' basis 2) The latest PJM capacity market auction results for the MAAC region, released on 5/14/10 (see accompanying note also issued today), provided positive upside versus expectations.
- Events and Catalysts to unfold in coming months:** We expect the following events/catalysts to unfold in the next 4-5 months: 1) Possible resolution of Kentucky rate cases 2) Deliberation of the E.On US asset purchase 3) Possible issuance of ~\$3B common equity & mandatory converts 4) Staff Recommendation for the PA General Rate Case. We discuss the timeframe for each of these events later in the report.
- Cheap valuation and attractive dividend yield:** PPL is trading at a P/E multiple of ~8.5x on both 2011 and 2012 earnings, vs. ~10x for the integrated utility universe. This meaningful discount is complemented with an above-average dividend yield of 5.5%, offering an attractive total return opportunity.
- We upgrade PPL Corp to Buy/Medium Risk.** Our EPS estimates are for the PPL stand-alone business. However, our target price of \$30.50/share incorporates the impact of the proposed purchase of E.On US assets. Our Buy rating on PPL is non consensus, with 9 out of 12 analysts rating it a Hold.

| | |
|------------------------------|--------------|
| Buy/Medium Risk | 1M |
| <i>from Hold/Medium Risk</i> | |
| Price (14 May 10) | US\$25.56 |
| Target price | US\$30.50 |
| <i>from US\$28.00</i> | |
| Expected share price return | 19.3% |
| Expected dividend yield | 5.5% |
| Expected total return | 24.8% |
| Market Cap | US\$9,660M |

Price Performance (RIC: PPL.N, BB: PPL US)



| EPS | Q1 | Q2 | Q3 | Q4 | FY | FC Cons |
|----------|-------|-------|-------|-------|-------|---------|
| 2009A | 0.58A | 0.34A | 0.52A | 0.47A | 1.91A | 1.95A |
| 2010E | 0.94A | 0.68E | 0.80E | 0.75E | 3.20E | 3.29E |
| Previous | 0.94A | 0.69E | 0.80E | 0.75E | 3.20E | na |
| 2011E | na | na | na | na | 3.01E | 3.10E |
| Previous | na | na | na | na | 3.01E | na |
| 2012E | na | na | na | na | 2.97E | 2.91E |
| Previous | na | na | na | na | 2.92E | na |

Source: Company Reports and dataCentral, CIR. FC Cons: First Call Consensus.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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| Fiscal year end 31-Dec | 2008 | 2009 | 2010E | 2011E | 2012E |
|--|---------------|---------------|---------------|---------------|---------------|
| Valuation Ratios | | | | | |
| P/E adjusted (x) | 12.7 | 13.4 | 8.0 | 8.5 | 8.6 |
| EV/EBITDA adjusted (x) | 8.7 | 10.0 | 6.2 | 6.4 | 6.5 |
| P/BV (x) | 1.9 | 1.8 | 1.5 | 1.4 | 1.3 |
| Dividend yield (%) | 5.2 | 5.4 | 5.5 | 5.6 | 5.7 |
| Per Share Data (US\$) | | | | | |
| EPS adjusted | 2.02 | 1.91 | 3.20 | 3.01 | 2.97 |
| EPS reported | 2.47 | 1.26 | 3.20 | 3.01 | 2.97 |
| BVPS | 13.53 | 14.37 | 16.87 | 18.53 | 20.26 |
| DPS | 1.34 | 1.38 | 1.40 | 1.43 | 1.46 |
| Profit & Loss (US\$M) | | | | | |
| Net sales | 8,044 | 7,546 | 8,080 | 7,222 | 7,427 |
| Operating expenses | -6,487 | -6,195 | -5,690 | -4,905 | -5,108 |
| EBIT | 1,557 | 1,351 | 2,389 | 2,317 | 2,320 |
| Net interest expense | -459 | -390 | -548 | -560 | -575 |
| Non-operating/exceptionals | 284 | -330 | 19 | 5 | 5 |
| Pre-tax profit | 1,382 | 631 | 1,861 | 1,761 | 1,750 |
| Tax | -440 | -126 | -611 | -576 | -569 |
| Extraord./Min.Int./Pref.div. | -12 | -30 | -36 | -35 | -35 |
| Reported net income | 930 | 475 | 1,213 | 1,150 | 1,146 |
| Adjusted earnings | 760 | 720 | 1,213 | 1,150 | 1,146 |
| Adjusted EBITDA | 2,011 | 1,804 | 2,861 | 2,808 | 2,847 |
| Growth Rates (%) | | | | | |
| Sales | 23.8 | -6.2 | 7.1 | -10.6 | 2.8 |
| EBIT adjusted | 28.0 | -12.8 | 76.9 | -3.0 | 0.1 |
| EBITDA adjusted | 21.4 | -10.3 | 58.6 | -1.9 | 1.4 |
| EPS adjusted | -22.3 | -5.5 | 67.6 | -5.7 | -1.6 |
| Cash Flow (US\$M) | | | | | |
| Operating cash flow | 1,589 | 1,609 | 1,996 | 1,761 | 1,673 |
| Depreciation/amortization | 461 | 453 | 472 | 491 | 527 |
| Net working capital | -39 | -107 | 287 | 0 | 0 |
| Investing cash flow | -1,627 | -659 | -1,526 | -1,969 | -1,970 |
| Capital expenditure | -1,503 | -1,225 | -1,688 | -1,969 | -1,970 |
| Acquisitions/disposals | -103 | 227 | 162 | 0 | 0 |
| Financing cash flow | 721 | -1,271 | 361 | -470 | 12 |
| Borrowings | 1,255 | -770 | 811 | 0 | 350 |
| Dividends paid | -491 | -517 | -530 | -545 | -563 |
| Change in cash | 667 | -297 | 838 | -678 | -285 |
| Balance Sheet (US\$M) | | | | | |
| Total assets | 21,405 | 22,078 | 25,852 | 26,681 | 27,830 |
| Cash & cash equivalent | 1,250 | 800 | 1,722 | 1,073 | 779 |
| Accounts receivable | 533 | 468 | 559 | 559 | 559 |
| Net fixed assets | 12,416 | 13,174 | 13,977 | 15,455 | 16,898 |
| Total liabilities | 16,009 | 16,350 | 19,106 | 19,264 | 19,614 |
| Accounts payable | 766 | 619 | 796 | 796 | 796 |
| Total Debt | 8,517 | 7,782 | 8,491 | 8,491 | 8,841 |
| Shareholders' funds | 5,396 | 5,729 | 6,703 | 7,374 | 8,173 |
| Profitability/Solvency Ratios (%) | | | | | |
| EBITDA margin adjusted | 25.0 | 23.9 | 35.4 | 38.9 | 38.3 |
| ROE adjusted | 14.3 | 13.7 | 20.6 | 17.1 | 15.4 |
| ROIC adjusted | 6.6 | 7.2 | 10.1 | 9.2 | 8.6 |
| Net debt to equity | 134.7 | 121.9 | 101.0 | 100.6 | 98.6 |
| Total debt to capital | 61.2 | 57.6 | 55.9 | 53.5 | 52.0 |

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Attractive Valuation Combined with Upcoming Catalysts Creates An Investment Opportunity

- ☛ We expect the following events/catalyst to unfold in the next 4-5 months. Given the meaningful YTD underperformance, and low expectations for PPL shares, we think the successful resolution of at least some of these events, would lift the uncertainty associated with the company, and be positive for its shares.

Figure 1. Expected Timeline for Upcoming Events

| Event | Expected Start Date | Expected End Date |
|---------------------------------------|---------------------|-------------------|
| Possible resolution of KY Rate Cases | 6/1/10 | 8/31/10 |
| E.On US asset purchase deliberation | 6/1/10 | 9/30/10 |
| Equity Issuances | 8/1/10 | 10/15/10 |
| PA General Rate Case (Staff Rec, etc) | 7/1/10 | 12/31/10 |

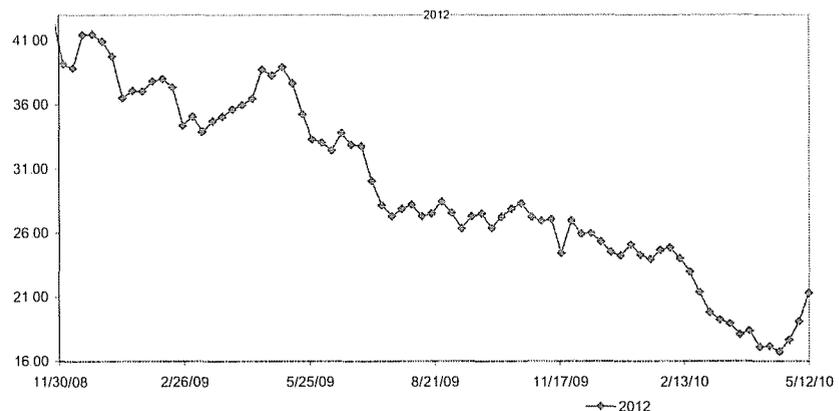
Source: Citi Investment Research and Analysis. Note that these dates are approximate estimates.

For more details on the events surrounding the E.On asset purchase, and the Kentucky rate cases, please see our last PPL note, published last week at <https://www.citigroupgeo.com/pdf/SNA56236.pdf>.

Near Term Rebound in Dark and Quark Spreads Opens Window Of Opportunity

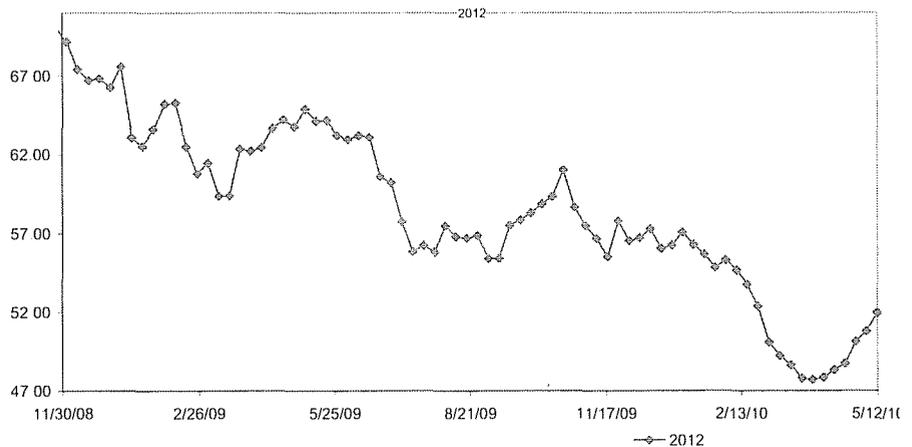
- ☛ We had downgraded PPL Corp. in late March, with the view of lower dark and quark spreads impacting the value of the company on an 'Open' basis. During the last month, we have observed a bounce in both 2012 forward dark and quark spreads. This has been due to a rebound in natural gas prices, as well decline in forward coal prices
- ☛ As a result, the value of PPL's generation unit is impacted positively, as we utilize an 'Open EBITDA' approach to value that business. We include the detailed calculations in the valuation section of this note.

Figure 2. Forward 2012 PJM CAAP Dark Spread



Source: Citi Investment Research and Analysis

Figure 3. Forward 2012 ATC power price in PJM



Source: Citi Investment Research and Analysis. ATC power price is used as a proxy for quark spread in PJM

Incremental Capacity Value from '13/'14 RPM Auction

In the '13/'14 RPM results released on 5/14/10, the capacity price for the MAAC region of the PJM came in at \$226/Mw-day. PPL has one of the largest loads in the MAAC region, with ~8,600MWs of capacity, adjusted for expected forced outage rates. Our expectations were for the MAAC price was \$136/Mw-day.

We calculate that the incremental value created for PPL is ~ \$1/share. We utilize two methodologies to calculate the value for PPL: 1) In our valuation, we utilize an NPV approach, which incorporates the actual '13/'14 RPM results, as well as our long-term capacity price assumptions. 2) Below, we also show a more simplified multiple approach, where we calculate the incremental EPS benefit to PPL in 2013, based on the '13/'14 prices, and apply a P/E multiple on that incremental capacity earnings.

The value-creation under both methodologies are approximately the same.

Figure 4. Incremental Capacity Value from '13/'14 Auction

| | | | | |
|------------|-----------------------------------|--------|--|--|
| a | PPL MAAC Capacity (in MW) | 8612 | | |
| b | \$/Mw-day (updated calendarized) | 179.69 | | |
| c | \$/Mw-day (original calendarized) | 135.00 | | |
| d = b-c | Incremental \$/Mw-day achieved | 44.69 | | |
| e = d*365 | \$/Mw-year | 16310 | | |
| f = a*e | Revenue/year (in millions) | 140 | | |
| g = f x .6 | After tax | 84 | | |
| h | PPL 'stand-alone' shares o/s | 386 | | |
| i = g/h | EPS impact in 2013 | 0.22 | | |
| j | Normalized 2013 multiple | 10.0x | | |
| k | Discount take on normalized multx | 50% | | |
| l = j *k | Applied 2013 multiple | 5.0x | | |
| m = i*l | Value to PPL | 1.09 | | |
| n | PPL share price (5/14/10) | 25.6 | | |
| o=m/n | % of share price | 4.26% | | |

| | 2013 | 2012/13 | 2013/14 |
|-----------------------------|--------|---------|---------|
| RPM auction year | | | |
| MAAC Capacity Results | 133.37 | 226 | |
| Calendarized capacity price | 179.69 | | |

Source: Citi Investment Research and Analysis. Note that PPL capacity of 8,612MW's is adjusted for expected forced outage.

In our concurrent capacity market note at <https://www.citigroup.com/pdf/SNA56425.pdf>, we estimate the near term impact to PPL's shares from the capacity market results will also be roughly \$1/share, based on how the market reacted to AYE shares one year ago when RTO prices had a significant negative downside surprise.

Stand Alone Value Is Attractive

PPL shares' have meaningfully underperformed following its announcement of the purchase of E.On US assets. The underperformance has been due to the near/medium-term dilutive nature of the purchase, and also due to the need to issue large amounts of equity to finance the transaction. Given the attractive nature of PPL's 'stand-alone' business, with a mix of nuclear and fully 'scrubbed' coal plants in the generation fleet, we think it is possible that a bid could be made for PPL's 'stand-alone' business, particularly given the negative reaction towards PPL's proposed acquisition of the Kentucky assets.

Although we view the possibility of such a bid to be low at this point, we can not rule it out given the attractive 'stand-alone' value of PPL. We calculate PPL's stand-alone value to be ~\$32.50/share, offering ~27% upside, if such a scenario were to take place.

Detailed Stand-Alone Valuation

Valuation of Generation Business:

- We value PPL's generation business on an 'Open EBITDA' basis, based on our expected Open EBITDA in 2012. We expect PPL's generation business to generate an Open EBITDA of ~\$1.2B. We then apply an 8x multiple to calculate an EV of ~\$9.9B.
- We estimate that the Marketing & Trading (M&T) business will earn \$34mm of gross margin in '12 (essentially flat vs. 2011). Given the volatility associated with M&T businesses in general, we apply a 4x multiple to calculate an EV of \$136mm.
- PPL's generation segment also has a service business which we estimate to generate gross margin of \$25mm in '12 (essentially flat vs. 2011). We apply a 5x multiple to the Service business to calculate an EV of \$125mm. The service business' below-gross margin expenses are rolled into the overall SG&A that we apply to the core generation business, for our valuation purposes.
- Therefore, in total, we calculate an EV for PPL's generation business to be ~\$10.1B. We then subtract expected net debt of ~\$3.6B, which we allocate to the merchant business based on our review of cash flow volatility and appropriate capital structures. We calculate the equity value of the merchant business to be ~\$6.5B. We then make several adjustments to this equity value

Figure 5. Click here to add title

| Year | 2012 |
|------------------------------------|---------|
| Open EBITDA | 1,239 |
| Multx | 8.0x |
| EV of Generation | 9,910 |
| EV of Wholesale M&T and Other | 260 |
| Less: Net Debt | (3,624) |
| Equity Value | 6,546 |
| NPV of Hedges | \$301 |
| NPV of below-market Ux hedge | \$81 |
| NPV of below-market coal contracts | \$407 |
| NPV of Climate Legislation | \$369 |
| NPV of Longview PPA | \$203 |
| NPV of L/T Capacity Prices | \$763 |
| NPV of Colstrip Lease Pmts | (\$363) |
| Adjusted Equity Value | 8,307 |
| Generation Value/share | \$22.00 |
| Discount Rate | 11% |
| Period | 0.5 |
| PV of Generation | \$21.00 |

Source: Citi Investment Research and Analysis

Positive Adjustments to Equity Value

- **NPV of L/T Term Capacity Price:** One of the important assumptions for this adjustment is the long-term capacity price assumption for the MAAC region of the PJM, since the vast majority of PPL's installed capacity is located in MAAC. PPL has only one plant, the 574MW plant in IL, in the RTO region of

the PJM. Our capacity value assumptions “fade” the MAAC price to a long term terminal value of \$150/MW-day by 2017.

Figure 6. Updated L/T Capacity Price Assumptions

| | 2011/12 | 2012/13 | 2013/14 | Projected ----->> | 2014/15 | 2015/16 | 2016/17 |
|--------------------|---------|---------|---------|-------------------|---------|---------|---------|
| MAAC (\$/Mw-d) | 110.00 | 133.37 | 226.00 | 200.00 | 175.00 | 150.00 | |
| RTO(\$/Mw-d) | 110.00 | 16.46 | 27.00 | 50.00 | 75.00 | 100.00 | |
| New Eng (\$/kw-mo) | 3.15 | 2.59 | 2.85 | 3.30 | 3.60 | 3.90 | |

Source: Citi Investment Research and Analysis

Updated ‘13/14 price for the MAAC region: Based on the ‘13/14 RPM results, we are incorporating the \$226/Mw-day price for MAAC into our valuation. This compares with our previous forecast of \$135/Mw-day for the ‘13/14 auction.

Updated Long-term forecast for MAAC: In order to be conservative in our long-term valuation for PPL, we assume that capacity price in MAAC actually decreases slightly beginning with the ‘14/15 auction, and then gradually declines to \$150/Mw-day – the same level that we had previously forecast. We understand this assumption could be viewed as somewhat conservative, but we undertake this in order to prevent: 1) Assigning a terminal value to the \$226/Mw-day result reached in the ‘13/14 auction and 2) Given the year-over-year volatility of capacity prices in the annual RPM auctions, this is done to prevent from assigning any ‘extra’ value from future capacity prices, which are *unknown* at this point.

Updated Long-term forecast for RTO: The RTO price for ‘13/14 auction came in at \$27/Mw-day, below the \$50/mw-day assumption included in PPL valuation. We assume a more gradual recovery in RTO price, and assume a long-term price of \$100/mw-day by the ‘16/17 auction, vs. our previous forecast of \$142/mw-day.

The capacity price for the ‘12/13 auction in the MAAC region of the PJM is \$133.37/Mw-Day. Since our valuation is based on 2012, the capacity price for MAAC used in our assumption is ~\$121/Mw-day, which is an average of the capacity prices in the ‘11/12 and ‘12/13 auctions.

We calculate an NPV of the delta between our long-term capacity forecast, and the level embedded in our 2012 estimate. We undertake this for the MAAC, RTO and New England (PPL has ~300Mw of capacity in NE).

The total NPV value from future capacity prices is ~\$763mm. This is an incremental ~\$368mm increase in value (or ~\$1/share) from capacity market uplift vs. our prior research. This is consistent with the value-created from the P/E multiple approach, provided earlier in the report.

- **NPV of Power Hedges:** PPL’s generation business has entered into power hedges for ‘12 that are ‘in the money’ based on current commodity prices. We calculate the NPV of the above-market power hedges to be ~\$301mm.
- **NPV of Nuclear fuel contract:** We estimate that PPL’s generation segment has a nuclear fuel contract that is ‘in the money’ by ~\$2/Mwh. This ‘in the

of stand-alone value of \$31.50/share), to calculate a pro-forma target value of ~\$30.50/share.

PPL Corp

Company description

PPL Corp (PPL) is a holding company whose principal subsidiaries generate, distribute, and transmit electricity. PPL Generation owns more than 11,000 megawatts (MW) of unregulated generation assets, predominantly in Pennsylvania and Montana. PPL Electric, the Pennsylvania regulated utility, delivers electricity to 1.4 million customers in Pennsylvania. PPL Energy Plus supplies unregulated wholesale and retail electricity and energy services to customers in the Mid-Atlantic region. PPL also owns WPD, which is the electricity network operator for South West England and South and West Wales. The company delivers electricity to 2.5mm customers over a 26,000 sq km service area.

Investment strategy

We rate the shares of PPL Buy / Medium Risk (1M). In spite of PPL's significant hedges over its merchant generation fleet, we find the recent compression in forward dark spreads too large to leave material upside for PPL shares. We also continue to have a cautious view towards forward dark spreads. We would reconsider our stance if forward dark spreads show signs of improvement not reflected in the share price.

Valuation

We value PPL on a sum-of-the parts basis, where we value the US and the UK regulated businesses on a P/E basis, and value the generation business on EV/EBITDA basis. We use the 'Open EBITDA' approach in valuing the generation business, and incorporate NPV of both power and fuel hedges, NPV of a future Climate Change Legislation, NPV of future capacity prices, NPV of the Colstrip facilities lease payments, as well as NPV of possible future environmental obligations. We calculate the present value of the Generation business to be ~ \$21/share, based on an EV/EBITDA multiple of 8x.

We calculate the combined present value of the regulated businesses to be approximately ~\$11.50/share, based on a P/E of 13x on our estimated 2011 earnings for the US and UK utility. The combined totals result in our target price of ~\$32.50/share. We then deduct ~\$2.00/share to take into account the pro-forma impact of the Kentucky transaction to calculate a pro-forma target price of ~\$30.50/share.

Risks

We rate PPL Medium Risk, due to its regulated business mix (approximately ~30% of expected 2011 EPS), as well for high-degree of hedging for the generation fleet. Additionally, even though PPL's generation segment will effectively operate as a fully de-regulated entity, beginning in 2010, one of the primary reasons we classify PPL Corp. as a Medium Risk company, is due to the fact that the vast majority of PPL's Generation assets are located in one geographic area – Pennsylvania, an area which the generation unit has a

history of serving load. Therefore, it gives us comfort that even when the generation unit operates as a fully de-regulated entity, it will use its market knowledge of Pennsylvania load pockets to make optimal decisions for its generation assets.

Risks we see to the stock achieving our target price include the following:

Transition to Market Rates in 2010: If political pressures concerning the transition to a market based structure were to arise in Pennsylvania, earnings power in '10 and beyond could be impacted.

Execution of the E On US asset purchase: PPL's management of regulatory relationships in Kentucky will be to obtaining an approval for the purchase of LG&E and KU. Additionally, PPL will also need to navigate through the pending rate case for these two utilities. Any failure to management regulatory relationships constructively during this process could risk the long-term value of LG&E and KU. Additionally, assuming that the asset purchase is approved, PPL will also need to successfully execute a large equity offering to finance the purchase. A failure to execute the equity offering well could also impact the long-term value of the combined entity.

Rate Case filing in 2010 for PA regulated utility: PPL could face consumer and political backlash when it files for a new rate case in 2010, with the backdrop of already higher prices for consumers due to the transition to 'market rates' combined with a weak local and national economy.

International Operation: PPL's primary foreign subsidiary is its electric distribution business in the UK, called WPD. Performance of this business could be impacted by fluctuations in FX rates between the USD&GBP, combined with deteriorating regulatory dynamics or actions, that might impair PPL's ability to recognize earnings and cash flow from the WPD subsidiary.

Appendix A-1

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Ratings and Target Price History Fundamental Research

Analyst: Brian Chin

Covered since October 22 2009

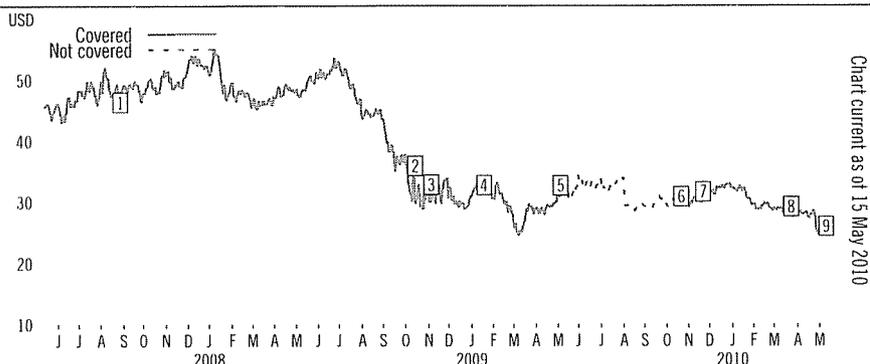


Chart current as of 15 May 2010

| Date | Rating | Target Price | Closing Price | Date | Rating | Target Price | Closing Price | Date | Rating | Target Price | Closing Price |
|-------------|--------|--------------|---------------|-------------|--------------------|--------------|---------------|-------------|--------|--------------|---------------|
| 1 29-Aug-07 | 1M | *57.00 | 48.02 | 4 20-Jan-09 | 1M | *38.00 | 31.53 | 7 23-Nov-09 | 1M | *33.00 | 30.69 |
| 2 15-Oct-08 | 1M | *45.50 | 29.69 | 5 6-May-09 | Coverage suspended | | | 8 24-Mar-10 | *2M | *30.00 | 28.24 |
| 3 6-Nov-08 | 1M | *40.00 | 30.16 | 6 22-Oct-09 | 1M | *35.00 | 30.88 | 9 12-May-10 | 2M | *28.00 | 25.94 |

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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|--|-----|------|------|
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May 25, 2010

Stock Rating
Overweight

Industry View
In-Line

PPL Corporation

Stock Is Cheap Pro Forma for
LGE/KU Deal. Target \$29.

What's Changed

| | |
|--------------|----------------------------|
| Rating | Equal-weight to Overweight |
| Price Target | \$28.00 to \$29.00 |

We think investors should buy PPL, which we are upgrading to Overweight. The stock is down 22.4% YTD due in part to PPL's announced acquisition of two regulated Kentucky utilities from E.On. PPL trades at 9.7x 2013e EPS ("normalized" earnings), which is cheap vs. its diversified peer group, especially since this deal increases PPL's regulated footprint and should re-rate the valuation. Our \$29 target suggests a 23% total return. Investors are getting "paid to wait" with a 5.7% yield for catalysts (merger approval, rate case decisions, financings). Unlike many of its peers, PPL doesn't need power prices to go up for the stock to work.

Deal should close by YE, financing is an overhang but it is priced in. PPL intends to acquire E.On's US utilities for \$7.63 billion by YE'10. No shareholder approval is required. Consistent with PPL's guidance, we assume the deal is financed by issuing \$2.5bn of stock, \$750m of hybrids, \$350m of cash, and issue/ assume \$4.0bn of debt. We assume that PPL issues stock at a modestly higher div yld than the defensive group average, which is where we see downside support for the stock. A \$0.50 change in stock price assumption changes our TP by only \$0.25, making financing assumptions less critical than they might appear.

Deal looks accretive to EPS by 2013. Better power markets plus strong pricing in the 2013-14 PJM capacity auction have driven our standalone/pro-forma estimates higher. The transaction appears \$0.19 dilutive to EPS in 2011 and \$0.05 accretive in 2013, when PPL's power business is mostly un-hedged.

PPL is less levered to power markets, but retains upside. PPL's EPS upside to a pwr mrkt recovery off our \$2.55 number for a \$5/MWh pwr px move is worth \$0.37 (15%) so they retain meaningful leverage while having mitigated their credit exposure to a prolonged downturn.

Key Ratios and Statistics

Reuters: PPL.N Bloomberg: PPL US
Elec. Utilities/Diversified / United States of America

| | |
|---------------------------------|---------------|
| Price target | \$29.00 |
| Shr price, close (May 24, 2010) | \$24.71 |
| Mkt cap, curr (mm) | \$9,350 |
| 52-Week Range | \$34.41-23.75 |

| Fiscal Year ending | 12/09 | 12/10e | 12/11e | 12/12e |
|---------------------------------|-------|--------|--------|--------|
| ModelWare EPS (\$) | 1.96 | 3.40 | 3.05 | 2.95 |
| Prior ModelWare EPS (\$) | - | 3.30 | 3.15 | 3.05 |
| P/E | 16.5 | 7.3 | 8.1 | 8.4 |
| Consensus EPS (\$) [§] | 1.95 | 3.72 | 3.68 | 2.97 |
| Div yld (%) | 4.3 | 5.7 | 6.0 | 6.4 |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by FactSet Estimates
e = Morgan Stanley Research estimates

Accretion / Dilution For Acquisition of E.On U.S.

| Pro Forma Transaction Summary [^] | 2010E | 2011E | 2012E | 2013E |
|---|--------|--------|--------|--------|
| PPL Current EPS Estimates | 3.40 | 3.05 | 2.95 | 2.50 |
| PPL Pro Forma EPS Estimates | 3.40 | 2.86 | 2.86 | 2.55 |
| Accretion Dilution (\$/sh) | 0.00 | -0.19 | -0.09 | 0.05 |
| Accretion Dilution (%) | 0% | -6% | -3% | 2% |
| Current Share Count Forecast | 379 | 381 | 384 | 386 |
| Pro Forma Share Count Forecast [^] | 516 | 516 | 516 | 516 |
| Current Impact \$5/MWh Change in Pwr | \$0.04 | \$0.10 | \$0.24 | \$0.49 |
| Pro Forma Impact \$5/MWh Change in Pwr | \$0.03 | \$0.07 | \$0.18 | \$0.37 |

[^] Assumes Deal Closes 12/31/10. We assume no DRIP for the pro forma valuation.

Source: Morgan Stanley Research

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

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PPL Corp. (PPL, \$24.71, Overweight, Price Target \$29)

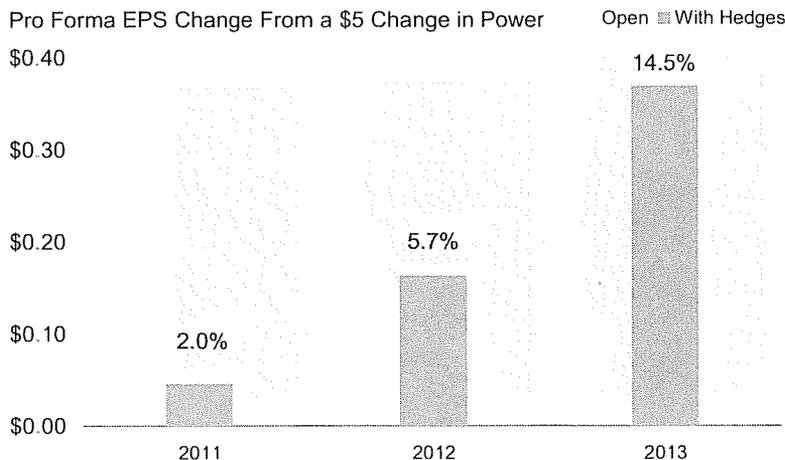
Segment Valuation

| | Standalone Valuation | | | Pro Forma Valuation | | |
|--------------------|----------------------|----------------|----------------|---------------------|----------------|----------------|
| | Bear | Base | Bull | Bear | Base | Bull |
| PPL Electric | 6.70 | 8.00 | 9.25 | 5.00 | 6.10 | 6.90 |
| UK Delivery | 3.55 | 5.00 | 6.75 | 2.50 | 3.65 | 4.95 |
| LG&E / KU | 0.00 | 0.00 | 0.00 | 7.50 | 9.25 | 10.40 |
| GenCo / Parent | 9.00 | 16.00 | 24.00 | 5.00 | 10.00 | 16.25 |
| Total Value | \$19.25 | \$29.00 | \$40.00 | \$20.00 | \$29.00 | \$38.50 |

Source: Morgan Stanley Research

| Price Target \$29: Utility valued using DDM | | GenCo valued using "Open EBITDA" | |
|---|---|-------------------------------------|--|
| Bull | 11.3% ROE in 2012, stable post-2012 | \$7.00 mid-cycle gas case | |
| Case | 8% rate base growth to 2013, 3% LT | 8.0x "open" EV/EBITDA multiple | |
| \$38.50 | 13.0x 2012 utility EPS of \$1.33 = \$17.30 UK Delivery worth 1.4x RAB = \$4.95 | Load serving margin rise to \$150mm | |
| Base | 10.3% ROE in 2012, stable post-2012 | \$6.00 mid-cycle gas case | |
| Case | 8% rate base growth to 2013, 2% LT | 7.0x "open" EV EBITDA multiple | |
| \$29 | 12.6x 2012 ute EPS of \$1.21 = \$15.35 UK Delivery worth 1.17x RAB=\$3.65/shr | Load serving margin rise to \$100mm | |
| Bear | 9.3% ROE in 2012 | \$5.00 mid-cycle gas case | |
| Case | 4% rate base growth to 2013, 2% LT | 6.0x "open" EV EBITDA multiple | |
| \$20.00 | 11.5x 2012 ute EPS of \$1.10 = \$12.50 UK Delivery worth 1.0x RAB = \$2.50/shr | Load serving margins are \$50mm | |

A \$5 Change in Power Prices Moves EPS 2% in 2011, 14.5% in 2013



Source: Morgan Stanley Research estimates 2011/2012 hedge data provided by PPL, 2013 is estimated

Investment Thesis

- PPL is buying LGE/KU from E.On in order to lower its risk profile. Like the stocks of other companies that have de-risked their business mix (Dominion Resources) we think PPL's valuation will re-rate to the upside. Our \$29 target is 10.1x 2012 EPS and 11.4x '13 (normalized) EPS.
- Stand-alone PPL earnings rise from \$1.95/share in '09 to \$3.40/ share in '10 due to expiration of a legacy power contract, but EPS fall to \$2.50 in '13, when PPL's merchant power segment is predominately un-hedged.
- The acquisition moves the EPS mix from 2/3 merchant earnings in '10 to 2/3 regulated in '13 and looks \$0.05 accretive in '13 assuming no synergies and that the Kentucky utility ROE's improve from an economically depressed level of 7.9% in '09 to 10.4%. Those utilities are currently in a rate review with a final decision expected by year-end, so a constructive decision would help validate the story.
- We expect PA regulated rate base growth of >12% from 2009-'13, improving EPS from \$0.35 to \$0.70 (standalone). A recent UK rate decision gives earnings clarity in that segment for five years.
- A \$5 change in power price would drive a change in our pro forma 2012/2013 EPS estimates of \$0.16/\$0.37 (5.7%/14.5%).

Key Drivers/ Catalysts

- We expect PPL to issue \$2.5 billion of common stock and \$750mm of convertible bonds to finance the equity portion of the transaction, consistent with PPL guidance. While this is a large number, our model assumes the stock prices at a 6% discount to the current stock price (at a 6% div yld). A \$0.50 change in our pricing assumption only moves valuation by \$0.25/shr.

Potential Risks

The LGE/KU rate decision could be delayed until next year, which would put our ROE improvement story in to question and limit upside in the share price.

May 25, 2010
PPL Corporation

Exhibit 1

PPL Pro Forma Financial Summary

| Year Ending Dec 31, | 2009A | 2010E | 2011E | 2012E | 2013E | Year Ending Dec 31, | 2009A | 2010E | 2011E | 2012E | 2013E | | |
|---|-----------------|------------------|-----------------------|-----------------------|--------------|------------------------------------|-----------------------|-------------------------------------|---------------|----------------------------------|---------------|---------------|---------------|
| Summary Financial Info | | | | | | Summary Capitalization Data | | | | | | | |
| Net Income By Division | <u>Merchant</u> | <u>Regulated</u> | <u><Standalone</u> | <u>Pro Forma ></u> | | Cash | <u><Standalone</u> | <u>Pro Forma ></u> | | | | | |
| PPL_Electric | 0% | 100% | 132 | 165 | 197 | 249 | 271 | 801 | 1,623 | 1,180 | 958 | 430 | |
| UK Delivery | | 100% | 269 | 173 | 184 | 189 | 199 | 639 | 589 | 589 | 589 | 589 | |
| LG&E / KU | | 100% | | | 348 | 377 | 385 | 7,143 | 8,152 | 12,729 | 12,779 | 12,829 | |
| PPL_Supply | 100% | 0% | 336 | 957 | 792 | 709 | 505 | 319 | 319 | 319 | 319 | 319 | |
| Deal Leverage / Other | 0% | 0% | -1 | -6 | -45 | -50 | -45 | 5,496 | 6,483 | 10,376 | 10,981 | 11,380 | |
| Consolidated Net Income | | | 736 | 1,288 | 1,476 | 1,474 | 1,314 | Total Capitalization | 13,597 | 15,543 | 24,013 | 24,667 | 25,117 |
| Consolidated EPS | | | 1.95 | 3.40 | 2.86 | 2.86 | 2.55 | Leverage Ratios | | | | | |
| Wtd Average Shares Outstanding | | | 376 | 379 | 516 | 516 | 516 | LT Debt / Total Cap | 53% | 52% | 53% | 52% | 51% |
| Earnings Breakdown | | | | | | | | Total Debt / Total Cap | 57% | 56% | 55% | 54% | 53% |
| Regulated Utility | | | 54% | 26% | 46% | 52% | 62% | Net Debt / EBITDA | 4.0x | 2.5x | 3.0x | 3.0x | 3.3x |
| Merchant Power | | | 46% | 74% | 54% | 48% | 38% | FFO / Total Debt | 21% | 23% | 19% | 20% | 19% |
| Dividend Profile | | | | | | | | Coverage Ratios | | | | | |
| Dividends Per Share | | | 1.37 | 1.40 | 1.49 | 1.58 | 1.67 | FFO Interest Coverage | 5.0x | 5.1x | 3.6x | 3.6x | 3.3x |
| Dividend Yield | | | 5.5% | 5.6% | 6.0% | 6.3% | 6.7% | Prelax Interest Coverage | 2.5x | 4.8x | 4.0x | 3.9x | 3.5x |
| Dividend Payout Ratio | | | 70% | 41% | 52% | 55% | 66% | Free Cash Flow Yields | | | | | |
| Dividend Growth Rate | | | 4.8% | 2.2% | 6.4% | 6.0% | 5.7% | Regulated FCF Yield | -0.1% | -5.9% | -0.5% | 0.4% | -0.2% |
| Cash Flow / Capex Profile | | | | | | | | Merchant FCF Yield | 6.8% | 7.0% | 2.6% | 2.8% | 2.9% |
| PPL Regulated EBITDA | | | 761 | 625 | 689 | 836 | 893 | Consolidated FCF Yield | 5.7% | 2.5% | 0.2% | 0.8% | 0.5% |
| LG&E / KU EBITDA | | | | | 1,058 | 1,139 | 1,166 | Summary Valuation Ratios | | | | | |
| Merchant EBITDA | | | 912 | 2,261 | 2,250 | 2,174 | 1,897 | Price to Earnings | 12.8x | 7.3x | 8.7x | 8.7x | 9.8x |
| Other EBITDA | | | 67 | 17 | 0 | 0 | -4 | EV / EBITDA | 9.4x | 5.7x | 6.3x | 6.1x | 6.5x |
| Consolidated EBITDA | | | 1,740 | 2,903 | 3,997 | 4,149 | 3,960 | Dividend Yield | 5.5% | 5.6% | 6.0% | 6.3% | 6.7% |
| PPL Regulated OCF | | | 294 | 235 | 486 | 587 | 606 | Current | | | | | |
| LG&E / KU OCF | | | | | 798 | 862 | 885 | Share Price: | \$24.98 | Pro Forma | | | |
| Merchant OCF | | | 1,413 | 1,713 | 1,374 | 1,317 | 1,140 | Current Shares Outstanding | 377.99 | Regulated MS Valuation | 9,768 | | |
| Other OCF | | | 145 | -13 | -9 | -19 | -8 | Equity Market Capitalization | 9,442 | Unregulated MS Valuation | 5,201 | | |
| Consolidated Operating Cash Flow | | | 1,852 | 1,935 | 2,649 | 2,747 | 2,622 | Plus Consolidated Net Debt | 6,517 | Total MS Equity Valuation | 14,969 | | |
| PPL Regulated Capex | | | 298 | 422 | 682 | 750 | 700 | Enterprise Value | 15,959 | Total MS Ent Valuation | 26,757 | | |
| LG&E / KU Capex | | | | | 651 | 661 | 810 | | | | | | |
| Merchant Capex | | | 985 | 1,272 | 1,293 | 1,229 | 1,050 | | | | | | |
| Other Capex | | | 30 | 8 | 0 | 0 | 0 | | | | | | |
| Consolidated Capital Expenditure | | | 1,313 | 1,702 | 2,626 | 2,640 | 2,560 | | | | | | |
| Pre-Financing PPL Regulated Cash Flow | | | 300 | -188 | -196 | -163 | -94 | | | | | | |
| Pre-Financing LG&E Regulated Cash Flow | | | | | 147 | 201 | 75 | | | | | | |
| Pre-Financing Merchant Cash Flow | | | 862 | 431 | 81 | 88 | 90 | | | | | | |
| Pre-Financing Other Cash Flow | | | -190 | -15 | -9 | -19 | -8 | | | | | | |
| Consolidated Pre-Financing Cash Flow | | | 972 | 228 | 23 | 107 | 62 | | | | | | |

Source: Company data, Morgan Stanley Research

May 25, 2010
PPL Corporation

Exhibit 2

PPL Standalone Financial Snapshot

| EPS Breakdown by Division FYE December 31, | 2008A | 2009E | 2010E | 2011E | 2012E | 2013E |
|---|-------|-------|-------|-------|-------|-------|
| PPL_Electric | 0.44 | 0.35 | 0.43 | 0.52 | 0.65 | 0.71 |
| PPL_Supply | 0.82 | 0.89 | 2.52 | 2.08 | 1.85 | 1.31 |
| UK Delivery | 0.77 | 0.71 | 0.46 | 0.48 | 0.49 | 0.52 |

Parent / Other -0.01 0.00 -0.01 -0.03 -0.04 -0.04

Consolidated 2.02 1.95 3.40 3.05 2.95 2.50

Summary Consolidated Income Statement FYE December 31,

| | 2008A | 2009E | 2010E | 2011E | 2012E | 2013E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Regulated Electric Revenue | 3,231 | 3,207 | 3,085 | 3,176 | 3,347 | 3,437 |
| Regulated Gas Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| Unregulated Generation Revenue | 5,315 | 4,938 | 4,855 | 3,771 | 3,725 | 3,490 |
| Other | -502 | -581 | 1,150 | 1,284 | 1,340 | 1,376 |
| Total Operating Revenue | 8,044 | 7,564 | 9,089 | 8,230 | 8,412 | 8,303 |
| Purchased Power / Fuel | -3,271 | -3,722 | -4,241 | -3,395 | -3,485 | -3,552 |
| Gross Margin | 4,773 | 3,842 | 4,848 | 4,836 | 4,927 | 4,751 |
| Operating and Maintenance | -1,487 | -1,484 | -1,591 | -1,609 | -1,632 | -1,664 |
| Taxes Other Than Income | -290 | -280 | -283 | -287 | -293 | -301 |
| Other | -423 | -338 | -71 | 0 | 0 | 0 |
| EBITDA | 2,573 | 1,740 | 2,903 | 2,939 | 3,002 | 2,786 |
| Depreciation and Amortization | -754 | -774 | -635 | -699 | -756 | -766 |
| Operating Income | 1,819 | 966 | 2,268 | 2,240 | 2,247 | 2,020 |
| Interest Expense | -428 | -390 | -474 | -501 | -531 | -533 |
| Interest and Other Income | -9 | 26 | 32 | 60 | 41 | 6 |
| Other Expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Income Bef Tax and Minorities | 1,382 | 602 | 1,827 | 1,799 | 1,757 | 1,493 |
| Income Tax | -446 | -126 | -623 | -614 | -601 | -514 |
| Equity Income | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | -2 | -1 | 0 | 0 | 0 | 0 |
| Preferred Stock Dividends | -18 | -18 | -18 | -18 | -18 | -18 |
| Adjustments / Other | | | | | | |
| Net Income (Operating) | 760 | 736 | 1,288 | 1,163 | 1,132 | 965 |
| Diluted Shares Outstanding | 376 | 376 | 379 | 381 | 384 | 386 |
| Adjusted / Operating EPS | 2.02 | 1.95 | 3.40 | 3.05 | 2.95 | 2.50 |
| Dividends Per Diluted Share | 1.31 | 1.37 | 1.40 | 1.49 | 1.58 | 1.67 |
| Payout Ratio | 65% | 70% | 41% | 49% | 54% | 67% |

Summary Consolidated Balance Sheet - Assets FYE December 31,

| | 2008A | 2009E | 2010E | 2011E | 2012E | 2013E |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Parent Cash and Equivalents | 153 | 71 | 1,498 | 1,405 | 829 | 296 |
| Subsidiary Cash and Equivalents | 947 | 730 | 125 | 125 | 125 | 125 |
| Accounts Receivable | 533 | 468 | 560 | 567 | 578 | 584 |
| Inventories | 337 | 357 | 380 | 393 | 404 | 414 |
| Other Current Assets | 2,413 | 3,126 | 4,599 | 4,599 | 4,599 | 4,599 |
| Total Current Assets | 4,383 | 4,752 | 7,163 | 7,089 | 6,535 | 6,018 |
| Total Net PP&E In Service | 12,375 | 13,174 | 13,738 | 14,814 | 16,457 | 17,442 |
| CWIP | 0 | 0 | 210 | 410 | 10 | 10 |
| Total Net PP&E | 12,375 | 13,174 | 13,948 | 15,224 | 16,467 | 17,452 |
| Capitalized Interest | 0 | 0 | 4 | 16 | 0 | 0 |
| Investments | 29 | 65 | 65 | 65 | 65 | 65 |
| Net Goodwill | 763 | 806 | 754 | 754 | 754 | 754 |
| Other Intangible Assets | 637 | 615 | 608 | 608 | 608 | 608 |
| Long Term Deferred Tax Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Stranded Cost Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Regulatory Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Assets | 3,218 | 2,753 | 3,388 | 3,388 | 3,388 | 3,388 |
| Total Assets | 21,405 | 22,165 | 25,930 | 27,144 | 27,818 | 28,284 |

Valuation and Leverage Statistics FYE December 31,

| | 2008A | 2009E | 2010E | 2011E | 2012E | 2013E |
|----------------------------|-------|-------|-------|-------|-------|-------|
| Price to Earnings | 12.4x | 12.8x | 7.3x | 8.2x | 8.5x | 10.0x |
| EV / EBITDA | 6.5x | 9.4x | 5.7x | 5.9x | 6.0x | 6.7x |
| Dividend Yield | 5.2% | 5.5% | 5.6% | 6.0% | 6.3% | 6.7% |
| Return on Average Equity | 14.3% | 13.9% | 21.5% | 17.1% | 15.2% | 12.1% |
| Return on Capital Employed | 8.2% | 4.4% | 9.7% | 8.6% | 8.2% | 7.1% |
| Total Debt / Total Cap | 61% | 57% | 56% | 55% | 54% | 52% |
| Net Debt / EBITDA | 2.9x | 4.0x | 2.5x | 2.6x | 2.8x | 3.2x |
| FFO / Total Debt | 19% | 21% | 23% | 20% | 20% | 18% |
| Pretax Interest Coverage | 4.0x | 2.5x | 4.8x | 4.4x | 4.1x | 3.6x |

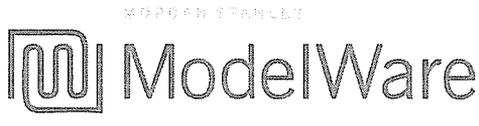
Summary Consolidated Statement of Cash Flow FYE December 31,

| | 2008A | 2009E | 2010E | 2011E | 2012E | 2013E |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Income (GAAP) | 768 | 555 | 1,288 | 1,163 | 1,132 | 965 |
| Depreciation and Amortization | 844 | 860 | 686 | 699 | 756 | 766 |
| Other Operating Cash Flow | -23 | 437 | -39 | -11 | -7 | 2 |
| Cash Flow From Operations | 1,589 | 1,852 | 1,935 | 1,851 | 1,881 | 1,733 |
| Total Subsidiary Capex | -1,714 | -1,283 | -1,694 | -1,975 | -1,979 | -1,750 |
| Parent / Other Capex | -36 | -30 | -8 | 0 | 0 | 0 |
| Total Capital Expenditure | -1,750 | -1,313 | -1,702 | -1,975 | -1,979 | -1,750 |
| Acquisitions | -290 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 517 | 251 | 124 | 0 | 0 | 0 |
| Other Investment Cash Flow | -104 | 182 | -129 | 0 | 0 | 0 |
| Cash Flow From Investing | -1,627 | -880 | -1,707 | -1,975 | -1,979 | -1,750 |
| Debt Issuance | 0 | 0 | 0 | 0 | 0 | 0 |
| Securitized Debt Issuance | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidiary Debt Issuance | 808 | -502 | 951 | 520 | 50 | 50 |
| Parent Debt Issuance | 0 | 0 | 0 | 0 | 0 | 0 |
| Revolver Issuance | 0 | 0 | 0 | 0 | 0 | 0 |
| Preferred Equity Issuance | 0 | 0 | 0 | 0 | 0 | 0 |
| Common Equity Issuance - DRIP | 0 | 0 | 80 | 80 | 80 | 80 |
| Common Equity Issuance | 19 | 60 | 14 | 0 | 0 | 0 |
| Common Equity Reductions | -38 | 0 | 0 | 0 | 0 | 0 |
| Dividends to Common Equity | -491 | -517 | -532 | -569 | -607 | -646 |
| Other Financing Cash Flow | 423 | -312 | 76 | 0 | 0 | 0 |
| Cash Flow From Financing | 721 | -1,271 | 589 | 31 | -477 | -516 |
| Increase / (Decrease) in Cash | 683 | -299 | 817 | -93 | -576 | -533 |

Summary Consolidated Balance Sheet - Liabilities and Equity FYE December 31,

| | 2008A | 2009E | 2010E | 2011E | 2012E | 2013E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Subsidiary Short Term Debt | 1,174 | 639 | 589 | 589 | 589 | 589 |
| Parent Short Term Debt | 201 | 0 | 0 | 0 | 0 | 0 |
| Short Term Securitized Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts Payable | 897 | 754 | 836 | 856 | 875 | 893 |
| Other Current Liabilities | 2,030 | 2,789 | 4,270 | 4,270 | 4,270 | 4,270 |
| Total Current Liabilities | 4,302 | 4,182 | 5,695 | 5,715 | 5,734 | 5,752 |
| Subsidiary Long Term Debt | 6,470 | 6,503 | 7,504 | 8,024 | 8,074 | 8,124 |
| Long Term Parent Debt | 672 | 640 | 648 | 648 | 648 | 648 |
| Parent Debt (Revolver) | 0 | 0 | 0 | 0 | 0 | 0 |
| Long Term Securitized Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Long Term Deferred Tax Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Liabilities | 4,565 | 5,025 | 5,280 | 5,280 | 5,280 | 5,280 |
| Total Liabilities | 16,009 | 16,350 | 19,127 | 19,667 | 19,736 | 19,804 |
| Minority Interests | 18 | 0 | 0 | 0 | 0 | 0 |
| Preferred Equity | 301 | 319 | 319 | 319 | 319 | 319 |
| Common Equity | 5,077 | 5,496 | 6,483 | 7,158 | 7,762 | 8,161 |
| Total Liabilities and Equity | 21,405 | 22,165 | 25,930 | 27,144 | 27,818 | 28,284 |

Source: Company data, Morgan Stanley Research

| | |
|---|--|
|  | <p>Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.</p> |
|---|--|

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The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. Incorporated, and/or Morgan Stanley C.T.V.M. S.A. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. Incorporated, Morgan Stanley C.T.V.M. S.A. and their affiliates as necessary.

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The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Greg Gordon.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

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As of April 30, 2010, Morgan Stanley held a net long or short position of US\$1 million or more of the debt securities of the following issuers covered in Morgan Stanley Research (including where guarantor of the securities): Allegheny Energy Inc., Constellation Energy Group, Inc., Dominion Resources, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Allegheny Energy Inc., Dominion Resources, Inc., Exelon Corp, FirstEnergy Corp..

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Allegheny Energy Inc., Constellation Energy Group, Inc., Dominion Resources, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Allegheny Energy Inc., Constellation Energy Group, Inc., Dominion Resources, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Constellation Energy Group, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Allegheny Energy Inc., Constellation Energy Group, Inc., Dominion Resources, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Allegheny Energy Inc., Constellation Energy Group, Inc., Dominion Resources, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

Morgan Stanley & Co. Incorporated makes a market in the securities of Allegheny Energy Inc., Constellation Energy Group, Inc., Dominion Resources, Inc., Edison International, Entergy Corp, Exelon Corp, FirstEnergy Corp., FPL Group Inc., PPL Corporation, Public Service Enterprise Group, Inc, Sempra Energy.

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Global Stock Ratings Distribution

(as of April 30, 2010)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative

weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

| Stock Rating Category | Coverage Universe | | Investment Banking Clients (IBC) | | |
|--------------------------|-------------------|------------|----------------------------------|----------------|----------------------|
| | Count | % of Total | Count | % of Total IBC | % of Rating Category |
| Overweight/Buy | 1065 | 42% | 328 | 42% | 31% |
| Equal-weight/Hold | 1118 | 44% | 357 | 46% | 32% |
| Not-Rated/Hold | 14 | 1% | 4 | 1% | 29% |
| Underweight/Sell | 366 | 14% | 88 | 11% | 24% |
| Total | 2,563 | | 777 | | |

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
 Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
 Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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May 25, 2010
PPL Corporation

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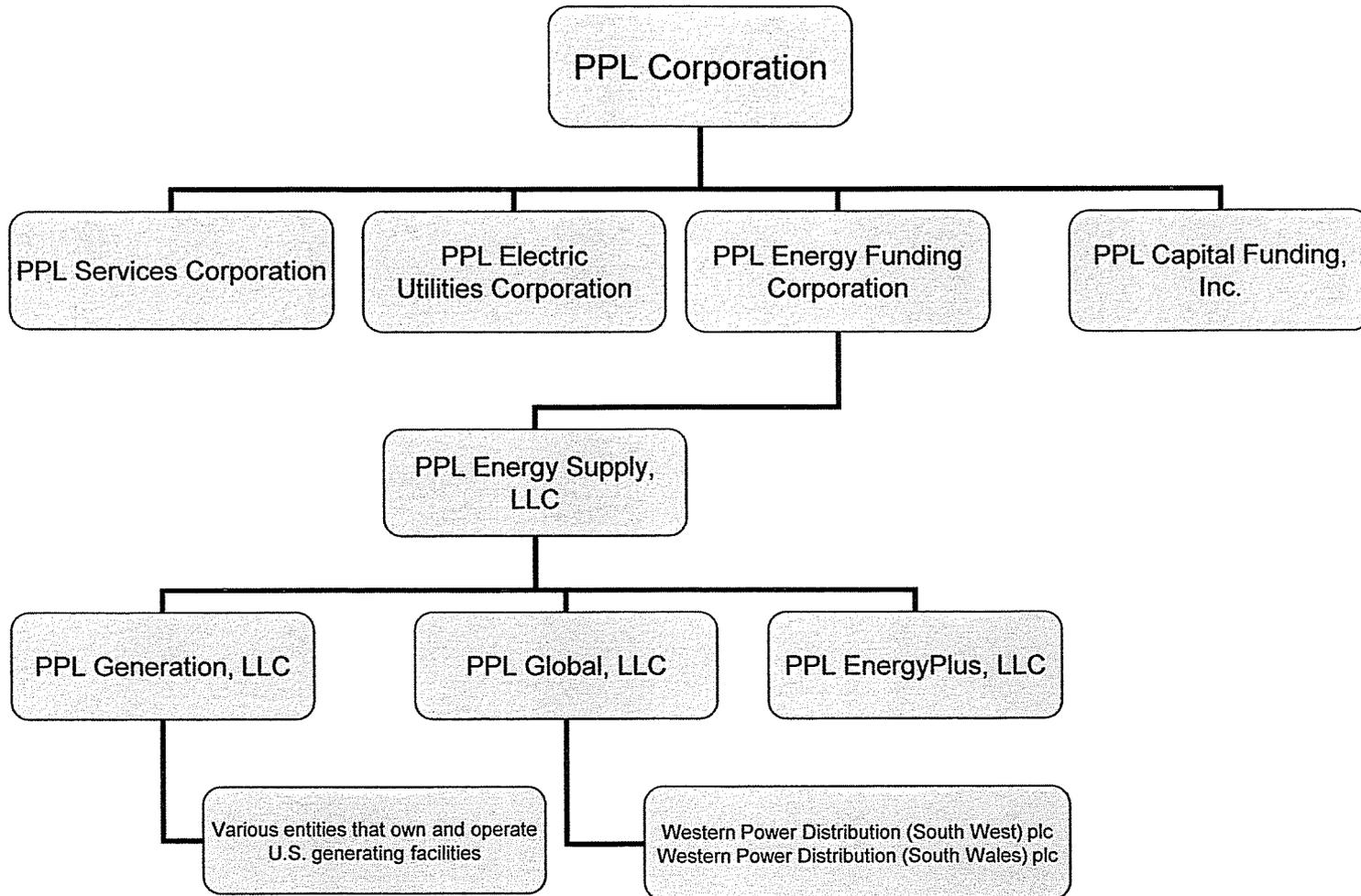
Industry Coverage: Elec. Utilities/Diversified

| Company (Ticker) | Rating (as of) | Price* (05/24/2010) |
|--|----------------|---------------------|
| Greg Gordon | | |
| Allegheny Energy Inc. (AYE.N) | ++ | \$19.76 |
| Constellation Energy Group, Inc. (CEG.N) | E (12/21/2009) | \$33.62 |
| Dominion Resources, Inc. (D.N) | U (04/09/2010) | \$39.25 |
| Edison International (EIX.N) | E (09/17/2009) | \$31.66 |
| Entergy Corp (ETR.N) | O (09/17/2009) | \$73.8 |
| Exelon Corp (EXC.N) | E (09/17/2009) | \$38.94 |
| FPL Group Inc. (FPL.N) | E (11/16/2009) | \$50.3 |
| FirstEnergy Corp. (FE.N) | ++ | \$34.65 |
| PPL Corporation (PPL.N) | O (05/24/2010) | \$24.71 |
| Public Service Enterprise Group, Inc (PEG.N) | E (09/17/2009) | \$30.13 |
| Sempra Energy (SRE.N) | O (05/21/2010) | \$45.48 |

Stock Ratings are subject to change. Please see latest research for each company.

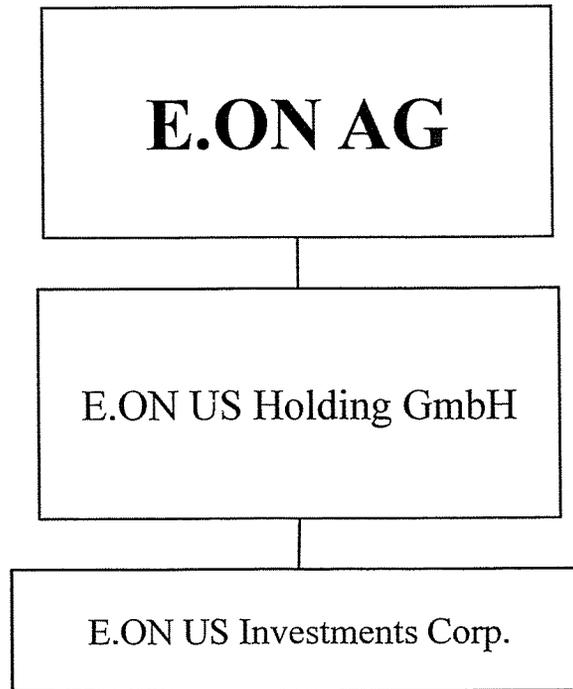
* Historical prices are not split adjusted.

PPL Organizational Structure Chart*

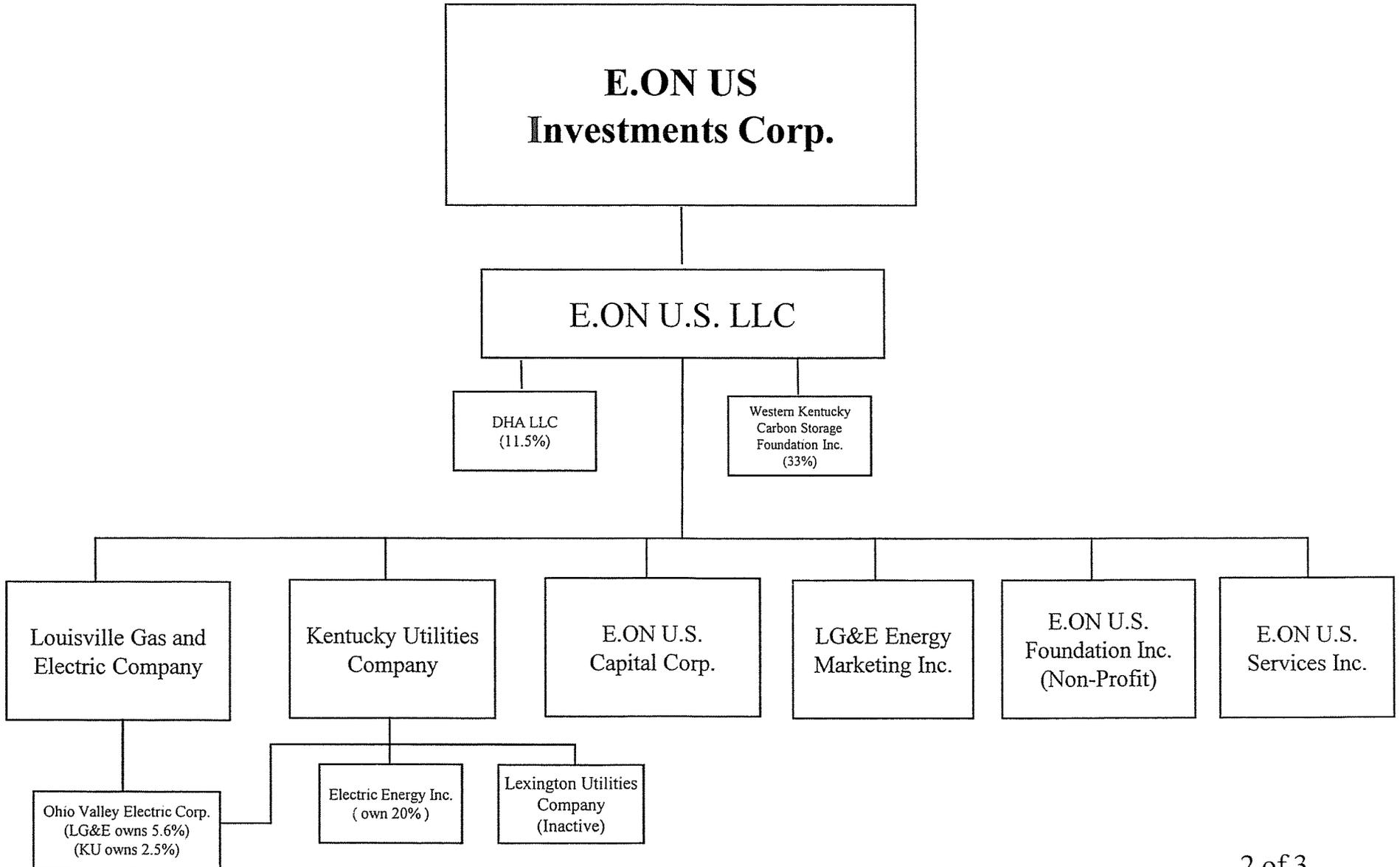


*PPL Corporation has numerous subsidiaries; this PPL Organizational Structure Chart highlights entities discussed in the Joint Application and supporting testimony.

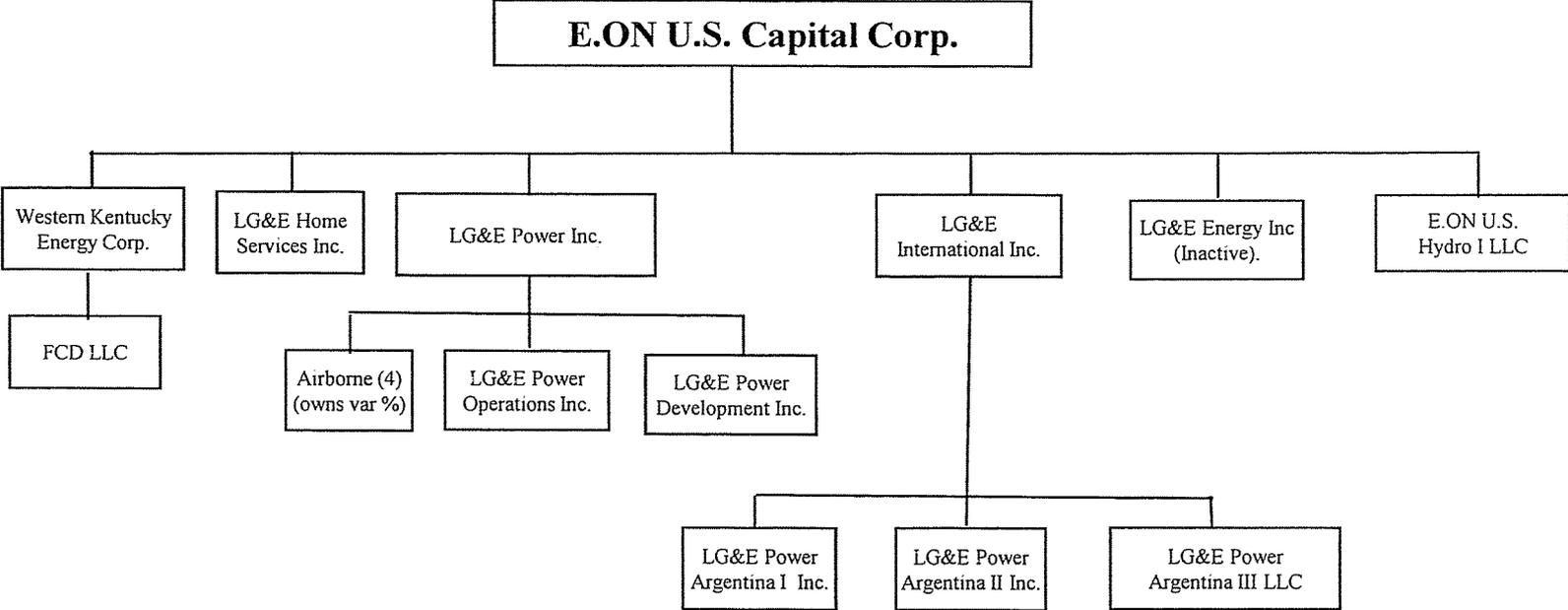
E.ON AG Organizational Chart Extract
E.ON U.S. Entities and Ownership Chain
Current



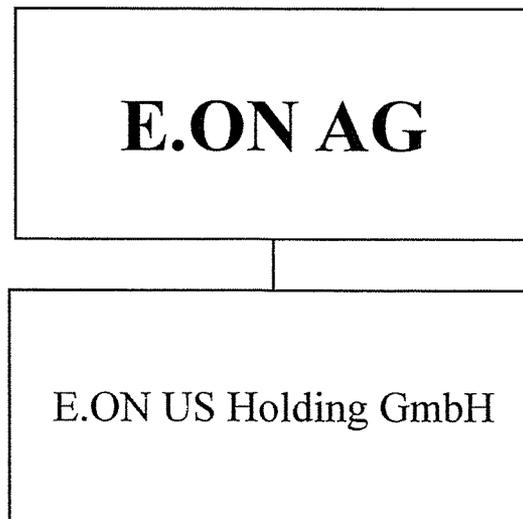
E.ON U.S. Corporate Organizational Chart Extract
E.ON U.S. Entities and Ownership Chain
Current



**E.ON AG Organizational Chart Extract
 E.ON U.S. Entities and Ownership Chain
 Current**



E.ON AG Organizational Chart Extract
Former E.ON U.S. Ownership Chain
Post -Transaction



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June 15, 2010

Sara Kyle, Chairman Tennessee Regulatory Authority
c/o Sharla Dillon Dockets and Records Manager
460 James Robertson Parkway
Nashville, Tennessee 37219

RE: Joint Petition of PPL Corporation, E.ON AG, US Investments Corp., E.ON U.S., LLC and Kentucky Utilities Company for Approval of a Transfer of Control of Kentucky Utilities Company

Dear Chairman Kyle,

Enclosed are the original and 13 copies of the above referenced Joint Petition seeking approval of change of control of Kentucky Utilities Company. A check for the \$25 filing fee is enclosed.

Portions of Exhibit A to this filing are **CONFIDENTIAL**. A redacted version of Exhibit A, the Purchase and Sale Agreement, is included on a disc. A separate disc containing the confidential portions of Exhibit A is enclosed and marked "CONFIDENTIAL" and filed under seal. The Petitioners request that the Authority treat the portions of the Purchase and Sale Agreement that are marked confidential as such, and that the documents not be made available to the public for review. Should anyone seek to view the documents, the Petitioners request an opportunity to further protect them from disclosure and, if necessary, seek a protective order.

Please contact me if you have any questions.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities Company

Enclosures

c: Kendrick R. Riggs, Esq., Stoll Keenon Ogden PLLC
John R. McCall, Executive Vice President, General Counsel and Corporate Secretary,
E.ON U.S. LLC
Allyson K. Sturgeon, Senior Corporate Attorney, E.ON U.S. LLC
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Richard Northern, Esq., Wyatt, Tarrant & Combs, LLP
Paul E. Russell, Associate General Counsel, PPL Corporation
Office of the Tennessee Attorney General & Reporter, Consumer Advocate &
Protection Division

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

**JOINT PETITION OF PPL CORPORATION,)
E.ON AG, E.ON US INVESTMENTS CORP.,)
E.ON U.S. LLC AND KENTUCKY UTILITIES) Docket No. _____
COMPANY FOR APPROVAL OF A TRANSFER OF)
CONTROL OF KENTUCKY UTILITIES COMPANY)**

JOINT PETITION

PPL Corporation (“PPL”), E.ON AG (“E.ON”), E.ON US Investments Corp. (“E.ON US Investments”), E.ON U.S. LLC (“E.ON US”) and Kentucky Utilities Company (“KU”) (collectively, the “Petitioners”) petition the Tennessee Regulatory Authority (“Authority”) pursuant to T.C.A. §65-4-113 and, to the extent applicable §65-4-112, for approval of the transfer of control and of KU, which holds authority to provide retail electric utility services in Claiborne County, Tennessee, derived from its Certificate of Public Convenience and Necessity issued by the Authority’s predecessor, the Tennessee Public Service Commission.

The proposed transfer of control will result from the sale of 100% of the limited liability interests of E.ON U.S. by E.ON US Investments to PPL, all in accordance with the terms of the Purchase and Sale Agreement dated as of April 28, 2010 by and between PPL, E.ON US Investments and, solely for the purposes of Articles VI, IX and X thereof, E.ON (“PSA”), a true copy of which is attached as Exhibit A to this Joint Petition.

In support of this Joint Petition, Petitioners state as follows:

I. Introduction.

The proposed transfer of control and of authority satisfies the requirements of T.C.A. § 65-4-113. For the reasons set forth below in this Joint Petition, PPL is an entity having the suitability, the financial responsibility, and the capability to perform efficiently the utility services to be transferred, and the proposed acquisition will benefit the consuming public and

further the public interest. The Petitioners respectfully request that the Authority accept the filing of this Joint Petition and enter a final order approving the proposed acquisition as soon as practicable.

Under the terms of the PSA, PPL intends to acquire all of the issued and outstanding limited liability company interests of E.ON U.S. from E.ON's indirect wholly owned subsidiary, E.ON US Investments, for \$7.625 billion comprised of \$2.062 billion in cash, the refinancing of outstanding debt of Louisville Gas and Electric Company ("LG&E") and KU held by an affiliate of E.ON that is not being transferred to PPL, and the assumption of \$925 million in tax-exempt bonds of LG&E and KU. Upon the completion of the proposed acquisition, E.ON U.S. will be a wholly owned direct subsidiary of PPL. There will be no other changes in the corporate structure of E.ON U.S. and its subsidiaries, although the names of the entities with "E.ON" in their current names will be changed after the closing. The current name of KU will not be changed. PPL has not yet determined the new name of E.ON U.S. Solely for convenience, this Petition will refer to E.ON U.S. as "E.ON U.S." for the period before the completion of the proposed acquisition, and as "PPL Kentucky" for the period after the completion of the proposed acquisition.

Upon the completion of the proposed acquisition, PPL Kentucky will continue to hold KU as a wholly owned direct subsidiary, together with LG&E, E.ON US Capital Corp. ("E.ON Capital"), E.ON US Foundation, Inc., LG&E Energy Marketing, Inc., and E.ON US Services, Inc. ("E.ON US Services"). E.ON Capital will continue to hold its current direct and indirect subsidiaries.

The transactions contemplated by the PSA include the refinancing by KU, subject to the Authority's approval, of certain unsecured notes issued by KU to Fidelia Corporation.

Fidelia Corporation is an affiliate of E.ON that will not be transferred to PPL. Contemporaneously with the completion of the proposed acquisition, PPL will cause KU to repay and refinance all amounts outstanding and all other amounts then due and payable under the unsecured notes held by Fidelia Corporation. KU has filed, concurrently with the filing of this Joint Petition, a separate petition for approval of these refinancings.

II. The Petitioners.

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

PPL is a publicly owned corporation. At current trading prices as of the date of this Joint Petition, PPL's market capitalization is about \$9.36 billion. In 2009, PPL reported total operating revenues of about \$7.56 billion. The mailing address of PPL is Two North Ninth Street, Allentown, PA 18101. A chart showing PPL's current corporate structure is attached as Exhibit B to this Joint Petition.

E.ON AG.¹ E.ON is an Aktiengesellschaft formed under the laws of the Federal Republic of Germany. An Aktiengesellschaft under German law corresponds to a U.S. stock corporation. E.ON's shares are traded on all German stock exchanges, including the electronic stock exchange, and its American Depositary Receipts are traded on the over-the-counter market. E.ON's mailing address is E.ON-platz 1, 40474 Düsseldorf, Federal Republic of Germany. Charts showing E.ON's current corporate structure and corporate structure following the consummation of the proposed acquisition are attached as Exhibit C and Exhibit D, respectively, to this Joint Petition.

E.ON US Investments Corp. E.ON US Investments is a corporation formed under the laws of Delaware. E.ON US Investments is a wholly owned indirect subsidiary of E.ON, and is the immediate parent company of E.ON U.S. The mailing address of E.ON US Investments is 220 West Main Street, Louisville, KY 40202.

E.ON U.S. LLC. E.ON U.S., also referred to in this Joint Petition as PPL Kentucky for the period after the closing of the proposed acquisition, is a limited liability company formed under the laws of Kentucky. The mailing address of E.ON U.S. is 220 West Main Street, Louisville, KY 40202.

Kentucky Utilities Company. KU is a public service corporation organized and existing under the laws of the Commonwealths of Kentucky and Virginia. The address of KU's principal business office is One Quality Street, Lexington, Kentucky 40507. KU is a public utility as defined by T.C.A. § 65-4-101(6) and, as of March 31, 2010, provides retail electric service to five customers in Tennessee. Although the primary operations of KU are

¹ E.ON and E.ON US Investments have joined in this Joint Petition because the Petitioners believe that T.C.A. § 65-4-113, as amended, requires that the proposed transferor, in addition to the proposed transferee, obtains the approval of the Authority as to any transfer of ownership and control of a utility. The involvement of E.ON and E.ON US Investments in the preparation of this Joint Petition has been limited to confirmation of their respective corporate information.

located in Kentucky, KU holds a Certificate of Public Convenience and Necessity issued by the Authority's predecessor, the Tennessee Public Service Commission, to provide electric services in Tennessee.

Prior to the U.S. Supreme Court's 1968 decision in *Hardin v. Kentucky Utilities Company*,² KU served significantly more customers in Tennessee, including several hundred customers in Tazewell and New Tazewell, and nearly 2,000 customers overall in Claiborne County.³ After the Court's decision, however, the Tennessee Valley Authority's affiliate, Powell Valley Electric Cooperative, came to serve nearly all of KU's former customers in Claiborne County. KU continues to serve its five Tennessee residential customers because it would be cost-prohibitive for Powell Valley Electric Cooperative to serve them.

III. PPL Has the Suitability to Cause KU to Continue to Perform Efficiently the Utility Services to be Transferred and to Benefit the Consuming Public.

PPL delivers power to 1.4 million Pennsylvania customers through PPL Electric. PPL Electric's utility service is extremely reliable; on average, its customers have power 99.9% of the time. PPL Electric maintains more than 48,000 miles of transmission and distribution lines to provide that service. PPL Electric has been an industry leader in helping customers in need as one of the first utilities in Pennsylvania to offer programs to help low-income customers pay electric utility bills. PPL Electric has ranked first in eight of the past eleven annual J.D. Power Studies of Business Customer Satisfaction among Eastern U.S. utilities, and has received a total of sixteen J.D. Power awards.

PPL Energy Funding Corporation ("PPL Energy Funding") serves as the holding company for PPL Energy Supply, LLC, the parent company of PPL's principal unregulated

² 390 U.S. 1 (1968).

³ See *Kentucky Utilities Co. v. Tennessee Valley Authority*, 375 F.2d 403, 407 (Nov. 15, 1966).

subsidiaries. Those principal unregulated subsidiaries are PPL Generation, LLC (“PPL Generation”), which owns and operates U.S. generating facilities; PPL EnergyPlus, LLC (“PPL EnergyPlus”), which markets and trades electricity and gas in the wholesale and retail markets, and supplies energy in some markets; and PPL Global, LLC (“PPL Global”), which indirectly owns and operates PPL’s electricity distribution businesses in the United Kingdom.

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

PPL, through PPL EnergyPlus, sells electricity produced by the portfolio of generation assets owned and operated by subsidiaries of PPL Generation. PPL EnergyPlus participates and trades energy in the wholesale and retail sectors, and also markets various energy commodities, primarily in the northeastern and western United States.

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

IV. PPL Has the Financial Responsibility to Cause KU to Continue to Perform Efficiently the Utility Services to be Transferred and to Benefit the Consuming Public.

PPL is financially responsible and has the financial ability necessary to ensure that KU will continue to provide efficient service to its Tennessee customers and to complete the proposed acquisition of E.ON U.S. PPL has resources, bank facilities and confirmed commitments to finance the acquisition, including a bridge financing commitment to ensure a cash tender making up nearly 85% of the total purchase price, and a plan to issue \$750 million to \$1.0 billion in high-equity-content securities and \$2.2 to \$2.6 billion in common stock to replace the bridge financing. After the proposed acquisition, KU will benefit from PPL's strong financial position and continue to provide its Tennessee ratepayers efficient service at reasonable rates. Furthermore, the proposed acquisition will not affect the balanced capital structures of KU. Neither PPL Kentucky nor any of PPL Kentucky's direct or indirect subsidiaries, including KU, will incur any additional indebtedness or issue any securities to finance any part of the purchase price paid by PPL for all of the outstanding limited liability interests in E.ON U.S. As noted above, contemporaneously with the completion of the proposed acquisition, PPL will cause KU to repay and refinance all amounts outstanding and all other amounts otherwise then due and payable under the unsecured notes held by Fidelity Corporation. KU has filed, at the same time as the filing of this Joint Petition, a separate petition for these refinancings.

PPL is a major utility holding company with approximately \$22 billion in total assets, which generated over \$7.56 billion in total operating revenues in 2009. PPL targets disciplined growth in its energy supply margins and limited volatility in both its cash flows and earnings. PPL has also achieved stable long-term growth in its regulated electricity

delivery businesses through efficient operations and strong customer and regulatory relationships.

KU will benefit from PPL's history of financial strength and consistent corporate health, which have resulted in a sound return on shareholder investment. Since December 31, 2004, PPL's five-year cumulative total return on its shareholders' investment has outperformed the Edison Electric Institute Index of Investor-Owned Electric Utilities and the Standard & Poor's 500 Index. PPL has increased its shareholder dividend for eight consecutive years, with dividends paid in 258 consecutive quarters. PPL's book value and market price per share increased by 7.5% and 5.2%, respectively, from December 31, 2008 to December 31, 2009. PPL currently forecasts 2010 earnings from ongoing operations of \$3.10 to \$3.50 per share. PPL and its subsidiaries have substantial access to financial markets with an unused domestic credit capacity from its bank facilities exceeding \$3.5 billion.

As a result of the proposed acquisition, PPL will become a more geographically diverse utility holding company with approximately \$33 billion in total assets and combined annual revenues of about \$10 billion. The proposed acquisition will create an enterprise value of about \$25.4 billion, as measured by PPL's stock price on April 27, 2010. On a post-proposed acquisition basis, PPL and its subsidiaries, including KU, will serve nearly five million electricity customers in the United States and the United Kingdom, and own or control about 20,000 megawatts of U.S. electricity generating capacity. PPL's growth strategy is fiscally responsible, and the proposed acquisition exemplifies PPL's commitment to balancing its business mix and sustainable long-term growth. Finally, PPL did not consider any synergies or savings in evaluating the economics of the proposed acquisition.

In summary, PPL is a financially responsible utility holding company that has the financial ability to ensure that KU will continue to perform its utility services efficiently.

V. PPL Has the Capability to Cause KU to Continue to Perform Efficiently the Utility Services to be Transferred and to Benefit the Consuming Public.

PPL has the technical capability to oversee KU's efficient operations to the benefit of its customers. Through its subsidiaries, PPL is primarily engaged in the generation and marketing of electricity in two key markets (the northeastern and western U.S.), and in the delivery of electricity in Pennsylvania and the United Kingdom. PPL's principal direct subsidiaries are PPL Electric, which is responsible for regulated utility operations in Pennsylvania; PPL Energy Funding, which is the parent company of PPL Energy Supply, LLC, a wholly owned subsidiary primarily responsible for unregulated energy operations; and PPL Capital Funding, Inc., which is responsible for certain corporate financing.

PPL has substantial and long-established technical experience by virtue of its total generation capacity of about 12,000 megawatts, its large U.S. and U.K. electricity delivery businesses, and its status as a leader in U.S. electricity generation, supply and delivery. PPL's management team has extensive experience providing efficient and reliable customer service to its customers. PPL's managerial experience and breadth of assets demonstrates that PPL has the technical ability to ensure that Tennessee customers continue receiving high quality service from KU after the completion of the proposed acquisition.

The proposed acquisition, like the previous acquisitions,⁴ will cause KU to be part of a larger utility system with the size and resources to permit it to continue to provide superior service, and the experience and expertise to succeed in the rapidly evolving energy industry.

⁴ In 2000, Powergen plc merged with LG&E Energy Corp. In 2001, E.ON purchased Powergen plc. Both of these transactions resulted in the change of control over KU.

Thus, the proposed acquisition, like the previous acquisitions, will permit KU to continue to meet its commitments to its customers and their community.

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

VI. The Proposed Acquisition Furthers the Public Interest.

The proposed acquisition will result in the transfer of control of KU to a substantial, financially strong and well-managed utility holding company that has core strength in operating rate-regulated utilities with an extraordinary degree of customer satisfaction. The proposed acquisition will not be a financial investment by a global energy company; it will be a strategic combination of two companies that have similar business profiles and operating philosophies. For that reason, PPL will have every incentive to operate KU with the goal of sustainable long-term growth for the benefit of the company and its customers, employees, managers and community stakeholders.

In day-to-day terms, the proposed acquisition is not expected to have any negative impact on customer service or reliability. Rates will not be affected. Because local management, operations and systems will remain intact, this will be a transparent transaction

for customers. For all of the reasons set forth above, the proposed acquisition furthers the public interest.

VII. The Proposed Acquisition Will Be Made in Accordance with the Law.

The proposed acquisition was unanimously approved by the Board of Directors of PPL at a meeting held on April 27, 2010. The proposed acquisition does not require the approval of the shareholders of PPL. On April 27, 2010, the Supervisory Board of E.ON accepted the recommendation of the E.ON Board of Management to proceed with the proposed transaction.

The closing of the transactions contemplated by the PSA is subject to several regulatory conditions, in addition to approval by the Authority. PPL, E.ON U.S., and KU will make all required federal and state regulatory filings on a timely basis, and they expect to receive all required approvals.

The proposed acquisition must be approved by the Federal Energy Regulatory Commission ("FERC") under Section 203 of the Federal Power Act ("FPA"). PPL and KU will file the necessary applications for approval under the FPA with FERC.

The proposed acquisition will involve the transfer of ultimate control of certain wireless frequency licenses held by KU, which will require the approval of the Federal Communications Commission ("FCC"). KU will file an application for approval of the transfer of ultimate control of the licenses with the FCC.

The proposed acquisition must be approved by the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission ("VSCC"). The Petitioners filed a joint application for approval with the KPSC on May 28, 2010, and will file a joint application for approval with the VSCC on June 15, 2010.

The proposed acquisition is subject to the premerger notification and reporting requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR Act”). PPL and E.ON will file the required premerger notification and report forms with the U.S. Department of Justice and the Federal Trade Commission.

The proposed acquisition, unlike the previous acquisitions by Powergen and E.ON, will not create conflicting regulatory issues under federal and state law governing public utility holding companies. Effective February 8, 2006, the Public Utility Holding Company Act of 1935 (the “1935 Act”) was repealed and replaced by the Public Utility Holding Company Act of 2005 (“PUHCA 2005”).⁵ PPL is a holding company under PUHCA 2005, and includes a service company, PPL Services Corporation (“PPL Services”), that supplies non-power goods and services to affiliates. KU is currently part of a holding company system that is operated by E.ON in compliance with PUHCA 2005, including the similar use of a centralized service company, E.ON US Services.⁶

PUHCA 2005 requires holding companies and their affiliate companies, unless they meet narrow exemptions or waivers, to maintain and make available books and records necessary and appropriate for the protection of utility customers.⁷ In addition, PUHCA 2005 requires holding company service companies, such as E.ON U.S. Services, to maintain their records in accordance with FERC’s Uniform System of Accounts.⁸ Further, PUHCA 2005

⁵ Energy Policy Act of 2005, Pub. L. No.109-58, August 8, 2005, 119 Stat. 594 (the “Energy Policy Act”), §§ 1263, 1274.

⁶ Before the acquisition of LG&E Energy by Powergen in 2000, KU was exempt from the requirements of the 1935 Act. After that acquisition, Powergen and the intermediate companies between Powergen and LG&E Energy became registered public utility holding companies under the 1935 Act, and LG&E Energy and KU became part of Powergen’s newly registered holding company system. After the acquisition of Powergen by E.ON in 2001, Powergen was reclassified as a foreign utility company under the 1935 Act, and E.ON became a registered public utility holding company system under the 1935 Act. LG&E Energy and KU became part of E.ON’s newly registered holding company system.

⁷ 18 C.F.R. § 366.2 (2009).

⁸ 18 C.F.R. § 366.22(b) (2009).

mandates that holding companies and holding company service companies comply with FERC's record retention rules.⁹ PUHCA 2005 also grants authority to state regulatory commissions to obtain access to books and records of a holding company and its affiliate companies, if the state commission determines such books and records are relevant to the costs incurred by the electric or gas distribution utility it regulates and access is necessary for the effective discharge by the state commission of its responsibilities.¹⁰ More importantly, nothing in PUHCA 2005 precludes FERC or a state commission from exercising its jurisdiction under otherwise applicable law to protect utility customers.¹¹

PPL currently is exempt from certain FERC regulations under PUHCA 2005 because the bulk of its operations, as relevant to PUHCA 2005, are intrastate in character.¹² After the completion of the proposed acquisition, PPL will no longer qualify as a single-state holding company system under PUHCA 2005, and KU will become part of PPL's holding company system under PUHCA 2005 and will be subject to the same regulation to which it is subject today. As noted above, there will be no change in the corporate structure of E.ON U.S. as a result of the transaction, including the use of E.ON US Services in compliance with PUHCA 2005.

⁹ 18 C.F.R. § 366.22(a) (2009); the record retention rules are contained in 18 C.F.R. pts. 125 and 225.

¹⁰ Energy Policy Act, § 1265, codified at 42 U.S.C. 16453.

¹¹ Energy Policy Act, § 1269, codified at 42 U.S.C. 16457.

¹² After the completion of the proposed acquisition, PPL expects to lose its "single-state holding company system" exemption under 18 C.F.R. § 366(3)(c)(1) and to be subject to FERC's requirements as provided under PUHCA 2005. E.ON US Services will continue to operate as centralized service company providing services to KU/ODP under the Services Agreement previously approved by the Commission. PPL Services will not provide services to KU/ODP, but will continue to provide services to PPL Electric "at cost" as was the standard under the 1935 Act. *See* Order No. 667, *Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005*, 113 F.E.R.C. STATS. & REGS. ¶ 61,248, 70 Fed. Reg. 75592-01 (to be codified at 18 C.F.R. pts. 365,366); *order on reh'g*, Order No. 667-A, F.E.R.C. STATS & REGS. ¶ 31,213 (2006), *order on reh'g*, Order No. 667-B, F.E.R.C. STATS & REGS. ¶ 31,224 (2006), *order on reh'g*, Order No. 667-C, 118 F.E.R.C. ¶ 61,133 (2007).

The existing Power Supply System Agreement (“PSSA”) and Transmission Coordination Agreement (“TCA”) between LG&E and KU, each dated October 9, 1997, will remain in place and will not be affected by the proposed acquisition.

Thus, after the completion of the proposed acquisition, KU will continue in existence as a corporation organized under Kentucky and Virginia law and will continue to use E.ON US Services in compliance with PUHCA 2005; and the Authority will have the same ratemaking and regulatory authority to regulate the rates and services of KU under federal and Tennessee law as it does today.

Because the proposed acquisition has received all necessary corporate approvals, because all federal and state regulatory filings incident to the proposed acquisition will be made on a timely basis and all required government approvals will be received before closing the transactions contemplated by the PSA, and because the proposed acquisition will not change the regulatory status of KU under Tennessee law, the proposed acquisition will be made in accordance with law.

VIII. Notices and Communications Regarding the Joint Petition

Notices and Communications regarding the Joint Petition should be sent to:

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WHEREFORE, Petitioners request that the Authority enter a final order as follows:

1. Finding that, after the acquisition of E.ON U.S. by PPL pursuant to the PSA, KU will continue to have the suitability, the financial responsibility, and the capability to perform efficiently the utility services to be transferred, and that the transfer of control of KU to PPL will benefit the consuming public and will further the public interest;
2. Approving the transfer of control of KU, including its authority to provide utility services deriving from its Certificate of Public Convenience and Necessity, as required by T.C.A. §65-4-113, through the acquisition of ownership and control of E.ON U.S. by PPL;
3. Approving, as applicable, pursuant to T.C.A. §65-4-112 the indirect acquisition of KU by PPL.
4. Granting all other necessary or appropriate authorizations.

Dated: June 15, 2010

Respectfully submitted,



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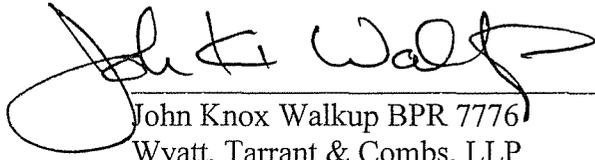
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Counsel for PPL Corporation

EXHIBITS

- Exhibit A: Purchase and Sale Agreement (CONFIDENTIAL – filed under seal)
- Exhibit B: PPL's current corporate structure
- Exhibit C: E.ON's current corporate structure
- Exhibit D: E.ON's corporate structure following consummation of the proposed acquisition

CERTIFICATE OF SERVICE

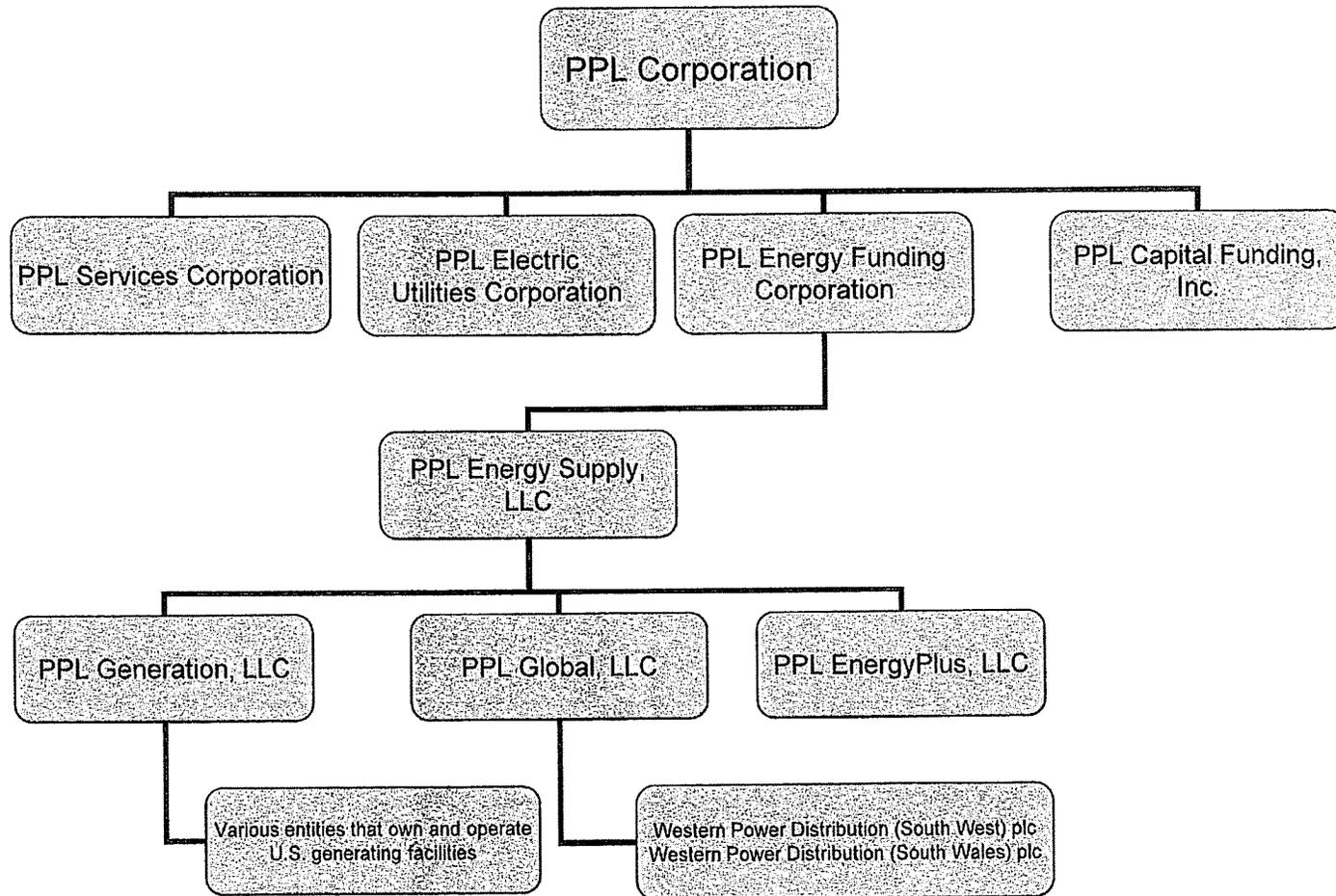
This is to certify that the foregoing Joint Petition was served on the following by U.S. Mail, postage prepaid, this 15th day of June, 2010.

Office of the Tennessee Attorney General & Reporter
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202

D. Billy Sanders Cwith
Counsel for Petitioners
permonsota
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PPL Organizational Structure Chart*

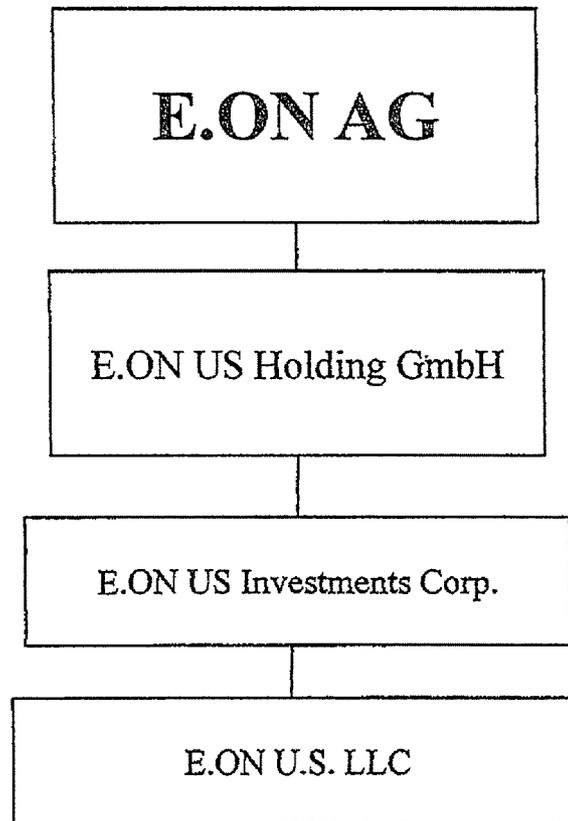


*PPL Corporation has numerous subsidiaries; this PPL Organizational Structure Chart highlights entities discussed in the Joint Application and supporting testimony.

Exhibit B

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E.ON AG Organizational Chart Extract
E.ON U.S. Entities and Ownership Chain
Current



E.ON U.S. Corporate Organizational Chart Extract
E.ON U.S. Entities and Ownership Chain
Current

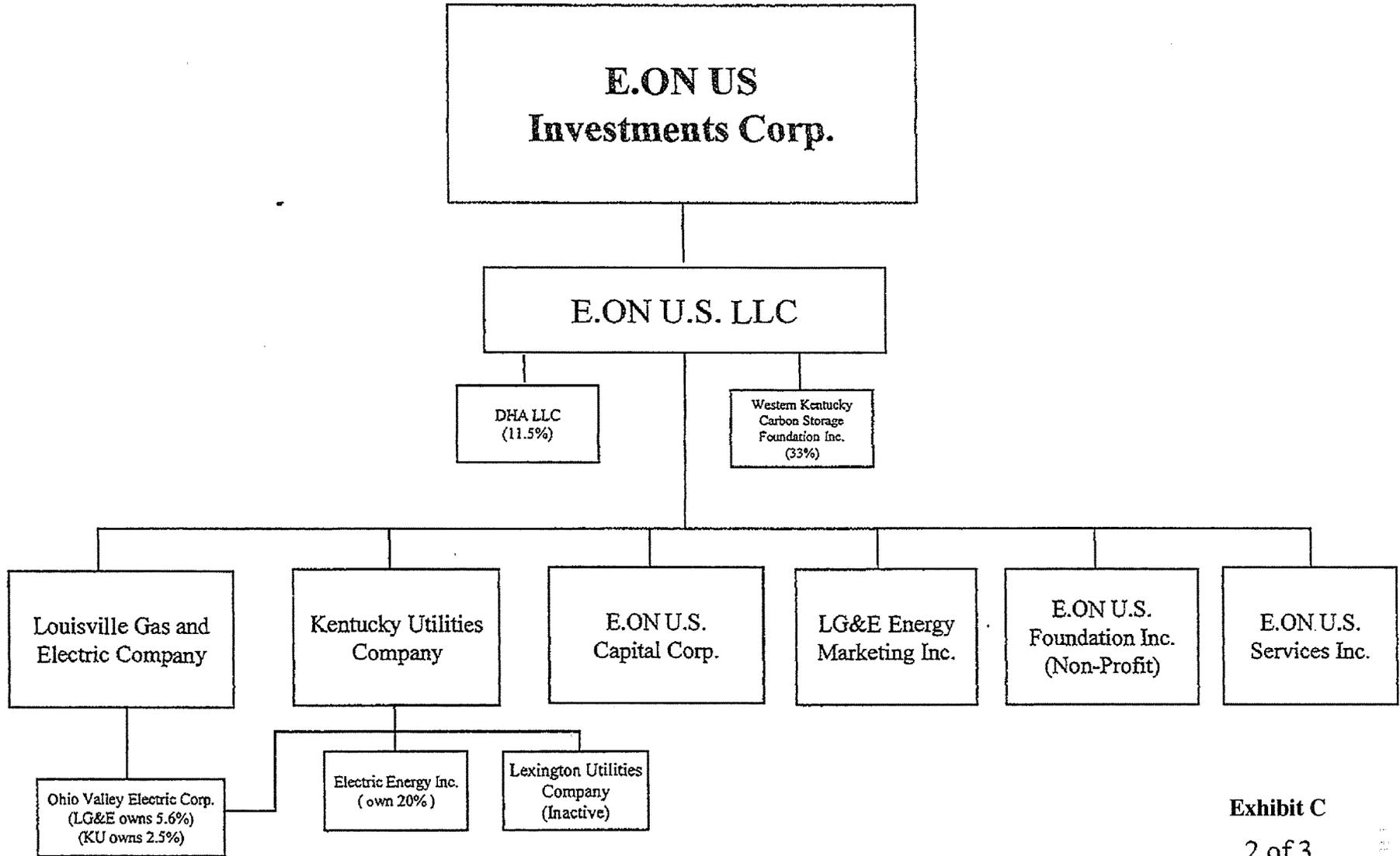
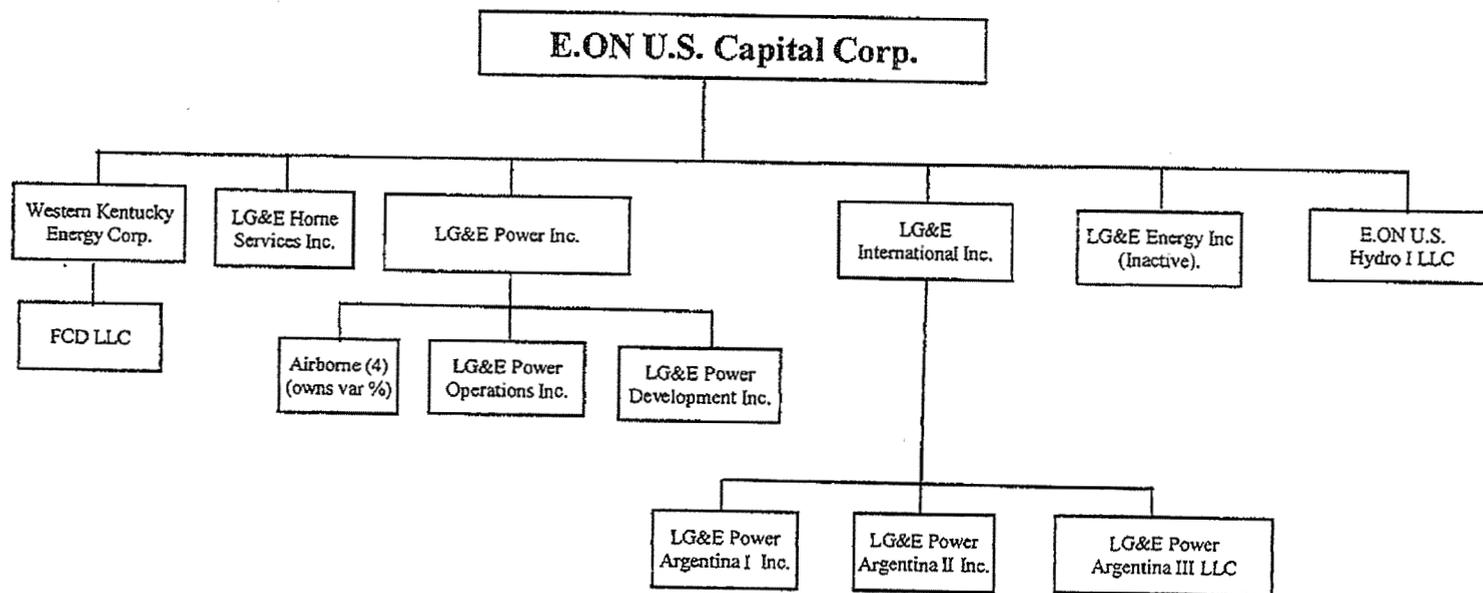


Exhibit C

E.ON AG Organizational Chart Extract
E.ON U.S. Entities and Ownership Chain
Current



E.ON AG Organizational Chart Extract
Former E.ON U.S. Ownership Chain
Post -Transaction

