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(615) 850-8951  
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October 25, 2007

**VIA HAND DELIVERY**

Eddie Roberson, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

filed electronically in docket office on 10/25/07

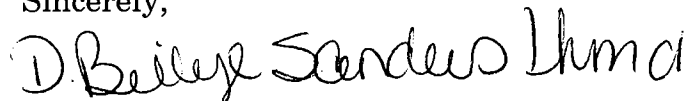
Docket No. 07-00244

Re: In the Matter of the Petition of Kentucky Utilities  
Company for an Order Authorizing the Issuance of Securities  
and the Assumption of Obligations

Dear Chairman Roberson,

Enclosed are the original and four copies of the above referenced Petition of Kentucky Utilities Company for Authority to obtain long-term debt and financing. A copy of this filing has been made electronically. A check for the \$25.00 filing fee is also enclosed.

Sincerely,



D. Billye Sanders  
Attorney for Kentucky Utilities  
Company

DBS:hmd  
Enclosures

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

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**In the Matter of:**

<b>THE PETITION OF KENTUCKY UTILITIES</b>	)	
<b>COMPANY FOR AN ORDER AUTHORIZING</b>	)	
<b>THE ISSUANCE OF SECURITIES AND THE</b>	)	<b>DOCKET NO. 07-_____</b>
<b>ASSUMPTION OF OBLIGATIONS</b>	)	

**PETITION**

Kentucky Utilities Company (“KU” or the “Company”) hereby requests, pursuant to T.C.A. §65-4-109, 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 herein. Specifically, KU requests authority to obtain long-term debt financing from an affiliate within the E.ON AG (“E.ON”) holding company system. In support of this Petition, KU states as follows:

1. The Company’s full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a utility as defined by T.C.A. §65-4-101, and as of July 31, 2007 provides retail electric service to approximately five customers in Tennessee, 503,000 customers in seventy-seven counties in Kentucky, 30,000 customers in southwestern Virginia. A description of KU’s properties is set out in Exhibit 1 to this Petition.

2. KU obtains financing through numerous sources of capital, including the form of debt that is the subject of this Petition. KU does not assign specific financing to any particular project or use, and does not project finance capital projects. All components of KU's capital structure are used to fund capital expenditures. Thus, the uses cited below are general reasons for KU's need for debt financing, rather than projects to which specific financing will be assigned.

3. KU anticipates incurring capital expenditures during the remainder of 2007 and the first quarter of 2008 for pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky and the Company's E.W. Brown Generating Station in Mercer County, Kentucky (the "Pollution Control Project"). During the remainder of 2007 and the first quarter of 2008, KU anticipates incurring up to \$91 million in additional construction costs over the \$276 million originally budgeted for 2007 in connection with the Pollution Control Project.<sup>1</sup>

4. KU also anticipates that because of favorable weather and a compressed construction schedule, it will incur accelerated capital expenditures during the remainder of 2007 and the first quarter of 2008 for its share of construction costs for a transmission line (the "Transmission Line") between Louisville Gas and Electric Company's Mill Creek Generating Station and KU's Hardin County Substation. During the remainder of 2007 and the first quarter of 2008, KU anticipates incurring up to \$15 million in accelerated construction costs in connection with the Transmission Line.

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<sup>1</sup> The Company makes every effort to finance eligible portions of the Pollution Control Project with tax-exempt debt. See TRA Docket No. 07-00083 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of May 9, 2007, Docket No. 06-00248 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 30, 2006, Docket No. 06-00140 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 26, 2006, Docket No. 05-00144 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 20, 2005 and Docket No. 05-00249 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 19, 2005, authorizing the Company to issue securities and assume obligations in connection with private activity bond allocations from the Kentucky Private Activity Bond Allocation Committee. The Company intends to continue seeking allocations from the Kentucky state ceiling for private activity bonds and the opportunity to finance additional, eligible portions of the Pollution Control Project with tax-exempt financing resulting in lower costs.

### **Description of KU's Position Within the Holding Company and the Affiliate**

5. E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of E.ON. KU is a wholly owned subsidiary of E.ON US. E.ON US Holding GmbH, is also a subsidiary of E.ON. Fidelia Corporation ("Fidelia"), a finance company subsidiary organized in Delaware, is a subsidiary of E.ON U.S. Holding GmbH. Fidelia lends money to companies in the E.ON holding company system and upon request of the Company would lend money to the Company as set out in this Petition.<sup>2</sup>

### **Description of the New Long-Term Debt**

6. This Petition relates to the issuance of long-term unsecured debt by KU to Fidelia. The Company proposes to borrow money from Fidelia in an amount not to exceed \$100 million at various times during the remainder of 2007 and through March, 2008.<sup>3</sup> The Company anticipates issuing unsecured notes to Fidelia with final maturity not to exceed thirty years. The Company anticipates utilizing a range of maturities that are reflective of operating and market conditions and cash flow requirements. Such borrowings would only occur if the interest rate on the loan would result in an equal or lower cost of borrowing than the Company could obtain in a loan from E.ON or in the capital markets on its own. All borrowings from Fidelia would be at the lowest of 1) E.ON's effective cost of capital; 2) Fidelia's effective cost of capital; and 3) the

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<sup>2</sup>In five other proceedings in recent years, the Authority has previously approved other, long-term debt financing between KU and an affiliate within the E.ON holding company system. See TRA Docket No. 07-00043 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of May 18, 2007, Docket No. 06-00121 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 27, 2006, Docket No. 05-00095 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of August 4, 2005, Docket No. 03-00522 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 30, 2003 and Docket No. 03-00146 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of April 7, 2003.

<sup>3</sup> This authority is in addition to the \$295,000,000 in long-term unsecured debt to Fidelia authorized by the TRA at the TRA Conference on March 26, 2007 (Order dated May 18, 2007) in Docket No. 07-00043 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Of that \$295 Million, \$75 Million was borrowed on March 30, and \$50 Million on June 20. On September 14, 2007 the Company borrowed an additional \$100 Million under the existing authority. The remaining \$70 million is expected to be drawn on October 25, 2007.

Company's effective cost of capital determined by reference to the effective cost of a direct borrowing by the Company from an independent third party for a comparable term loan that could be obtained at the time of the loan (the "Best Rate Method"). The Best Rate Method assures the Company that it will not pay more for a loan from Fidelia than it would pay in the capital markets for a similar loan. The Company's treasury group has evaluated its capital requirements through the remainder of 2007 and the first quarter of 2008, and the appropriate sources of capital available to it (both existing and potential). The Company has determined that it is cost effective to borrow money from Fidelia through this intercompany loan facility and desires to take advantage of this opportunity.

7. The interest rates will be set at the time of issuance of each note and would depend on the maturity of the notes. The interest rate on each note would be the 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.

8. A note would be executed by the Company each time a loan was made by Fidelia to the Company stating the interest rate, maturity date and payment terms. Attached to the Petition as Exhibit 2 is the form of the intercompany loan agreement and note. Issuance expenses for the intercompany loans described herein will not exceed, in total, the sum of \$50,000. In connection with the issuance of the debt, KU may enter into one or more interest rate hedging agreements (T-bill lock, swap or similar agreement, collectively the "Hedging Facility") either with an E.ON

affiliate or with a bank or financial institution. The Hedging Facility would be an interest rate agreement designed to allow the Company to lock in the underlying interest rate on the loan in advance of the closing of the loan. The Hedging Facility will set forth the specific terms under which the Company will agree to make payments, and the other terms and conditions of any rights or obligations thereunder.

9. No contracts have been made for the disposition of any of the securities which KU proposes to issue.

10. KU shall, as soon as reasonably practicable after the issuance of each note referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the notes, the proceeds of such notes, the interest rates, costs or gains with the Hedging Facility, and all fees and expenses involved in such issuance.

11. Exhibit 3 contains a financial exhibit in support of the Petition.

12. Exhibit 4 to this Petition is a certified copy of KU's Board of Directors resolution authorizing the issuance of the notes, and the transactions related thereto as discussed in this Petition.

#### **Correspondence Pertaining to the Petition**

15. Correspondence or communications pertaining to this Petition should be directed to:

D. Billye Sanders  
Waller Lansden Dortch & Davis, LLP  
511 Union Street, Suite 2700  
Nashville, TN 37219-8966  
Telephone: (615) 850-8951  
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John Wade Hendricks  
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2000 PNC Plaza  
500 West Jefferson Street

Louisville, KY 40202  
Telephone: (502) 333-6000

Allyson K. Sturgeon  
Senior Corporate Attorney  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202  
Telephone: (502) 627-2088

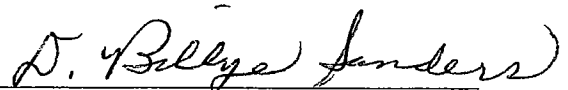
**WHEREFORE**, Kentucky Utilities Company respectfully requests that the Authority enter its Order, authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the intercompany loan agreement and the notes, as set forth in this Petition. KU further requests that the Order of the Authority specifically include provisions stating:

1. KU is authorized to issue and deliver its unsecured notes in an aggregate principal amount not to exceed \$100 million in the manner set forth in its Petition.

2. KU is authorized to execute, deliver and perform the obligations of KU under, *inter alia* the loan agreement with Fidelia Corporation, the notes, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

Respectfully submitted,

Kentucky Utilities Company

BY:   
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Nashville, TN 37219  
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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

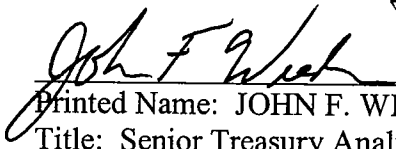


**VERIFICATION**

COMMONWEALTH OF KENTUCKY

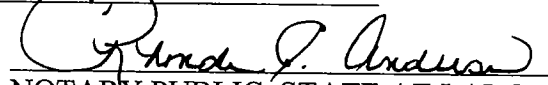
COUNTY OF JEFFERSON

John F. Wiedmar being first duly sworn, deposes and says that he has read the foregoing 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.

  
Printed Name: JOHN F. WIEDMAR  
Title: Senior Treasury Analyst

Subscribed and sworn before me this 24<sup>th</sup> day of OCTOBER, 2007.

My Commission Expires: August 31, 2011

  
NOTARY PUBLIC, STATE AT LARGE

# EXHIBIT 1

## KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF PETITIONER'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO PETITIONER

July 31, 2007

The Petitioner owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,934 Mw; a hydroelectric generating station having an estimated total effective capability of about 24 Mw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499 Mw.

The Petitioner's owned electric transmission system included 110 substations with a total capacity of approximately 16,978 Mva and approximately 4,031 miles of lines. The electric distribution system includes 480 substations with a total capacity of approximately 6,180 Mva, 13,805 miles of overhead lines, and 1,881 miles of underground conduit.

Other properties include office buildings, service centers, warehouses, garages and other structures and equipment.

The net original cost of the property and cost thereof to the Petitioner at July 31, 2007 was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	\$ 27,664,660
Production Plant	2,173,112,306
Transmission Plant	509,768,754
Distribution Plant	1,018,237,942
General Plant	81,132,475
Transportation Plant	18,955,798
Construction Work in Progress	<u>732,653,042</u>
Total Plant at Original Cost	\$ 4,561,524,977
Less Reserve for Depreciation	1,891,246,116
Net Original Cost	<u>\$ 2,670,278,861</u>

# EXHIBIT 2

**Kentucky Utilities Company**  
**(as Borrower)**

**Fidelia Corporation**  
**(as Lender)**

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**LOAN AGREEMENT**

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THIS AGREEMENT made on \_\_\_\_\_

Between

KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation,  
as borrower (the *Borrower*); and

FIDELIA CORPORATION, a Delaware corporation, as lender (the  
*Lender*).

Whereas

(A) The Lender and the Borrower hereby enter into an agreement for the  
provision by the Lender to the Borrower of a loan in the amount of  
\_\_\_\_\_ (the Loan Amount).

Now it is hereby agreed as follows:

**1. Definitions**

**1.1 In this Agreement**

**Business Day** means a day on which banks in New York are generally  
open

**Default Interest Rate** means: the rate, as determined by the Lender,  
applying to the principal element of an overdue amount under Clause 6.3,  
calculated as the sum of the interest rate in effect immediately before the  
due date of such amount, plus 1%;

**Effective Date** shall have the meaning given to it in Clause 2.1;

**Final Repayment Date** means \_\_\_\_\_;

**Interest Payment Date** means \_\_\_\_\_ and \_\_\_\_\_ of each year  
during the term of this agreement, provided, that:

any Interest Payment Date which is not a Business Day shall be extended  
to the next succeeding Business Day;

**Loan Amount** means \_\_\_\_\_;

**Maturity Date** means the Final Repayment Date;

**Request** means a request for the Loan Amount from the Borrower to the Lender under the terms of clause 3.1;

**Termination Event** means an event specified as such in Clause 7;

**Value Date** means the date upon which cleared funds are made available to the Borrower by the Lender pursuant to a Request made in accordance with Clause 3.1. Such date shall be a Business Day as defined herein.

## **2. Term Loan**

- 2.1 This Agreement shall come into effect on \_\_\_\_\_ (the "Effective Date").
- 2.2 The Lender grants to the Borrower upon the terms and conditions of this Agreement a term loan in an amount of \_\_\_\_\_.
- 2.3 The new indebtedness shall be evidenced by a note in substantially the form of Exhibit "A" attached hereto.

## **3. Availability of Requests**

- 3.1 On the Effective Date, the Borrower will submit a request (the "Request") to the Lender for the Loan Amount, such Request specifying the Value Date, the Maturity Date and the bank account to which payment is to be made. The Request shall be submitted to the Lender by the Borrower and delivered in accordance with Clause 9.3.

## **4. Interest**

- 4.1 The rate of interest on the Loan Amount is x.xx%.
- 4.2 Interest shall accrue on the basis of a 360-day year consisting of twelve 30 day months upon the Loan Amount.
- 4.3 Interest shall be payable in arrears on each Interest Payment Date.



## **5. Repayment and Prepayment**

- 5.1 The Borrower shall repay the Loan Amount together with all interest accrued thereon and all other amounts due from the Borrower hereunder on the Final Repayment Date, whereupon this Agreement shall be terminated.
- 5.2 On any Interest Payment Date, and with at least three business day's prior written notice, the Borrower shall be entitled to prepay any amount of the loan outstanding, provided such payment is not less than \$1,000,000 and, provided further, the Borrower shall pay a prepayment charge equal to the present value of the difference between (i) the interest payable provided in this loan agreement and (ii) the interest payable at the prevailing interest rate at the time of prepayment, for the period from the date of prepayment through the Maturity Date, which difference, if negative, shall be deemed to be zero. The present value will be determined using the prevailing interest rate at the time of the prepayment as the discount rate.
- 5.3 A certificate from the Lender as to the amount due at any time from the Borrower to the Lender under this Agreement shall, in the absence of manifest error, be conclusive.

## **6. Payments**

- 6.1 All payments of principal to be made to the Lender by the Borrower shall be made on the Final Repayment Date, or on an Interest Payment Date under Clause (5.2) to such account as the Lender shall have specified.
- 6.2 Interest shall be payable in arrears on each Interest Payment Date.
- 6.3 If and to the extent that full payment of any amount due hereunder is not made by the Borrower on the due date then, interest shall be charged at the Default Interest Rate on such overdue amount from the date of such default to the date payment is received by the Lender.

## **7. Termination Events**

- 7.1 The Borrower shall notify the Lender of any Event of Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of it.
- 7.2 The following shall constitute an Event of Default hereunder:
  - 7.2.1 Default is made by the Borrower in the payment of any sum due under this Agreement and such default continues for a period of 10 Business Days;
  - 7.2.2 Bankruptcy proceedings are initiated against the Borrower;
  - 7.2.3 The Borrower leaves the E.ON Group (i.e. the companies consolidated in EON AG's balance sheet);
  - 7.2.4 Securities and Exchange Commission or Public Utility Holding Company Act (PUHCA) requirements prohibit the transactions hereunder.

If a Termination Event occurs under Clause (7.2.2) of this section, the Loan Amount outstanding together with interest will become due and payable immediately.

If a Termination Event occurs according to Clauses (7.2.1) or (7.2.3) or (7.2.4) of this Section, Lender shall at its discretion grant Borrower a reasonable grace period unless such grace period shall be detrimental to the Lender. If the Termination Event is uncured at the expiration of such period, the Loan Amount outstanding together with interest will become due and payable immediately.

## **8. Operational Breakdown**

- 8.1 The Borrower is not liable for any damages incurred by the Lender and the Lender is not liable for any damages incurred by the Borrower caused by Acts of God or other circumstances incurred by one party for which the other party cannot be held responsible (i.e. power outages, strikes, lock-outs, domestic and foreign acts of government and the like).

## **9. Notices**

- 9.1 Each communication to be made in respect of this Agreement shall be made in writing but, unless otherwise stated, may be made by facsimile transmission or letter.
- 9.2 Communications to the Borrower shall be addressed to: Kentucky Utilities, 220 W. Main St., Louisville, KY 40202, Attn: Treasurer fax# (502) 627-4742 and to One Quality Street, Lexington, KY 40507, except for confirmations which should be sent to the attention of Mimi Kelly.
- 9.3 Communications to the Lender shall be addressed to: Fidelia Corporation, 300 Delaware Avenue, Suite 545, Wilmington, Delaware 19801, fax# (302) 427-5913, Attn: Executive Vice President

## **10. Assignment**

- 10.1 The Lender may at any time assign, novate or otherwise transfer all or any part of its rights and obligations under this Agreement to any affiliate of the Lender.

## **11. Severability**

- 11.1 If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

## **12. Counterparts**

- 12.1 This Agreement may be executed in any number of counterparts that shall together constitute one Agreement. Any party may enter into an Agreement by signing any such counterpart.

**13. Law**

**13.1** This Agreement shall be governed by and construed for all purposes in accordance with the laws of Delaware.

**IN WITNESS** whereof the parties have executed this Agreement the day and year first above written.

**SIGNED** by \_\_\_\_\_ )  
for and on behalf of )  
Kentucky Utilities Company )  
in the presence of: )

**SIGNED** by \_\_\_\_\_ )  
for and on behalf of )  
Fidelia Corporation )  
in the presence of: )

## EXHIBIT "A"

### PROMISSORY NOTE

U.S. \_\_\_\_\_

Louisville, KY, \_\_\_\_\_

Kentucky Utilities Company ("KU"), for value received, hereby promises to pay to the order of FIDELIA Corporation ("FIDELIA") in lawful money of the United States of America (in freely transferable U.S. dollars and in same day funds), in accordance with the method of payment specified in that certain Loan Agreement dated as of \_\_\_\_\_, between FIDELIA and KU ("the Agreement"), the principal sum of \_\_\_\_\_, which amount shall be payable at such times as provided in the Agreement.

KU promises also to pay interest on the unpaid principal amount hereof in like money and in like manner at the rates which shall be determined in accordance with the provisions of the Agreement, said interest to be payable at the times provided for in the Agreement. This Note is referred to in the Agreement and is entitled to the benefits thereof and the security contemplated thereby. This Note evidences a loan made by FIDELIA, during such time as such loan is being maintained. This Note is subject to prepayment as specified in the Agreement. In case KU defaults on the loan, the principal and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Agreement.

KU hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

Kentucky Utilities Company

By: \_\_\_\_\_

# EXHIBIT 3

KENTUCKY UTILITIES COMPANY  
FINANCIAL EXHIBIT

July 31, 2007

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

None

(4) Brief description of each mortgage on property of Petitioner, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

None

(5) AMOUNT OF BONDS AUTHORIZED, AND AMOUNT ISSUED GIVING THE NAME OF THE PUBLIC UTILITY WHICH ISSUED THE SAME, DESCRIBING EACH CLASS SEPARATELY, AND GIVING DATE OF ISSUE, FACE VALUE, RATE OF INTEREST, DATE OF MATURITY AND HOW SECURED, TOGETHER WITH AN AMOUNT OF INTEREST PAID THEREON DURING THE LAST FISCAL YEAR.

UNSECURED

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended July 31, 2007
			Authorized	Outstanding at July 31, 2007	
05/15/92	05/15/07	7.92%	53,000,000		3,323,100
POLLUTION CONTROL BONDS					
11/01/94	11/01/24	VARIABLE	54,000,000		1,826,206
05/01/00	05/01/23	VARIABLE	12,900,000	12,900,000	199,042
02/01/02	02/01/32	VARIABLE	20,930,000	20,930,000	779,393
02/01/02	02/01/32	VARIABLE	2,400,000	2,400,000	89,371
02/01/02	02/01/32	VARIABLE	7,200,000	2,400,000	89,371
02/01/02	02/01/32	VARIABLE	7,400,000	7,400,000	275,562
07/01/02	10/01/32	VARIABLE	96,000,000	96,000,000	3,588,547
10/01/04	10/01/34	VARIABLE	50,000,000	50,000,000	1,837,083
07/07/05	06/01/35	VARIABLE	13,266,950	13,266,950	484,795
11/17/05	06/01/35	VARIABLE	13,266,950	13,266,950	484,829
07/20/06	06/01/36	VARIABLE	16,693,620	16,693,620	624,733
12/07/06	06/01/36	VARIABLE	16,693,620	16,693,620	408,210
02/23/07	10/01/34	VARIABLE	54,000,000	54,000,000	878,460
05/24/07	02/01/26	VARIABLE	17,875,000	17,875,000	64,007
05/24/07	03/01/37	VARIABLE	8,927,000	8,927,000	128,650
				332,753,140	15,081,359
INTEREST RATE SWAP					(145,573)
LONG TERM DEBT MARK TO					(586,634)
TOTAL				332,753,140	14,349,151



- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest during the last 12-month period.

Payee	Date of Issue	Amount	Rate of Interest	Date of Maturity	Interest Expense Year Ended July 31, 2007
Fidelia Corp.	04/30/03	100,000,000	4.55%	04/30/13	4,550,000
Fidelia Corp.	08/15/03	75,000,000	5.31%	08/15/13	3,982,500
Fidelia Corp.	11/24/03	33,000,000	4.24%	11/24/10	1,399,200
Fidelia Corp.	01/15/04	50,000,000	4.39%	01/16/12	2,195,000
Fidelia Corp.	07/08/05	50,000,000	4.735%	07/08/15	2,367,500
Fidelia Corp.	12/19/05	75,000,000	5.36%	12/21/15	4,020,000
Fidelia Corp.	06/23/06	50,000,000	6.33%	06/23/36	3,165,000
Fidelia Corp.	10/25/06	50,000,000	5.675%	10/25/16	2,175,417
Fidelia Corp.	02/07/07	53,000,000	5.690%	02/07/22	1,457,588
Fidelia Corp.	03/30/07	75,000,000	5.860%	03/30/37	1,477,208
Fidelia Corp.	06/20/07	50,000,000	5.980%	06/20/17	340,528

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

2002	
2003	
2004	63,000,000
2005	50,000,000
2006	

- (1) As of May 1998, the 37,817,878 shares are all owned by E.ON U.S. LLC and all dividends declared by KU's Board of Directors are paid to E.ON U.S. LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in fiscal years 2000 - 2004, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4.75 per share, or \$950,000. This series of preferred stock was redeemed on October 24, 2005.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in fiscal years 2000 - 2004, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000. This series of preferred stock was redeemed on October 24, 2005.

(9) Detailed Income Statement and Balance Sheet

Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending July 31, 2007.

## KENTUCKY UTILITIES COMPANY

In February 2007, KU completed a series of financial transactions impacting its periodic reporting requirements. The \$54 million Pollution Control Series 10 bond was refinanced and replaced with a new unsecured tax-exempt bond of the same amount maturing in 2034. The \$53 million Series P bond was defeased and replaced with an intercompany loan totaling \$53 million from Fidelity. The Company terminated the related interest swap and agreed with Fidelity to eliminate the second lien on its two secured loans. Pursuant to the terms of the remaining tax-exempt bonds, the first mortgage bonds were cancelled and the underlying lien on KU's assets was released following completion of these steps. KU no longer has any secured debt, KU's 1947 Indenture and Deed of Trust and all Supplemental Indentures have been terminated, and, having deregistered applicable securities with the SEC effective March 1, 2007, KU is no longer subject to periodic reporting under the Securities Exchange Act of 1934. The Annual Report of KU has been previously filed with the Authority.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending July 31, 2007.

**KENTUCKY UTILITIES COMPANY**  
**STATEMENT OF INCOME**  
**JULY 31, 2007**

**EXHIBIT 3**  
Page 6 of 8

	YEAR ENDED CURRENT MONTH
	THIS YEAR AMOUNT
ELECTRIC OPERATING REVENUES.....	1,246,916,709.12
TOTAL OPERATING REVENUES.....	1,246,916,709.12
OPERATING EXPENSES	
FUEL .....	438,289,281.37
POWER PURCHASED.....	176,920,475.08
OTHER OPERATION EXPENSES .....	154,212,067.06
MAINTENANCE .....	74,303,170.65
DEPRECIATION.....	111,044,773.16
AMORTIZATION EXPENSE.....	5,520,419.52
REGULATORY CREDITS .....	(2,054,593.21)
TAXES	
FEDERAL INCOME .....	48,024,346.16
STATE INCOME.....	14,318,548.99
DEFERRED FEDERAL INCOME - NET.....	(8,728,090.47)
DEFERRED STATE INCOME - NET.....	(928,429.36)
FEDERAL INCOME - ESTIMATED.....	(1,709,515.39)
STATE INCOME - ESTIMATED .....	(591,090.70)
PROPERTY AND OTHER.....	18,830,303.63
INVESTMENT TAX CREDIT.....	31,750,000.00
LOSS (GAIN) FROM DISPOSITION OF ALLOWANCES.....	(706,851.51)
ACCRETION EXPENSE .....	1,814,091.30
TOTAL OPERATING EXPENSES.....	1,060,308,906.28
NET OPERATING INCOME .....	186,607,802.84
OTHER INCOME LESS DEDUCTIONS	
OTHER INCOME LESS DEDUCTIONS.....	30,046,073.33
AFUDC - EQUITY .....	1,783,990.93
TOTAL OTHER INCOME LESS DEDUCTIONS .....	31,830,064.26
INCOME BEFORE INTEREST CHARGES.....	218,437,867.10
INTEREST ON LONG TERM DEBT.....	41,062,240.56
AMORTIZATION OF DEBT EXPENSE - NET. ....	924,052.70
OTHER INTEREST EXPENSES.....	5,804,959.39
AFUDC - BORROWED FUNDS.....	(619,870.11)
TOTAL INTEREST CHARGES .....	47,171,382.54
NET INC BEFORE CUMULATIVE EFFECT OF ACCTG CHG .....	171,266,484.56
CUMULATIVE EFFECT OF ACCOUNTING CHG NET OF TAX .....	171,266,484.56
NET INCOME.....	
PREFERRED DIVIDEND REQUIREMENTS .....	
EARNINGS AVAILABLE FOR COMMON.....	171,266,484.56

**KENTUCKY UTILITIES COMPANY**  
**BALANCE SHEET AS OF JULY 31, 2007**

EXHIBIT 3  
PAGE 7 OF 8

ASSETS AND OTHER DEBITS <u>THIS YEAR</u>		LIABILITIES AND OTHER CREDITS	<u>THIS YEAR</u>
Utility Plant		Capitalization	
Utility Plant at Original Cost	4,561,524.97	Common Stock	308,139,977.56
Less Reserves for Depreciation & Amortization	<u>1,891,246.11</u>	Common Stock Expense	(321,288.87)
Total	<u>2,670,278.86</u>	Paid-In Capital	15,000,000.00
		Other Comprehensive Income	-
		Retained Earnings	944,668,487.19
		Unappropriated Undistributed Subsidiary Earnings	<u>21,726,110.60</u>
		Total Common Equity	<u>1,289,213,286.48</u>
Investments – At Cost		Preferred Stock	-
Ohio Valley Electric Corporation	250,000	First Mortgage Bonds	332,753,140.00
Nonutility Property – Less Reserve	968,920	Other Long-Term Debt	-
Investments in Subsidiary Companies	23,021,910	LT Notes Payable to Associated Companies	661,000,000.00
Special Funds	5,990,080	Long-Term Debt Marked to Market	-
Other	<u>426,140</u>	Total Long-Term Debt	993,753,140.00
Total	<u>30,657,050</u>	Total Capitalization	<u>2,282,966,426.48</u>
Current and Accrued Assets		Current and Accrued Liabilities	
Cash.....	1,029,701	Advances from Associated Companies	-
Special Deposits.....	43,068,564	ST Notes Payable to Associated Companies	191,360,054.00
Temporary Cash Investments.....	17,141	Notes Payable	-
Accounts Receivable-Less Reserve.....	140,486,269	Notes Payable to Associated Companies	-
Notes Receivable from Assoc. Companies.....		Accounts Payable	163,198,038.45
Accounts Receivable from Assoc Companies.....	89,555,666	Accounts Payable to Associated Companies	99,851,780.52
Materials & Supplies-At Average Cost		Customer Deposits	18,933,806.92
Fuel.....	63,592,591	Taxes Accrued	(9,617,653.93)
Plant Materials & Operating Supplies.....	26,003,660	Interest Accrued	9,342,255.91
Stores Expense.....	6,294,405	Dividends Declared	-
Allowance Inventory.....	1,687,876	Misc. Current & Accrued Liabilities	<u>12,515,363.48</u>
Prepayments.....	3,158,105	Total	<u>485,583,645.35</u>
Miscellaneous Current & Accrued Assets.....	<u>418,183</u>	Deferred Credits and Other	
Total	<u>375,312,160</u>	Accumulated Deferred Income Taxes	325,903,612.25
		Investment Tax Credit	32,428,843.32
Deferred Debits and Other		Regulatory Liabilities	36,727,383.26
Unamortized Debt Expense	7,005,200	Customer Advances for Construction	1,928,276.63
Unamortized Loss on Bonds	10,355,550	Asset Retirement Obligations	29,567,123.96
Accumulated Deferred Income Taxes	45,493,020	Other Deferred Credits	12,123,711.18
Deferred Regulatory Assets	116,289,570	Misc. Long-Term Liabilities	47,046,090.92
Other Deferred Debits	<u>72,796,510</u>	Accum Provision for Post-Retirement Benefits	<u>73,912,843.72</u>
Total	<u>251,939,870</u>	Total	<u>559,637,885.24</u>
Total Assets and Other Debits	<u>3,328,187,950</u>	Total Liabilities and Other Credits	<u>3,328,187,957.07</u>

**KENTUCKY UTILITIES COMPANY**  
**ANALYSIS OF RETAINED EARNINGS**  
**JULY 31, 2007**


Retained Earnings and Undistributed Earnings	<u>Year Ended Current Month</u> Total Retained Earnings
Balance Beginning of Period .....	778,875,913.43
Net Income To Date .....	171,266,484.56
FIN 48 Adjustment.....	347,473.00
Adjust for Equity in Subsidiary	
Earnings for Year	
-EE Inc .....	(30,271,383.80)
Dividends Rec'd Current Year	
-EE Inc .....	24,450,000.00
Preferred Stock Dividends .....	
Common Stock Dividends .....	
Preferred Stock Redemption Exp. ....	
Balance End of Period .....	<u>944,668,487.19</u>

# EXHIBIT 4

**SECRETARY'S CERTIFICATE**

I, John R. McCall, certify that I am Executive Vice President, General Counsel and Corporate Secretary of Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Company"); that I am one of the officers of the Company authorized to make certified copies of the corporate records; and as Corporate Secretary, I have access to all original records of the Company. I do hereby certify that attached hereto as are resolutions of the Board of Directors of the Company adopted by unanimous written consent in lieu of a meeting September 26, 2007, and that the same are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have signed this Certificate this 27<sup>th</sup> day of September, 2007.

A handwritten signature in black ink, appearing to read 'J. R. McCall', is written over a horizontal line.

John R. McCall  
Corporate Secretary



**ACTION OF THE BOARD OF DIRECTORS  
OF  
KENTUCKY UTILITIES COMPANY  
TAKEN BY WRITTEN CONSENT**

**September 26, 2007**

**APPROVAL OF ADDITIONAL 2007 INTERCOMPANY LOAN FACILITIES**

**WHEREAS**, the Company desires to enter into new additional intercompany long-term loan arrangements with Fidelia Corporation or other affiliates of E.ON AG (collectively, "Fidelia"), in the amount of up to \$100 million during 2007 (the "Intercompany Loans"), and

**WHEREAS**, the Intercompany Loans will enable the Company to borrow funds for approved flue gas desulfurization project expenditures and for use for general corporate purposes of the Company.

**NOW, THEREFORE, BE IT RESOLVED**, that the Company is hereby authorized and directed to proceed with the Intercompany Loans as described in these resolutions; and

**FURTHER RESOLVED**, that, subject to receipt of all required regulatory approvals regarding the Intercompany Loans, the Company is authorized to enter into such loans; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions, including but not limited to, to enter into, execute, deliver and file the Intercompany Loans and such other agreements and documents, and to make changes thereto, as they shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed to prepare, execute and deliver such applications, filings, or notices to governmental, commercial or financial entities as they may deem necessary or advisable in connection with the Intercompany Loans, including but not limited to, submissions to federal and state regulatory agencies; and

**FURTHER RESOLVED**, that all actions heretofore or hereafter taken by any officer of the Company in connection with the transactions contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.