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Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED
JUL 06 2010
PUBLIC SERVICE COMMISSION

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Lonnie E. Bellar
Vice President
T 502-627-4830
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lonnie.bellar@eon-us.com

July 6, 2010

RE: ***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**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and twelve (12) copies of the Joint Responses 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 First Data Request of Big Rivers Electric Corporation dated June 22, 2010, in the above-reference matter.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

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
FIRST DATA REQUESTS OF BIG RIVERS ELECTRIC CORPORATION
DATED JUNE 22, 2010

FILED: July 6, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says he is Vice President of State Regulation and Rates of Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and answers contained therein are true and correct to the best of his information, knowledge and belief.

Lonnie E. Bellar

LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2 day of July, 2010.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says he is Chief Financial Officer of E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company, and an employee of E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

S B Rives

S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of July, 2010.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

PAUL A. FARR, being duly sworn, deposes and says that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.

____
PAUL A. FARR

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 1 day of July, 2010.

Diane M. Koch
Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DIANE M. KOCH, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES SEPT. 29, 2011

My Commission Expires:
9/29/2011

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LEHIGH)

WILLIAM H. SPENCE, being duly sworn, deposes and says that he has read the foregoing responses and exhibits and knows the matters contained therein; that said matters are true and correct to the best of his knowledge and belief.

WILLIAM H. SPENCE

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 1 day of July, 2010.

Diane M. Koch

Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DIANE M. KOCH, NOTARY PUBLIC
CITY OF ALLENTOWN, LEHIGH COUNTY
MY COMMISSION EXPIRES SEPT. 29, 2011

My Commission Expires:

9/29/2011

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 First Data Request of Big Rivers Electric Corporation Dated June 22, 2010

Question No. 1

Responding Witness: Lonnie E. Bellar

Q-1. Please provide Sections 3.10, 3.15, 3.16, and 3.25 of the Company Disclosure Schedules to the Purchase and Sale Agreement with the following information not redacted: Information that concerns, references or relates to (i) the WKE Documents, (ii) the WKE matters, (iii) the "unwind transaction" with Big Rivers or (iv) any of the rights or obligations under the WKE Documents of a party to a WKE Document.

A-1. The Joint Applicants are providing unredacted versions of Sections 3.10, 3.15, 3.16, and 3.25 of the Company Disclosure Schedule to the Purchase and Sale Agreement to Big Rivers Electric Corporation pursuant to the Confidentiality Agreement entered into between the Joint Applicants and Big Rivers Electric Corporation.

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 First Data Request of Big Rivers Electric Corporation Dated June 22, 2010

Question No. 2

Responding Witness: S. Bradford Rives / Paul A. Farr

Q-2. Mr. Farr states at page four of his testimony that, after the closing of the transaction contemplated in the Purchase and Sale Agreement, he expects PPL Kentucky will issue $800 million in unsecured corporate debt.

a. Please explain in detail the impact of that anticipated issuance of debt on the level of debt currently carried by E.ON U.S. LLC.

b. After the anticipated issuance by PPL Kentucky of $800 million in unsecured corporate debt, will the Tangible Net Worth of PPL Kentucky, defined and calculated as provided in Section 7(b) of the Amended and Restated Guarantee between E.ON U.S. LLC and Big Rivers Electric Corporation dated as of July 16, 2009, and the Guarantee between E.ON U.S. LLC and Big Rivers Electric Corporation dated as of July 16, 2009, be less than $500 million?

A-2. a. The amount of debt currently carried at E.ON U.S. LLC will be reduced from the pre-closing level to approximately $800 million. This will be a significant reduction in the amount of debt at E.ON U.S. At year-end 2009, E.ON U.S. LLC owed E.ON affiliates a total of almost $2.2 billion that would be replaced by approximately $800 million of debt post closing. The debt balances of the utilities will not change as a result of the acquisition. Consequently, the consolidated debt balance will be reduced. Under purchase accounting the equity section of the balance sheet will be restated to reflect the fact that PPL will issue $2.3 billion in equity to fund the acquisition which will be treated as equity on the PPL Kentucky balance sheet.

b. Following the issuance of debt by PPL Kentucky the Tangible Net Worth of E.ON U.S., as defined in the Amended and Restated Guarantee between E.ON U.S. LLC and Big Rivers Electric Corporation dated as of July 16, 2009, and the Guarantee between E.ON U.S. LLC and Big Rivers Electric Corporation dated as of July 16, 2009, is expected to be significantly above $500 million.

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 First Data Request of Big Rivers Electric Corporation Dated June 22, 2010

Question No. 3

Responding Witness: S. Bradford Rives / Paul A. Farr

Q-3. Please refer to the testimony of Mr. Rives, page eight, lines eight through twelve.

a. Please state each credit rating currently assigned to E.ON U.S. LLC and its debt by Standard & Poor's and Moody's.

b. Please state each credit rating you anticipate will be assigned to E.ON U.S. LLC (PPL Kentucky) and its debt by Moody's after the closing of the transaction contemplated in the Purchase and Sale Agreement.

A-3. a. E.ON U.S. LLC currently has been assigned the following ratings:

Standard & Poor's	BBB+
Moody's	A3

b. Based on the press release of Standard & Poor's dated April 28, 2010 (see attached), no change in their assessment of E.ON U.S. LLC is anticipated. Moody's press release of April 29, 2010 (also attached) states "Moody's anticipates downgrading the Issuer Rating of E.ON U.S. most likely to Baa2 upon the closing of the sale to PPL."

STANDARD
&POOR'S

Global Credit Portal
RatingsDirect

April 28, 2010

Research Update:

E.ON U.S. LLC And Subsidiaries 'BBB+' Ratings Affirmed On Planned Buyout

Primary Credit Analyst:
Barbara A Eiseman, New York (1) 212-438-7666;barbara_eiseman@standardandpoors.com

Secondary Credit Analyst:
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Table Of Contents

Research Update:

E.ON U.S. LLC And Subsidiaries 'BBB+' Ratings Affirmed On Planned Buyout

Overview

- PPL Corp. (PPL) is planning to acquire E.ON U.S., the parent company of Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU).
- We affirmed all of the ratings on E.ON U.S. LLC and subsidiaries, including the 'BBB+' corporate credit ratings. The outlooks are stable.
- We expect the pro forma consolidated entity to have a "strong" business risk profile and a "significant" financial risk profile.
- The ratings affirmation reflects our expectations that the combined entity will have a financial condition commensurate for the upper end of the 'BBB' rating category.

Rating Action

On April 29, 2010, Standard & Poor's Ratings Services affirmed the 'BBB+' corporate credit ratings on E.ON U.S., LG&E, and KU following the announcement that PPL plans to acquire E.ON U.S. for $7.625 billion in cash. The outlooks are stable. At the same time, we placed the 'BBB' corporate credit ratings on diversified energy company PPL and affiliate PPL Energy Supply LLC on CreditWatch with positive implications (see PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC.)

The transaction includes the assumption of $574 million of tax-exempt debt at LGE and $351 million of tax-exempt debt at KU. LG&E and KU had about $2.59 billion of long-term debt outstanding at the end of 2009, of which $925 million was in the form of publicly rated tax-exempt pollution control revenue bonds; the balance consisted of intercompany notes payable to affiliated companies. The acquisition requires approvals by state regulators in Kentucky, Virginia and Tennessee, and by the FERC. The transaction is expected to close by the end of 2010.

The inclusion of LG&E and KU into PPL will rebalance PPL's portfolio toward a greater regulated mix. With regulated operations contributing 60%-65% of the overall cash flow post acquisition compared with about 30% in 2009, the "excellent" business risk profile of the utility businesses will more than offset the "satisfactory" business risk profile of the generation business. This will result in a pro forma "strong" consolidated business risk profile. We expect consolidated debt to EBITDA and total debt to total capital ratios to range in the "significant" financial risk profile category. Projected FFO to total debt of 23.5%-25% will likely support ratings at the higher end of the 'BBB' rating category on successful completion of the acquisition.

Upon closing of the transaction, we could raise ratings on PPL and PPL Energy one notch if financing is consistent with our expectations. Yet, material changes to the expected financial risk profile and cash flow generation capability of the pro forma company could stem this upside momentum. The acquisition requires large permanent financing that has attendant execution risks. PPL's ability to finalize permanent funding will be monitored. If the transaction with PPL is not ultimately consummated, we will affirm the 'BBB+' ratings on E.ON U.S., LG&E, and KU.

Rationale

Our ratings on E.ON U.S. are primarily based on the credit profile of its two operating utilities in Kentucky, LG&E and KU and the company's focus on operating the fully integrated utilities. Current ratings are linked to ultimate parent E.ON AG (A/Stable/A-1).

We view E.ON U.S.'s consolidated business risk profile as 'excellent' (we categorize business risk profiles as 'excellent' to 'vulnerable') and its financial profile as 'aggressive' (financial profiles are ranked from 'minimal' to 'highly leveraged'). The company's business risk profile is supported by relatively low-risk, regulated vertically integrated electric and natural gas distribution operations, a stable and credit supportive regulatory environment in Kentucky, efficient generation facilities that allow for competitive rates, consistently high customer satisfaction rankings, and effective cost containment. The company's electric operations benefit from a fuel and purchased power (energy only) adjustment clause, an environmental cost recovery surcharge, and other timely cost recovery mechanisms, while its smaller gas operations benefit from a gas supply clause. These strengths are tempered by the lack of fuel diversity (nearly all coal-fired), a relatively heavy construction program, and rate relief needs during a time of unusual economic weakness. Construction outlays focus on the company's 75% ownership share in the 750 MW Trimble County Unit 2 coal-fired facility that's slated for completion later this year, ongoing environmental requirements, and other project betterments.

On July 16, 2009, the power plant lease arrangement between E.ON U.S.'s subsidiary Western Kentucky Energy Corp. and Big Rivers Electric Corp. was terminated. While unwinding of the contract required a large one-time cash payment of $575 million and other concessions, it significantly reduces E.ON U.S.'s dependence on riskier unregulated activities, and enhances the company's business risk profile within the "excellent" category.

Currently pending before the Kentucky Public Service Commission are rate applications for a $94.6 million (12.1%) electric rate hike and a $22.6 million (7.7%) natural gas rate increase for LG&E and a $135 million (11.5%) electric rate hike for KU. The rate requests are predicated upon an 11.5% return on equity. Commission orders are expected this summer. Higher rates are needed to recover the utilities' investment in Trimble County Unit 2, damage costs related to severe storms, and higher costs. Because the state regulators will be reviewing large rate hike requests in a weakened economy is a credit concern. Therefore, the company's ability to manage regulatory risk will be critical to credit quality.

E.ON U.S.'s consolidated financial metrics have declined somewhat, owing primarily to its heavy construction program. However, with well controlled operating and maintenance expenses, continued efficient operations, responsive regulatory treatment, and credit supportive actions by management, bondholder protection parameters should strengthen to levels more commensurate with the current rating level.

Short-term credit factors

Standard & Poor's expects E.ON U.S.'s capital spending to exceed cash flow from operations primarily because of significant environmental expenditures and outlays to complete the Trimble County Unit 2 station. The steady internal cash flow generated by KU's and LG&E's regulated operations will not be enough to meet these obligations, thus creating a reliance on outside capital. Such funding is expected to be concentrated at Germany-based parent E.ON AG, which will also provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON AG's credit facility protects E.ON U.S. as long as it is a "material subsidiary".) An E.ON AG-related entity provides a credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook on E.ON U.S. is based on corporate strategy that maintains a primarily low-risk, utility-based business risk profile. Standard & Poor's could lower the ratings absent future sufficient rate relief, if construction expenditures materially increase resulting in higher-than-expected reliance on debt, and if cash flow metrics erode. In light of a prospectively heavy capital program and subpar financial metrics, higher ratings are not envisioned.

Related Criteria And Research

Corporate Criteria: Analytical Methodology

Ratings List

Ratings Affirmed

E.ON U.S. LLC	
Corporate Credit Rating	BBB+/Stable/--
Kentucky Utilities Co.	
Corporate Credit Rating	BBB+/Stable/A-2
Louisville Gas & Electric Co.	
Corporate Credit Rating	BBB+/Stable/--

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Moody's Investors Service

Global Credit Research
Rating Action
29 APR 2010

Rating Action: E ON U S. LLC

Moody's places the ratings of E.ON US and its subsidiaries under review for possible downgrade

New York, April 29, 2010 -- Moody's Investors Service placed the ratings of E.ON U.S. LLC (E.ON U.S: A3 Issuer Rating) and its subsidiaries Kentucky Utilities Company (KU: A2 senior unsecured) and Louisville Gas and Electric Company (LGE: A2 senior unsecured) under review for possible downgrade.

Today's rating action follows the announcement that PPL Corporation (PPL: Baa3 Issuer Rating) has entered into a definitive agreement to acquire E.ON U.S, the parent company of KU and LGE, for $7.625 billion. E.ON U.S. is currently a subsidiary of E.ON AG (E.ON: A2 senior unsecured). The transaction is expected to close by the end of 2010. It requires approvals by state regulators in Kentucky, Virginia and Tennessee, and by the Federal Energy Regulatory Commission.

"E.ON's ownership of KU and LGE has been a critical factor supporting the current ratings" said Moody's Vice President Scott Solomon. "Specifically, E.ON AG's size, scale and credit profile has provided the utilities liquidity and financial flexibility in the form of significant inter-company funding along with a liberal and flexible dividend policy that has strengthened their respective financial positions and provided ratings lift. Eliminating these tangible benefits through the proposed sale would likely trigger a two-notch downgrade of each E.ON U.S., KU and LGE," added Solomon.

Combined, KU and LGE had approximately $2.6 billion of long-term debt outstanding at December 31, 2009. Of this amount, approximately 70% was intercompany debt provided indirectly by E.ON with the remainder consisting of senior unsecured tax-exempt debt. E.ON U.S, which had approximately $1.6 billion of long-term debt outstanding at fiscal year end, was 100% funded with intercompany debt.

The amount of long-term debt at KU and LGE is not expected to be impacted by the proposed acquisition; however, PPL anticipates refinancing the existing intercompany debt with proceeds from the issuance of first mortgage bonds at both KU and LGE. It is Moody's general policy to rate first mortgage bonds two alpha-numeric ratings higher than a issuer's unsecured rating.

The review for possible downgrade will focus on PPL's ability to secure the regulatory approvals necessary to close the transaction. We also will consider the outcome of KU and LGE's rates cases which were filed in January 2010 should they be made available during the period of our review.

KU's ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt and CFO pre-W/C interest coverage for the twelve months ended December 31, 2009 were approximately 19% and 5.0 times, respectively, while LGE's metrics were slightly higher at approximately 22% and 6.0 times, respectively. On a standalone basis these financial metrics position KU and LGE as fully integrated utilities strongly in the Baa1 rated category. The slight difference in credit metrics between the utilities reflects in large part KU's higher capital expenditure program that resulted in higher intercompany debt balances. These financial metrics are expected to trend modestly upward for both over the near-term due in large part to the anticipated higher electric rates that KU and LGE requested in recently filed rate cases.

KU and LGE benefit from a generally supportive regulatory environment that provides for timely recovery of costs offset in part by a significant reliance on coal-fired generating capacity.

Moody's anticipates downgrading the Issuer Rating of E.ON U.S. most likely to Baa2 upon the closing of the sale to PPL.

Ratings placed under review follow;

- E.ON U.S. LLC

A3 Issuer Rating

- Kentucky Utilities Company

A2 Issuer Rating

A2 senior unsecured rating

Prime-1 rating for short-term variable rate demand debt

- Louisville Gas and Electric Company

A2 Issuer Rating

A2 senior unsecured rating

Prime-1 rating for short-term variable rate demand debt

The last rating action taken on E.ON U.S. occurred on February 22, 2006 when the ratings were affirmed.

The last rating actions taken on KU and LGE occurred on May 8, 2007 when certain tax-exempt debt issues were downgraded to A2 from A1 due to the termination of mortgage indentures.

The principal methodologies used in rating E.ON U.S. was Rating Methodology: Regulated Electric & Gas Utilities, published in August 2009 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

E.ON U.S. LLC is headquartered in Louisville, Kentucky.

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Scott Solomon
Vice President - Senior Analyst
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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 First Data Request of Big Rivers Electric Corporation Dated June 22, 2010

Question No. 4

Responding Witness: William H. Spence

Q-4. Will the Joint Applicants agree to reword Commitment No. 38 to read as follows (additions are underlined):

Purchaser and the Company commit that the Purchase will have no effect or impact on various agreements associated with the unwind and termination of the lease agreement with Big Rivers, and that the Company and its affiliates will continue to be bound by the terms of their respective agreements with Big Rivers.

A-4. No. The language of Regulatory Commitment No. 38 has been presented to the Commission in the form set forth in Exhibit B to the Purchase and Sale Agreement. However, PPL does not intend to cause its affiliates to seek to change the terms of the respective agreements with Big Rivers or to violate the terms of those agreements.

Please see response to AG 1-53.

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 First Data Request of Big Rivers Electric Corporation Dated June 22, 2010

Question No. 5

Responding Witness: Lonnie E. Bellar

Q-5. Mr. Bellar states in his testimony at page 4 that Louisville Gas & Electric Company and Kentucky Utilities Company (collectively, the "Companies") have no plans to become members of an RTO after the closing of the transaction contemplated in the Purchase and Sale Agreement. The Companies expect to continue to operate independently from a RTO, but may retain Southwest Power Pool, Inc. ("SPP") as the Companies' independent transmission operator. Big Rivers has been negatively impacted by the response of SPP to certain Big Rivers requests for transmission service, system impact studies and transmission facility studies. SPP is apparently not knowledgeable about its obligations under the terms of the Companies' respective open access transmission tariffs. Will E.ON U.S. (PPL Kentucky) commit to cause the Companies to monitor the performance of SPP on behalf of the Companies, and to insist that SPP correct deficiencies in its performance on behalf of the Companies?

A-5. Under the agreement (the "ITO Agreement") with Southwest Power Pool, Inc. ("SPP"), the Companies have a wide range of rights and remedies to ensure that SPP satisfactorily performs its ITO functions. Such rights include the right to services that are in accordance with the OATT, and in accordance with Good Utility Practice (as defined in the OATT). If SPP materially fails to provide such services or shows a pattern of failure, such failures may give rise to a basis for a termination for cause under the ITO Agreement. The Companies fully intend to monitor SPP's performance, and work cooperatively with SPP as required by the ITO Agreement, to enable and encourage SPP to provide exceptional service to the Companies' OATT customers. The Companies believe such a focused and cooperative approach with SPP will result in satisfactory service to customers.