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September 2, 2004

VIA HAND DELIVERY
Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

04-00279

Re: In the Matter of the Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations

Dear Chairman Miller,

Enclosed you will find the original and thirteen copies of the above referenced Petition of Kentucky Utilities Company and a check for $25.00 for the filing fee.

Kentucky Utilities respectfully requests expedited treatment of its Petition so that it may take advantage of favorable rates in the capital markets in connection with this refinancing.

If you need additional information please contact me.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities Company

cc: Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
John Fendig, Esq.
Russell Perkins, Esq.

1046628 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN THE MATTER OF THE PETITION OF KENTUCKY UTILITIES COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES AND THE ASSUMPTION OF OBLIGATIONS	)))))	Docket No. ________

PETITION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to T.C.A. § 65-4-109, that the Tennessee Regulatory Authority ("TRA" or "Authority") authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. In support of this Petition, KU states as follows

Description of the Company

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a public utility as defined by T.C A § 65-4-101, and provides retail electric service to five customers in Tennessee generating total revenue of $2,443.00 in 2003. The Company also provides retail electric services to approximately 512,000 customers in seventy-seven counties in Kentucky and five counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition The Company is a wholly-owned subsidiary of LG&E Energy LLC ("LG&E Energy"). LG&E Energy is an indirect subsidiary of E.ON AG

Correspondence Pertaining to the Petition

2 Correspondence or communications pertaining to this Petition should be directed to:

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John Fendig
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Description Of The New Long-Term Debt

3. This Petition relates to the proposed refinancing of the Company's outstanding County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project), 1993 Series A, due December 1, 2023, secured by KU's First Mortgage Bonds, Pollution Control Series No. 9, of corresponding maturity.

The existing County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bonds 1993 Series A are herein sometimes referred to as the "Existing Bonds". The existing KU First Mortgage Bonds, Pollution Control Series No 9 are herein sometimes referred to as the "Existing First Mortgage Bonds" KU was authorized to undertake its obligations in regard to the Existing Bonds and the Existing First Mortgage Bonds by Order of the Authority dated July 20, 1992, in Docket No. 92-05133 The Existing Bonds and the related Existing First Mortgage Bonds were used to finance or replace short term funds used in the acquisition and construction of various facilities including gypsum handling facilities, solid waste disposal facilities and associated facilities in connection with a flue gas desulfurization system at the Company's Ghent Generating Station.

In connection with this proposed refinancing, the Company requests authority to (i) assume certain obligations under various agreements relating to the refunding of the Existing Bonds in an aggregate principal amount not to exceed $50,000,000 and (ii) issue the Company's First Mortgage Bonds in an aggregate principal amount not to exceed $50,000,000 to collateralize the proposed new refunding bonds all as more particularly described herein.

The purpose for refinancing the Existing Bonds is to take advantage of currently prevailing, low interest rates and thereby reduce KU's costs of debt over the life of the bonds. The Existing Bonds currently bear interest at the rate of 5.75% per annum. Based on current interest rates, the Company expects that Refunding Bonds (as hereinafter defined) could be issued initially at lower rates, whether variable or fixed, providing interest rate savings (see the net present value savings analysis attached hereto as Exhibit 2). The Existing Bonds also may be candidates for extension of maturity, which, if permissible under federal law at the time of issuance of the Refunding Bonds, would extend use of this tax-exempt funding source. KU is therefore investigating whether, based upon factors including the remaining expected useful lives of the subject pollution control facilities, it will be possible to extend the maturity of the proposed Refunding Bonds, to a later date, which may not exceed 30 years from the issuance date of the Refunding Bonds Any such extension would allow the continued use of low-cost tax-exempt financing beyond the current maturity of the Existing Bonds, further reducing costs. This low-cost tax-exempt financing directly benefits the Company's customers. While federal law does not presently permit new pollution control financing on a tax-exempt basis, federal law does permit the issuance of pollution control bonds to refund outstanding pollution control bonds within 90 days prior to the redemption and discharge of the existing pollution control bonds and to extend the bond maturities within certain limits provided in tax regulations.

The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions) and (iii) KU's expenses associated with the sale of the Existing Bonds

	Public Offering Price	Proceeds	Expenses
County of Carroll, Kentucky Collateralized Solid Waste Disposal Facilities Revenue Bonds, 1993 Series A	$50,000,000	$49,298,500	$273,500

The Existing Bonds are subject to redemption, upon at least thirty (30) days and not more than sixty (60) days prior notice, at 102% of their principal amount through May 31, 2005.

4. In connection with the refinancing of the Existing Bonds, KU would assume certain obligations under one or more Loan Agreements with Carroll County and may enter into guarantee agreements, including but not limited to bond insurance agreements, guaranteeing payment of all or any part of the obligations under the Refunding Bonds for the benefit of the holders of such Bonds.

KU requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed $50,000,000 in connection with the proposed issuance of one or more series of new County of Carroll, Kentucky Environmental Facilities Revenue Bonds (the "Refunding Bonds") Carroll County has express statutory authority to issue the Refunding Bonds pursuant to KRS 103 220(5). KU proposes to assume such obligations in connection with the refinancing of the Existing Bonds. The proceeds of the Refunding Bonds would be loaned to KU by Carroll County to provide funds to redeem and discharge the Existing Bonds, which would be carried out within 90 days of the issuance of the Refunding Bonds.

5. KU anticipates that the refinancing will employ KU's New First Mortgage Bonds (as hereinafter defined) to collateralize and secure the Refunding Bonds. KU's New First Mortgage Bonds would replace the Existing First Mortgage Bonds, which presently secure the Existing Bonds. If KU's New First Mortgage Bonds are used, the structure and documentation for the issuance of the bonds and related agreements would be similar to the structure and documentation of other recent pollution control financings of KU approved by the Authority involving KU's First Mortgage Bonds. KU's New First Mortgage Bonds will be issued in like principal amount to the Refunding Bonds and would be used to secure its payment obligations under the Refunding Bonds KU therefore requests authority to issue its New First Mortgage Bonds, Pollution Control Series (collectively the "New First Mortgage Bonds") in one or more

series in an aggregate principal amount not to exceed $50,000,000 to carry out such collateralization. The New First Mortgage Bonds would be delivered to one or more corporate trustees under indentures of trust between Carroll County and such trustee (each a "Trustee"), in connection with the issuance and sale by Carroll County of its Refunding Bonds. The New First Mortgage Bonds would be held by the Trustees to secure payment of the Refunding Bonds and payment by KU of all sums payable by KU as discussed below. The New First Mortgage Bonds will be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture of Mortgage and Deed of Trust dated May 1, 1947, between Kentucky Utilities Company and U.S. Bank, National Association and Richard Prokosch as Successor Trustee, as heretofore amended and supplemented. The New First Mortgage Bonds would have a maturity date corresponding to the Refunding Bonds, not to exceed 30 years from date of issuance.

6 The Refunding Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between Carroll County and the Trustee The proceeds from the sale of the Refunding Bonds would be loaned to KU pursuant to one or more loan agreements between Carroll County and KU (collectively the "Loan Agreement").

The payments to be made by KU under the Loan Agreement for the Refunding Bonds, together with other funds available for the purpose, would be sufficient to pay the principal and interest on such Refunding Bonds The Loan Agreement and the payments to be made by KU pursuant thereto will be assigned to Carroll County to secure the payment of the principal and interest on the Refunding Bonds.

7 The Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation.

Their price, maturity date(s), interest rate(s), redemption provisions and other terms and provisions of the Refunding Bonds (including, in the event all or a portion of the Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations among KU, Carroll County, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Refunding Bonds to be sold. Based upon past experience with similar refinancings, KU estimates the issuance costs, excluding underwriting fees for the Refunding Bonds, will be approximately $1.1 million.

8. Because of the historical spread between long-term fixed interest rates and short term rates, all or a portion of the Refunding Bonds may be issued initially with interest rates that fluctuate on a weekly, monthly or other basis as determined from time-to-time by KU, including issuance of auction mode Refunding Bonds, coupled with bond insurance. Depending on market conditions, fixed rate bonds for a portion of the financing may be issued. Fixed rate bonds would avoid increased exposure to interest rate fluctuations. KU would reserve the option to convert any variable rate Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest Refunding Bonds that bear interest at a variable rate (the "Variable Rate Refunding Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Refunding Bonds, KU would enter into one or more remarketing agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket any such tendered Variable Rate Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Refunding Bonds, which will be 100% of the par amount of such Variable Rate Refunding Bonds Thus, to the extent Variable Rate Refunding Bonds are

issued, the documentation will be similar to previous bonds that were issued with a variable interest rate

9 Also, in the event that Variable Rate Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank") The Current Facility would be a credit agreement designed to provide KU with immediately available funds with which to make payments with respect to any Variable Rate Refunding Bonds that have been tendered for purchase and not remarketed. The Current Facility is not expected to be pledged for the payment of the Variable Rate Refunding Bonds or to constitute security therefore. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note evidencing KU's obligations to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Refunding Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which replaces a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider") A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable

Rate Refunding Bonds It is contemplated that, in the event Variable Rate Refunding Bonds are converted to bear interest at a fixed rate, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) will be terminated in whole or in part following the date of conversion of such series of Variable Rate Refunding Bonds. The estimated cost of the refinancing shown in Section 7 does not include expenses incurred for entering into any Facility, however the impact on the overall cost of the refinancing would be approximately 25 basis points.

10 In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such facility, which would contain the terms of reimbursement or payment to be made by KU to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Refunding Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Refunding Bonds when due and paying principal, whether at maturity, upon redemption, acceleration or otherwise.

11. In connection with the issuance of the Refunding Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar

agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and to limit its exposure to variable interest rates or to manage its overall borrowing costs on any fixed rate Refunding Bonds The Hedging Facility will set forth the specific terms upon which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the refinancing does not include the costs of any Hedging Facility, which would be determined at the time of the hedge However, based on current market conditions, the cost of a 3-year hedge would be approximately 162 basis points

The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreement, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Refunding Bonds (which will not exceed an aggregate principal amount of $50,000,000) plus accrued but unpaid interest and premium, if any, on such bonds.

12. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

13. Attached as Exhibit 3 to this Petition are copies of the pertinent sections of the official statement describing the redemption provisions for the Existing Bonds.

14. KU shall, as soon as reasonably practicable after the issuance of the Refunding

Bonds referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and, if applicable, their method of determination), and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

15. Exhibit 4 to this Petition contains a financial exhibit in support of this Petition.

16. Exhibit 5 to this Petition is a certified copy of KU's Board of Directors resolution authorizing the issuance of the First Mortgage Bonds, the assumption of obligations under the Loan Agreement, and all transactions related thereto and discussed in this Petition.

17. In order to take advantage of these levels and any further improvement of the capital markets, the Company respectfully requests that the Authority process this Petition as expeditiously as practicable to afford the Company maximum flexibility in connection with this refinancing.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Authority enter its Order authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement, and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the order of the Authority specifically include provisions stating:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in an aggregate principal amount not to exceed $50,000,000 in the manner set forth in its Petition.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreement(s) with Carroll County, and under any remarketing agreements, hedging agreements, auction agreements, guaranty agreements, bond insurance agreements,

credit agreements and facilities, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

Respectfully submitted,

Kentucky Utilities Company

BY D. Billye Sanders
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John Fendig
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY }
}
COUNTY OF JEFFERSON }

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

Daniel K. Arbough

DANIEL K. ARBOUGH

Subscribed and sworn before me this 1st day of September, 2004.

My Commission Expires: August 31, 2007

Ronda F. Anderson

NOTARY PUBLIC, STATE AT LARGE

List of Exhibits

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid to the following this 3rd day of September, 2004.

Russell Perkins
Office of the Tennessee Attorney General
Consumer Advocate and Protection Division
P.O Box 20207
Nashville, TN 37202

D. Billye Sanders
D Billye Sanders

EXHIBIT 1

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item I (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY AND THE COST THEREOF TO APPLICANT

JUNE 30, 2004

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,949,000 Kw; a hydroelectric generating station having an estimated total effective capability of about 24,000 Kw; and thirteen gas/oil peaking units having an estimated total effective capability of about 1,095,000 Kw.

The applicant's owned electric transmission system includes 112 substations with a total capacity of approximately 16,991,000 Kva and approximately 4,233 structure miles of lines, The electric distribution system includes 466 substations with a total capacity of approximately 4,509,000 Kva, and 12,744 structure miles of lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at June 30, 2004, was:

		Utility Plant
Original Cost		
Intangible Plant	$	29,431,512
Production Plant		1,689,393,338
Transmission Plant		483,316,167
Distribution Plant		967,755,336
General Plant		80,336,367
Transportation Plant		23,738,711
Construction Work in Progress		371,862,288
Plant Purchased or Sold		(19,836)
Total Plant at Original Cost	$	3,645,813,883
Less Reserve for Depreciation		1,643,519,886
Net Original Cost	$	2,002,293,997

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KENTUCKY UTILITIES
Debt Refunding Analysis

Kentucky Utility 5.75% PCS 9 due December 1, 2023
Comparison, Floating
Impact on Cash Flow

	EXISTING CAPITALIZATION — TAX EXEMPT POLLUTION CONTROL BONDS					PROPOSED REFUNDING — Comparison: Floating						PRESENT VALUE ANALYSIS		
Date	Principal Outstanding	Interest @ 5.750%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 4.440%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Sep-04	$ 50,000,000							$1,000,000	$1,425,375		$2,425,375	($2,425,375)	1.0000	($2,425,375)
01-Dec-04	50,000,000	718,750	8,313	(293,461)	425,289	555,000	17,143			(230,931)	324,069	101,220	0.9919	100,404
01-Jun-05	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9760	197,581
01-Dec-05	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9603	194,406
01-Jun-06	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9449	191,282
01-Dec-06	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9297	188,208
01-Jun-07	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9148	185,184
01-Dec-07	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9001	182,208
01-Jun-08	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8856	179,280
01-Dec-08	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8714	176,400
01-Jun-09	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8574	173,565
01-Dec-09	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8436	170,776
01-Jun-10	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8300	168,032
01-Dec-10	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8167	165,332
01-Jun-11	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8036	162,675
01-Dec-11	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7907	160,061
01-Jun-12	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7780	157,489
01-Dec-12	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7654	154,958
01-Jun-13	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7531	152,468
01-Dec-13	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7410	150,018
01-Jun-14	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7291	147,606
01-Dec-14	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7174	145,236
01-Jun-15	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7059	142,902
01-Dec-15	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6946	140,606
01-Jun-16	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6834	138,346
01-Dec-16	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6724	136,123
01-Jun-17	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6616	133,936
01-Dec-17	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6510	131,784
01-Jun-18	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6405	129,668
01-Dec-18	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6302	127,582
01-Jun-19	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6201	125,532
01-Dec-19	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6101	123,515
01-Jun-20	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6003	121,530
01-Dec-20	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5907	119,577
01-Jun-21	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5812	117,658
01-Dec-21	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5718	115,765
01-Jun-22	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5627	113,905
01-Dec-22	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5536	112,075
01-Jun-23	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5447	110,274
01-Dec-23	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5360	108,502
01-Jun-24	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5274	106,758
01-Dec-24	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5189	105,043
01-Jun-25	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5105	103,355
01-Dec-25	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5023	101,694
01-Jun-26	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4943	100,060
01-Dec-26	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4863	98,452
01-Jun-27	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4785	96,870
01-Dec-27	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4708	95,313
01-Jun-28	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4633	93,782
01-Dec-28	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4558	92,275
01-Jun-29	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4485	90,792
01-Dec-29	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4413	89,333
01-Jun-30	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4342	87,898
01-Dec-30	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4272	86,485
01-Jun-31	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4203	85,095
01-Dec-31	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4136	83,728
01-Jun-32	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4069	82,383
01-Dec-32	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4004	81,059
01-Jun-33	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.3940	79,756
01-Dec-33	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.3876	78,475
01-Jun-34	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.3814	77,214
01-Sep-34	50,000,000	718,750	8,313	(293,461)	425,289	555,000	17,143			(230,931)	324,069	101,220	0.3753	37,986
	TOTAL	$86,250,000	$997,574	($35,215,302)	$51,034,686	$66,600,000	$2,057,172	$1,000,000	$1,425,375	($27,711,751)	$41,313,624	$9,721,074		$5,280,877

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.

KENTUCKY UTILITIES
Debt Refunding Analysis

Kentucky Utility 5.75% PCS 9 due December 1, 2023
Comparison, Floating
Impact on Cash Flow

EXISTING CAPITALIZATION — TAX EXEMPT POLLUTION CONTROL BONDS | PROPOSED REFUNDING — Comparison: Floating | PRESENT VALUE ANALYSIS

Date	Principal Outstanding	Interest @ 5.750%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 4.440%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Sep-04	$ 50,000,000							$1,000,000	$1,425,375		$2,425,375	($2,425,375)	1.0000	($2,425,375)
01-Dec-04	50,000,000	718,750	8,313	(293,461)	425,289	555,000	17,143			(230,931)	324,069	101,220	0.9919	100,404
01-Jun-05	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9760	197,581
01-Dec-05	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9603	194,406
01-Jun-06	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9449	191,282
01-Dec-06	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9297	188,208
01-Jun-07	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9148	185,184
01-Dec-07	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.9001	182,208
01-Jun-08	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8856	179,280
01-Dec-08	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8714	176,400
01-Jun-09	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8574	173,565
01-Dec-09	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8436	170,776
01-Jun-10	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8300	168,032
01-Dec-10	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8167	165,332
01-Jun-11	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.8036	162,675
01-Dec-11	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7907	160,061
01-Jun-12	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7780	157,489
01-Dec-12	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7654	154,958
01-Jun-13	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7531	152,468
01-Dec-13	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7410	150,018
01-Jun-14	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7291	147,606
01-Dec-14	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7174	145,238
01-Jun-15	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.7059	142,902
01-Dec-15	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6946	140,606
01-Jun-16	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6834	138,348
01-Dec-16	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6724	136,123
01-Jun-17	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6616	133,936
01-Dec-17	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6510	131,784
01-Jun-18	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6405	129,666
01-Dec-18	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6302	127,582
01-Jun-19	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6201	125,532
01-Dec-19	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6101	123,515
01-Jun-20	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.6003	121,530
01-Dec-20	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5907	119,577
01-Jun-21	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5812	117,656
01-Dec-21	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5718	115,765
01-Jun-22	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5627	113,905
01-Dec-22	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5536	112,075
01-Jun-23	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5447	110,274
01-Dec-23	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5360	108,502
01-Jun-24	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5274	106,758
01-Dec-24	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5189	105,043
01-Jun-25	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5105	103,355
01-Dec-25	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.5023	101,694
01-Jun-26	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4943	100,060
01-Dec-26	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4863	98,452
01-Jun-27	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4785	96,870
01-Dec-27	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4708	95,313
01-Jun-28	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4633	93,782
01-Dec-28	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4558	92,275
01-Jun-29	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4485	90,792
01-Dec-29	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4413	89,333
01-Jun-30	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4342	87,898
01-Dec-30	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4272	86,485
01-Jun-31	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4203	85,095
01-Dec-31	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4136	83,728
01-Jun-32	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4069	82,383
01-Dec-32	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.4004	81,059
01-Jun-33	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.3940	79,758
01-Dec-33	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.3876	78,475
01-Jun-34	50,000,000	1,437,500	16,626	(586,922)	850,578	1,110,000	34,286			(461,863)	648,137	202,441	0.3814	77,214
01-Sep-34	50,000,000	718,750	8,313	(293,461)	425,289	555,000	17,143			(230,931)	324,069	101,220	0.3753	37,986
	TOTAL	$88,250,000	$997,574	($36,215,302)	$51,034,698	$66,600,000	$2,057,172	$1,000,000	$1,425,375	($27,711,751)	$41,313,624	$9,721,074		$5,280,877

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Assumptions

Kentucky Utility 5.75% PCS 9 due December 1, 2023
Comparison: Floating
Assumptions

EXISTING ISSUE

Kentucky Utility Tax Exempt Bond

5.750%	$ 50,000,000	Matures December 1, 2023	
Unamortized Debt Expense	$831,797	At May 1, 2004	
Remaining amortization period			
From June 1, 2004 to Maturity	228 0	months	
Assuming a 16 Year Extension	360 0	months	
Redemption (Call) Price	102%	FIRST CALL June 1, 2004	
Amount of Premium	$1,000,000		
Cost of Funds (Lost Investment Earnings)	5.00%		

PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds

4.440% $ 50,000,000 Matures December 1, 2023

Bond Issue Costs		2.85%
Underwriting	0.35%	
Bond Counsel	$ 80,000 00	0.16%
Company Counse	$ 70,000.00	0.14%
Underwriters Cour	$ 42,000.00	0 08%
Insurance	$ 945,375 00	1.89%
Ratings	$ 40,000 00	0 08%
Printing	$ 17,000 00	0 03%
Trustee Counsel	$ 6,000 00	0.01%
Accountants	$ 40,000 00	0 08%
Trustee	$ 6,000.00	0.01%
FMB Trustee	$ 4,000.00	0 01%
AMT		0.00%
Issuance costs		2.50%

Insurance Premium Calculation	
Par	50,000,000
RBI Coupon	5.07%
Annual	2,535,000
30 Years	76,050,000
Total Debt Serv	126,050,000
Premium Rate	0 75%
Premium	945,375

Remarketing Expens 125,000
(O&M Expense)

MISCELLANEOUS

Tax rate	40.363%
Discount rate	3.24%

KENTUCKY UTILITIES
Debt Refunding Analysis

Kentucky Utility 5.75% PCS 9 due December 1, 2023
Comparison: 30-Yr Pay Fixed Swap (72% of 3 Month LIBOR)
Impact on Cash Flow

	EXISTING CAPITALIZATION TAX EXEMPT POLLUTION CONTROL BONDS					PROPOSED REFUNDING Comparison 30-Yr Pay Fixed Swap (72% of 3 Month LIBOR)						PRESENT VALUE ANALYSIS		
Date	Principal Outstanding	Interest @ 5.750%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 3.130%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Sep-04	$ 50,000,000							$1 000,000	$1,425,375		$2,425,375	($2,425,375)	1.0000	($2,425 375)
01-Dec-04	50,000,000	718,750	8,313	(293,461)	425,289	391,250	17,143			(164,838)	226,412	198,877	0.9919	197,272
01-Jun-05	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 9760	388,205
01-Dec-05	50 000 000	1,437,500	16,626	(586 922)	850,578	782,500	34,286			(329 675)	452,825	397,754	0.9603	381,967
01-Jun-06	50 000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 9449	375,829
01-Dec-06	50,000 000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.9297	369,790
01-Jun-07	50 000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.9148	363,848
01-Dec-07	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.9001	358,001
01-Jun-08	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.8856	352,246
01-Dec-08	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.8714	346,668
01-Jun-09	50,000,000	1 437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.8574	341,019
01-Dec-09	50,000,000	1,437,500	16 626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.8436	335,539
01-Jun-10	50,000,000	1,437,500	16,626	(586,922)	850 578	782,500	34,286			(329,675)	452,825	397,754	0.8300	330,147
01-Dec-10	50 000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 8167	324,842
01-Jun-11	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.8036	319,622
01-Dec-11	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7907	314,486
01-Jun-12	50,000,000	1,437,500	16 626	(586,922)	850 578	782,500	34,286			(329,675)	452,825	397,754	0 7780	309,433
01-Dec-12	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7654	304,460
01-Jun-13	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7531	299,568
01-Dec-13	50 000 000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7410	294,754
01-Jun-14	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7291	290,018
01-Dec-14	50,000 000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7174	285,358
01-Jun-15	50 000 000	1,437,500	16 626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 7059	280,772
01-Dec-15	50,000,000	1,437,500	16,626	(586 922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 6946	276,260
01-Jun-16	50 000,000	1,437,500	16 626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 6834	271,821
01-Dec-16	50,000 000	1,437,500	16,626	(586 922)	850 578	782,500	34,286			(329 675)	452,825	397,754	0 6724	267,453
01-Jun-17	50 000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 6616	263,156
01-Dec-17	50,000,000	1,437,500	16 626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 6510	258,927
01-Jun-18	50 000,000	1,437,500	16,626	(586,922)	850 578	782,500	34,286			(329 675)	452,825	397,754	0.6405	254,766
01-Dec-18	50,000,000	1,437,500	16 626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 6302	250,672
01-Jun-19	50 000 000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 6201	246,644
01-Dec-19	50,000,000	1,437,500	16,626	(586 922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.6101	242,681
01-Jun-20	50 000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329 675)	452,825	397,754	0.6003	238,781
01-Dec-20	50,000,000	1,437,500	16 626	(586,922)	850 578	782,500	34,286			(329,675)	452,825	397,754	0.5907	234,944
01-Jun-21	50 000,000	1,437,500	16,626	(586 922)	850,578	782,500	34,286			(329 675)	452,825	397,754	0 5812	231 169
01-Dec-21	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 5718	227,454
01-Jun-22	50 000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 5627	223,799
01-Dec-22	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.5536	220,203
01-Jun-23	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397 754	0.5447	216 665
01-Dec-23	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 5360	213,183
01-Jun-24	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 5274	209,767
01-Dec-24	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.5189	206,387
01-Jun-25	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.5105	203,070
01-Dec-25	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 5023	199,807
01-Jun-26	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4943	196,597
01-Dec-26	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 4863	193,438
01-Jun-27	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0 4785	190,329
01-Dec-27	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4708	187,271
01-Jun-28	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4633	184,262
01-Dec-28	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4558	181,301
01-Jun-29	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4485	178,387
01-Dec-29	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4413	175,521
01-Jun-30	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4342	172,700
01-Dec-30	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4272	169,925
01-Jun-31	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4203	167,195
01-Dec-31	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4136	164,508
01-Jun-32	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4069	161,865
01-Dec-32	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.4004	159,264
01-Jun-33	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.3940	156,704
01-Dec-33	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.3876	154,166
01-Jun-34	50,000,000	1,437,500	16,626	(586,922)	850,578	782,500	34,286			(329,675)	452,825	397,754	0.3814	151,709
01-Sep-34	50,000,000	718,750	8,313	(293,461)	425,289	391,250	17,143			(164,838)	226,412	198,877	0.3753	74,635
	TOTAL	$86,250,000	$997,574	($35,215,302)	$51,034,698	$46,950,000	$2,057,172	$1,000,000	$1,425,375	($19,780,520)	$29,594,855	$21,439,843		$12,715,789

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Assumptions

Kentucky Utility 5.75% PCS 9 due December 1, 2023
Comparison: 30-Yr Pay Fixed Swap (72% of 3 Month LIBOR)
Assumptions

EXISTING ISSUE

Kentucky Utility Tax Exempt Bond

5.750%	$	50,000,000	Matures December 1, 2023

Unamortized Debt Expense	$631,797	At May 1, 2004
Remaining amortization period		
From June 1, 2004 to Maturity	228.0	months
Assuming a 15 Year Extension	360.0	months
Redemption (Call) Price	102%	FIRST CALL June 1, 2004
Amount of Premium	$1,000,000	

Cost of Funds (Lost Investment Earnings)
6.00%

PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds

3.130%	$	50,000,000	Matures December 1, 2023

Bond Issue Costs			2.85%
Underwriting		0.35%	
Bond Counsel	$	80,000.00	0.16%
Company Counse	$	70,000.00	0.14%
Underwriters Cou	$	42,000.00	0.08%
Insurance	$	945,375.00	1.89%
Ratings	$	40,000.00	0.08%
Printing	$	17,000.00	0.03%
Trustee Counsel	$	6,000.00	0.01%
Accountants	$	40,000.00	0.08%
Trustee	$	6,000.00	0.01%
FMB Trustee	$	4,000.00	0.01%
AMT	$	-	0.00%
Issuance costs			2.50%

Insurance Premium Calculation	
Par	50,000,000
RBI Coupon	5.07%
Annual	2,535,000
30 Years	76,050,000
Total Debt Serv	126,050,000
Premium Rate	0.75%
Premium	945,375

Remarketing Expen (O&M Expense)	125,000

MISCELLANEOUS

Tax rate	40.363%
Discount rate	3.24%

KENTUCKY UTILITIES
Debt Refunding Analysis

Kentucky Utility 5 75% PCS 9 due December 1, 2023
Comparison: Fixed Rate
Impact on Cash Flow

	EXISTING CAPITALIZATION					PROPOSED REFUNDING						PRESENT VALUE ANALYSIS		
	TAX EXEMPT POLLUTION CONTROL BONDS					Uninsured Term Bond								
Date	Principal Outstanding	Interest @ 5 750%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 5.440%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Sep-04	$ 50,000,000							$1,000,000	$630,000		$1,630,000	($1,630,000)	1 0000	($1,630,000)
01-Dec-04	50,000,000	718,750	8,313	(293,461)	425,289	680,000	10,515			(278,709)	401,291	23,998	0 9919	23,805
01-Jun-05	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.9760	46,844
01-Dec-05	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.9603	46,092
01-Jun-06	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 9449	45,351
01-Dec-06	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 9297	44,622
01-Jun-07	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 9148	43,905
01-Dec-07	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.9001	43,200
01-Jun-08	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.8856	42,505
01-Dec-08	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.8714	41,822
01-Jun-09	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 8574	41,150
01-Dec-09	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.8436	40,489
01-Jun-10	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.8300	39,839
01-Dec-10	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 8167	39,198
01-Jun-11	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 8036	38,568
01-Dec-11	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7907	37,949
01-Jun-12	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7780	37,339
01-Dec-12	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.7654	36,739
01-Jun-13	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7531	36,149
01-Dec-13	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7410	35,568
01-Jun-14	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7291	34,996
01-Dec-14	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7174	34,434
01-Jun-15	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 7059	33,880
01-Dec-15	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6946	33,336
01-Jun-16	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6834	32,800
01-Dec-16	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6724	32,273
01-Jun-17	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802 582	47,997	0 6616	31,755
01-Dec-17	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6510	31,244
01-Jun-18	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.6405	30,742
01-Dec-18	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6302	30,246
01-Jun-19	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6201	29,762
01-Dec-19	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6101	29,284
01-Jun-20	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 6003	28,813
01-Dec-20	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5907	28 350
01-Jun-21	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5812	27,895
01-Dec-21	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.5718	27,447
01-Jun-22	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5627	27,006
01-Dec-22	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5536	26,572
01-Jun-23	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5447	26,145
01-Dec-23	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5360	25,725
01-Jun-24	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.5274	25,311
01-Dec-24	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5189	24,904
01-Jun-25	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5106	24,504
01-Dec-25	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 5023	24,111
01-Jun-26	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.4943	23,723
01-Dec-26	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4863	23,342
01-Jun-27	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.4785	22,967
01-Dec-27	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4708	22,598
01-Jun-28	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4633	22,235
01-Dec-28	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4558	21,877
01-Jun-29	50 000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.4485	21,526
01-Dec-29	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4413	21,180
01-Jun-30	50,000 000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.4342	20,840
01-Dec-30	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.4272	20,505
01-Jun-31	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4203	20,175
01-Dec-31	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4136	19,851
01-Jun-32	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.4069	19,532
01-Dec-32	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0 4004	19,218
01-Jun-33	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.3940	18,909
01-Dec-33	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.3876	18,605
01-Jun-34	50,000,000	1,437,500	16,626	(586,922)	850,578	1,360,000	21,030			(557,418)	802,582	47,997	0.3814	18,307
01-Sep-34	50,000,000	718,750	8,313	(293,461)	425,289	680,000	10,515			(278,709)	401,291	23,998	0.3753	9,006
TOTAL		$86,250,000	$997,574	($35,215,302)	$51,034,698	$81,600,000	$1,261,797	$1,000,000	$630,000	($33,445,093)	$49,784,907	$1,249,791		$197,068

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Assumptions

Kentucky Utility 5 75% PCS 9 due December 1, 2023
Comparison: Fixed Rate
Assumptions

EXISTING ISSUE

Kentucky Utility Tax Exempt Bond				
	5 750%	$	50 000 000	Matures December 1, 2023
Unamortized Debt Expense				
			$631,797	At May 1 2004
Remaining amortization period				
From June 1, 2004 to Maturity			228 0	months
Assuming an 11 Year Extensio			360.0	months
Redemption (Call) Price			102%	FIRST CALL June 1, 2004
Amount of Premium			$1,000 000	
Cost of Funds (Lost Investment Earnings)				
	[illegible] 6.00%			

PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds					
		5.440%	$	50 000,000	Matures December 1, 2023
Bond Issue Costs				1.26%	
Underwriting		0 65%			
Bond Counsel	$	80 000 00		0 16%	
Company Counse	$	70 000 00		0 14%	
Underwriters Cou	$	42,000 00		0 08%	
Ratings	$	40 000 00		0 08%	
Printing	$	17 000.00		0.03%	
Trustee Counsel	$	6,000 00		0.01%	
Accountants	$	40 000.00		0 08%	
Trustee	$	6 000 00		0 01%	
FMB Trustee	$	4 000 00		0 01%	
AMT				0 00%	
Issuance costs				0 61%	

MISCELLANEOUS

Tax rate	40.363%
Discount rate	3.24%

Redemptions

Optional Redemption. The 1993 Series A Bonds will be subject to redemption at the option of the County, upon the direction of the Company, in whole or in part, on any date on or after June 1, 2004, at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Redemption Period	Redemption Price
June 1, 2004 through May 31, 2005	102%
June 1, 2005 through May 31, 2006	101%
June 1, 2006 and thereafter	100%

As noted above, the Company may direct that the 1993 Series A Bonds be converted to bear interest at a new Interest Rate Mode (including a new Long Term Rate), in lieu of optional redemption, on any date on which the 1993 Series A Bonds are subject to optional redemption as described above. See "THE 1993 SERIES A BONDS--General."

Extraordinary Optional Redemption in Whole. The 1993 Series A Bonds may be redeemed by the County in whole at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events has occurred:

(a) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the 1993 Series A Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on December 1, 1993, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(b) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(c) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(d) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred which, in the judgment of the Company, render the continued operation of the Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the 1993 Series A Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

Redemptions

Optional Redemption. The 1993 Series A Bonds will be subject to redemption at the option of the County, upon the direction of the Company, in whole or in part, on any date on or after June 1, 2004, at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Redemption Period	Redemption Price
June 1, 2004 through May 31, 2005	102%
June 1, 2005 through May 31, 2006	101%
June 1, 2006 and thereafter	100%

As noted above, the Company may direct that the 1993 Series A Bonds be converted to bear interest at a new Interest Rate Mode (including a new Long Term Rate), in lieu of optional redemption, on any date on which the 1993 Series A Bonds are subject to optional redemption as described above. See "THE 1993 SERIES A BONDS--General."

Extraordinary Optional Redemption in Whole. The 1993 Series A Bonds may be redeemed by the County in whole at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events has occurred:

(a) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the 1993 Series A Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on December 1, 1993, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(b) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(c) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(d) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred which, in the judgment of the Company, render the continued operation of the Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the 1993 Series A Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(e) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the State or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) a final order or decree of any court or administrative body after the issuance of the 1993 Series A Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at the Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The 1993 Series A Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the County, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project. See "THE LOAN AGREEMENT--Maintenance; Damage, Destruction and Condemnation."

Mandatory Redemption; Event of Taxability. The 1993 Series A Bonds are subject to mandatory redemption by the County at 100% of the principal amount thereof plus accrued interest to the redemption date if the Company is required to prepay the amounts due under the Loan Agreement after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the interest payable on the 1993 Series A Bonds is included for federal income tax purposes in the gross income of any owner (other than any owner who is a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code). Such mandatory redemption will take place within 180 days after such final determination.

Such redemption is not obligatory unless the Company has participated in or had the opportunity to participate, to a degree the Company reasonably deems sufficient, in the proceeding which resulted in such determination, either directly or through an owner. No determination will be considered final until the conclusion of any appellate review or the expiration of the time for seeking such review. Further, no redemption obligation will arise unless such owner permits the Company to participate in such proceedings to the degree the Company reasonably deems sufficient and gives the Company prompt written notice of the commencement of such proceedings. The 1993 Series A Bonds will be redeemed in whole, unless the Trustee receives an opinion of Bond Counsel that partial redemption would result in the interest payable on the remaining 1993 Series A Bonds outstanding after such redemption not being included in the gross income of any owner, other than an owner who is a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any 1993 Series A Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement, the 1993 Series A Bonds are not subject to mandatory redemption. In such circumstances, owners would continue to hold their 1993 Series A Bonds, receiving principal and interest at the rate or rates otherwise then applicable, as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final determination of taxability, 1993 Series A Bonds will no longer be subject to mandatory redemption by reason of such determination of taxability.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the 1993 Series A Bonds to be redeemed not less than 30 days and not more than 60 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any 1993 Series A Bond will not affect the validity of any proceedings for the redemption of any other 1993 Series A Bond. No further interest will accrue on the principal of any 1993 Series A Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Trustee as of the redemption date.

So long as Cede & Co., as nominee of DTC, is the registered owner of all of the 1993 Series A Bonds, all notices of redemption or mandatory tender will be sent only to Cede & Co., and delivery of notices of redemption or mandatory tender to the Direct Participants (as hereinafter defined), if any, will be solely the responsibility of DTC.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry system have been obtained from DTC. The County, the Company and the Underwriters make no representation as to the adequacy or accuracy of such information.

DTC will act as securities depository for the 1993 Series A Bonds and the 1993 Series A Bonds initially will be issued solely in book-entry form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the 1993 Series A Bonds will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 1993 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1993 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 1993 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 6)

JUNE 30, 2004

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.
5,300,000 shares of Cumulative Preferred Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock.
37,817,878 shares issued and outstanding.

Preferred Stock
$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.
$100 stated value, 6.53% cumulative, 200,000 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

Preferred Stock outstanding has cumulative provision on dividends.

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of June 30, 2004, the amount of indebtedness secured thereby was $389,830,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

(5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at June 30, 2004, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount: Authorized	Principal Amount: Outstanding at June 30, 2004	Interest Expense Year Ended June 30, 2004
P	05/15/92	05/15/07	7 92%	$ 53,000,000	$ 53,000,000	$ 4,197,600
P	05/15/92	05/15/27	8.55%	33,000,000	-	1,136,440
Q	06/15/93	06/15/03	6.32%	62,000,000	-	-
R	06/01/95	06/01/25	7.55%	50,000,000	50,000,000	3,775,000
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400
Pollution Control Bonds						
9	12/01/93	12/01/23	5 75%	50,000,000	50,000,000	2,875,000
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	593,709
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	128,713
12	02/01/02	02/01/32	Variable	20,930,000	20,930,000	231,534
13	02/01/02	02/01/32	Variable	2,400,000	2,400,000	26,549
14	02/01/02	02/01/32	Variable	7,400,000	7,400,000	81,861
15	02/01/02	02/01/32	Variable	7,200,000	7,200,000	76,042
16	07/01/02	10/01/32	Variable	96,000,000	96,000,000	1,036,013
					389,830,000	16,314,861
Interest rate swap						(6,773,520)
Long term debt mark to market					16,938,624	(314,149)
Total					$ 406,768,624	$ 9,227,192

(6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest during the last 12-month period.

Date of Issue	Amount	Rate of Interest	Date of Maturity	Year Ended June 30, 2004
12/31/00	$ 53,180,542	Various	Various	$ 702,377
04/30/03	100,000,000	4.55%	04/30/13	4,562,639
08/15/03	75,000,000	5.31%	08/15/13	3,495,750
11/24/03	33,000,000	4.24%	11/24/10	843,407
12/18/03	75,000,000	2.29%	12/19/05	920,771
01/15/04	50,000,000	4.39%	01/16/12	1,195,058

(7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

(8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

1999	73,000,000
2000	94,500,000
2001	30,500,000
2002	-
2003	-
2004	-

(1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy LLC and all dividends declared by KU's Board of Directors are paid to LG&E Energy LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of $1 1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, $100 stated value, for a total of $ 237,500 per quarter. On an annual basis the dividend amounted to $4.75 per share, or $950,000.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of $1 6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, $100 stated value, for a total of $326,500 per quarter. On an annual basis the dividend amounted to $6.53 per share, or $1,306,000.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through June 30, 2004. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending June 30, 2004.

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item 2(a))

The 2003 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). The Annual Report, the FERC Form 1, and subsequent monthly reports of KU have been previously filed with the Commission.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending June 30, 2004.

KENTUCKY UTILITIES COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
JUNE 30, 2004

	YEAR ENDED CURRENT MONTH
	CONSOLIDATED
Electric Operating Revenues	925,383,004 96
Rate Refunds	7,328,288 44
Total Operating Revenues	932,711,293 40
Operating Expenses	
Fuel	277,485,241 39
Power Purchased	120,519,476 42
Other Operation Expenses	144,020,994 80
Maintenance	52,809,501 22
Depreciation	95,820,727 95
Amortization Expense	5,480,712 34
Regulatory Credits	(1,470,705 32)
Taxes	-
Federal Income	37,803,771 75
State Income	17,019,428 75
Deferred Federal Income - Net	23,961,916 26
Deferred State Income - Net	366,953 54
Federal Income - Estimated	-
State Income - Estimated	-
Property and Other	16,261,810 31
Loss (Gain) from Disposition of Utility Plant	-
Loss (Gain) from Disposition of Allowances	(444,234 89)
Accretion Expense	1,261,668 00
Total Operating Expenses	790,897 262 52
Net Operating Income	141,814,030 88
Other Income Less Deductions	
Interest and Dividend Income	745,461 66
Other Income Less Deductions	5,511,378 36
AFUDC - Equity	1,471,752 49
Total Other Income Less Deductions	7,728,592 51
Income Before Interest Charges	149,542,623 39
Interest on Long Term Debt	20,061,897 10
Amortization of Debt Expense - Net	1,015,497 10
Other Interest Expenses	3,672,485 80
AFUDC - Borrowed Funds	(598,602 09)
Total Interest Charges	24,151,277 91
Net Inc Before Cumulative Effect of Acctg Chg	125,391,345 48
Cumulative Effect of Accounting Chg Net of Tax	-
Net Income	125,391,345 48
Preferred Dividend Requirements	2,256,006 50
Earnings Available for Common	123,135,338 98

KENTUCKY UTILITIES COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET AS OF JUNE 30, 2004

ASSETS AND OTHER DEBITS	CONSOLIDATED
Utility Plant	
Utility Plant at Original Cost	3,645,813,883 27
Less Reserves for Depreciation & Amortization	1,643,519,886 31
Total	2,002,293,996 96
Investments - At Cost	
Nonutility Property-Less Reserve	896,372 34
Investments In Subsidiary Companies	11,935,268 20
Investments in KU-R	-
Ohio Valley Electric Corporation	250,000 00
Other	543,562 16
Special Funds	5,570,796 55
Total	19,195,999 25
Current and Accrued Assets	
Cash	9,554,936 60
Special Deposits	142,349 19
Temporary Cash Investments	-
Accounts Receivable-Less Reserve	94,899,337 86
Notes Receivable from Assoc Companies	-
Notes Receivable from KU/KU-R	-
Accounts Receivable from Assoc Companies	9,387,821 16
Materials & Supplies-At Average Cost	
Fuel	35,551,846 80
Plant Materials & Operating Supplies	22,222,739 09
Stores Expense	5,144,123 98
Allowance Inventory	5,930,971 34
Prepayments	3,327,479 21
Miscellaneous Current & Accrued Assets	607,471 93
Total	186,769,077 16
Deferred Debits and Other	
Unamortized Debt Expense	4,349,292 07
Unamortized Loss on Bonds	10,127,383 90
Accumulated Deferred Income Taxes	60,990,722 37
Deferred Regulatory Assets	69,215,224 80
Other Deferred Debits	39,231,468 76
Total	183,914,091 90
Total Assets and Other Debits	2,392,173,165 27

LIABILITIES AND OTHER CREDITS	CONSOLIDATED
Capitalization	
Common Stock	308,139,977 56
Common Stock Expense	(321,288 87)
Paid-In Capital	15,000,000 00
Other Comprehensive Income	(160,762 20)
Retained Earnings	618,411,168 96
Unappropriated Undistributed Subsidiary Earnings	10,639,468 20
Total Common Equity	951,708,563 65
Preferred Stock	39,726,894 58
First Mortgage Bonds	385,030,000 00
Other Long-Term Debt	-
LT Notes Payable to Associated Companies	333,000,000 00
Long-Term Debt Marked to Market	10,039,796 00
Total Long-Term Debt	728,069,796 00
Total Capitalization	1,719,505,254 23
Current and Accrued Liabilities	
Advances from Associated Companies	-
Long-Term Debt Due in 1 Year	-
Notes Payable	-
Notes Payable to Associated Companies	53,180,541 95
Accounts Payable	48,355,830 01
Accounts Payable to Associated Companies	25,114,902 04
Customer Deposits	13,867,098 18
Taxes Accrued	17,009,531 54
Interest Accrued	5,465,163 24
Dividends Declared	188,000 00
Misc Current & Accrued Liabilities	7,712,890 22
Total	170,893,957 18
Deferred Credits and Other	
Accumulated Deferred Income Taxes	340,833,305 95
Investment Tax Credit	4,831,975 32
Regulatory Liabilities	49,137,462 43
Customer Advances for Construction	1,624,500 46
Asset Retirement Obligations	20,338,828 27
Other Deferred Credits	19,511,602 43
Misc Long-Term Liabilities	4,728,350 08
Misc Long-Term Liab Due to Assoc Co	-
Accum Provision for Post-Retirement Benefits	60,767,928 92
Total	501,773,953 86
Total Liabilities and Other Credits	2,392,173,165 27

KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS
JUNE 30, 2004

Retained Earnings and Undistributed Earnings	Year Ended Current Month Total Retained Earnings
Balance Beginning of Period..........	519,334,751 79
Net Income To Date	125,400,935 19
Adjust for Equity in Subsidiary	
Earnings for Year	
-EE Inc........	(3,068,511.52)
Dividends Rec'd Current Year	
-EE Inc....	-
Preferred Stock Dividends..................	(2,256,006.50)
Common Stock Dividends...	(21,000,000.00)
Balance End of Period......................	618,411,168.96

KENTUCKY UTILITIES COMPANY
(801 KAR 5:001, Section 11, Item 2(b))

The Applicant's Indenture of Mortgage or Deed of Trust dated May 1, 1947, as heretofore amended, securing Applicant's outstanding First Mortgage Bonds has heretofore been filed with the Commission. The most recent Supplemental Indenture, dated September 1, 2002, is on file with the Commission in Case No. 2002-231 (In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issue of Securities).

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am the duly qualified and acting Secretary of Kentucky Utilities Company (the "Company"), a Kentucky corporation, that as Secretary, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolutions were adopted by the Board of Directors of the Company by unanimous written consent in lieu of a meeting, dated June 4, 2004, and that the attached is a full, true and correct copy of said resolutions as they appear on the records of the Company and that the same has not been altered, amended or repealed.

IN WITNESS WHEREOF, I have signed and affixed the seal of the Company this 27th day of July, 2004.

John R. McCall
Executive Vice President, General
Counsel and Secretary

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ACTION OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY
TAKEN BY WRITTEN CONSENT

June 4, 2004

REFINANCING OF CERTAIN TAX-EXEMPT REVENUE BONDS

WHEREAS, the County of Carroll, Kentucky has issued and outstanding: $50,000,000 in principal amount of its 5 3/4% Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project) 1993 Series A (such series of bonds being herein referred to as the "Existing Bonds"); which provided financing for the acquisition and construction of certain solid waste disposal facilities (the "Project") of the Company in Carroll County, Kentucky (referred to herein as the "Issuer"); and

WHEREAS, market conditions may warrant, in the foreseeable future, refinancing of all or a portion of the Existing Bonds, and it is appropriate and in the best interest of the Company that action be taken to authorize such an undertaking; and

WHEREAS, in connection with the refinancing of the Existing Bonds, the Company may secure its payment obligations under one or more loan agreements with the Issuer; and

WHEREAS, such security may be in the form of bond insurance and/or one or more series of the Company's First Mortgage Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Company as follows:

(a) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and directed to cause the preparation of, and to approve, the following documents in connection with the refinancing of all or a portion of the Existing Bonds referred to above: (i) a loan agreement or loan agreements to be entered into between the Company and the Issuer whereby such Issuer will issue one or more series of its Environmental Facilities Revenue Bonds (collectively, the "Environmental Facilities Bonds") and loan the proceeds to the Company to be used to refund, pay and discharge all or a part of its Existing Bonds and pursuant to which the Company will be obligated to make loan payments sufficient to pay the principal of, premium, if any, and interest on such Environmental Facilities Bonds to be issued by such Issuer, and any related expenses, (ii) one or more guaranties from the Company in favor of a trustee or trustees chosen or appointed by such officers of the Company (the "Trustee") for the benefit of the holders of the Environmental Facilities Bonds guaranteeing repayment of all or any part of the obligations under such Environmental Facilities Bonds, (iii) such contracts of purchase, underwriting agreements or similar contracts or agreements with the Issuer and with other appropriate parties relating to the issuance of the Environmental Facilities Bonds, (iv) a preliminary official statement or preliminary official statements and a final official statement or final official statements which will describe the Company, the Issuer, the Project, the Environmental Facilities Bonds, the loan agreements, and indentures of trust pursuant to which such Environmental Facilities Bonds are to be issued, and which will be used by the underwriter or underwriters chosen by such officers of the Company (the "Underwriters") in connection with the sale of such Environmental Facilities Bonds to the public, (v) a form or forms of escrow agreement, or such other documents as may be deemed appropriate, by and between the Issuer and the trustee under the indenture pursuant to which the Existing Bonds were issued and pursuant to which certain securities may be held by such trustee in order to provide for the payment and discharge of the Existing Bonds, (vi) such reimbursement agreements, remarketing agreements, auction agreements, broker-dealer agreements, credit agreements, bond insurance documents or agreements or other similar documents or agreements as may be reasonably required, in the event the Environmental Facilities Bonds, or any of them, are issued as variable rate demand or similar instruments, in the discretion of such officers, (vii) one or more supplemental indentures and/or supplemental trust indentures pursuant to which the Company may issue its Notes or First Mortgage Bonds to secure the transaction, and (viii) such other related documents, forms, certificates or agreements as shall be necessary or appropriate to effectuate such refinancing.

(b) That the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter into one or more Indentures or similar agreements (collectively, the "Indenture") with a trustee or trustees to be selected by the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President or the Treasurer, as supplemented by one or more supplemental indentures thereto, and to issue from time to time the Notes or First Mortgage Bonds thereunder, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents deems appropriate, with such officer's execution of the definitive documents to conclusively evidence such officer's approval and the approval of this Board of Directors.

(c) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and empowered (i) to execute and file, or cause to be filed, on behalf of the Company such applications or petitions with any federal, state, or local commission, court, agency or body having jurisdiction as may be required to obtain any approvals, consents, orders or rulings as such officers or counsel for the Company may deem to be necessary or desirable in connection with the Company's participation in such financing and the transactions and documents contemplated thereby, and (ii) to execute and deliver or file such amendments or supplements to said applications or petitions as may be required by law or as may be deemed to be proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the foregoing.

(d) That the Company shall borrow the sum of not to exceed $50,000,000 from the Issuer in accordance with the terms of the loan agreement or loan agreements, and the proceeds of such borrowings shall be used by the Company to pay and discharge all or a portion of the Existing Bonds and for such other purposes, if any, as may be provided in any of the agreements and documents required to be executed and delivered in connection with the issuance of the Environmental Facilities Bonds.

(e) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be, and each of them, hereby is authorized to approve offers for the purchase from the County of Carroll, Kentucky, of not to exceed $50,000,000 principal amount of Environmental Facilities Bonds. Such purchases may be through negotiation, competitive bidding, or private placement transaction, as determined to be reasonable. The proceeds will be loaned to the Company, at such purchase prices, which shall be not less than the principal amount thereof plus accrued interest from the date of such Environmental Facilities Bonds to the date of closing, and at such interest rate or rates, as determined to be reasonable.

(f) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more loan agreements with the County of Carroll, Kentucky, providing for the loan to the Company of the proceeds of not to exceed $50,000,000 principal amount of Environmental Facilities Bonds, in accordance with the terms and provisions thereof.

(g) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more guaranties in favor of the Trustee for the benefit of the holders of the Environmental Facilities Bonds guaranteeing the payment of all or any part of the obligations under such Environmental Facilities Bonds.

(h) That the appropriate officers of the Company be, and each of them hereby is, authorized to execute, on behalf of the Company, one or more contracts of purchase, underwriting agreements or similar contracts or agreements with Carroll County, Kentucky, and with other appropriate parties relating to the sale of not to exceed $50,000,000 principal amount of Environmental Facilities Bonds.

(i) That there is created for issuance under the Indenture of Mortgage or Deed of Trust, dated May 1, 1947, as supplemented, from the Company to Continental Illinois National Bank and Trust Company of Chicago and Edmond B. Stofft, as Trustees (now U.S. Bank National Association and Richard Prokosch, as successor Trustees), one new series of bonds of the Company designated "First Mortgage Bonds, Pollution Control Series

No. 17," in a principal amount not to exceed $50,000,000 (the "Bonds"), the principal amount of and interest on which Bonds shall not be payable except upon the occurrence of an event of default or otherwise as set forth in a new Supplemental Indenture (the "Supplemental Indenture") pertaining to the Bonds. The terms and provisions thereof shall be substantially as set forth in the form or forms of bond provided in the Supplemental Indenture with such variations (in the event temporary bonds are issued originally) as are contemplated by Section 12 of Article I of the Indenture.

(j) That for purposes of setting forth the particulars of the Bonds, of specifically subjecting property to the lien of said Indenture as supplemented; of supplementing Article I of said Indenture; and of adding to the covenants set forth in said Indenture new covenants to be performed and observed by it, this Company shall execute and deliver to U.S. Bank National Association and Richard Prokosch, or their successors, as Trustees, a Supplemental Indenture.

(k) That the President, Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be and they are hereby authorized, empowered and directed on behalf of this Company to cause the Supplemental Indenture to be filed for record as necessary and to take any other steps to make it binding upon and enforceable against this Company in accordance with its terms.

(l) That the President, any Vice President, Treasurer, or any other officer of the Company be and they are hereby authorized, empowered and directed to execute on behalf of this Company (the signature of S. Bradford Rives, as Chief Financial Officer, and the facsimile signature of John R. McCall, as Secretary being hereby approved and adopted) not to exceed $50,000,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 17, of this Company, to cause its corporate seal to be affixed or printed, lithographed or engraved thereon and to cause said Bonds to be authenticated by the manual signature of an authorized officer or agent of U.S. Bank National Association or its successor, as Trustee.

(m) That the President, Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be and any of them hereby is authorized, empowered and directed to deliver not to exceed $50,000,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 17, on behalf of this Company to the Trustee under an Indenture of Trust from the County of Carroll, Kentucky, to such Trustee, in accordance with the terms of the contract of purchase, or similar agreement providing for the sale of the Environmental Facilities Bonds of the Issuer, which Environmental Facilities Bonds of the Issuer, are described herein.

(n) That U.S. Bank National Association or its successor, as Trustee, be and it is hereby authorized, empowered and directed, upon compliance by the Company with the applicable provisions of said Indenture dated May 1, 1947, as supplemented and as it is to be supplemented, to authenticate and deliver not to exceed $50,000,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 17.

(o) That the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and any of them is hereby authorized, empowered and directed to execute any and all instruments, pay any and all taxes, and do any and all acts and things that may be necessary or required by said Indenture dated May 1, 1947, as supplemented and as it is to be supplemented, or that may in their judgment be advisable to effectuate the issuance, authentication, delivery and sale of not to exceed $50,000,000 principal amount of the Bonds according to the tenor and purport of these resolutions, and without limitation of the foregoing that the officers of this Company be and they are hereby authorized, empowered and directed to make an application or applications to the Trustee as provided in Article II of said Indenture dated May 1, 1947, for authentication and delivery by the Trustee of the Bonds, in the aggregate principal amount of not to exceed $50,000,000 under the provisions of Sections 2, 3 and/or 4 of said Article II of said Indenture dated May 1, 1947.

(p) That the President, Chief Financial Officer, any Vice President, or any other officer of the Company be and they are hereby authorized, empowered and directed to cause this Company's corporate name and seal to be affixed to said Supplemental Indenture and to sign, attest, acknowledge and deliver said Supplemental Indenture for and in behalf of this Company.

(q) That the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter into one or more bond insurance or similar agreements with a bond insurer to be selected by the Chief Executive Officer, the President, Chief Financial Officer, any Vice President or the Treasurer, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents shall deem necessary or advisable, the execution of such documents thereby to conclusively evidence such officer's approval and the approval of this Board of Directors.

(r) That in the event all or a portion of the Environmental Facilities Bonds bear a variable rate of interest, the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company one or more remarketing agreements, auction agreements, reimbursement agreements or similar agreements with appropriate parties providing for the remarketing of such Environmental Facilities Bonds, a credit agreement or credit agreements or similar agreements and any promissory notes to be issued pursuant to such agreements for the purpose of providing a source of funds upon tender of such Bonds, and any other agreements in order to consummate the transactions contemplated by the loan agreement or loan agreements.

(s) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company: (i) one or more interest rate swap, collar, or cap agreements or similar agreements with one or more underwriters, banks or other financial institutions providing for the hedging of the interest rate on the Environmental Facilities Bonds and (ii) any other agreement, document or instrument that may be necessary or appropriate in connection with any such transaction.

(t) That the Chief Executive Officer, the President, any Vice President, or any other officer of the Company be, and each one of them is, authorized, empowered and directed to take any action and to execute and deliver any document, certificate or other instrument, including one or more escrow agreements, that may be necessary or appropriate: (i) to call for redemption the Existing Bonds and first mortgage bonds which secure such Existing Bonds on such date as said officer or officers may deem appropriate, or (ii) to otherwise effect the payment and discharge of the Existing Bonds and first mortgage bonds which secure such Existing Bonds.

(u) That the officers of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company and under its corporate seal or otherwise, to take or cause to be taken all such further actions and to execute and deliver or cause to be executed and delivered all such further documents, bond insurance documents or agreements, certificates and agreements (including without limitation, instruments authorizing or consenting to amendment, modifications or waivers to any of the agreements or disclosure documents executed in connection with the issuance, execution and delivery of the Notes or Bonds, the execution and delivery of the First Mortgage Bonds, the execution and delivery of the bond insurance documents or agreements, and the execution and delivery of the Indenture) as such persons may deem necessary, advisable or appropriate in connection with the transactions contemplated thereby and hereby, and to incur all such fees and expenses as shall be necessary, advisable or appropriate in their judgment in order to carry into effect the purpose and intent of any and all of the foregoing resolutions.

(v) That the Chief Executive Officer, the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and they are hereby authorized and empowered to take all steps or actions, and to execute and deliver any other documents, certificates or other instruments, deemed necessary, proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the financing referred to above and to carry out the purposes of the foregoing resolutions.

(w) That Daniel K. Arbough is hereby appointed as "Company Representative" and S. Bradford Rives and Paul W. Thompson are hereby appointed as "Alternate Company Representatives," respectively, under the provisions of the indentures and the loan agreements. The President and any Vice President, the Chief Financial Officer or the

Treasurer of the Company are authorized to appoint from time to time other persons (who may be employees of the Company) to act as "Company Representative" or "Alternate Company Representative" under the indentures and the loan agreements.

(x) That any acts of the officers of this Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as acts in the name of and on behalf of this Company.

(y) That the Board of Directors does hereby adopt, as if fully set out herein, the form of any resolutions with respect to the Environmental Facilities Bonds as may be required by the Underwriters, U.S. Bank National Association, as Trustee, and any other entities requiring such resolutions to effect the intent of these resolutions.

(z) That each of the Chief Executive Officer, President, Chief Financial Officer, any Vice President, the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company be, and hereby is, authorized and directed to take any and all further action to see that the intent of the above resolutions are carried forth.