



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
www.eon-us.com

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
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. 07-00083

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 June 1, 2007, 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 \$26,802,000 of Unsecured Pollution Control 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, a Preliminary Report of Action as stipulated in the Order.

-
Ms. Sara Kyle
June 4, 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". The signature is fluid and cursive, with the first name "Rick" and last name "Lovekamp" being the most prominent parts.

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

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
F 502-627-3213
rick.lovekamp@eon-us.com

June 1, 2007

**RE: Application of Kentucky Utilities Company for an Order Authorizing
the Issuance of Securities and the Assumption of Obligations**
Case No. 2007-00115

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 May 24, 2007, Kentucky Utilities Company (the
"Company") completed the sale of \$26,802,000 Environmental Facilities
Revenue Bonds (Kentucky Utilities Company Project) as contemplated in the
above-referenced Case. The sale of the securities was negotiated with Lehman
Brothers Inc. and was completed as shown in the table below:

	<u>Carroll County 2007 Series A</u>	<u>Trimble County 2007 Series A</u>
Type of Security:	Unsecured Pollution Control Bonds	Unsecured Pollution Control Bonds
Issuance Date:	May 24, 2007	May 24, 2007
Amount:	\$17,875,000	\$8,927,000
Maturity Date:	February 1, 2026	March 1, 2037
Interest Rate:	variable – will be reset every 7 days	variable – will be reset every 7 days
Initial Interest Rate:	3.80%	3.80%

Ms. Elizabeth O'Donnell
June 1, 2007

The proceeds of each series of bonds will be used to finance a portion of the costs of the acquisition, construction, installation and equipping of solid waste disposal facilities at the Ghent Generating Station in Carroll County, Kentucky and Unit 2 of the Trimble County Generating Station in Trimble County, Kentucky. KU elected to issue the maximum possible term allowed to take full advantage of low cost tax-exempt financing.

The interest rate on this bond issuance will be reset every 7 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 rate¹ is 2.67% compared to the current Revenue Bond Index (RBI²) of 4.46%. 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. Lehman Brothers Inc. will act as the Remarketing Agent with respect to the bonds.

Total underwriter's commission of \$93,807.00 was paid to Lehman Brothers Inc. An insurance premium in the amount of \$320,852.36 was paid at closing to Ambac 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

¹ 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.

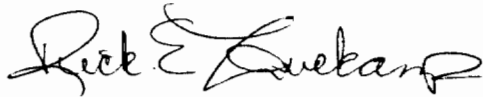
² RBI - An estimate of the yield compiled by the Bond Buyer using an index of revenue bonds maturing in 30 years, with a rating equivalent to Moody's A1 and Standard and Poor's A-plus.

Ms. Elizabeth O'Donnell
June 1, 2007

letter and the Official Statement and by returning them 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,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with the first name "Rick" being the most prominent.

Rick E. Lovekamp

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

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR AN ORDER AUTHORIZING)	CASE NO.
THE ISSUANCE OF SECURITIES AND THE)	2007-00115
ASSUMPTION OF OBLIGATIONS)	

O R D E R

On March 20, 2007, Kentucky Utilities Company ("KU") filed an application for authority to issue securities in an aggregate principal amount not to exceed \$26,803,258 and to assume certain obligations in connection therewith, represented by one or more loan agreements with Carroll County and Trimble County, Kentucky, in connection with the simultaneous issuance by Carroll and Trimble counties of Pollution Control Bonds in an aggregate principal amount not to exceed \$26,803,258. The proceeds of the Carroll County Pollution Control Bonds will be loaned to KU, which will use the proceeds to provide permanent financing for a portion of the costs associated with pollution control facilities at its Ghent Generating Station ("Ghent") in Carroll County, Kentucky and Trimble County Unit 2 in Trimble County, Kentucky.¹

¹ The Commission previously approved Pollution Control Bond financing for the construction at the Ghent Generating Station. See Case Nos. 2005-00183, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, final Order dated June 20, 2005; Case No. 2005-00357, Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, final Order dated October 14, 2005, and Case No. 2006-00187, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, final Order dated June 16, 2006, and Case No. 2006-00414, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, Order dated November 20, 2006.

KU's application also includes a request to deviate from 807 KAR 5:001, Section 11(d), which specifies that an application for authority to issue indebtedness must include copies of any contracts for the construction of facilities to be financed by the proposed indebtedness. KU states that it has one such contract with Fluor Enterprises, Inc. for construction of KU's pollution control project, but since the contract was previously filed with the Commission in Case No. 2006-00187, KU seeks to incorporate the contract by reference. In Case No. 2006-00187, KU was granted confidential protection for portions of the Ghent Contract. KU was also granted a deviation from Commission rules and incorporation of the Ghent Contract filed in Case No. 2006-00187 by reference only in Case No. 2006-00414. The TC2 Contract has also been filed with the Commission in a prior case requesting authority for financing, Case No. 2007-00024.² The Commission has granted confidential protection for portions of the TC2 Contract in Case No. 2007-00024. The Ghent and TC2 contracts have not been amended since their initial filing. It is KU's contention that the filing of these duplicative filings of information already contained in the Commission files would serve no purpose and represent a burden on the Company for photocopying and would also needlessly burden the Commission which would again have to consider the issue of whether the confidential information in these contracts should be protected.

On March 8, 2007, the Kentucky Private Activity Bond Allocation Committee awarded KU allocations from the state's pool for private activity bonds totaling \$17,875,814 and \$8,927,444 for both the Carroll and Trimble County facilities, respectively. These allocations will allow KU to finance a portion of the costs

² Case No. 2007-0024, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.

associated with KU's pollution control projects on a tax-exempt basis. KU requests that the Commission process this application as expeditiously as possible and issue its Order by May 9, 2007, as the expiration date of these allocations is June 4, 2007.

KU requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$17,875,814 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds ("Carroll County Bonds"), and an aggregate principal amount not to exceed \$8,927,444 in connection with the proposed issuance of one or more series of Trimble County Environmental Facilities Revenue Bonds ("Trimble County Bonds"). Proceeds from the release of these bonds would be loaned to KU by Carroll and/or Trimble County, as applicable, to provide permanent financing for portions of the pollution control facilities described. The agreements mentioned above may include one or more guaranty agreements, bond insurance agreements and other similar financial undertakings designed to guarantee the repayment of all or any part of the obligations associated with one or more series of the subject Pollution Control Bonds for the benefit of the holders of such bonds. The structure and documentation for the issuance of the Pollution Control Bonds in question will be similar to that in other pollution control financings of KU approved by the Commission, except for the fact that First Mortgage Bonds will not be used.

Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control Bonds may be issued initially with interest rates that fluctuate on a weekly, monthly or other basis. In order to obtain the most favorable terms and conditions and to limit its exposure to variable interest

rates, KU requests authority to enter into remarketing agreements, credit agreements, hedging agreements and such other agreements as set forth in its application in an aggregate amount not to exceed the original principal amount of the bonds, which is \$26,803,258. To the extent the Pollution Control Bonds are issued with variable interest rates, the documentation will be similar to previous bonds that have been issued with variable interest rates.

The Commission, having considered the evidence of record and being otherwise advised, finds that the issuance of the proposed Carroll County and Trimble County Pollution Control Bonds and the assumption of obligations in connection therewith, as set out in KU's application, are for lawful objects within the corporate purposes of KU's utility operations, are necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, are reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. KU is authorized to issue and deliver the Carroll County and Trimble County Pollution Control Bonds in one or more series in an aggregate principal amount not to exceed \$26,803,258 as set forth in its application.

2. KU is authorized to execute, deliver and perform its obligations under the loan agreements with Carroll and Trimble counties, Kentucky and under any guarantees, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and such other agreements and documents as set forth in its application.

3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

4. KU shall agree only to such terms and prices that are consistent with the parameters set out in its application.

5. KU's request to deviate from 807 KAR 5:001, Section 11(d) is granted and the contract for the construction of pollution control facilities at KU's Ghent Generation Station, filed with the Commission in Case No. 2006-00187, is incorporated by reference.

6. KU shall, within 30 days from the date of issuance (by July 6, 2007) file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof. In addition, KU shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of issuance. The explanation shall include a description of the specific interest rate management techniques and interest rate management agreements used by KU for each issuance, as well as copies of any executed interest rate management agreements. If a variable rate is chosen, KU shall

file a detailed description of the criteria to be periodically applied in determining whether the variable rate should be converted to a fixed rate.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 30th day of April, 2007.

By the Commission

ATTEST:


Executive Director



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
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

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

VIA UPS OVERNIGHT DELIVERY

June 4, 2007

**RE: Kentucky Utilities Company (Case No. PUE-2007-00021)
Preliminary Report of Action**

Dear Mr. Peck:

Pursuant to the Commission's Order, Ordering Paragraph No. 3, dated May 8, 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 with respect to the issuance of \$26,802,000 of long-term debt. The details of the issuance are shown below:

	<u>Carroll County 2007 SeriesA</u>	<u>Trimble County 2007 Series A</u>
Type of Security:	Unsecured Pollution Control Bonds	Unsecured Pollution Control Bonds
Issuance Date:	May 24, 2007	May 24, 2007
Amount:	\$17,875,000	\$8,927,000
Maturity Date:	February 1, 2026	March 1, 2037
Interest Rate:	variable – will be reset every 7 days	variable – will be reset every 7 days
Initial Interest Rate:	3.80%	3.80%

The proceeds of each series of bonds will be used to finance a portion of the costs of the acquisition, construction, installation and equipping of solid waste disposal facilities at the Ghent Generating Station in Carroll County, Kentucky and Unit 2 of the Trimble County Generating Station in Trimble County, Kentucky. KU elected to issue the maximum possible term allowed to take full advantage of low cost tax-exempt financing.

Mr. Joel Peck, Clerk
June 4, 2007

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 and returning it in the enclosed self-addressed, stamped envelope.

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

Sincerely,

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

Rick E. Lovekamp

cc: Dan Arbough
Kendrick Riggs–Stoll Keenon Ogden PLLC