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January 12, 2007

VIA HAND DELIVERY

Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: 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: 06-00235
Amendment to Petition

Dear Chairman Kyle,

Enclosed are the original and thirteen copies of an Amendment to the Petition of Kentucky Utilities that has been previously considered in this docket. As explained in the enclosed Amendment, the Staff of the Kentucky Public Service Commission ("KPSC") requested a change in the formula for the "Best Rate Methodology" for KU's internal financings. This Amendment is being filed to reflect a corresponding change in the Tennessee Petition. The effect of this change, if any, will be neutral or result in lower costs for the benefit of rate payers. KU respectfully requests expedited treatment of this Amendment and further requests that it be considered at the TRA's January 22, 2007 Authority Conference. The Company expects the Order from the KPSC some time after January 15. KU desires to issue the securities in mid February.

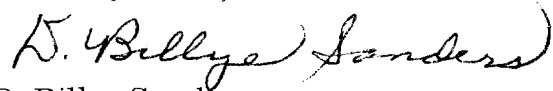
WALLER LANSDEN DORTCH & DAVIS, LLP

January 12, 2007

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Please contact me if you have any questions or need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "D. Billye Sanders".

D. Billye Sanders
Attorney for Kentucky Utilities
Company

DBS:hd

Enclosures

cc: Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Allyson K. Sturgeon, Esq.

TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In The Matter Of

THE PETITION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	DOCKET NO. 06-00325
SECURITIES AND THE ASSUMPTION)	
OF OBLIGATIONS)	

AMENDMENT TO PETITION

On September 14, 2006 Kentucky Utilities Company ("KU" or the "Company") filed a Petition in this docket pursuant to T.C.A. §65-4-109, requesting 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 in the Petition. On August 23, 2006, KU filed an Application with the Kentucky Public Service Commission ("KPSC") requesting authority from that agency to issue the same securities that are the subject of this Tennessee docket (KPSC Case No: 2006-00390).

At the TRA Conference on Monday, November 6, 2006, the Authority approved the unsecured debt financing requested in this docket, subject to the approval of the KPSC and the Virginia Corporation Commission. A written Order memorializing this approval has not yet been issued by the Authority.

During the course of the KPSC's investigation in the proceeding in KPSC Case No. 2006-00390, the KPSC Staff, through its request for information and during an informal conference held on December 20, 2006, raised questions concerning the application of the Best Rate Methodology to the proposed loan with Fidelia Corporation

and loans in the future with Fidelia Corporation.¹ KU addressed the questions of the KPSC Staff in an Amendment to its Application filed December 22, 2006 in KPSC Case No. 2006-00390. KU amended paragraph number 7 of the Kentucky Application to provide that the interest on the proposed Fidelia loan would be the lower of (a) the average of three indications or quotes obtained by the affiliate company from international investment banks for an *unsecured* bond issued by E.ON for the applicable term of the loan and (b) the lowest of three indications or quotes obtained by KU from international investment banks for a *secured* bond issued by KU with the applicable term of the loan.

KU hereby submits a corresponding Amendment to the Petition in this docket such that the request in both states will be consistent. The Amendment requires the change of one word in paragraph 7 on page 6 of the Petition that was filed on September 14, 2006 in this docket. In clause (b) of paragraph 7, the word “unsecured” is hereby changed to “secured” such that the paragraph reads as follows:

7. The interest rate on the proposed Fidelia loan will be set at the time of issuance of the note and would depend on the maturity of the note. The interest rate on the note would be lower of (a) the average of three quotes obtained by the affiliate company from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan and (b) the lowest of three quotes obtained by the Company from international investment banks for a *secured* bond issued by the Company with the applicable term of the loan. This method complies with the Best Rate Method because this rate would be determined using the lower of the average of actual quotes obtained based upon the credit of E.ON or the lowest of three actual quotes obtained by the Company. The proposed restructuring should not impact the rates paid by KU in these intercompany loans because E.ON’s quotes

¹ See Attachment 1 which is an intra-agency memorandum from the KPSC Staff, dated December 21, 2006, regarding the Application of the Best Rate Methodology.

are typically lower than KU's quotes due to the superior bond rating of E.ON. (emphasis added on changed word)

The rest of the Petition remains unchanged.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Authority approve the above referenced Amendment to its Application and enter an Order authorizing KU to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement with Fidelity and the related notes as set forth in the Petition, as amended. KU further requests that the Authority authorize it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreements and any Guarantees, remarketing agreements and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes as set forth in the Petition, as amended, as they relate to the Refunding Bonds. Kentucky Utilities Company further requests that the Order of the Authority specifically include provisions stating:

1. KU is authorized to issue and deliver its unsecured notes to Fidelity in an aggregate principal amount not to exceed \$53,000,000 as set forth in the Petition, as amended.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia the Loan Agreements with the Fidelity Corporation, the Notes and such other agreements and documents as set forth in its Petition, as amended, and to perform the transactions contemplated by such agreements, and

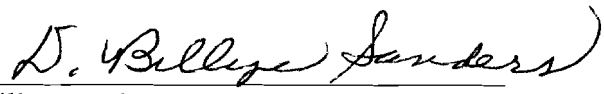
3. KU is authorized, with regard to the Refunding Bonds, to execute, deliver and perform the obligations of KU under, inter alia the Loan Agreements with Carroll County, Kentucky and under any Guarantees, remarketing agreements, hedging

agreements, auction agreements, bond issuance agreements, Credit Agreements, Facilities and such other agreements and documents as set forth in its Petition, as amended, and perform the transactions contemplated by such agreements.

4. That the Authority find that the information that KU is required to file with the Kentucky Public Service Commission and/or the State Corporation Commission of Virginia subsequent to the issuance of the securities that are the subject of its Petition, as amended, be filed with the Authority.

Respectfully submitted,

Kentucky Utilities Company

BY: 
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Nashville, TN 37219
(615) 850-8951

Kendrick R. Riggs
John Wade Hendricks
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Louisville, Kentucky 40202
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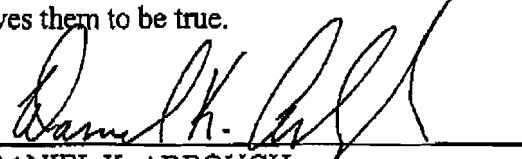
Allyson K. Sturgeon
Attorney
E.ON U.S., LLC
220 West Main Street
Louisville, KY 40202
Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough, being first duly sworn, deposes and says that he is Director, Corporate Finance and Treasurer for Kentucky Utilities Company, that he has read the foregoing Amendment to the 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.

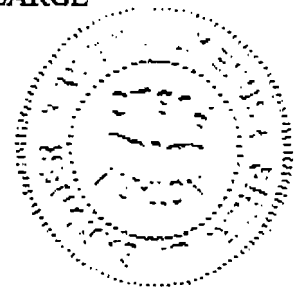

DANIEL K. ARBOUGH

Subscribed and sworn before me this 11 day of January, 2007.

My Commission Expires:


NOTARY PUBLIC, STATE AT LARGE

Notary Public, State at Large, KY
My commission expires Dec. 24, 2009



ATTACHMENT 1

Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

December 21, 2006

PARTIES OF RECORD:

Case Nos. 2006-00390 and 2006-00445

Louisville Gas and Electric Company and Kentucky Utilities Company

Attached is a copy of the memorandum which is being filed in the record of the above referenced case. If you wish to make any comments regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Dawn McGee at 502/564-3940.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

RGR:v

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 2006-00390
Main Case File No. 2006-00445

FROM: Dawn McGee; Richard Raff

DATE: December 21, 2006

SUBJECT: Informal Conference of December 20, 2006

Pursuant to the Commission's Order dated December 19, 2006, an informal conference was held at the Commission's offices on December 20, 2006 with representatives from the Commission Staff ("Staff"), Louisville Gas and Electric Company and Kentucky Utilities Company ("the companies"). A list of attendees is attached to this memorandum.

The companies provided a one-page summary of their respective proposals in Case Nos. 2006-00390 and 2006-00445. A copy of that summary is attached hereto. They reassured Staff that even though their proposals would eliminate the need for certain periodic filings with the Securities and Exchange Commission, the Kentucky Commission could still require the companies to file any information it deemed appropriate. The parties then discussed the various analyses of the cost savings that could result from the companies' proposals to replace existing secured debt with unsecured debt and price all future debt at unsecured rates. Staff explained that, although the current change from secured debt to unsecured debt showed cost savings, it was open to question whether future debt might be less costly if it was secured. In addition, Staff indicated that the LG&E and KU analyses of cost savings used today's interest rates, which are near historic lows, and those low rates are not likely to continue indefinitely. The companies explained that they use a mix of maturities when issuing debt, and that their analyses did not take into account the rate variations that will actually occur over time. The companies offered to amend their respective applications to continue using the existing best-rate method as approved in prior financing cases. Under the existing best-rate method, all future issues of debt will be priced at the lower of the average of the unsecured debt rate available for their parent company, E.ON, or the secured rate available to KU and LG&E, whichever is issuing the debt. Staff agreed that the amendment would alleviate their concerns regarding the future variability in unsecured versus secured interest rates. The companies proposed to file their amendments by December 21, 2006.

The meeting was then adjourned.

cc with attachments: Parties of record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR AN)	
ORDER AUTHORIZING THE)	CASE NO. 2006-00390
ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	
THE APPLICATION OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY FOR AN)	
ORDER AUTHORIZING THE ISSUANCE)	CASE NO. 2006-00445
OF SECURITIES AND THE ASSUMPTION)	
OF OBLIGATIONS)	

=====

December 20, 2006 Informal Conference

=====

Please sign in:

NAME

REPRESENTING

RICHARD RAFF

PSC - LEGAL

KENT BLAKE

LGIE / KU

BRAD RIVES

LGIE / KU

GILLYSON STURZEN

ATTY for LGIE KU

JOHN RIGBY

SKO for LGIE / KU

JEFF JOHNSON

PSC

DAN MCGEE

PSC

PROJECT SUMMARY

KU 2006 - 390	LG&E 2006 - 445
<ul style="list-style-type: none"> • Modify the existing financing contract with Fidelia Corporation to eliminate its subordinated lien on KU assets • Defease the \$53 million 7.92% First Mortgage Bonds, Series P and replace with long-term unsecured financing from Fidelia Corporation • Refinance the \$54 million Pollution Control Bond Series 10 and issue new, unsecured tax-exempt pollution control debt • Terminate the Company Indenture 	<ul style="list-style-type: none"> • Redeem the three preferred stock series, approximately \$92 million, replacing the preferred shares with 90% debt and 10% common equity • Modify the existing financing contract with Fidelia Corporation to eliminate its subordinated lien on LG&E assets • Refinance three existing tax-exempt bonds totaling \$126.2 million and issue new, unsecured tax-exempt pollution control debt • Terminate the Company Indenture

PROJECT BENEFITS – (KU AND LG&E)

- Reduces administrative costs associated with the extensive filing and reporting requirements pursuant to SEC compliance.
- Potential annual savings for KU and LG&E of approximately \$267,500 and \$334,975, respectively, related to costs associated with the preparation of the respective SEC reports (legal, accounting, financial printing, Sarbanes-Oxley compliance and trustee fees).
- Eliminates operational and administrative burdens related to Indenture compliance.
- Streamlines certain Sarbanes-Oxley applications as the companies would comply only as part of E.ON AG requirements.
- New debt replacing a majority of the preferred shares will have a lower after-tax cost than the existing preferred stock resulting in an after-tax annual savings of approximately \$1.75 million (LG&E only).
- NPV savings for KU \$0.9 million NPV savings for LG&E \$1.8 million