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October 17, 2017

VIA HAND DELIVERY

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED

OCT 17 2017

PUBLIC SERVICE
COMMISSION

RE: Joint Application of PPL Corporation, PPL Subsidiary Holdings, LLC, PPL Energy Holdings, LLC, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of an Indirect Change of Control of Louisville Gas and Electric Company and Kentucky Utilities Company
Case No. 2017-00415

Dear Ms. Pinson:

Please find enclosed and accept for filing the unbound original and ten (10) copies each of an *Application for Approval of an Indirect Change of Control* on behalf of PPL Corporation, PPL Subsidiary Holdings, LLC, PPL Energy Holdings, LLC, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company ("Joint Applicants"). PPL Corporation is proposing to reorganize its current corporate structure and has formed PPL Subsidiary Holdings, LLC and PPL Energy Holdings, LLC to act as wholly owned subsidiaries of PPL Corporation for purposes of the corporate reorganization.

Please also find enclosed and accept for filing the unbound original and ten (10) copies of the Joint Applicants' *Motion for Use of Electronic Filing Procedures*.

Please confirm your receipt of these two filings by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me via our office courier.

Yours very truly,


Kendrick R. Riggs

Gwen R. Pinson, Executive Director
October 17, 2017
Page 2

KRR:ec
Enclosures

cc: Rebecca Goodman and Lawrence W. Cook, Kentucky Attorney General's Office
Michael L. Kurtz, Boehm Kurtz & Lowry
Robert M. Conroy, Vice President-State Regulation and Rates, LG&E and KU Services
Company
Allyson K. Sturgeon, Senior Corporate Attorney, LG&E and KU Services Company

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 17 2017

PUBLIC SERVICE
COMMISSION

In the Matter of:

JOINT APPLICATION OF PPL CORPORATION,)
PPL SUBSIDIARY HOLDINGS, LLC, PPL)
ENERGY HOLDINGS, LLC, LG&E AND KU)
ENERGY LLC, LOUISVILLE GAS AND)
ELECTRIC COMPANY AND KENTUCKY) **CASE NO. 2017-00415**
UTILITIES COMPANY FOR APPROVAL OF AN)
INDIRECT CHANGE OF CONTROL OF)
LOUISVILLE GAS AND ELECTRIC COMPANY)
AND KENTUCKY UTILITIES COMPANY)

JOINT APPLICATION

Pursuant to KRS 278.020(6), PPL Corporation, PPL Subsidiary Holdings, LLC (“NEWCO1”), PPL Energy Holdings, LLC (“NEWCO2”), LG&E and KU Energy LLC (“LKE”), Louisville Gas and Electric Company (“LG&E”), and Kentucky Utilities Company (“KU”) (collectively, “Joint Applicants”) jointly apply to the Kentucky Public Service Commission (“Commission”) for approval of the indirect acquisition of control of LG&E and KU (collectively “the Utilities”) by NEWCO1 and NEWCO2. The proposed acquisition of control results from a corporate reorganization as set forth below. Under the proposed corporate restructuring, PPL Corporation continues to retain ultimate control of the utilities and no change occurs to the corporate structure or management of LKE or the Utilities.¹ The proposed restructuring will have no effect on the operation or management of the Utilities. Consistent

¹ *In the Matter of: Joint Application of PowerGen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger*, Case No. 2000-095, Order (Ky. Pub. Serv. Comm’n May 15, 2000); *In the Matter of: Joint Application for Transfer of Louisville Gas and Electric Company and Kentucky Utilities Company in Accordance with E.ON AG’s Planned Acquisition of PowerGen plc*, Case No. 2001-104, Order (Ky. Pub. Serv. Comm’n Aug. 6, 2001); *In the Matter of: Joint Application of PPL Corporation, E.ON AG, E.ON 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, Order (Ky. Pub. Serv. Comm’n Sept. 30, 2010).

with prior Commission orders, LKE will continue to direct the management and operation of the Utilities. No changes in LKE personnel will result. The Proposed Restructuring also will have no effect on the financial structure of LKE or the Utilities, will not impose any cost or expense on those entities, and will have no effect on the Utilities' rates or service. LKE management's current access to PPL Corporation management will not be restricted or reduced. In sum, the Proposed Restructuring does not involve any change in the ultimate control of the Utilities or LKE. PPL Corporation will continue to ultimately own these entities at all times. Although it will not own LKE directly, it will continue to have indirect ownership and control over the Utilities.

In support of their Application, the Joint Applicants state as follows:

Introduction

1. The full name and mailing address of LG&E is: Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40202.

2. LG&E is a utility engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in nine Kentucky Counties and purchases, stores, and transports natural gas and distributes and sells natural gas at retail in 17 Kentucky Counties. LG&E was incorporated in Kentucky on July 2, 1913, and is currently in good standing in Kentucky.

3. The full name and mailing address of KU is: Kentucky Utilities Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40202.

4. KU is a utility engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in the 77 counties in Central, Northern, Southeastern, and Western Kentucky. KU was incorporated in Kentucky on August 17, 1912,

and in Virginia on November 26, 1991 (and effective as of December 1, 1991), and is in good standing in both Kentucky and Virginia.

5. The full name and mailing address of LKE is: LG&E and KU Energy LLC, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40202.

6. LKE is a Kentucky limited liability company that owns all of the stock of the Utilities. LKE was organized in Kentucky on December 29, 2009 and is in good standing in Kentucky.

7. The full name and mailing address of PPL Corporation is: PPL Corporation, Two North Ninth Street, Allentown, Pennsylvania 18101.

8. PPL Corporation is a utility holding company and the parent company of LKE. PPL Corporation was incorporated in Pennsylvania on March 15, 1994. It does not transact business in Kentucky and is not authorized to do so.

9. The full name and mailing address of NEWCO1 is: PPL Subsidiary Holdings, LLC, 1105 North Market Street, Suite 1300, Wilmington, Delaware 19801.

10. NEWCO1 was organized in Delaware on October 11, 2017. A copy of its Certificate of Formation is attached as Exhibit 1 to this Application. NEWCO1 does not transact business in Kentucky and is not authorized to do so.

11. The full name and mailing address of NEWCO2 is: PPL Energy Holdings, LLC, 1105 North Market Street, Suite 1300, Wilmington, Delaware 19801.

12. NEWCO2 was organized in Delaware on October 11, 2017. A copy of its Certificate of Formation is attached as Exhibit 2 to this Application. NEWCO2 does not transact business in Kentucky and is not authorized to do so.

13. The Joint Applicants may be reached by electronic mail at the electronic mail addresses of its counsel set forth below.

14. On October 16, 2017, the Joint Applicants pursuant to 807 KAR 5:001, Section 8, filed with the Commission a motion to use electronic filing procedures in this proceeding. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Robert M. Conroy
Vice President—State Regulation and Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
robert.conroy@lge-ku.com

Allyson K. Sturgeon, Senior Corporate Attorney
Sara Judd, Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
allyson.sturgeon@lge-ku.com
sara.judd@lge-ku.com

Kendrick R. Riggs
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
kendrick.riggs@skofirm.com

The Proposed Restructuring

15. Under PPL Corporation's present corporate structure, LKE is a direct, wholly owned subsidiary of PPL Corporation. PPL Corporation owns all of the outstanding limited liability company interests in LKE. LG&E and KU operate as direct, wholly owned subsidiaries of LKE. In addition to LKE, there are other direct, wholly owned subsidiaries of PPL Corporation. PPL Corporation's current organizational structure, presented in an abbreviated manner, is attached as Exhibit 3.

16. PPL Corporation proposes changes to its current corporate structure (the “Proposed Restructuring”). It has formed two new Delaware holding companies, NEWCO1 and NEWCO2. PPL Corporation directly owns NEWCO1. NEWCO1 directly owns NEWCO2. PPL Corporation proposes to contribute all of the interests it holds in certain of its direct, wholly owned subsidiaries, including LKE, to NEWCO1. NEWCO1 will then contribute all of these interests received from PPL Corporation to NEWCO2. Under the Proposed Restructuring, LKE will become a direct subsidiary of NEWCO2 and an indirect subsidiary of NEWCO1 and PPL Corporation. The resulting corporate structure is attached as Exhibit 4.

17. The Proposed Restructuring will allow PPL Corporation to effectively manage the movement of cash within the group of entities in the corporate structure as shown in “Exhibit 4.” In the context of the existing structure as shown in “Exhibit 3,” PPL Corporation is faced with potential future limitations on its ability to distribute cash from certain of its subsidiaries without creating negative Federal or State income tax consequences due to limited tax basis in those subsidiaries. In order to fund capital expenditures as well as dividends to shareholders of PPL Corporation, subsidiaries of PPL Corporation must regularly distribute cash to PPL Corporation. To the extent that such distributions exceed accumulated earnings and profits, the distributions will be characterized as returns of basis to the extent thereof and then as capital gains. While returns of basis are “tax neutral” from both a Federal and State income tax perspective, capital gains may trigger a tax cost. This cost poses a clear impediment on the PPL group’s options for efficiently mobilizing cash to serve its needs. The Proposed Restructuring significantly mitigates this potential cost by consolidating the tax basis of the relevant subsidiaries within both NEWCO 1 and NEWCO 2. In turn, this proposed structure will allow for more flexibility in making future distributions without triggering a negative tax impact.

18. PPL Corporation's existing corporate structure was created over a period of years in the context of operating numerous regulated and non-regulated electric generation, transmission and distribution businesses within the United States and internationally. In June 2015, PPL Corporation completed a spinoff of its competitive generation business, which was immediately combined with the generation assets owned by Riverstone Holdings to form a new independent power producer called Talen Energy Corporation ("Talen Energy"). The spinoff was the final step of PPL Corporation's transition to a company solely focused on high-performing regulated utilities in both the United States and internationally. PPL Corporation's former power plants located in Pennsylvania and Montana were transferred to Talen Energy as part of the spinoff. Other PPL Corporation subsidiaries were not affected by the spinoff transaction and remain part of PPL Corporation. In light of the 2015 spinoff of the competitive generation business, PPL Corporation believes the proposed structure to be more effective for operating its remaining regulated businesses. PPL Corporation will be positioned as a pure holding company. Intercompany financing, including managing the capital structures of the regulated utilities to comply with regulatory requirements, will be facilitated through the lower tier holding companies rather than PPL Corporation. Additionally, PPL Corporation believes that utilizing the subsidiary holding companies provides a more effective structure to facilitate any future business acquisitions it may undertake, as well as any combination or merger of existing non-regulated corporate entities to gain efficiencies.

19. The Joint Applicants anticipate a closing date of April 1, 2018, and respectfully request an order approving the Proposed Restructuring by February 1, 2018.

Commission Approval of the Proposed Restructuring

20. KRS 278.020(6) and KRS 278.020(7) address the requirement for Commission approval of a transfer of control of a utility. KRS 278.020(6) states:

No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

KRS 278.020(7) provides in pertinent part:

No individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an “acquirer”), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission. Any acquisition of control without prior authorization shall be void and of no effect.

21. KRS 278.020(8) sets forth three classes of acquisitions that do not require Commission approval under Subsection 7. These include the acquisition of control of a utility “by an acquirer who directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the utility, including any entity created at the direction of such utility for purposes of corporate reorganization.”² Subsection 8 applies only to Subsection 7 and does not expressly excuse or exclude the requirements of Subsection 6.

22. The Commission has previously recognized that review of a proposed corporate restructuring requires the separate application of Subsections 6 and 7 to the Proposed Restructuring to determine whether prior Commission approval is required and should be

² KRS 278.020(8)(b).

granted. This review has frequently resulted in a proposed transaction being found exempt from Subsection 7, but still requiring prior Commission approval under Subsection 6.³

23. Under the Proposed Restructuring, PPL Corporation retains ultimate control over the Utilities, but merely creates additional intermediaries for the purpose of corporate reorganization. Therefore, the Proposed Restructuring is exempted from Commission review under Subsection 8.

24. While Commission review of the Proposed Restructuring is required under Subsection 6, the scope of the Commission's review is strictly limited to determining whether the acquiring entities have "the financial, technical, and managerial abilities to provide reasonable utility service." Subsection 6 does not require the Commission to perform a "public interest" analysis of the Proposed Restructuring nor does it expressly authorize the Commission to attach conditions to the proposed transaction.⁴ It requires the Commission to approve the transaction if NEWCO1 and NEWCO2 through their ownership and control of LG&E and KU have the requisite abilities to provide reasonable utility service.

³ See *Joint Application of Kentucky Power Company D/B/A American Electric Power, American Electric Power Company, Inc. and Central and South West Corporation For (1) Approval of The Changes To The System Sales Clause Tariff; (2) Entry of Certain Findings Pursuant To 15 U.S.C. 97z; (3) Entry of Certain Findings Pursuant To 17 C.F.R. 200.53 (4) The Entry of An Order Declaring That The Transfer of The Stock of Kentucky Power Company From American Electric Power Company, Inc. To Its Wholly Owned Subsidiary, Central and South West Corporation May Be Consummated Without Approval By The Commission; or, Alternatively, Approving The Transfer Pursuant To KRS 278.020(4) and KRS 278.020(5); And (5) For Related Relief, Case No. 2002-00039 (Ky. PSC Feb. 27, 2002)*. See also, *Joint Application of MCI Communications Corporation, MCI Financial Management Corporation, MCI Telecommunications Corporation, and Southernnet, Inc. For An Order Approving Restructuring and To Carry Out Certain Transactions In Connection Therewith, Case No. 92-015 (Ky. PSC Feb. 3, 1992); Reorganization of Contel Cellular of Louisville, Inc., Central Kentucky Cellular Telephone Company, Louisville Cellular Telephone Company, Bluegrass Cellular Telephone Company, Contel Cellular of Louisville II, Inc., Contel Cellular of Lexington, Inc., Cumberland Cellular Telephone Company, Inc., Contel Cellular of Kentucky, Inc. and Contel Cellular of Kentucky B, Inc., Case No. 92-463 (Ky. PSC Dec. 14, 1992); Application of Citipower, LLC For Approval of Reorganization Proposal, Case No. 2004-00444 (Ky. PSC Apr. 14, 2005); Joint Application of Magnum Hunter Resources Corporation, NGAS Hunter, LLC, Magnum Hunter Production, Inc. and Sentra Corporation For Approval of Proposed Reorganization, Case No. 2014-00043 (Ky. PSC May 20, 2014).*

⁴ Counsel for the Joint Applicants have found no Commission orders in which the Commission addressing a corporate restructuring similar to the restructuring presented in this Application has attached any conditions to its approval of the restructuring.

25. Upon completion of the Proposed Restructuring, NEWCO1 and NEWCO2 through their ownership and control of LG&E and KU will possess the financial, technical, and managerial ability to provide reasonable utility service. The Utilities presently possess the requisite abilities to provide reasonable service and are providing such service. As a result of the Proposed Restructuring, the officers and employees of LKE and the Utilities, which represent the Utilities' present managerial and technical ability to provide service, will not change. The acquisition of indirect control of the Utilities will not affect the Utilities' financial resources, structures or policies nor do the Joint Applicants propose or expect any changes in those financial resources, structures or policies.

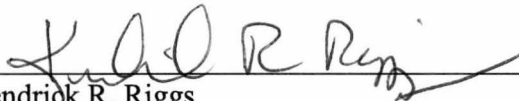
Conclusion

WHEREFORE, the Joint Applicants respectfully request the Kentucky Public Service Commission to enter an order:

1. Declaring that the proposed acquisition of control is a corporate reorganization that, pursuant to KRS 278.020(8), is exempted from the requirements of KRS 278.020(7);
2. Finding that NEWCO1 and NEWCO2 through their ownership and control of LG&E and KU have the financial, technical, and managerial abilities to provide reasonable utility service;
3. Approving, pursuant to KRS 278.020(6), the proposed acquisition of indirect control of the Utilities by NEWCO1 and NEWCO2 by February 1, 2018; and
4. Granting all other relief to which the Joint Applicants may be entitled.

Dated: October 17, 2017

Respectfully submitted,


Kendrick R. Riggs
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500 West Jefferson Street
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Senior Corporate Attorney
Sara Judd
Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
Fax: (502) 627-3367
allyson.sturgeon@lge-ku.com
sara.judd@lge-ku.com

Counsel for Joint Applicants

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct electronic copy of the foregoing verified *Joint Application* was served on the following persons by electronic mail using the electronic mail addresses shown below and a true and correct copy in paper medium of the same was served by placing the same in the U.S. Mail, postage prepaid for delivery to the addresses shown below all on the 17th day of October 2017:

Rebecca Goodman
Lawrence W. Cook
Office of the Kentucky Attorney General
Office of Rate Intervention
700 Capitol Avenue, Suite 20
Frankfort, KY 40601
Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov

Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
mkurtz@BKLLawfirm.com


Counsel for the Joint Applicants

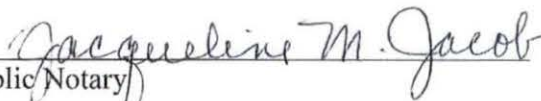
VERIFICATION

I, Alexander J. Torok, being duly sworn, deposes and says that he is Assistant Treasurer of PPL Corporation and an employee of PPL Services Corporation, and that he has personal knowledge of the contents of this Application and that to the best of his information, knowledge and belief they are correct.

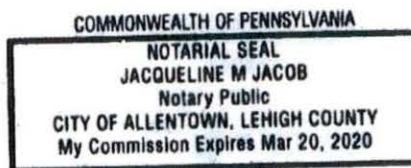
Date: October 13, 2017



Subscribed and sworn before me, a public notary in the said County and State this 13th day of October, 2017.


Public Notary

My Commission Expires: 3-20-20



Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "PPL SUBSIDIARY HOLDINGS, LLC", FILED IN THIS OFFICE ON THE ELEVENTH DAY OF OCTOBER, A.D. 2017, AT 3:22 O`CLOCK P.M.




Jeffrey W. Bullock, Secretary of State

6575607 8100
SR# 20176575878

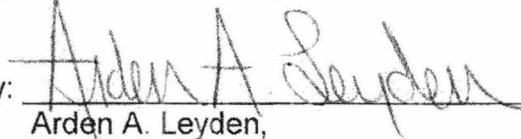
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 203385116
Date: 10-12-17

CERTIFICATE OF FORMATION
OF
PPL SUBSIDIARY HOLDINGS, LLC

1. The name of the limited liability company is PPL Subsidiary Holdings, LLC.
2. The address of its registered office in the State of Delaware is 1105 North Market Street, Suite 1300, in the City of Wilmington, Delaware, 19801. The name of its registered agent at such address is Wilmington Trust SP Services, Inc.
3. This Certificate of Formation shall be effective upon filing with the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of PPL Subsidiary Holdings, LLC this 11th day of October, 2017.

By: 
Arden A. Leyden,
an Authorized Person

Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "PPL ENERGY HOLDINGS, LLC", FILED IN THIS OFFICE ON THE ELEVENTH DAY OF OCTOBER, A.D. 2017, AT 3:19 O`CLOCK P.M.



Jeffrey W. Bullock, Secretary of State

6575603 8100
SR# 20176575874

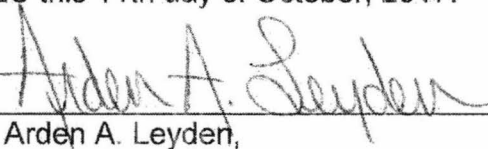
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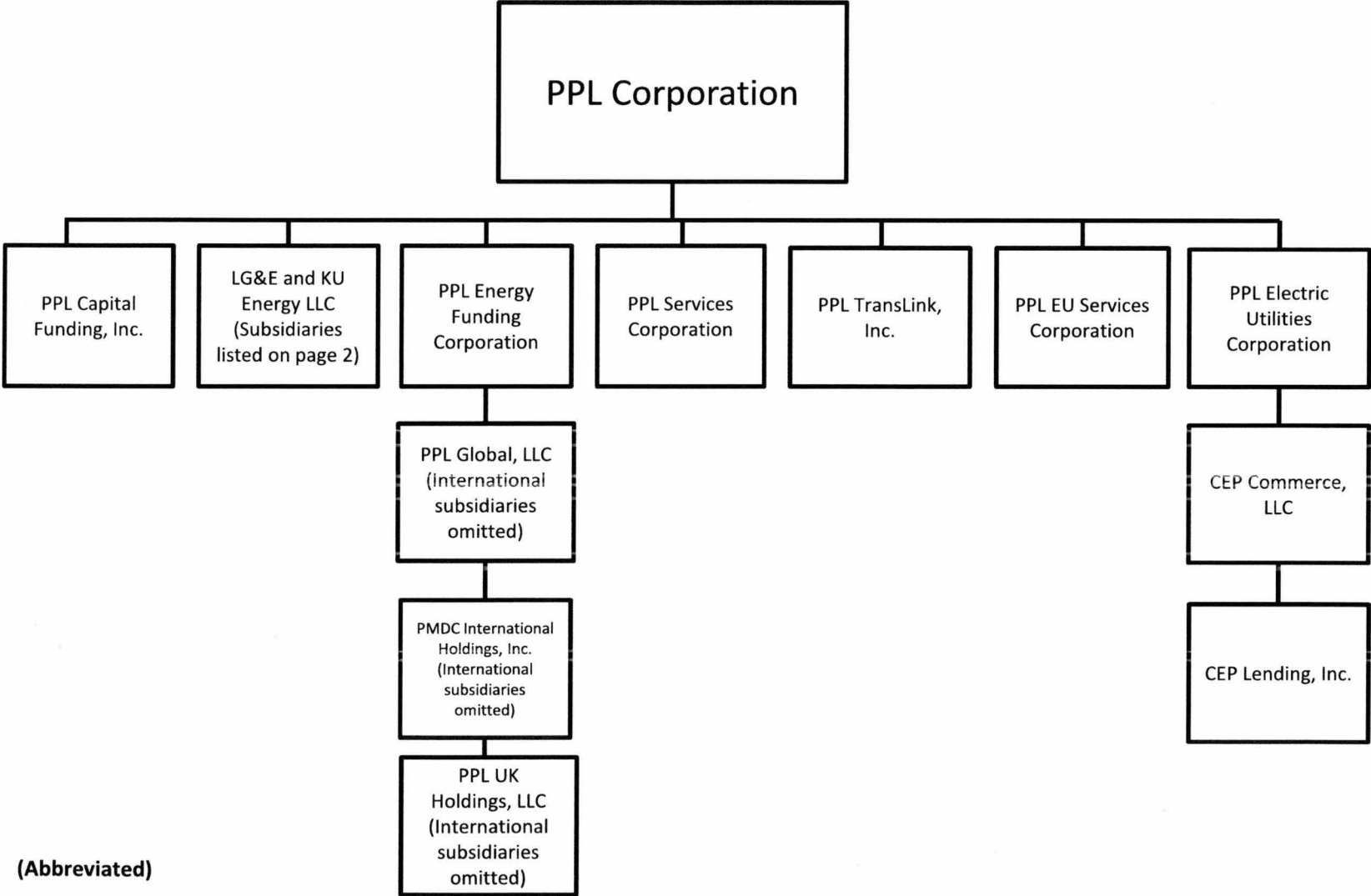
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OF
PPL ENERGY HOLDINGS, LLC

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2. The address of its registered office in the State of Delaware is 1105 North Market Street, Suite 1300, in the City of Wilmington, Delaware, 19801. The name of its registered agent at such address is Wilmington Trust SP Services, Inc.
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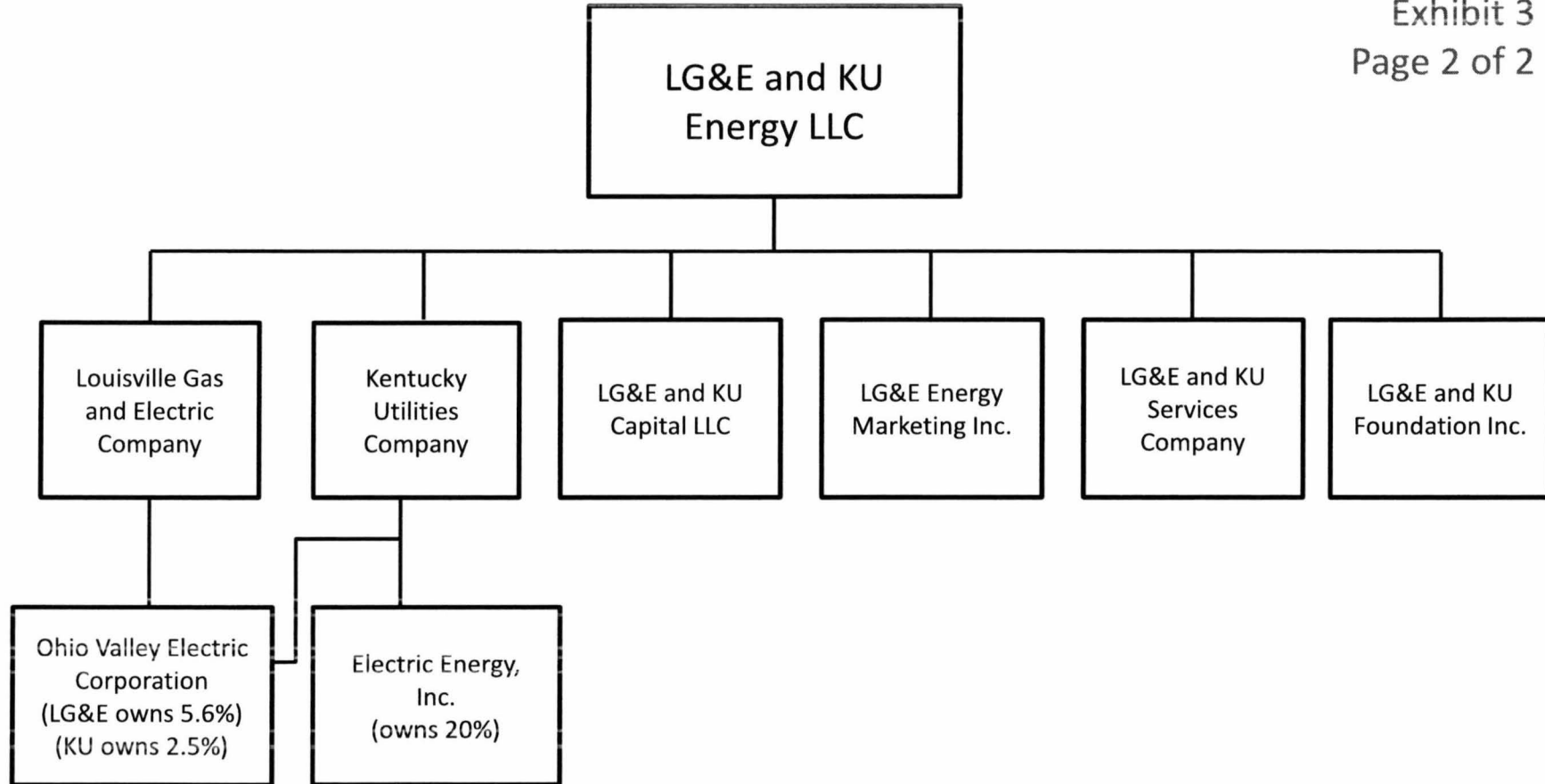
IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of PPL Energy Holdings, LLC this 11th day of October, 2017.

By: 
Arden A. Leyden,
an Authorized Person

Current Corporate Organizational Structure October 2017



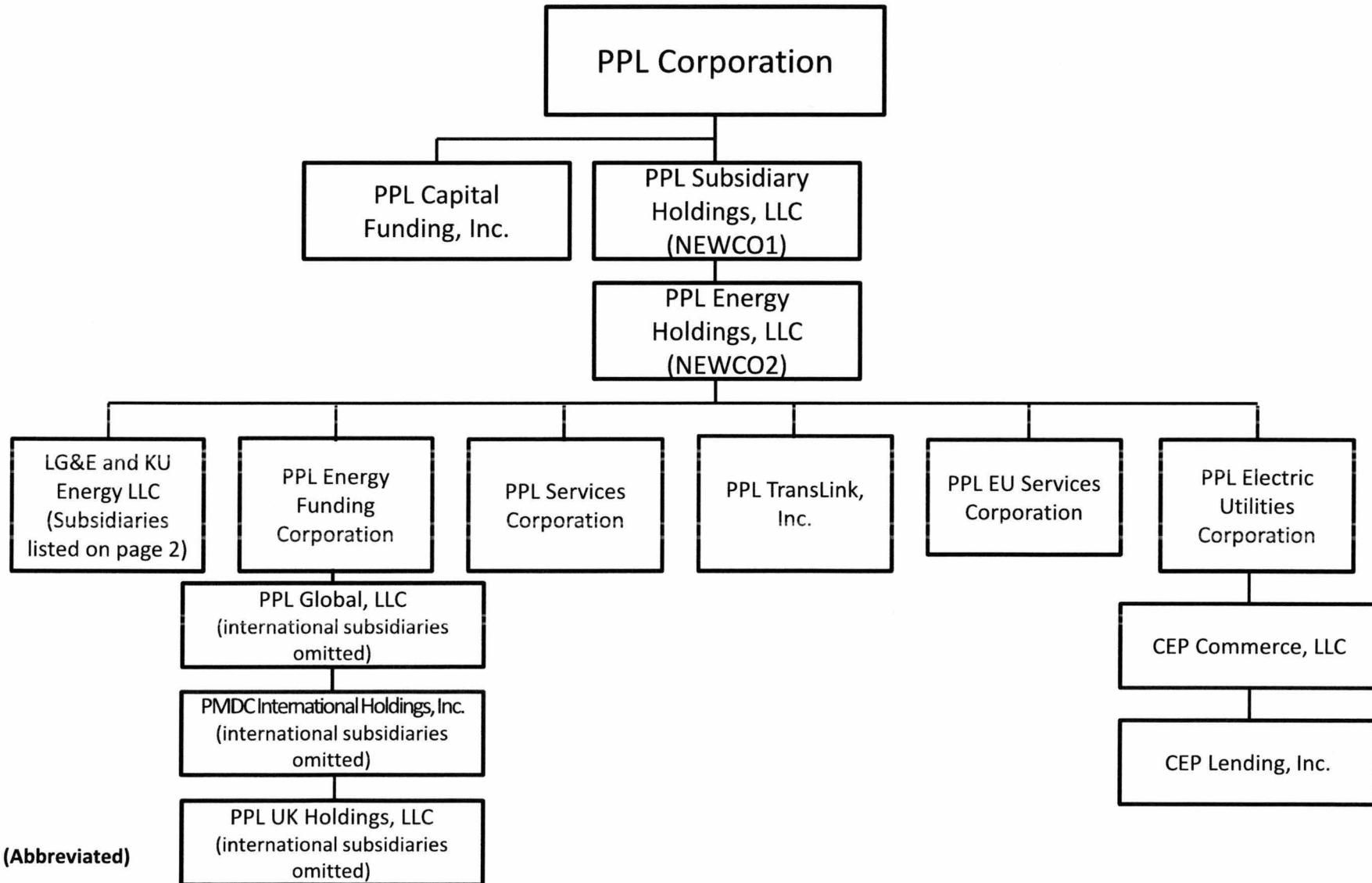
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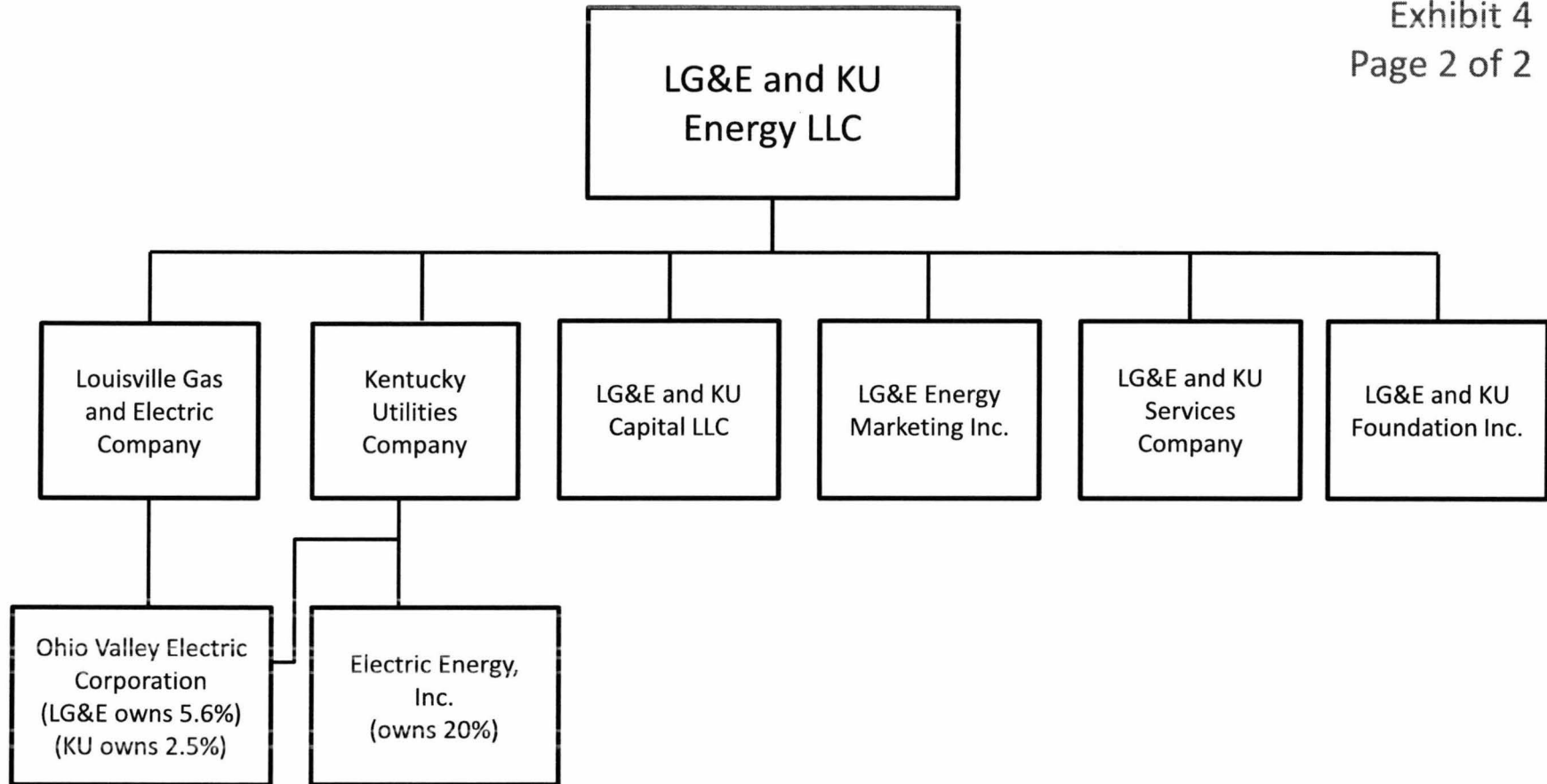


(Abbreviated)

Proposed Corporate Organizational Structure October 2017

Exhibit 4
Page 1 of 2





(Abbreviated)