

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 02 2010

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF)
BASE RATES)

Case No. 2009-00548

And

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR AN)
ADJUSTMENT OF ELECTRIC AND GAS)
BASE RATES)

Case No. 2009-00549

ATTORNEY GENERAL'S
MOTION TO DISMISS

The Attorney General, through his Office of Rate Intervention, moves the Public Service Commission to enter an Order dismissing the above-styled cases. The transaction through which PPL Corporation seeks to acquire E.ON U.S. LLC (the sole shareholder of Kentucky Utilities Company as well as the sole shareholder of Louisville Gas and Electric Company) renders the historical test periods chosen by each applicant unreasonable for use in setting rates.

The burden of proof to show that a proposed increase in a rate or charge is just and reasonable is upon the utility. KRS 278.190 (3). There is no presumption that the information set forth in an application for a change in rates is reasonable for setting rates. See *Energy Regulatory Commission v. Kentucky Power*, 605 S.W.2d 46, 50 (Ky.App. 1980). At all times, the utility must meet its burden through reliable, credible evidence.

Through KRS 278.192, a utility may utilize either a historical test period or a forward-looking test period in order to demonstrate the reasonableness of the rate during the *period the rate is proposed to be in effect*. Again, however, there is no presumption that the information from the test period is reasonable for the purpose of setting rates. Indeed, rate-making devices such as a multi-year normalization of a test period expense amount and adjustments for post-test period known and measurable changes are utilized in order for the rates to be set based upon reasonably expected normal, on-going operations of the utility.

Hence, reasonable rates require credible evidence, and a credible, reliable test period that allows for the full consideration of normal, on-going operations is an indispensable foundation for such credible evidence. The PPL change of control transaction renders the test periods for both applications unreliable, and (as a consequence of the discretionary actions of E.ON AG, E.ON U.S., KU, and LG&E) the traditional rate-making techniques for adjusting the test period will not serve to allow

their adjustments for use in setting reasonable rates in the current proceedings.

Accordingly, the applications should be dismissed.

The PPL Corporation transaction, if approved, will result in a material change in both KU and LG&E that is known but not currently measurable and would certainly impact the normal, on-going operations of each utility.

On or about 28 April 2010, E.ON U.S. LLC (the sole shareholder of KU and LG&E) and PPL Corporation announced a definitive agreement through which PPL seeks to acquire E.ON U.S. (and, in turn, both KU and LG&E). Therefore, yet again, both KU and LG&E are utilities in transition. One can only speculate regarding whether the impact of the transaction on the normal, on-going operation of each utility, and speculation is not an adequate basis for setting rates. Still, one thing is clear, and this is through an admission by the parties to the PPL transaction, the expectation is that KU and LG&E are expected to be part of a "stronger, more diversified enterprise with increased earnings visibility."¹ The expectations also include a strengthened "solid investment grade credit profile" and "enhanced regulated growth opportunities."²

Thus, the Commission can dispense with any notion that the PPL transaction is without immediate consequence to either KU or LG&E. In fact, in terms of the press releases regarding the definitive agreement, it is clear that the expectation is that the PPL transaction will have a remarkably favorable financial impact on both KU and

¹ Presentation materials for 29 April 2010 PPL conference call with financial analysts regarding the E.ON U.S. acquisition. See Attachment A, page 3.

² Attachment A, page 3.

LG&E. Specifically, James H. Miller, the chairman, president, and chief executive office of PPL is quoted as follows:

Adding the proven operations of LG&E and KU in the constructive framework will enhance the overall business risk profile of PPL, which we believe will lead to improved access to capital, a stronger credit profile and solid, investment-grade credit ratings in each of our businesses.³

While the parties to the PPL transaction have been discussing the impact of the transaction to the normal, on-going operations of KU and LG&E to the audience in the investment community, the parties to the PPL transaction have left the rate-making arena relatively quiet if not silent with regard to the impact of the transaction on KU and LG&E expected normal, on-going operations.

Thus, while the investment community is being told that it should expect the creation of a stronger credit profile through this transaction (not to mention a better position for future growth),⁴ KU and LG&E are content to allow rates to be set using a credit profile and rates of return from a test period that does not reflect changes anticipated to be in effect during the period that the proposed rates would be in effect. There is a fundamental wrong associated with the mismatch.

Normally, when an item in the test period does not reflect reasonable expected, normal, on-going operations, the item can be adjusted. Nonetheless, there are limits to the ability to adjust a test period. First, for some items (such as customer count, short-

³ PPL Corporation announcement, 28 April 2010. Attachment B, page 2 of 4.

⁴ Attachment A, pages 18 ("strengthens credit position while maintaining investment-grade ratings") and 22 ("strengthens credit profile").

term debt rate, etc.), post-test period adjustments are subject to meeting the known-and-measurable criteria. At this stage, the material impact on KU and LG&E is known (through admissions by PPL). It is not, however, measurable. A second limit is that even if a change is known-and-measurable, comparability and consistency require that certain items not be adjusted in isolation, such as capital structure, but rather only adjusted when all other aspects of the utility, such as revenues, expenses, and rates of return, are adjusted as well. A third limit is the time-frame imposed under KRS 278.190 for issuing an Order. Even under the theory that the impact of the PPL transaction on the normal, on-going operations of KU and LG&E for the period when the rates will be in effect is presently known-and-measurable and that the applications can be updated with the information, the time-frame does not allow a reasonable investigation into any such updated information (through amended applications).

Accordingly, because the test periods do not and cannot provide a reasonable basis for determining the normal, on-going operations of either KU or LG&E for rate-making purposes, the applications should be dismissed. At first blush, the result may seem harsh, but it is a result of E.ON AG, E.ON U.S., KU, and LG&E's discretionary acts which render the test periods unreliable. Neither KU nor LG&E was under any mandate to file a rate case. Each made the election to file a case, and each chose to utilize a historical test period. E.ON AG was under no mandate to market E.ON U.S., KU, and LG&E. It made the decision to market E.ON U.S. for the benefit of its

shareholders. That E.ON AG chose to “ink” and then announce a change of control transaction while it had rate-cases pending was solely the act of E.ON AG, and its shareholders alone should bear any negative consequences associated with the fact that its marketing of E.ON U.S. has rendered the test periods chosen by KU and LG&E (in rate applications whose timing was chosen by KU and LG&E) unreliable and unreasonable for setting rates.

As noted, the test period is the foundation for setting rates. In Kentucky, rates are not set based upon speculation; rather, they are set based upon reliable, credible evidence. The PPL transaction, if approved, will result in a materially different KU and LG&E because they will impact the ability to attract capital, the cost of that capital, and the expected growth of each utility’s regulated operations for the period when the rates sought by these applications would be in effect.

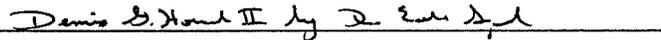
There is a fundamental problem when the Commission and the intervenors in the instant actions find themselves (consequent to discretionary acts of the applicants) in a situation when they are expected to base a rate adjustment on test period information that is not expected by the applicants to be reflective of normal, on-going operations (by reference to what is being told to the investment community). The Commission can and should correct this problem. The burden is upon the applicants. KRS 278.190 (3). In that the applicants’ test periods are no longer credible, reliable evidence and not subject to correction or updating to allow them to become credible,

reliable evidence, the test periods are unreasonable for setting rates, and the cases should be dismissed.

WHEREFORE, the Attorney General Respectfully moves the Commission to dismiss the instant cases.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL


DENNIS G. HOWARD, II
DAVID EDWARD SPENARD
LAWRENCE W. COOK
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT KY 40601-8204
T (502) 696-5453
F (502) 573-8315

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Lonnie E Bellar
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

James T Selecky
BAI Consulting
16690 Swingley Ridge Road, Suite 140
Chesterfield, MO 63017

Honorable David C Brown, Esq.
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KY 40202

Honorable Allyson K Sturgeon
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

Iris G Skidmore
415 W. Main Street, Suite 2
Frankfort, KY 40601

Holly Rachel Smith
Hitt Business Center
3803 Rectortown Road
Marshall, VA 20115

Honorable Kendrick R Riggs
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KY 40202-2828

Steven A Edwards
Office of the Staff Judge Advocate
1320 Third Avenue, Room 215
Fort Knox, KY 40121-5000

Hon. Tom Fitzgerald
Kentucky Resources Council, Inc.
PO Box 1070
Frankfort, KY 40602

Honorable Robert M Watt, III
Monica Braun
STOLL KEENON OGDEN PLLC
300 West Vine Street; Suite 2100
Lexington, KY 40507-1801

Honorable Michael L Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Carroll M Redford III
Miller, Griffin & Marks, PSC
271 W Short Street, Suite 600
Lexington, KY 40507

Robert A Ganton, Esq
U.S. Army Legal Services Agency
Regulatory Law Office
901 North Sturart Street, Suite 525
Arlington, VA 22203

Honorable Gardner F Gillespie
Hogan & Hartson, L.L.P.
555 Thirteenth Street, N.W.
Washington, DC 20004-1109

Laurence J Zielke
Zielke Law Firm PLLC
1250 Meidinger Tower
462 South Fourth Avenue
Louisville, KY 40202-3465

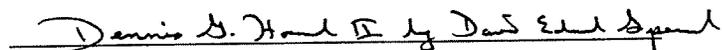
Honorable Lisa Kilkelly
Legal Aid Society
416 West Muhammad Ali Boulevard
Suite 300
Louisville, KY 40202

Honorable Kimberly S McCann
William H. Jones, Sr.
VanAntwerp, Monge, Jones & Edwards
P. O. Box 1111
Ashland, KY 41105-1111

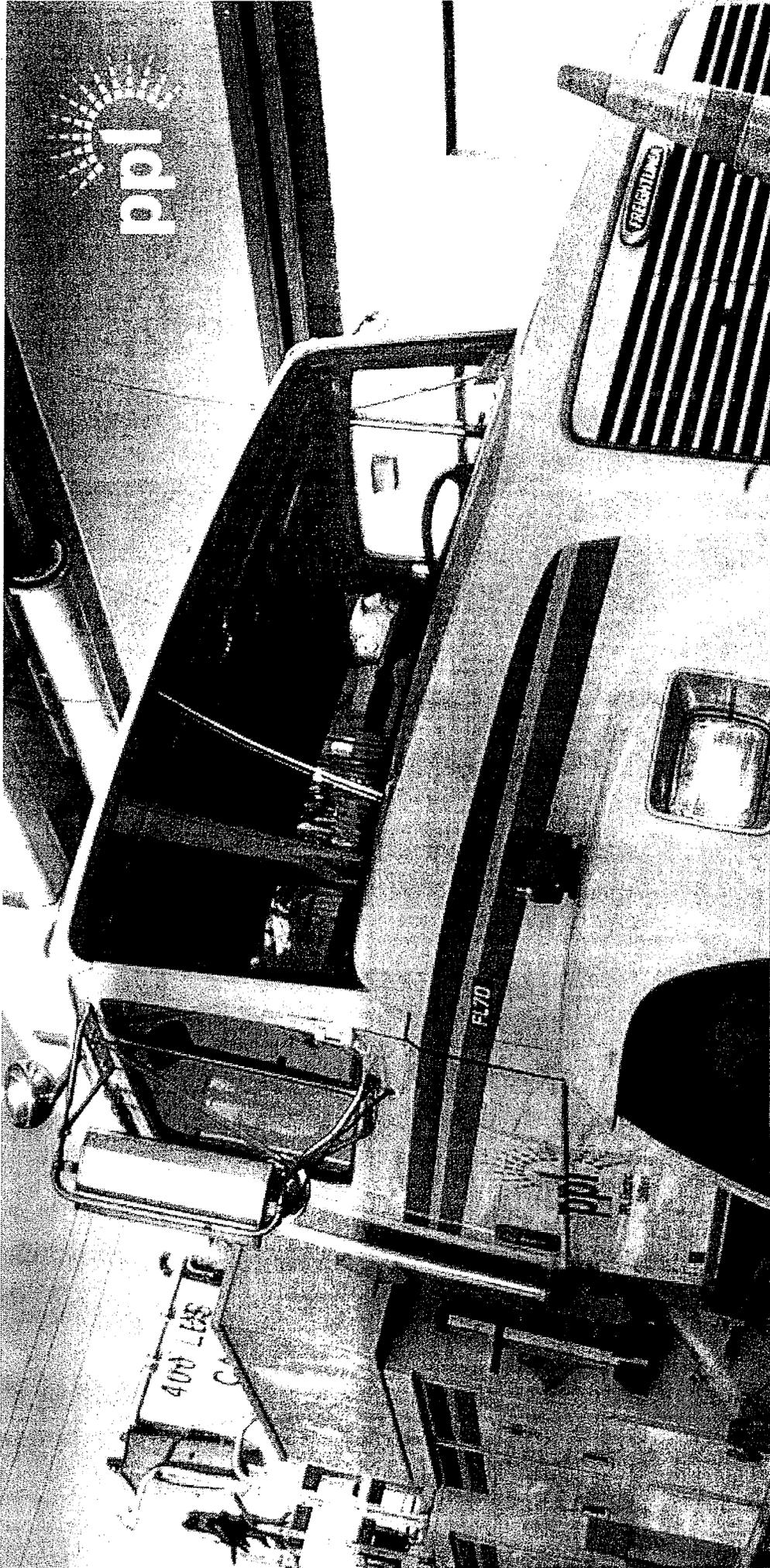
Matthew R. Malone
Hurt, Crosbie & May PLLC
The Equus Building
127 West Main Street
Lexington, KY 40507

Dominic F Perella
Columbia Square
555 13th Street, NW
Washington, DC 20004

all on this 2nd day of June, 2010.


Assistant Attorney General

ATTACHMENT A



Value | Balance | Growth Acquisition of E.ON U.S.

April 29, 2010

Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

Agenda

Introduction

Jim Miller
Chairman, President and CEO, PPL

E.ON U.S. Overview

Vic Staffieri
CEO, E.ON U.S.

Transaction Overview and Timing

Bill Spence
EVP and COO, PPL

Concluding Remarks

Jim Miller
Chairman, President and CEO, PPL

Q&A

Combination Creates Significant Value

- Transformative transaction that rebalances business mix
- Consistent with our stated strategy to grow regulated earnings
- Creates a stronger, more diversified enterprise with increased earnings visibility
- Strengthens solid investment grade credit profile
- Enhances regulated growth opportunities
- Retains significant upside to power market recovery through PPL's existing competitive generation fleet

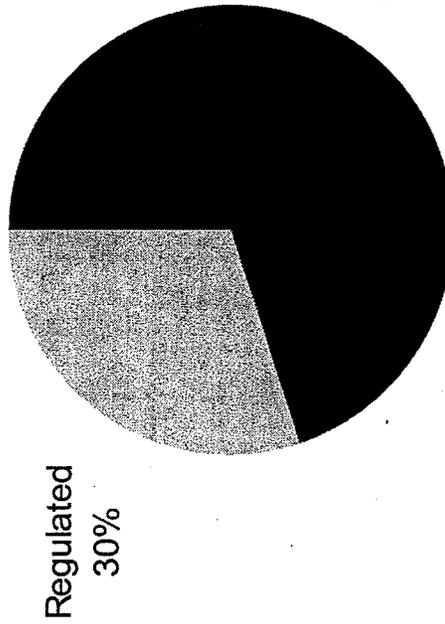
A Compelling Opportunity

- Best-in-class utility franchises with progressive regulation
- Very strong management team; strong track record of execution
- Significant rate base growth profile with high degree of near-term visibility
- Lowest rates in the region
- Track record of timely regulatory approvals
- Attractive valuation:
 - Purchase price of \$7.625 billion includes approximately \$450 million of tax attributes
 - Value net of tax attributes is \$7.175 billion
 - Implied multiples are well within the range of where fully-regulated peers are valued
 - Not dependent upon synergies

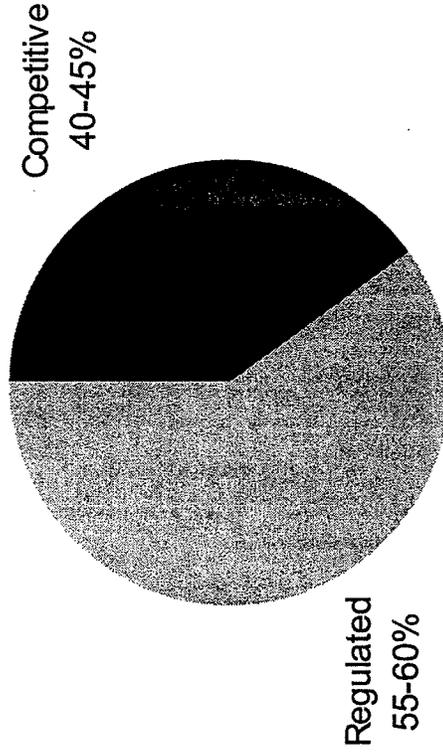
Significantly and Immediately Rebalances Business Mix

EBITDA

**2010E
Standalone⁽¹⁾**

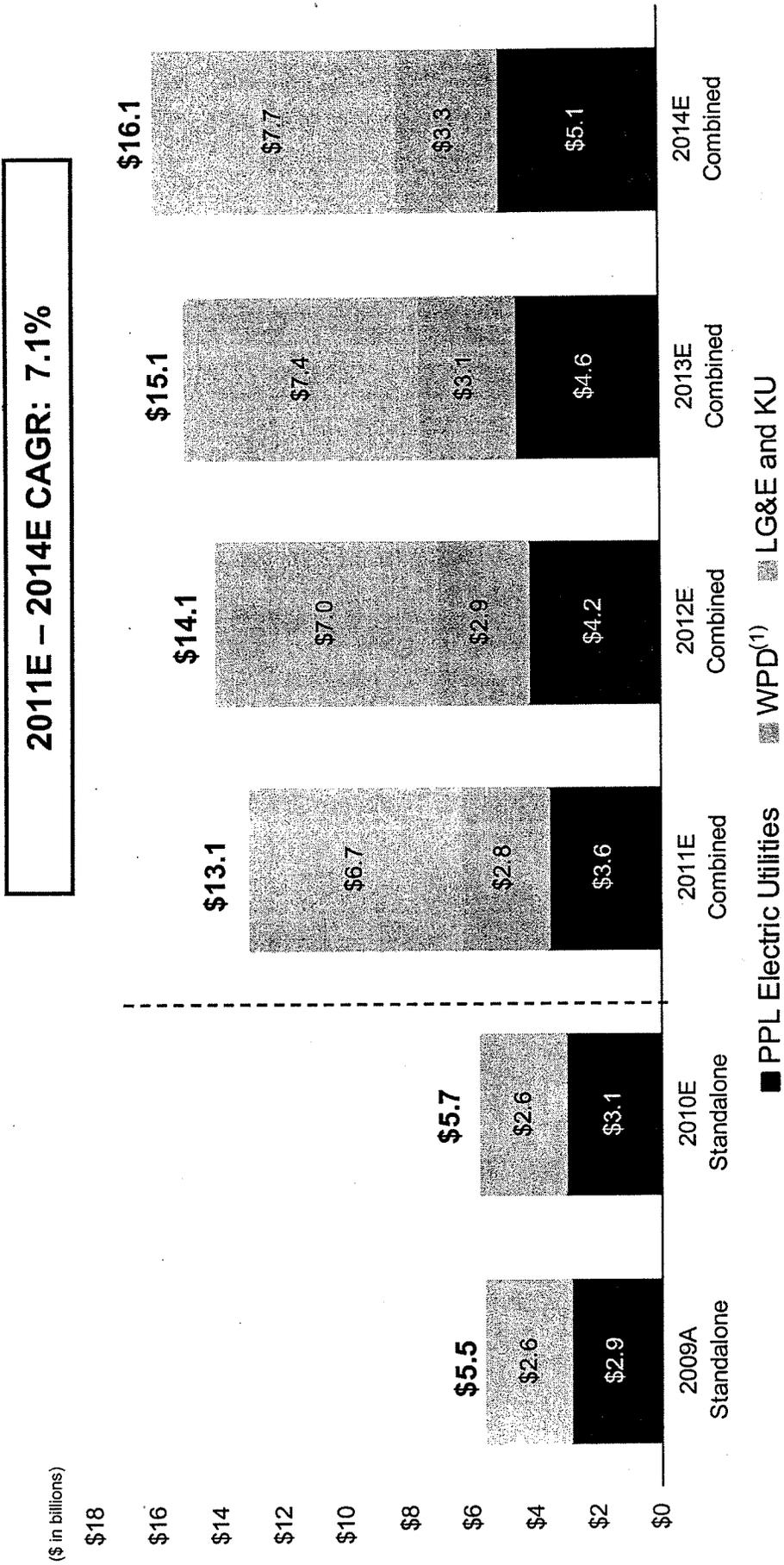


**2011E
Combined**



(1) Based on mid-point of 2010 forecast.

Increased Scale with Continued Growth



Note: Represents capitalization for E.ON US since LG&E and KU rate constructs are based on capitalization.
 (1) Figures based on assumed exchange rate of \$1.60 / GBP.



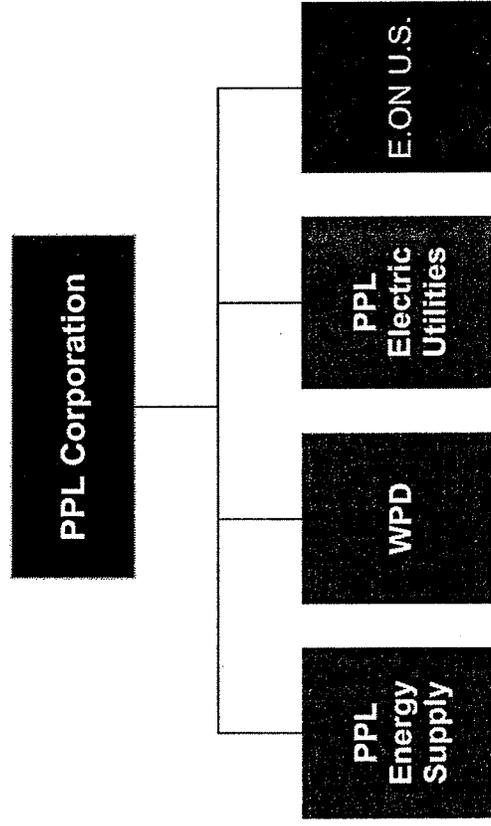
Strengthened Utility Platform

(\$ in billions)

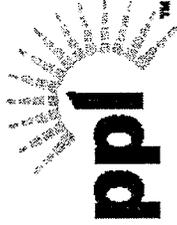
	PPL		E.ON U.S.		Combined
Enterprise value ⁽¹⁾	\$17.8	\$7.6	\$25.4		
Rate base (2010E)	\$5.7	\$6.4 ⁽²⁾	\$12.1		
Total assets ⁽³⁾	\$22.2	\$8.5	\$30.7		
Utility customers (m)	4.0	1.2	5.2		
Competitive generation capacity (MW)	11,695	—	11,695		
Regulated generation capacity (MW) ⁽⁴⁾	—	8,077	8,077		
Number of employees	10,489	3,127	13,616		

- (1) Based on PPL stock price as of 4/27/2010.
 (2) Represents utility capitalization for E.ON US since LG&E and KU rate constructs are based on capitalization.
 (3) As of 12/31/2009.
 (4) Capacity pro forma for completion of Trimble County 2.

Pro Forma Structure



Best-in-Class Utility Operations



PPL Electric Utilities

- J.D. Power study of business customer satisfaction among Eastern U.S. utilities
 - Ranked 1st 8 times in the past 11 years
 - Total of 16 awards, more than any other electric utility in the country
- J.D. Power study of residential customer satisfaction among Eastern U.S. utilities
 - Earned top honor 8 times
- Field sites certified as Star sites under the OSHA Voluntary Protection Program



- UK Customer Excellence Award (18 consecutive years)
 - 4 years with no customer complaints to regulator
- Best reliability among 14 distribution companies
- Maximum performance bonuses for surpassing regulatory targets
- Most capital efficient in sector
- Awarded \$240 mm revenue bonus in most recent five-year rate review period for operational performance



- J.D. Power study of residential customer satisfaction among Midwest U.S. utilities
 - Ranked 1st 7 times in the past 10 years
- KU received highest ranking in JD Power's 2010 electric utility business customer satisfaction study
- Winner of prestigious EEI Emergency Recovery Award for outstanding service restoration during January 2009 ice storm

An unparalleled commitment to customer service, reliability and safety



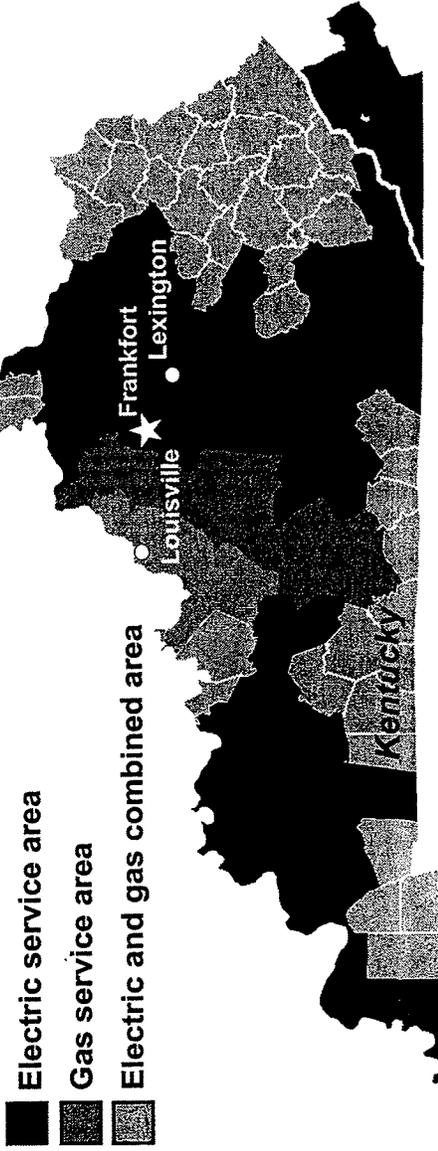
LG&E and KU Will Be Important Parts of PPL

- Complementary cultures
- Strong addition to the management team
- Customer commitments
- Regulatory relationships
- Headquarters and management of E.ON U.S., LG&E and KU remain in Kentucky

E.ON U.S. Overview



E.ON U.S. Overview



- Electric service area
- Gas service area
- Electric and gas combined area

- Vertically integrated utilities serving 2/3 of counties in Kentucky
- Small customer base in Virginia and Tennessee
- Fuel, purchased power, gas supply and environmental cost pass-through
- No material non-regulated assets or operations
- ~8,100 MW of regulated generation

E.ON U.S.

Louisville Gas & Electric

- Serves Louisville, KY and 16 surrounding counties
- 396,000 electric customers
- 321,000 gas customers
- \$2.34 billion rate base (\$487 million of which is gas)⁽¹⁾
- 2009 revenue of \$1.28 billion⁽²⁾

(1) Figures per January 2010 KU and LG&E rate case filings (test year ending 10/31/09).
 (2) Figures per KU and LG&E 2009 FERC Form 1 filings.

Kentucky Utilities

- Based in Lexington, KY
- Serving 77 counties in KY and five in VA
- 515,000 electric customers in Kentucky
- 30,000 electric customers in Virginia
- \$3.55 billion rate base⁽¹⁾
- 2009 revenue of \$1.36 billion⁽²⁾

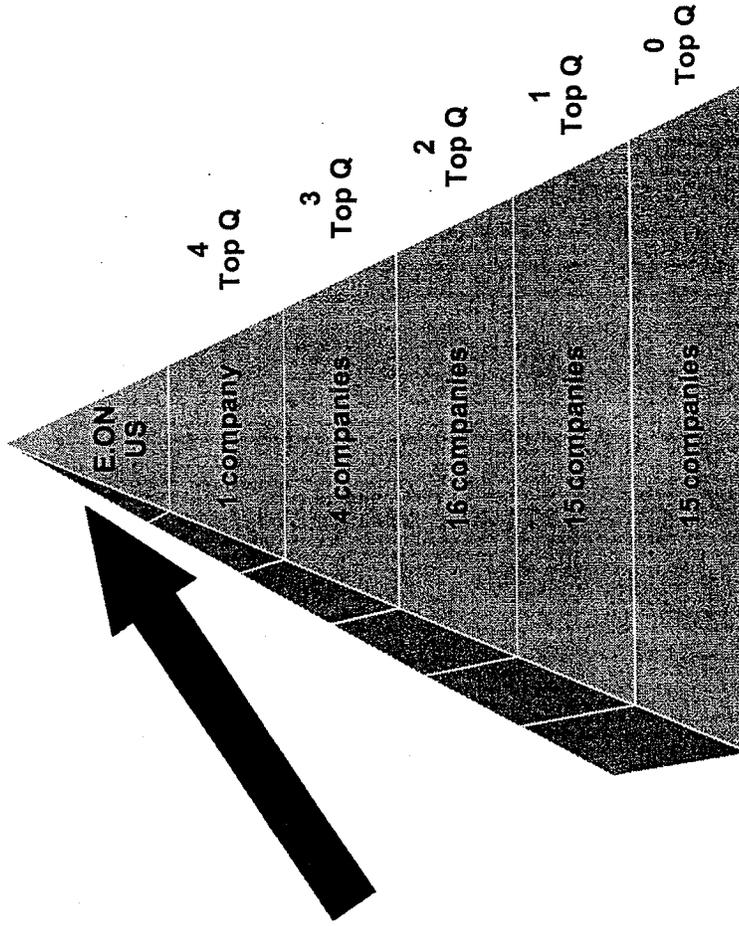


Top Quartile Cost Performance

Cost area	Metric	Performance	Ranking
Generation	Non-fuel O&M / MWh of production	\$4.78	4 th – top decile
Transmission	Cash cost / transmission mile	\$10,702	6 th – top decile
Distribution	Cash cost / customer	\$189 ⁽¹⁾	16 th – top quartile
Retail	O&M cost / customer	\$41.51	11 th – second decile
Corporate A&G	A&G cost / MWh of sales	\$3.23 ⁽²⁾	7 th – top decile

(1) E.ON US cost adjusted upward to include CWIP changes over the five-year period.

(2) E.ON US cost adjusted upward to include \$80 million of Value Delivery Team amortization costs over the five-year period.



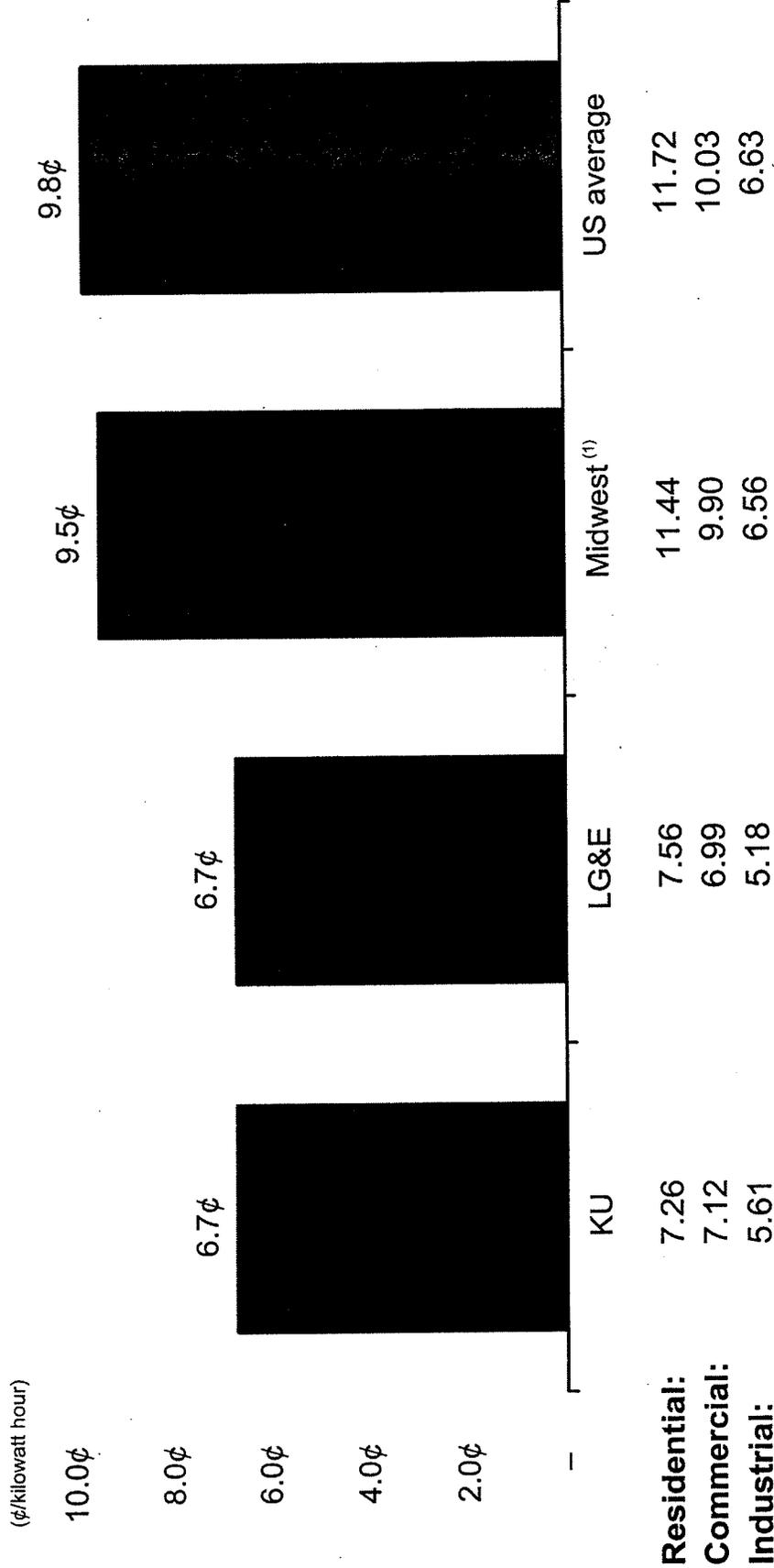
Source: FERC Form 1, E.ON US Corporate Development Analysis.

Note: The Triangle = 52 US electric holding company's averages for 2004–2008 (only includes companies competing in all 5 segments).

Only utility with top quartile cost performance in five major cost areas over the 2004–2008 period

Competitive Rates

2009 electric retail rate comparison



Source: Edison Electric Institute, typical bills and average rates report, winter 2010 (covers January 2009 through December 2009).

Note: The EEI report surveys approximately 90 electric utilities in the US.

(1) 'Midwest' definition is the Reliability First Corporation area, which includes DE, IL, IN, KY, MD, MI, NJ, OH, PA, WI, and WV.



Pending Rate Cases

- On January 29, 2010, LG&E and KU filed applications with the KPSC requesting annual increases in base electric and gas rates
 - Total request of \$253 million
 - Includes 11.5% requested ROE, 53% Equity
 - Majority of request associated with investment and storm cost regulatory assets previously approved by the KPSC
 - Requested increases are based on an historic test year ended October 31, 2009

- Procedural schedule issued and well underway
 - Discovery phase nearing completion
 - Company rebuttal testimony due May 28, 2010
 - Public hearing scheduled for June 8, 2010
 - Rate increases suspended until August 1, 2010

Progressive and Constructive Regulation

Kentucky Rate Mechanisms:

Environmental Cost Recovery (“ECR”)

- Recovery of and return on environmental investment required as a result of coal combustion reflected in bill two months after incurred

Construction Work In Progress (“CWIP”)

- History of including CWIP in ECR and base rates

Fuel Adjustment Clause (“FAC”)

- Variations in fuel costs and economic power purchases are reflected monthly in rates charged to electric customers two months after incurred

Gas Supply Clause Adjustment (“GSC”)

- Cost of natural gas supply for LG&E Gas reflected in rates reset quarterly with mechanisms to balance to actual costs and provide utility performance-based incentive

Demand Side Management (“DSM”)

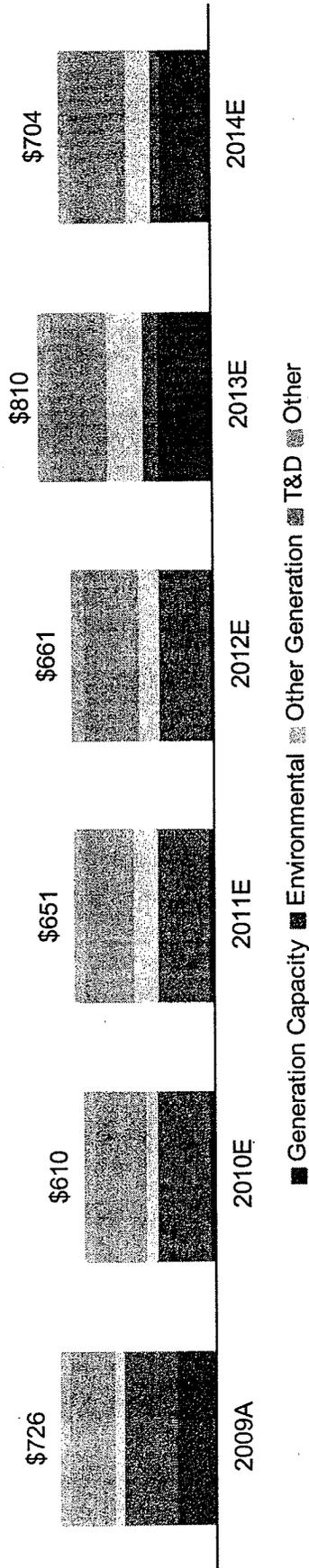
- Concurrent recovery of DSM costs including lost revenue

Supportive and progressive regulation combined with competitive customer rates

Strong Regulated Growth Profile

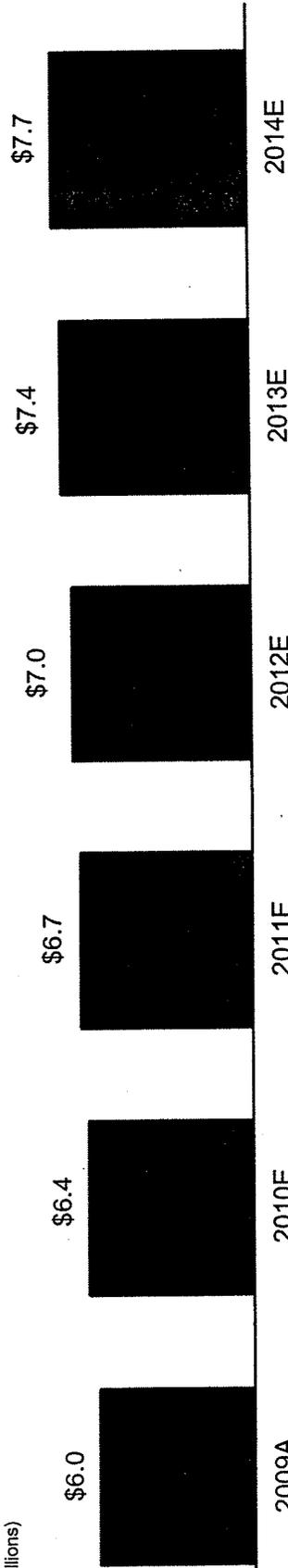
Capital expenditures

(\$ in millions)



Capitalization⁽¹⁾

(\$ in billions)



(1) LG&E and KU rate constructs are based on capitalization.

Significant rate base growth opportunity driven by balanced capital expenditures with realized ROEs ranging from 10-12% historically

Transaction Overview and Timing



Overview

Transaction

- Acquisition of E.ON U.S., parent company of Louisville Gas & Electric and Kentucky Utilities
- \$7.625 billion purchase price including approximately \$450 million of present value associated with tax benefits
- \$7.175 billion enterprise value for E.ON U.S.

Consideration

- Cash: \$6.7 billion
- Assumption of utility tax-exempt debt: \$925 million

Financing

- Committed bridge financing for cash portion of purchase price
- Permanent financing to include debt, equity and high-equity-content securities, and cash on hand

Pro Forma Profile

- PPL expects to maintain its existing dividend
- Strengthens credit position while maintaining investment-grade ratings
- Modestly dilutive in first full year, moving to earnings accretion by 2013

Regulatory Approvals

- State commissions: Kentucky, Virginia and Tennessee
- Federal: FERC (Federal Power Act), DOJ (HSR)

Estimated Closing

- Year-end 2010

Transaction Financing

Committed Acquisition Facility

- \$6.5 billion committed bridge facility from Bank of America Merrill Lynch and Credit Suisse
- Financing term extends beyond the expected timing of regulatory approvals

Permanent Financing

Balanced combination of financing sources

- Assumption of \$925 million tax-exempt utility debt
- \$800 million unsecured corporate debt and \$2.1 billion first mortgage bonds at LG&E and KU
- \$250 - \$750 million cash on hand
- \$750 million - \$1.0 billion high-equity-content securities
- \$2.2 - \$2.6 billion common stock
- May fund certain amounts prior to closing depending on market conditions
- Would consider potential sale of certain non-core assets



Transaction Timeline

- **State regulatory approvals**
 - Kentucky PSC: 120-day statutory review period
 - Virginia State Corporation Commission and Tennessee Regulatory Authority expected to follow a similar timeline
- **Other regulatory approvals include FERC (Federal Power Act) and HSR**

Transaction	Announced	Filed with KPSC	KPSC Approval
E.ON / PowerGen	April 2001	May 2001	September 2001
PowerGen / LG&E	February 2000	March 2000	May 2000
LG&E / KU	May 1997	June 1997	September 1997

KPSC has historically approved similar transactions in relatively short timeframes



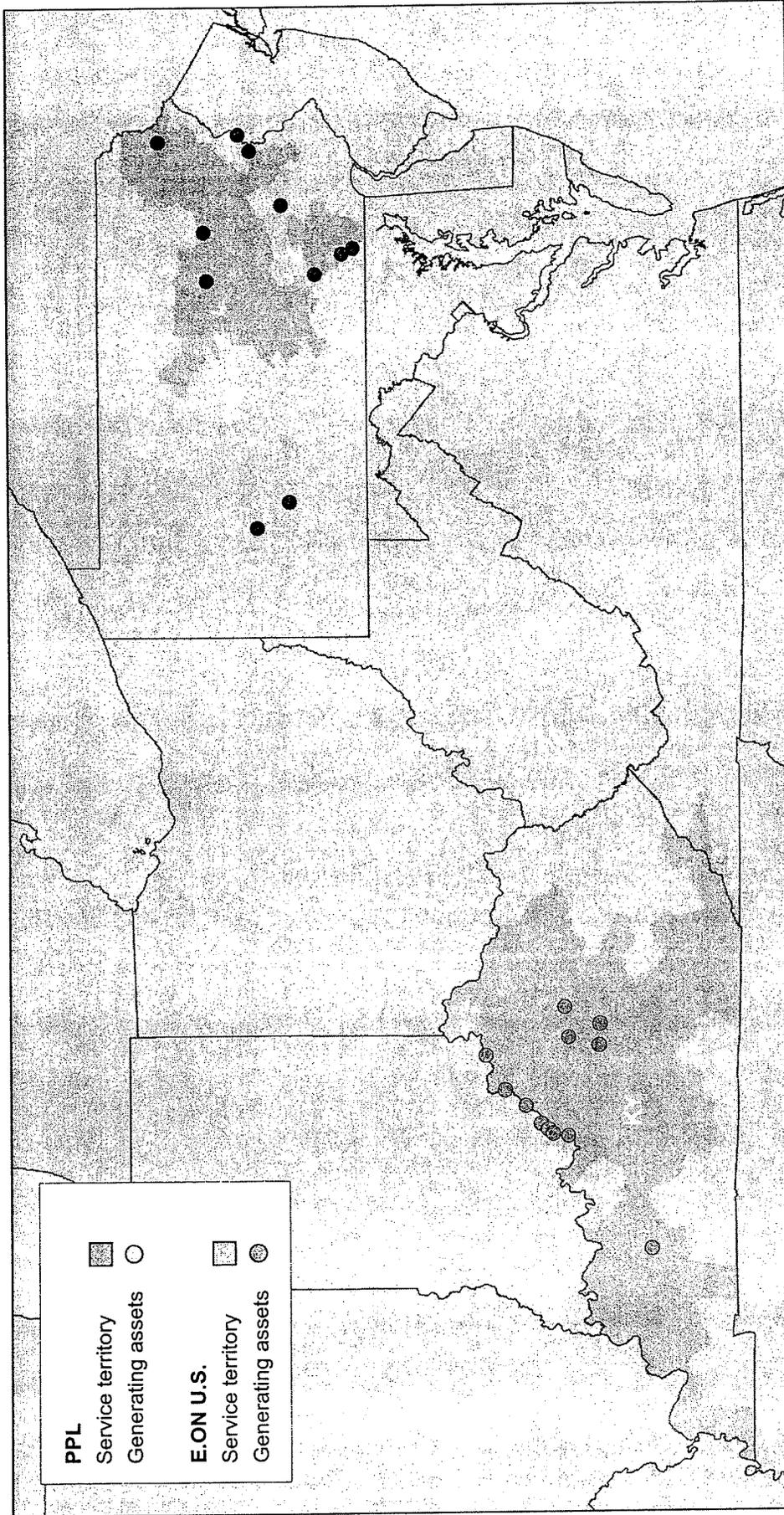
Concluding Remarks



Concluding Remarks

- Adds a best-in-class utility franchise
- Attractive valuation
- Rebalances business mix
- Improves financial flexibility
- Strengthens credit profile
- Better positions for future growth
- Expected year-end 2010 closing

Combined Utility Platform



Note: Represents only PPL Electric Utilities service territory and generation in PA.

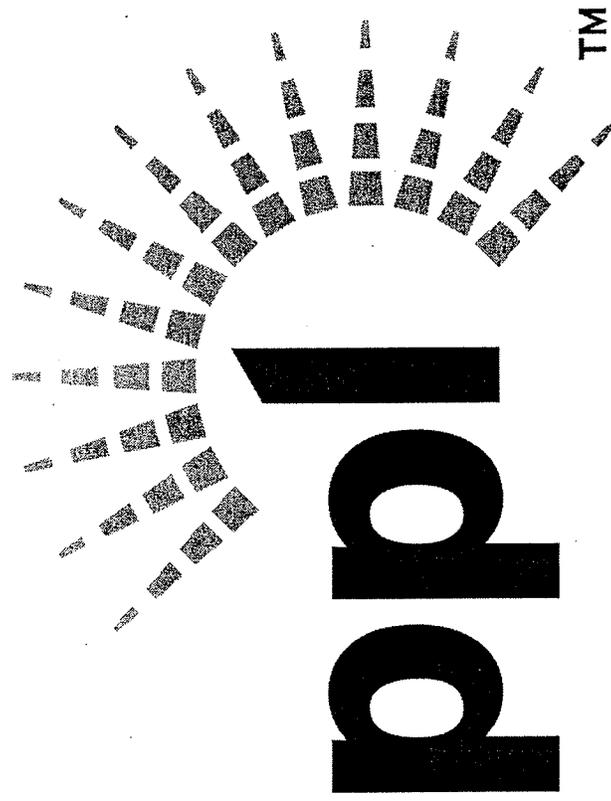


Q&A

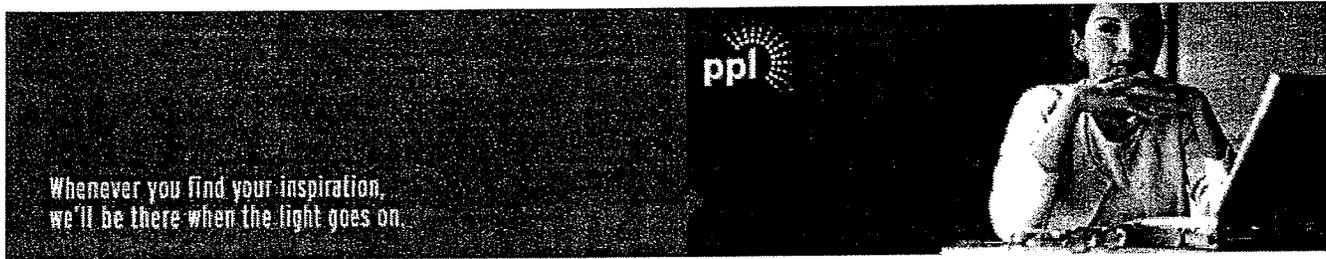


Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future events and their timing, including the acquisition by PPL Corporation of E.ON U.S., LLC and its subsidiaries Louisville Gas & Electric Company and Kentucky Utilities Company (collectively, the "E.ON Entities"), the expected results of operations of any of the E.ON Entities or PPL Corporation both before or following PPL Corporation's acquisition of the E.ON Entities, as well as statements as to future earnings, energy prices, margins and sales, growth, revenues, expenses, cash flow, credit profile, ratings, financing, asset disposition, marketing performance, hedging, regulation, corporate strategy and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: capital market conditions and decisions regarding capital structure; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; stock price performance; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, the E.ON Entities and either of their subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; the impact of state, federal or foreign investigations applicable to PPL Corporation, the E.ON Entities and either of their subsidiaries; the outcome of litigation against PPL Corporation, the E.ON Entities and either of their subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation, the E.ON Entities and either of their subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax or environmental legislation or regulation; and the commitments and liabilities of PPL Corporation, the E.ON Entities and each of their subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.



ATTACHMENT B



 Print this article

APRIL 28, 2010

Contact: Media contact, PPL: Dan McCarthy, 610-774-5758
djmccarthy@pplweb.com

Investors Contact, PPL: Joseph P.
 Bergstein, 610-774-5609
jpbergstein@pplweb.com

PPL Corporation to acquire Kentucky's two major utilities

Transaction expands footprint and improves business mix

PPL Corporation (NYSE: PPL) and E.ON AG today announced a definitive agreement under which PPL will acquire E.ON U.S. LLC, the parent company of Kentucky's two major utilities, Louisville Gas & Electric Company and Kentucky Utilities Company. These high-performing utilities serve 1.2 million customers, principally in Kentucky.

PPL is acquiring E.ON U.S. for \$7.625 billion and will receive tax benefits with a present value of about \$450 million as part of the transaction. Taking into account the tax benefits, the effective purchase price is \$7.175 billion.

The acquisition will transform PPL into a more geographically diverse utility holding company with combined annual revenues of about \$10 billion, serving nearly 5 million electricity customers in the United States and the United Kingdom, and owning or controlling about 20,000 megawatts of U.S. electricity generating capacity.

"This is a transformational, value-rich transaction, which will immediately improve PPL's business mix by adding high-performing regulated utility operations to our already strong combination of excellent regulated businesses and our high-value competitive generation fleet," said James H. Miller, PPL's chairman, president and chief executive officer.

"We are adding scale, creating a much stronger and more diversified enterprise while providing additional opportunities for regulated-business growth and, importantly, retaining the upside benefits of our competitive fleet when wholesale power market prices improve," said Miller. "Clearly, for PPL shareowners, this is the right deal at the right time."

The transaction, Miller said, takes advantage of "a rare opportunity to add to PPL the experience, talent and values of an organization with a proven track record of cost-effective operations, a strong focus on customer service and constructive regulatory relationships."

Miller said PPL intends to operate the company as a wholly owned subsidiary of PPL Corporation, retaining the headquarters in Louisville, as has been the case with E.ON AG ownership. Customers will continue to be served by LG&E and KU, with operational headquarters in Louisville and Lexington, respectively.

"We are very pleased to join the excellent management team and employees of PPL, who operate one of the most effective and customer-friendly utilities in the United States and the U.K.," said Vic Staffieri, chairman, chief executive officer

and president of E.ON U.S.

PPL, Miller said, is committed to providing the highest quality service to Kentucky customers and does not anticipate any change in Kentucky employment levels as a result of this transaction.

PPL will pay for the transaction with \$6.7 billion of cash and through the assumption of \$925 million of tax-exempt debt. PPL has committed bridge financing in place from Bank of America Merrill Lynch and Credit Suisse. Miller said the permanent financing plan will include a combination of common equity, first mortgage bonds, corporate debt, high-equity-content securities and cash on hand. Proceeds from the sale of PPL non-core assets may be explored as a potential to fund a portion of the transaction.

Miller said the transaction is anticipated to be modestly dilutive in the first full year and accretive to earnings by 2013.

"Adding the proven operations of LG&E and KU in the constructive Kentucky regulatory framework will enhance the overall business risk profile of PPL, which we believe will lead to improved access to capital, a stronger credit profile and solid, investment-grade credit ratings in each of our businesses," said Miller.

Miller also said that the company expects to announce next week (May 6) reported earnings of \$0.66 per share for the first quarter of 2010 compared with \$0.64 per share for the first quarter of 2009, and earnings from ongoing operations of \$0.94 per share for the first quarter of 2010 compared with \$0.60 per share for the first quarter of 2009.

At that time, he said, the company also will reaffirm its 2010 forecast of earnings from ongoing operations of \$3.10 to \$3.50 per share and for reported earnings of \$2.82 to \$3.22 per share (reflecting special items recorded through March 31, 2010). These forecasts do not reflect any impact of this transaction or the related financings.

The transaction is expected to close by the end of this year. It requires approvals by state regulators in Kentucky, Virginia and Tennessee and by the Federal Energy Regulatory Commission as well as the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. No shareowner approvals are necessary for the transaction. Credit Suisse and Bank of America Merrill Lynch served as PPL's financial advisers. Simpson Thacher & Bartlett, LLP, served as legal adviser.

E.ON U.S., through LG&E and KU, provides electricity service to 941,000 customers, mostly in the state of Kentucky, with some customers in Virginia and Tennessee. LG&E also provides natural gas delivery service to 321,000 customers in Kentucky. E.ON U.S. has about 3,100 employees and owns and operates about 8,000 megawatts of regulated electric generation capacity.

PPL Corporation, headquartered in Allentown, Pa., owns or controls nearly 12,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to about 4 million customers in Pennsylvania and the United Kingdom. The company has about 10,000 employees. [Click here](#) for a fact sheet for the combined companies.

#

Conference Call and Webcast

PPL invites interested parties to listen to the live webcast of management's teleconference with financial analysts about the acquisition in New York City at 8 a.m. Thursday (4/29). The meeting is available online live, in audio format, along with slides of the

presentation, by [clicking here](#). The webcast will be available for replay on the site for 30 days. Interested individuals also can access the live conference call via telephone at 1-888-396-2386, passcode PPL.

#

Statements contained in this press release, including statements with respect to future events and their timing, including the acquisition by PPL Corporation of E.ON U.S. LLC and its subsidiaries Louisville Gas & Electric Company and Kentucky Utilities Company (collectively, the "E.ON Entities"), the expected results of operations of any of the E.ON Entities or PPL Corporation both before or following PPL Corporation's acquisition of the E.ON Entities, as well as statements as to future earnings, energy prices, margins and sales, growth, revenues, expenses, cash flow, credit profile, ratings, financing, asset disposition, marketing performance, hedging, regulation, corporate strategy and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: capital market conditions and decisions regarding capital structure; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; stock price performance; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, the E.ON Entities and either of their subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; the impact of state, federal or foreign investigations applicable to PPL Corporation, the E.ON Entities and either of their subsidiaries; the outcome of litigation against PPL Corporation, the E.ON Entities and either of their subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation, the E.ON Entities and either of their subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax or environmental legislation or regulation; and the commitments and liabilities of PPL Corporation, the E.ON Entities and each of their subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

"Earnings from ongoing operations" should not be considered as an alternative to reported earnings, or net income attributable to PPL, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that "earnings from ongoing operations," although a non-GAAP financial measure, is also useful and meaningful to investors because it provides them with management's view of PPL's fundamental earnings performance as another criterion in making their investment decisions. PPL's management also uses "earnings from ongoing operations" in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

"Earnings from ongoing operations" is adjusted for the impact of special items. Special items include:

- *The impact of energy-related economic activity (as discussed below).*
- *Foreign currency-related economic hedges.*
- *The impact of sales of assets not in the ordinary course of business.*
- *Impairment charges (including impairments of securities in the company's nuclear decommissioning trust).*
- *Workforce reduction and other restructuring impacts.*
- *Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.*

Energy-related economic activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL's generation assets, load-following and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Also included in this special item are the ineffective portion of qualifying cash flow hedges and the premium amortization associated with options classified as economic activity. These items are included in ongoing earnings over the delivery period of the item that was hedged or upon realization. Management believes that adjusting for such amounts provides a better matching of earnings from ongoing operations to the actual amounts settled for PPL's underlying hedged assets.

[Click here](#) for details of all special items and the reconciliation of earnings from ongoing operations to reported earnings.

#