

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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**PUBLIC SERVICE
COMMISSION**

**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

**THE APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY FOR)
AN ORDER AUTHORIZING THE)
RESTRUCTURE AND REFINANCING OF)
UNSECURED DEBT AND THE)
ASSUMPTION OF OBLIGATIONS AND)
FOR AMENDMENT OF EXISTING)
AUTHORITY)**

CASE NO. 2010-00205

**THE APPLICATION OF KENTUCKY)
UTILITIES COMPANY FOR AN ORDER)
AUTHORIZING THE RESTRUCTURE AND)
REFINANCING OF UNSECURED DEBT AND)
THE ASSUMPTION OF OBLIGATIONS AND)
FOR AMENDMENT OF EXISTING)
AUTHORITY)**

CASE NO. 2010-00206

**POST-HEARING BRIEF OF
JOINT APPLICANTS IN CASE NO. 2010-00204,
LOUISVILLE GAS AND ELECTRIC COMPANY IN CASE NO. 2010-00205,
AND KENTUCKY UTILITIES COMPANY IN CASE NO. 2010-00206**

Filed: September 16, 2010

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I. Introduction

In Case No. 2010-00204 (the “acquisition case”), PPL Corporation (“PPL”), E.ON AG (“E.ON”), E.ON US Investments Corp (“E.ON US Investments”), E.ON U.S. LLC (“E.ON U.S.”), Louisville Gas and Electric Company (“LG&E”), and Kentucky Utilities Company (“KU”) (collectively, the “Joint Applicants”), by counsel, have petitioned the Commission for approval of the acquisition by PPL of ownership and control of LG&E and KU. The proposed transaction, in which PPL will purchase from E.ON US Investments 100% of the issued and outstanding limited liability interests of E.ON U.S., the parent company of LG&E and KU, fully satisfies the requirements of KRS 278.020(5) and (6). PPL has a strong financial profile, long experience in operating utilities, an excellent service record, and a history of public involvement in the areas it serves. That commitment to the public interest will continue after the acquisition, as will the excellent, low-cost service that LG&E’s and KU’s customers now receive.

In addition, the Joint Applicants, and particularly PPL, KU, and LG&E, have made many regulatory commitments as part of their application in the acquisition case to ensure the proposed transaction will be in the public interest. Those commitments include reaffirming the commitments made in prior cases relating to protection of utility resources and monitoring the holding company to ensure that the utilities will remain financially strong, reaffirming the commitments made in prior cases relating to continuation of quality service to customers, maintaining the utilities’ respective headquarters in Lexington and Louisville for 15 years, maintaining the utilities’ corporate officers here in Kentucky, having no planned reductions in workforce, and extending the utilities’ charitable commitments. Those commitments more than satisfied the proper purpose and public interest requirements of KRS 278.020(6).

But the Joint Applicants went further to ensure that PPL’s acquisition of E.ON U.S. would be acceptable to all the interested parties by meeting for several days at the Commission

to negotiate a Settlement Agreement with all of the intervenors. The Settlement Agreement supplements and amends the Joint Applicants' regulatory commitments, most notably by adding a number of significant items to cement the transaction's status as being in the public interest. First, the Settlement Agreement provides for a non-emergency base-rate-case stay-out to ensure base rates will not change before January 1, 2013 as a result of a base-rate case. Second, the Settlement Agreement provides for an Acquisition Savings Sharing Deferral, a mechanism by which the utilities' earnings above a return on equity of 10.75% will be shared with customers. These commitments and the other Settlement Agreement provisions, including commitments relating to low-income, school, and labor issues, evidence the Joint Applicants' dedication to ensuring the proposed transaction will be for a proper purpose and in the public interest.

In connection with the proposed transaction, LG&E and KU filed separate applications in Case Nos. 2010-00205 and 2010-00206, respectively (collectively, the "financing cases"). Each utility requested authority under KRS 278.300 to replace its outstanding debt to Fidelia with external debt secured by a first-mortgage lien on substantially all of its assets, and to amend certain existing borrowing authority. On September 7, 2010, the only intervenors in the financing cases, the Attorney General ("AG") and Kentucky Industrial Utility Customers, Inc. ("KIUC"), filed stipulations with LG&E and KU in each financing case stating that they did not take a position in either case.¹ The acquisition case and the financing cases now stand submitted and ready for decision.

¹ *In the Matter of the Application of Louisville Gas and Electric Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority*, Case No. 2010-00205, Stipulation and Recommendation of All Parties (Sept. 7, 2010); *In the Matter of the Application of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority*, Case No. 2010-00206, Stipulation and Recommendation of All Parties (Sept. 7, 2010).

In sum, the proposed transaction more than meets the standards for Commission approval under KRS 278.020(5) and (6), and the Joint Applicants respectfully request the Commission to approve the application in the acquisition case as modified by the Settlement Agreement (as stated more fully at the conclusion of this brief). Also, because the financing changes requested in LG&E's and KU's financing applications are necessary to the proposed transaction, LG&E and KU respectfully request the Commission to approve the financing applications (also as stated more fully at the conclusion of this brief).

II. PPL Has the Necessary Financial, Technical, and Managerial Abilities to Provide Reasonable Service through LG&E and KU after the Proposed Transfer of Ownership and Control

In evaluating the proposed transfer of ownership and control of LG&E and KU, the Commission is guided by the statutorily defined requirements in KRS 278.020(5), which state that:

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.

The extensive record of evidence in the acquisition case demonstrates that PPL has the necessary financial, technical, and managerial abilities to provide reasonable service through LG&E and KU following consummation of the proposed transaction.

A. PPL Has the Financial Ability to Provide Reasonable Service Following the Proposed Transaction.

PPL has sufficient assets and access to credit facilities to provide reasonable service if the proposed transaction receives approval because PPL is a major utility holding company with a strong financial profile. The financial soundness of PPL is demonstrated through its ability to

finance the proposed transaction.² In April 2010, PPL entered into an agreement with financial institutions through which PPL was provided a 364-day bridge financing commitment that will ensure, when combined with cash on hand, that the cash purchase price will be paid in full.³ In June 2010, PPL completed an over-subscribed public offering of 103.5 million shares of common stock and 23 million equity units (convertible to common stock), which raised a net total of about \$3.5 billion in cash for funding the proposed transaction. Including the \$3.5 billion in cash obtained in the public offering, PPL has over \$4 billion of cash on hand. PPL also has access to an additional \$3.5 billion pursuant to multi-year credit facilities.⁴

PPL has a long history of consistent and steady earnings, which are the result of its long-term fiscal responsibility. For example, in 2009 PPL had around \$22 billion in pre-acquisition total assets, which generated over \$7.56 billion in total operating revenues.⁵ This resulted in reported earnings of \$1.08 per share and earnings from ongoing operations of \$1.95 per share.⁶ In fact, PPL's five-year cumulative return on shareholders' investments has outperformed the Edison Electric Institute Index of Investor-Owned Electric Utilities and the Standard & Poor's 500 Index.⁷

PPL's strong financial profile will be further enhanced if the proposed transaction is approved, as it will stabilize PPL's overall business because LG&E and KU are assets capable of producing consistent cash flow and steady earnings.⁸ After the proposed transaction is completed, PPL will hold approximately \$33 billion in total assets, which are anticipated to

² Direct Testimony of Paul A. Farr of May 28, 2010 (Case No. 2010-00204) ("Farr Direct") at 3.

³ Farr Direct at 3-4.

⁴ VR: 9/8/10, 13:52:15-13:53:12.

⁵ Farr Direct at 4.

⁶ Farr Direct at 4.

⁷ Farr Direct at 4-5.

⁸ Farr Direct at 5.

produce \$10 billion in total operating revenues per year.⁹ As measured by PPL's stock price on April 27, 2010, PPL's post-acquisition enterprise value will be around \$25.4 billion.¹⁰

Without question, PPL has the requisite financial ability to provide reasonable service to LG&E's and KU's customers if the proposed transaction is approved.

B. PPL Has the Technical Ability to Provide Reasonable Service Following the Proposed Transaction.

PPL is an experienced and highly capable utility operator.¹¹ Through its subsidiaries, PPL controls or owns 11,719 megawatts of generating capacity in five states (Pennsylvania, Montana, Illinois, Connecticut, and Maine),¹² and currently provides electric service to over 2.6 million customers in England and Wales, along with more than 1.4 million customers in Pennsylvania.¹³ Also, PPL's generating plants are highly reliable, with availability factors of nearly ninety percent overall.¹⁴ Thus, PPL is a sophisticated energy utility with substantial experience in all areas of generation and delivery.

PPL understands the importance of operating its facilities in an environmentally responsible manner. PPL's commitment to environmental consciousness is demonstrated by its recent receipt of an award from the Environmental Protection Agency for exceeding voluntary recommendations regarding the beneficial use of generation byproducts.¹⁵ In addition, several of PPL Generation, LLC's facilities have scrubbers that use state-of-the-art technology, which has resulted in substantial decreases in sulfur dioxide emissions.¹⁶

⁹ Farr Direct at 5.

¹⁰ Farr Direct at 5.

¹¹ Direct Testimony of William H. Spence of May 28, 2010 (Case No. 2010-00204) ("Spence Direct") at 2.

¹² Spence Direct at 3.

¹³ Spence Direct at 3.

¹⁴ Spence Direct at 4.

¹⁵ Spence Direct at 4.

¹⁶ Spence Direct at 4.

The company equally excels in its commitment to superior customer service, consistent with LG&E's and KU's high quality performance. PPL's excellence in customer service is best demonstrated through its performance in J.D. Power customer satisfaction surveys, as PPL Electric Utilities Corporation has received the top award in the eastern region of the United States eight times since 1999.¹⁷ With respect to its operations in the United Kingdom, PPL is the only utility company in the UK to have held the Charter Mark award for outstanding service.¹⁸

In addition to PPL's substantial abilities and experience in energy generation, PPL's personnel are also leaders in their field in the transmission and distribution of electric power as well as in the operation and maintenance of natural gas systems. Although PPL divested its natural gas operations in October 2008, several officers and personnel that were actively involved in the management of PPL Gas Utilities Corporation, which was PPL's natural gas affiliate entity, remain with the company.¹⁹ The cumulative experience and knowledge these individuals possess, combined with PPL's agreement to retain the current management structure of LG&E,²⁰ demonstrate that PPL has the technical ability to provide adequate service to LG&E's natural gas customers if the proposed transaction is approved.

Clearly, PPL has the necessary technical ability to provide reasonable service to Kentucky ratepayers through LG&E and KU following consummation of the proposed transaction.

¹⁷ Spence Direct at 5.

¹⁸ Spence Direct at 5.

¹⁹ Joint Applicants' Response to Staff 2-1; VR: 9/8/10, 14:19:35-14:21:16.

²⁰ Spence Direct at 6.

C. PPL Has the Managerial Ability to Provide Reasonable Service Following the Proposed Transaction.

Because PPL is one of the ten largest utility holding companies in the United States,²¹ it possesses extensive managerial experience in all areas of energy generation, distribution, transmission, and marketing.²² In addition to PPL's internal expertise, PPL will benefit from LG&E's and KU's current management.²³ Because LG&E's and KU's corporate officers will maintain their current titles and responsibilities,²⁴ the Commission can be assured that customers will continue to receive reasonable service and experience a seamless change of utility ownership.

Therefore, it is clear that PPL currently possesses the requisite managerial ability to provide reasonable service through LG&E and KU, as required by the statutory mandate in KRS 278.020(5).

III. Pursuant to KRS 278.020(6), the Proposed Transfer of Ownership and Control Is Being Made in Accordance with Law, Is for a Proper Purpose, and Is Consistent with the Public Interest

KRS 278.020(6) states that the Commission shall approve the change of ownership and control if it finds that the transaction "is to be made in accordance with law, for a proper purpose and is consistent with the public interest." As shown below, the proposed transaction meets all of those requirements.

²¹ Direct Testimony of James H. Miller of May 28, 2010 (Case No. 2010-00204) ("Miller Direct") at 5.

²² Miller Direct at 21.

²³ Miller Direct at 21.

²⁴ Application (Case No. 2010-00204), Exhibit D, Regulatory Commitment No. 9.

A. The Proposed Transfer of Ownership and Control Is Being Made in Accordance with Law.

PPL's Board of Directors unanimously approved the proposed transaction on April 27, 2010, fulfilling the company's internal requirements to proceed.²⁵ Also on April 27, 2010, the E.ON Supervisory Board accepted the E.ON Board of Management recommendation to proceed with the proposed transaction.²⁶

In order to consummate the proposed transaction, the Joint Applicants must request and secure the approval of several state and federal regulatory bodies. The Joint Applicants have ascertained the requirements associated with each regulatory agency's application process and have timely filed applications consistent with same. PPL and E.ON U.S. submitted to the Federal Energy Regulatory Commission ("FERC") on June 28, 2010, the necessary application for approval of the transaction pursuant to Section 203 of the Federal Power Act.²⁷ Next, because the proposed transaction also includes the transfer of frequency licenses currently held by LG&E and KU, the utilities are seeking approval from the Federal Communications Commission for transfer of the licenses.²⁸ Further, on July 14, 2010, PPL and E.ON gave notice to the Department of Justice and Federal Trade Commission pursuant to the premerger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; those agencies have since determined no further inquiry is required for the proposed transaction.²⁹

Necessary state approvals also are being sought. Because KU provides electric service to customers in Tennessee and Virginia, approval by the respective regulatory authorities in those

²⁵ Application (Case No. 2010-00204), page 13.

²⁶ Application (Case No. 2010-00204), page 13.

²⁷ Application (Case No. 2010-00204), page 13; a copy of the filing was provided to the Commission on June 30, 2010.

²⁸ Application (Case No. 2010-00204), page 13.

²⁹ Application (Case No. 2010-00204), page 14; Joint Applicants' Second Supplemental Response to AG 1-31.

states, as well as in Kentucky, is necessary. Consequently, the Joint Applicants (other than LG&E) have filed the necessary applications with the Tennessee Regulatory Authority and Virginia State Corporation Commission on June 15, 2010.³⁰ Those commissions are currently investigating the proposed transaction and decisions are expected subsequent to this Commission's final order.

B. Compliance With the Public Utility Holding Company Act of 2005 Will Not Affect LG&E or KU.

If the proposed transaction is approved, there will be no conflicting regulatory concerns among federal and state laws governing public utility holding companies. The Public Utility Holding Company Act of 1935 ("PUHCA 1935") was repealed and replaced by the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), effective February 8, 2006.³¹ PPL is currently exempt from certain FERC regulations under PUHCA 2005, but it will be subject to those regulations once the proposed transaction is completed because it will no longer be considered a single-state holding company system. PPL owns a service company, PPL Services Corporation, which currently provides services to PPL affiliates, and will continue to provide such services after the closing of the proposed transaction. Similarly, LG&E and KU are also part of a holding company system operated by E.ON that is currently subject to PUHCA 2005 and that includes a centralized service company, E.ON US Services, Inc. LG&E and KU will continue to use E.ON US Services, Inc. after the closing of the proposed transaction in compliance with PUHCA 2005.

³⁰ The Joint Applicants provided a copy of the filings to the Commission on June 18, 2010.

³¹ Energy Policy Act of 2005, Pub. L. No. 109-58, August 8, 2005, 119 Stat. 594 (the "Energy Policy Act"), §§ 1263, 1274.

In complying with PUHCA 2005, the holding company and its affiliates must maintain and make available accounting records for inspection.³² Further, the holding company's service company must maintain its records in accordance with FERC's Uniform System of Accounts.³³ PUHCA 2005 also grants state regulatory commissions the authority to examine the records of the holding company and its affiliates if the state commission believes that such examination is necessary for the effective discharge of the state commission's responsibilities.³⁴ Though LG&E and KU will be subject to PUHCA 2005, the Commission will continue to retain its current jurisdiction over LG&E and KU.³⁵

In short, the Joint Applicants have worked to ensure compliance with the state and federal laws that govern the transaction. The Joint Applicants have filed applications with the state and federal regulators, and have provided the Commission a copy of each of the filings. Though LG&E and KU will become members of PPL's holding company system if the transaction is approved, the utilities will remain corporations organized under Kentucky law, and for KU, under Virginia law as well. Importantly, the Commission will retain the extensive ratemaking and regulatory authority over LG&E's and KU's rates and services as it did prior to consummation of the transaction.

Therefore, the proposed transaction is in accordance with law.

C. The Proposed Transaction Is for a Proper Purpose.

The proposed transaction will make LG&E and KU part of a large utility system with the resources to enable the utilities to maintain their strength and stability. LG&E and KU will continue to meet their commitments to their customers, their communities, and the

³² 18 C.F.R. § 366.22(b) (2009).

³³ 18 C.F.R. § 366.22(b) (2009).

³⁴ Energy Policy Act, § 1265, codified at 42 U.S.C. 16453.

³⁵ Energy Policy Act, § 1269, codified at 42 U.S.C. 16457.

Commonwealth.³⁶ Pursuant to the Commission's orders in Case Nos. 2000-095 and 2001-104, the previous orders approving a change of control of LG&E and KU, these are proper purposes for the transfer of ownership and control of a utility.

PPL is aware that the acquisition would constitute the third change of control of these utilities in twelve years. However, the current management of LG&E and KU is highly valued by PPL and will remain in place to continue its excellent work after the acquisition.³⁷ It is also important that this acquisition will be made by a domestic company with many years of experience and an understanding of the continuing importance of coal in the generation of electricity. PPL will acquire and operate LG&E and KU as important core assets that will remain subject to the Commission's jurisdiction and that will continue as valuable members of their communities. The proposed transaction is for a proper purpose.

D. The Proposed Transaction Is Consistent with the Public Interest.

The Commission has defined the "public interest" standard pursuant to KRS 278.020(6) to require a showing either that "the proposed transfer will not adversely affect the existing level of utility service or rates *or* that any potentially adverse effects can be avoided through the commission's imposition of reasonable conditions on the acquiring party."³⁸ The Commission has further explained that, although "readily quantifiable benefits" may be "achievable in limited

³⁶ Miller Direct at 22.

³⁷ Miller Direct at 21.

³⁸ *In the Matter of: Application for Approval of the Transfer of Control of Kentucky-American Water Co. to RWE Atkiengesellschaft and Thames Water Aqua Holdings GmbH*, Case No. 2002-00018, Order on Rehearing (Ky. PSC, July 10, 2002), at 9, quoting Final Order dated May 30, 2002) (emphasis added). *See also In the Matter of: Application of DLR Enterprises, Inc. and Cow Creek Gas, Inc. for Approval of the Transfer of Certain Assets Formerly Owned and Controlled by Sigma Gas Corporation*, Case No. 2007-00419 (Ky. PSC, November 21, 2007), at 6 (stating simply that "The Commission has previously held that a transfer is in the 'public interest' if it does not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission's imposition of reasonable conditions on the acquiring party."); *In the Matter of: Application of Worldcom, Inc. and MFS Communications Company, Inc., for Approval of Agreement and Plan of Merger and Related Transactions*, Case No. 96-432 (Ky. PSC, Nov. 25, 1996) (approving a change of control and noting only that the manner in which services are provided "will not ... change" and that the change of control "will not disrupt service or cause inconvenience or confusion to the customers").

instances,” “most transfers of control that are presented to this Commission would be unable to meet this standard.”³⁹ Therefore, a proposed transfer for which readily quantifiable benefits can be shown is the exception, not the rule, for meeting (or perhaps exceeding) the public interest standard.

This is just such an exceptional transaction. The regulatory commitments the Joint Applicants made in their application in the acquisition case provided concrete, readily quantifiable benefits even before the addition of the Settlement Agreement. First, the commitment to maintain LG&E’s and KU’s headquarters in Louisville and Lexington, respectively, was extended until late 2025 (the utilities’ current headquarters commitment expires on June 30, 2017).⁴⁰ Second, the commitments that the corporate officers of E.ON U.S./PPL Kentucky,⁴¹ LG&E, and KU will reside in Kentucky were extended to late 2025 (the current Kentucky residence commitments expire on June 30, 2017).⁴² Third, the commitment that the utilities will continue or increase their current level of charitable giving was extended until late 2020 (the utilities’ current charitable commitment expires in late 2011).⁴³ These are quantifiable improvements over the status quo that were provided even before the negotiation of the Settlement Agreement, and would have been in themselves sufficient to ensure that the proposed transaction will be in the public interest.

³⁹ *Id.* at 9-10.

⁴⁰ Application (Case No. 2010-00204), Exhibit D, Regulatory Commitment No. 34; *In the Matter of: Joint Verified Application of E.ON AG, Powergen Ltd., and E.ON U.S. LLC for Waiver of Certain Merger Commitments*, Case No. 2007-00466, Order at 3-4 (Dec. 17, 2007).

⁴¹ For convenience, E.ON U.S. is referred to in this brief as “PPL Kentucky” for the period after the closing of the proposed transaction.

⁴² Application (Case No. 2010-00204), Exhibit D, Regulatory Commitment Nos. 47 and 48; *In the Matter of: Joint Verified Application of E.ON AG, Powergen Ltd., and E.ON U.S. LLC for Waiver of Certain Merger Commitments*, Case No. 2007-00466, Order at 3-4 (Dec. 17, 2007).

⁴³ Application (Case No. 2010-00204), Exhibit D, Regulatory Commitment No. 36; Settlement Agreement Section 5.1 (Case No. 2010-00204); *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. 2001-00104, Order at Appx. A, Paragraph 38 (Aug. 6, 2001). Settlement Agreement Section 5.1 extended that commitment an additional five years to 2025.

But the Joint Applicants worked with all of the intervenors in the acquisition case to reach the Settlement Agreement to ensure that all parties to the case could agree that the public interest will be served by the PPL acquisition of E.ON U.S. The Settlement Agreement is the product of three days of vigorous negotiations held at the Commission, and it contains provisions that include significant concessions by PPL, LG&E, and KU. The Joint Applicants filed the testimony of Lonnie E. Bellar, which fully explained the Settlement Agreement, and a few of its provisions deserve to be highlighted here as well.⁴⁴ Two of the Settlement Agreement's provisions are its centerpiece: the base-rate-case stay-out and the Acquisition Savings Sharing Deferral.

The base-rate-case stay-out provision prevents LG&E and KU from implementing new base rates for any of their utility operations before January 1, 2013, subject to limited exceptions. LG&E and KU may *file* base-rate cases before that date, but no new base rates may go into effect before January 1, 2013.⁴⁵ The three exceptions are: (1) LG&E and KU will retain the right to seek Commission approval to defer extraordinary and uncontrollable costs (e.g., ice or wind storm costs); (2) LG&E and KU will retain the right to seek emergency rate relief under KRS 278.190(2) to avoid a material impairment or damage to their credit or operations; and (3) the stay-out commitment will not apply, directly or indirectly, to the operation of any of LG&E's and KU's cost-recovery surcharge mechanisms (e.g., their environmental cost recovery, fuel charge cost recovery, and demand-side management mechanisms) at anytime during the stay-out term, which will allow for base-rate roll-ins. This stay-out provision will provide a degree of rate stability for customers following the transaction while protecting the financial health of the utilities if unexpected circumstances arise, and while allowing for the normal functioning of the

⁴⁴ Testimony on Settlement of Lonnie E. Bellar of Sept. 7, 2010 (Case No. 2010-00204).

⁴⁵ Settlement Agreement Section 1.1 (Case No. 2010-00204).

utilities' cost recovery mechanisms, including base-rate roll-ins. This commitment comes at what may be a significant cost to PPL, but it will provide a meaningful benefit to customers.

The second main commitment of the Settlement Agreement serves to ensure that customers will receive a fair share of any synergies savings the utilities achieve after the transaction. The Acquisition Savings Sharing Deferral ("ASSD") will have the effect of sharing with customers 50% of each utility operation's (LG&E electric, LG&E gas, and KU) earnings over a 10.75% return on equity (again, on a utility-operation-specific basis) by deferring any such amount in a regulatory liability to be amortized over an appropriate period determined in the utility operation's next base-rate case. The ASSD is based on a proposal by the same name in KIUC witness Lane Kollen's testimony in the acquisition case.⁴⁶ This provision is very much in the public interest, because it ensures that the utilities' customers will benefit if any of the utility operations achieves synergies savings from the acquisition or otherwise achieves exceptional financial success, all while the base-rate-case stay-out insulates customers from base rate increases in 2011 and 2012. For that reason, the parties agreed in the Settlement Agreement that Regulatory Commitment No. 39, which provided for the filing with the Commission of a post-closing synergies analysis, was no longer necessary and it was, therefore, deleted.

Other Settlement Agreement provisions serve the public interest by increasing interaction between low-income groups and the utilities, providing increased customer service to school districts, guaranteeing charitable giving to certain programs will continue (in addition to extending the overall current charitable contribution level commitment), addressing certain labor issues, and creating reporting requirements that will enhance the Commission's ability to monitor the utilities' financial health.

⁴⁶ Direct Testimony of Lane Kollen of August 6, 2010 at 6, 15-19 (Case No. 2010-00204).

In sum, the regulatory commitments offered in the acquisition case, as enhanced and modified by the Settlement Agreement, more than establish that the proposed transaction is in the public interest. And all of the intervenors to the acquisition case, representing the entire spectrum of interests and groups in the utilities' service territories, agree.

IV. Discrete Issues That Arose At the Public Hearing Need Not Concern the Commission

A. PPL Has No Intention of Causing LG&E to Divest Its Gas Business.

Some concern has been conveyed about the future of LG&E's natural gas business, given PPL's divestiture of its natural gas operations in October 2008.⁴⁷ Though this divestiture did occur, PPL has no intention to divest LG&E's natural gas business.

One of PPL's principal motivations for the proposed transaction is to increase the share of its earnings from regulated operations, which will reduce its operational risk and increase its earnings predictability.⁴⁸ Mr. Miller testified at hearing that acquisition of LG&E's gas operations would further these results.⁴⁹ Moreover, PPL's former gas and propane subsidiaries made up only about one percent of PPL's overall earnings from ongoing operations in the year before the divestiture.⁵⁰ In contrast, PPL "view[s] the gas business here [LG&E] as an important part of the overall regulatory assets that we purchased."⁵¹ PPL has no aversion to operating a natural gas utility, and it believes there may be synergies inherent in the aggregated operations.⁵² As discussed above in Section II-B, PPL has the technical ability through its own managers and employees, as well as those of LG&E, to provide adequate service to LG&E's natural gas customers if the proposed transaction is approved.

⁴⁷ Joint Applicants' Response to Staff 2-1.

⁴⁸ Miller Direct at 9.

⁴⁹ VR: 9/8/10; 11:24:00-11:24:53.

⁵⁰ Miller Direct at 9.

⁵¹ VR: 9/8/10; 11:26:03-11:27:21.

⁵² Joint Applicants Response to Staff 2-11.

Commission Staff correctly noted at hearing that the Commission's order approving the E.ON acquisition in 2001 found that "[i]t is in the public interest for LG&E to remain a combination gas and electric utility following the consummation of the acquisition."⁵³ This finding was requested by the joint applicants in that case to satisfy the requisite Securities and Exchange Commission ("SEC") requirements under PUHCA 1935, which required mergers and acquisitions to be in the public interest and placed constraints on investments in non-utility assets unless the assets were "reasonably incidental, or economically necessary or appropriate" to the operation of the utility.⁵⁴ When PUHCA 1935 was repealed, the requirement for an electric utility holding company to demonstrate the reasonableness and appropriateness of its non-electric utility operations was eliminated. Thus, the Joint Applicants have not sought a similar finding regarding the combined operations in the acquisition case. The Joint Applicants note that Commission approval would be required under KRS 278.020 and KRS 278.218 before LG&E's gas operations could be divested. For all of these reasons, the Joint Applicants respectfully submit that the Commission need not impose any additional commitment or make any finding regarding the continued operation of LG&E as a combined utility in connection with the approval of the proposed transaction.

⁵³ VR: 9/8/10; 11:25:30-11:25:51; *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. 2001-00104) Order, August 6, 2001 at 32.

⁵⁴ P.U.H.C.A. 1935, P.L. 74-333.

B. Joint Applicants Clarify the Relationship of their Regulatory Commitments in the Acquisition Case with Commitments from Prior Proceedings.

At the hearing, Commission Staff asked Mr. Bellar questions regarding the meaning of Regulatory Commitment No. 1 set forth in Exhibit D to the application in the acquisition case.⁵⁵ Commitment No. 1 addresses the issue of the continued applicability of conditions the Commission imposed in previous cases involving ownership and corporate structure of LG&E and KU. Commitment No. 1, which is nearly identical to Condition No. 1 in Case No. 2001-104 (the E.ON change of control case), states:

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

In response to Commission Staff's questioning, Mr. Bellar explained that many of the conditions set forth in Case Nos. 10296, 89-374, 97-300, 2000-095 and 2001-104 are repeated in the Regulatory Commitments set forth in Exhibit D to the application (or are slightly modified due to a change in circumstances). He further testified that to the extent conditions from those cases are not reproduced in the Regulatory Commitments, the Joint Applicants are committing to honor the prior conditions.⁵⁶

⁵⁵ VR: 10:57:30.

⁵⁶ Exhibit D to the Application, as filed by the Joint Applicants, contained a total of 54 Commitments. However, Commitment 39 was deleted by the Settlement Agreement. Original Commitments 53 and 54 (now 52 and 53) apply only to proceedings before FERC. As noted at page 1 of Exhibit D to the Application, only Commitments 1-52 (now 1-51) apply in this proceeding before this Commission.

In discovery, the Joint Applicants provided a comprehensive comparison of conditions from Case No. 2001-104 with the Regulatory Commitments in the acquisition case. Item No. 103 of the AG's Initial Request for Information asked, for each Regulatory Commitment, whether it is "a continuation of a current commitment or a wholly-new commitment." In the Joint Applicants' July 26, 2010 Supplemental Response to Item No. 103 of the Attorney General's Initial Request for Information, the Joint Applicants provided an 11-page attachment that tracks the differences (via bold and italicized text) between the Regulatory Commitments as originally set forth in Exhibit D to the application in the acquisition case and the 57 conditions set forth in Appendix A of the Commission's August 6, 2001 Order in Case No. 2001-104. That response and its 11-page attachment are attached as Appendix A hereto.

The 11-page attachment confirms Mr. Bellar's hearing testimony that the Regulatory Commitments are, for the most part, a verbatim reproduction of existing conditions. As noted, there are some edits to and elimination of conditions that were made due to changed circumstances. For example, Conditions 40, 41, and 44 from Case No. 2001-104 relating to Big Rivers Electric Corporation ("Big Rivers") have been eliminated as a result of the Unwind Transaction involving Big Rivers pursuant to the terms of the Commission's Order Case No. 2007-00445.⁵⁷ Thus, while Regulatory Commitment No. 1 does commit to adherence to prior conditions, adherence to the Regulatory Commitments that have been offered to the Commission, as modified by the Settlement Agreement, will achieve the same result.

C. Conditions Regarding Dix Dam Are Neither Appropriate Nor Necessary.

At the September 8, 2010 hearing at the Commission, two representatives from the Kentucky Council for Dix Dam Safety made public statements and requested that the

⁵⁷ See the Commission's March 6, 2009 Order in Case No. 2007-00445.

Commission condition its approval of the proposed transaction on E.ON AG's funding of a comprehensive, third-party study of Dix Dam. However, it is both inappropriate and unnecessary for the Joint Applicants to make any commitments to the Commission related to Dix Dam. First, Dix Dam and safety inspections of it are under the jurisdiction of the Kentucky Department of Environmental Protection, Division of Water (the "Division of Water"). Requiring commitments related to Dix Dam simply has no place in a proceeding before this Commission. Second, as both the Division of Water and a third party expert have recently determined, Dix Dam is in good condition with only minor maintenance recommended.

In the spring of 2009, KU engaged ARCADIS, an international consultancy, engineering and management services company with expertise in infrastructure, environment and buildings, to prepare a report of findings and recommendations for the operation, inspection, and maintenance of Dix Dam. Included in this study was a potential failure mode analysis, which is a safety assessment tool having the objective of enhancing project safety by identification of potential failure modes and the development of appropriate risk reduction measures. In its conclusions, ARCADIS found "no conditions that currently endanger the safety of the Dix Dam project."⁵⁸ ARCADIS recommended minor maintenance measures and areas for future monitoring and inspection, but found no major structural or otherwise hazardous conditions.⁵⁹

On October 30, 2009, personnel from the Division of Water inspected Dix Dam pursuant to their statutory authority to "make such investigations or inspections as necessary to determine the condition of a dam to insure compliance with any provisions of this chapter. . ."⁶⁰ That same section establishes the Division of Water's jurisdiction to "establish standards for the safe

⁵⁸ 2009 Dix Dam Inspection Report, prepared by ARCADIS, at 24, attached to the Joint Applicants' July 6, 2010 Joint Response to the Attorney General's Initial Request for Information Dated June 23, 2010, Question No. 47(b).

⁵⁹ See *id.* at 24-27.

⁶⁰ KRS 151.125(8).

construction, enlargement, repair, alteration, maintenance, or operation of a dam or reservoir.”⁶¹ Under its statutorily authorized jurisdiction, the Division of Water concluded that “[t]he dam is in generally good condition.”⁶² Its only recommendations were to monitor a concrete slab on the upstream slope, monitor seepage for changes in volume or color, and to repair leaks in penstocks.⁶³

Dix Dam was inspected twice in 2009, first by ARCADIS, a third party that is an expert in the field, and then by the Division of Water, the only state agency with the jurisdictional authority to monitor and inspect dams in Kentucky. Both ARCADIS and the Division of Water determined that Dix Dam is in good condition, with no conditions that pose a safety concern. Moreover, KU accepted and has worked to implement the maintenance and monitoring recommendations contained in both reports. The fact that the Division of Water is the state agency with the jurisdiction and authority to monitor dams in Kentucky makes any commitments to the Commission inappropriate, and the fact that Dix Dam was recently inspected and determined to be in good condition makes any commitments to the Commission unnecessary in any event.

D. The Regulatory Commitments Protect KU’s Lexington Headquarters, and No Additional Conditions Are Necessary.

At the September 8, 2010 hearing at the Commission, both the Commission and Commission Staff asked several questions related to KU’s current presence in Lexington and what that presence would be if the proposed transaction were approved. Concerning its presence in Lexington, KU currently has 300 full time employees and 118 full time contractors amongst

⁶¹ KRS 151.125(7).

⁶² 2009 Certificate of Inspection for Dam and Appurtenant Works, prepared by the Division of Water, at 2, attached to the Joint Applicants’ July 6, 2010 Joint Response to the Attorney General’s Initial Request for Information Dated June 23, 2010, Question No. 47(c).

⁶³ See *id.* at Cover Letter from Marilyn Thomas, P.E., dated November 2, 2009.

four different work locations in Lexington, Kentucky. There are numerous functions performed at these locations that include a Residential Call Center and Business Office, Business Service Center, Economic Development & Major Accounts, Distribution Operations, Electric Reliability, External Affairs, Field Services, Generation Engineering, Remittance and Collections, Revenue Collection and Protection, Information Technology, Supply Chain, and Transmission. The functions performed in Lexington are important to E.ON U.S.'s operations and provide necessary and substantive service to KU's customers.⁶⁴

Concerning KU's future presence in Lexington, seven of the Regulatory Commitments offered to the Commission in the application in the acquisition case relate directly to KU's presence in Lexington.⁶⁵ Taken together, these seven Regulatory Commitments ensure that KU's current presence in, and commitment to, Lexington will continue if the proposed transaction is approved. KU's headquarters, which KU owns, is a symbol of its presence in the Lexington area, a presence that will remain in Lexington for at least 15 years following consummation of the proposed transaction. As Mr. James Miller, PPL's President and Chief Executive Officer, stated at the September 8, 2010 hearing, PPL will honor both the letter and the spirit of the Regulatory Commitments, and the spirit of these seven Regulatory Commitments is that KU's presence in Lexington, which is vital to serving its customers, will continue. The Lexington-Fayette Urban County Government intervened in the acquisition case, and its satisfaction with the Lexington-related commitments is evidenced by the Urban County

⁶⁴ Joint Applicants' Post Hearing Data Response filed September 16, 2010. For ease of reference, a copy of that response is attached hereto as Appendix B.

⁶⁵ See Regulatory Commitments 15-16, 31-34 and 45, attached as Exhibit D to the Application in Case No. 2010-000204.

Council's approval of the Settlement Agreement.⁶⁶ Therefore, additional commitments regarding KU's presence in Lexington are simply unnecessary.

V. The Commission Should Approve the Financing Requested by LG&E and KU in Connection with the Proposed Transaction

The proposed transaction includes the refinancing of certain unsecured notes issued by LG&E and KU to Fidelia Corporation, an E.ON affiliate that is not proposed to be acquired by PPL.⁶⁷ The proposed transaction would cause LG&E and KU to repay and refinance all amounts outstanding, in addition to all other amounts then due and payable pursuant to the unsecured notes held by Fidelia Corporation.⁶⁸ PPL, or a subsidiary thereof, will facilitate repayment through issuance of replacement notes issued by each of LG&E and KU to PPL or one of its subsidiaries, and those notes will contain substantially the same terms and conditions as the existing Fidelia notes, including the same maturity dates and interest rates.⁶⁹ The refinancing is proposed to occur contemporaneously with the completion of the change of control and ownership, and LG&E and KU have filed separate applications in the financing cases seeking approval of the refinancings simultaneously with their application in the acquisition case.⁷⁰

As explained in LG&E's and KU's applications in Case No. 2010-00205 and Case No. 2010-00206, respectively, LG&E and KU will refinance their Fidelia debt and expect it to result in at an overall lower net cost without incurring a prepayment penalty.⁷¹ After payment to Fidelia is complete, to effectuate repayment of the PPL notes, LG&E and KU plan to issue First

⁶⁶ See Resolution 477-2010 *A Resolution Ratifying The Department of Law's Execution, On Behalf Of The Urban County Government, Of A Settlement Agreement, Stipulation, and Recommendation, And Any Other Necessary Documents, In Public Service Commission Case No. 2010-00204, Pertaining To The Transfer Of Control Of Kentucky Utilities Company* enacted by the Lexington-Fayette Urban County Government and filed by its counsel with the Commission on September 14, 2010 in this proceeding.

⁶⁷ Application (Case No. 2010-00204), page 4.

⁶⁸ Application (Case No. 2010-00204), page 4.

⁶⁹ Application (Case No. 2010-00204), page 8.

⁷⁰ Application (Case No. 2010-00204), page 4.

⁷¹ Application (Case No. 2010-00205), page 1; Application (Case No. 2010-00206), page 1.

Mortgage Bonds—a low-cost form of public debt—directly to the market.⁷² The proposed issuance of First Mortgage Bonds is consistent with LG&E and KU's prior history of raising capital at reasonable costs through this medium, and will not require issuing debt in excess of the authority the Commission has previously granted to the utilities.⁷³ LG&E and KU believe the use of First Mortgage Bonds will permit LG&E and KU to realize the market's most favorable rates.

In addition to needing to repay the existing debt to Fidelia, LG&E and KU will not have access to their existing multi-year, revolving credit facilities because the utilities will no longer be part of the E.ON group.⁷⁴ Consequently, LG&E and KU have requested the Commission's authority to enter into new, replacement facilities totaling \$400 million at each company that will permit short-term borrowing as needed.⁷⁵

If the proposed refinancing is approved, neither LG&E nor KU will incur any additional indebtedness or issue any securities to finance any part of the purchase price paid by PPL to acquire E.ON U.S.⁷⁶

Under KRS 278.300(3), the Commission's approval of these transactions is dependent upon a finding that they are for some lawful object within the corporate purposes of LG&E and KU, are necessary or appropriate for or consistent with the proper performance by LG&E and KU of their service to the public and will not impair their ability to perform that service, and are reasonably necessary and appropriate for such purpose.

⁷² Application (Case No. 2010-00205), page 3; Application (Case No. 2010-00206), page 3.

⁷³ Application (Case No. 2010-00205), page 4; Application (Case No. 2010-00206), page 4.

⁷⁴ Application (Case No. 2010-00205), page 4; Application (Case No. 2010-00206), page 4.

⁷⁵ Application (Case No. 2010-00205), page 4; Application (Case No. 2010-00206), page 4.

⁷⁶ Application (Case No. 2010-00204), page 8.

Replacing the Fidelia debt and collateralizing LG&E's and KU's existing, tax-exempt pollution control debt will not increase the amount of debt which the Commission has previously authorized for the companies. Nor will the refinancings change the use of, and purpose for, such debt, which have already been determined by the Commission to meet the criteria of KRS 278.300(3) in the previous orders authorizing the debt. Moreover, the uncontroverted evidence in the record is that not only will LG&E and KU be replacing unsecured debt with low-cost debt secured through First Mortgage Bonds, but that LG&E and KU will then be able to access the debt markets directly, rather than depending upon PPL's ability to obtain financing for LG&E and KU.

For these reasons, the proposed refinancings are for a lawful object within LG&E's and KU's corporate purpose, are necessary, appropriate and consistent with that purpose and LG&E's and KU's service to the public, and will not impair the companies' ability to serve the public.

VI. Conclusion

The Joint Applicants have shown that PPL's proposed acquisition of E.ON U.S. satisfies the requirements of KRS 278.020(5) and (6). PPL is a large, stable, and diversified utility holding company system that has been in the electric utility business for decades, will have total assets of approximately \$33 billion after the proposed transaction closes, and has won numerous J.D. Power customer satisfaction awards. Furthermore, PPL has subsidiaries that serve four million customers on two continents and own generating assets in five states. There is, therefore, no doubt that PPL has the financial, technical, and managerial abilities necessary to own and operate LG&E and KU, satisfying the requirements of KRS 278.020(5).

In addition, the proposed transaction is wholly legal, is for the proper purpose of integrating LG&E and KU into a larger domestic utility holding company system, and is in the

public interest for numerous reasons described herein. The proposed transaction contemplates that LG&E and KU will continue to be managed by the same persons in place today, that they will be headquartered in Kentucky for another 15 years, and that PPL will take into account a Kentucky perspective at the highest levels. In addition, the Settlement Agreement reached in the acquisition case ensures that new base rates resulting from a non-emergency base rate application will not go into effect before January 1, 2013, and that customers will ultimately receive, through the Acquisition Savings Sharing Deferral, the benefit of 50% of each utility operation's net earnings insofar as they exceed a 10.75% return on equity. The Joint Applicants have further committed to continue LG&E's and KU's community involvement and charitable contributions at comparable or better levels for 15 years, and will review LG&E's and KU's low-income policies and programs to ensure they remain at least as favorable to such customers, and will consider whether to implement policies and programs that are even more sympathetic to the difficulties such customers face. Such measures and commitments more than satisfy the legality, proper purpose, and public interest requirements of KRS 278.020(6).

Given the expansive nature of the regulatory commitments already offered, and the breadth of interests represented by the parties that have unanimously agreed to the terms of the Settlement Agreement, the Joint Applicants respectfully request the Commission not to impose any additional conditions upon its approval of the proposed transaction. As discussed at the public hearing, Section 7.2(c) of the Purchase and Sale Agreement among E.ON US Investments, PPL, and E.ON (the "PSA") that underlies the proposed transaction permits PPL to terminate the PSA if it judges the Commission's Order to have placed conditions on an approval that result in a material and adverse effect. Also, Section 8.7 of the Settlement Agreement permits the Joint Applicants to withdraw the Settlement Agreement if the Commission does not

approve the Settlement Agreement in its entirety, or if the Commission adds a requirement or condition upon any or all of the Joint Applicants that any or all of them finds to be unacceptable. Of course, none of the Joint Applicants desires anything other than for the proposed transaction to be approved on acceptable terms. It is for that very reason that the Joint Applicants respectfully request the Commission to approve the application in the acquisition case, as modified and enhanced by the Settlement Agreement, without further condition or modification.

LG&E and KU have shown that the financing that they have proposed in connection with the proposed transaction will satisfy the statutory standards for approval. The intervenors in the financing cases have stipulated that they did not take a position in either case. LG&E and KU therefore respectfully request the Commission to approve their applications in the financing cases as detailed below.

For these reasons, the Joint Applicants in Case No. 2010-00204, and LG&E and KU in Case Nos. 2010-00205 and 2010-00206, respectfully request the Commission to act as follows:

A. Request for Relief in the Acquisition Case (Case No. 2010-00204)

The Joint Applicants respectfully request that the Commission enter an Order in the acquisition case:

1. Finding that, after the purchase of E.ON U.S. from E.ON US Investments by PPL, PPL will have the financial, technical and managerial abilities to cause LG&E and KU to continue to provide reasonable service to their respective customers, and that the purchase of E.ON U.S. will be in accordance with law, for a proper purpose and consistent with the public interest;
2. Approving, under KRS 278.020(5) and (6), the acquisition by PPL of control of LG&E and KU through the purchase of E.ON U.S. subject to the Regulatory Commitments proposed by PPL, E.ON U.S., LG&E, and KU in Exhibit D to the application in the acquisition

case, but as modified and enhanced by the Settlement Agreement among all parties to the case, as set forth in Appendix C hereto;⁷⁷

3. Finding that PPL, PPL Kentucky, and any intermediate company between PPL and PPL Kentucky will not, by reason of its direct or indirect ownership of stock of LG&E and KU, be a utility as defined in KRS 278.010(3); and

4. Finding that KRS 278.218 does not apply to the proposed transaction as set forth in the PSA because the control of the assets of LG&E and KU will remain entirely with LG&E and KU, or in the alternative, if the Commission determines that KRS 278.218 does apply, approving the proposed transaction under KRS 278.218 because the proposed transaction is for a proper purpose and is consistent with the public interest.

B. Request for Relief in the Financing Cases (Case Nos. 2010-00205 and 2010-00206)

In their financing cases, LG&E and KU respectfully request that the Commission issue Orders:

1. Authorizing LG&E and KU to execute, deliver and perform their obligations under new indentures, which will include current administrative terms and conditions as more specifically described in their applications in Case Nos. 2010-00205 and 2010-00206, respectively, and any supplemental indentures thereto, whereby they may grant a lien on their respective properties for the purpose of securing their obligations under First Mortgage Bonds, and to issue and sell such First Mortgage Bonds as discussed in their respective applications and used for the purpose of either refunding all of their notes to Fidelity Corporation or PPL Corporation or a subsidiary of PPL Corporation, as applicable, or issuing and selling First

⁷⁷ Please note that Appendix C contains a clean, printed version of the revised Regulatory Commitments, as well as a CD with Word files of the clean version and a version redlined against the filed commitments in Application Exhibit D for the Commission's reference and ease of review.

Mortgage Bonds in lieu of debt previously authorized but not yet incurred to Fidelia Corporation, or issuing First Mortgage Bonds for the purpose of securing and collateralizing their existing pollution control debt obligations, and to enter into necessary amendments to existing documentation that may be necessary to reflect such security and collateralization.

2. Amending the authority granted in Case No. 2009-00450, to provide that LG&E is authorized to issue up to \$50,000,000 in new unsecured debt to Fidelia, later replacing it with up to \$50,000,000 of secured debt, or to issue up to \$50,000,000 of new secured debt in lieu of the \$50,000,000 of already authorized, but unissued, Fidelia debt, provided that the total of debt outstanding under this authority together shall not exceed \$50,000,000, as more specifically described in LG&E's application in Case No. 2010-00205.

3. Amending the authority granted in Case No. 2009-00449 to provide that KU is authorized to issue up to \$225,000,000 in new unsecured debt to Fidelia, later replacing it with up to \$225,000,000 of secured debt, or to issue up to \$225,000,000 of new secured debt in lieu of the \$225,000,000 as already authorized, but unissued, Fidelia debt, provided that the total of debt outstanding under this authority together shall not exceed \$225,000,000, as more specifically described in KU's application in Case No. 2010-00206.

4. Authorizing LG&E and KU to issue notes to PPL Corporation, or to a subsidiary of PPL Corporation, with the same principal amounts, terms, conditions and interest rates as their existing Fidelia notes, except that such new notes would not have "make whole" provisions and could be prepaid at any time at par plus accrued interest on any day rather than just on interest payment dates.

5. Confirming LG&E's existing authority to secure and collateralize LG&E's obligations with respect to ten (10) existing series of pollution control debt, the Jefferson County

2000 Series A Bonds, the Jefferson County 2001 Series A Bonds, the Trimble County 2000 Series A Bonds, the Jefferson County 2001 Series A Bonds, the Jefferson County 2001 Series B Bonds, the Trimble County 2001 Series A Bonds, the Trimble County 2001 Series B Bonds, the Trimble County 2002 Series A Bonds, the Louisville Metro 2003 Series A Bonds, and the Louisville Metro 2005 Series A Bonds with LG&E's First Mortgage Bonds or, alternatively, to modify LG&E's authority with respect to these ten series of pollution control debt, as more specifically described in LG&E's application in Case No. 2010-00205.

6. Confirming KU's existing authority to secure and collateralize KU's obligations with respect to seven (7) existing series of pollution control debt, the Carroll County 2002 Series C Bonds, the Mercer County 2000 Series A Bonds, the Carroll County 2004 Series A Bonds, the Carroll County 2002 Series A Bonds, the Carroll County 2002 Series B Bonds, the Mercer County 2002 Series A Bonds, and the Muhlenberg County 2002 Series A Bonds, with KU's First Mortgage Bonds or, alternatively, to modify KU's authority with respect to these seven series of pollution control debt, as more specifically described in KU's application in Case No. 2010-00206.

7. Authorizing LG&E to secure three (3) series of pollution control debt, the Louisville Metro 2007 Series A Bonds, the Louisville Metro 2007 Series B Bonds, and the Trimble County 2007 Series A Bonds, with LG&E's First Mortgage Bonds as more specifically described in LG&E's application in Case No. 2010-00205.

8. Authorizing KU to secure four (4) series of pollution control debt, the Carroll County 2006 Series B Bonds, the Carroll County 2007 Series A Bonds, the Trimble County 2007 Series A Bonds, and the Carroll County 2008 Series A Bonds, with KU's First Mortgage Bonds as more specifically described in KU's application in Case No. 2010-00206.

9. Authorizing LG&E to use First Mortgage Bonds to secure and collateralize LG&E's obligations with respect to any refunding debt obligations that may be incurred pursuant to the authority granted in Case No. 2008-00131, as more specifically described in LG&E's application in Case No. 2010-00205.

10. Authorizing KU to use First Mortgage Bonds to secure and collateralize KU's obligations with respect to any refunding debt obligations that may be incurred pursuant to the authority granted in Case No. 2008-00132, as more specifically described in KU's application in Case No. 2010-00206.

11. Authorizing LG&E and KU to execute, deliver and perform their obligations under such hedging agreements and such other agreements and documents as set forth in their respective applications in Case Nos. 2010-00205 and 2010-00206, and to perform the transactions contemplated by all such agreements.

12. Authorizing LG&E and KU to enter into one or more multi-year revolving New Credit Facilities, as defined in their respective applications in Case Nos. 2010-00205 and 2010-00206, with one or more financial institutions in aggregate amounts not to exceed \$400 million each as more specifically described in such applications.

13. Conditioning the authority such that the proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the applications in Case Nos. 2010-00205 and 2010-00206.

14. Conditioning the authority such that LG&E and KU shall each agree only to such terms and prices that are consistent with the limitations set out in their respective applications in Case Nos. 2010-00205 and 2010-00206.

15. Conditioning the authority such that within 30 days from the date of issuance, LG&E or KU, as applicable, shall file with the Commission a statement setting forth the date or dates of issuances of securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and the distribution thereof.

16. Conditioning the authority such that to the extent that LG&E or KU again becomes subject to SEC reporting requirements and commences to file disclosures with the SEC, LG&E shall file those disclosures with the Commission, rather than the reports of material changes called for in the Commission's January 31, 2007 Order in Case No. 2006-00445 and KU shall file those disclosures with the Commission, rather than the reports of material changes called for in the Commission's January 22, 2007 Order in Case No. 2006-00390. LG&E and KU shall further be relieved of the reporting obligations set out in said January 31, 2007 and January 22, 2007 Orders.

Dated: September 16, 2010

Respectfully submitted,

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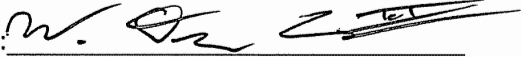
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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the above and foregoing Post-Hearing Brief was served upon the following individuals by first class United States mail, postage prepaid, on the 16th day of September 2010:

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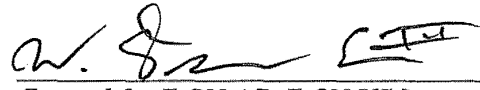
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TAB.A

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

CASE NO. 2010-00204

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

Question No. 103

Responding Witness: Lonnie E. Bellar

- Q-103. For each commitment made by the Joint Applicants, please identify the aspect of the commitment that does not presently exist. (In other words: For each commitment indicate whether it is simply a continuation of a current commitment or whether it represents an incremental increase in an existing commitment or a wholly-new commitment.)
- A-103. Please see the Attachment. Bolded text refers to text not present in the commitments from Case No. 2001-00104. Italicized text provides additional comments on the regulatory commitments. The Attachment also includes a list of commitments from Case No. 2001-00104 that were not made in Case No. 2010-00204. The Attachment is also responsive to the Attorney General's Initial Requests 55 and 56 and Supplemental Requests 47 and 48.

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

1. Except to the extent expressly superseded by KRS 278.2201 through 278.2219, the jurisdiction of the FERC or the findings and conditions set forth in this Order, Purchaser, the Company, Louisville Gas and Electric Company ("LG&E"), and Kentucky Utilities Company ("KU") shall adhere to the conditions described in the Commission's Orders in Case Nos. 10296, 89-374, 97-300, 2000-095, and 2001-104. The conditions, restated in Appendix B to the Commission's May 15, 2000 Order in Case No. 2000-095 and incorporated by reference into the Commission's August 6, 2001 Order in Case No. 2001-104, concern protection of utility resources, monitoring the holding company and the subsidiaries, and reporting requirements. *(Same text in Appendix A No. 1 – Case No. 2001-00104)*
2. Purchaser commits that the books and records of the Company, LG&E, and KU will be kept in Kentucky. *(Same text in Appendix A No. 2 – Case No. 2001-00104)*
3.
 - (a) Purchaser, the Company, LG&E, and KU commit not to assert that the **FERC's jurisdiction under PUHCA 2005** legally preempts the Commission from disallowing recovery in retail rates for the cost of goods and services that LG&E or KU obtain from or transfer to an associate, affiliate, or subsidiary in the same holding-company system. However, LG&E and KU shall retain the right to assert that the charges are reasonable and appropriate. *(Same text in Appendix A No. 3 – Case No. 2001-00104, except reference is to FERC instead of SEC and there is no reference to the Ohio vs. FERC decision)*
 - (b) The Commission or its agents may audit the accounting records of Purchaser and its subsidiaries that are the bases for charges to LG&E or KU, to determine the reasonableness of allocation factors used by Purchaser to assign costs to LG&E or KU and amounts subject to allocation or direct charges. Purchaser agrees to cooperate fully with such Commission audits. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*
 - (c) Purchaser, the Company, LG&E and KU will comply with all applicable Commission statutes and regulations regarding affiliated transactions, including timely filing of applications and reports. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*
 - (d) Each of LG&E and KU will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate. *(Not a specific commitment in Appendix A No. 3 – Case No. 2001-00104)*
 - (e) Purchaser, the Company, LG&E and KU will not cross-subsidize between the regulated and non-regulated businesses, and shall comply with the Commission's

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TAB B

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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
HEARING INFORMATION REQUEST OF COMMISSION STAFF
DATED SEPTEMBER 8, 2010

FILED: September 16, 2010

Response to Question No. 1
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**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 Hearing Information Request of Commission Staff
Dated September 8, 2010

Question No. 1

Responding Witness: Lonnie E. Bellar

Q-1. Provide the number of employees and work locations in Lexington, Kentucky.

A-1. Kentucky Utilities Company ("KU") has four work locations in Lexington, Kentucky with 300 employees and 118 contractors reporting to these locations.

KU's headquarters is located at One Quality Street in Lexington. It is a nine story building with a total of 138,389 square feet. KU currently occupies six floors of the building (a total of 88,856 square feet). The University of Kentucky currently leases the remaining three floors (49,533 square feet).

KU has a total of 173 employees and 38 contractors at One Quality Street. The employees at that location work in the following departments:

Billing Integrity	IT Security
Business Service Center	IT Service Delivery
Corporate Communications	Remittance and Collections
Data Networks & Database Admin	Residential Business Office
Desktop Operations	Residential Call Center
Distribution Control Center	Revenue Collection
Distribution Operations	Revenue Protection
Economic Dev. & Major Accounts	Supply Chain
Electric Reliability	Systems Analysis & Planning
Environmental Affairs	Transmission Lines
External Affairs	Transmission Protection & Substations
Facility Operations	Transmission Reliability & Comp.
Generation Engineering	Transmission Strategy & Planning
Health & Safety	

The KU Lexington Operations center is located at 500 Stone Road, at which 73 employees and 57 contractors work. The KU employees who work there perform Distribution Operations, Forestry Services, Mapping & Records, Safety and

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Technical Training, Supply Chain, and Transmission Protection and Substations functions.

KU's Field Services and Meter functions are operated in a building located at 104 West Loudon Avenue in Lexington. There are a total of 26 employees and 22 contractors currently working at that location.

Finally, KU has a location at 745 North Limestone in Lexington. There are a total of 28 employees and one contractor currently at that location, who perform Substation Construction and Maintenance and Telecommunications functions.

TAB C

APPENDIX C: REVISED REGULATORY COMMITMENTS

EXHIBIT B TO PURCHASE AND SALE AGREEMENT

Set forth below in Part I are commitments that Purchaser agrees to offer to make to the Kentucky Public Service Commission (the "Commission") as contemplated by Sections 5.2 and 5.14 of the Purchase and Sale Agreement dated as of April 28, 2010 (the "Purchase and Sale Agreement") by and between E.ON US Investments Corp., PPL Corporation ("Purchaser") and, solely for purposes of Article VI, Article IX and Article X thereof, E.ON AG in connection with Purchaser's proposed acquisition of E.ON U.S. LLC (the "Company") (the "Purchase"). Purchaser also agrees to address potential market power issues and other issues that may arise in any proceeding before the Federal Energy Regulatory Commission ("FERC") in the manner set forth in Part II below.

Imposition of any of these terms, conditions, liabilities, obligations, commitments or sanctions on Purchaser and its Subsidiaries or the Company and its Subsidiaries by the Commission or any other Governmental or Regulatory Authority and any resulting effect thereof will not be considered for any purpose in determining whether any such terms, conditions, liabilities, obligations, commitments or sanctions would have a material and adverse effect for purposes of Section 7.2(c).

Capitalized terms used herein and not defined herein have the meanings assigned to them in the Purchase and Sale Agreement.

PART I COMMITMENT

1. Except to the extent expressly superseded by KRS 278.2201 through 278.2219, the jurisdiction of the FERC or the findings and conditions set forth in this Order, Purchaser, the Company, Louisville Gas and Electric Company ("LG&E"), and Kentucky Utilities Company ("KU") shall adhere to the conditions described in the Commission's Orders in Case Nos. 10296, 89-374, 97-300, 2000-095, and 2001-104. The conditions, restated in Appendix B to the Commission's May 15, 2000 Order in Case No. 2000-095 and incorporated by reference into the Commission's August 6, 2001 Order in Case No. 2001-104, concern protection of utility resources, monitoring the holding company and the subsidiaries, and reporting requirements.
2. Purchaser commits that the books and records of the Company, LG&E, and KU will be kept in Kentucky.
3.
 - (a) Purchaser, the Company, LG&E, and KU commit not to assert that the FERC's jurisdiction under PUHCA 2005 legally preempts the Commission from disallowing recovery in retail rates for the cost of goods and services that LG&E or KU obtain from or transfer to an associate, affiliate, or subsidiary in the same holding-company system. However, LG&E and KU shall retain the right to assert that the charges are reasonable and appropriate.

- (b) The Commission or its agents may audit the accounting records of Purchaser and its subsidiaries that are the bases for charges to LG&E or KU, to determine the reasonableness of allocation factors used by Purchaser to assign costs to LG&E or KU and amounts subject to allocation or direct charges. Purchaser agrees to cooperate fully with such Commission audits.
- (c) Purchaser, the Company, LG&E and KU will comply with all applicable Commission statutes and regulations regarding affiliated transactions, including timely filing of applications and reports.
- (d) Each of LG&E and KU will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate.
- (e) Purchaser, the Company, LG&E and KU will not cross-subsidize between the regulated and non-regulated businesses, and shall comply with the Commission's applicable orders and rules with respect to such matters.

Purchaser, the Company, LG&E and KU will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between LG&E or KU, on the one hand, and their affiliated interests, on the other hand, or which are otherwise relevant to the business of LG&E or KU, as the case may be.

- 4. Purchaser, the Company, LG&E, and KU commit to provide the Commission with notice 30 days prior to any FERC filing that proposes new allocation factors. The notice need not be in precise form of the final filing but will include, to the extent information is available, a description of the proposed factors and the reasons supporting such factors. Purchaser, the Company, LG&E, and KU commit to make a good faith attempt to resolve differences, if any, with the Commission in advance of filing with the FERC.
- 5. Purchaser, the Company, LG&E, and KU commit that the Purchase will have no impact on the base rates or the operation of the fuel adjustment clauses, environmental surcharges, gas supply clause, demand side management clause, of LG&E or KU.
- 6. Purchaser, the Company, LG&E, and KU commit, pursuant to the terms, provisions, and exceptions of KRS 278.218, to obtain Commission approval prior to the transfer of any LG&E or KU Property, Plant and Equipment asset with an original book value of \$1 million or more.
- 7. Purchaser, the Company, LG&E, and KU commit that the Power Supply System Agreement and the Transmission Coordination Agreement between KU and LG&E shall remain in effect and that any proposed amendment thereto be submitted to the Commission for its review 30 days in advance of filing the amendment with the FERC.
- 8. Purchaser, the Company, LG&E, and KU commit that the Company, its subsidiaries, LG&E and KU, and their ratepayers, directly or indirectly, shall not incur any additional costs, liabilities, or obligations in conjunction with the Purchase (other than except in

connection with the repayment and refinancing of Closing Indebtedness in accordance with its terms) including, but not limited to, the following:

- (a) The Company, LG&E, and KU shall not incur any additional indebtedness, issue any additional securities, or pledge any assets of LG&E or KU to finance any part of the purchase price paid by Purchaser for the Company equity interest; provided however that the Company, LG&E and KU shall be permitted to take any of the foregoing actions in connection with the repayment and refinancing of Closing Indebtedness.
- (b) The payment for the Company equity interest shall be recorded on Purchaser's books, not the books of the Company or its subsidiaries.
- (c) Neither (i) the premium paid by Purchaser for the Company equity interest, as well as any other associated costs, or (ii) losses from the unwind and termination of the lease agreement with Big Rivers shall be "pushed down" to LG&E or KU.
- (d) All transaction-related costs, including the cost of purchase and the premium paid for the Company's equity, shall be excluded for rate-making purposes and from the rates of LG&E and KU.
- (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.
- (f) The accounting and rate-making treatments of LG&E's and KU's excess deferred income taxes shall not be affected by the Purchase.
- (g) The Company, LG&E and KU will each maintain its own corporate credit rating as well as ratings for long-term debt from Moody's and S&P or their successor rating agencies.
- (h) No costs of the Company Advisory Board shall be borne by LG&E or KU.
- (i) No change in control payments will be allocated to the ratepayers of LG&E and KU.
- (j) If early termination costs are incurred for any senior management of the Company, none of these costs will be allocated to LG&E or KU.

No generation assets located within Kentucky will be sold to finance this or any subsequent merger or acquisition without prior Commission authorization.

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

opportunity to broaden that experience by exchanging positions with other managers in Purchaser's organization.

10. Purchaser commits to taking an active and ongoing role in managing and operating LG&E and KU in the interests of customers, employees, and the Commonwealth of Kentucky, and to take the lead in enhancing LG&E's and KU's relationship with the Commission, with state and local government, and with other community interests, including, but not limited to, meetings between Purchaser's chief executive and the Commission at least twice a year.
11. Purchaser commits to maintaining a sound and constructive relationship with those labor organizations that may represent certain employees of the Company, LG&E, and KU; to remain neutral respecting an individual's right to choose whether or not to be a member of a trade union; to continue to recognize the unions that currently have collective bargaining agreements with LG&E; and to honor those agreements.
12. Purchaser, the Company, LG&E, and KU commit to advising the Commission at least annually on the adoption and implementation of best practices at both LG&E and KU following the consummation of the Purchase.
13. Purchaser, the Company, LG&E, and KU commit to provide such information as the Commission may request regarding the implementation of best practices, customer service, reliability, and safety.
14. LG&E and KU acknowledge that in any Commission proceeding involving safety violations by employees of independent contractors, LG&E and KU shall be responsible for the acts of the employees of the independent contractors to the same extent that LG&E and KU are responsible for the acts of their own employees.
15. Purchaser commits to develop, with the assistance of an external consultant, a retention and incentive program for the Company, LG&E, and KU managers, to be implemented following the consummation of the Purchase. The plan will be developed with the goal of being finalized within 120 days of the date of the Commission order approving the Purchase.
16. Purchaser commits that no planned workforce reductions in the Company's, LG&E's, or KU's employees will be made as a result of the Purchase.
17. If new debt or equity in excess of \$100 million is issued by the Company, the Company commits to notify the Commission as soon as practicable prior to the issuance.
18. Purchaser commits to notifying the Commission subsequent to its board approval and as soon as practicable following any public announcement of (a) any acquisition of a regulated or non-regulated business representing 5 percent or more of Purchaser's capitalization; or (b) the change in effective control or acquisition of any material part of or all of the Company, LG&E or KU, by any other firm, whether by merger, combination, transfer of stock or assets.

19. Purchaser commits to providing an annual report to the Commission detailing the Company's proportionate share of Purchaser's total assets, total operating revenues, operating and maintenance expenses, and number of employees.
20. Purchaser commits to notifying the Commission 30 days prior to LG&E or KU, as the case may be, paying any dividend or transferring more than 5 percent of the retained earnings of LG&E or KU, respectively to the Company or Purchaser.
21. Purchaser commits to filing with the Commission a copy of its annual reports and its quarterly interim reports on Form 10-K and Form 10-Q filed with the United States Securities and Exchange Commission.
22. Purchaser commits to filing with the Commission such additional financial reports as the Commission, from time to time, reasonably determines to be necessary for it to effectively regulate the operation of LG&E and KU.
23. LG&E and KU will file with the Commission for informational purposes copies of any applications that (a) are filed with any other state public utility commission which has jurisdiction over Purchaser or any of its affiliates, and (b) relate to a money pool arrangement or capital contribution to LG&E or KU.
24. Purchaser, the Company, LG&E, and KU commit to notifying the Commission 30 days prior to making any capital contribution to LG&E or KU and to provide the accounting entries reflecting the capital contribution within 60 days after the close of the month in which the contribution was made.
25. Purchaser, the Company, LG&E, and KU commit that customers will experience no adverse change in utility service due to changes, if any, related to LG&E Services, Inc.
26. Purchaser, the Company, LG&E, and KU commit to: a) adequately funding and maintaining LG&E's and KU's transmission and distribution systems; b) complying with all Kentucky laws and all Commission regulations and statutes; and c) supplying LG&E and KU customers' service needs.
27. When implementing best practices, Purchaser, the Company, LG&E, and KU commit to taking into full consideration the related impacts on the levels of customer service and customer satisfaction, including any negative impacts resulting from workforce reductions.
28. Purchaser, the Company, LG&E, and KU commit that they will minimize, to the extent possible, any negative impacts on levels of customer service and customer satisfaction resulting from workforce reductions.
29. LG&E and KU commit to periodically filing the various reliability and service quality measurements they currently maintain, to enable the Commission to monitor their commitment that reliability and service quality will not suffer as a result of the Purchase.

30. The Company, LG&E, and KU commit to notifying the Commission in writing 30 days prior to any material changes in their participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 5 percent of any individual company's previous year's budget for research and development. The written notification shall include an explanation and the reasons for the change in policy. This Commitment No. 30 does not apply to LG&E's and KU's participation in or commitments to FutureGen.
31. Purchaser commits to maintaining the Company's level of commitment to high quality utility service, and will fully support maintaining the LG&E and KU track record for superior service quality.
32. Purchaser, the Company, LG&E, and KU commit that LG&E and KU shall continue to operate through regional offices with local service personnel and field crews.
33. Purchaser, the Company, LG&E, and KU commit that local customer service offices will not be closed as a result of the proposed transaction and that, if and when local customer service offices may be closed to achieve world class best practices, Purchaser, the Company LG&E and KU will take into account the impact of the closures on customer service.
34. Purchaser, the Company, LG&E and KU commit to maintaining the respective headquarters of each of the Company, LG&E and KU in Kentucky for a period of 15 years following the consummation of the Purchase. KU's headquarters shall be maintained in Lexington, Kentucky; and the Company's and LG&E's headquarters shall be maintained in Louisville, Kentucky.
35. Purchaser, the Company, LG&E, and KU commit to dedicating LG&E's and KU's existing and future generating facilities to the requirements of LG&E's and KU's existing and future native load customers.
36. Purchaser and the Company commit that LG&E and KU shall maintain a substantial level of involvement in community activities, through annual charitable and other contributions, on a level comparable to or greater than the participation levels experienced prior to the date of the merger. Purchaser commits to maintaining and supporting the relationship between LG&E and KU with the communities that each serves for a period of 15 years from the Purchase.
37. Purchaser and the Company commit that the Purchase will have no effect or impact on KU's contractual relationships with either its municipal customers or Berea College.
38. Purchaser and the Company commit that the Purchase shall have no effect or impact on various agreements associated with the unwind and termination of the lease agreement with Big Rivers.
39. Purchaser commits to maintaining LG&E's and KU's pro-active stance on developing economic opportunities in Kentucky and supporting economic development, and social and charitable activities, throughout LG&E's and KU's service territories.

40. Purchaser commits that for as long as it owns, controls, or manages LG&E or KU, Purchaser shall endeavor to have an individual resident of Kentucky on Purchaser's Board of Directors. Purchaser shall commence a search for such director following the Purchase. Purchaser shall have sole discretion in selecting qualified candidates and determining which individual is the best qualified for nomination.
41. Purchaser commits that the Company's Board of Managers (or similar body) shall consist of at least three members, one of whom shall be the then-current chief executive officer of the Company.
42. Purchaser commits to review with LG&E and KU management their current policies and practices with respect to low-income customers to determine whether policies and practices more sympathetic to the needs of such customers would be appropriate. In addition, Purchaser, the Company, LG&E, and KU commit that the current policies for low-income customers will not change as a result of the Purchase.
43. Purchaser, the Company, LG&E, and KU commit that the Company shall hold 100 percent of the common stock of LG&E and KU and that the Company shall not transfer any of that stock without prior Commission approval even if the transfer is pursuant to a corporate reorganization as defined in KRS 278.020(6)(b).
44. KU will maintain a contact person in Lexington to respond to special needs in the Lexington area.
45. Purchaser, the Company, LG&E, and KU commit that when budgets, investments, dividend policies, projects, and business plans are being considered by Purchaser's Board for the Kentucky business, at a minimum, the CEOs of LG&E and KU or their designees must be present to offer a Kentucky perspective to the decision and be permitted to participate in any debates on the issues.
46. Purchaser, the Company, LG&E, and KU commit that all corporate officers of LG&E and KU shall reside within Kentucky, including the Louisville metropolitan area, subject to a 2-month relocation allowance for newly appointed officers. This commitment will remain in effect for a period of 15 years following the consummation of the Purchase.
47. As part of their commitment to maintaining the corporate headquarters of the Company in Louisville, Kentucky, Purchaser and the Company commit that these corporate headquarters will include the corporate management personnel of the Company. Further, Purchaser and the Company commit that the CEO and subordinate officers of the Company shall reside in Kentucky, including the Louisville metropolitan area. This commitment will remain in effect for a period of 15 years following the consummation of the Purchase.
48. Purchaser, the Company, LG&E and KU commit that if any of their subsidiaries or business units considers a potential renewable energy project in Kentucky, the subsidiary or business unit will inform KU and LG&E of the potential project and will allow KU and LG&E to make a reasonable business judgment on whether to pursue the project as a generation resource for their customers.

49. Any diversified holdings and investments (e.g., non-utility business or foreign utilities) of Purchaser following the closing of the Purchase will not be held by LG&E or KU or a subsidiary of either LG&E or KU.
50. Purchaser, the Company, LG&E and KU will work with the Governor of the Commonwealth of Kentucky and state agencies designated by the Governor to promote economic development in Kentucky.
51. Purchaser, the Company, LG&E and KU agree to consult with the Governor of the Commonwealth of Kentucky and state agencies designated by the Governor regarding clean coal technologies and to consult on the development of programs by Kentucky that qualify for federal funding for research and development and projects utilizing clean coal technologies.

PART II

52. Purchaser agrees that it shall use its reasonable best efforts to address market power concerns of FERC, the DOJ and the FTC through mitigation measures that do not require (a) participation by LG&E or KU in an RTO, (b) divestiture of operating assets of LG&E or KU, or (c) LG&E or KU to decline to use or benefit from the use of their generating facilities for the purpose of serving their native load customers.
53. Purchaser acknowledges that wholesale customers should be held harmless.