



Mr. Ron Jones
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Rick E. Lovekamp
Manager – Regulatory Affairs
T 502-627-3780
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rick.lovekamp@eon-us.com

VIA UPS OVERNIGHT DELIVERY

June 4, 2007

**RE: Petition of *Kentucky Utilities Company* for an Order Authorizing the
 Issuance of Securities and the Assumption of Obligations
 Docket No. 06-00121**

Dear Mr. Jones:

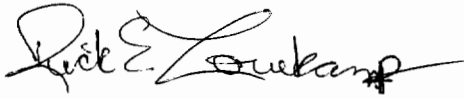
Pursuant to Ordering Paragraph No. 3 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of all correspondence submitted to the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission ("VSCC") under said Order.

On July 11, 2006 and November 3, 2006, KU filed pursuant to the KPSC Order Authorizing the Issuance of Securities and the Assumption of Obligations, reports setting forth the loan provisions of \$100,000,000 borrowing from Fidelia Corporation.

Additionally, KU, d/b/a Old Dominion Power ("ODP") filed pursuant to the VSCC Order Authorizing the Issuance of Securities and the Assumption of Obligations, Preliminary and Final Reports of Action as stipulated in the order. On May 17, 2007, the VSCC issued a Dismissal Order acknowledging that KU fully met all requirements on this matter.

Attached are copies of all correspondence submitted to the KPSC, VSCC, and the VSCC Dismissal Order. Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy. Should you have any questions regarding this transaction or this information, please contact me or Don Harris at (502)627-2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp", with a stylized flourish at the end.

Rick E. Lovekamp

cc: Eddie Roberson – Tennessee Regulatory Authority
Sara Kyle – Tennessee Regulatory Authority
Dan Arbough
Kendrick Riggs – Stoll · Keenon · Ogden



Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

July 11, 2006

RE: Kentucky Utilities Company (Case No. 2006-00155)

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 6 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of information related to an issuance under said Order.

On June 23, 2006, KU borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 22, 2006 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelity Corporation
Amount:	\$50 million
Maturity Date:	June 23, 2036
Interest Rate:	6.33%
Price Paid:	100%
Proceeds:	\$50 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	June 23 and December 23 commencing December 23, 2006

The interest rate was set using the lowest rate quoted to KU at 1.07% above the yield on the thirty-year treasury bond (5.26%). The supporting price indications from the investment banks are attached along with a copy of a page from Bloomberg showing the yield on the treasury bond. The lowest rate

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Elizabeth O'Donnell
July 11, 2006

quoted to KU by the investment banks was lower than the lowest bid quoted to E.ON A.G. Once again, the supporting price indications are attached. The bids are summarized in the table below:

	KU Pricing	E.ON Pricing	AG
Low bid above thirty-year treasury	1.07%		
Thirty-year treasury rate	5.26%		
All-in cost	6.33%		
Low bid above thirty-year treasury		1.10%	
Thirty-year treasury rate		5.26%	
All-in cost		6.36%	

The proceeds of the loan were used to fund capital projects described in this application.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the envelope provided.

Should you have any questions regarding this transaction or this information, please contact me at (502) 627-3780 or contact Don Harris at (502) 627-2021.

Sincerely,



Rick E. Lovekamp

cc: Dan Arbough
Kendrick R. Riggs – Stoll · Keenon · Ogden

KU Intercompany Loan with Fidelia (\$50MM)
Spread Comparison - July 6, 2005

	<u>KU</u>	<u>E.ON AG</u>
Citigroup	1.07%	
JP Morgan	1.21%	
Barclays	1.22%	
UBS		1.25%
Morgan Stanley		1.10%
ABNAmro		1.20%
Lowest Rate - KU, E.ON AG <i>(Three Lowest Quotes for each)</i>	1.07%	1.10%
30-Year US Treasury Rate at Pricing	5.26%	
All-in Rate	6.33%	

<HELP> for explanation, <MENU> for similar functions. N172 Govt **ALLQ**
 T 5³ 02/15/31 Market **101-18⁵/101-18⁷** Prev 101-17³₄

Additional Providers		Options	TS ³ 02/15/31		All Quotes		16:03:46
Buy Inquiry		Sell Inquiry		AXES		BW	OW
SPREAD	VS	98-103 ₈ / 99-203 ₈		5.100 / 5.100		7.0 / 7.0	
Abbr	Firm Name	Bid Price / Ask Price		Bid Yield / Ask Yield		Bid Sz x Ask Sz (MM)	
CBBT	BONOTRADER COMPOSITE	101-18 ¹ ₄ / 101-18 ¹ ₈		5.280 / 5.280		x	
ML	MERRILL LYNCH	101-18 / 101-20		5.281 / 5.280		10 x 10	
GXC	G X CLARKE	101-17 ³ ₈ / 101-20 ³ ₈		5.280 / 5.283		9 x 9	
UBAM	UBM AUTO BX	101-17 ⁵ ₈ / 101-20+		5.280 / 5.283		5 x 5	
MZ	MIZUHO SECS. USA	101-18 ¹ ₈ / 101-21 ¹ ₈		5.280 / 5.284		3 x 3	
MANB	MAN FINANCIAL, US	101-18 ⁵ ₈ / 101-18 ⁵ ₈		5.280 / 5.287		5 x 5	
WSBK	WALL STREET ACCESS	101-17 ¹ ₄ / 101-20 ¹ ₄		5.280 / 5.283		1 x 1	
AAUS	ABN Amro - USA	101-18 / 101-18+		5.281 / 5.287		25 x 25	
ZNBK	ZIONS BANK	101-18 / 101-20		5.281 / 5.288		5 x 5	
BSC	BEAR STEARNS N Y	101-18 / 101-18 ¹ ₄		5.281 / 5.288		5 x 5	
BOT	BLOOMBERG BONOTRADER	101-18 ⁵ ₈ / 101-18 ⁷ ₈		5.280 / 5.280		5 x 25	
BOIR	Jefferies-BD	101-17 ⁷ ₈ / 101-18 ¹ ₈		5.281 / 5.288		2 x 2	
BART	BARCLAYS CAPITAL US	101-18 ¹ ₈ / 101-18 ⁷ ₈		5.288 / 5.285		x	
BGM	BLOOMBERG GENERIC	101-18 / 101-20		5.281 / 5.288		x	
TSSE	TEST SSECMS	102-00 / 103-00		5.220 / 5.108		10 x 10	
<input type="checkbox"/> Enabled Dealers Only		Blue = Enabled Dealers		White = Executable		Grey = Does not monitor	
<input type="checkbox"/> Executable Dealers Only		1st BBT		2nd		3rd	
		4th		5th		Price Individually	

Australia 61 2 9777 8600 Brazil 55 11 3048 4500 Europe 44 20 7530 7500 Germany 49 69 920410
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P.
 6433-111-2 21-Jun-06 16:03:46

yield: 6.329 %
 spread 107 bp

Horne, Elliott

From: Hiller, Howard L [GFI] [howard.l.hiller@citigroup.com]
Sent: Monday, June 19, 2006 9:21 AM
To: Horne, Elliott
Cc: Arbough, Dan; Rice, Christopher [GFI]
Subject: RE: Kentucky Utilities Indicative Pricing

Based on recent (June 5) SDG&E 20-year FMBs, A1/A+, at +86bp, we would use about +95-100bp. (The SDG&E deal was index-eligible – \$250mm – and a \$50mm deal would have a small premium.) Markets are also still quite choppy.

To get to all-in, you have to add about 7 bp.

I hope that is responsive.

Regards,

Howard

Howard Hiller
Managing Director
Fixed Income Capital Markets
Citigroup Global Markets Inc.
390 Greenwich Street, 4th Floor
New York, NY 10013
212 723 6098
howard.l.hiller@citigroup.com

-----Original Message-----

From: Horne, Elliott [mailto:Elliott.Horne@eon-us.com]
Sent: Monday, June 19, 2006 9:09 AM
To: Hiller, Howard L [GFI]
Cc: Arbough, Dan
Subject: Kentucky Utilities Indicative Pricing

Howard,
Can you please have your capital markets desk provide me with some indicative pricing (all-in spread) on a Kentucky Utilities first mortgage bond (Rated A1/A). The term would be 30 years and the amount would be \$50 million. We are pricing an intercompany loan this week and our regulators require that we obtain pricing from independent parties in pricing the intercompany loan. Please call me at (502)627-3652 if you should have any questions. Thanks for your help!

JUNE 19, 2006



PRICING UPDATE

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Kentucky Utilities indicative new issue pricing

Fixed rate pricing - A1/A, first mortgage bonds	
Maturity	30
Reference Treasury	5.375% 02/31
Treasury Yield	5.25
Reoffer Spread (bps) ¹	110 - 115
Coupon (%)	6.35 - 6.40
Amortized fees (bps)	6
All-in Cost (%)	6.41 - 6.46



Indicative New Issue Pricing – Kentucky Utilities (A1/A) First Mortgage Bonds

Benchmark	5.375% 2/31
Benchmark Yield	5.250%
Reoffer Spread	+110 - 115
Reoffer Yield	6.35% - 6.40%
Underwriting Commission	0.875%
All-in Yield	6.42% - 6.47%
Swap Spread	+52
Reoffer versus LIBOR	\$L+58 - 63
All-in versus LIBOR	\$L+65 - 70

Benchmark and reoffer spreads as of 6/19/2006.

2006/06/19



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Handwritten signature or initials in the bottom right corner.

Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Monday, June 19, 2006 12:29 PM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: WG: E.ON 30y USD financing indications

Indication number 1 for the loan pricing on Friday.

-----Ursprüngliche Nachricht-----

Von: tilo.kraus@ubs.com [mailto:tilo.kraus@ubs.com]

Gesendet: Montag, 19. Juni 2006 18:15

An: Heintzen, Lioba

Betreff: E.ON 30y USD financing indications

Dear Frau Heintzen,

we had a look at E.ON's potential refinancing costs in USD for a 30y offering. The best comparable from our perspective for E.ON in the US market appears to be UU, which however has a worse rating. UU's 2018s are trading at 127 over treasuries whilst the 2028s are trading at T + 140 or 6.58% .

On that basis we would see a 30y E.ON issue at around T + 125 or a new issue yield of 6.44%, reflecting the better credit quality. This would swap into roughly MS + 63 bps including fees.

Please do not hesitate to contact us should you require further information.

Best regards,

Tilo Kraus

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Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Monday, June 19, 2006 12:29 PM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: WG: 30y financing costs

Indication 2.

Von: Bilo, Stephanie (GCM) [mailto:Stephanie.Bilo@morganstanley.com]
Gesendet: Montag, 19. Juni 2006 16:37
An: Bilo, Stephanie (GCM); Heintzen, Lioba
Cc: Lingnau, Philipp (GCM)
Betreff: RE: 30y financing costs

Hi Lioba

With regards to you request:

We believe that in the current markets E.ON AG could currently refinance at T+ 110bps for 30 years (above US T Feb-31), which is Mid Swaps + 56.

Best regards,

Stephanie

Stephanie Bilo - Vice President

Morgan Stanley | Global Capital Markets
20 Cabot Square | Canary Wharf | Floor 01
London, E14 4QW
Phone: +44 20 7677-2041
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6/21/2006

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Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Monday, June 19, 2006 12:49 PM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: WG: US\$ Levels

Indication 3.

Are these indications in line with your expectations?

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen
E.ON AG / Treasury
E.ON-Platz 1
40479 Düsseldorf

p: 0049 (0) 211 4579 655
f: 0049 (0) 211 4579 669
m: lioba.heintzen@eon.com

-----Ursprüngliche Nachricht-----

Von: hussain.hussain@uk.abnamro.com [mailto:hussain.hussain@uk.abnamro.com]

Gesendet: Montag, 19. Juni 2006 15:45
An: Heintzen, Lioba
Betreff: US\$ Levels

Dear Ms Heintzen,

As requested please find below indicative new issuance levels for E.ON:

- for a 30 year US\$ 50 mln issue the all-in cost would be UST + 120 bp = Libor + 60 bp
(reference UST is the UST 4.25% due February 2036).

I hope this information is useful.

Please do not hesitate to contact me if you have any queries.

Kind regards,

Hussain Hussain
Corporate Origination
ABN AMRO
250 Bishopsgate
London EC2M 4AA
UK

Phone: +44 (0) 207 678 8710
Fax: +44 (0) 207 678 3597

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Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
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Frankfort, Kentucky 40602-0615

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State Regulation and Rates
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Manager – Regulatory Affairs
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rick.lovekamp@eon-us.com

November 3, 2006

RE: Kentucky Utilities Company (Case No. 2006-00155)

Dear Ms. O'Donnell

Pursuant to Ordering Paragraph No. 6 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of information related to an issuance under said Order.

On October 25, 2006, KU borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 22, 2006 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelity Corporation
Amount:	\$50 million
Maturity Date:	October 25, 2016
Interest Rate:	5.675%
Price Paid:	100%
Proceeds:	\$50 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	April 25 and October 25 commencing April 25, 2007

The proceeds of the loan were used to fund capital projects described in application.

The interest rate was set using the lowest rate quoted to KU at 0.84% above the yield on the ten-year treasury bond (4.835%). The supporting price indications from the investment banks are attached along with a copy of a page from Bloomberg showing

the yield on the treasury bond. The lowest rate quoted to KU by the investment banks was lower than the average bid quoted to E.ON A.G. Once again, the supporting price indications are attached. The bids are summarized in the table below:

	KU Pricing	E.ON AG Pricing
Low bid above ten-year treasury	0.840%	
Ten-year treasury rate	4.835%	
All-in cost	5.675%	
Average bid above ten-year treasury		0.870%
Ten-year treasury rate		4.835%
All-in cost		5.705%

The 84 basis point spread is comparable with recent ten-year debt issuances from other energy companies with a similar credit rating. (See table below along with attached support documentation).

Issuer	Moody's / S&P	Maturity	Spread
Conoco Phillips	A1 / A	10/15/2016	+ 87 bps
Orange and Rockland	A2 / A	10/01/2016	+ 90 bps
Consolidated Edison	A1 / A	9/15/2016	+ 83 bps
UGI Utilities Inc.	A3 / A	9/30/2016	+ 98 bps

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the envelope provided.

Should you have any questions regarding this transaction or this information, please contact me at (502)627-3780 or contact Don Harris at (502)627-2021.

Sincerely,



Rick E. Lovekamp

cc: Dan Arbough
Kendrick Riggs

**KU Intercompany Loan with Fidelia (\$50MM)
Spread Comparison - October 23, 2006**

	<u>KU</u>	<u>E.ON AG</u>
Lehman Brothers	0.88%	
Wachovia	0.84%	
Merrill Lynch	0.89%	
UBS		0.90%
Morgan Stanley		0.90%
ABNAmro		0.81%
Lowest Rate - KU, Avg. Rate - E.ON AG	0.84%	0.87%
10-Year US Treasury Rate at Pricing	4.835%	
All-in Rate	5.675%	

GRAB

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Additional Providers

Options

T4 7g 08/15/16

All Quotes

16:00:53

Buy Inquiry

Sell Inquiry

LAXES

BO

SPREAD

VS

T4 7g 08/15/16 Govt

@

100-09+ / 100-10

4.836 / 4.834

0.0 / 0.0

bps

Abbr	Firm Name	Bid Price / Ask Price	Bid Yield / Ask Yield	Bid Sz X Ask Sz (Mm)	Time
CBBT	BONDTRADER COMPOSITE	100-09+ / 100-10	4.836 / 4.834	X	16:00
ML	MERRILL LYNCH	100-09+ / 100-10	4.836 / 4.834	10 X 10	16:00
ZNBK	ZIONS BANK	100-09+ / 100-10	4.836 / 4.834	2 X 2	16:00
GXC	G X CLARKE	100-09 ¹⁴ / 100-10 ¹⁴	4.837 / 4.833	9 X 9	16:00
BDIR	Jeffenes-BD	100-09+ / 100-10	4.836 / 4.834	5 X 5	16:00
DSAI	DALHOA SECURITIES AM	100-09+ / 100-10	4.836 / 4.834	5 X 5	16:00
MZ	MIZUHO SECS. USA	100-09+ / 100-10	4.836 / 4.834	40 X 40	16:00
WUSAX	WALL STREET ACCESS	100-09+ / 100-10	4.836 / 4.834	5 X 5	16:00
BART	BARCLAYS CAPITAL UST	100-09+ / 100-10	4.836 / 4.834	50 X 50	16:00
BGN	BLOOMBERG GENERIC	100-09+ / 100-10+	4.836 / 4.832	X	16:00
PERT	Pershing LLC	100-09+ / 100-10 ¹⁴	4.836 / 4.833	1 X 1	16:00
BSC	BEAR STEARNS N Y	100-09+ / 100-10	4.836 / 4.834	5 X 5	16:00
BBT	BLOOMBERG BONDTRADER	100-09+ / 100-10	4.836 / 4.834	50 X 50	16:00
AAUS	ABN AMRO - USA	100-09+ / 100-10	4.836 / 4.836	25 X 25	16:00
BBT3	BBT - FUTURES CLOSE	100-22+ / 100-23	4.783 / 4.781	5 X 10	0:00

☐ Enabled Dealers Only

Blue = Enabled Dealers

White = Executable

Grey = Does not monitor

Green = Best bid/ask

☐ Executable Dealers Only

1st

2nd

3rd

4th

5th

Price Individually

No

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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6433-111-0 23-Oct-06 16:00:53

Confidential Presentation to:

Kentucky Utilities

Indicative New Issue Pricing

October 17, 2006

LEHMAN BROTHERS

Summary Terms for Kentucky Utilities

Kentucky Utilities

Summary Terms for Underwritten US-Domestic First Mortgage Bond Assumes Secured Debt Ratings of A1 / A

Security	First Mortgage Bond
Maturity	10 yrs
Ratings	A1 / A
Optionality	Non-call
Treasury Benchmark	10-yr Treasury
Treasury Yield	4.77%
Re-offer Spread:	
Re-offer Yield	5.57%
Gross Spread:	0.65%
Amortization of Gross Spread:	0.08%
Semiannual All-in Cost:	5.65%

US Treasury Rate as of October 17, 2006

Kentucky Utilities Company

October 17, 2006

Market	Institutional
Tenor	10 year
Amount	\$50.0
Structure / Security	First Mortgage
Ratings	A1 / A
Pay Frequency	Semi-Annual
Reference Benchmark	10 YR UST
Benchmark Yield	4.76%
Reoffer Spread	75 bps area
Reoffer Yield	5.51% area
Underwriting Fee	0.650%
All-In Yield	5.60%
All-In Spread	84 bps
Mid Swap Rate	5.30%
Reoffer Floating Rate Spread	21 bps
All-In Floating Rate Spread	30 bps

"Area" defined as +/- 2 to 3 bps.

New Issue Pricing Indications

Kentucky Utilities

Indicative Pricing: First Mortgage Bonds (Assumed Ratings of A1/A)

Maturity	10 Year
Coupon Type	Fixed
Reset/Payment	NA/Semi
Call Provision	Make-Whole
Benchmark	UST 4.875% due 8/16
Benchmark Yield	4.756%
Reoffering Spread	T + 80 bps Area
Reoffer Yield	5.556%
Underwriting Commissions	0.650%
All-in Yield	5.642%
All-in Spread	T + 80 bps Area



Pricing indications as of October 17, 2006. Assumes a new issue settlement date of October 20, 2006, with interest accruing from October 20, 2006. All yields are quoted on a semiannual basis. Based upon First Mortgage Bond ratings of A1/A.

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Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Friday, October 20, 2006 3:00 AM
To: Arbough, Dan; Horne, Elliott
Subject: WG: E.ON USD 10yr spreads

-----Ursprüngliche Nachricht-----

Von: matthias.stieber@uk.abnamro.com [mailto:matthias.stieber@uk.abnamro.com]
Gesendet: Donnerstag, 19. Oktober 2006 17:20
An: Heintzen, Lioba
Betreff: E.ON USD 10yr spreads

Dear Ms. Heintzen,

please find below the indicative all-in spreads for a E.ON USD 50 mln 10 year transaction:

Treasuries +81bp
3m USD Libor +27bp

I hope this information is useful.

Kind regards,

Matthias Stieber
Corporate Origination
ABN AMRO
250 Bishopsgate
London EC2M 4AA
UK

Phone: +44 (0) 207 678 3537
Fax: +44 (0) 207 678 3597
Mob: +44 (0) 7769 674 415

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Von: Lingnau, Philipp (GCM) [Philipp.Lingnau@morganstanley.com]

Gesendet: Donnerstag, 19. Oktober 2006 18:34

An: Heintzen, Lioba

Cc: Bilo, Stephanie (GCM)

Betreff: RE: Spread

Hallo Frau Heintzen,

S+ 35 BP

T+ 90 BP

Mit freundlichen Grüßen

Philipp Lingnau

Philipp Lingnau - Executive Director

Morgan Stanley | Global Capital Markets
20 Cabot Square | Canary Wharf | Floor 01
London, E14 4QW
Phone: +44 20 7677-6816
Mobile: +44 77474-55575
Fax: +44 20 7056-1132
Philipp.Lingnau@morganstanley.com

From: Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]

Sent: 19 October 2006 09:30

To: Lingnau, Philipp (GCM)

Cc: Bilo, Stephanie (GCM)

Subject: Spread

Hallo,

ich brauche mal wieder einen Spread für rein interne Zwecke. Und zwar den all-in spread, den die E.ON AG über Treasuries und über Swaps zahlen müßte für ein privat placement in US 50m für eine Laufzeit von 10 Jahren.

Vielen Dank!

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen
E.ON AG / Treasury
E.ON-Platz 1
40479 Düsseldorf

p: 0049 (0) 211 4579 655

f: 0049 (0) 211 4579 669

m: lioba.heintzen@eon.com

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Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Friday, October 20, 2006 8:39 AM
To: Arbough, Dan; Horne, Elliott
Subject: WG: Indication for USD 50m private placement
Attachments: Legal Disclaimer

No 3

Von: Christian.Hirsch@ubs.com [mailto:Christian.Hirsch@ubs.com]
Gesendet: Freitag, 20. Oktober 2006 14:29
An: Heintzen, Lioba
Cc: Tilo.Kraus@ubs.com
Betreff: Indication for USD 50m private placement

Good afternoon,

As requested we send you our indication for a USD 50m private placement: 10y Treasury + 90bps or USD Libor + 35bps

The prices are based on the following data:

10y CDS on E.on: 35bps

ASW on EOAGR 6.375% 2017: 19bps

The private placement characteristics, the relatively small size and the limited appearance of E.on in the US justify - according to our syndicate - a premium over a comparable 144A issuance by E.on.

We hope the indication is helpful.

Kind regards,

Christian Hirsch

UBS Investment Bank

Christian Hirsch
Debt Capital Markets/Derivatives

Tel.: +44 207 567 3544

Fax.: +44 207 567 2411

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11/2/2006

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U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Oct 13, 2006

Peter Madonia, MD (212) 834-3808
Anisha Mehra, VP (212) 834-4918
Heather Towner, VP (212) 834-4871
Steve Leamer, Assoc (212) 834-4084
Ed Svada, Analyst (212) 834-3311
Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

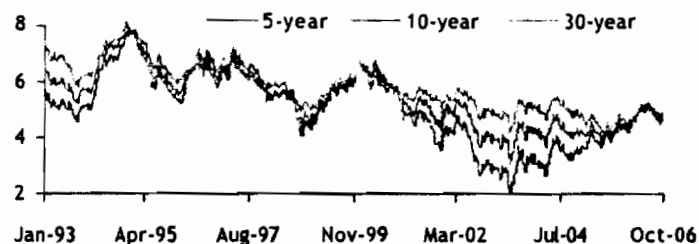
- The minutes of the September 20 FOMC meeting show a Fed that is on hold as it continues to monitor the economy
- The US trade deficit widened to a new record \$69.9 billion in August from July's \$68.0 billion; however, a combination of lower petroleum prices, lower imports, and strong exports should lead to a significant reduction in the deficit in the coming months
- The Fed's Beige Book indicated that consumer spending and demand for services increased during September
- Retail sales excluding gasoline rose 0.6% last month according to a report released by the Commerce Department
 - Overall retail sales fell 0.4% after a 0.1% August gain
- The University of Michigan said its preliminary index of consumer sentiment rose to 92.3 in October, the highest since July 2005 and considerably up from the 85.4 reading in September
 - The rise was attributed to lower gasoline prices, which encouraged increased spending on clothing, furniture, and building materials
- This week, the market will be focused on inflation data ahead of next week's FOMC meeting
- US Treasury prices fell substantially late last week after reports showed a surge in consumer confidence and a gain in retail sales
 - 10- & 30-yr benchmark yields each jumped 10bp last week finishing at 4.80% and 4.94%, respectively
 - 10-year notes have sold off 25bps over the past three weeks
 - 2s/5s curve is currently inverted by 10bps

JPMorgan interest rate forecast (%)

	13-Oct-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.25%	5.50%	6.00%	6.00%
3m LIBOR	5.37%	5.45%	5.70%	6.15%	6.15%
2yr UST	4.87%	4.95%	5.15%	5.65%	5.70%
5yr UST	4.77%	4.90%	5.10%	5.60%	5.65%
10yr UST	4.80%	5.00%	5.20%	5.65%	5.70%
30yr UST	4.94%	5.05%	5.25%	5.65%	5.70%
10s/30s curve	14 bps	5 bps	5 bps	Flat	Flat

JPMorgan forecast as of 10/13/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

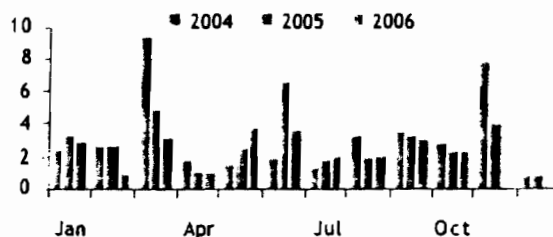
- Just under \$9 billion of new issuance priced last week, some notable offerings include:
 - Baltimore Gas & Electric (Baa2/BBB+), an operating company of Constellation Energy Group, issued \$300MM 10yr and \$400MM 30yr senior unsecured notes at +115bp and +145bp, respectively
 - ConocoPhillips (A1/A) issued \$2.1Bn across three tranches: \$350MM 5.5yr at +63bp, \$1.25Bn 10yr at +87bp and \$500MM 30yr at +108bp
 - Realty Corporation (Baa2/BBB) priced \$1.2 billion (upsized from \$800mm) across three tranches (3NC1 FRN, 5- and 10-yr fixed)
 - This was a debut offering for the publicly traded real estate company that was spun out of Cendant Corporation
 - Change of control put and coupon step-ups included, as investors remain focused on structural adjustments for certain credits
- New issuance has softened in recent weeks as October supply remains manageable with \$22 billion issued thus far
 - Many issuers have already tapped into the market before the 4th-quarter, while others are now facing black-out periods
 - The modest forward new issue calendar should bode well for secondary spreads after September's heavy supply
- 2006 utility and pipeline sector new issuance volume stands at \$25Bn, which is down 14% from same period last year (\$29Bn in 2005)
 - However, October utility and pipeline supply has been heavy when compared to the rest of the market
 - \$2.2Bn of supply has priced thus far in October, nearing the \$2.5Bn 2006 monthly average for the sector

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
10/10	CONOCOPHILLIPS	A1/A	350	5.300	04/15/2012	63
10/10	CONOCOPHILLIPS	A1/A	1250	5.625	10/15/2016	87
10/10	CONOCOPHILLIPS	A1/A	500	5.950	10/15/2036	108
10/11	BALTIMORE GAS & ELECTRIC	Baa2/BBB+	300	5.900	10/01/2016	115
10/11	BALTIMORE GAS & ELECTRIC	Baa2/BBB+	400	6.350	10/01/2036	145
10/13	REALOGY CORP	Baa2/BBB	250	FRN	10/20/2009	3ML+70
10/13	REALOGY CORP	Baa2/BBB	450	6.150	10/15/2011	140
10/13	REALOGY CORP	Baa2/BBB	500	6.500	10/15/2016	170

Shading indicates Utility & Pipeline issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Oct 6, 2006

Peter Madonia, MD (212) 834-3808
Anisha Mehra, VP (212) 834-4918
Heather Towner, VP (212) 834-4871
Steve Leamer, Assoc (212) 834-4084
Ed Suvada, Analyst (212) 834-3311
Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

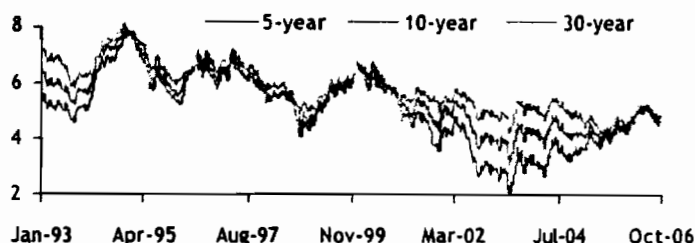
- September's non-farm payroll report showed just 51,000 jobs created last month versus a 120,000 expected growth rate. However, household survey unemployment reached a five-year low at 4.6% and August payroll figures were revised upward from 128,000 to 188,000. Furthermore, the report also brought news that the Labor Department may revise job growth over the 12-month period ending in March up by 810,000 jobs.
- On the heels of the payroll report, Treasury yields rose on Friday to a two-week high. 10- and 30-year yields rose 7bp and 8bp, respectively, last week, though rates still remain lower (approx. 5bp) and the curve flatter since the September 20th Fed meeting.
- While housing weakness remains a concern, construction employment actually rose 8,000 last month, while improved home sales and construction figures tempered the anticipated downturn in housing activity.
- Fed funds futures now reflect less than a one-third probability of a Fed cut in 1Q 2007. March implied Fed funds reached a near-term high of 5.18%, up from a low of 5.09% late last month.
- While JPMorgan recently pushed back its expectation of an FOMC hike into next year, we still expect a 6% Fed funds rate by mid-2007. Even with lower oil prices causing some fleeting economic comfort and slightly diminishing inflation concerns, the PCE index remains higher than the Fed would like, at 2.5% as of September.

JPMorgan interest rate forecast (%)

	6-Oct-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.25%	5.50%	6.00%	6.00%
3m LIBOR	5.37%	5.45%	5.70%	6.15%	6.15%
2yr UST	4.74%	4.95%	5.15%	5.65%	5.70%
5yr UST	4.64%	4.90%	5.10%	5.60%	5.65%
10yr UST	4.70%	5.00%	5.20%	5.65%	5.70%
30yr UST	4.84%	5.05%	5.25%	5.65%	5.70%
10s/30s curve	14 bps	5 bps	5 bps	Flat	Flat

JPMorgan forecast as of 10/6/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

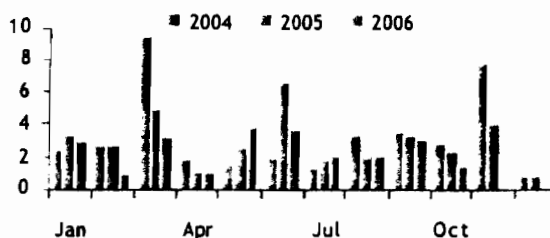
- With the bank holiday weekend and a quieter market tone, new issue supply remained modest at approximately \$8.7 billion last week.
- However, utility and pipeline sector issuance remained robust last week with 5 issuers entering the market with over \$1.5 billion of supply. JPMorgan led MidAmerican Energy's (A2/A-) \$350 million 30-year senior unsecured bond offering. The offering quickly reached oversubscription as more than 40 investors submitted orders led by insurance companies, state pension funds and asset managers. Despite several competing 30-year trades in the market, MEC priced the new issue inside of secondary trading levels at a spread of T+105bp while also capitalizing on the Treasury rally - the 30-year UST yield fell 17bps in the two weeks preceding the transaction. ITC Holdings (Baa3/BBB-), a transmission holding company, issued \$510MM split between 10- and 30-year tranches to fund the acquisition of Michigan Electric Transmission Company (METC). More than 40 investors received allocations as the 10- and 30-year tranches priced at +132bp and +167bp, the tight end of +135bp Area and +170bp Area price guidance. AEP Texas Central also sold \$1.74 billion of AAA rated senior secured transition bonds across 5 tranches led by JPMorgan.
- High grade corporate bond spreads finished 1bp wider last week as investors remain skittish with increased LBO rumors.

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
10/2	INDIANAPOLIS POWER & LIGHT	Baa1/BBB-	158.8	6.050	10/01/2036	135
10/3	LOWE'S COMPANIES INC	A1/A+	550	5.400	10/15/2016	83
10/3	LOWE'S COMPANIES INC	A1/A+	450	5.800	10/15/2036	105
10/3	SOUTHWESTERN PUBLIC SERVICE	Baa1/BBB	200	5.600	10/01/2016	100
10/3	SOUTHWESTERN PUBLIC SERVICE	Baa1/BBB	250	6.000	10/01/2036	130
10/3	MIDAMERICAN ENERGY CO	A2/A-	350	5.800	10/15/2036	105
10/4	ITC HOLDINGS CORP	Baa3/BBB-	255	5.875	09/30/2016	132
10/4	ITC HOLDINGS CORP	Baa3/BBB-	255	6.375	09/30/2036	167
10/4	ABX FINANCING CO (BARRICK)	Baa1/A-	400	5.750	10/15/2016	120
10/4	ABX FINANCING CO (BARRICK)	Baa1/A-	600	6.350	10/15/2036	167
10/4	ORANGE & ROCKLAND UTILITIES	A2/A	75	5.450	10/01/2016	90

Shading indicates Utility & Pipeline issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

JPMorgan

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Sept 22, 2006

Peter Madonia, MD (212) 834-3808
Anisha Mehra, VP (212) 834-4918
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Steve Leamer, Assoc (212) 834-4084
Ed Suvada, Analyst (212) 834-3311
Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

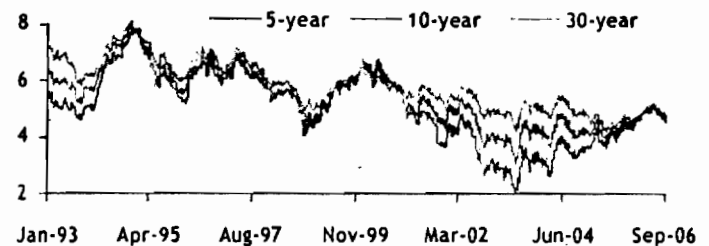
- The Federal Reserve kept its benchmark interest rate at 5.25% for a second consecutive meeting as moderating growth and a slide in oil prices suggest lower inflation lies ahead
In an accompanying statement mirroring that from the August 8th meeting, the FOMC suggested that while the moderation in economic growth "appears to be continuing", core inflation has been "elevated" but is expected to moderate over time, reflecting in part a "reduced impetus from energy prices"
- Weaker-than-expected reports on new home construction and manufacturing in the Philadelphia region earlier last were consistent with further evidence of moderating US growth
- JPMorgan lowered current quarter growth expectations to 2.0% (from 2.5%) and raised 4Q06 to 3.5% (from 3.0%)
As a consequence, JPMorgan is forecasting the Fed to remain on pause for the remainder of the year and resume a tightening policy in March 2007, with an expectation of a 6% Fed funds rate by mid-2007
The market is now pricing in 11% odds of a rate cut by December
- US Treasuries rallied to break out of their recent trading range, with 10-year notes posting their biggest weekly gain in 17 months
UST 10-year yields dropped 20bps last week to close at 4.60%, a six month low
The rally was triggered by speculation that slowing economic growth will prompt the Fed to cut interest rates
JPMorgan believes rallies are more likely to be vicious while sell-offs are more likely to be gradual going forward

JPMorgan interest rate forecast (%)

	22-Sep-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.25%	5.50%	6.00%	6.00%
3m LIBOR	5.37%	5.45%	5.70%	6.15%	6.15%
2yr UST	4.67%	4.95%	5.15%	5.65%	5.70%
5yr UST	4.54%	4.90%	5.10%	5.60%	5.65%
10yr UST	4.60%	5.00%	5.20%	5.65%	5.70%
30yr UST	4.74%	5.05%	5.25%	5.65%	5.70%
10s/30s curve	14 bps	5 bps	5 bps	Flat	0 bps

JPMorgan forecast as of 9/22/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

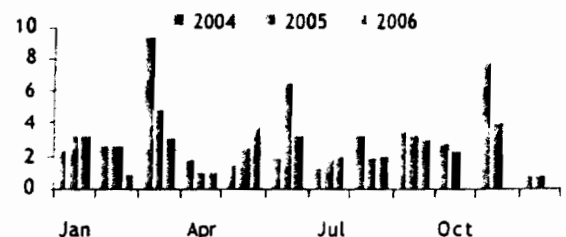
- The new issue market continues to remain active with approximately \$22 billion of supply priced last week
Utility and Pipeline supply totaled \$2.1 billion last week:
ONEOK Partners (Baa2/BBB) priced \$1.4 billion senior unsecured notes across 3 tranches: \$350MM 5.5yr at T+123bps, \$450MM 10yr at T+143bps, and \$600MM at +183bps
PECO Energy (A2/A-) priced \$300MM 30yr first mortgage bonds at T+103bps
ConEd of NY (A1/A) priced \$400MM 10yr senior unsecured notes at T+83bps
- Investor feedback continues to highlight two key themes: disciplined investment strategy in new issues and growing demand for hybrids
- Credit spreads are likely to continue to hold firm around current levels, absent any major surprises
If the Fed pause extends into a hiatus, credit investors may conclude that this is a good time to take a more constructive view of the risk-reward equation of the investment grade asset class
- Typically as the Treasury yield curve flattens, the credit curve tends to steepen
Over the past year this has not been the case, as the JUL1 10-30 year credit curve has been steady at 40 bps, while the Treasury curve has flattened 18 bps

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
9/18	PECO ENERGY CO	A2/A-	300	5.950	10/01/2036	103
9/18	AVALONBAY COMMUNITIES	Baa1/BBB+	250	5.500	01/15/2012	80
9/18	AVALONBAY COMMUNITIES	Baa1/BBB+	250	5.750	09/15/2016	100
9/20	WESTERN UNION CO	A3/A-	1000	5.930	10/01/2016	120
9/20	CONSOLIDATED EDISON	A1/A	400	5.500	09/15/2016	83
9/20	ONEOK PARTNERS LP	Baa2/BBB	350	5.900	04/01/2012	123
9/20	ONEOK PARTNERS LP	Baa2/BBB	450	6.150	10/01/2016	143
9/20	ONEOK PARTNERS LP	Baa2/BBB	600	6.650	10/01/2036	183
9/21	WESTFIELD GROUP	A2/A-	600	5.400	10/01/2012	85
9/21	WESTFIELD GROUP	A2/A-	900	5.700	10/01/2016	109

Shading indicates Utility & Pipeline issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Sept 15, 2006

Peter Madonia, MD (212) 834-3808
Anisha Mehra, VP (212) 834-4918
Heather Towner, VP (212) 834-4871
Steve Leamer, Assoc (212) 834-4084
Ed Suvada, Analyst (212) 834-3311
Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

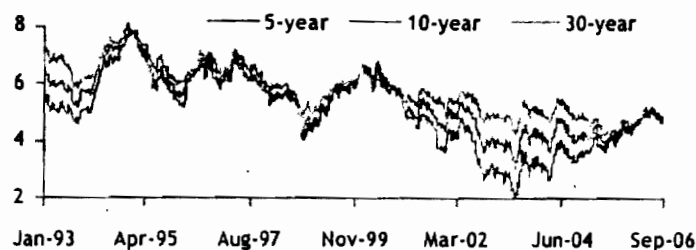
- JPMorgan forecasts that the Fed will almost certainly keep rates unchanged at Wednesday's FOMC meeting
 - Focus will be on how Fed thinking may have changed since the last meeting, given the sharp decline in energy prices, further weakening in the housing market and upward revisions to unit labor costs
 - Real GDP growth still looks to average 2.75% in 2H'06; although risks are tilting towards a choppy pattern than in the current forecast
 - A notably wider than expected trade deficit for July highlights the downside risk to the growth forecast for the current quarter
 - A sharp slide in energy prices since August, and the short-term boost to consumer spending, highlight upside risk to the forecast for the next quarter
 - Moreover, market developments have reduced downside risks to growth
 - Interest rates have declined sharply from their peaks
 - Recent oil price declines should also support consumer sentiment and spending
 - However, manufacturing output has seen a decisive slowdown since mid-year (1.9% versus average annual growth of 5.2%)
 - Interest rates futures are currently pricing in only a 23% chance of a 25bp rate hike before year-end
 - Treasury yields have remained range-bound as the medium-term outlook for the US economy remains under debate
- The 10yr Treasury yield was unchanged last week while the 30yr yield dropped 1bp

JPMorgan interest rate forecast (%)

	15-Sep-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.50%	6.00%	6.00%	6.00%
3m LIBOR	5.39%	5.70%	6.15%	6.15%	6.15%
2yr UST	4.86%	5.15%	5.70%	5.80%	5.80%
5yr UST	4.76%	5.10%	5.65%	5.80%	5.80%
10yr UST	4.80%	5.20%	5.70%	5.80%	5.80%
30yr UST	4.92%	5.25%	5.70%	5.75%	5.75%
10s/30s curve	12 bps	5 bps	Flat	-5 bps	-5 bps

JPMorgan forecast as of 9/15/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

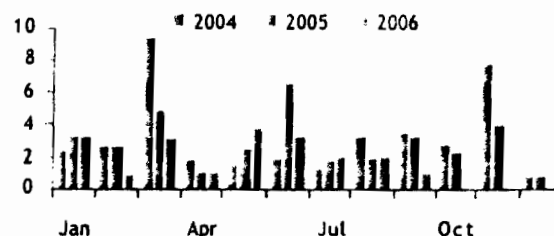
- Despite a variety of troubling corporate events last week, the credit market maintained a firm tone on certain positive earnings releases and lower energy prices
 - High grade corporate bond spreads finished 1bp tighter last week as spreads have returned to approximately the same level at which they opened at in the beginning of 2006
- Credit spreads are anticipated to remain range-bound in the near-term, reflecting a stalemate between bullish and bearish forces
 - Favorable corporate sector profitability & leverage as well as stable technical conditions remain in place
 - Event risk has remained a deterrent as companies seek to provide improved value to their shareholders versus bondholders
- The September new issue calendar has remained active with over \$18 billion in supply pricing last week
 - FPL Group Capital priced \$350mm of 60nc10 step-up "Basket C" hybrid securities, with JPMorgan as bookrunner
 - The offering priced at T+160, implying an approximate 65bps premium to senior debt - *the lowest premium ever for a hybrid security in the USD market* - is a reflection of the recent strength of demand in the hybrid market
 - The offering followed FPL's successful \$350mm retail-targeted, 60nc5, "Basket C" transaction that priced the previous day at 6.60%
 - Other utility issuance included: UGI Utilities (A3/A) \$175MM 10yr and \$100MM 30yr unsecured at +98bp and +130bp; Puget Sound Energy (Baa2/BBB) \$300MM 30yr fallaway FMBs at +140bp; Monongahela Power (Baa3/BBB-) \$150MM 10yr FMBs at +100bp

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
9/12	HEALTH CARE PROPERTIES	Baa2/BBB+	300	FRN	09/15/2008	3ML+45
9/12	HEALTH CARE PROPERTIES	Baa2/BBB+	300	5.950	09/15/2011	125
9/12	HEALTH CARE PROPERTIES	Baa2/BBB+	400	6.300	09/15/2016	155
9/12	UGI UTILITIES INC	A3/A	175	5.753	09/30/2016	98
9/12	UGI UTILITIES INC	A3/A	100	6.206	09/30/2036	130
9/12	FPL GROUP CAPITAL INC	A3/BBB+	350	6.600	PREF	-
9/13	FPL GROUP CAPITAL INC	A3/BBB+	350	6.350	10/01/2066	160
9/13	PUGET SOUND ENERGY INC	Baa2/BBB	300	6.274	03/15/2037	140
9/13	MONONGAHELA POWER	Baa2/BBB-	150	5.700	03/15/2017	100
9/14	ANADARKO PETROLEUM CORP	Baa2/BBB-	2000	FRN	09/15/2009	3ML+40
9/14	ANADARKO PETROLEUM CORP	Baa2/BBB-	1750	5.950	09/15/2016	125
9/14	ANADARKO PETROLEUM CORP	Baa2/BBB-	1750	6.450	09/15/2036	160

Shading indicates Utility sector issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

JPMorgan



Mr. Joel Peck, Clerk
Virginia State Corporation Commission
Document Control Center
P.O. Box 2118
Richmond, Virginia 23218

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

VIA UPS OVERNIGHT DELIVERY

July 11, 2006

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

RE: Kentucky Utilities Company (Case No. PUE-2006-00055)
Preliminary Report of Action

Dear Mr. Peck:

Pursuant to Ordering Paragraph No. 3 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP") hereby files an original and three (3) copies of information related to an issuance under said Order. KU/ODP apologizes for the delay in filing this information. The July 4th holiday and employee vacations have impacted the preparation of this information.

On June 23, 2006 KU/ODP borrowed \$50 million from Fidelia Corporation in accordance with the order issued May 9, 2006 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelia Corporation
Amount:	\$50 million
Maturity Date:	June 23, 2036
Interest Rate:	6.33%
Price Paid:	100%
Proceeds:	\$50 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	June 23 and December 23 commencing December 23, 2006

Joel Peck
July 11, 2006

The proceeds of the loan were used to fund capital projects described in this application. KU elected to issue a thirty-year loan due to the slope of the yield curve currently with long-term treasury rates within .05% of short-term rates.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the enclosed self-addressed, stamped envelope.

Please contact me if you have any questions regarding this transaction at (502)627-3780 or contact Don Harris at (502)627-2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp", with a stylized flourish at the end.

Rick E. Lovekamp

cc: Dan Arbough
Kendrick R. Riggs – Stoll · Keenon · Ogden



an **e-on** company

Mr. Joel Peck, Clerk
Virginia State Corporation Commission
Document Control Center
P.O. Box 2118
Richmond, Virginia 23218

**Old Dominion Power
Company**
State Regulation and Rates
220 West Main Street
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Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

VIA UPS OVERNIGHT DELIVERY

July 28, 2006

**RE: Kentucky Utilities Company (Case No. PUE-2006-00055)
Report of Action**

Dear Mr. Peck:

Pursuant to Ordering Paragraph No. 4 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP") hereby files an original and three (3) copies of information related to an issuance under said Order.

On June 23, 2006 KU/ODP borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 9, 2006 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelity Corporation
Amount:	\$50 million
Maturity Date:	June 23, 2036
Interest Rate:	6.33%
Price Paid:	100%
Proceeds:	\$50 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	June 23 and December 23 commencing December 23, 2006

Mr. Joel Peck, Clerk
July 28, 2006

The proceeds of the loan were used to fund capital projects described in application. KU/ODP elected to issue a thirty-year loan due to the slope of the yield curve with long-term treasury rates within .05% of short-term rates. The cumulative principal amount of debt issued under the authority granted in this order is \$100 million. There is \$50 million of debt remaining to be issued under the authority granted in this Order.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the enclosed self-addressed, stamped envelope.

Please contact me if you have any questions regarding this transaction at (502)627-3780 or contact Don Harris at (502)627-2021.

Sincerely,

A handwritten signature in black ink that reads "Rick Lovekamp / RMC". The signature is fluid and cursive, with the initials "RMC" written in a slightly different style at the end.

Rick Lovekamp

cc: Dan Arbough
Kendrick Riggs – Stoll · Keenon · Ogden



Mr. Joel Peck, Clerk
Virginia State Corporation Commission
Document Control Center
1300 East Main Street
Richmond, VA 23219-3630

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State Regulation and Rates
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Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

November 3, 2006

RE: Kentucky Utilities Company (Case No. PUE-2006-00055)
Preliminary Report of Action

Dear Mr. Peck:

Pursuant to Ordering Paragraph No. 3 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP") hereby files an original and three (3) copies of information related to an issuance under said Order.

On October 25, 2006 KU/ODP borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 9, 2006 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelity Corporation
Amount:	\$50 million
Maturity Date:	October 25, 2016
Interest Rate:	5.675%
Price Paid:	100%
Proceeds:	\$50 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	April 25 and October 25 commencing April 25, 2007

The proceeds of the loan were used to fund capital projects described in application. KU elected to issue a ten-year loan due to the current treasury

yield being lower than short-term and long-term treasury yields and within .03% of five-year and seven-year treasury yields.

The interest rate was set using the lowest rate quoted to KU at 0.84% above the yield on the ten-year treasury bond (4.835%). The supporting price indications from the investment banks are attached along with a copy of a page from Bloomberg showing the yield on the treasury bond. The lowest rate quoted to KU by the investment banks was lower than the average bid quoted to E.ON A.G. Once again, the supporting price indications are attached. The bids are summarized in the table below:

	KU Pricing	E.ON AG Pricing
Low bid above ten-year treasury	0.840%	
Ten-year treasury rate	4.835%	
All-in cost	5.675%	
Average bid above ten-year treasury		0.870%
Ten-year treasury rate		4.835%
All-in cost		5.705%

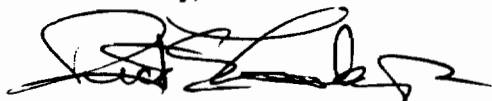
The 84 basis point spread is comparable with recent ten-year debt issuances from other energy companies with a similar credit rating. (See table below along with attached support documentation).

Issuer	Moody's / S&P	Maturity	Spread
Conoco Phillips	A1 / A	10/15/2016	+ 87 bps
Orange and Rockland	A2 / A	10/01/2016	+ 90 bps
Consolidated Edison	A1 / A	9/15/2016	+ 83 bps
UGI Utilities Inc.	A3 / A	9/30/2016	+ 98 bps

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the enclosed self-addressed, stamped envelope.

Please contact me if you have any questions regarding this transaction at (502)627-3780 or contact Don Harris at (502)627-2021.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Lovekamp', with a stylized, cursive script.

Rick Lovekamp

cc: Dan Arbough
Kendrick Riggs

**KU Intercompany Loan with Fidelia (\$50MM)
Spread Comparison - October 23, 2006**

	<u>KU</u>	<u>E.ON AG</u>
Lehman Brothers	0.88%	
Wachovia	0.84%	
Merrill Lynch	0.89%	
UBS		0.90%
Morgan Stanley		0.90%
ABNAmro		0.81%
Lowest Rate - KU, Avg. Rate - E.ON AG	0.84%	0.87%
10-Year US Treasury Rate at Pricing	4.835%	
All-in Rate	5.675%	

GRAB

Govt ALLQ

Screen Printed

Additional Providers

Options

T4 7g 08/15/16

All Quotes

16:00:53

Buy Inquiry

Sell Inquiry

AXES BO

SPREAD

VS

T4 7g 08/15/16 Govt

@

100-09+ / 100-10

4.836 / 4.834

0.0 / 0.0 bps

Abbr	Firm Name	Bid Price / Ask Price	Bid Yield / Ask Yield	Bid Sz x Ask Sz (MM)	Time
CBBT	BONDTREADER COMPOSITE	100-09+ / 100-10	4.836 / 4.834	x	16:00
MIL	MERRILL LYNCH	100-09+ / 100-10	4.836 / 4.834	10 x 10	16:00
ZNBK	ZIONS BANK	100-09+ / 100-10	4.836 / 4.834	2 x 2	16:00
GXC	G X CLARKE	100-09 1/4 / 100-10 1/4	4.837 / 4.833	9 x 9	16:00
BDIR	Jettenes-BD	100-09+ / 100-10	4.836 / 4.834	5 x 5	16:00
DSAI	DALWA SECURITIES AM	100-09+ / 100-10	4.836 / 4.834	5 x 5	16:00
MZ	MIZUHO SECS. USA	100-09+ / 100-10	4.836 / 4.834	40 x 40	16:00
WWSAX	WALL STREET ACCESS	100-09+ / 100-10	4.836 / 4.834	5 x 5	16:00
BART	BARCLAYS CAPITAL UST	100-09+ / 100-10	4.836 / 4.834	50 x 50	16:00
BGN	BLOOMBERG GENERIC	100-09+ / 100-10+	4.836 / 4.832	x	16:00
PERT	Pershing LLC	100-09+ / 100-10 1/4	4.836 / 4.833	1 x 1	16:00
BSC	BEAR STEARNS N Y	100-09+ / 100-10	4.836 / 4.834	5 x 5	16:00
BBT	BLOOMBERG BONDTREADER	100-09+ / 100-10	4.836 / 4.834	50 x 50	16:00
AUS	ABN AMRO - USA	100-09+ / 100-10	4.836 / 4.836	25 x 25	16:00
BBT3	BBT - FUTURES CLOSE	100-22+ / 100-23	4.793 / 4.791	5 x 10	0:00

☐ Enabled Dealers Only

Blue = Enabled Dealers

White = Executable

Grey = Does not monitor

Green = Best bid/ask

☐ Executable Dealers Only

1st

BBT

2nd

3rd

4th

5th

Price Individually

No

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

U.S. 1 212 318 2000

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6433-111-0 23-Oct-06 16:00:53

Germany 49 69 920410

Confidential Presentation to:

Kentucky Utilities

Indicative New Issue Pricing

October 17, 2006

LEHMAN BROTHERS

Summary Terms for Kentucky Utilities

Kentucky Utilities

Summary Terms for Underwritten US-Domestic First Mortgage Bond Assumes Secured Debt Ratings of A1 / A

Security	First Mortgage Bond
Maturity	10 yrs
Ratings	A1 / A
Optionality	Non-call
Treasury Benchmark	10-yr Treasury
Treasury Yield	4.77%
Re-offer Spread:	
Re-offer Yield	5.57%
Gross Spread:	0.65%
Amortization of Gross Spread:	0.08%
Semiannual All-in Cost:	5.65%

US Treasury Rate as of October 17, 2006

Kentucky Utilities Company

October 17, 2006

Market	Institutional
Tenor	10 year
Amount	\$50.0
Structure / Security	First Mortgage
Ratings	A1 / A
Pay Frequency	Semi-Annual
Reference Benchmark	10 YR UST
Benchmark Yield	4.76%
Reoffer Spread	75 bps area
Reoffer Yield	5.51% area
Underwriting Fee	0.650%
All-In Yield	5.60%
All-In Spread	84 bps
Mid Swap Rate	5.30%
Reoffer Floating Rate Spread	21 bps
All-In Floating Rate Spread	30 bps

"Area" defined as +/- 2 to 3 bps.

New Issue Pricing Indications Kentucky Utilities

Indicative Pricing: First Mortgage Bonds (Assumed Ratings of A1/A)

Maturity	10 Year
Coupon Type	Fixed
Reset/Payment	NA/Semi
Call Provision	Make-Whole
Benchmark	UST 4.875% due 8/16
Benchmark Yield	4.756%
Reoffering Spread	T + 80 bps Area
Reoffer Yield	5.556%
Underwriting Commissions	0.650%
All-in Yield	5.642%
All-in Spread	T + 89 bps Area



Pricing indications as of October 17, 2006. Assumes a new issue settlement date of October 20, 2006, with interest accruing from October 20, 2006. All yields are quoted on a semiannual basis. Based upon First Mortgage Bond ratings of A1/A.

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Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Friday, October 20, 2006 3:00 AM
To: Arbough, Dan; Horne, Elliott
Subject: WG: E.ON USD 10yr spreads

-----Ursprüngliche Nachricht-----

Von: matthias.stieber@uk.abnamro.com [mailto:matthias.stieber@uk.abnamro.com]
Gesendet: Donnerstag, 19. Oktober 2006 17:20
An: Heintzen, Lioba
Betreff: E.ON USD 10yr spreads

Dear Ms. Heintzen,

please find below the indicative all-in spreads for a E.ON USD 50 mln 10 year transaction:

Treasuries +81bp
3m USD Libor +27bp

I hope this information is useful.

Kind regards,

Matthias Stieber
Corporate Origination
ABN AMRO
250 Bishopsgate
London EC2M 4AA
UK

Phone: +44 (0) 207 678 3537
Fax: +44 (0) 207 678 3597
Mob: +44 (0) 7769 674 415

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Von: Lingnau, Philipp (GCM) [Philipp.Lingnau@morganstanley.com]

Gesendet: Donnerstag, 19. Oktober 2006 18:34

An: Heintzen, Lioba

Cc: Bilo, Stephanie (GCM)

Betreff: RE: Spread

Hallo Frau Heintzen,

S+ 35 BP

T+ 90 BP

Mit freundlichen Grüßen

Philipp Lingnau

Philipp Lingnau - Executive Director

Morgan Stanley | Global Capital Markets

20 Cabot Square | Canary Wharf | Floor 01

London, E14 4QW

Phone: +44 20 7677-6816

Mobile: +44 77474-55575

Fax: +44 20 7056-1132

Philipp.Lingnau@morganstanley.com

From: Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]

Sent: 19 October 2006 09:30

To: Lingnau, Philipp (GCM)

Cc: Bilo, Stephanie (GCM)

Subject: Spread

Hallo,

ich brauche mal wieder einen Spread für rein interne Zwecke. Und zwar den all-in spread, den die E.ON AG über Treasuries und über Swaps zahlen müßte für ein privat placement in US 50m für eine Laufzeit von 10 Jahren.

Vielen Dank!

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen

E.ON AG / Treasury

E.ON-Platz 1

40479 Düsseldorf

p: 0049 (0) 211 4579 655

f: 0049 (0) 211 4579 669

m: lioba.heintzen@eon.com

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Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Friday, October 20, 2006 8:39 AM
To: Arbough, Dan; Horne, Elliott
Subject: WG: Indication for USD 50m private placement
Attachments: Legal Disclaimer

No 3

Von: Christian.Hirsch@ubs.com [mailto:Christian.Hirsch@ubs.com]
Gesendet: Freitag, 20. Oktober 2006 14:29
An: Heintzen, Lioba
Cc: Tilo.Kraus@ubs.com
Betreff: Indication for USD 50m private placement

Good afternoon,

As requested we send you our indication for a USD 50m private placement: 10y Treasury + 90bps or USD Libor + 35bps

The prices are based on the following data:

10y CDS on E.on: 35bps

ASW on EOAGR 6.375% 2017: 19bps

The private placement characteristics, the relatively small size and the limited appearance of E.on in the US justify - according to our syndicate - a premium over a comparable 144A issuance by E.on.

We hope the indication is helpful.

Kind regards,

Christian Hirsch

UBS Investment Bank

Christian Hirsch
Debt Capital Markets/Derivatives

Tel.: +44 207 567 3544

Fax.: +44 207 567 2411

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from

11/2/2006

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U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Oct 13, 2006

Peter Madonia, MD (212) 834-3808
Anisha Mehra, VP (212) 834-4918
Heather Towner, VP (212) 834-4871
Steve Leamer, Assoc (212) 834-4084
Ed Suvada, Analyst (212) 834-3311
Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

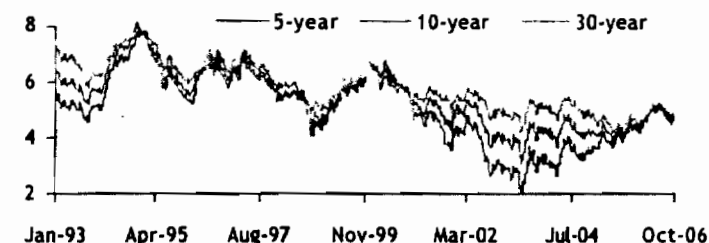
- The minutes of the September 20 FOMC meeting show a Fed that is on hold as it continues to monitor the economy
- The US trade deficit widened to a new record \$69.9 billion in August from July's \$68.0 billion; however, a combination of lower petroleum prices, lower imports, and strong exports should lead to a significant reduction in the deficit in the coming months
- The Fed's Beige Book indicated that consumer spending and demand for services increased during September
- Retail sales excluding gasoline rose 0.6% last month according to a report released by the Commerce Department
Overall retail sales fell 0.4% after a 0.1% August gain
- The University of Michigan said its preliminary index of consumer sentiment rose to 92.3 in October, the highest since July 2005 and considerably up from the 85.4 reading in September
The rise was attributed to lower gasoline prices, which encouraged increased spending on clothing, furniture, and building materials
- This week, the market will be focused on inflation data ahead of next week's FOMC meeting
- US Treasury prices fell substantially late last week after reports showed a surge in consumer confidence and a gain in retail sales
10- & 30-yr benchmark yields each jumped 10bp last week finishing at 4.80% and 4.94%, respectively
10-year notes have sold off 25bps over the past three weeks
2s/5s curve is currently inverted by 10bps

JPMorgan interest rate forecast (%)

	13-Oct-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.25%	5.50%	6.00%	6.00%
3m LIBOR	5.37%	5.45%	5.70%	6.15%	6.15%
2yr UST	4.87%	4.95%	5.15%	5.65%	5.70%
5yr UST	4.77%	4.90%	5.10%	5.60%	5.65%
10yr UST	4.80%	5.00%	5.20%	5.65%	5.70%
30yr UST	4.94%	5.05%	5.25%	5.65%	5.70%
10s/30s curve	14bps	5bps	5bps	Flat	Flat

JPMorgan forecast as of 10/11/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

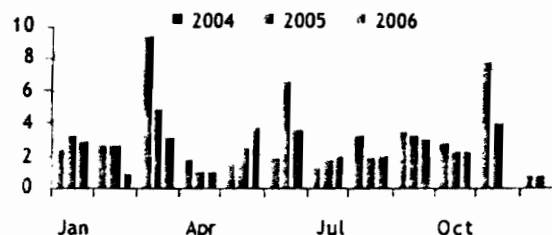
- Just under \$9 billion of new issuance priced last week, some notable offerings include:
Baltimore Gas & Electric (Baa2/BBB+), an operating company of Constellation Energy Group, issued \$300MM 10yr and \$400MM 30yr senior unsecured notes at +115bp and +145bp, respectively
ConocoPhillips (A1/A) issued \$2.1Bn across three tranches: \$350MM 5.5yr at +63bp, \$1.25Bn 10yr at +87bp and \$500MM 30yr at +108bp
Realogy Corporation (Baa2/BBB) priced \$1.2 billion (upsized from \$800mm) across three tranches (3NC1 FRN, 5- and 10-yr fixed)
This was a debut offering for the publicly traded real estate company that was spun out of Cendant Corporation
Change of control put and coupon step-ups included, as investors remain focused on structural adjustments for certain credits
- New issuance has softened in recent weeks as October supply remains manageable with \$22 billion issued thus far
Many issuers have already tapped into the market before the 4th quarter, while others are now facing black-out periods
The modest forward new issue calendar should bode well for secondary spreads after September's heavy supply
- 2006 utility and pipeline sector new issuance volume stands at \$25Bn, which is down 14% from same period last year (\$29Bn in 2005)
However, October utility and pipeline supply has been heavy when compared to the rest of the market
\$2.2Bn of supply has priced thus far in October, nearing the \$2.5Bn 2006 monthly average for the sector

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
10/10	CONOCOPHILLIPS	A1/A	350	5.300	04/15/2012	63
10/10	CONOCOPHILLIPS	A1/A	1250	5.625	10/15/2016	87
10/10	CONOCOPHILLIPS	A1/A	500	5.950	10/15/2036	108
10/11	BALTIMORE GAS & ELECTRIC	Baa2/BBB+	300	5.900	10/01/2016	115
10/11	BALTIMORE GAS & ELECTRIC	Baa2/BBB+	400	6.350	10/01/2036	145
10/13	REALOGY CORP	Baa2/BBB	250	FRN	10/20/2009	3ML+70
10/13	REALOGY CORP	Baa2/BBB	450	6.150	10/15/2011	140
10/13	REALOGY CORP	Baa2/BBB	500	6.500	10/15/2016	170

Shading indicates Utility & Pipeline issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Oct 6, 2006

Peter Madonia, MD (212) 834-3808
Anisha Mehra, VP (212) 834-4918
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Steve Leamer, Assoc (212) 834-4084
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Economic and Treasury market update

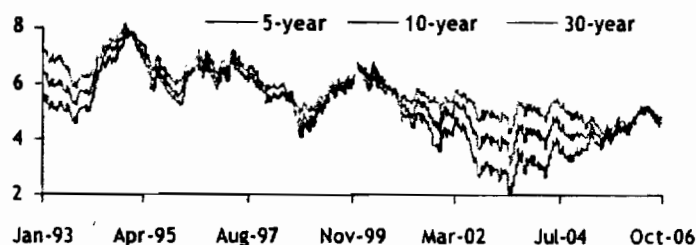
- September's non-farm payroll report showed just 51,000 jobs created last month versus a 120,000 expected growth rate. However, household survey unemployment reached a five-year low at 4.6% and August payroll figures were revised upward from 128,000 to 188,000. Furthermore, the report also brought news that the Labor Department may revise job growth over the 12-month period ending in March up by 810,000 jobs.
- On the heels of the payroll report, Treasury yields rose on Friday to a two-week high:
 - 10- and 30-year yields rose 7bp and 8bp, respectively, last week, though rates still remain lower (approx. 5bp) and the curve flatter since the September 20th Fed meeting.
- While housing weakness remains a concern, construction employment actually rose 8,000 last month, while improved home sales and construction figures tempered the anticipated downturn in housing activity.
- Fed funds futures now reflect less than a one-third probability of a Fed cut in 1Q 2007. March implied Fed funds reached a near-term high of 5.18%, up from a low of 5.09% late last month.
- While JPMorgan recently pushed back its expectation of an FOMC hike into next year, we still expect a 6% Fed funds rate by mid-2007. Even with lower oil prices causing some fleeting economic comfort and slightly diminishing inflation concerns, the PCE index remains higher than the Fed would like, at 2.5% as of September.

JPMorgan interest rate forecast (%)

	6-Oct-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.25%	5.50%	6.00%	6.00%
3m LIBOR	5.37%	5.45%	5.70%	6.15%	6.15%
2yr UST	4.74%	4.95%	5.15%	5.65%	5.70%
5yr UST	4.64%	4.90%	5.10%	5.60%	5.65%
10yr UST	4.70%	5.00%	5.20%	5.65%	5.70%
30yr UST	4.84%	5.05%	5.25%	5.65%	5.70%
10s/30s curve	14bps	5bps	5bps	Flat	Flat

JPMorgan forecast as of 10/6/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

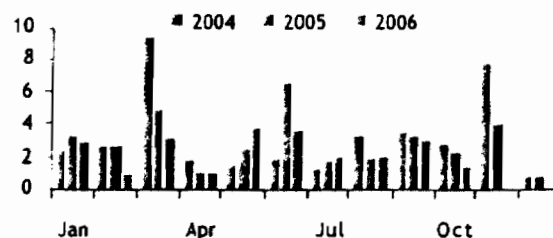
- With the bank holiday weekend and a quieter market tone, new issue supply remained modest at approximately \$8.7 billion last week.
- However, utility and pipeline sector issuance remained robust last week with 5 issuers entering the market with over \$1.5 billion of supply. JPMorgan led MidAmerican Energy's (A2/A-) \$350 million 30-year senior unsecured bond offering. The offering quickly reached oversubscription as more than 40 investors submitted orders led by insurance companies, state pension funds and asset managers. Despite several competing 30-year trades in the market, MEC priced the new issue inside of secondary trading levels at a spread of T+105bp while also capitalizing on the Treasury rally - the 30-year UST yield fell 17bps in the two weeks preceding the transaction. ITC Holdings (Baa3/BBB-), a transmission holding company, issued \$510MM split between 10- and 30-year tranches to fund the acquisition of Michigan Electric Transmission Company (METC). More than 40 investors received allocations as the 10- and 30-year tranches priced at +132bp and +167bp, the tight end of +135bp Area and +170bp Area price guidance. AEP Texas Central also sold \$1.74 billion of AAA rated senior secured transition bonds across 5 tranches led by JPMorgan.
- High grade corporate bond spreads finished 1bp wider last week as investors remain skittish with increased LBO rumors.

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
10/2	INDIANAPOLIS POWER & LIGHT	Baa1/BBB-	158.8	6.050	10/01/2036	135
10/3	LOWE'S COMPANIES INC	A1/A+	550	5.400	10/15/2016	83
10/3	LOWE'S COMPANIES INC	A1/A+	450	5.800	10/15/2036	105
10/3	SOUTHWESTERN PUBLIC SERVICE	Baa1/BBB	200	5.600	10/01/2016	100
10/3	SOUTHWESTERN PUBLIC SERVICE	Baa1/BBB	250	6.000	10/01/2036	130
10/3	MIDAMERICAN ENERGY CO	A2/A-	350	5.800	10/15/2036	105
10/4	ITC HOLDINGS CORP	Baa3/BBB-	255	5.875	09/30/2016	132
10/4	ITC HOLDINGS CORP	Baa3/BBB-	255	6.375	09/30/2036	167
10/4	ABX FINANCING CO (BARRICK)	Baa1/A-	400	5.750	10/15/2016	120
10/4	ABX FINANCING CO (BARRICK)	Baa1/A-	600	6.350	10/15/2036	167
10/4	ORANGE & ROCKLAND UTILITIES	A2/A	75	5.450	10/01/2016	90

Shading indicates Utility & Pipeline Issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

JPMorgan

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Sept 22, 2006

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Economic and Treasury market update

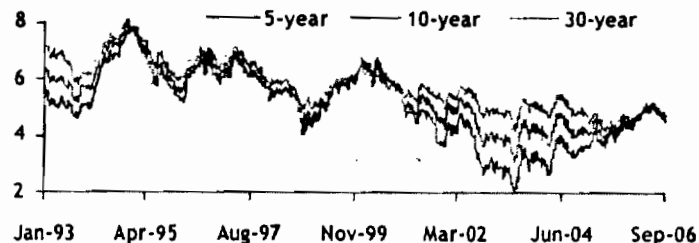
- The Federal Reserve kept its benchmark interest rate at 5.25% for a second consecutive meeting as moderating growth and a slide in oil prices suggest lower inflation lies ahead
 - In an accompanying statement mirroring that from the August 8th meeting, the FOMC suggested that while the moderation in economic growth "appears to be continuing", core inflation has been "elevated" but is expected to moderate over time, reflecting in part a "reduced impetus from energy prices"
- Weaker-than-expected reports on new home construction and manufacturing in the Philadelphia region earlier last were consistent with further evidence of moderating US growth
- JPMorgan lowered current quarter growth expectations to 2.0% (from 2.5%) and raised 4Q06 to 3.5% (from 3.0%)
 - As a consequence, JPMorgan is forecasting the Fed to remain on pause for the remainder of the year and resume a tightening policy in March 2007, with an expectation of a 6% Fed funds rate by mid-2007
 - The market is now pricing in 11% odds of a rate cut by December
- US Treasuries rallied to break out of their recent trading range, with 10-year notes posting their biggest weekly gain in 17 months
 - UST 10-year yields dropped 20bps last week to close at 4.60%, a six month low
 - The rally was triggered by speculation that slowing economic growth will prompt the Fed to cut interest rates
 - JPMorgan believes rallies are more likely to be vicious while sell-offs are more likely to be gradual going forward

JPMorgan interest rate forecast (%)

	22-Sep-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.25%	5.50%	6.00%	6.00%
3m LIBOR	5.37%	5.45%	5.70%	6.15%	6.15%
2yr UST	4.67%	4.95%	5.15%	5.65%	5.70%
5yr UST	4.54%	4.90%	5.10%	5.60%	5.65%
10yr UST	4.60%	5.00%	5.20%	5.65%	5.70%
30yr UST	4.74%	5.05%	5.25%	5.65%	5.70%
10s/30s curve	14bps	5bps	5bps	Flat	0bps

JPMorgan forecast as of 9/22/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

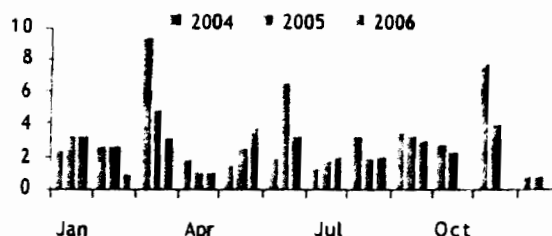
- The new issue market continues to remain active with approximately \$22 billion of supply priced last week
 - Utility and Pipeline supply totaled \$2.1 billion last week:
 - ONEOK Partners (Baa2/BBB) priced \$1.4 billion senior unsecured notes across 3 tranches: \$350MM 5.5yr at T+123bp, \$450MM 10yr at T+143bps, and \$600MM at +183bps
 - PECO Energy (A2/A-) priced \$300MM 30yr first mortgage bonds at T+103bps
 - ConEd of NY (A1/A) priced \$400MM 10yr senior unsecured notes at T+83bps
- Investor feedback continues to highlight two key themes: disciplined investment strategy in new issues and growing demand for hybrids
- Credit spreads are likely to continue to hold firm around current levels, absent any major surprises
 - If the Fed pause extends into a hiatus, credit investors may conclude that this is a good time to take a more constructive view of the risk-reward equation of the investment grade asset class
- Typically as the Treasury yield curve flattens, the credit curve tends to steepen
 - Over the past year this has not been the case, as the JULI 10-30 year credit curve has been steady at 40 bps, while the Treasury curve has flattened 18 bps

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
9/18	PECO ENERGY CO	A2/A-	300	5.950	10/01/2036	103
9/18	AVALONBAY COMMUNITIES	Baa1/BBB+	250	5.500	01/15/2012	80
9/18	AVALONBAY COMMUNITIES	Baa1/BBB+	250	5.750	09/15/2016	100
9/20	WESTERN UNION CO	A3/A-	1000	5.930	10/01/2016	120
9/20	CONSOLIDATED EDISON	A1/A	400	5.500	09/15/2016	83
9/20	ONEOK PARTNERS LP	Baa2/BBB	350	5.900	04/01/2012	123
9/20	ONEOK PARTNERS LP	Baa2/BBB	450	6.150	10/01/2016	143
9/20	ONEOK PARTNERS LP	Baa2/BBB	600	6.650	10/01/2036	183
9/21	WESTFIELD GROUP	A2/A-	600	5.400	10/01/2012	85
9/21	WESTFIELD GROUP	A2/A-	900	5.700	10/01/2016	109

Shading indicates Utility & Pipeline issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

JPMorgan

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York
Week ending
Sept 15, 2006

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Economic and Treasury market update

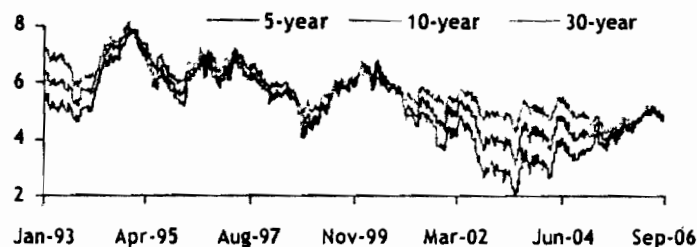
- JPMorgan forecasts that the Fed will almost certainly keep rates unchanged at Wednesday's FOMC meeting
 - Focus will be on how Fed thinking may have changed since the last meeting, given the sharp decline in energy prices, further weakening in the housing market and upward revisions to unit labor costs
 - Real GDP growth still looks to average 2.75% in 2H '06; although risks are tilting towards a choppy pattern than in the current forecast
 - A notably wider than expected trade deficit for July highlights the downside risk to the growth forecast for the current quarter
 - A sharp slide in energy prices since August, and the short-term boost to consumer spending, highlight upside risk to the forecast for the next quarter
 - Moreover, market developments have reduced downside risks to growth
 - Interest rates have declined sharply from their peaks
 - Recent oil price declines should also support consumer sentiment and spending
 - However, manufacturing output has seen a decisive slowdown since mid-year (1.9% versus average annual growth of 5.2%)
 - Interest rates futures are currently pricing in only a 23% chance of a 25bp rate hike before year-end
 - Treasury yields have remained range-bound as the medium-term outlook for the US economy remains under debate
- The 10yr Treasury yield was unchanged last week while the 30yr yield dropped 1bp

JPMorgan interest rate forecast (%)

	15-Sep-06	4Q 06	1Q 07	2Q 07	3Q 07
Fed Funds rate	5.25%	5.50%	6.00%	6.00%	6.00%
3m LIBOR	5.39%	5.70%	6.15%	6.15%	6.15%
2yr UST	4.86%	5.15%	5.70%	5.80%	5.80%
5yr UST	4.76%	5.10%	5.65%	5.80%	5.80%
10yr UST	4.80%	5.20%	5.70%	5.80%	5.80%
30yr UST	4.92%	5.25%	5.70%	5.75%	5.75%
10s/30s curve	12 bps	5 bps	Flat	-5 bps	-5 bps

JPMorgan forecast as of 9/15/06; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

High grade primary and secondary market update

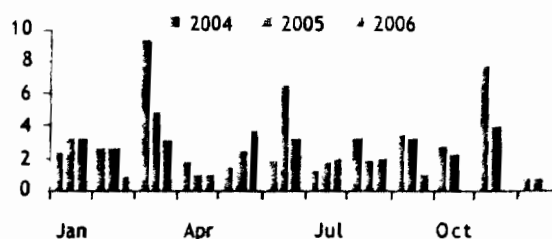
- Despite a variety of troubling corporate events last week, the credit market maintained a firm tone on certain positive earnings releases and lower energy prices
 - High grade corporate bond spreads finished 1bp tighter last week as spreads have returned to approximately the same level at which they opened at in the beginning of 2006
- Credit spreads are anticipated to remain range-bound in the near-term, reflecting a stalemate between bullish and bearish forces
 - Favorable corporate sector profitability & leverage as well as stable technical conditions remain in place
 - Event risk has remained a deterrent as companies seek to provide improved value to their shareholders versus bondholders
- The September new issue calendar has remained active with over \$18 billion in supply pricing last week
 - FPL Group Capital priced \$350mm of 60nc10 step-up "Basket C" hybrid securities, with JPMorgan as bookrunner
 - The offering priced at T+160, implying an approximate 65bps premium to senior debt - the lowest premium ever for a hybrid security in the USD market - is a reflection of the recent strength of demand in the hybrid market
 - The offering followed FPL's successful \$350mm retail-targeted, 60nc5, "Basket C" transaction that priced the previous day at 6.60%
 - Other utility issuance included: UGI Utilities (A3/A) \$175MM 10yr and \$100MM 30yr unsecured at +98bp and +130bp; Puget Sound Energy (Baa2/BBB) \$300MM 30yr fallaway FMBs at +140bp; Monongahela Power (Baa3/BBB-) \$150MM 10yr FMBs at +100bp

Selected high grade new issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
9/12	HEALTH CARE PROPERTIES	Baa2/BBB+	300	FRN	09/15/2008	3ML+45
9/12	HEALTH CARE PROPERTIES	Baa2/BBB+	300	5.950	09/15/2011	125
9/12	HEALTH CARE PROPERTIES	Baa2/BBB+	400	6.300	09/15/2016	155
9/12	UGI UTILITIES INC	A3/A	175	5.753	09/30/2016	98
9/12	UGI UTILITIES INC	A3/A	100	6.206	09/30/2036	130
9/12	FPL GROUP CAPITAL INC	A3/BBB+	350	6.600	PREF	-
9/13	FPL GROUP CAPITAL INC	A3/BBB+	350	6.350	10/01/2066	160
9/13	PUGET SOUND ENERGY INC	Baa2/BBB	300	6.274	03/15/2037	140
9/13	MONONGAHELA POWER	Baa2/BBB-	150	5.700	03/15/2017	100
9/14	ANADARKO PETROLEUM CORP	Baa2/BBB-	2000	FRN	09/15/2009	3ML+40
9/14	ANADARKO PETROLEUM CORP	Baa2/BBB-	1750	5.950	09/15/2016	125
9/14	ANADARKO PETROLEUM CORP	Baa2/BBB-	1750	6.450	09/15/2036	160

Shading indicates Utility sector issuance

Utility and Pipeline new issue supply (\$Bn)



Source: Securities Data Corp

JPMorgan



Mr. Joel Peck, Clerk
Virginia State Corporation Commission
Document Control Center
1300 East Main Street
Tyler Building 1F
Richmond, Virginia 23218

**Old Dominion Power
Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

VIA UPS OVERNIGHT DELIVERY

February 16, 2007

**RE: Kentucky Utilities Company (Case No. PUE-2006-00055)
Final Report of Action**

Rick E. Lovekamp
Manager – Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

Dear Mr. Peck:

Pursuant to Ordering Paragraph No. 5 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP") hereby submits a Final Report of Action related to an issuance under said Order.

On June 23, 2006 and October 25, 2006 KU/ODP borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 9, 2006 in the above-referenced case. The details of the two loans are shown below:

	<u>Loan A</u>	<u>Loan B</u>
Borrower:	Kentucky Utilities Company	Kentucky Utilities Company
Lender:	Fidelity Corporation	Fidelity Corporation
Type of Security:	Intercompany Loan	Intercompany Loan
Amount:	\$50 million	\$50 million
Issuance Date:	6/23/2006	10/25/2006
Maturity Date:	6/23/2036	10/25/2016
Interest Rate:	6.33%	5.675%
Price Paid:	100%	100%
Proceeds:	\$50 million	\$50 million
Issuance Expenses:	None	None
Security for Loan:	None	None
Interest Payments:	June 23 and December 23 commencing Dec. 23, 2006	April 25 and October 25 commencing April 25, 2007

Mr. Joel Peck, Clerk
February 16, 2007

The proceeds of both loans were used to fund capital projects described in application. KU elected to issue a thirty-year loan for Loan A due to the slope of the yield curve with long-term treasury rates within .05% of short-term rates at the time of issuance. KU elected to issue a ten-year loan for Loan B due to the treasury yield being lower than short-term and long-term treasury yields and within .03% of five-year and seven-year treasury yields at the time of issuance. Credit spreads have remained very tight across all maturities. The cumulative principal amount of debt issued under the authority granted in this order is \$100,000,000, which consisted of the \$50,000,000 of proceeds from Loan A and \$50,000,000 of proceeds from Loan B. There is no remaining debt to be issued under the authority granted in this order. There are no material unfavorable variances from the estimated expenses contained in the Financing Summary to the original application.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the enclosed self-addressed, stamped envelope.

Should you have any questions regarding the information filed herewith, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, reading "Rick E. Lovekamp". The signature is written in a cursive, flowing style.

Rick E. Lovekamp

cc: Dan Arbough
Kendrick Riggs – Stoll · Keenon · Ogden

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF JUNE 30, 2006

ASSETS AND OTHER DEBITS	THIS YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	3,943,496,149.06	Common Stock.....	308,139,977.56
Less Reserves for Depreciation & Amortization....	1,819,290,960.95	Common Stock Expense.....	(321,288.87)
Total.....	2,124,205,188.11	Paid-In Capital.....	15,000,000.00
		Other Comprehensive Income.....	(19,336,790.74)
Investments - At Cost		Retained Earnings.....	765,338,872.87
Ohio Valley Electric Corporation.....	250,000.00	Unappropriated Undistributed Subsidiary Earnings..	13,375,072.80
Nonutility Property-Less Reserve.....	895,551.54	Total Common Equity.....	1,082,195,843.62
Investments in Subsidiary Companies.....	14,670,872.80	Preferred Stock.....	-
Special Funds.....	5,816,776.72	First Mortgage Bonds.....	272,563,900.00
Other.....	426,140.00	Other Long-Term Debt.....	-
Total.....	22,059,341.06	LT Notes Payable to Associated Companies.....	433,000,000.00
		Long-Term Debt Marked to Market.....	764,260.00
Current and Accrued Assets		Total Long-Term Debt.....	706,328,160.00
Cash.....	4,741,305.17	Total Capitalization.....	1,788,524,003.62
Special Deposits.....	10,093,483.27	Current and Accrued Liabilities	
Temporary Cash Investments.....	14.45	Advances from Associated Companies.....	-
Accounts Receivable-Less Reserve.....	112,484,116.30	Long-Term Debt Due in 1 Year.....	53,000,000.00
Notes Receivable from Assoc. Companies.....	-	Notes Payable.....	-
Accounts Receivable from Assoc Companies.....	17,530,114.39	Notes Payable to Associated Companies.....	52,131,000.00
Materials & Supplies-At Average Cost		Accounts Payable.....	80,717,512.43
Fuel.....	75,262,144.36	Accounts Payable to Associated Companies.....	59,255,796.32
Plant Materials & Operating Supplies.....	25,629,994.41	Customer Deposits.....	18,224,278.93
Stores Expense.....	6,106,462.86	Taxes Accrued.....	1,575,865.55
Allowance Inventory.....	3,649,115.74	Interest Accrued.....	6,336,739.87
Prepayments.....	2,416,827.43	Dividends Declared.....	-
Miscellaneous Current & Accrued Assets.....	1,935,936.75	Misc. Current & Accrued Liabilities.....	11,948,935.25
Total.....	259,849,515.13	Total.....	283,190,128.35
Deferred Debits and Other		Deferred Credits and Other	
Unamortized Debt Expense.....	5,019,922.70	Accumulated Deferred Income Taxes.....	330,266,506.20
Unamortized Loss on Bonds.....	10,649,698.03	Investment Tax Credit.....	1,564,711.32
Accumulated Deferred Income Taxes.....	53,093,812.32	Regulatory Liabilities.....	31,066,159.19
Deferred Regulatory Assets.....	31,012,683.27	Customer Advances for Construction.....	1,465,965.56
Other Deferred Debits.....	77,775,447.58	Asset Retirement Obligations.....	27,672,489.35
Total.....	177,551,563.90	Other Deferred Credits.....	20,633,309.45
		Misc. Long-Term Liabilities.....	31,942,186.76
Total Assets and Other Debits.....	2,583,665,608.20	Accum Provision for Post-Retirement Benefits.....	67,340,148.40
		Total.....	511,951,476.23
		Total Liabilities and Other Credits.....	2,583,665,608.20

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF OCTOBER 31, 2006

ASSETS AND OTHER DEBITS		THIS YEAR	LIABILITIES AND OTHER CREDITS		THIS YEAR
Utility Plant			Capitalization		
Utility Plant at Original Cost.....		4,083,563,836.51	Common Stock.....		308,139,977.56
Less Reserves for Depreciation & Amortization.....		1,854,305,787.51	Common Stock Expense.....		(321,288.87)
Total.....		2,229,258,049.00	Paid-In Capital.....		15,000,000.00
			Other Comprehensive Income.....		(19,336,790.74)
			Retained Earnings.....		818,405,757.85
			Unappropriated Undistributed Subsidiary Earnings.....		19,537,379.80
			Total Common Equity.....		1,141,425,035.60
Investments - At Cost			Preferred Stock.....		-
Ohio Valley Electric Corporation.....		250,000.00	First Mortgage Bonds.....		289,257,520.00
Nonutility Property-Less Reserve.....		969,231.01	Other Long-Term Debt.....		-
Investments in Subsidiary Companies.....		20,833,179.80	LT Notes Payable to Associated Companies.....		483,000,000.00
Special Funds.....		9,650,633.36	Long-Term Debt Marked to Market.....		639,710.00
Other.....		426,140.00	Total Long-Term Debt.....		772,897,230.00
Total.....		32,129,184.17	Total Capitalization.....		1,914,322,265.60
			Current and Accrued Liabilities		
Current and Accrued Assets			Advances from Associated Companies.....		-
Cash.....		7,215,811.55	Long-Term Debt Due in 1 Year.....		53,000,000.00
Special Deposits.....		13,142,300.34	Notes Payable.....		-
Temporary Cash Investments.....		3,461.01	Notes Payable to Associated Companies.....		29,400,054.00
Accounts Receivable-Less Reserve.....		108,771,107.29	Accounts Payable.....		92,395,888.97
Notes Receivable from Assoc. Companies.....		-	Accounts Payable to Associated Companies.....		57,075,197.25
Accounts Receivable from Assoc Companies.....		22,746,132.46	Customer Deposits.....		18,436,275.20
Materials & Supplies-At Average Cost			Taxes Accrued.....		17,582,885.60
Fuel.....		69,718,716.76	Interest Accrued.....		8,836,093.71
Plant Materials & Operating Supplies.....		26,388,759.84	Dividends Declared.....		-
Stores Expense.....		5,580,372.58	Misc. Current & Accrued Liabilities.....		12,835,299.63
Allowance Inventory.....		2,357,016.78	Total.....		289,561,694.36
Prepayments.....		3,834,014.83	Deferred Credits and Other		
Miscellaneous Current & Accrued Assets.....		3,259,323.43	Accumulated Deferred Income Taxes.....		334,100,655.86
Total.....		263,017,016.87	Investment Tax Credit.....		1,204,087.32
			Regulatory Liabilities.....		28,587,911.44
Deferred Debits and Other			Customer Advances for Construction.....		1,725,496.22
Unamortized Debt Expense.....		5,459,377.64	Asset Retirement Obligations.....		28,218,011.28
Unamortized Loss on Bonds.....		10,434,694.03	Other Deferred Credits.....		25,632,827.40
Accumulated Deferred Income Taxes.....		54,390,522.51	Misc. Long-Term Liabilities.....		32,077,956.49
Deferred Regulatory Assets.....		51,409,598.44	Accum Provision for Post-Retirement Benefits.....		64,268,410.35
Other Deferred Debits.....		73,600,873.66	Total.....		515,815,356.36
Total.....		195,295,066.28	Total Liabilities and Other Credits.....		2,719,699,316.32
Total Assets and Other Debits.....		2,719,699,316.32			