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T.R.A. DOCKET ROOM

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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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Manager - Regulatory Affairs  
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**VIA UPS OVERNIGHT DELIVERY**

June 29, 2007

RE: **Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations**  
**Docket No. 07-00043**

Dear Ms. Kyle:

Pursuant to Ordering Paragraph No. 3 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and thirteen (13) copies of all correspondence submitted to the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission ("VSCC) under said Order.

On June 28, 2007, pursuant to the KPSC Order Authorizing the Issuance of Securities and the Assumption of Obligations, a report setting forth the loan provisions of \$50,000,000 borrowing from Fidelia Corporation was provided.

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, a Preliminary Report of Action as stipulated in the order. Detailed Reports of Action are filed quarterly and due 60 days after the end of each calendar quarter in which debt is issued. A Final Report of Action is to be filed on or before March 31, 2008.

Ms. Sara Kyle  
June 29, 2007

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", with a stylized flourish at the end.

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  
Frankfort, Kentucky 40602

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June 28, 2007

**RE: The application of Kentucky Utilities Company for an Order  
Authorizing the Issuance of Securities and the Assumption of  
Obligations (Case No. 2007-00024)**

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 8 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 20, 2007, KU borrowed \$50 million from Fidelity Corporation in accordance with the order issued March 19, 2007 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 20, 2017  |
| Interest Rate:     | 5.98%  |
| Price Paid:        | 100%   |
| Proceeds:          | \$50 million   |
| Commissions Paid:  | None   |
| Legal Costs:       | None   |
| Security for Loan: | None   |
| Interest Payments: | June 20 and December 20 commencing December 20, 2007 |

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

Ms. Elizabeth O'Donnell  
June 28, 2007

The interest rate was set using the lowest rate quoted to KU at .83% above the yield on the ten-year treasury bond (5.15%). 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:

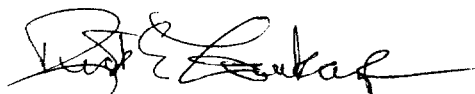
|                                     | <b>KU<br/>Pricing</b> | <b>E.ON AG<br/>Pricing</b> |
|-------------------------------------|-----------------------|----------------------------|
| Low bid above ten-year treasury     | 0.83%                 |                            |
| Ten-year treasury rate              | 5.15%                 |                            |
| All-in cost                         | 5.98%                 |                            |
| Average bid above ten-year treasury |                       | 0.89%                      |
| Thirty-year treasury rate           |                       | 5.15%                      |
| All-in cost                         |                       | 6.04%                      |

The 83 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).

| <b>Issuer</b>    | <b>Moody's / S&amp;P</b> | <b>Maturity</b> | <b>Spread</b> |
|------------------|--------------------------|-----------------|---------------|
| Georgia Power Co | A2 / A                   | 06/01/2017      | + 80 bps      |
| Gulf Power Co    | A2 / A                   | 06/15/2017      | + 93 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 or Don Harris at (502) 627-2021.

Sincerely,



Rick E. Lovekamp

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

# U.S. debt capital markets update

## Utility & Pipeline sectors

### For distribution to issuer clients only

New York  
Week ending  
June 8, 2007

Peter Madonia, MD (212) 834-3808  
Anisha Mehra, ED (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

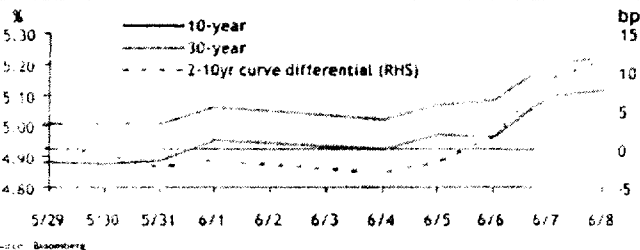
- Recent economic data points to a rebound in 2Q07 growth, leading JPMorgan to raise its forecast for real GDP growth from 2.5% to 4.0%. The May ISM non-manufacturing survey jumped to 59.7, its highest level in more than a year, following an increase in the ISM manufacturing survey. April's trade deficit narrowed by \$3.9bn to \$58.5bn, which is expected to boost 2Q07 growth by more than 1.0%. A downward revision to 1Q07 productivity growth underscores the trend of the past two years and points to possibly higher inflation.
- Treasury yields gapped higher on Thursday as mortgage portfolios were heavy sellers and PIMCO's Bill Gross expressed a bearish outlook on the bond market. Treasuries continued to weaken on Friday following Thursday's 20+ bps sell-off. The 10- and 30-year benchmarks finished the week at 5.12% and 5.22%, respectively, both 16bp higher from their Monday open. The slope of the Treasury yield curve normalized last week, with 10-year Treasury yields exceeded 2-year yields by 12bps following a long period of inversion.
- Fed Funds futures suggest that the market has largely abandoned expectations for a rate cut despite the near 100% probability that the market was predicting last month.

#### JPMorgan interest rate forecast (%)

|                | 8-Jun-07 | 2Q07   | 3Q07  | 4Q07   | 1Q08   |
|----------------|----------|--------|-------|--------|--------|
| Fed funds rate | 5.25%    | 5.25%  | 5.25% | 5.50%  | 6.00%  |
| 3m LIBOR       | 5.36%    | 5.40%  | 5.50% | 5.90%  | 6.15%  |
| 2yr UST        | 5.00%    | 5.00%  | 5.20% | 5.65%  | 5.75%  |
| 5yr UST        | 5.05%    | 5.05%  | 5.20% | 5.60%  | 5.70%  |
| 10yr UST       | 5.12%    | 5.10%  | 5.15% | 5.50%  | 5.55%  |
| 30yr UST       | 5.22%    | 5.20%  | 5.20% | 5.55%  | 5.55%  |
| 2s/10s curve   | 12 bps   | 10 bps | 5 bps | 15 bps | 20 bps |
| 10s/30s curve  | 10 bps   | 10 bps | 5 bps | 5 bps  | Flat   |

JPMorgan forecast as of 6/8/07; forecasts are for quarter-end

#### Historical treasury rates (%)



#### Investment grade primary and secondary market update

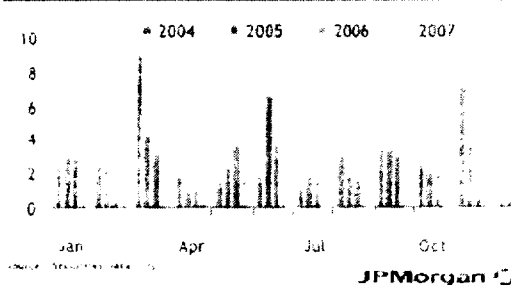
- Last week saw a continued heavy amount of issuance, with nearly \$25bn of investment grade supply coming to market, despite some volatility which emerged during the week. FPL Group Capital (A3/BBB+) issued its third equity-enhanced hybrid offering to date, pricing \$400mm "Basket C," 60nc10 step-up securities at T+170 bps, with JPMorgan as Joint Bookrunner and Joint Structuring Advisor. Valero Energy (Baa3/BBB) issued a \$2.25bn dual-tranche offering, with JPMorgan as Joint Bookrunner: \$750mm 10yrs at T+115 bps and \$1.5bn 30yrs at T+155 bps, and received over \$4bn in orders. Valero initially announced a \$2bn transaction, but after the book grew north of \$4bn, the deal was upsized to \$2.25bn. Georgia Power (A2/A) and Gulf Power (A2/A), both subsidiaries of Southern Co., issued \$450 million and \$85 million of 10-yr senior unsecured notes at +80 bps and +93bps, respectively. Pepco Holdings (Baa3/BBB-) priced \$250 million 10-year notes at +122 bps.
- High grade corporate bond spreads widened slightly last week with the credit market carrying a weaker tone. Equities dropped sharply last week with the S&P losing 1.9%, the DJIA shedding 1.8%, and the NASDAQ dropping by 1.5%.
- The rout in Treasuries late last week similarly hurt credit markets, more in derivatives than in cash as investors use the former to hedge their cash positions. High-yield spreads have widened 5 bps from their tightest levels, while high-grade spreads continue to trade range-bound. The damage so far is minimal, as the driver of the sell-off in bonds has been strong economic data rather than a rise in risk. Strong fundamentals remain intact, but spreads in the near term should be more responsive to investor sentiment, economic data, and LBO activity.

#### Selected recent investment grade new issuance

| Date | Issuer                | Ratings   | Size  | Coupon | Maturity   | Spread |
|------|-----------------------|-----------|-------|--------|------------|--------|
| 5/4  | GEORGIA POWER CO      | A2/A      | 450   | 5.700  | 06/01/2017 | 80     |
| 5/4  | COUNTRYWIDE FINANCIAL | A3/A      | 500   | PRN    | 05/27/2012 | 3ML+44 |
| 5/4  | COUNTRYWIDE FINANCIAL | A3/A      | 2,000 | 5.800  | 06/07/2012 | 94     |
| 5/5  | VALERO ENERGY CORP    | Baa3/BBB  | 750   | 6.125  | 06/15/2017 | 115    |
| 5/5  | VALERO ENERGY CORP    | Baa3/BBB  | 1,500 | 6.625  | 06/15/2037 | 155    |
| 5/5  | WELLPOINT INC         | Baa1/BBB+ | 700   | 5.875  | 06/15/2017 | 98     |
| 5/5  | WELLPOINT INC         | Baa1/BBB+ | 800   | 6.375  | 06/15/2017 | 131    |
| 5/5  | GULF POWER CO         | A2/A      | 85    | 5.900  | 06/15/2017 | 93     |
| 5/5  | PEPCO HOLDINGS INC    | Baa3/BBB- | 250   | 6.125  | 06/01/2017 | 122    |
| 5/6  | FPL GROUP CAPITAL INC | A3/BBB+   | 400   | 6.650  | 05/17/2007 | 170    |
| 5/6  | US GROUP NY           | A1/A      | 1,000 | 6.375  | PERP       |        |

Issuance includes utility and pipeline issuance

#### Utility and Pipeline new issue supply (\$Bn)



GRAB

Govt YAS

Enter 11<G0> for Historical Z-spreads

# REND. & SPREAD ANALYSE

US TREASURY N/B T 4 1/2 05/15/17 95-00+ / 95-01+ ( 5.15 /14) BGN @15:18  
ABRECHN. 6/19/07 NENNWERT 1000 T od ERLÖS 954,743.64

| 1) YA       | RENDITE               | 2) YASD | RISIKO & T 4 1/2 05/15/17 | HEDGE   | Ausübung | HEDGE ANL. |
|-------------|-----------------------|---------|---------------------------|---------|----------|------------|
| PREIS 95-1+ | No Rounding           |         |                           |         |          |            |
| RDTE        | 5.144 Mst             |         |                           | 5/15/17 | OAS      | OAS        |
| SPRD        | 0.00 BP Rdt-Dezimalen |         |                           |         |          |            |

versus

10yr T 4 1/2 05/15/17 REFERENCE  
PREIS 95-1+ Speiche Löschen  
RDTE 5.144 %

Renditen sind: Semi-Annual

| 3) OAS            | SPREADS | 4) ASW |
|-------------------|---------|--------|
| OAS: 0.0 KRV# CNT | UNS     | Opt    |
| OAS: KRV#         |         |        |

-58.0 -61.5 11) History  
KRV# 152 US \$ SWAP 30/360  
ISPRD -59.4 DSPRD 60.7

Zinskurve: 125 US TREASURY ACTIVES  
+ 0 v 9.9yr ( 5.144 %) INTERPOLIERT  
+ 7 v 5yr ( 5.08) T 4 3/4 05/31/12  
+ 0 v 10yr ( 5.14) T 4 1/2 05/15/17  
- 10 v 30yr ( 5.25) T 4 3/4 02/15/37

Australia 61 2 9777 8600 Brazil 5511 2048 4500  
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212

| 5) FPA              | FINANZRG  | Repos     | Tagen    |
|---------------------|-----------|-----------|----------|
| Zinseinn.           | 122.28    | Carry G&V |          |
| Fin.Kost.           | -136.32   |           | -14.03   |
| Tilgung             | 9.50      |           | -4.54    |
| Term.preis          | 95.048278 |           |          |
| Prsrückg.           | -0.001403 |           |          |
| Rückg.(BP)          | -0.01     |           |          |
| Stückzinsen         | /100      |           | 0.427989 |
| Anz.Tge Stückzinsen | 35        |           |          |

Europe 44 20 7320 7500 Germany 49 69 920410  
1000 U.S. 1 212 618 2000 Copyright 2003 Bloomberg L.P.  
6433-111-0 18-Jun-07 15:20:59

# Capital Markets Update

Citi

Tuesday, June 26, 2007

## Treasury Yield Curve

| Maturity         | 06/26/07      | Daily Change  |
|------------------|---------------|---------------|
| 2-year           | 4.89%         | +2 bp         |
| 3-year           | 4.93%         | +2 bp         |
| 5-year           | 4.98%         | +2 bp         |
| 7-year           | 4.93%         | +3 bp         |
| 10-year          | 5.10%         | +2 bp         |
| 30-year (old)    | 5.22% (5.23%) | +3 bp (+3 bp) |
| 10-yr Swap (Mid) | +63 bp        | 0 bp          |
| Euro (\$/euro)   | 134.60        | -0.05         |
| Oil (Jul WTI)    | 67.77         | -1.41         |
| Gas (Jul Henry)  | 6.88          | -0.06         |

## Equity Market Movers

|         | 06/26/07  | Daily Change | % Chg   |
|---------|-----------|--------------|---------|
| DJIA    | 13,337.66 | -14.39       | -0.11%  |
| S&P 500 | 1,492.89  | -4.85        | -0.32%  |
| Nasdaq  | 2,574.16  | -2.92        | -0.11%  |
| Nikkei  | 18,066.11 | -21.37       | -0.12%  |
| UTY     | 515.33    | -1.46        | -0.28%  |
| EAS     | 26.25     | +3.71        | +16.46% |
| AYE     | 51.71     | +1.06        | +2.09%  |
| NU      | 27.93     | +0.56        | +2.05%  |
| FPL     | 56.66     | -1.10        | -1.90%  |
| NST     | 32.36     | +0.54        | +1.70%  |
| EIX     | 54.70     | +0.87        | +1.62%  |

## Economic Data at Bat

| Release              | Prev | Citi  | Street |
|----------------------|------|-------|--------|
| Durable Goods Orders | 0.6% | -1.0% | -1.0%  |
| Ex Transportation    | 1.5% | 0.7%  | 0.3%   |

June 27-28: FOMC Meeting

## Power Industry Announcements

**RPS IN NC.** A bill that orders North Carolina public utilities to provide 12.5% of their retail power from renewables and efficiency by the year 2021 won support from the Senate Agriculture, Environment and Natural Resources Committee chaired by its sponsor. It needs approval from the Senate Finance Committee before it will face a full chamber vote. Electric co-ops and municipal power companies would have a 10% standard. Utility companies praised the measure. But environmental groups were unhappy that the bill retained language that would allow the power companies to recover the cost of building coal and nuclear power plants by charging customers before those plants come on line. The House may prove less friendly to that section, and opponents will push for its removal when the measure gets to that chamber.

**GE WIND INVESTMENT IN NY.** GE's GE Energy Financial Services will help boost wind energy capacity in New York State by more than 70% with an investment in three Noble Environmental Power windparks that will generate 282 MW in Clinton and Wyoming Counties. The GE unit's first investment in wind energy in New York State will increase the state's wind energy capacity to 671 megawatts. The projects represent a \$564 million investment in clean, renewable energy.

**WIND IN SD.** The South Dakota PUC approved a construction permit for a \$300 million wind farm of up to 103 turbines southeast of White, SD. Construction is expected to begin in 2008 and be completed in a year or so, an official with White Wind Farm LLC told the three-member commission. White Wind Farm is a subsidiary of Navitas Energy Inc., a Minneapolis developer of wind energy.

**WIND FOR EDE.** Empire District Electric said it signed a 20-year PPA with Horizon Wind Energy's Cloud County Wind Farm LLC. Financial terms were not disclosed. Under the agreement, Empire will buy about 100 MW of energy in Kansas.

**DUK RAISES DIVIDEND.** Duke Energy raised its quarterly cash dividend on its common stock by 4.8% to \$0.22 per share, an increase of \$0.01 over the previous level. The indicated annual dividend of \$0.88 equates to a yield of 4.83% relative to Duke's closing price of

## Corporate Financing Activity

MidAmerican Energy, a utility subsidiary of Berkshire Hathaway's MidAmerican Energy Holdings, priced \$650 million of 5-year and 10-year senior notes at spreads of +70 bp and +90 bp, respectively. The Company was last in the market on Oct. 3, 2006 when it priced \$350 million of 30-year medium-term notes at a spread of +105 bp.

| Issuer             | Ratings | Amount | Structure | Coupon | Spread | N/C | Comments |
|--------------------|---------|--------|-----------|--------|--------|-----|----------|
| MidAmerican Energy | A2/A-   | \$250  | 10 NC/L   | 5.950% | +90 bp | N   | MW@T+20  |
| MidAmerican Energy | A2/A-   | \$400  | 5 NC/L    | 5.650% | +70 bp | N   | MW@T+15  |

## Treasury Market

Treasury prices rose in early trading but ceded gains as the session progressed as investors discounted soft housing and confidence data released at 10 AM (see below). PIMCO's Bill Gross roundly criticized the rating agencies for assigning AAA ratings to various RMBS (residential mortgage-backed securities) and CDOs (collateralized debt obligations) and highlighted the risk of contagion: "...the subprime crisis is not an isolated event ... it will affect risk spreads in markets completely divorced from U.S. housing." At a House Committee hearing, SEC Chairman Christopher Cox said the agency's enforcement division has opened a dozen investigations into CDOs and CLOs.

## Equity Market

Major stock indices experienced another tumultuous roller-coaster ride with shares rising in early trading and then closing with moderate losses. The weak economic numbers and ongoing concern over the possible fallout from Bear Stearns' hedge fund outweighed sharply lower oil prices. Crude oil fell \$1.41 and natural gas stayed below \$7. On the day, the Dow and Nasdaq fell 0.1%, while the S&P 500 declined 0.3%. The utility sector also declined 0.3%. In deal news, Huntsman has agreed to be acquired by a Dutch firm for \$5.6bn and Roche Holding offered \$3bn for Ventana Medical Systems. Blackstone Group's new shares closed below its IPO price, as investors assess prospects for both private equity and congressional tax proposals. It was reported that Carlyle Group is also considering an IPO. Iberdrola said it may launch a capital increase to finance its EAS acquisition - its second this year after an E8-billion equity issue that helped pay for its cash-and-shares takeover of ScottishPower. Iberdrola shares were down about 2%.

## Economic Announcements

New home sales fell 1.6% in May after a revised 12.5% surge in April. Little progress on inventories has been made so far amid the sales declines. However, the latest data show declines in housing starts are again beginning to eclipse declines in sales, which should help looking forward. The Conference Board's consumer confidence measure fell to 103.9 in June from 108.5 in May, consistent with deterioration in other indices as well. The FOMC begins its two-day policy meeting on Wednesday.

\$18.21 per share. "According to our Charter, one of Duke Energy's benchmarks for success is to provide a superior return to investors," said James E. Rogers, chairman, president and CEO. "We are committed to having a 70- to 75-percent payout ratio, and we expect to grow our dividends with earnings over time. The board's action increases our dividend by nearly 5% and affirms we are fulfilling that commitment."

**D CLOSING CANADA SALE.** Dominion announced it has closed the sale of its Canadian natural gas and oil E&P operations. This is one of several closings of previously announced asset sales. The Canadian operations were sold to Paramount Energy Trust and Baytex Energy Trust, both of Calgary, Canada, for a total of approximately US\$624 million based on current exchange rates as of June 25, 2007. The operations include approximately 267 Bcfe of proved natural gas and oil reserves in western Canada with 2006 average daily production of approximately 60 MMcf.

**NWEC/BBI UPDATE.** Australia's Babcock & Brown Infrastructure Ltd. made a revised takeover offer for U.S. utility NorthWestern Corp. after a regulator blocked its initial US\$2.2 billion bid on concerns the deal was not in the interests of customers. "There is still a lot of work to do. This takes it some good steps forward. It certainly looks a lot better than it did yesterday," BBI CEO Jeff Kendrew told Reuters on Tuesday. The new proposal offers US\$20 million in refunds to customers in Montana and a commitment to spend at least US\$380 million to bolster existing operations in the state. BBI also proposed to slash the debt component of the purchase by half, to US\$250 million, with a corresponding increase in equity. NorthWestern and BBI would also create a locally managed Montana utility subsidiary with its own board and management. BBI committed not to sell or transfer its ownership interest in the Montana unit outside of a Babcock & Brown-managed fund for 10 years. BBI raised A\$422.1 million by selling new shares in February to help fund the NorthWestern purchase. But it said that if the transaction does not proceed it could deploy the capital in other deals, which would be equally earnings positive.

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST



# Kentucky Utilities indicative new issue pricing

| Kentucky Utilities - A1/A, first mortgage bonds |              |
|---|--------------|
| Maturity  | 10           |
| Reference Treasury                              | 4.500% 05/17 |
| Treasury Yield                                  | 5.18         |
| Reoffer Spread (bps) <sup>1</sup>               | 75A          |
| Coupon (%)                                      | 5.93         |
| Amortized fees (bps)                            | 8            |
| All-in Cost (%)                                 | 6.01         |
| Coupon swapped to 3mSL (bps) <sup>2</sup>       | 16           |

<sup>1</sup> A-1, 10/12/15 days.  
<sup>2</sup> 3 months LIBOR yielding 5.36%

CONFIDENTIAL

## Indicative New Issue Pricing – Kentucky Utilities (A1/A)

### \$50 Million First Mortgage Bonds

| Credit Enhancement      |  | 10 Years      |
|-------------------------|--|---------------|
| Benchmark               |  | 4.5% 5/17     |
| Benchmark Yield         |  | 5.240%        |
| Reoffer Spread          |  | +80 - 85      |
| Reoffer Yield           |  | 6.01% - 6.06% |
| Underwriting Commission |  | 0.650%        |
| All-in Yield            |  | 6.40% - 6.15% |
| Swapped to Libor Levels |  |               |
| Swap Spread             |  | +59           |
| Reoffer versus LIBOR    |  | SL+21 - 26    |
| All-in versus LIBOR     |  | SL+30 - 35    |

Benchmark and reoffer spreads as of 6/15/2007.

**Wiedmar, John**

**From:** Harte, Timothy C [timothy.c.harte@bankofamerica.com]  
**Sent:** Friday, June 15, 2007 10:07 AM  
**To:** Wiedmar, John  
**Cc:** Dougherty, Peter; Arbough, Dan; Horne, Elliott  
**Subject:** RE: Indicative Pricing Request

John,  
Please find the requested pricing information for KU and E.ON U.S. below. Feel free to call with any questions.

Have a great weekend,

Tim

Issuer: Kentucky Utilities  
Structure: 10-year FMBs  
Size: \$50MM  
Format: SEC Registered  
Reoffer: UST 10yr + 85 bps area  
Gross Spread: 65 bps  
All-In: T + 94 bps area

Issuer: E.ON U.S.  
Structure: 7-year senior unsecured notes  
Size: \$50MM  
Format: SEC Registered  
Reoffer: UST 7yr + 90-95 bps fixed (L + 35-40 bps equivalent)  
Gross Spread: 62.5 bps  
All-In: T + 101-106 bps (L + 46-51 bps)

**From:** Wiedmar, John [mailto:John.Wiedmar@eon-us.com]  
**Sent:** Tuesday, June 12, 2007 3:07 PM  
**To:** Harte, Timothy C  
**Cc:** Dougherty, Peter; Arbough, Dan; Horne, Elliott  
**Subject:** Indicative Pricing Request

Timothy

Can you please have your capital markets desk provide me with some indicative pricing (all-in spread) as of Friday, June 15 on a Kentucky Utilities first mortgage bond (Rated A1/A) for a loan. The term would be as follows:

10 years at a fixed rate: \$50 million

Also, can you have your capital markets desk provide an indicative all-in spread for a \$50 million, 7 year maturity, 3 month labor floating rate index for E.ON U.S. (A3/BBB-) borrowing on an unsecured basis as of Friday, June 15? We understand that 7-year floaters are not a typical structure that is in the market, so an indicative rate assuming fixed and swapped back to floating would suffice. Please be sure to copy Dan Arbough and Elliott Horne with your response as I will be out of the office on Friday. If you have any questions, please feel free to call me at (502)627-3658 or Elliott Horne at (502) 627- 3652. Thank you!

6/18/2007

**Wiedmar, John**

**From:** Heintzen, Lioba [Lioba.Heintzen@eon.com]  
**Sent:** Thursday, June 14, 2007 10:51 AM  
**To:** Arbough, Dan  
**Cc:** Home, Elliott; Wiedmar, John  
**Subject:** WG: Spread

First price

Mit freundlichen Grüßen/Kind regards

Lioba Heintzen

Treasury  
T +49 2 11-45 79-655  
F +49 2 11-45 79-669  
Lioba.Heintzen@eon.com

E.ON AG  
E.ON-Platz 1  
40479 Düsseldorf  
www.eon.com

E.ON AG, Sitz/Registered Office Düsseldorf Amtsgericht/District Court Düsseldorf HRB 22315  
Vorsitzender des Aufsichtsrats/Chairman of the Supervisory Board: Ulrich Hartmann  
Vorstand/Board of Management: Dr. Wulf H. Bernotat (Vorsitzender/Chairman), Dr. Burkhard Bergmann,  
Christoph Dänzer-Vanotti, Lutz Feldmann, Dr. Marcus Schenck, Dr. Johannes Teyssen

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**Von:** Schrago, Godefroy [mailto:Godefroy.Schrago@gs.com]  
**Gesendet:** Mittwoch, 13. Juni 2007 17:20  
**An:** Heintzen, Lioba  
**Cc:** Hofmann, Jens; Meckel, Jans  
**Betreff:** Re: Spread

Dear Lioba,

We would currently see it at **UST+87bps** all-in on an indicative basis.

Kind regards,

**Goldman Sachs International**  
Peterborough Court | 133 Fleet Street | London EC4A 3BB  
Tel: +44 (0)20 7774 1000 | Direct: +44 (0)20 7774 3436  
Fax: +44-(0)20 7774 4477  
E-mail: godefroy.schrago@gs.com

**Godefroy Schrago**  
Investment Banking Division

6/18/2007

## Wiedmar, John

---

**From:** Heintzen, Lioba [Lioba.Heintzen@eon.com]  
**Sent:** Thursday, June 14, 2007 10:51 AM  
**To:** Arbough, Dan  
**Cc:** Horne, Elliott; Wiedmar, John  
**Subject:** WG: US\$ 50 mln 10 year Indication

second spread:

Mit freundlichen Grüßen/Kind regards

Lioba Heintzen

Treasury  
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F +49 2 11-41 10-663  
Lioba.Heintzen@eon.com

E.ON AG  
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40479 Düsseldorf  
www.eon.com

E.ON AG, firm-registered office Düsseldorf Amtsgericht/District Court Düsseldorf HRB 22315  
Vorsitzender des Aufsichtsrats/Chairman of the Supervisory Board: Ulrich Hartmann  
Vorstand/Board of Management: Dr. Wolf H. Bernotat (Vorsitzender/Chairman), Dr. Burkhard Bergmann, Dr. Jean-Louis Tardieu-Vanotti, Lutz Feldmann, Dr. Marcus J. Jochims, Dr. Johannes Teyssen

-----Ursprüngliche Nachricht-----

Von: hussain.hussain@uk.abnamro.com [mailto:hussain.hussain@uk.abnamro.com]  
Gesendet: Donnerstag, 14. Juni 2007 15:12  
An: Heintzen, Lioba  
Betreff: US\$ 50 mln 10 year Indication

Dear Ms Heintzen,

further to your request with respect to indicative funding levels for a US\$ 50 mln 10 year issue, the new issue level (all-in) would be at US\$ 1.5  
**Notes due May-2017+ 93<sup>bp</sup> - US\$ 3m Libor + 32 bp.**

Kind regards,

Hussain Hussain  
Corporate Communications  
ABN AMRO  
250 Bishopsgate  
London EC2M 4AP  
UK

Phone: +44 (0)20 7841 6000  
Fax: +44 (0)20 7841 6001

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This e-mail and any attachments is confidential and may be subject to legal privilege. If you are not a named addressee, you should not disseminate, copy or act on the information contained in this e-mail. If you have received this e-mail in error, please inform the sender immediately by e-mail and delete the e-mail from your system. If you are not a named addressee, you should not disseminate, copy or act on the information contained in this e-mail.  
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## Wiedmar, John

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**From:** Heintzen, Lioba [Lioba.Heintzen@eon.com]  
**Sent:** Thursday, June 14, 2007 10:52 AM  
**To:** Arbough, Dan  
**Cc:** Home, Elliott; Wiedmar, John  
**Subject:** WG: indication on a E.ON PP

third spread

Mit freundlichen Grüßen/Kind regards

Lioba Heintzen

Treasury  
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E.ON AG, Sitz/Registered Office Düsseldorf: Amtsgericht/District Court Düsseldorf HRB 11111  
Vorsitzender des Aufsichtsrats/Chairman of the Supervisory Board: Ulrich Hartmann  
Vorstand/Board of Management: Dr. Walter E. Bernhart (Vorsitzender/Chairman), Dr. Burkhard Bergmann, Christoph Dänzer-Vanotti, Lars Feldmann, Dr. Marcus Schenck, Dr. Johannes Teysen

-----Ursprüngliche Nachricht-----

Von: Hasso Spielberg [mailto:hasso.spielberg@db.com]  
Gesendet: Donnerstag, 14. Juni 2007 16:23  
An: Heintzen, Lioba  
Betreff: indication on a E.ON PP

Dear Mrs. Heintzen,

As per your request we want to inform you that DB would buy a USD 50m 10 year E.ON Private Placement at a spread of 85,5bp over the 4.5% 05/17 T bond.  
Please note that this information is purely indicative and no tradeable price.

Best regards

Hasso Spielberg

Deutsche Bank AG  
Global Markets  
Capital Markets  
Tel.: +49 69 262 911 36342  
Fax: +49 69 262 911 36343

This information does not constitute an invitation to investment, accounting to the law of. Although the above information is derived from sources which are believed to be reliable, no warranty or representation is made as to the correctness, completeness or accuracy of the information or the actions based thereon. All prices listed are subject to confirmation. They have been listed for information purposes only and do not constitute an offer or sales. Any views expressed are those of the author and not of the bank. This information is not intended to be used as a basis for investment decisions. It is not a recommendation, including research, published by Deutsche Bank AG.



an **e-on** company

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  
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Louisville, Kentucky 40232  
[www.eon-us.com](http://www.eon-us.com)

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
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[rick.lovekamp@eon-us.com](mailto:rick.lovekamp@eon-us.com)

**VIA UPS OVERNIGHT DELIVERY**

June 28, 2007

**RE: Kentucky Utilities Company (Case No. PUE-2007-00007)  
Preliminary Report of Action**

Dear Mr. Peck:

Pursuant to the Commission's Order, Ordering Paragraph No. 3, dated March 1, 2007, 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.

On June 20, 2007 KU/ODP borrowed \$50 million from Fidelia Corporation in accordance with the order issued March 1, 2007 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 20, 2017  |
| Interest Rate:     | 5.98%  |
| Price Paid:        | 100%   |
| Proceeds:          | \$50 million   |
| Commissions Paid:  | None   |
| Legal Costs:       | None   |
| Security for Loan: | None   |
| Interest Payments: | June 20 and December 20 commencing December 20, 2007 |

Mr. Joel Peck, Clerk  
June 28, 2007

The proceeds of the loan were used to fund capital projects described in the application. KU elected to issue a ten-year loan to lock in historically attractive long-term rates, but avoid the extreme long end of the curve where it has issued several notes recently.

The interest rate was set using the lowest rate quoted to KU at .83% above the yield on the ten-year treasury bond (5.15%). 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     | 0.83%      |                 |
| Ten-year treasury rate              | 5.15%      |                 |
| All-in cost                         | 5.98%      |                 |
| Average bid above ten-year treasury |            | 0.89%           |
| Ten-year treasury rate              |            | 5.15%           |
| All-in cost                         |            | 6.04%           |

The 83 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   |
|------------------|---------------|------------|----------|
| Georgia Power Co | A2 / A        | 06/01/2017 | + 80 bps |
| Gulf Power Co    | A2 / A        | 06/15/2017 | + 93 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. Should you have any questions regarding this information filed herewith, please contact me or Don Harris at (502) 627-2021.

Sincerely,



Rick Lovekamp

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