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Secretary
Energy and Environment Cabinet

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James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

June 28, 2010

PARTIES OF RECORD

Re: Case No. 2010-00204

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Richard Raff at 502/564-3940, Extension 263.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director


RR/ew

Attachment – Memo and Attendance List only

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Richard Raff, Staff Attorney 

DATE: June 28, 2010

SUBJECT: Case No. 2010-00204
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

Pursuant to the Commission Staff's notice, an informal conference was held at the Commission's offices on June 2, 2010 at 1:30 p.m. for the purpose of allowing the applicants to present an overview of the acquisition transaction. A copy of the list of those in attendance is attached hereto. A copy of the joint applicants' presentation is also attached hereto.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2010-00204

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

SIGN IN

June 2, 2010

PERSON	REPRESENTING
<u>RICHARD RAFF</u>	<u>PSC-CE&L</u>
<u>JEFF SHAW</u>	<u>PSC-FIN. ANALYSIS</u>
<u>AARON GREENWELL</u>	<u>PSC-FA</u>
<u>John Rogness</u>	<u>PSC-FA</u>
<u>Quang D. Nguyen</u>	<u>PSC-Legal</u>
<u>Scott Lawless</u>	<u>PSC-FA</u>
<u>Chris Whelan</u>	<u>PSC-FA</u>
<u>Daryl Gouby</u>	<u>PSC-FA</u>
<u>Holly Rachel Smith</u>	<u>WACHA</u>
<u>Matt Malone</u>	<u>KSBA</u>
<u>Chuck Buechel</u>	<u>KSBA</u>
<u>Iris Skidmore</u>	<u>CAC</u>
<u>Charlie Gault</u>	<u>CAC</u>
<u>Jack Burch</u>	<u>CAC</u>
<u>Marlon Cummings</u> -1-	<u>ACM</u>
<u>Lisa Kibbelly</u>	<u>ACM</u>

PERSON

wyatt,
Tarrant
& Combs, LLP

REPRESENTING

FRANK CHUPPE

PPL

RICK NORTHERN ~~with~~

PPL

Holly Rachel Smith

Outside Counsel to WALMART

Matt Malone

KSBA

Chuck Buechel

KSBA

Iris Skidmore

CAC

Chelli Lantz

CAC

Jack Burch

CAE

Marlon Cummings

Assoc. of Community Ministries

Lisa Kilkelly

Assoc. of Community Ministries

Fereydoon Gorjian

PSC / Electric Branch

Janet B. Powell

PSC/legal

John Clapp

PSC/legal

Jim Smith

PSC / Consumer Services

ELIE RUSSELL

PSC

Dominic Ferella

KCTA

LARRY ZIELKE

KCTA

David A Brown

Kaiser

Steve Seelye

for LGTE/KJ

Ed Thomas

AG

PERSON

Lonnie Bellar

PAUL RUSSELL

Kudiel R Ripp

Mike Kurtz

Allyson Sturgeon

Kim McCann

Kurt Behm

Larry Cook

Dennis Howard

Robert Conroy

Brad Keeton

Stwe Seelye

Bill May

REPRESENTING

LG+E & KU

PPL COPP.

SKO for LG+E/KU

KIUC

LG+E / KU

NAS

KIUC

OAG

OAG

LG+E / KU

SKO for LG+E / KU

LG+E / KU

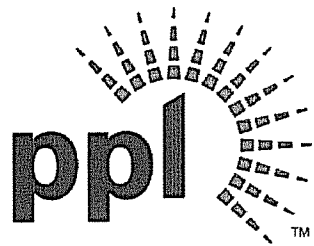
KSBA

Presentation of PPL, E.ON U.S., LG&E, and KU to the Kentucky Public Service Commission

Case No. 2010-00204

June 2, 2010

Frankfort, Kentucky

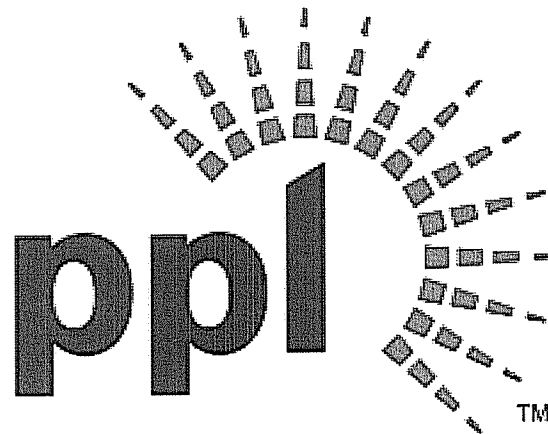


U.S.



Overview of PPL Corp.

- Presented by Paul E. Russell, Associate General Counsel, PPL Corp.



PPL Corp. at a Glance

- Fortune 500 global energy and utility holding company headquartered in Allentown, Pennsylvania
- Traces its origins to the 1920 merger of eight utilities
- One of the ten largest utility companies in the United States
- Currently serves more than 4 million utility customers
- 2009 revenues of \$7.556 billion
- 2011 estimated rate base of \$6.1 billion
- Total assets of \$22.2 billion
- Competitive generation capacity of 11,695 megawatts
- 10,489 employees
- Enterprise value of \$18.2 billion

PPL Corporate Structure

- PPL Corp. has four principal subsidiaries:
 - PPL EnergyPlus markets energy in key U.S. markets.
 - PPL Generation operates more than 12,000 megawatts of electricity generating capacity located primarily in Pennsylvania, Montana, Maine, Illinois and Connecticut, with an additional 239 megawatts of planned uprate projects.
 - PPL Electric Utilities delivers electricity to 1.4 million customers in Pennsylvania.
 - PPL Global delivers electricity to 2.6 million customers in the U.K.

PPL Corporation

•Supply Segment

- PPL Generation, LLC: Owner and operator of a fleet of nuclear, coal, and hydro generating stations in Pennsylvania, Montana, and New England
- PPL EnergyPlus, LLC: Marketing, trading, and fuel procurement in key U.S. markets

•PA Delivery Segment

- PPL Electric Utilities Corp.: 1.4 million customer electric delivery business in Pennsylvania

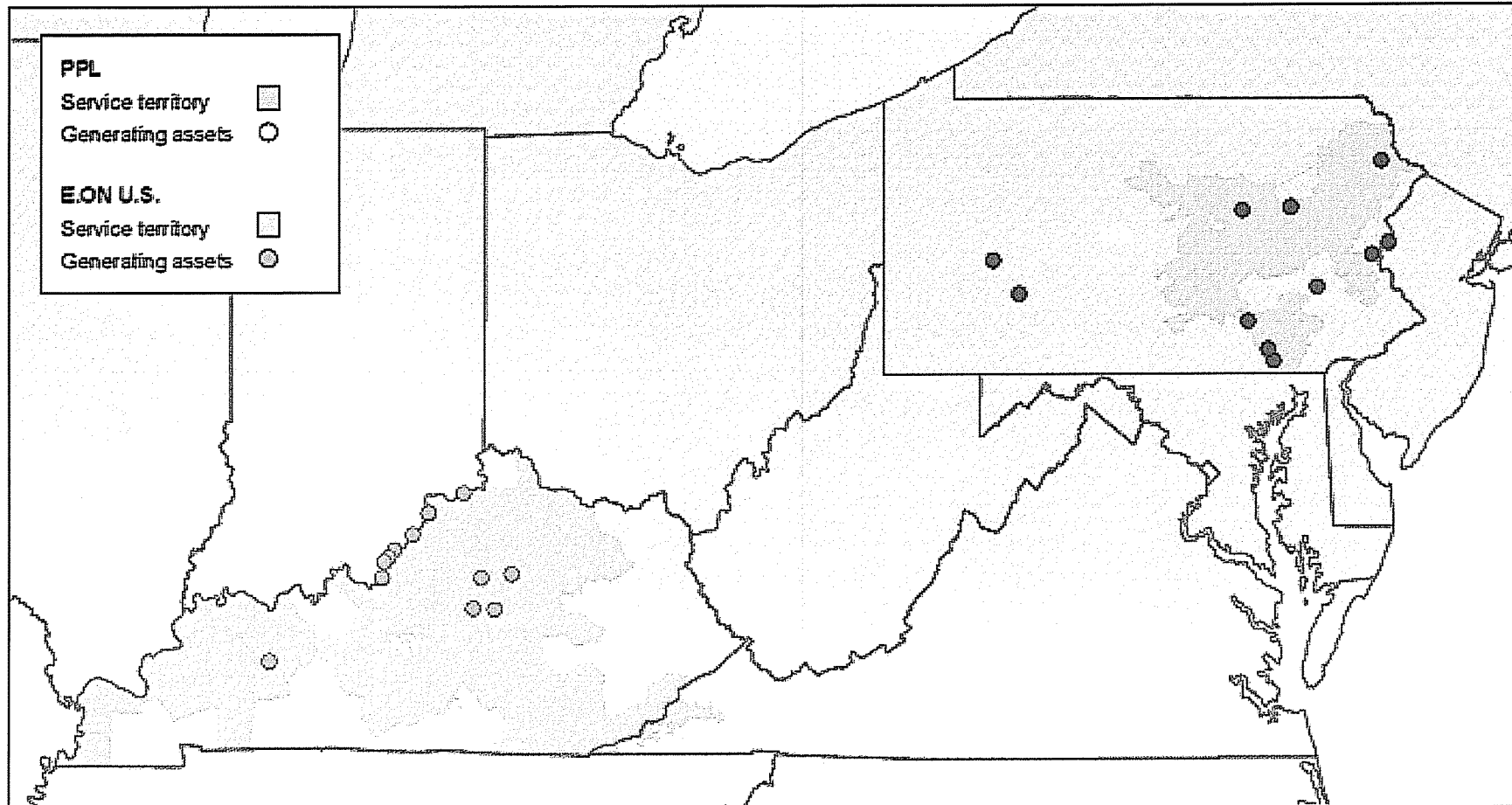
•International Delivery Segment:

- WPD: 2.6 million customer electric delivery business in the U.K.

PPL Corporate Leadership Council

- James H. Miller - Chairman, President and Chief Executive Officer
- Paul A. Farr - Executive Vice President and Chief Financial Officer
- William H. Spence - Executive Vice President and Chief Operating Officer; President-PPL Generation
- Robert J. Grey - Senior Vice President, General Counsel and Secretary

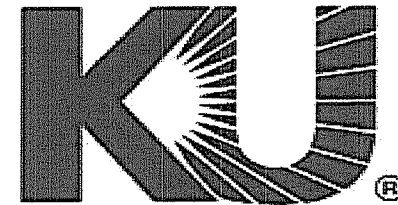
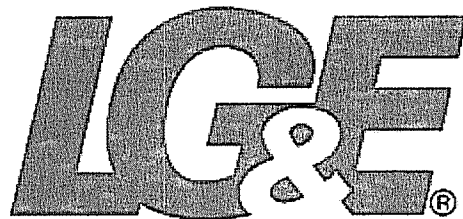
Utility Operations



Note: Represents only PPL Electric Utilities service territory and generation in PA.

Change of Control Application

- Presented by Lonnie E. Bellar, Vice President of State Regulation and Rates, Louisville Gas and Electric Company and Kentucky Utilities Company



Change of Control Application

- PPL and E.ON US Investments Corp. have entered into a Purchase and Sale Agreement whereby PPL will purchase 100% of the limited liability interests of E.ON U.S., the parent company of LG&E and KU
- The purchase price is \$7.625 billion, which consists of cash consideration of \$6.7 billion and the assumption by PPL of all tax-exempt pollution control bonds issued by LG&E and KU outstanding at the time of closing, expected to be approximately \$925 million

Exhibits to Joint Application

- A. Purchase and Sale Agreement
- B. Present corporate structure of E.ON AG
- C. Post-proposed acquisition corporate structure of E.ON AG
- D. Regulatory Commitments
- E. Articles of Incorporation and Bylaws of PPL
- F. Present corporate structure of PPL
- G. Articles of Association of E.ON AG
- H. Certificate of Incorporation and Bylaws of E.ON US Investments Corp.
- I. Articles of Organization and Operating Agreement of E.ON U.S.
- J. Articles of Incorporation and Bylaws of LG&E
- K. Articles of Incorporation and Bylaws of KU
- L. Maps showing service territories and systems of LG&E and KU
- M. Written testimony of eight witnesses

Written Testimony Submitted with Joint Application

- **James H. Miller**, Chairman, President, and Chief Executive Officer of PPL, testifies regarding the strategic purposes for the proposed acquisition and PPL's expectations for the future of LG&E and KU
- **Paul A. Farr**, Executive Vice President and Chief Financial Officer of PPL, testifies regarding PPL's financial ability to consummate the proposed acquisition and the financial strength of the PPL companies after the closing of the proposed acquisition
- **William H. Spence**, Executive Vice President and Chief Operating Officer of PPL, testifies regarding PPL's technical and managerial abilities in the generation, transmission, and distribution of electric power systems, and PPL's experiences with, and policies regarding, retail customers
- **Karl-Heinz Feldmann**, General Counsel and Executive Vice President of E.ON AG, testifies regarding the proposed acquisition from E.ON AG's perspective
- **Victor A. Staffieri**, Chairman, President, and Chief Executive Officer of E.ON U.S., LG&E, and KU, testifies regarding the compliance of the proposed acquisition with U.S. law and the expected operations of LG&E and KU after the closing of the proposed acquisition
- **S. Bradford Rives**, Chief Financial Officer of E.ON U.S., LG&E, and KU, testifies regarding affiliate transactions and the accounting issues raised by the proposed acquisition and the Commission's authority regarding those matters after the closing of the proposed acquisition
- **Paul A. Coomes**, a Professor of Economics at the University of Louisville, testifies regarding whether the proposed acquisition is consistent with the public interest
- **Lonnie E. Bellar**, Vice President of State Regulation and Rates of LG&E and KU, testifies regarding regulatory issues affecting LG&E and KU after the closing of the proposed acquisition

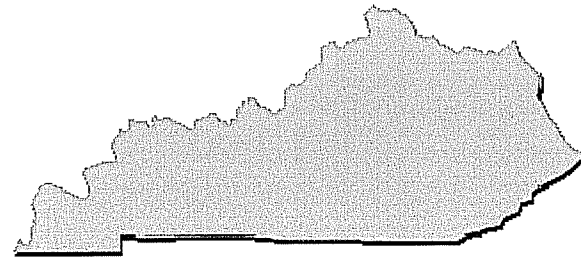
Regulatory Commitments

- PPL is aware of the importance of the regulatory commitments that the Commission imposed in the LG&E-KU merger, the acquisition by Powergen plc, and E.ON AG's acquisition of Powergen
- For that reason, PPL and E.ON US Investments agreed in the Purchase and Sale Agreement that PPL would take the unusual step of making Regulatory Commitments in advance of seeking this Commission's approval
- The Regulatory Commitments are attached to the Purchase and Sale Agreement, Exhibit A to the Parties' Joint Application, and are also attached separately as Exhibit D to the Joint Application



Commitments to the Communities Served by E.ON U.S., LG&E, and KU

- To maintain E.ON U.S.'s and LG&E's headquarters in Louisville and KU's headquarters in Lexington for a period of 15 years following consummation of the proposed acquisition



- That no planned workforce reductions will be made as a result of the proposed acquisition
- For as long as it owns, controls or manages LG&E or KU, PPL will endeavor to have an individual resident of Kentucky on its Board of Directors

- To work with the Governor of the Commonwealth of Kentucky and with state agencies to promote economic development in Kentucky

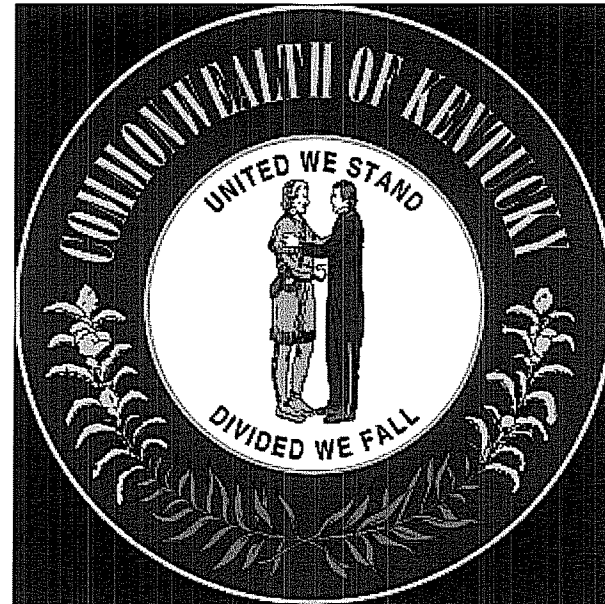
- That LG&E and KU will continue to maintain a substantial level of involvement in community activities, through annual charitable and other contributions, on a level comparable to or greater than present levels

Financing Applications

- E.ON U.S., LG&E, and KU have also filed applications with the Commission seeking approval to refinance portions of LG&E's and KU's debt
 - Refinance \$1.816 billion in unsecured debt held by Fidelia Corporation, a subsidiary of E.ON AG, with unsecured notes from PPL at the time the proposed acquisition closes
 - These unsecured notes would later be refinanced with First Mortgage bonds issued by LG&E and KU
 - Long-term debt will not increase beyond what the Commission has already approved
 - Secure tax exempt pollution control bonds
 - Replace revolving credit facilities

Future Conference

- The Commission has indicated its preference for another conference during the third or fourth week of June 2010
- PPL, E.ON U.S., LG&E, and KU look forward to meeting again soon with the Commission

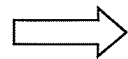


Additional Information on PPL



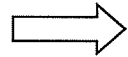
PPL: An Industry Leader

◦A Leader in Service and Reliability



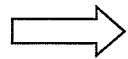
◦Consistently ranked among the top companies in the U.S. for customer service and satisfaction

◦A Leader in Competitive Rates



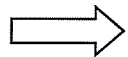
◦PPL Electric's rates are among the lowest in the Mid-Atlantic region

◦A Leader in Workplace Health & Safety



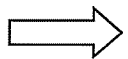
◦PPL has received numerous awards for the strength and effectiveness of its safety programs
◦Many of PPL's facilities have been certified as Star sites under OSHA's Voluntary Protection Program

◦A Leader in Community Giving



◦Over \$3.5 million contributed to charitable organizations in 2008
◦\$1 million in grants through the Montana Community Fund since 2005
◦\$2.8 million in company and employee contributions to United Way for 2010

◦A Leader in Environmental Stewardship



◦In addition to investing in renewable energy, PPL has invested over \$1.6 billion since 2006 in clean coal technologies and other plant upgrades
◦8,295 acres of lakes and rivers managed at PPL-maintained environmental preserves for public recreation and habitat preservation

PPL: An Award Winner



- PPL Electric Utilities has received 16 J. D. Power and Associates awards for customer satisfaction - more than any other utility in the country



- In 2009, PPL Corporation ranked 314 on the Fortune 500



- PPL Corporation was named one of the 100 best corporate citizens for 2008 by CRO magazine

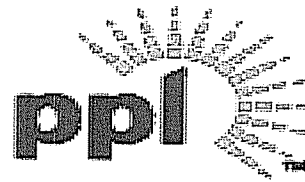


- For the 5th consecutive year, The Arbor Day Foundation, in cooperation with the National Association of State Foresters, recognized PPL Electric Utilities in 2010 as a Tree Line USA utility



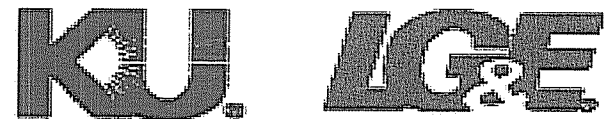
- National Safety Council named Jim Miller, PPL's chairman, president and CEO, on its list of CEOs Who "Get It." The list recognizes leaders from all industries who understand the importance of engaging employees in a strong, effective safety program

Combined Cultures of Excellence



PPL Electric Utilities

- J.D. Power study of business customer satisfaction among Eastern U.S. utilities
 - Ranked 1st 8 times in the past 11 years
 - Total of 16 awards, more than any other electric utility in the country
- J.D. Power study of residential customer satisfaction among Eastern U.S. utilities
 - Earned top honor 8 times
- Field sites certified as Star sites under the OSHA Voluntary Protection Program



- J.D. Power study of residential customer satisfaction among Midwest U.S. utilities
 - Ranked 1st 7 times in the past 10 years
- KU received highest ranking in JD Power's 2010 electric utility business customer satisfaction study
- Winner of prestigious EEI Emergency Recovery Award for outstanding service restoration during January 2009 ice storm