

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SUPPLEMENTAL INFORMATION REQUEST TO  
PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,  
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY,  
AND KENTUCKY UTILITIES COMPANY

PPL Corporation ("PPL"), E.ON AG, E.ON US Investments Corp. ("E.ON Investments"), E.ON U.S. LLC, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, "Joint Applicants"), pursuant to 807 KAR 5:001, are to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due no later than July 26, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and

accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Joint Applicants shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the response to Item 1.b. of Commission Staff's Initial Data Request ("Staff's First Request"). The response indicates that PPL's gas and propane subsidiaries, which were sold in 2008, represented about one percent of its overall earnings from ongoing operations in 2007. The response also indicates that PPL's focus is on growth opportunities in its core businesses of power generation, energy marketing and electricity delivery.

a. Provide the percentage of PPL's overall earnings for 2009 that would be represented by LG&E's 2009 gas operations.

b. Describe the ways PPL expects to support growth opportunities for the gas operations of LG&E.

c. For LG&E's gas operations, describe the management expertise that will allow PPL to fulfill the requirement of KRS 278.020(5) which requires that a purchaser have the technical and managerial ability to provide reasonable service.

d. Provide the number of current PPL employees that were actively involved in the day-to-day operation and management of PPL Gas Utilities Corporation.

2. Refer to the response to Item 5.a.(3) of Staff's First Request. Provide the projected payout ratios for calendar years 2010, 2011, and 2012.

3. Refer to the risk factors listed under Item 1A, page 9 of PPL's 2009 10-K.

a. Provide an update to any existing risks identified in the 2009 10-K.

b. Provide any new risks identified since the date of the 2009 10-K and describe their impacts on PPL.

4. Refer to Note 18, page 177, of PPL's 2009 10-K and the response to Item 88 of the First Data Request of the Attorney General ("AG").

a. Describe the impact that the acquisition of E.ON US LLC ("E.ON") is expected to have on PPL's use of derivative instruments and hedging activities.

b. Note 18 indicates that PPL and its subsidiaries are exposed to market risks associated with operating in restructured electricity markets and currency exchange rates related to investments in affiliates in the U.K., risks to which LG&E and KU are not currently exposed. Describe the extent to which PPL's exposure to these risks may factor into future ratings analyses of LG&E and KU.

5. Refer to the response to Item 18.a. of Staff's First Request. The response reiterates statements in the application and other data responses regarding the positive impact the proposed acquisition will have on PPL. Provide a thorough description of

how the acquisition is expected to benefit LG&E, KU, their customers, the communities in which they operate, or the Commonwealth of Kentucky as opposed to it maintaining the status quo per E.ON's ownership of the utilities.

6. Refer to the response to Item 18.b. of the Staff's First Request.

a. Identify the specific regulatory commitments which PPL believes "[p]reclude or substantially limit the creation of traditional acquisition synergies."

b. For each commitment identified in response to part a. of this request, explain why PPL believes it precludes or substantially limits the creation of traditional acquisition synergies.

7. Refer to slides 7 and 8 of the Booz & Co. ("Booz") draft report on the CD provided in response to Item 18.b. of Staff's First Request.

a. Explain how the potential synergies of 1) generation performance, 2) fuel supply, 3) supply-chain (non-fuel) and 4) IT could be impacted by any of the regulatory commitments offered by PPL.

b. Explain in detail why PPL chose not to have Booz proceed beyond its preliminary analysis of potential synergies related to the proposed acquisition.

c. Does PPL intend to have Booz complete its analysis of potential synergies for the purpose of supporting the filing that PPL has committed to make 60 days after completion of the proposed transfer? If not, explain in detail why not and whether PPL will retain another independent consultant to prepare an analysis to support the filing to be made 60 days after completion of the proposed transfer.

8. Refer to the last paragraph on page 1 of the attachment to the response to Item 1 of the AG's first data request identified as Proposal for a resolution to be adopted

by the Supervisory Board of E.ON AG, dated April 27, 2010. Describe the extent to which PPL's assessment of the risk associated with LG&E and KU due to the potential implementation of CO<sub>2</sub> regulation differs from E.ON AG's assessment of that risk.

9. Refer to the response to Item 16 of the First Data Request of Kentucky Industrial Utility Customers, Inc. which states that "[A]fter closing, PPL is expected to provide some services to KU and LG&E."

a. Regulatory commitment 8 in Exhibit D of the application states that "Purchaser . . . commit[s] that . . . LG&E and KU, and their ratepayers, directly or indirectly, shall not incur any additional costs, liabilities or obligations in conjunction with the Purchase . . . ." Explain why the word "indirectly" is included in the text of this commitment and clarify whether it is intended to address post-closing costs such as the cost of services PPL is expected to provide KU and LG&E.

b. Based on the response to part a. of this request, explain whether it is PPL's expectation that the cost of these services will be passed on to the ratepayers of LG&E and KU.

10. Has PPL or any of its affiliates, E.ON AG ("E.ON") or any of its affiliates, or any person on behalf of PPL, E.ON or any of their respective affiliates prepared or performed any analysis, calculation, estimate, projection, study, report, memorandum, or letter (collectively "document"), whether partial, preliminary, incomplete, or final, relating to the following:

a. The sale, transfer or other disposition of the LG&E gas distribution system separately from the LG&E electric system?

b. The synergies that now exist within LG&E due to its operation as a combined electric and gas system?

c. The costs or benefits now existing on the LG&E system that would be impacted if LG&E's gas system and electric system do not continue to be operated by the same utility?

d. If the response to any of the above is yes, provide copies of each such document.

11. State the opinion of James H. Miller on whether LG&E and its customers currently benefit from synergies that result from LG&E operating a combined gas and electric utility and, if so, whether those synergies would be diminished if LG&E's gas system and electric system do not continue to be operated on a combined basis.

12. State the opinion of Victor A. Staffieri on whether LG&E and its customers currently benefit from synergies that result from LG&E operating a combined gas and electric utility and, if so, whether those synergies would be diminished if LG&E's gas system and electric system do not continue to be operated on a combined basis.



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DATED   **JUL 16 2010**  

cc: Parties of Record

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