BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

February 6, 2018		
IN RE:)	
)	
THE JOINT PETITION OF PPL CORPORATION, PPL)	
SUBSIDIARY HOLDINGS LLC, PPL ENERGY)	DOCKET NO.
HOLDINGS LLC, LG&E AND KU ENERGY LLC, AND)	17-00115
KENTUCKY UTILITIES COMPANY FOR APPROVAL)	
OF AN INDIRECT CHANGE OF CONTROL OF)	
KENTUCKY UTILITIES COMPANY)	

ORDER APPROVING TRANSFER OF CONTROL

This matter came before Chairman David F. Jones, Vice Chairman Robin L. Morrison and Commissioner Kenneth C. Hill of the Tennessee Public Utility Commission ("TPUC" or "Commission"), the voting panel assigned to this docket, at a regularly scheduled Commission Conference held on January 16, 2018, for consideration of *Joint Petition* ("*Joint Petition*") filed by PPL Corporation, ("PPL"), PPL Subsidiary Holdings, LLC ("NEWCO1"), PPL Energy Holdings, LLC ("NEWCO2"), LG&E and KU Energy LLC ("LKE") and Kentucky Utilities Company ("KU") (collectively, the "Petitioners") on October 17, 2017, requesting approval for an indirect change of control of KU as part of a corporate reorganization.

BACKGROUND AND JOINT PETITION

KU is a retail electric utility company incorporated in Kentucky and in Virginia, is in good standing in both states and is registered to do business in the State of Tennessee. KU provides retail electric utility service in 77 counties in Kentucky, 5 counties and Virginia and in 1 county in Tennessee. As of September 30, 2017, KU served 3 active customers in Tennessee. LKE is a Kentucky limited liability company that owns all of the stock of KU.² PPL is a Pennsylvania

¹ Joint Petition, p. 2 (October 17, 2017).

² Id. at 3.

corporation that is a utility holding company and parent company of LKE.³ PPL established NEWCO1 and NEWCO2, both Delaware limited liability companies, as part of proposed changes to its current corporate structure.⁴

Further, the *Joint Petition* proposed to change the current corporate structure that would result in an indirect change of control of KU. In the proposed corporate restructure, KU will remain a direct, wholly owned subsidiary of LKE. LKE will become a direct subsidiary of NEWCO2. NEWCO2 will become a direct subsidiary of NEWCO1. NEWCO1 will become a direct subsidiary of PPL. As a result of the proposed corporate restructure, KU will remain a direct, wholly owned subsidiary of LKE. LKE will become a direct subsidiary of NEWCO2 and an indirect subsidiary of NEWCO1 and PPL. The Petitioners assert that the ownership changes will create increased financial flexibility for the company and that the transfer of control is in the public interest. Further, the *Joint Petition* alleges that the Petitioners possess the requisite financial, managerial and technical qualifications as the officers and employees and LKE and KU will not change.

There were no petitions for intervention filed in the docket. In addition, the Petitioners sought similar approval with the Kentucky Public Service Commission and the Virginia State Corporation Commission, both filed on October 16, 2017.⁷

STANDARD FOR COMMISSION APPROVAL

With regard to a transfer of control or ownership of a utility, Commission approval is required pursuant to Tenn. Code Ann. § 65-4-113, which states:

Upon petition for approval of the transfer of authority to provide utility services, the commission shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The commission shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

4 *Id*.

³ *Id*.

⁵ *Id.* at 4-5, Exh. 3.

⁶ *Id.* at 6-7.

⁷ *Id.* at 8.

FINDINGS AND CONCLUSIONS

The Commission reviews proposed transfers of control or ownership by examining the technical, managerial and financial qualifications post-transaction to assess if the entity is capable of providing services and to determine whether the transaction is in the public interest. The Commission finds that the proposed corporate restructure described in the *Joint Petition* would result in an indirect transfer in the ownership and control of KU by adding NEWCO1 and NEWCO2 into the direct line of parent companies between PPL and LKE. However, this indirect ownership change would not result in a change to the present officers and employees of either KU or its direct parent company, LKE. The Commission must determine whether the proposed new owners possess the requisite technical, managerial and financial qualifications to capably provide telecommunications services and whether the transfer of ownership and control is in the public interest pursuant to Tenn. Code Ann. § 65-4-113.

The new entities, NEWCO1 and NEWCO2, will become subsidiaries of PPL. NEWCO2 will become the direct parent company of LKE. The Commission finds that, as the present officers and employees of KU and LKE will not change and no changes to financial resources, structures and policies are proposed or expected, KU's suitability, financial responsibility and capability to provide utility services will not change. Further, the increased financial flexibility afforded KU and its parent companies will inure to benefit of KU's customers. Under the circumstances of the proposed transfer, the transfer of control will not change the current management of the company, nor change the technical or financial operations of the Petitioners. Hence, the panel finds that the new ownership has sufficient technical, managerial and financial qualifications. Further, the panel finds that the transaction is in the public interest.

The Virginia State Corporation Commission ("VSCC") has ruled that the ownership change does not involve a change in the direct parent company or the ultimate parent company and therefore, does not require VSCC approval. The Petition filed with the Kentucky Public Service Commission

("KPSC"), assigned docket number 2017-00415, is still pending. Therefore, the panel conditions its approval of the transfer upon subsequent approval by the KPSC in the aforementioned docket.

In summary, the panel made the following findings and conclusions:

1. The proposed transfer of ownership and control of Kentucky Utilities Company is subject to Commission approval pursuant to Tenn. Code Ann. § 65-4-113.

2. The new ownership group has sufficient technical, financial and managerial capabilities.

 The transfer of ownership and control of Kentucky Utilities Company is in the public interest.

4. Approval of the transfer of ownership and control of Kentucky Utilities Company is contingent upon subsequent approval of the transfer of ownership and control by the KPSC.

Thereafter, the panel voted unanimously to approve the internal reorganization described in the *Joint Petition* pursuant to Tenn. Code Ann. § 65-4-113, contingent upon approval of the transaction by the KPSC.

IT IS THEREFORE ORDERED THAT:

The transfer of ownership and control of as described in the *Joint Petition* is approved, contingent upon subsequent approval of the transfer by the Kentucky Public Service Commission.

Chairman David F. Jones, Vice Chairman Robin L. Morrison and Commissioner Kenneth C. Hill concur.

ATTEST:

Earl R. Taylor, Executive Director

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