



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

RECEIVED

JUL 26 2010

PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

July 26, 2010

RE: *Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of An Acquisition of Ownership and Control of Utilities – Case No. 2010-00204*

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and twelve copies of the Supplemental Responses of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company to the Requests for Information of the Office of the Attorney General, Item Nos. 1-16, 1-31, 1-91(c), 1-92 and 1-103. The information provided in the supplemental response to Attorney General, Item No. 1-31 is considered to be confidential and is being submitted pursuant to a Petition for Confidential Protection. The confidential versions of the referenced documents are contained on the attached CDs and filed under seal and marked “confidential.” The public versions of the referenced documents are also contained in separate CDs marked “public.”

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**JULY 26, 2010 JOINT SUPPLEMENTAL RESPONSE OF
PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY
TO THE
ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED JUNE 23, 2010**

FILED: July 26, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says he is Chief Financial Officer of E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

SBRives
S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of July, 2010.

Jammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

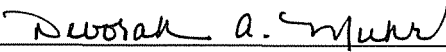
COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

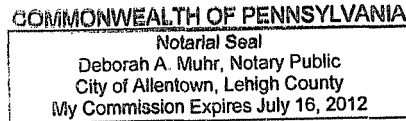
PAUL A. FARR, being duly sworn, deposes and says that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.



PAUL A. FARR

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


Notary Public



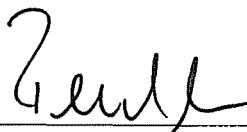
My Commission Expires:

July 16, 2012

VERIFICATION

FEDERAL REPUBLIC OF GERMANY)
) SS:

The undersigned, **Karl-Heinz Feldmann**, being duly sworn, deposes and says he is the General Counsel of E.ON AG, he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



KARL-HEINZ FELDMANN

Subscribed and sworn to before me, a Notary Public in and before said Country and State, this July 21, 2010.



Notary Public

My Commission Expires:

August 2035



VERIFICATION

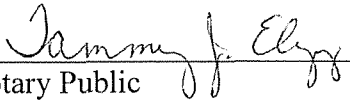
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says he is Vice President of State Regulation and Rates of Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and answers contained therein are true and correct to the best of his information, knowledge and belief.



LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 23rd day of July, 2010.

 (SEAL)

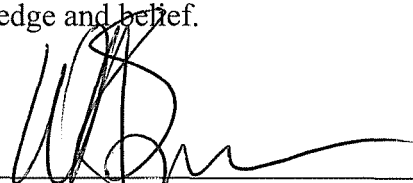
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

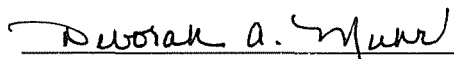
COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

WILLIAM H. SPENCE, being duly sworn, deposes and says that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.



WILLIAM H. SPENCE

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



Notary Public

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

My Commission Expires:

July 16, 2012

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY**

CASE NO. 2010-00204

**July 26, 2010 Joint Supplemental Response to the
Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 16

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

- Q-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.
- A-16. PPL has committed (Commitment 15) to develop a retention and incentive program for the Company, LG&E and KU with the stated goal of this program being finalized within 120 days of the order approving the transaction. No determinations have been made with respect to the plan envisioned in Commitment 15. The Joint Applicants will not seek recovery of any incentive or retention program costs associated with the transaction from LG&E or KU ratepayers. However, cost recovery for incentive or retention costs incurred in the normal course of LG&E's and KU's operations will be consistent with past practice. If the Commission approves the transaction by October 1st, 2010 and the transaction closes by December 31, 2010 the program referenced in Commitment 15 should be finalized by the end of January 2011.

E.ON AG had developed an incentive and retention plan, to be paid by E.ON U.S., targeted at 22 employees. The incentive plan covers the E.ON U.S. top five executives while the retention plan covers 17 other key employees. The incentive plan is conditioned on the successful closing of the transaction and could result in payouts totaling up to \$5.9m. Recovery of these costs from customers will not be sought. The retention plan covers 17 other key employees and will result in two payouts, one immediately following closing and the other 12 months after closing (contingent on the employee not having given notice to leave the company). Each of the two payouts will be based on 50% of the employees' base salary, for seven employees and 30% for 10 employees, resulting in a total payout of approximately \$2.8m. Recovery of these costs from customers will not be sought.

Please also see response to KIUC 1-10.

PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

CASE NO. 2010-00204

**July 26, 2010 Joint Supplemental Response to the
Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 31

Responding Witness: Karl-Heinz Feldmann /S. Bradford Rives / Paul A. Farr / Counsel

- Q-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-31. On July 14, 2010, PPL and E.ON AG filed their respective premerger notifications pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR") with the Federal Trade Commission's Bureau of Competition. Copies will be filed with the Commission under a Petition for Confidential Protection. The entire content of each HSR filing is considered to be confidential under the HSR Act and to contain confidential and proprietary commercial information related directly to issues of competition, and public disclosure of these materials would cause the Joint Applicants harm. Accordingly, the information responsive to this request for information is being provided to the Attorney General on a compact disc under the Confidentiality Agreement and filed with the Commission pursuant to a petition for confidential treatment. Certain confidential information which is not available to the general public and the investment community will be provided by PPL for a visual inspection by the Attorney General at a mutually convenient date and time during the week of July 26, 2010. Certain information which is not relevant to the inquiry in this proceeding has been redacted from each of the PPL and E.ON AG HSR confidential filings with this response.

PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

CASE NO. 2010-00204

**July 26, 2010 Joint Supplemental Response to the
Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 91

Responding Witness: Karl-Heinz Feldmann / Counsel

- Q-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:
- c. Identify the criteria for selecting targets for soliciting a bid.
- A-91. Without wavier of the objections made in response to OAG 1-90, the following supplemental response is made:
- c. As E.ON AG engaged in the process of pursuing a potential sale of E.ON U.S. it relied not only on its own knowledge of the market but also on its investment advisers to identify potential bidders. In evaluating the bidders, E.ON AG considered each bidder's strategic rationale for the transaction and each bidder's capability of completing a transaction. This included an evaluation of the financial capability and operational experience of each bidder, including the strength of each bidder's balance sheet and its access to capital markets, each bidder's operating track record and the consistency of its own strategy with that of E.ON U.S., each bidder's ability to complete a transaction in light of each bidder's other obligations and commitments requiring management attention, each bidder's experience working with regulators and other stakeholders and each bidder's willingness and ability to make and fulfill regulatory commitments similar to those previously agreed by E.ON in its own acquisition of E.ON U.S. The process that ensued was typical of that for similar transactions. No bidder was excluded from consideration as a consequence of the consideration offered by that bidder.

PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

CASE NO. 2010-00204

**July 26, 2010 Joint Supplemental Response to the
Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 92

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

- Q-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.

- A-92. a. In Case No. 2001-00104, the record showed numerous reasons why the acquisition was in the public interest pursuant to KRS 278.020(5), including, but not limited to: (1) E.ON decided to base its U.S. energy operations of the combined E.ON-Powergen-E.ON U.S. group in Louisville, which gave Kentucky an important opportunity resulting in national and international recognition; (2) the financial strength of LG&E and KU, which would benefit from E.ON's financial strength and access to financial markets; (3) economic development for the benefit of Kentucky resulting from continuing reliable and low-cost energy, which would help to keep the region's cost of living low and positively affect Kentucky's ability to attract and retain population, human capital, and jobs; (4) E.ON's adoption of Powergen's commitments and the operation of LG&E's and KU's earning sharing mechanisms, which ensured that any savings that resulted from the acquisition were shared with LG&E and KU customers; (5) the continuance of best practices coupled with E.ON's contribution to the same, leading to a focus on dynamic best practices; and (6) E.ON continuing LG&E's and KU's commitments to the communities they serve through charitable, civic, and educational investment and undertakings.
- b. Approval of the proposed acquisition will impact the above referenced rationales as follows: (1) while E.ON will no longer base its U.S. energy operations here, Louisville will continue to be the headquarters of both PPL Kentucky and LG&E, and Lexington will continue to be the headquarters of KU for a period of 15 years following consummation of the proposed acquisition, thereby extending the time frame from E.ON's commitment in Case No. 2001-104, and the economic benefit to Kentucky of these headquarters is not expected to change as a result of the proposed acquisition; (2) LG&E and KU continue to be financially strong, and will only benefit from PPL's financial strength; (3) economic development for the benefit of Kentucky resulting from reliable and low-cost energy is not expected to change as a result of the proposed acquisition; (4) while the ESM that was committed to in Case No. 2001-104 is no longer in effect, Regulatory Commitment 39 ensures that LG&E's and KU's ratepayers continue to share in an appropriate amount of any potential future savings; (5) PPL, PPL Kentucky, LG&E, and KU will continue to focus on world-class best practices following consummation of the proposed acquisition; and (6) PPL has committed to maintaining or exceeding E.ON's current levels of commitment to the communities served by LG&E and KU. Please also refer to the Joint Applicants' Supplemental Response to the Attorney General's Initial Request 1-103.
- c. The proposed acquisition is consistent with the public interest because: (1) PPL, PPL Kentucky, LG&E, and KU will adhere to the conditions described in the Commission's orders in Case Nos. 10296, 89-374, 97-300, 2000-095, and 2001-104, except to the extent expressly superseded by KRS 278.2201 through 278.2219, the jurisdiction of FERC or the findings and conditions of the Commission in response to the Joint Application; (2) PPL, PPL Kentucky, LG&E, and KU made commitments regarding the protection of utility resources; (3) PPL, PPL Kentucky, LG&E, and KU made commitments regarding the monitoring of the holding company and its subsidiaries; (4) PPL, PPL Kentucky, LG&E, and KU made commitments regarding

the adequacy of reporting; (5) PPL, PPL Kentucky, LG&E, and KU made commitments regarding the continuity of the Kentucky presence of LG&E and KU; (6) PPL, PPL Kentucky, LG&E, and KU made commitments regarding the continuity of quality service by LG&E and KU; and (7) PPL, PPL Kentucky, LG&E, and KU made commitments regarding the relationships of PPL and its Kentucky subsidiaries with government, the community, employees and other stakeholders. The evidence supporting the reasons why the proposed acquisition is consistent with the public interest is more fully set forth in the Joint Application and supporting testimony.

- d. No. PPL, as the potential acquirer, however, aligns the ownership and control of LG&E and KU more fully with domestic interests and regulatory concerns. PPL's operations in the United Kingdom, more fully discussed on pages 11-12 of the Joint Application, make it a "global energy and utility holding company" as that phrase was used on and in the context of page 4 of the Joint Application, but it is also a domestically headquartered and operated company. PPL has made numerous regulatory commitments that ensure that LG&E's and KU's historical financial strength, quality of service, and commitments to the communities they serve will continue. Further, the Commission has held that, with the types of Regulatory Commitments that have been proposed in this transaction, it is in the public interest to approve the transfer of a utility from the ownership and control of a multinational entity that has chosen to focus its efforts on the European energy market. *See In the Matter of: The Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GMBH, RWE Aktiengesellschaft, Thames Water US Holdings, Inc., and American Water Works Company, Inc. for Approval of a Change in Control of Kentucky-American Water Company*, Case No. 2006-00197 at pg. 18 (Ky. PSC April 16, 2007).
- e. No.

**PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP., E.ON U.S.
LLC, LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY
UTILITIES COMPANY**

CASE NO. 2010-00204

**July 26, 2010 Joint Supplemental Response to the
Attorney General's Initial Request for Information
Dated June 23, 2010**

Question No. 103

Responding Witness: Lonnie E. Bellar

- Q-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.)
- A-103. Please see the Attachment. Bolded text refers to text not present in the commitments from Case No. 2001-00104. Italicized text provides additional comments on the regulatory commitments. The Attachment also includes a list of commitments from Case No. 2001-00104 that were not made in Case No. 2010-00204. The Attachment is also responsive to the Attorney General's Initial Requests 55 and 56 and Supplemental Requests 47 and 48.

RELATION OF REGULATORY COMMITMENTS MADE OFFERED BY JOINT APPLICANTS IN CASE NO. 2010-00204 TO PREVIOUS TRANSACTIONS

1. Except to the extent expressly superseded by KRS 278.2201 through 278.2219, the jurisdiction of the FERC or the findings and conditions set forth in this Order, Purchaser, the Company, Louisville Gas and Electric Company (“LG&E”), and Kentucky Utilities Company (“KU”) shall adhere to the conditions described in the Commission’s Orders in Case Nos. 10296, 89-374, 97-300, 2000-095, and 2001-104. The conditions, restated in Appendix B to the Commission’s May 15, 2000 Order in Case No. 2000-095 and incorporated by reference into the Commission’s August 6, 2001 Order in Case No. 2001-104, concern protection of utility resources, monitoring the holding company and the subsidiaries, and reporting requirements. *(Same text in Appendix A No. 1 – Case No. 2001-00104)*

2. Purchaser commits that the books and records of the Company, LG&E, and KU will be kept in Kentucky. *(Same text in Appendix A No. 2 – Case No. 2001-00104)*

3.

(a) Purchaser, the Company, LG&E, and KU commit not to assert that the **FERC’s jurisdiction under PUHCA 2005** legally preempts the Commission from disallowing recovery in retail rates for the cost of goods and services that LG&E or KU obtain from or transfer to an associate, affiliate, or subsidiary in the same holding-company system. However, LG&E and KU shall retain the right to assert that the charges are reasonable and appropriate. *(Same text in Appendix A No. 3 – Case No. 2001-00104, except reference is to FERC instead of SEC and there is no reference to the Ohio vs. FERC decision)*

(b) The Commission or its agents may audit the accounting records of Purchaser and its subsidiaries that are the bases for charges to LG&E or KU, to determine the reasonableness of allocation factors used by Purchaser to assign costs to LG&E or KU and amounts subject to allocation or direct charges. Purchaser agrees to cooperate fully with such Commission audits. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*

(c) Purchaser, the Company, LG&E and KU will comply with all applicable Commission statutes and regulations regarding affiliated transactions, including timely filing of applications and reports. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*

(d) Each of LG&E and KU will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*

(e) Purchaser, the Company, LG&E and KU will not cross-subsidize between the regulated and non-regulated businesses, and shall comply with the Commission’s

applicable orders and rules with respect to such matters. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*

Purchaser, the Company, LG&E and KU will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between LG&E or KU, on the one hand, and their affiliated interests, on the other hand, or which are otherwise relevant to the business of LG&E or KU, as the case may be. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*

4. Purchaser, the Company, LG&E, and KU commit to provide the Commission with notice 30 days prior to any **FERC** filing that proposes new allocation factors. The notice need not be in precise form of the final filing but will include, to the extent information is available, a description of the proposed factors and the reasons supporting such factors. Purchaser, the Company, LG&E, and KU commit to make a good faith attempt to resolve differences, if any, with the Commission in advance of filing with the **FERC**. *(Same text in Appendix A No. 5 – Case No. 2001-00104 except reference is to FERC instead of SEC)*

5. Purchaser, the Company, LG&E, and KU commit that the Purchase will have no impact on the base rates or the operation of the fuel adjustment clauses, environmental surcharges, gas supply clause, demand side management clause, of LG&E or KU. *(Same text in Appendix A No. 7 – Case No. 2001-00104)*

6. Purchaser, the Company, LG&E, and KU commit to obtaining Commission approval prior to the transfer of any LG&E or KU Property, Plant and Equipment asset with an original book value in excess of \$10 million. *(Same text in Appendix A No. 8 – Case No. 2001-00104)*

7. Purchaser, the Company, LG&E, and KU commit that the Power Supply System Agreement and the Transmission Coordination Agreement between KU and LG&E shall remain in effect and that any proposed amendment thereto be submitted to the Commission for its review 30 days in advance of filing the amendment with the **FERC**. *(Same text in Appendix A No. 9 – Case No. 2001-00104)*

8. Purchaser, the Company, LG&E, and KU commit that the Company, its subsidiaries, LG&E and KU, and their ratepayers, directly or indirectly, shall not incur any additional costs, liabilities, or obligations in conjunction with the Purchase **(other than except in connection with the repayment and refinancing of Closing Indebtedness in accordance with its terms)** including, but not limited to, the following: *(Other than bolded text, same text in Appendix A No. 10 – Case No. 2001-00104)*

(a) The Company, LG&E, and KU shall not incur any additional indebtedness, issue any additional securities, or pledge any assets of LG&E or KU to finance any part of the purchase price paid by Purchaser for the Company equity interest; **provided however that the Company, LG&E and KU shall be permitted to take any of the foregoing**

actions in connection with the repayment and refinancing of Closing Indebtedness.
(Other than bolded text, same text in Appendix A No. 10(a) – Case No. 2001-00104)

(b) The payment for the Company equity interest shall be recorded on Purchaser's books, not the books of the Company or its subsidiaries. *(Same text in Appendix A No. 10(b) – Case No. 2001-00104)*

(c) Neither (i) the premium paid by Purchaser for the Company equity interest, as well as any other associated costs, **or (ii) losses from the unwind and termination of the lease agreement with Big Rivers** shall be “pushed down” to LG&E or KU. *(Other than bolded text, same text in Appendix A No. 10(c) – Case No. 2001-00104)*

(d) All transaction-related costs, including the cost of purchase and the premium paid for the Company's equity, shall be excluded for rate-making purposes and from the rates of LG&E and KU. *(Same text in Appendix A No. 10(d) – Case No. 2001-00104)*

(e) In future rate cases LG&E and KU shall not seek a higher rate of return on equity than would have been sought if no acquisition had occurred. *(Same text in Appendix A No. 10(e) – Case No. 2001-00104)*

(f) The accounting and rate-making treatments of LG&E's and KU's excess deferred income taxes shall not be affected by the Purchase. *(Same text in Appendix A No. 10(g) – Case No. 2001-00104)*

(g) The Company, LG&E and KU will each maintain its own corporate credit rating as well as ratings for long-term debt from Moody's and S&P or their successor rating agencies. *(New commitment)*

(h) No costs of the Company Advisory Board shall be borne by LG&E or KU. *(Same text in Appendix A No. 10(h) – Case No. 2001-00104)*

(i) No change in control payments will be allocated to the ratepayers of LG&E and KU. *(Same text in Appendix A No. 10(i) – Case No. 2001-00104)*

(j) If early termination costs are incurred for any senior management of the Company, none of these costs will be allocated to LG&E or KU. *(Same text in Appendix A No. 10(j) – Case No. 2001-00104)*

No generation assets located within Kentucky will be sold to finance this or any subsequent merger or acquisition without prior Commission authorization. *(Same text in Appendix A No. 10(l) – Case No. 2001-00104)*

9. Purchaser, the Company, LG&E and KU commit that the corporate officers of the Company, LG&E, and KU shall maintain their current titles and responsibilities as officers unless and until otherwise determined by either of their respective Boards of Directors. Purchaser, the Company, LG&E and KU will maintain the highest level of management

experience within the Company, LG&E, and KU, and will provide an opportunity to broaden that experience by exchanging positions with other managers in Purchaser's organization. *(Same text in Appendix A No. 11 – Case No. 2001-00104)*

10. Purchaser commits to taking an active and ongoing role in managing and operating LG&E and KU in the interests of customers, employees, and the Commonwealth of Kentucky, and to take the lead in enhancing LG&E's and KU's relationship with the Commission, with state and local government, and with other community interests, including, but not limited to, meetings between Purchaser's chief executive and the Commission at least twice a year. *(Same text in Appendix A No. 12 – Case No. 2001-00104)*

11. Purchaser commits to maintaining a sound and constructive relationship with those labor organizations that may represent certain employees of the Company, LG&E, and KU; to remain neutral respecting an individual's right to choose whether or not to be a member of a trade union; to continue to recognize the unions that currently have collective bargaining agreements with LG&E; and to honor those agreements. *(Same text in Appendix A No. 13 – Case No. 2001-00104)*

12. Purchaser, the Company, LG&E, and KU commit to advising the Commission at least annually on the adoption and implementation of best practices at both LG&E and KU following the consummation of the Purchase. *(Same text in Appendix A No. 14 – Case No. 2001-00104)*

13. Purchaser, the Company, LG&E, and KU commit to provide such information as the Commission may request regarding the implementation of best practices, customer service, reliability, and safety. *(Same text in Appendix A No. 15 – Case No. 2001-00104)*

14. LG&E and KU acknowledge that in any Commission proceeding involving safety violations by employees of independent contractors, LG&E and KU shall be responsible for the acts of the employees of the independent contractors to the same extent that LG&E and KU are responsible for the acts of their own employees. *(Same text in Appendix A No. 16 – Case No. 2001-00104)*

15. Purchaser commits to develop, with the assistance of an external consultant, a retention and incentive program for the Company, LG&E, and KU managers, to be implemented following the consummation of the Purchase. The plan will be developed with the goal of being finalized within 120 days of the date of the Commission order approving the Purchase. *(Same text in Appendix A No. 17 – Case No. 2001-00104)*

16. Purchaser commits that no planned workforce reductions in the Company's, LG&E's, or KU's employees will be made as a result of the Purchase. *(Same text in Appendix A No. 18 – Case No. 2001-00104)*

17. If new debt or equity in excess of \$100 million is issued by the **Company**, the Company commits to notify the Commission as soon as practicable prior to the issuance. *(Same text in Appendix A No. 19 – Case No. 2001-00104, except commitment in Case No. 2001-00104 required this at the E.ON AG level. This commitment is defined at the "E.ON U.S." level.)*

18. Purchaser commits to notifying the Commission subsequent to its board approval and as soon as practicable following any public announcement of (a) any acquisition of a regulated or non-regulated business representing 5 percent or more of Purchaser's capitalization; or **(b) the change in effective control or acquisition of any material part of or all of the Company, LG&E or KU, by any other firm, whether by merger, combination, transfer of stock or assets.** *(Other than bolded text, same text in Appendix A No. 20 – Case No. 2001-00104)*

19. Purchaser commits to providing an annual report to the Commission detailing the Company's proportionate share of Purchaser's total assets, total operating revenues, operating and maintenance expenses, and number of employees. *(Same text in Appendix A No. 21 – Case No. 2001-00104)*

20. Purchaser commits to notifying the Commission 30 days prior to LG&E or KU, as the case may be, paying any dividend or transferring more than 5 percent of the retained earnings of LG&E or KU, respectively to the Company or Purchaser. *(Same text in Appendix A No. 22 – Case No. 2001-00104)*

21. Purchaser commits to filing with the Commission a copy of its annual reports and its quarterly interim reports on Form 10-K and Form 10-Q filed with the United States Securities and Exchange Commission. *(Same text in Appendix A No. 23 – Case No. 2001-00104)*

22. Purchaser commits to filing with the Commission such additional financial reports as the Commission, from time to time, reasonably determines to be necessary for it to effectively regulate the operation of LG&E and KU. *(Same text in Appendix A No. 24 – Case No. 2001-00104)*

23. LG&E and KU will file with the Commission for informational purposes copies of any applications that **(a) are filed with any other state public utility commission which has jurisdiction over Purchaser or any of its affiliates, and (b) relate to a money pool arrangement or capital contributions to LG&E or KU.** *(Other than bolded text, same text in Appendix A No. 25 – Case No. 2001-00104; Case No. 2001-00104 also referenced only the Virginia State Corporation Commission)*

24. Purchaser, the Company, LG&E, and KU commit to notifying the Commission 30 days prior to making any capital contribution to LG&E or KU and to provide the accounting entries reflecting the capital contribution within 60 days after the close of the month in which the contribution was made. *(Same text in Appendix A No. 26 – Case No. 2001-00104)*

25. Purchaser, the Company, LG&E, and KU commit that customers will experience no **adverse** change in utility service due to changes, if any, related to LG&E Services, Inc. *(Other than bolded text, same text in Appendix A No. 27 – Case No. 2001-00104)*

26. Purchaser, the Company, LG&E, and KU commit to: a) adequately funding and maintaining LG&E's and KU's transmission and distribution systems; b) complying with all Kentucky laws and all Commission regulations and statutes; and c) supplying LG&E and KU customers' service needs. *(Same text in Appendix A No. 28 – Case No. 2001-00104)*

27. When implementing best practices, Purchaser, the Company, LG&E, and KU commit to taking into full consideration the related impacts on the levels of customer service and customer satisfaction, including any negative impacts resulting from workforce reductions. *(Same text in Appendix A No. 29 – Case No. 2001-00104)*

28. Purchaser, the Company, LG&E, and KU commit that they will minimize, to the extent possible, any negative impacts on levels of customer service and customer satisfaction resulting from workforce reductions. *(Same text in Appendix A No. 30 – Case No. 2001-00104)*

29. LG&E and KU commit to periodically filing the various reliability and service quality measurements they currently maintain, to enable the Commission to monitor their commitment that reliability and service quality will not suffer as a result of the Purchase. *(Same text in Appendix A No. 31 – Case No. 2001-00104)*

30. The Company, LG&E, and KU commit to notifying the Commission in writing 30 days prior to any material changes in their participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 5 percent of any individual company's previous year's budget for research and development. The written notification shall include an explanation and the reasons for the change in policy. **This Commitment No. 30 does not apply to LG&E's and KU's participation in or commitments to FutureGen.** *(Other than bolded text, same text in Appendix A No. 32 – Case No. 2001-00104)*

31. Purchaser commits to maintaining the Company's level of commitment to high quality utility service, and will fully support maintaining the LG&E and KU track record for superior service quality. *(Same text in Appendix A No. 33 – Case No. 2001-00104)*

32. Purchaser, the Company, LG&E, and KU commit that LG&E and KU shall continue to operate through regional offices with local service personnel and field crews. *(Same text in Appendix A No. 34 – Case No. 2001-00104)*

33. Purchaser, the Company, LG&E, and KU commit that local customer service offices will not be closed as a result of the proposed transaction and that, if and when local customer service offices may be closed to achieve world class best practices, Purchaser, the Company LG&E and KU will take into account the impact of the closures on customer service. *(Same text in Appendix A No. 35 – Case No. 2001-00104)*

34. Purchaser, the Company, LG&E, and KU commit to maintaining the respective headquarters of each of the Company, LG&E and KU in Kentucky for a period of 15 years following the consummation of the Purchase. KU's headquarters shall be maintained in Lexington, Kentucky; and the Company's and LG&E's headquarters shall be maintained in Louisville, Kentucky. *(Extension of previous commitment. Same text in Appendix A No. 36 – Case No. 2001-00104, except this commitment is extended for 15 years from consummation instead of 10 years from E.ON acquisition which had been extended through June 30, 2017)*

35. Purchaser, the Company, LG&E, and KU commit to dedicating LG&E's and KU's existing and future generating facilities to the requirements of LG&E's and KU's existing and future native load customers. *(Same text in Appendix A No. 37 – Case No. 2001-00104)*

36. Purchaser and the Company commit that LG&E and KU shall maintain a substantial level of involvement in community activities, through annual charitable and other contributions, on a level comparable to or greater than the participation levels experienced prior to the date of the merger. Purchaser commits to maintaining and supporting the relationship between LG&E and KU with the communities that each serves for a period of 10 years from the Purchase. *(Extension of previous commitment. Same text in Appendix A No. 38 – Case No. 2001-00104 except this commitment is extended for 10 years from consummation instead of 10 years from E.ON acquisition which would have expired June 30, 2012)*

37. Purchaser and the Company commit that the Purchase will have no effect or impact on KU's contractual relationships with either its municipal customers or Berea College. *(Same text in Appendix A No. 39 – Case No. 2001-00104 except that reference to OMU was removed)*

38. Purchaser and the Company commit that the Purchase shall have no effect or impact on various agreements associated with the unwind and termination of the lease agreement with Big Rivers. *(New commitment)*

39. Purchaser, the Company, LG&E, and KU commit that within 60 days after the closing of **the Purchase**, the Applicants will file with the Commission a petition setting forth a formal analysis of any potential synergies and benefits from the Purchase and a proposed methodology for allotting an appropriate share of the potential synergies and benefits to LG&E's and KU's ratepayers. *(The text is similar to Appendix A No. 42 – Case No. 2001-00104, but is in actuality a broader commitment than that made in Case No. 2001-00104. In Case No. 2001-00104, in place of “the Purchase,” the language read “the closing of any utility merger or acquisition in the United States that is exempted under KRS 278.020(4) and 278.020(5)”*)

40. Purchaser commits to maintaining LG&E's and KU's pro-active stance on developing economic opportunities in Kentucky and supporting economic development, and social and charitable activities, throughout LG&E's and KU's service territories. *(Same text in Appendix A No. 43 – Case No. 2001-00104)*

41. Purchaser commits that for as long as it owns, controls, or manages LG&E or KU, Purchaser shall **endeavor to have an individual resident of Kentucky on Purchaser's Board of Directors. Purchaser shall commence a search for such director following the Purchase. Purchaser shall have sole discretion in selecting qualified candidates and determining which individual is the best qualified for nomination.** *(The bolded text reflects new or revised language as compared to Appendix A No. 45 – Case No. 2001-00104)*

42. Purchaser commits that the Company's Board of Managers (or similar body) shall consist of at least three members, one of whom shall be the then-current chief executive officer of the Company. *(Same text in Appendix A No. 46 – Case No. 2001-00104)*

43. Purchaser commits to review with LG&E and KU management their current policies and practices with respect to low-income customers to determine whether policies and practices more sympathetic to the needs of such customers would be appropriate. In addition, Purchaser, the Company, LG&E, and KU commit that the current policies for low-income customers will not change as a result of the Purchase. *(Same text in Appendix A No. 47 – Case No. 2001-00104)*

44. Purchaser, the Company, LG&E, and KU commit that the Company shall hold 100 percent of the common stock of LG&E and KU and that the Company shall not transfer any of that stock without prior Commission approval even if the transfer is pursuant to a corporate reorganization as defined in KRS 278.020(6)(b). *(Same text in Appendix A No. 52 – Case No. 2001-00104)*

45. KU will **maintain** a contact person in Lexington to respond to special needs in the Lexington area. *(Same text in Appendix A No. 53 – Case No. 2001-00104 except “designate” was replaced with “maintain”)*

46. Purchaser, the Company, LG&E, and KU commit that when budgets, investments, dividend policies, projects, and business plans are being considered by Purchaser’s Board for the Kentucky business, at a minimum, the CEOs of LG&E and KU or their designees must be present to offer a Kentucky perspective to the decision and be permitted to participate in any debates on the issues. *(Same text in Appendix A No. 55 – Case No. 2001-00104)*

47. Purchaser, the Company, LG&E, and KU commit that all corporate officers of LG&E and KU shall reside within Kentucky, including the Louisville metropolitan area, subject to a 2-month relocation allowance for newly appointed officers. This commitment will remain in effect for a period of 15 years following the consummation of the Purchase. *(Extension of previous commitment. Same text as in Appendix A No. 56 – Case No. 2001-00104, except this commitment is extended for 15 years from consummation instead of 10 years from E.ON acquisition, which would have expired June 30, 2012)*

48. As part of their commitment to maintaining the corporate headquarters of the Company in Louisville, Kentucky, Purchaser and the Company commit that these corporate headquarters will include the corporate management personnel of the Company. Further, Purchaser and the Company commit that the CEO and subordinate officers of the Company shall reside in Kentucky, including the Louisville metropolitan area. This commitment will remain in effect for a period of 15 years following the consummation of the Purchase. *(Extension of previous commitment. Same text in Appendix A No. 57 – Case No. 2001-00104 except this commitment is extended for 15 years from consummation instead of 10 years from E.ON acquisition which had been extended through June 30, 2017)*

49. Purchaser, the Company, LG&E and KU commit that if any of their subsidiaries or business units considers a potential renewable energy project in Kentucky, the subsidiary or business unit will inform KU and LG&E of the potential project and will allow KU and LG&E to make a reasonable business judgment on whether to pursue the project as a generation resource for their customers. *(Commitment from Case No. No. 2007-00466)*

50. Any diversified holdings and investments (e.g., non-utility business or foreign utilities) of Purchaser following the closing of the Purchase will not be held by LG&E or KU or a subsidiary of either LG&E or KU. *(New commitment)*

51. Purchaser, the Company, LG&E and KU will work with the Governor of the Commonwealth of Kentucky and state agencies designated by the Governor to promote economic development in Kentucky. *(New commitment)*

52. Purchaser, the Company, LG&E and KU agree to consult with the Governor of the Commonwealth of Kentucky and state agencies designated by the Governor regarding clean coal technologies and to consult on the development of programs by Kentucky that qualify for federal funding for research and development and projects utilizing clean coal technologies. *(New commitment)*

53. Purchaser agrees that it shall use its reasonable best efforts to address market power concerns of FERC, the DOJ and the FTC through mitigation measures that do not require (a) participation by LG&E or KU in an RTO, (b) divestiture of operating assets of LG&E or KU, or (c) LG&E or KU to decline to use or benefit from the use of their generating facilities for the purpose of serving their native load customers. *(New commitment. This commitment states PPL's agreement that it will address, in the manner set forth therein, potential issues that may arise in any proceeding before the Federal Energy Regulatory Commission.)*

54. Purchaser acknowledges that wholesale customers should be held harmless. *(New commitment. This commitment states PPL's agreement that it will address, in the manner set forth therein, potential issues that may arise in any proceeding before the Federal Energy Regulatory Commission.)*

**COMMITMENTS MADE IN CASE NO. 2001-00104 THAT HAVE NOT BEEN MADE
BY JOINT APPLICANTS IN CASE NO. 2010-00204**

4. E.ON, PowerGen, LG&E Energy, LG&E, and KU shall commit not to assert in any proceeding before the Commission preemption by a United Kingdom, German, European Community, or other foreign regulator of the review of the reasonableness of a cost. However, LG&E and KU shall retain the right to assert that the charges are reasonable and appropriate. *(This commitment no longer applicable after sale to PPL.)*

6. E.ON, PowerGen, LG&E Energy, LG&E, and KU commit that the merger will not detract from the benefits customers currently receive as a result of the merger approved in Case No. 97-300. This commitment includes LG&E's and KU's merger surcredits, the merger dispatch savings, and lower fuel costs distributed through LG&E's and KU's fuel adjustment clauses. *(Merger surcredits were terminated when rates went into effect per KPSC Order in Case Nos. 2008-00251 and 2008-00252.)*

10(f) The current outstanding preferred stock of LG&E and KU shall not be changed, converted, or otherwise exchanged in conjunction with the merger. *(LG&E – authorized to redeem preferred stock in Case No. 2006-00445, preferred stock was redeemed in April 2007. KU – preferred stock redeemed using short-term and long-term debt approved in prior filings, preferred stock was redeemed in October 2005.)*

10(k) Any additional administrative costs incurred in order to comply with the financial and accounting standards of the United States, the United Kingdom, the Federal Republic of Germany, and the European Community will not be borne by LG&E and KU. *(This commitment no longer applicable regarding United Kingdom, Germany, and Europe after sale to PPL.)*

40. E.ON, PowerGen, and LG&E Energy commit that the acquisition of PowerGen shall have no effect or impact on various agreements associated with the resolution of Big Rivers' bankruptcy proceeding. These agreements include, but are not limited to, the lease agreement and associated obligations between LG&E Energy's affiliates and Big Rivers and the power purchase agreements between LG&E Energy Marketing, Kenergy, Alcan Aluminum Corp., and Century Aluminum Company. Any revisions to these agreements must be submitted for Commission approval prior to the effective date of the revision. *(This commitment is no longer applicable due to March 6, 2009 order in Case No. 2007-00455.)*

41. E.ON, PowerGen, and LG&E Energy commit that the acquisition of PowerGen shall have no effect upon the performance of LG&E Energy and its affiliates of their obligations under the Big Rivers and Kenergy Agreements. LG&E Energy and its affiliates shall continue to be bound by the terms of those agreements, including any guaranty agreements. *(This commitment is no longer applicable due to March 6, 2009 order in Case No. 2007-00455)*

44. E.ON and PowerGen shall meet with the senior management and the Board of Directors of Big Rivers on a regular basis. *(This commitment is no longer applicable due to order in Case No. 2007-00455, issued on March 6, 2009.)*

48. E.ON and PowerGen commit that, with respect to any state-wide legislation for a low-income universal fund, it shall adopt a neutral position regarding that portion of such legislation designed to create a line item charge on utility customers' bills for the purpose of assisting low-income customers so long as such legislation has no impact on shareholders.

49. E.ON and PowerGen commit that its present expectation is for LG&E and KU to remain members of the Midwest Independent System Operator. *(LG&E and KU authorized to withdraw from MISO per KPSC Order issued on May 31, 2006 in Case No. 2003-00266. On July 6, 2006, the KPSC issued an Order in Case No. 2005-00471 granting authority to transfer functional control of their transmission facilities to TVA and SPP, subject to FERC's ruling on the Applicants' market-based rate authority. On February 2, 2010, the KPSC issued an Order in Case No. 2009-00427, that approved LG&E and KU's request to reacquire the functional control of their transmission facilities. Companies are still waiting for FERC approval of this request.)*

50. The Applicants commit that, in conjunction with the Commission review of the performance-based rate-making method presently in effect for LG&E's purchased gas adjustment clause, LG&E shall propose an ESM or other alternative form of regulation that will provide LG&E with incentives to make improvements while providing a mechanism for sharing with customers the benefits realized from those improvements. *(In June 2004, the KPSC issued an order accepting the Companies' and intervenors' ESM settlement agreement.)*

51. Upon the expiration of the LG&E and KU ESM provided for in the Commission's January 7, 2000 Orders, the Applicants commit to propose extension of the ESM or some other method of regulation that will continue to provide LG&E and KU with incentives to make improvements while providing a mechanism to share with customers the benefits realized from those improvements. *(In June 2004, the KPSC issued an order accepting the Companies' and intervenors' ESM settlement agreement.)*

54. E.ON and PowerGen commit to meet with the LG&E Energy Advisory Board at least twice a year for input in connection with the oversight of PowerGen's management of LG&E and KU. *(No longer necessary because of Regulatory Commitment No. 41 in Case No. 2010-000204)*