



Ms. Sara Kyle  
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  
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Rick E. Lovekamp  
Manager – Regulatory Affairs  
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**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. 06-00248**

Dear Ms. Kyle:

Pursuant to Ordering Paragraph No. 4 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 December 14, 2006, KU filed pursuant to the KPSC Order Authorizing the Issuance of Securities and the Assumption of Obligations, a report setting forth the issuance provisions of \$16,693,620 of Environmental Facilities Revenue Bonds.

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.

Attached are copies of all correspondence submitted to the KPSC and VSCC. 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". The signature is fluid and cursive, with the first name "Rick" being more prominent.

Rick E. Lovekamp

cc: Ron Jones – Tennessee Regulatory Authority  
Pat Miller – 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 40602-0615

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December 14, 2006

**RE: The Application of Kentucky Utilities Company for an Order  
Authorizing the Issuance of Securities and the Assumption of  
Obligations  
(Case No. 2006-00414)**

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 five (5) copies of information related to an issuance under said Order.

Please be advised that on December 7, 2006, Kentucky Utilities Company (the  
"Company") completed the sale of \$16,693,620 Environmental Facilities Revenue  
Bonds (Kentucky Utilities Company Project) as contemplated in the above-referenced  
Case. The details of the bond issue are as follows:

\$16,693,620 County of Carroll, Kentucky,  
Environmental Facilities Revenue Bonds, 2006 Series C

The sale of the securities was negotiated with Citigroup Global Markets and was  
completed as shown in the table below:

<u>Face Value</u>	<u>Initial Interest Rate</u>	<u>Rate Adjustment Date</u>	<u>Maturity</u>
\$16,693,620	3.70%	1/16/2007	6/1/2036

The interest rate on this bond issuance will be reset every 35 days through an auction  
mechanism that will reflect existing market conditions. The auction rate mode allows  
the Company to take advantage of the low interest rates in the variable rate market.

The long-term historical average of variable rates has been lower than current fixed rates even though fixed rates are at historic low levels. [The 10-Yr historical average BMA rate<sup>1</sup> is 2.66% compared to the current Revenue Bond Index (RBI<sup>2</sup>) of 4.53%]. The company will continue to monitor the market for opportunities to enter into an interest rate swap to fix the rate of interest on all or some portion of the bond.

The auction rate option was selected among the short-term alternatives because it does not require bank liquidity support, which eliminates future uncertainty of cost and availability of bank liquidity. It is also less costly than a bank letter of credit backed issue. The auction rate procedures are detailed in Appendix B of the enclosed Official Statement. Citigroup Global Markets will act as the Remarketing Agent with respect to the bonds.

Total underwriter's commission of \$58,427.67 was paid to Citigroup Global Markets. An insurance premium in the amount of \$219,998.21 was paid at closing to XL Capital Assurance covering the entire life of the bond. Other fees and expenses involved in the issuance and distribution (legal, printing, accounting, etc.) are estimated to be \$300,000.

Enclosed are five copies of the Official Statement and information related to the issuance of these securities. Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copies of this letter and the Official Statement.


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<sup>1</sup> BMA rate – index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by The Bond Market Association.

<sup>2</sup> RBI - An estimate of the yield compiled by the Bond Buyer using an index of revenue bonds maturing in 30 years, with a rating equivalent to Moody's A1 and Standard and Poor's A-plus.

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, flowing script.

Rick Lovekamp

Cc: Dan Arbough  
Kendrick Riggs – Stoll Keenin Ogden PLLC



an **eon** company

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

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December 15, 2006

**RE: Kentucky Utilities Company (Case No. PUE-2006-00107)  
Preliminary Report of action**

Dear Mr. Peck:

Pursuant to the Commission's Order, Ordering Paragraph No. 3, dated November 21, 2006, in the aforementioned proceeding, Kentucky Utilities Company, d/b/a Old Dominion Power Company ("KU/ODP or "the Company") hereby submits a Preliminary Report of Action with respect to the issuance of \$16,693,620 of long-term debt. The details of the issuance are shown below:

Type of Security:	Pollution Control Bonds
Issuance Date:	December 7, 2006
Amount:	\$16,693,620
Maturity Date:	June 1, 2036
Interest Rate:	variable – will be reset every 35 days
Initial Interest Rate:	3.70%

The proceeds of the \$16,693,620 will be used to fund a portion of the costs of pollution control facilities at the Ghent Generating Station in Carroll County, Kentucky. KU elected to issue a thirty-year loan, the maximum possible term, to take full advantage of low cost tax-exempt financing.

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 flourish at the end.

Rick Lovekamp

cc: Dan Arbough  
Kendrick Riggs – Stoll Keenon Ogden PLLC



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Virginia State Corporation Commission  
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**VIA UPS OVERNIGHT DELIVERY**

February 16, 2007

**RE: Kentucky Utilities Company (Case No. PUE-2006-00107)  
Report of Action**

Dear Mr. Peck:

Pursuant to the Commission's Order, Ordering Paragraph No. 4, dated November 21, 2006, in the aforementioned proceeding, Kentucky Utilities Company, d/b/a Old Dominion Power Company ("KU/ODP or "the Company") hereby submits a Report of Action with respect to \$16,693,620 of long-term debt issued on December 7, 2006. The detail of the financing is shown below:

Type of Security:	Pollution Control Bonds
Issuance Date:	December 7, 2006
Principal Amount:	\$16,693,620
Remaining to be Issued:	\$0
Net Proceeds:	\$16,693,620 (all held in escrow pending qualifying expenditures)
Maturity Date:	June 1, 2036
Interest Rate:	variable – will be reset every 35 days
Initial Interest Rate:	3.70%

Mr. Joel Peck, Clerk  
February 16, 2007

Issuance expenses realized to date are as follows:

Insurance	\$219,998.21
Underwriting Fee	58,427.67
Printing	10,051.93
County Attorney Fee	500.00
Underwriter Counsel	42,345.77
Supp. Indenture Review	<u>3,000.00</u>
Total	\$334,323.58

The proceeds of the bond will be used to fund a portion of the costs of pollution control facilities at the Ghent Generating Station in Carroll County, Kentucky. KU elected to issue a thirty-year loan, the maximum possible term, to take full advantage of low cost tax-exempt financing.

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,



Rick E. Lovekamp

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



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**VIA UPS OVERNIGHT DELIVERY**

May 15, 2007

**RE: Kentucky Utilities Company (Case No. PUE-2006-00107)  
Final Report of Action**

Dear Mr. Peck:

Pursuant to the Commission's Order, Ordering Paragraph No. 5, dated November 21, 2006, in the aforementioned proceeding, Kentucky Utilities Company, d/b/a Old Dominion Power Company ("KU/ODP or "the Company") hereby submits a Final Report of Action with respect to \$16,693,620 of long-term debt issued on December 7, 2006. The detail of the financing is shown below:

Type of Security:	Pollution Control Bonds
Issuance Date:	December 7, 2006
Principal Amount:	\$16,693,620
Remaining to be Issued:	\$0
Net Proceeds:	\$16,693,620 with 13,825,053 remaining in escrow pending qualifying expenditures
Maturity Date:	June 1, 2036
Interest Rate:	variable - will be reset every 35 days
Initial Interest Rate:	3.70%

Issuance expenses realized to date are as follows:

Insurance	\$219,998.21
Underwriting Fee	58,427.67
Printing	10,051.93
County Attorney Fee	500.00
Underwriter Counsel	42,345.77
Supp. Indenture Review	<u>3,000.00</u>
Total	\$334,323.58

The proceeds of the bond will be used to fund a portion of the costs of pollution control facilities at the Ghent Generating Station in Carroll County, Kentucky. There are no material unfavorable variances from the estimated expenses contained in the Financing Summary attached to the original application. KU elected to issue a thirty-year loan, the maximum possible term, to take full advantage of low cost tax-exempt financing.

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 or Don Harris at (502)627-2021.

Sincerely,



Rick E. Lovekamp

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

**Kentucky Utilities Company**  
**Balance Sheets**  
(Millions of \$)

	December 31	
	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Note 1).....	\$ 6	\$ 7
Restricted cash (Note 1) .....	23	22
Accounts receivable-less reserve of \$2 million in 2006 and \$1 million in 2005 (Note 1).....	123	135
Accounts receivable from affiliated companies (Note 11) .....	50	32
Materials and supplies (Note 1):		
Fuel (predominantly coal) .....	64	55
Other materials and supplies .....	34	32
Prepayments and other current assets.....	<u>13</u>	<u>5</u>
Total current assets .....	<u>313</u>	<u>288</u>
Other property and investments (Note 1).....	<u>25</u>	<u>23</u>
Utility plant, at original cost (Note 1) .....	3,681	3,650
Less: reserve for depreciation.....	<u>1,553</u>	<u>1,508</u>
Total utility plant, net .....	2,128	2,142
Construction work in progress.....	<u>487</u>	<u>197</u>
Total utility plant and construction work in progress .....	<u>2,615</u>	<u>2,339</u>
<b>Deferred debits and other assets:</b>		
Regulatory assets (Note 2):		
Pension and postretirement benefits (Notes 1 and 2).....	64	-
Other .....	83	58
Cash surrender value of key man life insurance.....	35	32
Intangible pension asset.....	-	8
Other assets .....	<u>8</u>	<u>8</u>
Total deferred debits and other assets .....	<u>190</u>	<u>106</u>
Total Assets .....	<u>\$3,143</u>	<u>\$2,756</u>

The accompanying notes are an integral part of these financial statements.

**Kentucky Utilities Company**  
**Balance Sheets (continued)**  
(Millions of \$)

	<u>2006</u>	<u>2005</u>
December 31		
<b>LIABILITIES AND EQUITY:</b>		
Current liabilities:		
Current portion of long-term debt (Note 7) .....	\$ 141	\$ 123
Notes payable to affiliated companies (Notes 8 and 11) .....	97	70
Accounts payable .....	83	89
Accounts payable to affiliated companies (Note 11) .....	87	57
Accrued income taxes .....	-	13
Customer deposits .....	19	17
Other current liabilities .....	<u>23</u>	<u>14</u>
Total current liabilities .....	<u>450</u>	<u>383</u>
Long-term debt:		
Long-term bonds (Note 7) .....	219	240
Long-term notes to affiliated company (Note 7) .....	<u>483</u>	<u>383</u>
Total long-term debt .....	<u>702</u>	<u>623</u>
Deferred credits and other liabilities:		
Accumulated deferred income taxes (Note 6) .....	284	274
Accumulated provision for pensions and related benefits (Note 5) .....	126	92
Asset retirement obligations .....	28	27
Regulatory liabilities (Note 2):		
Accumulated cost of removal of utility plant .....	297	281
Regulatory liability deferred income taxes .....	27	23
Other regulatory liabilities .....	6	11
Other liabilities .....	<u>30</u>	<u>20</u>
Total deferred credits and other liabilities .....	<u>798</u>	<u>728</u>
Commitments and contingencies (Note 9)		
<b>COMMON EQUITY:</b>		
Common stock, without par value -		
Authorized 80,000,000 shares, outstanding 37,817,878 shares .....	308	308
Additional paid-in-capital .....	15	15
Accumulated other comprehensive income (Note 12) .....	-	(19)
Retained earnings .....	854	704
Undistributed subsidiary earnings .....	<u>16</u>	<u>14</u>
Total retained earnings .....	<u>870</u>	<u>718</u>
Total common equity .....	<u>1,193</u>	<u>1,022</u>
Total Liabilities and Equity .....	<u>\$3,143</u>	<u>\$2,756</u>

The accompanying notes are an integral part of these financial statements.