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Eddie Roberson, Chairman
Tennessee Regulatory Authority
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Nashville, TN 37219

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VIA FEDERAL-EXPRESS

March 3, 2008

Re: Docket No. 07-00083 (Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations)

Dear Chairman Roberson:

This is to advise the Authority regarding actions that Kentucky Utilities Company ("KU") is preparing to take to mitigate the impact of recent market conditions on certain of KU's variable rate pollution control bonds. The financings affected were approved by the Authority in the proceeding referenced above. As you may be aware, several bond insurers have recently had their credit ratings downgraded by the rating agencies. These credit downgrades were the result of the insurers' diversification into insuring riskier types of debt, such as securities backed by subprime home mortgages. KU has used bond insurance in connection with variable rate pollution control debt in some instances, in order to obtain lower interest rates for that debt. As a result of these downgrades KU faces higher interest rates on those series of their variable rate debt. In several cases, these market conditions have also led to failed auctions for auction mode variable debt which results in the interest rate being set pursuant to the terms of the indenture. A failed auction is not a default pursuant to the terms of the financing documents. These developments have affected many companies that have used bond insurance in connection with their debt, or that have auction mode variable debt outstanding. The market conditions that have created this situation affect the financial markets generally, and are neither specific to KU nor reflective of KU's financial condition.

In response to these market conditions, KU plans to convert its Carroll County 2007 Series A and Trimble County 2007 Series A pollution control

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bonds from variable rate to fixed-rate to maturity.

KU has authority under the Authority's Order in Docket No. 07-00083 to undertake this action, and the procedures to effect these conversions of interest rate modes are set out in the documentation for each bond series. KU has chosen this action in consultation with its financial and legal advisors, and understands that other utilities and municipal bond issuers nationwide are currently considering or implementing similar steps. Depending upon the developing situation in the financial markets, KU may also decide to take action with respect to other series of outstanding debt. We will advise the Authority of any further action, and apply to the Authority for authorization for any action that requires approval by the Authority.

Please do not hesitate to contact the undersigned if the Authority has any questions or requires additional information.

Sincerely,

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

Lonnie E. Bellar

cc: D. Billye Sanders, Esq.