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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to PPL Corporation, E.ON AG, E.ON U.S. Investments Corp., E.ON US LLC, Louisville Gas and Electric, and Kentucky Utilities Company [hereinafter jointly referred to as the "Joint Applicants"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

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

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

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

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

(7) If the Joint Applicants have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

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

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the

destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials

of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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this 17th day of June, 2010.

Assistant Attorney General

Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2010-00204

1. Please provide all minutes of any meetings held whereat the acquisition was discussed: (a) between the shareholders and the company management; and (b) between the board of directors and the company management, of each of the Joint Applicants pertaining to the contemplated transaction. This request is meant to include, but not limited to, Board meetings of any of the joint applicants, meetings between joint applicants, meetings of any of the officers of any of the joint applicants, etc.

2. Please provide copies of any and all documentation between the joint applicants or amongst the joint applicants which discuss the application.

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

4. Please provide copies of any reports, analyses or reviews of the cost of capital for LG&E after any approval of the application as conducted by any/each of the joint applicants.

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

6. Please provide copies of any reports, analyses or reviews of the credit profile for LG&E after any approval of the application as conducted by any/each of the joint applicants.

7. Please provide copies of any reports, analyses or reviews of the credit profile for E.ON after any approval of the application as conducted by any/each of the joint applicants.

8. Please provide the total number of employees working in any and all of the joint applicants' customer service centers, regardless of location, dedicated to addressing inquiries and other needs of customers located in Kentucky. Please provide the total number of such employees as of the date of your response to this request, and an estimate for the number of such employees following the completion of the contemplated transaction.

    a. Please provide a copy of any existing agreement, whether a collective bargaining or otherwise, between both of the Joint Applicants and their respective union employees.

9. Please provide copies of any and all documents the Joint Applicants have filed with the Securities and Exchange Commission regarding the contemplated transaction, to the extent not already provided.

10. Please state whether the Joint Applicants will agree to make available for inspection copies of any and all documents they have filed with any and all other regulatory bodies, whether state or federal, regarding the contemplated transaction.

11. Please provide copies of any and all reports and other documents identifying synergies expected to result from the contemplated transaction.

    a. Separately identify any synergies affecting the Joint Applicants' Kentucky-based operations;

    b. State whether any synergy savings will be shared with the Joint Applicants' customers, and if so, whether this includes Kentucky customers, and how much.

12. Please provide copies of any and all reports and other documents identifying economies of scale or scope expected to result from the contemplated transaction.

    a. Identify any economies of scope or scale affecting the Joint Applicants' Kentucky-based operations;

    b. State whether any savings related to economies of scale or scope will be shared with the Joint Applicants' customers, and if so, how much.

13. Please state whether any of the PPL Kentucky, LG&E or KU executive management, and members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the electric or gas industry other than the Joint Applicants, and if so, identify them by name and by type of interest.

14. Please identify, in detail, any and all tax savings the Joint Applicants expect to result from the contemplated transaction, and provide any relevant quantifications.

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

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

16. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the dollar value thereof.

17. Do the Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost the post-transaction structure (e.g., systems integration, etc.)? If not, please identify the categories and provide a definition. Regardless of the answer, please provide the following:

    a. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective shareholders, and those costs that are allocated to or the responsibility of their respective ratepayers, if any. Include any allocation methodologies.

    b. For the costs-to-achieve cost the post-transaction structure , explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective shareholders, and those costs that are allocated to or the responsibility of their respective ratepayers, if any. Include any allocation methodologies.

c. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective non-regulated operations. Include any allocation methodologies.

d. For the costs-to-achieve cost the post-transaction structure, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective regulated operations. Include any allocation methodologies.

e. Do the Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?

f. Do the Joint Applicants consider the reduction of tax liability or the obtainment of tax benefits as cost savings?

g. Do the Joint Applicants consider the reduction of a company's or unit's operating loss a cost savings?

h. Please supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

i. For the schedule requested under sub-part h (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;

(2) the assignment of costs to each of the Joint Applicants' ratepayers, if any; and

(3) the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Joint Applicants.

j. Please supply an itemized schedule that shows the costs-to-achieve the cost post-transaction structure by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

k. For the schedule requested under sub-part j (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;

(2) the assignment of costs to each of the Joint Applicants' ratepayers, if any; and

(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

18. For the schedule requested under sub-part k. (the prior question), please identify by year for as many years as your projections provide the following:

a. the assignment of costs to each of the Joint Applicants' shareholders;

b. the assignment of costs to each of the Joint Applicants' ratepayers; and

c. the breakdown of the assignment of costs between regulated and non-regulated operations.

19. For each category of costs to achieve the post transaction structure, did both of the Joint Applicants determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did the Joint Applicants determine the amount of total staffing cost savings to allocate to regulated operations and the amount to allocate to non-regulated operations?

20. For each category of costs to achieve the post transaction structure, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.

21. For each category of costs to achieve the post transaction structure, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.

22. Please provide a copy of any and all due diligence report(s) conducted.

23. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on their customers? If yes, please identify same and provide the associated documents.

24. Will the contemplated transaction result in any changes in accounting principles for either of the Joint Applicants or any of their subsidiaries or affiliates? If yes, please summarize the change(s).

25. Do the Joint Applicants anticipate any substantive changes in any existing contracts of the Joint Applicants with other vendors (e.g., engineering, information technology, maintenance, etc.)? If so, please summarize the changes.

26. Do the Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Joint Applicants will enter into said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, stockholders, officers, contractors, consultants, or directors?

27. Provide the name and position of the person(s) who prepared each Exhibit to the application filing materials.

28. Please provide a copy of any and all materials, including but not limited to transcripts of presentations, recordings or notes of presentations, or other information, regarding any and all financial analyses concerning the transaction.

29. Please state whether any of the Joint Applicants' subsidiaries or affiliates located in Kentucky, or any other state, will as a condition of the contemplated transaction be required to guarantee the debt of any other subsidiary, affiliate, or holding company of the Joint Applicants. If "yes," please provide complete details.

    a. If "yes," are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree, different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.

30. Please state whether any of the Joint Applicants' subsidiaries or affiliates located in Kentucky, or any other state, will as a condition of the contemplated transaction be required to grant liens against their own assets in favor of any lender(s) providing financing or any portion of financing necessary for the contemplated merger to occur. If "yes," please provide complete details.

    a. If "yes," are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree, different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.

31. Please provide a complete copy of any filings associated with the contemplated merger made pursuant to the Hart-Scott-Rodino Antitrust Improvements Acts of 1976 (15 U.S.C.A. § 18a; together with regulations promulgated thereunder at 16 CFR §§ 801-803)(hereinafter jointly referred to as "the Act").

    a. In the event the U.S. Department of Justice Antitrust Division determines that further inquiry is necessary and pursuant to the Act issues a second request for documents to the Joint Applicants, will the Joint Applicants agree to supply the PSC and the Kentucky Attorney General's Office with copies of any documents produced in response to such a request, regardless of when the Joint Applicants make their (its) response?

32. Please provide the current bond rating for each of the Joint Applicants' together with any projected bond ratings, issued by the three major bond rating agencies.

33. Will the contemplated merger have an impact on the ability of the PPL Kentucky to obtain capital? Describe in detail.

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

35. Will the contemplated merger have an impact on the ability of LG&E to obtain capital? Describe in detail.

36. Will the surviving companies give clear and conspicuous notice to Kentucky consumers regarding any change in services resulting from the merger?

37. Prior to Kentucky Commission approval, can the Joint Applicants complete their transaction? If not, please explain why the Joint Applicants had Mr. James Miller at the E.ON headquarters so that the employees could meet their new boss as reported in the Courier Journal on or about April 30th.

38. Will the transaction result in any write-ups, write-offs, or a restatement of financial results of E.ON AG? If yes, please explain.

39. Post-transaction, will E.ON be required to make any filings with the Securities and Exchange Commission? If yes, please identify and explain the filing requirement(s).

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

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

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

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

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

45. Please identify any anticipated/estimated change(s) in LG&E's equity-to-capital ratio.

46. As of 28 April 2010, how much of E.ON's debt (in dollars and percentage of total capital) was held by PPL or any subsidiary of PPL? Concerning this debt:

    a. Please provide a copy of each debt instrument between E.ON and PPL or any subsidiary of PPL.

b. Please provide a workpaper showing, at 28 April 2010, and at the end of the most recent accounting period, the amount outstanding on each debt instrument and the interest rate.

c. What is anticipated to happen to each debt instrument as a result of the transaction proposed in this case?

47. When did E.ON, whether by way of its own agent(s) or a contractor, conduct its last study on the integrity of the Dix Dam?

a. Provide the name and qualifications of the person(s) who conducted the study.

b. Provide copies of any and all reports that were created as a result of the study.

c. Provide a copy of the most recent inspection report of Dix Dam issued by the Kentucky Department of water.

48. Have any of the joint applicants conducted a recent, complete due diligence report of all EPA requirements associated with all EPA regulated facilities?

a. If yes, please provide a copy of copies same.

b. If not, why not?

c. If not, do the surviving Kentucky companies believe it prudent to accept "ownership" of the applicable facilities without a due diligence report?

49. Reference the application at page 17 at footnote 13. Please state how this transaction does not "involve a direct transfer of assets" if PPL will purchase "from E.ON US Investments 100% of the limited liability company interests of E.UN U.S., the parent company of LG&E and KU" as noted on page 1 of the application.

50. Reference the application at page 17 at footnote 13. Please state how this transaction does not "involve a direct transfer of assets" if "PPL intends to acquire and operate LG&E and KU as important core assets" as noted on page 18 of the application.

51. Reference the application at page 10 wherein the joint applicants state that PPL "did not consider any synergies or savings in evaluating the

economics of the proposed acquisition." Explain in detail how this would meet any due diligence test.

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

53. Reference the application at pages 2 and 19. If "there will be no other changes in the corporate structure of E.ON U.S. and its subsidiaries" although the names may change, will the joint applicants commit to have the headquarters of PPL Kentucky, KU and Louisville remain in the respective indefinitely so along as PPL continues to be the owner and not just 15 years as noted in the application at page 19?

54. Reference the application at page 19 wherein the following language appears: "the proposed acquisition will not be a financial investment." Does PPL expect to profit from any approval of the application?

55. Reference the application at pages 20 and 21. Please provide a list of any previously PSC imposed commitments which are not included on Exhibit B.

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

57. Reference the application at page 21. Will PPL commit to seek PSC approval prior to the transfer of any LG&E or KU property, plant or equipment with an original book value exceeding $1 million instead of $10 million?

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

59. Reference the application at page 23. Will PPL commit to notify the PSC of any issuance of debt of $50 million instead of $100 million?

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

61. Reference the application at page 24. Will PPL commit to have at least one individual resident of Kentucky on PPL's Board of Managers?

62. Reference the application at page 25. Please reconcile the statement that "local customer service offices will not be closed as a result of the proposed acquisition" with the statement that "any future closures of customer service offices will take into account the impact on customer service." Are any future closures being contemplated notwithstanding any approval of the acquisition?

63. Reference the application at page 26. Will the join applicants commit to have LG&E maintain a contact person in Louisville to respond to special needs in the Louisville area?

64. Reference the application at page 26. The joint applicants commit to minimize any negative impacts on customer service and satisfaction resulting from workforce reductions. Are workforce reductions contemplated as a result of any approval of this acquisition? Are workforce reductions currently being contemplated notwithstanding any approval of the acquisition?

65. Reference the application at pages 2, 25 and 26. If "there will be no other changes in the corporate structure of E.ON U.S. and its subsidiaries" although the names may change, will PPL maintain and support the relationship between LG&E and KU and the communities that each serves indefinitely so along as PPL continues to be the owner and not just 10 years as noted in the application at pages 25 and 26?

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

67. Reference: Joint Application (Exhibit D Page 7 of 7, No. 54). If there is harm to the wholesale customers, then how will they be "held harmless"? Include in the discussion whether there is any potential adverse consequence to the non-wholesale customers associated with holding the wholesale customers harmless (or whether the shareholders/investors will bear all costs of holding the wholesale customers harmless).

68. Reference the testimony of Mr. Miller at page 19. What is his understanding of the statement that "wholesale customers should be held harmless" if the acquisition is approved.

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

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

71. Reference the testimony of Mr. Farr at page 2. Does Mr. Farr recognize that the standard for providing service is that it not just be reasonable but that which is adequate, efficient and reasonable?

72. Reference the testimony of Mr. Farr at page 5. What does he mean that after the acquisition is completed, it will acquire "utility franchises that currently operate under progressive and fair regulation?"

73. Reference the testimony of Mr. Farr at pages 5 and 6. What does he mean when he testifies that PPL "will give LG&E and KU a long-term advantage in the increasingly competitive energy market of the future?"

74. Reference the testimony of Mr. Farr at page 6. What does he mean where he testifies that the "proposed acquisition will contribute to the overall financial stability of PPL?"

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

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

77. Will E.ON AG receive any tax advantage or benefit from these donations?

78. For the past five years, please provide a dollar breakdown by year that E.ON AG has made donations or cash contributions to which it is contributing to the University of Kentucky, the University of Louisville, and the LG&E Foundation. This list should detail the donation by way of purpose or designation for the contribution.

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

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

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

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

83. Reference the testimony of Mr. Staffieri at page 7 where the witness testifies that PPL will "endeavor" to have an individual resident of Kentucky on PPL's Board and that this "commitment again demonstrates the ability of PPL to take a broader view which includes, in this example, the greater interests of Kentucky." Is it the opinion of the witness that there should be a **commitment** to have this type of Board membership in order to fulfill this "broader view?"

84. Reference the testimony of Mr. Staffieri at page 7 where the witness discusses a "retention and incentive program for the E.ON U.S., LG&E and KU managers." Which of the joint applicants will bear those costs? Will any of those be borne by either LG&E or KU ratepayers, whether directly or indirectly?

85. Reference the testimony of Mr. Staffieri at page 9 where he discusses the effect of the proposed acquisition on customers and employees of LG&E and KU. What are the benefits that the customers will receive other than those which they already receive under the current ultimate ownership by E.ON AG?

86. Reference the testimony of Mr. Rives at pages 2 and 3 where he discusses "pushdown accounting." Will PPL commit to not use "pushdown accounting" as the witness admits that he understands that PSC policy is to not use it? If not, why not?

87. Reference the testimony of Mr. Rives at page 6 where the witness testifies that the acquisition will provide LG&E and KU with the "opportunity to

refinance the current Fidelia debt with lower cost secured debt **with longer tenor**." (Emphasis added.) Does this not translate to higher costs? If not, why not?

a. Joint Application (Testimony of S. Bradford Rives, page 6, line 8). Mr. Rives indicates that the "amount of debt" will be the same. Will the corresponding cost rate of the debt remain the same? If not, then please identify all differences.

88. Reference the testimony of Mr. Rives at page 7 where he discusses access to capital markets. Does the witness agree that implicit support from the ultimate parent of a company is factored into a ratings analysis? If not, why not?

89. Will the joint applicants agree to commit in this jurisdiction to any other conditions or commitments that are either imposed by or agreed upon in any other regulatory approval process associated with this transaction in any other jurisdiction?

90. What amount of liquid assets does PPL hold?

91. Reference: Petition for Confidential Protection. The Petition (at numbered paragraph 3) indicates that "PPL became the purchaser of E.ON U.S. through a regimented negotiation process." With regard to this statement, please answer and provide the following:

a. A narrative that describes the development of the structure for the bidding and negotiation process and include in the narrative the identity of the individuals who responsible for the development and approval of the structure of the bidding and negotiation process.

b. Identify every corporation, holding company, partnership, firm, individual, investor group, or other entity that was invited, solicited, or asked to participate in the bidding process.

c. Identify the criteria for selecting targets for soliciting a bid.

d. To the extent that there were "various sequences of the bidding process," describe in detail each sequence and identify the participants for each sequence and the corresponding result, by participant, of each sequence. (By participant, indicate whether the participant moved to the next level, whether the participant withdrew, whether the participant was eliminated, etc.)

e. For any participant in the bidding process that submitted a valuation of E.ON U.S. or otherwise identified a purchase price, please provide a copy of the valuation and identify the purchase price.

f. For any valuation or purchase price submitted, indicate whether E.ON AG or E.ON U.S. asked a third-party consultant (such as an investment advisor, financial consultant, etc.) to review, critique, or otherwise analyze the valuation or purchase price. If there was a request, then please provide details for each request and the response and include any documents relating to the request and response, including e-mails.

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

92. Reference: Joint Application (at pages 2 and, again, beginning at page 19). With regard to the statement that the transaction is "consistent with the public interest," please provide and answer the following:

a. For the transaction through which ***E.ON AG*** obtained approval for the change of control and ownership of LG&E and KU, resulting from the acquisition by E.ON of Powergen (Ky PSC Case No. 2001-104), identify each factor, stated-reason, rationale provided by the Joint Applicants in that proceeding supporting an argument that approval of the acquisition by E.ON AG was consistent with the public interest within the meaning of KRS 278.020(5).

b. With regard to each factor, stated-reason, rationale provided by the Joint Applicants in Case No. 2001-104 in support of an argument that the acquisition by E.ON AG was consistent with the public interest, please indicate how the approval of the agreement presented in this proceeding impacts that factor, stated-reason, or rationale.

c. Please identify with specificity each factor, stated-reason, or rationale of the Joint Applicants offered in support of their argument that the PPL purchase is consistent with the public interest, within the meaning of KRS 278.020(5).

d. Is it the position of the Joint Applicants that "a financial investment by a global energy company" is inconsistent with (or otherwise not in) the public interest? If no, then please explain why the proposed acquisition provides any incremental public benefit. (For example, is the case that E.ON AG has no "incentive to operate LG&E and KU with the goal of sustainable long-term growth for the benefit of those companies and their customers, employees, managers and community stakeholders"?)

e. Is it the position of any of the Joint Applicants that continued ownership by E.ON AG is not in the public interest? If yes, then please identify the date on which any Joint Applicant made this determination.

93. Reference: Joint Application (at page 4). With regard to Fidelia Corporation, please explain why the Joint Applicants believe that it is necessary ***and*** why it is reasonable for "LG&E and KU to repay and refinance all amounts outstanding and all other amounts then due and payable under the unsecured notes held by Fidelia Corporation."

94. Reference: Joint Application (at pages 15, 16). "After the completion of the proposed acquisition, PPL will no longer qualify as a single-state holding company system under PUHCA 2005, and LG&E and KU will become part of PPL's holding company system under PUHCA 2005 and will be subject to the same regulation to which they are subject today." With regard to this statement, what is the projected incremental cost associated with the PPL losing its exemption from FERC regulation?

95. Joint Application (Testimony of James H. Miller, page 17). Please confirm that PPL is currently required to comply with The Sarbanes-Oxley Act of 2002. And, please identify the projected incremental Sarbanes-Oxley compliance costs associated with PPL obtaining ownership and control of E.ON U.S.

96. Reference: Joint Application (at page 17). Is PPL Corporation a larger utility system than E.ON AG? Please explain.

97. Reference: Joint Application (at page 18 and, also, by reference, Testimony of James H. Miller, page 25). With regard to the statement, "PPL did not assume the existence of any synergies when it made the economic decision to purchase E.ON U.S.," please answer the following:

a. Is it the case that PPL did not assume the existence of any synergies in determining the purchase price of E.ON U.S.?

b. Aside from the determination of the purchase price, did PPL (itself or acting through an agent or third-party) research, analyze, or otherwise investigate possible synergies associated with a purchase of E.ON U.S.? If yes, then please explain in detail the results of the research, analysis, or investigation and provide all corresponding documentation. If no, then explain why not.

c. With regard to Exhibit D Page 6 of 7, No. 39, have the Joint Applicants performed an informal or non-formal analysis of any potential synergies and benefits? If yes, then please supply the analysis.

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

a. Is it the Joint Applicants' position that E.ON AG is not aware of the "importance and viability of coal as a fuel supply for the generation of electric power"? If yes, then please fully explain.

b. Is it the Joint Applicants' position that PPL's alleged awareness represents an incremental improvement in awareness over that of E.ON AG (with regard to the importance and viability of coal as a fuel supply)? If yes, then please fully explain the basis for the position and include any analysis or documentation relating to the incremental improvement.

99. Do the Joint Applicants anticipate, project, or otherwise forecast any additional reorganizations, mergers, change of control, or other transactions (in the nature of those in Ky PSC cases number 10296, 89-374, 97-300) involving KU or LG&E for the thirty-six (36) month period following an approval and consummation of this purchase agreement? If yes, then please describe in detail.

100. In that E.ON AG is one of the applicants seeking approval of this transaction, please explain why E.ON is not making any regulatory commitment (as reflected by footnote 18 on page 21 of the Joint Application). Further, with regard to this fact, please confirm that post-approval and closing, E.ON AG will no longer bear any risk associated

with any potential negative or adverse consequences of the transaction. If this is not the case, then please explain why not including the risk that E.ON AG will continue to bear post-consummation.

101. Is PPL Corporation willing to make a commitment that if it does not hold LG&E and KU for a ten-year (10) period, then it will pay (to the Commonwealth of Kentucky) an exit fee if it voluntarily enters into an agreement to sell either LG&E or KU? If no, then please explain why not?

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

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

104. Reference: Joint Application (at page 24 and again at Exhibit D Page 4 of 7). Please explain why it is necessary for PPL to "develop a retention and incentive program for managers of PPL Kentucky, LG&E and KU."

105. Reference: Joint Application (at page 26). With regard to PPL's commitment to "review with LG&E and KU whether policies more sympathetic to those [low-income] customers would be appropriate," please answer the following:

    a. Indicate whether it is the position of the Joint Applicants that the policies are currently under-reviewed or otherwise inadequately reviewed? If yes, then please explain in detail.

    b. Please describe with specificity PPL's consideration of these policies to-date (including whether PPL considered these policies as part of its valuation of E.ON U.S.) ***and*** describe with specificity how PPL will review policies in terms of the goals of the review process that PPL proposes as well as a narrative which describes how PPL plans to incorporate the results of the review into its business process and business planning.

c. If PPL has not yet conducted any review of LG&E or KU's policies, then please indicate the lack of review and explain why the review has not been conducted.

106. Reference: Joint Application (Exhibit D, Page 2 of 7). Please explain why LG&E and KU, and their ratepayers, directly or indirectly, should incur any additional costs, liabilities, or obligations in conjunction with the Purchase in connection with the repayment and refinancing of Closing Indebtedness, in accordance with its terms?

107. Reference: Joint Application (Exhibit D, page 3 of 7). With regard to future rate cases, please explain the following:

a. How will LG&E and KU demonstrate that it is not seeking a higher rate of return on equity than would have been sought if no acquisition had occurred?

b. Will the Joint Applicants agree to a commitment through which the cost associated with demonstrating compliance with this provision will be borne solely by shareholders and not recovered through rates? If not, why not?

c. If LG&E and KU were to seek a higher rate of return on equity than would have been sought in the absence of an acquisition, then what is the remedy? Include in this discussion an answer to the inseparable question of whether the Joint Applicants believe that the Commission has the power to establish a return on equity for either LG&E or KU that is expressly below a return on equity that the Commission would otherwise authorize "but for" this commitment.

d. Does KRS Chapter 278 provide the authority for the Commission to, based upon this commitment, "cap" or otherwise limit the return on equity for LG&E or KU to a return on equity that would have been sought if no acquisition had occurred? If yes, then please identify the basis for the authority.

e. Do the Joint Applicants believe that the Commission's enforcement of this provision is permissible (as being lawful in view of federal and state constitutional protections relating to the taking of property as well as federal and state statutes relating to rate-setting)?

108. With regard to any pending or threatened litigation (including any pending or threatened regulatory review or supervision enforcement actions) involving E.ON AG, E.ON U.S., LG&E, and KU, is E.ON AG making any provisions through which it will agree to fund the defense of pending or threatened litigation.

109. Joint Application (Testimony of James H. Miller, page 5, beginning at line 16). Please identify all "key" markets for electricity and also identify all non-key markets for electricity (and identify the basis for defining a market as "key" or non-key). (If Mr. Miller wishes to limit his identify of "key" markets to those in the United States, then that is acceptable. However, if he limits his answer to an analysis of key markets in the United States, then we ask that he expressly state or otherwise provide a disclaimer. Likewise, he may limit his answer as to non-key markets to the United States, providing that he provide a disclaimer.)

110. Joint Application (Testimony of James H. Miller, page 7, beginning at line 16 and again at page 8 beginning at line 9). Mr. Miller identifies the provision of "superior service at reasonable and competitive rates" as part of PPL's strategic vision for creating value for its customers. With regard to this portion of Mr. Miller's testimony, please answer the following:

   a. Is it Mr. Miller's belief that KU currently provides "superior service at reasonable and competitive rates" in a manner consistent with PPL's strategic vision? If yes, then please explain the basis for this belief. If no, then please explain the basis for this belief ***and*** identify the areas meriting improvement.

   b. Is it Mr. Miller's belief that LG&E currently provides "superior service at reasonable and competitive rates" in a manner consistent with PPL's strategic vision? If yes, then please explain the basis for this belief. If no, then please explain the basis for this belief ***and*** identify the areas meriting improvement.

   c. If the answers to sub-parts "a" and "b" are yes, then please confirm that KU and LG&E are currently operating in a manner which will achieve the "sustainable long-term growth for its [PPL's] shareholders." If you are unable to confirm this premise, then please explain why not.

   d. With regard to the testimony on page 9, beginning on Line 11, is it the position of Mr. Miller that "investment needed to provide the highest quality services to customers in Kentucky" is investment for maintaining the *status quo* with regard to service? (Or is it the case that Mr. Miller believes that ***additional***, incremental investment is needed in order for either LG&E or KU to provide a level of service consistent with PPL's long-term strategic vision?)

111. Reference: Joint Application (Testimony of James H. Miller, page 10, beginning at line 5). For the portion of the transaction through which "PPL will cause LG&E and KU to repay and refinance all amounts outstanding and all other amounts then due and payable under the unsecured notes held by Fidelia Corporation," will LG&E or KU, and their ratepayers, directly or indirectly, incur any additional costs, liabilities, or obligations in connection with PPL's causing of LG&E and KU to take these actions? If yes, please identify the additional costs, liabilities, or obligations ***and*** explain why the ratepayers should bear these items.

112. Do the Joint Applicants anticipate that LG&E and KU will be participants in a consolidated tax return or will LG&E and KU file separate tax returns?

113. Joint Application (Testimony of William H. Spence, page 7 beginning at line 10). Has Mr. Spence reviewed the Kentucky Public Service Commission Regulations (as well as other applicable Kentucky law including Kentucky Commission precedent) regarding assisting low-income customers? If yes, then please identify the PPL programs for assisting low-income customers that could be utilized in Kentucky. For any program utilized in Pennsylvania for which Mr. Spence holds the belief that it could not be utilized in Kentucky, provide an explanation regarding the inability to apply the program.

114. Joint Application (Testimony of Karl-Heinz Feldmann, page 3). Please explain what Mr. Feldmann means by "more clarity in its portfolio and room for organic growth in other markets."

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

116. Joint Application (Testimony of S. Bradford Rives, page 8, line 14). Please confirm that "stand-alone" tax calculation for the parties under the 2009

Amended and Restated Tax Allocation Agreement is for the purpose of separating the regulated and non-regulated businesses.

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

118. Joint Application (Testimony of Paul A. Coomes and attached *curriculum vitae*). Please provide the following items and answer the following questions:

  a. Provide a copy of the journal article "Cyclical Patterns and Structural Changes in the Louisville Area Economy Since 1990."

  b. Provide a copy of the journal article "An Evaluation of the Effectiveness of Louisville's Enterprise Zone."

  c. Please provide the conference presentation materials for "Measurement Systems for Regional Economic Development" (San Antonio, Texas 1999).

  d. Please provide a copy of "Capacity and Performance of Philanthropy, Charitable Giving, and the Public Sector in Owensboro-Daviess County Kentucky."

  e. Please provide a copy of "An Economic Analysis of the Gainsborough to Rembrandt Art Show."

  f. Please provide a narrative of Dr. Coomes' (1987) participation in the Delphi Panel on long-range utility forecasts.

  g. Has Dr. Coomes ever filed testimony regarding the cost of capital (including the cost of equity) in a regulatory proceeding for setting the rates of a public utility? If yes, then please identify the proceeding (by jurisdiction and docket number, the date that the testimony was submitted, provide a copy of the testimony, and provide a copy of the corresponding final order for the proceeding).

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

a. Is Dr. Coomes' assistance to the Joint Applicants limited to providing "a regional economic development perspective on the proposed acquisition"? If no, then explain the scope of Dr. Coomes assistance to the Joint Applicants.

b. Did Dr. Coomes review the most recent rate adjustment filing of LG&E? If yes, then please provide a narrative that discusses the nature of the review and Dr. Coomes' findings or opinions regarding the cost of capital and return on equity for LG&E.

c. Did Dr. Coomes review the most recent rate adjustment filing of KU? If yes, then please provide a narrative that discusses the nature of the review and Dr. Coomes' findings or opinions regarding the cost of capital and return on equity for KU.

d. Has Dr. Coomes researched the issue of whether any element of LG&E's cost of capital (debt, equity, etc.) would be different under PPL ownership as compared to ownership by E.ON AG? If yes, then please explain the findings to date.

e. Has Dr. Coomes researched the issue of whether any element of KU's cost of capital (debt, equity, etc.) would be different under PPL ownership as compared to ownership by E.ON AG? If yes, then please explain the findings to date.

f. Has Dr. Coomes performed any investigation into PPL Corporations' credit profile and ability to attract capital? If yes, then please explain the findings to date.

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

120. Reference: Joint Application (Testimony of Paul A. Coomes). Please provide the following:

a. The date that Dr. Coomes was retained by the Joint Applicants.

b. A copy of Dr. Coomes' contract with the Joint Applicants regarding his assistance.

c. A list of the materials provided to Dr. Coomes by the Joint Applicants.

d. A list of materials (including articles, websites, trade publications, reports), utilized by Dr. Coomes in developing his testimony for this proceeding.

e. If Dr. Coomes conducted any interviews or otherwise engaged in any discussions regarding this transaction and is relying upon those interviews or discussions as the basis for forming his testimony, then please provide a list containing the individuals or participants in the interviews or discussions as well as the corresponding dates and provide any documents used, provided, or received in those interviews or discussions.

121. Will E.ON U.S., LG&E or KU be exposed to any type of contractual liability or obligations than otherwise if this acquisition is approved? If so, please describe in detail for any/each company.

122. Will E.ON U.S., LG&E or KU be exposed to any increase in insurance premiums, whether health insurance, disability, life, etc. than otherwise if this acquisition is approved? If so, please describe in detail for any/each company.

123. Will E.ON U.S., LG&E or KU be exposed to any additional contributions to any pension plans, medical plans, etc. for employees be required than otherwise if this acquisition is approved? If so, please provide in detail with any employee's or officer's name(s), if known, as well as amount.

124. Will E.ON U.S., LG&E or KU be exposed to any additional generation, transmission, or distribution requirements than otherwise if this acquisition is approved?

125. Reference: Purchase and Sale Agreement (Section 5.18 – Rate Cases). Has the purchaser provided any written consent(s) as described in this Section? If yes, please identify the date of the consent.