

**RECEIVED**

**JUL 26 2010**

**PUBLIC SERVICE  
COMMISSION**

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

**E.ON U.S. LLC**  
State Regulation and Rates  
220 West Main Street  
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:

Please find enclosed and accept for filing the original and twelve (12) copies of the Joint 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 Supplemental Request for Information of the Attorney General (“AG”) dated July 16, 2010, in the above-reference matter.

Also, enclosed are an original and twelve (12) copies of a Petition for Confidential Protection for certain information requested in Attorney General’s Question Nos. AG 2-3, AG 2-4, AG 2-5, AG 2-7, AG 2-9, AG 2-10, AG 2-11, AG 2-12, AG 2-17, AG 2-19, AG 2-21, AG 2-22, AG 2-23, AG 2-27, AG 2-28, AG 2-29, AG 2-30, AG 2-31, AG 2-32, AG 2-33, AG 2-34, AG 2-35, AG 2-65, AG 2-82, Attachment to AG 2-82(d), AG 2-83, AG 2-84, Attachment to AG 2-84(c), AG 2-85 and AG 2-87.

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:**

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

**JOINT 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 SUPPLEMENTAL REQUEST FOR INFORMATION**  
**DATED JULY 16, 2010**

**FILED: July 26, 2010**

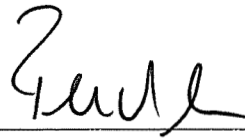




**VERIFICATION**

**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

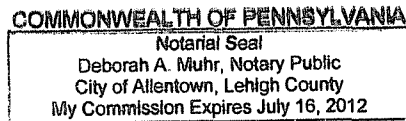
COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF LEHIGH )

JAMES H. MILLER, 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.

*James H. Miller*  
\_\_\_\_\_  
JAMES H. MILLER

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

*Deborah A. Muhr*  
\_\_\_\_\_  
Notary Public



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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 1**

**Responding Witness: Paul A. Farr / William H. Spence / Counsel**

- Q-1. Please reference the joint applicants' response to AG 1-1 and thoroughly answer the question. With regard to the "confidential" response, please provide a copy of the "background materials", including the exhibits thereto, referenced at page 1 of 23.
- A-1. The transaction did not require actions by the shareholders of PPL Corporation ("PPL") or E.ON AG, nor actions by the shareholders, members or boards of directors of E.ON U.S. LLC, LG&E or KU. The proposed acquisition was authorized by PPL's Board of Directors and discussed at several of its meetings, the minutes of which have been redacted only insofar as they include information unrelated to the proposed acquisition of E.ON U.S.

The 23-page document referenced in the request for information is the collection of minutes produced by PPL in response to AG 1-1. The "background materials", including the exhibits thereto, referenced in the AG's supplemental request for information include confidential, market-sensitive, forward-looking financial information regarding PPL and its subsidiaries. PPL and its subsidiaries PPL Energy Supply, LLC and PPL Electric Utilities Corporation are SEC registrants with a large amount of publicly held securities. PPL has a large amount of common stock widely held by the public and actively traded on the New York Stock Exchange. Given the extreme market sensitivity and confidentiality of this financial information, which is not available to the general public and the investment community, PPL will provide this information for visual inspection by the Attorney General at a mutually convenient date and time during the week of July 26, 2010.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 2**

**Responding Witness: Paul A. Farr / William H. Spence**

- Q-2. With regard to the "confidential" response to AG 1-1, please provide a copy of the "background materials", including the exhibits thereto, referenced at page 7 of 23.
- A-2. Please see the response to AG 2-1.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 3**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-3. With regard to the "confidential" response to AG 1-1 at page 8 of 23, please provide the **BEGIN CONFIDENTIAL** [REDACTED] **END**  
**CONFIDENTIAL**

A-3. [REDACTED]






**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 4**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-4. With regard to the "confidential" response to AG 1-1 at page 8 of 23, please provide the **BEGIN CONFIDENTIAL** 

**END CONFIDENTIAL**

A-4. 



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 5**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-5 With regard to the "confidential" response to AG 1-1 at page 9 of 23, please  
provide the **BEGIN CONFIDENTIAL** [REDACTED]

**END CONFIDENTIAL**

A-5.

[REDACTED]

[REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 6**

**Responding Witness: Paul A. Farr / William H. Spence**

- Q-6. With regard to the "confidential" response to AG 1-1, please provide a copy of the "background materials", including the exhibits thereto, referenced at page 13 of 23.
- A-6. Please see the response to AG 2-1.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 7**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-7. With regard to the "confidential" response to AG 1-1 at pages 13 and 14 of 23,  
please provide the **BEGIN CONFIDENTIAL** [REDACTED] **END**  
**CONFIDENTIAL**

A-7. [REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 8**

**Responding Witness: Paul A. Farr / William H. Spence**

- Q-8. With regard to the "confidential" response to AG 1-1, please provide a copy of the "background materials", including the exhibits thereto, referenced at page 16 of 23.
- A-8. Please see the response to AG 2-1.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 9**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-9. With regard to the "confidential" response to AG 1-1 at page 16 of 23, please provide the **BEGIN CONFIDENTIAL** [REDACTED]

**END CONFIDENTIAL**

A-9. [REDACTED]




**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 10**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-10. With regard to the "confidential" response to AG 1-1 at page 17 of 23, please provide the **BEGIN CONFIDENTIAL** 

**END CONFIDENTIAL**

A-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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 11**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-11. With regard to the "confidential" response to AG 1-1 at page 18 of 23, please provide the **BEGIN CONFIDENTIAL** [REDACTED] **END CONFIDENTIAL** Reconcile this answer to the joint applicants' response to AG 1-16.

A-11. [REDACTED]

[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 12**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-12. With regard to the "confidential" response to AG 1-1 at page 20 of 23, please provide details pertaining to Mr. Miller's discussion on the **BEGIN CONFIDENTIAL** [REDACTED]

[REDACTED] **END CONFIDENTIAL**

A-12. [REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 13**

**Responding Witness: Paul A. Farr / William H. Spence / Counsel**

- Q-13. Have any portions of the "confidential" response to AG 1-1 document, pages 1 through 23, been redacted? If so, please provide a copy of same in unredacted form.
- A-13. Yes. The portions of the documents provided by PPL in response to AG 1-1 are redacted to remove information that is not related to the proposed acquisition of E.ON US and concern other business matters that are wholly unrelated to the proposed acquisition. The redacted portions have nothing to do with the proposed PPL acquisition and are not being provided.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 14**

**Responding Witness: Karl-Heinz Feldmann / Counsel**

- Q-14. Please provide an unredacted copy of the "confidential" response to AG 1-1, pages 1 through 4.
- A-14. The document referenced in the supplemental request for information was provided by E.ON AG in response to AG 1-1, subject to an objection to the relevancy of the information. The redacted portions concern the identities of persons and entities who participated in bidding and/or negotiating prior to the definitive PPL purchase agreement and E.ON AG's internal evaluations, and are not relevant to the Commission's inquiry in this matter.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 15**

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

- Q-15. Please reference the joint applicants' response to AG 1-5 which cross references the answer to BREC 1-3. Confirm that the response states that Moody's press release dated April 29, 2010 "anticipates downgrading the Issuer Rating of E.ON U.S. most likely to Baa2 upon the closing of the sale to PPL."
- a. Confirm that a Baa2 rating is less favorable than the current A3 rating.
- A-15. The response to BREC 1-3 is repeated correctly above.
- a. The anticipated rating of Baa2 by Moody's for E.ON U.S. is a strong investment grade rating. It is lower than the current A3 rating.

Please see the response to AG 2-31.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 16**

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

- Q-16. Please reference the joint applicants' response to AG 1-10. Provide a list of all documents which the joint applicants have filed and which are not currently of record in the instant proceeding.
- A-16. The only filing that has been made with any other state or federal regulatory agency that is not currently of record in the instant proceeding is the Joint Applicants' premerger notification filing pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The Joint Applicants are providing that filing to the Commission under a Petition for Confidential Treatment as soon as possible.





[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

END CONFIDENTIAL

[REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 18**

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

- Q-18. Please reference the joint applicants' response to AG 1-15 whereat the joint applicants state that the "contemplated transaction will generally not have an impact on any of the companies' other deferred income tax accounts." What do the joint applicants mean when they say "generally?" Please be specific with the response.
- A-18. Due to sale of E.ON U.S. to PPL Corporation, a short period tax return is anticipated for the period from January 1<sup>st</sup> through the date of the sale. During this initial year, the taxable income of E.ON U.S., LG&E and KU will be reported in two returns for the calendar year, one for the short period and a second for the period following the date of the sale through December 31<sup>st</sup>. The word "generally" was used as certain deferred tax temporary differences, like depreciation, will need to be prorated for this calendar year. The impact of this proration will not have a material impact on the companies.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 19**

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

Q-19. Please reference the joint applicants' response to AG 1-16 whereat the joint applicants cross reference their response to KIUC 1-10. The answer is non-responsive. Please provide the response and reconcile it to the joint applicants' response to the KPSC at 1-18, **BEGIN CONFIDENTIAL** [REDACTED]  
[REDACTED] **END CONFIDENTIAL**

A-19. [REDACTED]  
[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 20**

**Responding Witness: Paul A. Farr / William H. Spence**

- Q-20. Please reference the joint applicants' response to AG 1-17, h. Please provide the information in whatever form it exists.
- A-20. The Joint Applicants refer to the objections noted in their primary response to AG 1-17.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 21**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-21. Please reference the joint applicants' response to AG 1-22 and the referenced report at page 12 of 61. Why did the buyer not request the consultant to **BEGIN CONFIDENTIAL** [REDACTED]

**END CONFIDENTIAL**

A-21. [REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 22**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-22. Please reference the joint applicants' response to AG 1-22 and the referenced report at page 14 of 61. Given the fact that the report lists **BEGIN CONFIDENTIAL**

[REDACTED]

[REDACTED] **END**

**CONFIDENTIAL**

A-22.

[REDACTED]

[REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 23**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-23. Please reference the joint applicants' response to AG 1-22 and the referenced report at page 15 of 61. Please explain the reasoning, with specific supporting information, for the statement that the buyer's **BEGIN CONFIDENTIAL**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **END**

**CONFIDENTIAL**

A-23. [REDACTED]

[REDACTED]

[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 24**

**Responding Witness: Paul A. Farr / William H. Spence**

Q-24. Please reference the joint applicants' response to AG 1-22 and the referenced report at page 16 of 61. Has an observation been redacted? If so, on what basis?

A-24. Nothing has been redacted from the referenced report.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 25**

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

- Q-25. Please reference the joint applicants' response to AG 1-24, AG 1-86 and KIUC 1-9. If the joint applicants cannot use push down accounting to effect customer rates, why will the joint applicants agree to not use push down accounting to LG&E and KU?
- A-25. The Joint Applicants cannot agree to not use push down accounting for LG&E and KU because it will be required to use push down accounting under SEC rules once the two companies become SEC registrants. The companies will become SEC registrants when the debt issued under their first mortgage bonds are registered with the SEC.

The applicants have committed to not reflect the push down accounting for ratemaking purposes since it will increase the amount of equity recorded on LG&E's and KU's books (as described in the response to KIUC 1-9) and would increase the rates charged to customers due to the return on that equity.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 26**

**Responding Witness: S. Bradford Rives / William H. Spence**

- Q-26. Please reference the joint applicants' response to AG 1-25. Will the joint applicants commit that if there are any substantive changes in any existing contracts, any such changes will not translate to higher costs or other detrimental terms for the customers of either LG&E or KU?
- A-26. The effects, if any, from possible initial substantive contract changes would be included in the formal analysis to be filed within 60 days of closing pursuant to Regulatory Commitment No. 39 contained in Exhibit B to the Purchase and Sale Agreement dated as of April 28, 2010 (the "PSA") between PPL and E.ON US Investments Corp. While Joint Applicants on balance do not expect any such detrimental impacts, the consumer representatives can respond to any such changes in regulatory proceeding to review the formal analysis filed pursuant to Regulatory Commitment No. 39.



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

Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010

Question No. 27

Responding Witness: Lonnie E. Bellar / Paul A. Farr

Q-27. Please reference the joint applicants' response to AG 1- 28 which cross references to the response to the KPSC at 1 – 2.

a. Please provide a copy of all the requested information as requested by the Attorney General as he has signed a confidentiality agreement and needs the material for meaningful participation in the instant matter.

b. **BEGIN CONFIDENTIAL**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

END CONFIDENTIAL.

A-27. a.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]




**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 28**

**Responding Witness: Paul A. Farr**

Q-28. Please reference the **BEGIN CONFIDENTIAL**  **END CONFIDENTIAL** at KPSC 1-2 at pages 4 and 5. Are these sheets blank or have they been redacted? If the latter, please provide unredacted copies.

A-28.








**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 29**

**Responding Witness: Paul A. Farr**

Q-29. Please reference the **BEGIN CONFIDENTIAL** 

**END CONFIDENTIAL**

A-29. 







**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**

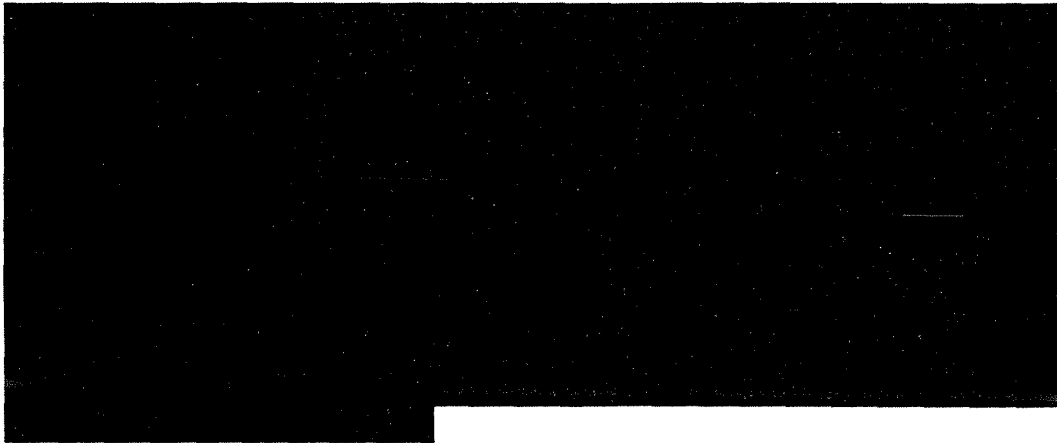
**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 30**

**Responding Witness: Paul A. Farr**

Q-30. Please reference the **BEGIN CONFIDENTIAL**   
 **END CONFIDENTIAL** at KPSC 1-2 at pages 4  
and 5. Are these sheets blank or have they been redacted? If the latter, please  
provide unredacted copies.

A-30.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 31**

**Responding Witness: Paul A. Farr**

Q-31. Please reference the **BEGIN CONFIDENTIAL**

**END CONFIDENTIAL**

A-31.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 32**

**Responding Witness: Paul A. Farr**

Q-32. Please reference the **BEGIN CONFIDENTIAL** [REDACTED] **END CONFIDENTIAL** at KPSC 1-2 at pages 12 and 13. Are these sheets blank or have they been redacted? If the latter, please provide unredacted copies.

A-32.

[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 33**

**Responding Witness: Paul A. Farr**

Q-33. Please reference the **BEGIN CONFIDENTIAL**

**END CONFIDENTIAL**

A-33.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 34**

**Responding Witness: Paul A. Farr**

Q-34. Please reference the **BEGIN CONFIDENTIAL** [REDACTED] **END CONFIDENTIAL** at KPSC 1-2 at pages 13, 14, 16, 17 and 20. Are these sheets blank or have they been redacted? If the latter, please provide unredacted copies.

A-34.

[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 35**

**Responding Witness: Paul A. Farr**

Q-35. Please reference the **BEGIN CONFIDENTIAL**   
 **END CONFIDENTIAL** at KPSC 1-2  
at pages 13, 14, 16, 17 and 20. Are these sheets blank or have they been redacted?  
If the latter, please provide unredacted copies.

A-35.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 36**

**Responding Witness: S. Bradford Rives / William H. Spence**

- Q-36. Please reference the joint applicants response to AG 1 30 a. Will the joint applicants commit that no other company affiliated with joint applicants in Kentucky will grant a lien on their assets?
- A-36. No other company affiliated with the Joint Applicants located in Kentucky is expected to grant liens on their assets. That said, Joint Applicants do not believe that the addition of further commitments beyond the Regulatory Commitments listed in Exhibit B to the PSA is necessary or appropriate.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 37**

**Responding Witness: S. Bradford Rives / William H. Spence**

Q-37. Please reference the joint applicants' response to AG 1-31. Are the joint applicants aware of the fact that the AG has signed a confidentiality agreement and will not publicly disclose the information as noted/mandated in the citation provided by the joint applicants?" If so, why will they not provide the information?

A-37. Yes, the Joint Applicants are aware that the AG's office has signed a confidentiality agreement. The response to AG 1-31 reflects the express provisions under 15 U.S.C. § 18(a)(h) that address the confidential nature of the information and the statutory restriction on making the information public.

The response to AG 1-31 stated that when the premerger notification filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR") are filed with the Department of Justice or Federal Trade Commission, copies will be filed with the Commission under a Petition for Confidential Protection. The response did not state that the Joint Applicants would not provide the information to the AG. The HSR filings were not available at the time the response to AG 1-31 was submitted, but have been submitted since that time.

The Joint Applicants are providing the HSR filings to the Commission under a Petition for Confidential Treatment as soon as possible.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 38**

**Responding Witness: S. Bradford Rives**

- Q-38. Please reference the joint applicants' response to AG 1–33. Please confirm that a lower bond rating will affect the rate at which the lending agency will allow the company to borrow money. If joint applicants maintain that the rating does not affect the lending rate, please provide support for the assertion.
- A-38. The lower bond rating will increase the cost at which E.ON U.S. will be able to borrow funds. However, the borrowing costs of E.ON U.S. are not recovered from the customers of KU or LG&E and therefore will not impact the regulated utilities over which the KPSC has jurisdiction.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 39**

**Responding Witness: S. Bradford Rives**

- Q-39. Please reference the joint applicants' response to AG 1-33 where the joint applicants maintain that PPL Kentucky will rely on "contributions from PPL should such funds [loans] be required." Please confirm that a lower bond rating from the ultimate parent will affect the overall bond rate which will be demanded in the loan.
- A-39. The word "[loans]" was not included in the response to question AG 1-33. The portion of the response being referred to dealt with E.ON U.S. ability to raise equity. If PPL contributes equity to E.ON U.S. it is not a loan, and there is not a pre-determined cost to that equity.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 40**

**Responding Witness: S. Bradford Rives**

- Q-40. Please reference the joint applicants' response to AG 1-34 where the joint applicants maintain that KU will rely on contributions from PPL Kentucky should such equity be required and reference is made to the joint applicants response to AG 1-33. Please confirm that a lower bond rating from the ultimate parent will affect the overall bond rate which will be demanded in the loan.
- A-40. The assumption in the last sentence of the question that an equity contribution is a loan is incorrect. The portion of the response being referred to dealt with the Company's ability to raise equity. If E.ON U.S. contributes equity to KU, it is not a loan, and there is not a pre-determined cost to that equity.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 41**

**Responding Witness: S. Bradford Rives**

- Q-41. Please reference the joint applicants' response to AG 1-35 where the joint applicants maintain that LG&E will rely on contributions from PPL Kentucky should such equity be required and reference is made to the joint applicants response to AG 1-33. Please confirm that a lower bond rating from the ultimate parent will affect the overall bond rate which will be demanded in the loan.
- A-41. The assumption in the last sentence of the question that an equity contribution is a loan is incorrect. The portion of the response being referred to dealt with the Company's ability to raise equity. If E.ON U.S. contributes equity to LG&E, it is not a loan, and there is not a pre-determined cost to that equity.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 42**

**Responding Witness: Lonnie E. Bellar**

- Q-42. Please reference the joint applicants' response to AG 1--36. Answer the question. Will clear and conspicuous notice be given to Kentucky consumers or not?
- A-42. Any changes to the Companies' tariffs will comply with all notice requirements required by Kentucky statutes or the Commission's regulations.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 43**

**Responding Witness: Victor A. Staffieri / James H. Miller**

- Q-43. Please reference the joint applicants' response to AG 1-37. With specificity, what did Mr. Miller tell the E.ON U.S. employees?
- A-43. Please see the video of Mr. Miller's remarks to the E.ON U.S. employees on April 29, 2010 on the enclosed CD in folder titled Question No. 43.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 44**

**Responding Witness: S. Bradford Rives**

Q-44. Please reference the joint applicants' response to AG 1-38. Will this "recorded goodwill impairment of approximately 0.9 million Euros during the first quarter of 2010" have any material impact on LG&E or KU? If not, please, please explain.

A-44. No. There is no goodwill recorded on the books of LG&E or KU.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 45**

**Responding Witness: Paul A. Farr / William H. Spence**

- Q-45. Please reference the joint applicants' response to AG 1-51. Reconcile the answer with the information which is contained in the joint applicants' response to KPSC 1-18. See also joint applicants' response to AG 1-12 for easier reference.
- A-45. Please see the response to KPSC 2-7.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 46**

**Responding Witness: Paul A. Farr**

- Q-46. Please reference the joint applicants' response to AG 1-54 and provide a responsive answer.
- A-46. PPL expects the proposed acquisition to diversify its mix of business assets and to increase its revenue from the regulated market as a percentage of total revenue.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 47**

**Responding Witness: Lonnie E. Bellar / Counsel**

- Q-47. Please reference the joint applicants' response to AG 1-55 and provide a responsive answer.
- A-47. Please see the supplemental response to AG 1-103 for the information requested in AG 1-55.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 48**

**Responding Witness: Lonnie E. Bellar / Counsel**

- Q-48. Please reference the joint applicants' response to AG 1-56 and provide a responsive answer.
- A-48. Please see the supplemental response to AG 1-103 for the information requested in AG 1-56.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 49**

**Responding Witness: James H. Miller**

- Q-49. Please reconcile the joint applicants' response to AG 1-58 with the information contained in the joint applicants' confidential response to AG 1-1, page 9 of 23.
- A-49. The information contained in the confidential response to AG 1-1 at page 9 is not inconsistent with the response to AG 1-58. Mr. Miller was merely informing the PPL Board of Directors that PPL would likely be expected to make a regulatory commitment regarding a board seat for a Kentucky resident. PPL did in fact make such a commitment.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 50**

**Responding Witness: William H. Spence**

- Q-50. Please reference the joint applicants' response to AG 1-60 and provide a definitive, unqualified responsive answer.
- A-50. Consistent with its position on other matters, PPL intends to monitor the business operations of PPL Kentucky and the managerial oversight of these operations on a post-closing, ongoing basis. PPL intends to adjust its operations or oversight structure as it deems necessary or desirable in the future. The Joint Applicants note that PPL has already committed to Regulatory Commitment No. 9 and No. 15.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 51**

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

- Q-51. Please reference the joint applicants' response to AG 1-63. Why are the joint applicants committing to having a contact person in Lexington for the KU territory but not willing to commit to having someone in Louisville for the LG&E territory?
- A-51. The Companies have historically provided a specific contact in Lexington for the KU territory to address special needs in the Lexington area, including low-income related issues. The Companies have not heard any concerns from parties to this case about the need for a similar contact in Louisville. It is the Companies' experience that low income agencies, the Attorney General and others have no problems using their existing contacts to address issues that may arise from time to time.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 52**

**Responding Witness: Lonnie E. Bellar / Paul A. Farr**

Q-52. Please reference the joint applicants' response to AG 1-67. Why is the hold harmless clause effective for only five years? Moreover, why is the hold harmless clause effective only to the extent that such costs exceed savings related to the transaction when the joint applicants claim that no quantification of savings has been calculated?

A-52. As stated in response to AG 1-67:

As PPL and E.ON explain in the Application to FERC, filed on June 28, 2010, PPL and E.ON have pledged to hold harmless all transmission and current wholesale customers from any costs associated with the transaction (e.g., transaction costs) for a period of five years to the extent that such costs exceed savings related to the transaction. In the past, FERC has found similar commitments by applicants sufficient to alleviate any concerns regarding the impact of a proposed transaction on rates.

Because FERC had previously found a five-year hold-harmless period to be sufficient to alleviate any concerns regarding the impact of a proposed transaction on rates, the Applicants did not believe it would be a prudent business decision to commit to a longer hold-harmless period. This is a commitment applicable only to FERC.

Concerning the second part of the AG's request, the point of the FERC hold-harmless provision is to ensure that the wholesale customer held harmless is no worse off in the future than the wholesale customer is today. It may be that there will be more savings than costs that eventuate from the acquisition, which would tend to reduce wholesale rates (all other things being equal). But the costs could exceed the savings for formulating wholesale rates, and therein lies the value of the Applicants' five-year hold-harmless commitment to their wholesale customers. Nothing about that commitment is inconsistent with uncertainty about what savings, if any, for formulating wholesale rates may result from the proposed acquisition.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 53**

**Responding Witness: Karl-Heinz Feldmann**

Q-53. Please reference the joint applicants' response to AG 1-70. Do the joint applicants suggest in their answer that E.ON AG does not have a model that is premised on long-term service and loyalty to local communities? If yes, please explain in detail.

A-53. 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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 54**

**Responding Witness: Paul A. Farr**

- Q-54. Please reference the joint applicants' response to AG 1-73. Does PPL maintain that it will be able to provide a long-term advantage that E.ON AG cannot already provide? If yes, please explain in detail.
- A-54. The comment appearing in Mr. Farr's testimony at pages 5 and 6 relating to "long-term advantage" refers to the competitive advantage to be gained by PPL, LG&E and KU over its direct competitors as a result of the proposed acquisition and was not directed specifically at E.ON AG.

The phrase "energy market" in the testimony of Mr. Farr refers to the wholesale energy market. LG&E and KU will continue to make off-system sales into this increasingly competitive wholesale energy market, subject to the requirements of their native load customers. PPL does not have sufficient knowledge about E. ON AG's long-term strategy, services or operations to form a basis for making the comparison requested in the question. However, PPL's original testimony simply noted that PPL's long-established technical expertise in the areas of wholesale electricity generation, supply and marketing in competitive markets would serve to provide LG&E, KU, and in turn Kentucky ratepayers, with advantages in making off-system sales into the increasingly competitive wholesale energy market.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 55**

**Responding Witness: Paul A. Farr / Counsel**

- Q-55. Please reference the joint applicants' response to AG 1-75. Can the joint applicants make the commitment or not? If not, explain in detail.
- A-55. The Joint Applicants do not need to make an additional commitment in order to prevent any cross-subsidization between the utilities and their holding company and its affiliates. Please see KRS 278.2201 *et seq.* which prohibits a utility from subsidizing a nonregulated activity provided by an affiliate or by the utility itself.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 56**

**Responding Witness: Karl-Heinz Feldmann**

- Q-56. Please reference the joint applicants' response to AG 1-76.
- a. Can the joint applicants provide an estimated date when the donations will be paid?
  - b. Have the joint applicants approached the purported recipients and informed them of the donations? If not, why not?
  - c. If the joint applicants approached the purported recipients, when did they do so?
  - d. If the joint applicants approached the purported recipients, what have the recipients stated about the donations and the timing of the checks?
- A-56. a. Please see the attached press release that describes the E.ON AG donations.
- b. Please see response to Question No. 56(a).
  - c. Please see response to Question No. 56(a).
  - d. Please see response to Question No. 56(a).



**Press Release**

Media Contact: Chip Keeling, (502) 627-4999

July 13, 2010

**E.ON Donates \$6 Million to Education, Community Initiatives**

*E.ON U.S. Parent Contributes \$2 Million Each to University of Louisville, University of Kentucky and E.ON U.S. Foundation*

**(LOUISVILLE, Ky.)** - As part of an effort to leave a lasting philanthropic legacy in the Commonwealth, E.ON, parent company of E.ON U.S., has donated \$6 million to further education and energy research and enhance community giving across the state.

Specifically, the University of Louisville and University of Kentucky each will receive \$2 million to fund a combination of engineering scholarships and energy efficiency research.

In addition, the E.ON U.S. Foundation - the 501c (3) charitable giving arm of E.ON U.S. and its subsidiaries Louisville Gas and Electric, Kentucky Utilities and Old Dominion Power - will receive \$2 million to enhance charitable giving and strengthen efforts to improve the quality of life for people who live in the communities served by the companies.

On April 28, it was announced that E.ON entered into a definitive agreement with PPL Corporation for the sale of E.ON U.S. to PPL for \$7.625 billion. In an initiative that was not part of the transaction agreement, E.ON voluntarily committed, in recognition of the community relationships it has built as the parent company of LG&E and KU over the past decade, to award the \$6 million in grants.

"Since the beginning, Kentucky has opened its arms to E.ON through our subsidiary E.ON U.S.," said Dr. Johannes Teysen, Chairman, CEO and President of E.ON AG. "Although our planned departure is bittersweet, we want to leave a lasting legacy for future generations by empowering the state's two largest public universities and one of the Commonwealth's strongest corporate citizens to help advance education and bolster community support."

Both universities plan to use the money to advance the development of studies or research that support the energy industry.

"Today's announcement is further evidence of what a great corporate partner E.ON U.S. has been for UK and the entire Commonwealth of Kentucky over the years," said UK President Lee T. Todd, Jr. "They have long supported a wide array of UK energy research projects. And with this gift supporting energy-related scholarship programs at UK, E.ON is making sure the energy leaders of tomorrow will be well-prepared to move this state and our nation forward."

"E.ON U.S. and its parent company, E.ON, have been great corporate citizens," said University of Louisville President Dr. James R. Ramsey. "This generous contribution to the University of Louisville is proof of their commitment to education, energy conservation research and the people of Kentucky."

The E.ON U.S. Foundation plans to use the grant to continue its support of various charitable organizations throughout Kentucky.

Vic Staffieri, Chairman, CEO and President of E.ON U.S., added: "E.ON shares our company's philanthropic commitment and realizes that its success as a company is directly tied to the well-being of the communities in which it operates. The E.ON U.S. Foundation, which has contributed more than \$20 million to the community since its inception in 1994, will use E.ON's generous donation to further enhance our giving power and positive impact throughout our service territory."



*E.ON U.S., headquartered in Louisville, Ky., is a subsidiary of E.ON, the world's largest investor-owned energy services provider. E.ON U.S. is a diversified energy services company that owns and operates Louisville Gas and Electric Company, a regulated utility that serves 321,000 natural gas and 396,000 electric customers in Louisville and 16 surrounding counties, and Kentucky Utilities Company, a regulated electric utility in Lexington, Ky., that serves 545,000 customers in 77 Kentucky counties and five counties in Virginia.*

*Follow us on Twitter: [@eonus](https://twitter.com/eonus)*

###



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 57**

**Responding Witness: Victor A. Staffieri**

- Q-57. Please reference the joint applicants' responses to AG 1-79 and AG 1-1, the confidential response at page 2 of 4. Please provide the dates and the substance of any discussions as requested in AG 1-79.
- A-57. As noted in Mr. Staffieri's testimony, some of the 54 commitments contained in Exhibit B to the PSA were created in part through discussions he had with Governor Beshear and Mayor Abramson. These conversations, which were primarily telephonic, occurred in April and related to some of the regulatory commitments that were being negotiated with a potential buyer, including the commitment to retain the corporate headquarters in Kentucky for a period of 15 years.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 58**

**Responding Witness: Lonnie E. Bellar / Paul A. Farr**

- Q-58. Please reference the joint applicants' response to AG 1-84. The joint applicants refer to their response to AG 1-16, which then refers to the response to KIUC 1 - 10. However, that answer only states that the joint applicants have "no plans to request such an accounting order [to defer and subsequently recover the costs from the ratepayers]." Will the joint applicants commit to not seek recovery of the costs from the ratepayers?
- A-58. The Joint Applicants committed in Regulatory Commitment Nos. 5 and 8 that the proposed acquisition will have no impact on the base rates of LG&E and KU and that the ratepayers of LG&E and KU shall not incur any additional costs in conjunction with the proposed acquisition. Consistent with this commitment, 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.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 59**

**Responding Witness: Victor A. Staffieri**

- Q-59. Please reference the joint applicants' response to AG 1-85. Are the joint applicants stating that E.ON AG does not have a "comparable focus on domestic energy and environmental and regulatory challenges?"
- A-59. No. However, PPL does currently operate other regulated utilities in this country while E.ON AG's other operations in the United States are limited to merchant renewable projects managed through its E.ON Climate & Renewables market unit.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 60**

**Responding Witness: Lonnie E. Bellar / Paul A. Farr**

- Q-60. Please reference the joint applicants' response to AG 1-91. Answer the questions. Objection on relevancy are misplaced because 1) the joint applicants in the petition for confidential treatment have placed the issues at play and 2) objections on relevancy in discovery are not allowed.
- A-60. This request has been withdrawn by the AG pursuant to an agreement with counsel to submit a supplemental response to AG 1-91(c).



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 61**

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

- Q-61. Please reference the joint applicants' response to AG 1-92. Please answer the question as it pertains to the public interest standard currently before the Commission and involved the evolution/metamorphosis of the surviving companies.
- A-61. Please see the supplemental response to AG 1-92.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 62**

**Responding Witness: Paul A. Farr**

- Q-62. Please reference the joint applicants' response to AG 1--94. The joint applicants refer to their response to AG 1--15 but that answer is not responsive. Please provide the response if known, and if not known, a best estimate. If neither an answer nor best estimate is available, is this because the joint applicants believe the cost, if any, would be negligible?
- A-62. PPL has not undertaken any review of the incremental cost, if any, associated with the loss of its exemption from compliance with PUHCA 2005. Given that no review has been undertaken or completed on this subject, PPL is unable to deliver an estimate or otherwise speculate as to the existence or amount of such potential cost.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 63**

**Responding Witness: Paul A. Farr**

- Q-63. Please reference the joint applicants' response to AG 1--95. If the joint applicants do not believe the SOX requirements will lead to any material cost in the future and because neither LG&E or KU have had to bear any costs for compliance with the SOX requirements to date, would the joint applicants commit to not having the ratepayers bear any costs for SOX compliance?
- A-63. No. As noted in the Joint Applicants' Response to AG 1-95, relevant E.ON U.S.-related entities have maintained internal controls substantially consistent with SOX requirements, but certain modifications or changes in controls may occur. Costs of compliance with SOX requirements are appropriately recovered by a utility as a part of its on-going operating expense.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 64**

**Responding Witness: S. Bradford Rives / William H. Spence**

- Q-64. Please reference the joint applicants' response to AG 1-96. Please answer the question; to wit, is PPL Corporation a larger utility system than E.ON AG?
- A-64. No. In the aggregate, E.ON AG is a larger utility system than PPL Corporation based on power generation capacity.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 65**

**Responding Witness: William H. Spence**

Q-65. Please reconcile the joint applicants' response to AG 1-97 **BEGIN**  
**CONFIDENTIAL** [REDACTED] **END CONFIDENTIAL**

A-65. [REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 66**

**Responding Witness: Karl-Heinz Feldmann**

- Q-66. Please reference the joint applicants' response to AG 1-100. 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.
- A-66. As noted in the response to AG 1-100, E.ON AG provides customary representations, warranties and indemnifications in the PSA.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 67**

**Responding Witness: Lonnie E. Bellar**

Q-67. Please reference the joint applicants' response to AG 1-103 and provide a responsive answer.

A-67. Please see the supplemental response to AG 1-103.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 68**

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

- Q-68. Please reference the joint applicants' response to AG 1-107.
- a. How will the rate of return determination absent the transaction be "self-evident?"
  - b. See a. for b.'s supplemental response above.
  - c. See a. and b.'s answer for c.'s supplemental response.
  - d. Answer the question.
  - e. Answer the question.
- A-68. The request for information in AG 1-107 references the following commitment in Exhibit D, page 3 of 7: "(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."
- a. and b.  
Historically the utilities rate of return request in rate cases has been supported by expert testimony analyzing the utility industry and similarly situated utilities. LG&E and KU expect to continue this practice without an adjustment to the results of that analysis caused by this transaction.
  - c. The responses to AG 1-107(a) and (b) use the phrase "self-evident" in the responses as part of the description of the position taken therein as synonymous with the term "obvious."
  - d. The request for information in AG 1-107(d) calls for a legal conclusion which is an objectionable request.
  - e. The request for information in AG 1-107(e) calls for a legal conclusion which is an objectionable request.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 69**

**Responding Witness: William H. Spence**

- Q-69. Please reference the joint applicants' response to AG 1-110 d. and answer the question as asked.
- A-69. It has not yet been determined whether additional incremental investment will be necessary to provide the highest quality services consistent with PPL's long-term strategic vision. LG&E and KU have consistently provided a very high level quality of service, and PPL intends to continue the provision of excellent service to its ratepayers.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 70**

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

- Q-70. Please reference the joint applicants' response to AG 1-111 whereat the joint applicants reference their response to AG 1-106. In order to eliminate any interpretation of the answer, please explicitly answer the question without the need for any reference.
- A-70. LG&E and KU will incur customary costs of a public market financing transaction such as underwriters' fees, legal fees, printing fees, and rating agency fees in connection with the issuance of first mortgage bonds. However, in the current market, the lower interest costs resulting from the refinancing will more than offset the costs the companies will incur.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 71**

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

- Q-71. Please reference the joint applicants' response to AG 1-115. Please answer the question.
- A-71. As is the case today, LG&E and KU can communicate to their parent in the event they disagree with the allocation of a cost from a parent or affiliate. In addition, any party can challenge an allocation in a rate case.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 72**

**Responding Witness: Paul A. Coomes**

- Q-72. Please reference the joint applicants' response to AG 1-118.
- a. Please provide a copy of the report which is not available publicly at no charge. (The Attorney General has historically agreed to accept a reference if the public copy was available at no cost. However, such is not the case here.)
  - b. What is meant by the response that the "hard copy will be provided at a mutually agreed upon time?" The Attorney General wants the copy immediately.
  - c. The Attorney General asked for a narrative and not a report. Please provide same immediately and do not wait for a "mutually agreed upon time" as the joint applicants would suggest.

A-72. a -- b.

In relation to the presentation materials for "Measurement Systems for Regional Economic Development" (San Antonio, Texas 1999), Professor Coomes has not been able to locate a copy of the requested document. The conference agenda and the bios of speakers are listed on the website of the Dallas Federal Reserve, <http://www.dallasfed.org/news/research/pre02/99cities2.pdf>, with a conference description at [www.dallasfed.org/research/vista/vista0001.pdf](http://www.dallasfed.org/research/vista/vista0001.pdf). The material Professor Coomes presented at the conference was essentially that from a paper he published in the *Journal of Economic and Social Measurement*, "Economic Performance Measures for Metropolitan Areas," 1998, Volume 24, pages 157-179. A copy of the paper is attached. Both the published paper and the conference discussion drew from the 75-page booklet, coauthored with Barry Kornstein "1995 Macro Performance Indicators," sponsored by National City, March 1996. This booklet is out of print, but the 2001 update is available at the University of Louisville website: <http://monitor.louisville.edu/region/MEPI2000combined.pdf>.

- c. Professor Coomes organized and managed the 1987 Delphi Panel relating to long-range utility forecasts for LG&E. The Company contracted with Professor Coomes and his team (through the University of Louisville) to build econometric models and forecasts of energy customers and energy usage. The Company also requested that Professor Coomes' team augment the quantitative forecasting process with a Delphi Panel. This technique is often used in corporate forecasting exercises as a way to incorporate the judgment of knowledgeable people in the industry and community. The team recruited a disparate panel of over a dozen experts. They were independently provided with baseline forecasts and asked to assess the likely accuracy of the team's outlook, and to offer alternative scenarios and commentary. Their anonymous reactions were distributed back to the whole panel, and another round of feedback was conducted. After several rounds, the participants were able to reach consensus on the forecasts. The technique, and how it can be effectively integrated into a more quantitative forecast, is explained in the textbook *Forecasting: Methods and Applications*, by Makridakis, Wheelwright, and Hyndman, Wiley, 3<sup>rd</sup> edition, 1998.

## **Economic Performance Measures for Metropolitan Areas**

by

Paul A. Coomes, Ph.D.  
Associate Professor of Economics,  
National City Research Fellow, and  
Executive Director, School of Economics and Public Affairs  
University of Louisville  
Louisville, KY 40292 USA  
(O) 502-852-4841 (F) 502-852-7672  
pacoom01@athena.louisville.edu

### **Abstract**

In this paper, I describe a system of comparative economic performance indicators that have been used to guide economic policy in the Louisville metropolitan area. Nine dimensions of metropolitan area performance are identified: geographic, demographic, economic structure, economic performance, cost of business, cost of living, human capital, physical capital, and quality of life. Hundreds of measures were assembled across these categories for the Louisville metro and its eighteen prime competitor markets. Data were obtained from the standard public databases, but also from trade associations, accounting reports, research studies, and private surveys. This wider approach to metro data organization was rich in content and policy-oriented insights. As comparative measures were assembled for each dimension, qualitative statements were composed that exposed Louisville's strengths and weaknesses. Business and political leaders found the scope, depth, and implications of the measures assembled compelling enough that local economic development policy and institutions have since been realigned to address the newly evident challenges.

March 1999

### **Economic Performance Measures for Metropolitan Areas\***

“At the local level, thousands of decisions are made regularly by public officials and by businessmen. In the aggregate, these decisions have a great impact on economic growth and the quality of living standards of the American people. Yet, such decisions are usually based on much less detailed information than is available at the national level.”

- Charles Tiebout, *The Community Economic Base Study*, p. 11, 1962.

#### **1. Introduction**

The 37-year old comment by Charles Tiebout still rings true today. Economic policy is regularly devised and implemented at the city level without the benefit of the comprehensive and conceptually precise economic accounting systems that support policy at the national level. City leaders regularly make important decisions about regional economic development strategy, tax rates and structure, bond issues, industrial incentives, public expenditure policies, intergovernmental lobbying efforts, and local land use. Tiebout argued that better information would improve local decision making, and pointed particularly to three criteria for this information: (1) that it be periodically available; (2) that it be related to national statistics; and (3) that it be “organized around sound concepts of the working of the local economy, so that information on the interrelations of various types of activity can be understood”, (Tiebout, page 12).

There is a wealth of metro-level data available on a periodic basis, and these are conceptually consistent with comparable national measures. Tiebout’s third criterion is the most troublesome, however. Until metropolitan area economic accounts, consistent with the internationally accepted System of National Accounts (SNA), are developed by federal governments it will be difficult to ensure that investigations in support of local policy are based on a solid empirical foundation. Nevertheless, valid inferences can be made using good economic reasoning and the mine of imperfect and disconnected measures regularly available for analysis. Recent articles in this journal on school enrollments (Campbell, 1997) and temporary migrants (Galvez and McLarty, 1996; Hogan and Steinnes, 1996) illustrate the data problems and solutions possible in subnational economic policy analysis. Hopefully, studies such as these will contribute to the discussion of how to build a system of metro accounts that effectively supports local economic policy making.

In this paper, I report on a recent measurement project to support economic decisions in a large metropolitan area. We found that conventional metro-level measurement tools are both too imprecise and too narrow to guide local economic policy. While a good stream of consistent data exists for population, jobs, wages, and personal income at the metro level, there are few systematic and reliable measures of important economic variables, such as prices, output,

---

\* This paper describes a study by Coomes and Kornstein (1996). The 75-page report is available from the current author upon request. An earlier version of this paper was presented at the Regional Economic Indicator Model workshop at the University of Minho in Braga, Portugal, June 1998. Charles Renfro, Barry Kornstein, and Steven Spalding provided very helpful comments.

investment, trade, and human capital. To provide research support to local decision makers, we acquired hundreds of observations across nine dimensions of performance for a set of nineteen competitor metros. For data, we tapped federal and state statistical programs, but also trade associations, accounting firms, popular books, and research reports. These are all periodically available, and most are related to national statistics, though not necessarily those found in the formal national economic accounts. When properly blended and interpreted, this data base can be used effectively to guide local economic policy.

This paper is organized as follows. I first provide a short history of economic accounting systems and suggest that the development of metro-level accounting is inevitable but not imminent. I argue that metro areas provide natural economic geographies for the development of accounting systems, and that important economic decisions are made regularly – though of a different character than those made nationally. Next, I discuss nine dimensions of metro performance, and describe the types of measures available for each. I argue that the data is much more useful if gathered for a set of comparison metros, rather than simply a single metro of interest. Finally, I provide an example of how the performance measures have been used to guide local economic policy. An extensive appendix annotates the data used.

## **2. Economic accounting systems and metro economies**

The systematic organization of economic, demographic, financial, sociological, and other data to support policy making goes back at least three hundred years to the work of such pioneers as Sir William Petty<sup>1</sup>. Since then, and particularly in the two decades after the Great Depression and World War II, economic accounting has developed into a worldwide industry, with increasingly uniform scope, depth, precision, and acceptance by policy makers. Today it is hard to imagine performing economic analysis or conducting national economic policy without benefit of the information stream to and from the system of accounts.

Beginning with crude but internally consistent estimates of total income and expenditures of the population of England and Wales in the late seventeenth century, economic accounting has developed to now provide detailed estimates of consumer expenditures, industrial output, prices, investment, income, and foreign trade for nearly all countries. Since the 1940s the accounts have broadened to include input-output tables, flow of funds tables, and balance sheets. Experimental work and satellite accounts have been developed to track nonmarket production, human capital, environmental assets, artistic contributions, and research and development (Kendrick, 1996).

Against this historical backdrop it seems inevitable that similarly detailed and precise economic accounting systems will some day be available for metropolitan economies. Indeed, a leap was made in the data available for local analysis in the mid-1970's when the US Bureau of Economic Analysis began publishing detailed annual estimates of personal income for all US counties, metropolitan areas, economic areas, and states (US Bureau of Economic Analysis, 1976). These estimates of earnings and jobs by industry by place of work, and sources of income by place of residence, are probably the most pervasively reported and analyzed data streams at the regional level.

---

<sup>1</sup> For historical background on economic accounting, see for example Richard Stone (1997), John Kendrick (1996), and John Hicks (1990).

About a decade ago, BEA introduced annual estimates of Gross State Product – the state-level counterpart to GDP (Renchaw, Trott, and Friedenber, 1988)<sup>2</sup>. These federally-produced estimates improved upon those introduced two decades earlier by Kendrick and Jaycox (KJ). The KJ methodology was widely used to generate GSP estimates that were in turn used to estimate production functions, calibrate econometric models, and to analyze economic bases across states. However, the KJ method necessarily relied upon publicly available estimates of state earnings by industry to proxy state industrial output. That is, the procedure implicitly assumed that each state's share of national output in an industry was equal to that state's share of national labor and proprietors' earnings in the industry, a first approximation to the much more diverse economic reality. BEA's estimates of GSP are more precise than those generated by the KJ method, as BEA takes advantage of unpublished federal data on production, business receipts, taxes paid, and other variables by industry and state. Hence, a data need identified and roughly satisfied by regional economists led to the development of a federal statistical program that now routinely provides consistent and more precise data for public use.

The federal government does not yet produce a metropolitan area counterpart to GSP. It would be an expensive undertaking to construct the requisite statistical system. There are no statistical programs to provide ongoing estimates of local industrial output, inter-metro trade flows, metro area producer and consumer price levels, capital expenditures, profits, consumer expenditures, tax payments by jurisdiction, and commuter flows. Attempts to develop metropolitan analogues to Gross Domestic Product rely primarily upon the local job data to share down counterpart national estimates. Resulting Gross Metropolitan Product (GMP) estimates are yet noisy statistical artifacts<sup>3</sup>. Creative ways can be developed to use finely geo-coded administrative records and confidential data from the national economic accounting system to refine GMP over the years. Yet, with funding in jeopardy for even some of our stalwart national statistical programs, it will likely take a unique crisis or another technology revolution to bring metro economic accounting systems into our daily currency before the next quarter century.

This is unfortunate for several reasons. First, most of us live and work in metropolitan areas. Eighty percent of US residents live in one of 315 metropolitan areas, and account for eight-five percent of all personal income. We want solid national economic policy, but particularly in an era of fiscal devolution from federal to state and local jurisdictions, we also want well-informed local economic policy. Second, city leaders could benefit greatly from the superior information quality a metro economic accounting system could bring. Often, decisions about public infrastructure, industrial recruitment, community development, and local tax policy

---

<sup>2</sup> The methodology to calculate Gross State Product estimates first appeared in an article by Kendrick and Jaycox (1965). The US Bureau of Economic Analysis now regularly publishes GSP estimates (Friedenberg and Beemiller, 1997). In the 1965 article, the authors state that "the method could also be applied to major standard metropolitan statistical areas (SMSA's), and other groupings of counties once the Department of Commerce publishes personal income estimates for these areas...", p. 154. Private estimates of Gross Metropolitan Product are now available, for example, from Regional Financial Associates.

<sup>3</sup> The Gross Metropolitan Product concept is so minimally accepted that the term does not appear in the most popular textbooks on urban economics, including those by Blair (1995), DiPasquale and Wheaton (1996), Heilbrun (1987), Mills and Hamilton (1994), and O'Sullivan (1996). The production of GMP estimates by private consulting firms indicates, however, some commercial demand for estimates.

are made based only on anecdotal information, fads, and myths. These decisions may affect hundreds of thousands of residents over decades. The internal consistency of an economic accounting system would improve the rigor and integrity of the information base used to make these decisions.

Third, metros more closely resemble most analysts' abstract notion of an economy than do states – jurisdictions that have received more attention from economic statisticians than metros. Given the economic transparency of state boundaries and the fact that most states are dominated by large urban areas often located along state borders, the whole concept of a “state economy” is suspect. Metropolitan areas, on the other hand, are (usually) clearly defined by commuter patterns, shopping patterns, labor markets, housing markets, media and entertainment markets - all the concepts to which accepted economic theory readily applies. Businesses sell to markets, not states; and hence there is a great commercial demand for good information about the condition of metropolitan economies. Because these metro markets compete so intensely for mobile firms and workers, there is also a strong demand from local economic development organizations for economic information. Both of these factors have led to the development of GMP series (Regional Financial Associates, 1998), econometric models (Glickman, 1971; Taylor, 1982), time series models (Kurre and Weller, 1989), leading indicator models (Kozlowski, 1987), and other indexes to track and/or predict the status of the local economy (Coomes and Olson, 1990). Unfortunately, the data available to quantify these indicators measures is typically more sparse and imprecise at the metropolitan level than at the state level.

Finally, the development of metro economic accounting systems could lead to a feedback improvement for the national systems. National accounting systems, because of their strong Keynesian legacy, emphasize the measurement of macroeconomic variables most sensitive to short-term fiscal and monetary policy. Local economic policy is largely of a different nature than national economic policy. Local leaders tend to think in terms of structural, long-term, solutions to clearly identified problems, not in terms of fine-tuning the monthly or quarterly path of industrial output or employment growth. Education, safety, sanitation, recreation, infrastructure, workforce, and environmental concerns dominate local debate and spending. These concerns, addressed through consistent local measurement practices, could provide the foundation for some of the logical extensions of SNA called for in the 1996 Kendrick book.

Until a system of metro economic accounts is developed, local policy will have to be guided by more ad hoc information streams<sup>4</sup>. Below, I describe a system of comparative economic performance indicators that have successfully been used to guide economic policy in the Louisville metropolitan area. Unlike the practice common in many states and even counties of the United States, no attempt is made to distill the information to an index that proxies GDP, the US Index of Leading Indicators, or some other indicator of total current or emerging

---

<sup>4</sup> Of course, debates will rage even with the best economic accounting systems in place. For example, it is not clear how much the growth in real US consumption expenditures per capita has slowed since 1973. A precise answer to this important question is apparently not possible even though there is stream of high quality detailed data embedded in a consistent accounting framework. See Triplett (1997), who also challenges many of the critical findings from the 1996 CPI Commission report.

economic activity<sup>5</sup>. Nor, unlike *Places Rated Almanac* (Savageau and Loftus, 1997) and its counterparts in the ratings game, do we attempt to define weights for the individual data components. Rather, we take the approach that many informative measures should be assembled on each dimension of the metro economy, and that they should be assembled for a set of comparable markets. Using these data and discussions with industry professionals, each dimension is analyzed and qualitative statements are formulated. Particular attention is paid to outliers, i.e., measures in which the reference metro ranks at or near the top or bottom among its competitors. Because of its scope, depth, and objectivity, the resulting portfolio of measurements and interpretation can become a powerful ingredient in the formulation of local economic policy.

### 3. Dimensions of Metropolitan Economic Performance

There is common disagreement about what constitutes progress in an economic area, and hence no single outcome for researchers to target in their measurements<sup>6</sup>. Local analysts and decision makers, like their national counterparts, need timely information about the character and health of the affected economy – both to determine areas that need attention and to determine how well past policy has performed. However, there is no local version of the federal Employment Act of 1946 or other codification of the goals of economic policy. Moreover, there is no central economic authority at the local level. Rather, economic policy is made and plans are implemented at the metro level by an alphabet soup of players - city governments, state governments, the federal government, utility companies, economic development groups, metropolitan planning organizations, transit authorities, school districts, zoning boards, tourism councils, airport authorities, environmental agencies, local and remote corporate boards, major foundations, and special interest groups. Each responds to a different perceived local need or opportunity. Each answers to a different set of stakeholders. Jurisdictions overlap freely. Mission statements are rarely synchronized and may conflict with each other. Not all players see economic and demographic growth as desirable; some are most concerned with the distribution of wealth and incomes, or with a parochial definition of “quality of life”.

Ideally, regional analysts could regularly report flow and stock information across the broad categories of concern to the metro policy makers. In this sense what is needed is much more ambitious than the information found in GMP estimates. Knowledge of the growth in aggregate economic activity is important to most local policy makers, but knowledge of the character of that growth is of more utility. Thus, an industry recruitment agency is more concerned about the number of daily non-stop flights to important business destinations than the total number of metro passenger enplanements. Similarly, workforce development officials will be more concerned about the area’s net migration of persons aged 18-30 than the growth in the

---

<sup>5</sup> Others have suggested that the disparate measures be summarized into a single regional index. See Coomes and Wong (1994) for a recent example. They do not provide a set of weights for calculating the index, but recommend that the weights be “selected after consultation between policymaker and researcher”, page 131.

<sup>6</sup> The lack of a uniform set of economic goals shows up in the mission statements of economic development organizations and in the stump speeches of local politicians. For example, one group’s “business climate” may conflict with another group’s “quality of life”. Central business district champions often clash with suburban promoters. The lack of consensus within and between metropolitan areas spurs a healthy competition of ideas, values, and policies.



total population. In short, what is needed is a detailed metro-level version of a SNA, complete with many satellite accounts.

In organizing data for our study, I have taken a broad economic development perspective. That is, I have acquired and organized data for the key dimensions addressed by area economic development groups. These groups are variously concerned with coordinating the use of land within the regional economy, boosting the size or modifying the characteristics of the population, increasing jobs and payrolls, modifying the economic structure, keeping business and living costs low, improving the education and skills of the workforce, enhancing the physical infrastructure, and raising the quality of life in the community. While there are not doubt other defensible ways to organize the data, I found that there was no essential element of metro economic performance that I could not place under one of these categories. Moreover, no one of these categories appeared to fit well under one on the others, suggesting that the dimensions were reasonably independent. I outline the components of each dimension below.

Geographic, including the land area and population density of the metro, the central city and the central county. There is great variation in the population density among jurisdictions and geographic classifications, and these can influence interpretations of data and therefore policy. For example, the Phoenix MSA includes only two counties but encompasses over 14,000 square miles. The Dallas PMSA, with eight counties, has roughly the same population as Phoenix, but less than one-half the land area. Yet, the two central city jurisdictions – the City of Phoenix, the City of Dallas – have nearly the same population density. This apparent discrepancy is due to the fact that Maricopa County, Arizona is one of the largest counties in the United States, but most of it is uninhabited desert. Careless use of population density data on metropolitan areas could lead to misleading comparative statements.

Demographics, including the number of residents, the age and race profile, the population growth rate, and the migration patterns. The age and race structure of metropolitan populations varies widely, and these need to be made explicit in any strategic evaluation of labor force and migration issues. For example, Austin and Dayton have about the same number of residents, but Dayton has nearly two times the proportion of residents aged 65 or greater. Labor availability and training needs will differ in these two markets even though they are nominally the same size.

Economic Structure, including the industrial concentration of jobs; income distribution. It is important to plow deeper than the typical manufacturing - nonmanufacturing characterization of industrial structure in comparing metropolitan economies. Within manufacturing is a wide range of possibilities, from low-wage textile and food processing jobs to high-wage auto assembly and steel producing jobs. The diversity outside of manufacturing is even greater. The financial sector may contain only low level processing jobs or the highest level headquarters jobs. The service sector may be skewed towards part-time personal service occupations or full-time professional occupations. A metro market may be dominated by a few large employers with thousands of hourly workers or by thousands of small entrepreneurial firms where owner-workers receive a direct share of profits. A detailed analysis of a metro's industrial base may help identify economic development strengths and weaknesses. And, given how politically charged are debates about business attraction and labor utilization, it also useful to get local leaders to agree on the facts about the current industrial structure.

Economic Performance, including job growth, earnings growth, personal income growth, unemployment, housing activity, patents, business starts, tourism, industrial and office real estate

conditions, air traffic. In practice, most analysts rely on job growth as a proxy for metro economic performance. While important, raw job growth is a very limited indicator. Quality of jobs may be more key than quantity of jobs. Moreover, there are many other interesting stories to tell about the characteristics of metro economic development. Good data are available on metro real estate markets, hotel room bookings, trade show attendance, air passenger and cargo volume, and the detailed components of personal income. These data can be woven with data on other dimensions of metro performance to compose insightful comments about the area's relative strengths and weaknesses.

Cost of Business, including labor costs, utility costs, real estate costs, taxes and regulatory costs, business per diems, air fares. While no complete accounting appears possible, a number of good data sources are available to make comparisons about the cost of doing business in metro markets. Labor costs may be approximated by BEA data on earnings per job by industry and from BLS occupational wage survey reports. Utility cost data is available by company service areas from the American Gas Association, Ernst and Young, and the Memphis Gas and Light Company. Comparative land, office, warehousing, and real estate development costs are available from the Urban Land Institute and the Society of Office and Industrial Realtors. Business per diems by market are available from the US military. Average air fares to important business destinations can be computed from US Department of Transportation data. And business-related tax rates may be obtained from the Tax Foundation, Commerce Clearing House, and the American Hotel Association.

Cost of Living, including housing, utilities, taxes, air fares. The usual first reference for this dimension is the quarterly index compiled by the American Chamber of Commerce Research Association (ACCRA) for most US markets. ACCRA publishes sub-indexes and data for housing, utilities, and other major items, but not tax costs. Good comparative tax data is available from the Tax Foundation, Commerce Clearing House, and the Washington DC mayor's office. The latter produces an interesting annual report on family tax burdens in the largest cities in each state. Utility and air fare data may be obtained from the same sources used to measure the cost of business.

Human Capital, including educational attainment of the population, ratings of K-12 schools and colleges, quantity and quality of professional and graduate programs, research and development activity. This is a very difficult dimension to measure. Basic educational attainment data on the population is, of course, available in great geographic detail from decennial censuses, but only every ten years. And ratings of higher education institutions and programs are available from a number of sources, but no source individually is comprehensive enough to trust for policy making. Perhaps the most challenging measurement problem, however, is to obtain reliable indicators of the quality of K-12 school inputs and outputs. The US Department of Education produces an annual compilation of basic data on large public school districts, listing total enrollments, expenditures, and staffing ratios. But metro areas typically have numerous school districts, an array of private schools, and complex funding and governance arrangements. There is no comprehensive source of data on K-12 schooling. Standardized test scores are not released, except on a case by case, district by district basis. Economic development leaders now recognize human capital as perhaps the most important dimension under their influence, and are hungry for good quantitative information about their local schools and labor force. Analysts can only assemble all the imperfect measures and try to (humbly) develop some credible threads of logic to improve the signal to policy makers. Hopefully, all the recent attention given to human capital will lead to better information systems over the next decade.

Physical Capital, including interstate highway access, commuting time, air service, mass transit, convention and exhibition space, hotel rooms. Local economic development policy often centers around brick and mortar decisions. Bond issues, incentive programs, zoning decisions, tax levies, and inter-jurisdictional lobbying and funding are the daily grind of local governments, and have profound effects on local business conditions and metro economic performance. There are few good data sources to measure the stocks and flows of physical capital in metro areas. We have pieced together a skeleton of information, but this dimension of metro performance needs fleshing out. Comparative interstate highway, rail, and water access data is available from commercial atlases. Commuting time data is only consistently available from the decennial censuses. Air service changes regularly, but is measured well by the US Department of Transportation and commercial travel services. Hotel capacity, and convention and trade show exhibit space data is available from Gale Research and other trade publications.

Quality of Life, including performing arts, recreational opportunities, library access, restaurant quality, health care quality, crime rates, charitable giving, pollution. There are a number of widely reported quality of life rankings issued each year. These purport to rank metro areas, but the rankings flow directly from the weights assigned to components by the publishers. A metro may rank tenth in one rating, two hundredth in another, depending upon the weight assigned to such items as amount of snow, crime rates, job growth, cost of housing, and medical care. *Places Rated Almanac*, one of the premier ranking sources, now produces an electronic version of the their database that allows the user to set the weights and see the change in metro rankings. We relied on much of the *Places Rated* data in our analysis, and supplemented it with detailed and readily available data on the arts, health care, crime statistics, philanthropy, and air quality.

Hundreds of measures were acquired over these topics for the comparison metros. A listing of data sources is provided in the appendix to this paper<sup>7</sup>. For each measure, we list the level of geographic detail available, the frequency of the data, and the time lag between the reference date and the release date. The reader can quickly perceive the wide range of data availability across the topics. Despite the lack of uniformity in the measures, there is much to be learned from digesting the wealth of quantitative information available on urban markets.

#### **4. Benchmark Competitor Markets**

It is important to also organize data for a set of comparison metro markets. As with prices, it is the relative measure that matters, not the absolute measure. For example, policy makers in a metro area might not be concerned to learn that eighteen percent of its adults hold a college degree, but would likely be very concerned to learn that the percentage is higher for all of its chief economic competitor markets. Information displayed by ranking the reference metro against its competitors is an effective way to communicate findings. Those categories in which the reference metro ranks near the top or near the bottom will naturally draw the most attention from policy makers.

---

<sup>7</sup> So far we have not developed good time series on most of the measures, perhaps the biggest empirical weakness of the project. It is important for policy makers to know whether performance in getting better or worse in each dimension. While some of our measures include calculations of change over time, most are presented in a cross-section format. We continue to update and expand the measures, as well as acquire historical comparative data.

How many comparison metros should be selected? Even if all the data were readily available in electronic form, it would not be very illuminating to compare a metro to all of the other three hundred plus metropolitan areas in the US (and the thousands of markets globally). There is likely little to be gained from comparing, say, Los Angeles to Muncie, Syracuse to Las Vegas, Minneapolis to West Palm Beach, or El Paso to Iowa City. There will be much more interest in comparing the home metro to others of similar size and economic structure. In our analysis of Louisville (roughly one million residents), we started with the 34 other US metros having a population between .5 and 1.5 million. We next interviewed local economic development officials to determine those markets for which they have been recently competing for mobile firms and jobs. This process turned up competition with a few much larger markets, but also documented little competition with many of the markets in Louisville's size class. We settled on a list of eighteen metros, shown below, for which historical records substantiate recent competition for office, manufacturing, or distribution firms and jobs.

<b>Comparison Metropolitan Areas</b>				
<b>MSA</b>	<b>Population, 1994</b>	<b>Business Competition*</b>		
Atlanta	3,331,022	O		D
Austin	963,973	O		
Charlotte	1,260,404	O	M	D
Cincinnati	1,581,216	O	M	D
Columbus	1,422,857	O	M	D
Dallas	2,742,550	O	M	D
Dayton	956,377	O		D
Greensboro	1,107,062	O	M	
Indianapolis	1,461,684	O	M	D
Jacksonville	971,824	O		
Kansas City	1,647,239	O	M	D
Louisville	980,851			
Memphis	1,056,135	O	M	D
Nashville	1,069,648	O	M	D
Omaha	662,801	O		
Phoenix	2,473,354	O		
Raleigh	965,139	O	M	D
Richmond	916,812	O		
St. Louis	2,536,106	O	M	D

\* competes with Louisville for office (O), manufacturing (M), or distribution (D) jobs.

### 5. Effect on Local Policy: Example

As the details of each dimension were fleshed out in our study, we discovered potent threads across categories. For example, local officials have long been concerned about Louisville's lack of population growth. We verified this in our demographic analysis, but also uncovered a number of illuminating facts that, combined with economic reasoning, have subsequently changed economic development policy in the area.

1. In our demographic analysis, we found that the Louisville MSA has the second oldest population among its competitors.

2. By analyzing decennial census data, we learned that the area had on net lost through out-migration 28,000 of its 1960s babies, sixteenth highest among the nineteen metros.
3. In examining Louisville's economic structure, we found that the area had a relatively low number of firms that typically employ people in professional and managerial occupations.
4. In analyzing economic performance, we learned that Louisville was one of only eight comparison markets that had managed to add manufacturing jobs during the preceding five years.
5. In our analysis of the cost of doing business, we found that Louisville manufacturing jobs paid well compared to the industrial jobs in other markets. However, workers in Louisville's nonmanufacturing industries had average annual earnings near the bottom of the list of markets.
6. In our analysis of the cost of living, we found that Louisville residents faced one of the highest personal tax burdens among large US cities, primarily due to high state-level income and sales taxes.
7. In our analysis of human capital, we found that Louisville had the lowest rate of college attainment among adults – relative to the other eighteen metros.
8. We also documented the low annual volume of federal research and development funds coming to the University of Louisville, the only research-oriented university directly serving the Louisville market.

The correlation among these findings was not lost on our sponsors, the local economic development groups<sup>8</sup>. In contrast to the "See we're growing, everything is great" attitude before the study, key community players were confronted with some very real and important challenges. The area was losing its most educated young people, and failing to attract new ones. Assembly and distribution industries were thriving, but the area was not getting its share of the booming and lucrative brain-based industries. State tax rates were high and too few of those public dollars were being invested in local education systems. The university's mission had become too broad to contribute sufficient research and development, and spin off firms and industries. When presented to the key board members and managers in a factual dispassionate style, these findings were so compelling that a complete overhaul of missions and managers followed. While any one of these measures might be dismissed as an outlier or irrelevant, the force of presenting these as a package was unstoppable.

Two years later, mission statements, fund raising, programs, and personnel have all been realigned to address the evident new challenges – stemming the brain drain, supporting targeted endowed chairs for the university, recruiting companies that hire skilled workers, state tax reform to improve the business climate, institutions to nurture new firms. Nearly all parties have bought into the data and the need to continue (and expand) detailed measurement. To a wide extent, our measurement system is to be used as the "outcome measures" for the new programs that have been put in place.

---

<sup>8</sup> Our measurement exercise did not take place in isolation, but was imbedded in a large regional strategic planning exercise supported by business and political leaders.

**Conclusion**

Unlike their counterparts at the national level, researchers attempting to support local economic policy cannot rely upon a comprehensive and consistent system of accounts to track conditions and evaluate policy effectiveness. Regional economists and other researchers will have to rely on more ad hoc information systems until a federal statistical program of Gross Metropolitan Product estimates, compatible with SNA estimates and replete with satellite accounts, is produced. I have outlined a simple but extensive system of economic indicators to track the performance of metropolitan areas. Unlike approaches taken by others, I make no attempt to weight the individual components and construct a *summary index of performance*. Rather, I argue that regional economists will have greater impact on local policy if they measure *all the important dimensions of metropolitan performance* in sufficient detail that compelling causal threads emerge for all interested parties to see. I also argue that the results are treated with more interest if data are organized for a group of readily recognizable competitor markets, rather than simply for the local market alone. Results are presented graphically as rankings. By carefully measuring and interpreting these dimensions, the investigator may become a core player in local economic policy debates – a role rarely associated with those that produce GMP estimates, leading indicator indexes, or forecasts of metro jobs.

**References**

- Airports Council International, ACI World Headquarters, *1997 Airport Traffic Statistics*, May 1998.
- American Chamber of Commerce Research Association, *ACCRA Cost of Living Index: Comparative Data for 310 Urban Areas*, Fourth Quarter 1997, April, 1998.
- American Gas Association, *Bill Comparison Report for the Quarter Ending March 31, 1998*, June 1998.
- American Hotel and Motel Association, *Campaign to Keep Travel Competitive*, current release.
- Business Week, The Best B-Schools*, magazine, McGraw-Hill, October 26, 1996.
- Blair, John P., *Local Economic Development: Analysis and Practice*, Sage, 1995, 345 pages.
- Campbell, Harrison C., "School Enrollments in an Extended Demographic Model", *Journal of Economic and Social Measurement*, 1997, Volume 23, pages 27-42.
- The Chronicle of Higher Education*, Volume XLIV, Number 24, February 20, 1998.
- The Chronicle of Philanthropy*, August 21, 1997.
- Commerce Clearing House, Inc., *CCH State Tax Guide*, current inserts in binders.
- Coomes, Paul, and Barry Kornstein, 1995 *Macro Performance Indicators*, University of Louisville, March 1996, 75 pages.
- Coomes, Paul, and Dennis Olson, "Using BEA and BLS Data to Monitor Metropolitan Area Economic Performance", *Journal of Economic and Social Measurement*, 1990, Vol.16, No. 3, pp. 167-83.
- Coomes, M., and C. Wong, "Methodological Steps in the Development of Multivariate Indexes for Urban and Regional Policy Analysis", *Environment and Planning A*, Volume 26, 1994, pages 1297-1316.
- DiPasquale, Denise, and William C. Wheaton, *Urban Economics and Real Estate Markets*, Prentice Hall, 1996, 378 pages.
- District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*, Department of Finance and Revenue, June 1998.
- Dun and Bradstreet Corporation, *Business Failures and Business Starts by MSA and Industry*, special order.
- Electrical World, *Electrical World Directory of Electric Power Producers*, 1997, 105<sup>th</sup> edition, McGraw-Hill.
- Ernst and Young, LLP, *Ernst and Young 1997 National Water and Wasterwater Rate Survey*, August 1997.
- Expansion Management Magazine*, New Hope Communications, annual, September-October issues.
- Federal Bureau of Investigation, *Crime in the United States, 1996*, September 28, 1997.
- Friedenberg, Howard, and Richard Beemiller, "Comprehensive Revision of Gross State Product by Industry, 1977-94" *Survey of Current Business*, June 1997, pages 15-41.
- Galvez, Janet, and Carol McLarty, "Measurement of Florida Temporary Residents Using a Telephone Survey", *Journal of Economic and Social Measurement*, 1996, Volume 22, pages 25-42.

- Glickman, Norman J., "An Econometric Forecasting Model for the Philadelphia Region", *Journal of Regional Science*, Volume 2, 1971, pages 15-32.
- Goldberger, Marvin L., Brendan A. Maher, Pamela Ebert Flattau, editors, *Research-Doctorate Programs in the United States*, National Research Council, National Academy Press, September 1995, 740 pages.
- Gourman, Jack, *The Gourman Report: A Rating of Graduate and Professional Programs in American and International Universities*, 7<sup>th</sup> edition, 1996, National Education Standards.
- Gourman, Jack, *The Gourman Report: A Rating of Undergraduate Programs in American and International Universities*, 9<sup>th</sup> edition, 1996, National Education Standards.
- Heilbrun, James, *Urban Economics and Public Policy*, St. Martin's Press, 3<sup>rd</sup> edition, 1987, 506 pages.
- Hicks, John, "The Unification of Macroeconomics", *The Economic Journal*, June 1990, Volume 100, pages 528-538.
- Hogan, Timothy D., and Donald N. Steinnes, "Arizona Sunbirds and Minnesota Snowbirds: Two Species of the Elderly Seasonal Migrant Genus", *Journal of Economic and Social Measurement*, 1996, Volume 22, pages 129-139.
- Kendrick, John W., "Introduction and Overview" pages 1-23, in *The New System of National Accounts*, edited by John W. Kendrick, 1996, Kluwer Academic Publishers, 464 pages.
- Kendrick, John W. and C. Milton Jaycox, "The Concept and Estimation of Gross State Product", *Southern Economic Journal*, Volume 32, 1965, pages 153-168.
- Kozlowski, Paul J., "Regional Indexes of Leading Indicator: An Evaluation of Forecasting Performance", *Growth and Change*, Summer 1987, pp. 62-73.
- Kurre, James A. and Barry Weller, "Forecasting the Local Economy, Using Time-Series and Shift-Share Techniques", *Environment-and-Planning A*, Volume 21, Number 6, June 1989, pages 753-70.
- Memphis Light, Gas, and Water Division, *1997 Utility Bill Comparisons for Selected U.S. Cities*, August 1997.
- Mills, Edwin S., and Bruce Hamilton, *Urban Economics*, Harper Collins, 5<sup>th</sup> edition, 1994, 480 pages.
- National Association of Realtors, "Median Price of Home Sales", by market, annual, [www.nar.realtor.com/databank](http://www.nar.realtor.com/databank).
- National Science Foundation/SRS, *Survey of Scientific and Engineering Expenditures at Universities and Colleges, Fiscal Year 1997*, Table B39, 1998.
- O'Sullivan, Arthur, *Urban Economics*, Irwin, 3<sup>rd</sup> edition, 1996, 739 pages.
- Reed Travel Group, *Meetings and Conventions Gavel 1995*, April 15, 1995, 625 pages.
- Reed Travel Group, *Official Airline Guide: Pocket Flight Guide*, North American edition, monthly.
- Regional Financial Associates, *Precis: Metro Edition*, Philadelphia, PA, quarterly, by subscription.
- Renchaw, Vernon, Edward Trott, Jr., and Howard Friedenber, "Gross State Product by Industry, 1963-86", *Survey of Current Business*, May 1988, pages 30-46, U.S. Bureau of Economic Analysis.



- Sales and Marketing Management: Survey of Buying Power*, Bill Communications, August 1997.
- Savageau, David, and Geoffrey Loftus, *Places Rated Almanac*, Macmillan Travel, 1997, 481 pages.
- Slater, Courtenay and George Hall, editors, *1996 County and City Extra: Annual Metro, City and County Data Book*, Bernan Press, 1996.
- Society of Industrial and Office Realtors and Landauer Real Estate Counselors, 1997 *Comparative Statistics of Industrial & Office Real Estate Markets*, January 1998, 330 pages.
- Stone, Richard "The Accounts of Society", a reprint of his 1984 Nobel Memorial Lecture in *American Economic Review*, Volume 87, Number 6, December 1997, pages 17-29.
- Tax Foundation, *State Tax Rates and 1996 Collections*, Special Report Number 75, February 1998.
- Taylor, Carol, "Econometric Modeling of Urban and Other Substate Areas: An Analysis of Alternative Methodologies", *Regional Science and Urban Economics*, Volume 12, 1982, pages 425-448.
- Tiebout, Charles *The Community Economic Base Study*, 1962, Committee for Economic Development, New York, December.
- Tradeshaw Week, *1993 Tradeshaw 200*, 19<sup>th</sup> annual edition, March 1993, 100 pages.
- Triplett, Jack E., "Measuring Consumption: The Post-1973 Slowdown and the Research Issues", *Federal Reserve Bank of St. Louis Review*, May/June 1997, pages 9-42.
- U.S. Bureau of the Census, "1990 Census of Population and Housing: Detailed Socioeconomic Characteristics", state volumes, various release dates.
- U.S. Bureau of the Census, *County Business Patterns, 1995*, September 1997.
- U.S. Bureau of the Census, *Current Construction Reports, Series C40: Housing Units Authorized by Permit-Issuing Places*, monthly.
- U.S. Bureau of the Census, "State and County Population Estimates and Components of Change, 1990-1995", March 1996.
- U.S. Bureau of the Census, *Statistical Abstract of the United States 1997*, 117<sup>th</sup>, October 1997, 1,023 pages.
- U.S. Bureau of Economic Analysis, "A Summary Description of the Sources and Methods Used in Estimating County Personal Income, 1969-94", July 1976.
- U.S. Bureau of Economic Analysis, *Regional Economic Information System, 1969-95*, August 1997, CD product.
- U.S. Bureau of Labor Statistics, *Employment and Earnings*, monthly.
- U.S. Bureau of Labor Statistics, *Occupational Compensation Surveys*, various releases.
- U.S. Department of Defense, "Per Diems", current listings, [www.dtic.mil/perdiem](http://www.dtic.mil/perdiem).
- U.S. Department of Education, *Digest of Education Statistics, 1997*, National Center for Education Statistics, 1998.
- US News and World Report, America's Best Colleges 1998 Annual Guide*, magazine, Volume 123, Number 8, September 1, 1997.
- US News and World Report, Best Graduate Schools 1998*, magazine, Volume 124, Number 8, March 2, 1998.

*US News and World Report, 1997 Best Hospitals*, magazine, Volume 123, Number 4, July 28, 1997.

U.S. Patent and Trademark Office, *U.S. Patent Grants by County: Calendar Year 1996*, July 1997, 16 pages.

Urban Land Institute, *ULI Market Profiles: 1995*, February 1995, approximately 400 pages.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 73**

**Responding Witness: Paul A. Coomes / Counsel**

- Q-73. Please reference the joint applicants' response to AG 1-120 b. and the attached copy of the contract with Stoll Keenon and Ogden. Why does the letter of engagement indicate that Mr. Coomes needed the permission of KIUC prior to his engagement for providing assistance to the joint applicants in the instant matter?
- a. Why, on the contract, are the following words stricken out:
    - 1. National City Research Fellow
    - 2. Public Administration
  - b. Who struck through the words?
  - c. Why were the words stricken through?
- A-73. The letter indicates KIUC permission would be necessary because Professor Coomes has appeared as an expert witness for KIUC in the pending KU and LG&E rate cases. Given that appearance and the fact that KIUC is a party in this proceeding, professional courtesy and decorum dictated that KIUC consent to Professor Coomes' appearance on behalf of the Joint Applicants. That consent was sought and obtained.
- a., b. and c.  
When Professor Coomes signed the contract, he struck through two items (National Research Fellow and Public Administration) to make the signature block accurate.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 74**

**Responding Witness: S. Bradford Rives**

- Q-74. Please reference the joint applicants' response to AG 1-122. Will the joint applicants commit that any additional cost(s) in insurance premiums immediately following any approval of the transaction will not be borne by the ratepayers? If not, why not?
- A-74. Insurance premiums fluctuate each year based on general insurance market conditions and the perceived risks of the insured as identified by the insurers. The premiums included in the current rate case were those incurred by the Companies during the test year, as adjusted by known and measurable changes. The Companies expect to include the premiums paid for all insurance policies in future test years for consideration in future rate cases consistent with past practice as approved by the Commission.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 75**

**Responding Witness: S. Bradford Rives**

- Q-75. Please reference the joint applicants' response to AG 1-123. Will the joint applicants commit that any additional contributions to pension plans, medical plans, etc. will not be borne by the ratepayers?
- A-75. As noted in the response to AG 1-123, the Joint Applicants are not aware of any increases in costs. Costs associated with benefit plans historically have been recovered from ratepayers in base rates, and are expected to be treated the same in future rate case proceedings.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 76**

**Responding Witness: Lonnie E. Bellar**

- Q-76. Please reference the joint applicants' response to AG 1-124. Will the joint applicants commit that E.ON U.S., LG&E and KU will not be exposed to any additional generation, transmission, or distribution requirements than otherwise if the transaction is approved?
- A-76. While there are no additional requirements contemplated or expected at this time, the Joint Applicants decline to make the requested commitment.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 77**

**Responding Witness: Lonnie E. Bellar / Paul A. Farr**

- Q-77. Please reference the joint applicants' response to KIUC 1-11 and answer the question. Will the joint applicants commit that they will not seek Commission approval for any costs to achieve savings in the absence of a comprehensive plan to ensure that savings exceed costs to achieve?
- A-77. In response to KIUC 1-11, the Joint Applicants stated that KU and LG&E do not expect significant savings or costs to achieve savings based on the regulatory commitments being made. The savings and the cost to achieve the savings, if any on either count, will be addressed in any proceeding to review the petition setting forth the formal analysis referenced in Commitment No. 39.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 78**

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

- Q-78. Please reference the joint applicants' response to KIUC 1-12 and answer the question.
- A-78. The KIUC's referenced request asks for projected financial statements which do not exist and require original work.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 79**

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

- Q-79. Please reference the joint applicants' response to LFUCG 1-17. Is it the position of the joint applicants that the only recourse available to the Commission for joint applicants' failure to abide by any condition approving this transaction is a penalty under KRS 278.990? Moreover, and if so, do the joint applicants interpret that statute to place a maximum penalty of \$2,500? If not, why not?
- A-79. The Joint Applicants object to this question on the grounds that it is overbroad and speculative. Without waiving that objection, Joint Applicants state that, in approving the proposed transaction, the Commission will likely impose as conditions many or all of the dozens of Regulatory Commitments. If those conditions are subsequently violated, the Commission's recourse will be determined by numerous factors, including but not limited to, which condition is violated, when it is violated, who violates it, the mental state of the violator (whether the violation was intentional, negligent, etc.), and the post-violation conduct of the violator. As for the application of KRS 278.990, the statute is clear and speaks for itself. However, the Joint Applicants note that the \$2,500 maximum penalty set forth in the statute is per offense and that the statute contains criminal penalties as well.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 80**

**Responding Witness: William H. Spence**

- Q-80. Please reference the joint applicants' response to IBEW 1-4. When do the joint applicants plan on performing a study/analysis of differences, if any, between best practices at PPL Corporation and best Practices at LG&E?
- A-80. PPL has no current plans to conduct a formal best practices study or analysis. PPL anticipates that any best practices will become apparent over time, as PPL is consistently looking for ways to improve the operations of all of its businesses. The Joint Applicants have committed that PPL, PPL Kentucky, LG&E and KU will advise the KPSC at least annually on the adoption and implementation of best practices at both LG&E and at KU. [Regulatory Commitment No. 12]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 81**

**Responding Witness: William H. Spence**

- Q-81. Please reference the joint applicants' response to IBEW 1-4. When do the joint applicants plan on performing a study/analysis of differences, if any, between best practices at PPL Corporation and best practices at KU?
- A-81. Please see the response to AG 2-80.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 82**

**Responding Witness: Paul A. Farr**

Q-82. Reference: Reference: Joint Response to First Data Request of Commission Staff,  
Question No. 2 BEGIN CONFIDENTIAL

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] END CONFIDENTIAL

A-82.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



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

Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010

Question No. 83

Responding Witness: Paul A. Farr

Q-83. Reference: Joint Response to First Data Request of Commission Staff, Question  
No. 2 BEGIN CONFIDENTIAL

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] END CONFIDENTIAL

A-83. [REDACTED]

[REDACTED]

[REDACTED]





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

Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010

Question No. 84

Responding Witness: Paul A. Farr

Q-84. Reference: Joint Response to First Data Request of Commission Staff, Question  
No. 2 BEGIN CONFIDENTIAL

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] END CONFIDENTIAL.

A-84. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 85**

**Responding Witness: Paul A. Farr**

Q-85. Reference: Joint Response to First Data Request of Commission Staff, Question  
No. 2 BEGIN CONFIDENTIAL

[REDACTED] END

CONFIDENTIAL

A-85. [REDACTED]



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 86**

**Responding Witness: S. Bradford Rives / Karl-Heinz Feldmann**

- Q-86. Reference: Joint Response to OAG 1-28. Provide all E.ON AG, E.ON U.S., LG&E, or KU presentations made to investment bankers, rating agencies, and others relating to the proposed transaction along with any reports, opinions, or analyses from such entities regarding the proposed transaction.
- A-86. E.ON U.S., LG&E and KU did not make any presentations to investment bankers, rating agencies or other similar persons relating to the proposed transaction. The reports, opinions, or analyses from such entities regarding the proposed transaction were received by E.ON U.S., LG&E and KU, such information provided in response to BREC 1-3. The presentations E.ON U.S., LG&E and KU made to the credit rating agencies in 2009 and 2010 were produced to the Attorney General and filed with the Commission in the course of the discovery in Case Nos. 2009-00548 and 2009-00549. These presentations did not address the proposed PPL acquisition.

On the day of the announcement of the PPL transaction, E.ON AG Investor Relations Department distributed a presentation to equity and debt analysts and conducted a phone conference with the analysts. A copy of this presentation is on the enclosed CD in folder titled Question No. 86. Following the announcement, Moody's and S&P issued press releases commenting on the PPL transaction. These releases are attached to this response. The analysts on the phone conference subsequently issued reports commenting on the PPL transaction. These reports are also enclosed on the CD in folder titled Question No. 86.



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

Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010

Question No. 87

Responding Witness: Paul A. Farr

Q-87. Reference: Joint Response to First Data Request of Commission Staff, Question  
No. 2. Please answer the following BEGIN CONFIDENTIAL

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

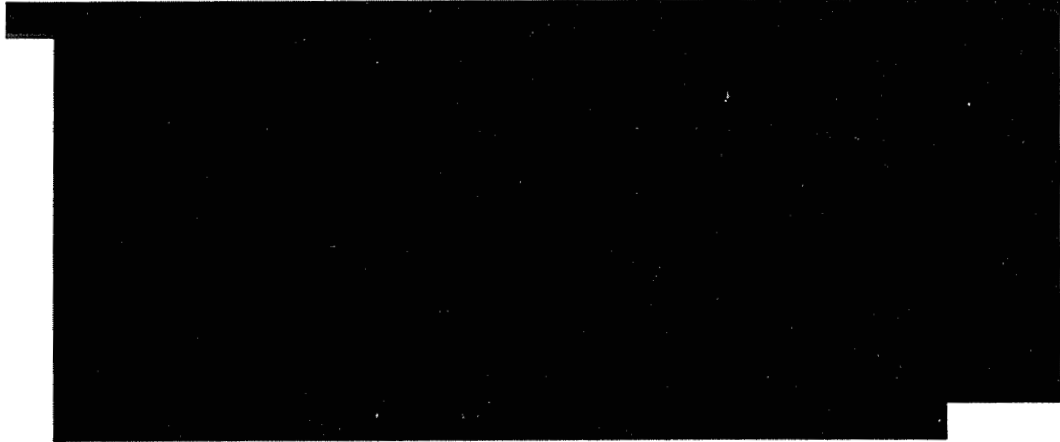
[REDACTED]

A-87. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 88**

**Responding Witness: Paul A. Farr**

- Q-88. Reference: Joint Applicants Response to OAG 1-1: With regard to the PPL Corporation Board Minutes not provided (under the claim that the information is extremely market sensitive and confidential), do the Minutes not provided contain any discussion of PPL's (or any of its subsidiaries') investment credit ratings or any discussion of PPL's (or any of its subsidiaries') liquidity? If yes, then please provide the Minutes. Note: This question does not represent a waiver or default of the Attorney General regarding any issues relating to the Joint Applicants' duty under 807 KAR 5:001 Section 7 (5) (a) to provide the materials in response to the Attorney General's initial request.
- A-88. The minutes of the meetings of PPL's Board of Directors have been redacted only to the extent they contain references to matters that are unrelated to PPL's proposed acquisition of E.ON U.S. Other board materials provided to PPL's Board of Directors at meetings to which the minutes relate were withheld only to the extent they contain confidential, market-sensitive, forward-looking financial information regarding PPL and its subsidiaries. Please see response to AG 2-1.





**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 89**

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

- Q-89. Reference: Joint Applicants' response to OAG 1-92. Without waiving or defaulting on any issues regarding the Joint Applicants' failure to fully-respond to OAG 1-92 (and reserving the right to compel a complete response to OAG 1-92), the Attorney General asks the following. The Application at page 4 identifies PPL Corporation as "a Fortune 500 global energy and utility holding company headquartered in Allentown Pennsylvania." In Mr. Feldmann's pre-filed Testimony in support of the Application, he notes (at page 1 of his testimony) that E.ON AG "provides power and natural gas services in different locations through Europe and Russia, and operates renewable-source generating assets in North America." With regard to the statement in the Application (at page 19) that "[t]he proposed acquisition will not be a financial investment by a global energy company; it will be a strategic combination of two companies that have similar business profiles and operating philosophies." Please answer the following:
- a. In that PPL Corporation, as a Joint Applicant, identifies itself as a global energy and utility holding company, please explain what the Joint Applicants mean when they convey that the application will not be a financial investment by a global energy company.
  - b. Please indicate whether it is 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 the Joint Applicants believe that it is in the public interest, then please explain why.
  - c. In terms of the phrase "global energy company," is it the position of the Joint Applicants that E.ON AG is properly characterized as falling within that definition with regard to the use of that phrase in the pertinent text on page 19 of the Application? If no, then why not?
  - d. In terms of the phrase "global energy company," is it the position of the Joint Applicants that PPL Corporation is properly characterized as falling within

that definition with regard to the use of that phrase in the pertinent text on page 19 of the Application? If no, then why not?

- e. Is it the position of the Joint Applicants that the statement in question on page 19 of the Application represents a change in the status quo, assuming approval of the transaction? If yes, then please explain the reason and identify the nature of the change. If no, then please explain why the statement is a factor bearing upon the issue of whether the proposed transaction is in the public interest.
- A-89.
- a. PPL is a domestic company, headquartered in Allentown, Pennsylvania. Its operations in the United Kingdom make it a global energy and utility holding company, but its domestic base, business profile, and operating philosophies are closely aligned with those of E.ON U.S, making the proposed acquisition more of a strategic combination than a simply financial investment.
  - b. The Joint Applicants object to this subpart on the grounds that it is argumentative, irrelevant, and vague and ambiguous so as to not be susceptible to a reasonable response. Without waiving these objections, it is the position of the Joint Applicants that, depending on the proposed acquirer and the facts of a specific acquisition, a financial investment by a global energy company may or may not be consistent with the public interest. Whether or not a hypothetical financial investment by a global energy company unsupported by facts is consistent with the public interest is not relevant, however, to these proceedings before the Commission.
  - c. The Joint Applicants object to this subpart on the grounds that it is argumentative and irrelevant, and further object to the use of the term “definition.” How the Joint Applicants might characterize E.ON AG has no relevance here because PPL is the proposed acquirer. Pursuant to KRS 278.020(5) and (6), the relevant issues here concern “the qualifications of the acquiring party and the potential effects of the transfer actually before” the Commission.
  - d. 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. The Joint Applicants’ use of the phrase “global energy company” on and in the context of page 19 of the Joint Application was not in reference to PPL, and therefore it would be unfair and inaccurate to characterize PPL as a “global energy company” as used on and in the context of page 19 of the Joint Application.

- e. If the Joint Application is approved, it will represent a change in the status quo because PPL is a different company than E.ON AG. The Joint Applicants have not taken the position that the fact that E.ON AG seeks to sell E.ON U.S. and the necessary resultant change in the status quo is itself consistent or inconsistent with the public interest, but rather have shown, in the Joint Application and as is required by KRS 278-020(5) and (6), that because PPL is the proposed acquirer, the proposed acquisition is in the public interest.



**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**

**Joint Response to the Attorney General's Supplemental Request for Information  
Dated July 16, 2010**

**Question No. 90**

**Responding Witness: Lonnie E. Bellar / Paul A. Farr / Counsel**

- Q-90. Reference: Joint Applicants response to OAG 1-91 (c). Without waiving or defaulting on any issues regarding the Joint Applicants' failure to fully-respond to OAG 1-92 (and reserving the right to compel a complete response to OAG 1-92), the Attorney General asks the following.
- a. Did the "regimented negotiation process" include, utilize or otherwise consider the "financial, technical, and managerial abilities to provide reasonable service" (within their meaning per KRS 278.020 (5)) as part of the criteria in selecting and negotiating with potential and actual bidders? If yes, then please explain how. If no, then please explain why not.
  - b. Did the "regimented negotiation process" include, utilize or otherwise consider information regarding the liquidity and investment credit profiles of the potential and actual bidders? If yes, then please explain how. If no, then please explain why not.
  - c. If the answer is yes to either or both of sub-parts a and b, then please explain, with specificity, how the "regimented negotiation process" (i) distinguished or, perhaps, scored the potential bidders or bidders with regard to the consideration, and (ii) if any potential bidders or bidders were eliminated from the process as a consequence of the consideration, then please explain how and why.
- A-90. Without waiver of the objections made by the Joint Applicants in response to AG 1-91, the Joint Applicants respond as follows.
- a. Whether a person acquiring a utility has the financial, technical, and managerial abilities to provide reasonable service under KRS 278.020(5) is a determination to be made by the Commission upon application for approval of the proposed acquisition. As stated in the supplemental response to AG 1-90, 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, including

an evaluation of the financial capability and operational experience of each bidder.

- b. As stated in the supplemental response to AG 1-90, in evaluating the bidders, E.ON AG considered each bidder's strategic rationale for the transaction, including an evaluation of the financial capability and operational experience of each bidder, and the strength of each bidder's balance sheet and its access to capital markets.
- c. Bidders were compared, and as stated in the supplemental response to AG 1-90, no bidder was excluded from consideration as a consequence of the consideration offered by that bidder.