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PUBLIC SERVICE
COMMISSION

January 30, 2008

Via Federal Express
#7904-3667-1936

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: ***The Application of Big Rivers Electric Corporation for: (i) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (ii) Approval of Transactions, (iii) Approval to Issue Evidences of Indebtedness, and (iv) Approval of Amendments to Contracts; and of E.ON U.S. LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc. for Approval of Transactions***
Case No. 2007-00455

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of E.ON U.S. LLC's Errata to the Direct Testimony of Paul W. Thompson in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Sincerely,

W. Duncan Crosby III

WDC:ec
Enclosures
cc: Parties of Record

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its contracts, leases, licenses or other agreements with those creditors to Big Rivers at the closing.

Subject to certain contractual limitations, E.ON U.S. has also agreed to fund an equal one-third share of any consent fees required to be paid to certain designated creditors of Big Rivers (including PMCC and its affiliates, The Bank of America and Ambac Assurance Corporation and certain of its affiliates, but excluding the Rural Utilities Service ("RUS")) and to the City of Henderson in exchange for the support of those creditors and of the City of Henderson with respect to the termination transactions. Subject to certain contractual limitations, Big Rivers will also fund one third of those consent fees, and the two smelters, acting collectively, will fund the other one third. The amount of those consent fees is not yet known, as the discussions with those creditors and with the City of Henderson remain ongoing.

Moreover, subject to certain contractual limitations, E.ON U.S., Big Rivers and the smelters (collectively) have agreed to share equally (that is, in equal one-third shares) in the payment of any transaction costs required to be reimbursed to certain designated creditors of Big Rivers (including The Bank of America and Ambac Assurance Corporation and certain of its affiliates but excluding PMCC and its affiliates and the RUS) and to the City of Henderson as a condition to their consideration and support of the termination transactions. E.ON U.S. has agreed to be solely responsible for the payment of any such transaction costs required to be reimbursed to PMCC and its

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Deleted: the Rural Utilities Service ("RUS"), affiliates. Those reimbursable transaction costs cannot be reasonably estimated at this time.

Q. What would be the result if the "put option" described were exercised by Bluegrass Leasing?

A. As noted above, an affiliate of E.ON U.S. would "purchase" the defeased lease interests of Bluegrass Leasing (held through the trusts described above) for a sizeable cash payment. If the put option became exercisable by reason of a default of Big Rivers under its defeased lease transaction agreements with those trusts, then upon its "purchase" of those interests the E.ON U.S. affiliate would be permitted to exercise a separate financial product ("swap") issued by an affiliate of Ambac Assurance Corporation, which would its contracts, leases, licenses or other agreements with those creditors to Big Rivers at the closing.

Subject to certain contractual limitations, E.ON U.S. has also agreed to fund an equal one-third share of any consent fees required to be paid to certain designated creditors of Big Rivers (including PMCC and its affiliates, The Bank of America and Ambac Assurance Corporation and certain of its affiliates, but excluding the Rural Utilities Service ("RUS")) and to the City of Henderson in exchange for the support of those creditors and of the City of Henderson with respect to the termination transactions. Subject to certain contractual limitations, Big Rivers will also fund one third of those consent fees, and the two smelters, acting collectively, will fund the other one third. The amount of those consent fees is not yet known, as the discussions with those creditors and with the City of Henderson remain ongoing.

Moreover, subject to certain contractual limitations, E.ON U.S., Big Rivers and the smelters (collectively) have agreed to share equally (that is, in equal one-third shares) in the payment of any transaction costs required to be reimbursed to certain designated creditors of Big Rivers (including The Bank of America and Ambac Assurance Corporation and certain of its affiliates but excluding PMCC and its affiliates and the RUS) and to the City of Henderson as a condition to their consideration and support of the termination transactions. E.ON U.S. has agreed to be solely responsible for the payment of any such transaction costs required to be reimbursed to PMCC and its affiliates. Those reimbursable transaction costs cannot be reasonably estimated at this time.

Q. What would be the result if the "put option" described were exercised by Bluegrass Leasing?

A. As noted above, an affiliate of E.ON U.S. would "purchase" the defeased lease interests of Bluegrass Leasing (held through the trusts described above) for a sizeable cash payment. If the put option became exercisable by reason of a default of Big Rivers under its defeased lease transaction agreements with those trusts, then upon its "purchase" of those interests the E.ON U.S. affiliate would be permitted to exercise a separate financial product ("swap") issued by an affiliate of Ambac Assurance Corporation, which would effectively purchase those same defeased lease (trust) interests from the E.ON U.S. affiliate for the same consideration paid to Bluegrass Leasing for those interests. However, if the put option became exercisable due to an E.ON U.S. failure to maintain an agreed net worth or to keep agreed credit support in place for the benefit of Bluegrass Leasing, then the E.ON U.S. affiliate could be forced to retain those defeased lease (trust) interests throughout the remaining term of that transaction (or until an earlier default by Big Rivers that would trigger the "swap").

Q. What is the date for closing the termination transactions?

A. Under the First Amendment to Transaction Termination Agreement dated as of November 1, 2007, the parties have agreed to close this transaction by April 30, 2008, if the conditions precedent set forth in the Termination Agreement have been satisfied.

Q. Will E.ON U.S. LLC, WKEC or LEM provide Big Rivers with any services following the transaction closing?

A. Yes. In order to provide for a smooth and orderly transition of control and operation of the generating plants to Big Rivers, WKEC will furnish certain information technology support services to Big Rivers for up to 18 months after the closing, pursuant to an Information Technology Support Services Agreement. In addition, pursuant to a Generation Support Services Agreement to be executed at the closing, certain generation dispatching, scheduling and related services associated with the generating plants will be provided by LEM to Big Rivers for up to eighteen months after the closing. The Information Technology Support Services Agreement and the Generation Support Services Agreement, pursuant to which these services will be provided, are attached to the Joint Application as exhibits.

Q. If the Commission approves the proposed termination transactions, will they have any adverse impact or effect on the operations or condition on the utility subsidiaries of E.ON U.S. LLC?

A. No. The consummation of the transaction will not have an adverse impact on LG&E or KU.

Q. Has LG&E or KU provided any consideration in support of the proposed termination transactions?

A. No. LG&E and KU have absolutely no involvement in this transaction.

Q. Are these transactions in the public interest?

A. Yes, they certainly are. Big Rivers should be permitted to resume all aspects of its mission as an electric generation and transmission cooperative. Also, it is in the public interest to enable Kenergy Corp. to obtain new, long-term contracts for the benefit of the smelters and their approximate load of 860 megawatts of electricity, so that those smelters will have the stable sources of power at predictable prices necessary for them to continue their operations in Western Kentucky beyond 2010 and 2011, the respective expiration dates of their current power arrangements. The smelters' continued viability, and the viability of the many hundreds of jobs and businesses that are dependent on the smelters' operations, are critical to the Western Kentucky economy. In short, the proposed termination transactions are very much in the public interest.

Q. If the Commission approves the termination transactions should it also remove certain commitments implemented in connection with the Powergen or E.ON mergers?

A. Yes. If the Commission approves the Termination Agreement and related transactions, certain merger commitments offered by Powergen or E.ON in their respective mergers, and accepted by the Commission in those cases, will no longer be necessary. Thus, the Commission in its order should specifically remove merger commitment numbers 40, 41 and 44 (titled "Other Commitments and Assurances") in the E.ON merger proceeding in Case No. 2001-00104 (*In the Matter of: Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company For Approval of An Acquisition*, Order dated August 6, 2001) and merger commitment numbers 5, 6 and 7 (titled "Other Commitments and Assurances") in the Powergen merger proceeding in Case No. 2000-095 (*In the Matter of: Joint Application of PowerGen plc and LG&E Energy Corp., Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of Merger*, Order dated May 15, 2000).

Q. Are there any other regulatory steps that are necessary for E.ON U.S., WKEC or LEM to consummate the termination transactions?

A. Yes. As conditions precedent to the consummation of the termination transactions, E.ON U.S. or WKEC must obtain from the Internal Revenue Service and the Kentucky

Revenue Cabinet certain revenue rulings with respect to discrete aspects of the transactions or the consideration being paid in connection with them. Those rulings have been applied for and are pending. Also, the consummation of the transactions is conditioned on the receipt by the parties of a customary waiver from the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act. The parties are preparing their joint application (and supporting documentation) for this waiver, and they do not anticipate any difficulties in obtaining that waiver prior to the anticipated closing date.

In addition, the consummation of the transactions will require the consent and cooperation of the RUS, acting in its capacity as a lender to and secured creditor of Big Rivers, and a party to a certain inter-creditor agreement with WKEC and LEM (among other parties).

Next, as a consequence of the termination transactions, certain licenses and permits held by WKEC in connection with its operation of the generating plants will be transferred to Big Rivers before or following the closing. Those transfers will require various filings or applications with relevant authorities, and may require the prior consent or approval of certain of those authorities.

Lastly, WKEC, together with certain other parties to the transactions, will be seeking certain approvals of, or disclaimer of jurisdiction over, discrete aspects of the termination transactions from the Federal Energy Regulatory Commission ("FERC") under various sections of the Federal Power Act, and will be making certain other administrative filings with the FERC that are necessitated by those transactions. No difficulty in obtaining those FERC approvals is anticipated.

Q. Why is the transaction in the best interest of E.ON U.S.?

A. The proposed transaction serves the interests of E.ON U.S. just as certainly as it serves the interests of Big Rivers. Big Rivers will resume its mission as an electric generation and transmission cooperative, while E.ON U.S. will be freed of current obligations and costs associated with the generating plants and power sales commitments to Big Rivers and Kenergy Corp. By terminating its commitments now, E.ON U.S. will bring financial certainty to what would otherwise be an uneconomic set of contracts that could expose the Company to uncertain and unfavorable financial results through 2023.

Q. What is your recommendation?

A. That the Commission approve the Termination Agreement and related termination transactions in time to allow the parties to close those transactions by the parties' target date of April 30, 2008. To achieve this scheduling, the Commission should issue its order by March 30, 2008.

Q. Does this conclude your testimony?

A. Yes, it does.