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May 1, 2008

VIA HAND DELIVERY

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

filed electronically in docket office on 05/01/08

Docket No. 08-00070

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 issue securities and assume obligations. A copy of this filing has been made electronically. A check for the \$25.00 filing fee is also enclosed.

Kentucky Utilities respectfully requests expedited treatment of this Petition.

Please contact me if you have any questions.

Sincerely,



D. Billye Sanders
Attorney for Kentucky Utilities
Company

DBS:hmd
Enclosures

May 1, 2008

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

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In The Matter Of:

THE PETITION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	DOCKET NO. 08-_____
SECURITIES AND THE ASSUMPTION OF)	
OBLIGATIONS)	

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. 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 220 West Main Street, Louisville, Kentucky 40202. KU is a Kentucky and a Virginia corporation, a utility as defined by T.C.A. §65-4-101 that, and as of December 31, 2007 provides retail electric service to approximately five customers in Tennessee, 506,000 customers in seventy-seven counties in Kentucky and 30,000 customers in five counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition.

2. By letters dated March 3, 2008, in reference to 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*) and March 17, 2008 in reference to Docket Nos.

00-00364 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*) and 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*) the Company advised the Authority that it was preparing to take action to mitigate the impact of recent market conditions on certain of its variable rate pollution control bonds. The March 3 and March 17 letters are collectively referred to as the “Letters”. The Company was taking the action with respect to the specific bond series identified in the Letters under existing authority from the Authority. Copies of the Letters are attached hereto as Exhibit 2.

3. The actions set out in the Letters, and the request for authority set out in this Petition, are precipitated by general conditions in the financial markets resulting from credit ratings downgrades of several bond insurers. These credit downgrades were the result of those insurers’ diversification into insuring riskier types of debt, such as securities backed by subprime home mortgages.

4. As a result of the downgrades of the bond insurers, KU faces higher interest rates on those series of variable rate debt which were issued with bond insurance. In some cases, the downgrades have resulted in failed auctions which result in the interest rate being set at a higher rate pursuant to the terms of the indenture. A failed auction, however, is not a default pursuant to the terms of the financing documents – but only results in higher interest costs.

5. These developments have affected many companies that have used bond insurance in connection with their debt, particularly those that have used auction mode variable debt. Significantly, these market conditions affect the financial markets generally, and are not specific to KU nor reflective of the condition of the Company.

6. KU is evaluating and considering a variety of actions in response to the current market conditions. These include interest rate conversions from auction mode to fixed rate or some other variable mode (“Conversions”), and placement of additional liquidity or credit support facilities, such as letters of credit, revolving credit agreements, standby credit agreements, or similar arrangements. Any such action would be taken only in accordance with existing authorization with respect to each series of debt affected.

7. However, because of evolving and uncertain market conditions, it is possible that actions under the Company’s existing authority may either not be effective or constitute an insufficient response to market conditions. For example, certain structures that are pricing at attractive rates today involve issuing a letter of credit to enhance the Company’s credit. If the current bond insurer is not willing to cancel its insurance policy at the Company’s request making a Conversion unattractive, it may be necessary to refinance in order to implement the letter of credit structure. Additionally, there have been periods during the recent market turmoil in which insured bonds have required a higher interest rate than those without insurance. Ultimately, the Company will evaluate the costs and benefits of refinancing compared to the costs and benefits of a Conversion and will select the most favorable alternative. Thus, KU’s response may involve the refinancing of some or all of the Company’s existing auction mode pollution control debt with new debt.

8. KU has identified eight (8) series of existing auction mode pollution control debt as possible candidates for refinancing. As noted above, it is possible that action under existing authority from the TRA, such as Conversions, may be sufficient to address market conditions. However, because of financial market uncertainty and unpredictability, and the significant lead time that would be involved in obtaining regulatory approval if it were determined to be

advantageous to proceed with refinancing, with consequent, additional costs to the public, KU is requesting explicit authority to refinance the total of eight (8) series of outstanding pollution control bonds (sometimes, collectively, the “Outstanding Bonds”). Such authority would enable KU to effect the best remedy in each circumstance.

9. Depending upon market conditions, KU could initially convert interest modes on existing debt, and might subsequently choose to refinance with new debt. Such could be the case if KU converted modes to avoid the high rates associated with failed auctions, but determined that it was advantageous to use a structure different from that of the existing debt.

The Outstanding Pollution Control Debt

Mercer County, Kentucky Solid Waste Disposal Facility Revenue Bonds, 2000 Series A

10. KU’s obligations in connection with the Mercer County, Kentucky Solid Waste Disposal Facility Revenue Bonds, 2000 Series A (“Mercer County 2000 Series A Bonds”) were authorized by the TRA by Order dated May 18, 2000, in Docket No. 00-00364 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds were used to refinance the Mercer County, Kentucky 7.375% Pollution Control Revenue Bonds, 1990 Series A, and the Mercer County, Kentucky 7.60% Pollution Control Revenue Bonds, 1990 Series A.

11. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU’s expenses associated with the sale of the Mercer County 2000 Series A Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$12,900,000	\$12,900,000	\$398,000 ¹

¹ Expenses shown for this, and the other series which may be refunded, include the costs of bond insurance.

The Mercer County 2000 Series A Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Pollution Control Revenue Bonds, 2002 Series C

12. KU's obligations in connection with the Carroll County, Kentucky Pollution Control Revenue Bonds, 2002 Series C ("Carroll County 2002 Series C Bonds") were authorized by the TRA by Order dated August 5, 2002, in Docket No. 02-00718 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds from the Carroll County 2002 Series C Bonds were used to refinance the Carroll County, Kentucky 7.45% Collateralized Pollution Control Revenue Bonds, 1992 Series A ("Carroll County 1992 Series A Bonds").

13. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU's expenses associated with the sale of the Carroll County 2002 Series C Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$96,000,000	\$96,000,000	\$2,181,000

The Carroll County 2002 Series C Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2004 Series A

14. KU's obligations in connection with the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2004 Series A ("Carroll County 2004 Series A Bonds") were authorized by the TRA by Order dated October 12, 2004, in Docket No. 04-00279 (*In the Matter*

of: *The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds from the Carroll County 2004 Series A Bonds were used to refinance the Carroll County, Kentucky Collateralized Solid Waste Disposal Facilities Revenue Bonds, 1993 Series A (“Carroll County 1993 Series A Bonds”).

15. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU’s expenses associated with the sale of the Carroll County 2004 Series A Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$50,000,000	\$50,000,000	\$1,202,000

The Carroll County 2004 Series A Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series A

16. KU’s obligations in connection with the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series A (“Carroll County 2005 Series A Bonds”) were authorized by the TRA by Order dated June 20, 2005, in 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*). Proceeds from the Carroll County 2005 Series A Bonds were used to provide permanent financing for portions of pollution control facilities at KU’s Ghent Generating Station.

17. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU’s expenses associated with the sale of the Carroll County 2005 Series A Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$13,266,950	\$13,266,950	\$458,000

The Carroll County 2005 Series A Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series B

18. KU's obligations in connection with the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series B ("Carroll County 2005 Series B Bonds") were authorized by the TRA by Order dated October 19, 2005, in 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*). Proceeds from the Carroll County 2005 Series B Bonds were used to provide permanent financing for a portion of the capital costs of pollution control facilities at KU's Ghent Generating Station.

19. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU's expenses associated with the sale of the Carroll County 2005 Series B Bonds:

Public Offering Price	Proceeds	Expenses
\$13,266,950	\$13,266,950	\$451,000

The Carroll County 2005 Series B Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series A

20. KU's obligations in connection with the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series A ("Carroll County 2006 Series A Bonds") were authorized by the TRA by Order dated June 26, 2006, in 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*). Proceeds from the Carroll County 2006 Series A Bonds were used to provide financing for a portion of the capital costs of pollution control facilities at KU's Ghent Generating Station.

21. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU's expenses associated with the sale of the Carroll County 2006 Series A Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$16,693,620	\$16,693,620	\$619,000

The Carroll County 2006 Series A Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series B

22. KU's obligations in connection with the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series B ("Carroll County 2006 Series B Bonds") were authorized by the TRA by Order dated February 13, 2007, in Docket No. 06-00235 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds from the Carroll County 2006 Series B

Bonds were used to redeem the Carroll County, Kentucky Solid Waste Disposal Facilities Revenue Bonds, 1994 Series A.

23. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU's expenses associated with the sale of the Carroll County 2006 Series B Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$54,000,000	\$54,000,000	\$1,044,000

The Carroll County 2006 Series B Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series C

24. KU's obligations in connection with the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series C ("Carroll County 2006 Series C Bonds") were authorized by the TRA by Order dated October 30, 2006, in 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*). Proceeds from the Carroll County 2006 Series C Bonds were used to provide permanent financing for a portion of the capital costs of pollution control facilities at KU's Ghent Generating Station.

25. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions), and (iii) KU's expenses associated with the sale of the Carroll County 2006 Series C Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$16,693,620	\$16,693,620	\$608,000

The Carroll County 2006 Series C Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

26. The Company requests authority to assume certain obligations under various agreements in principal amounts not to exceed the Public Offering Prices of each of the Outstanding Bonds discussed in paragraphs 10 through 25 preceding, which may be refunded, in connection with the proposed issuance of one or more series of Mercer County, Kentucky Environmental Facilities Refunding Revenue Bonds (the “Mercer County Refunding Bonds”), to be appropriately designated, and one or more series of Carroll County, Kentucky Environmental Facilities Refunding Revenue Bonds (the “Carroll County Refunding Bonds”), to be appropriately designated (both the Mercer County Refunding Bonds and the Carroll County Refunding Bonds, sometimes collectively, the “Refunding Bonds”). The proceeds of the Mercer County Refunding Bonds and the Carroll County Refunding Bonds would be loaned to KU by Mercer County or Carroll County, as applicable, in one or more transactions to provide funds to redeem and discharge a corresponding amount of the Outstanding Bonds, within ninety (90) days of issuance of the corresponding Refunding Bonds.

27. In connection with the Refunding Bonds, KU would assume certain obligations under one or more loan agreements with Mercer County and Carroll County, Kentucky, respectively, and may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of the Refunding Bonds for the benefit of the holders of such bonds.

28. The structure and documentation for the issuance of the Refunding Bonds and related agreements will be similar to that in other recent pollution control financings of KU approved by the Authority, except that First Mortgage Bonds will not be used to collateralize the Refunding Bonds. Additionally, provisions would be incorporated in the Bond documentation to avoid or mitigate punitive increases in interest costs (“Interest Rate Moderation Procedures”) hereinafter described.

29. The Refunding Bonds would be issued pursuant to one or more indentures (each an “Indenture”), between Mercer County and the Trustee under such Indenture(s) or Carroll County and the Trustee under such Indenture(s), as applicable. The proceeds from the sale of the Refunding Bonds would be loaned to KU pursuant to one or more loan agreements between Mercer County and KU or Carroll County and KU (collectively, the “Loan Agreements”).

30. The payments to be made by KU under the Loan Agreements for one or more series of Refunding Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Refunding Bonds. The Loan Agreement(s) and the payments to be made by KU pursuant thereto will be assigned to the Trustee(s) to secure the payment of the principal and interest on the related Refunding Bonds. Upon issuance of a series of Refunding Bonds, KU may issue one or more guarantees (collectively, the “Guarantees”), in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Refunding Bonds for the benefit of the holders of such Refunding Bonds.

Recent market extremes, including impairment of bond insurance companies ranked at the highest quality level by national securities rating services, have caused many public and corporate entities, including KU, to experience failed auctions automatically triggering abrupt,

punitive interest rate spikes. To avoid such results in the future, KU intends to convert or refund its debt obligations from auction rates to variable rates, term rates, or long term rates, under rules pursuant to which failed remarketings will not automatically lock in punishingly high rates, but will instead be adjusted to comport with market-based rates for such securities. Failed remarketings could require bondholders to retain bonds while remarketing agents use their best efforts to remarket the bonds at rates reflecting prevailing market rates for comparable credits. Variants of this procedure could also include preauthorized “step-up” rates or formulas, which would vary based on the interest rate mode selected, limitations on increases in rates beyond preauthorized levels, and the use of preauthorized alternative rate formulas.

31. The Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Refunding Bonds (including, in the event all or a portion of the Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU and Mercer County or Carroll County, as applicable, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed three-quarters of one percent (.75%) of the principal amount of the Refunding Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately \$2.3 million, if all eight series of Outstanding Bonds were refinanced individually. Efforts will be made to consolidate transactions to minimize legal and other issuance costs.

32. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by KU. KU would reserve the option to convert any variable rate Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Refunding Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Refunding Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control Refunding Bonds, KU would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution Control Refunding Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Refunding Bonds. Thus, to the extent Variable Rate Pollution Control Refunding Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate, except that based on market developments, KU does not anticipate that auction mode bonds would be issued. In addition, it is more likely that a Facility, as defined and discussed in paragraph 33 below, would be an instrument other than bond insurance due to the problems the bond insurers face as described above.

33. Also, in the event that Variable Rate Pollution Control Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank"). The Current Facility would be a credit agreement designed to provide KU the ability to borrow funds with which to make payments with respect to

any Variable Rate Pollution Control Refunding Bonds that have been tendered for purchase and are not remarketed. KU would be obligated to repay any amounts borrowed under the Current Facility. The Current Facility may be pledged for the payment of the Variable Rate Pollution Control Refunding Bonds or to constitute security thereof. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing KU's obligation to repay any borrowings owed to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Refunding Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instruments providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, are hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Pollution Control Refunding Bonds. In the event the Variable Rate Pollution Control Refunding Bonds are converted to bear interest at a fixed rate to maturity, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of

such series of Variable Rate Pollution Control Refunding Bonds. The estimated cost of the financings shown in paragraph 31 does not include expenses incurred for entering into any Facility; however, the impact on the overall cost of the financing would be approximately 25 basis points.

34. In connection with any Facility, KU may enter into one or more credit or similar agreements (“Credit Agreements”) with the Facility Provider or providers of such Facility, which would document the obligation of KU to reimburse or repay the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a “Facility Note”) evidencing KU’s repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Pollution Control Refunding Bonds may be authorized upon the terms set forth in such Indenture and any Credit Agreement to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Refunding Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

35. In connection with the issuance of the Refunding Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the “Hedging Facility”) with a bank or financial institution (the “Counterparty”). The Hedging Facility would be an interest rate agreement designed to allow

KU to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Refunding Bonds. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately -108 basis points indicating that the market expects a decline in short-term rates.

36. The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Outstanding Bonds that are refunded plus accrued but unpaid interest and premium, if any, on such bonds.

37. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

38. Attached as Exhibit 3 to this Petition are copies of the pertinent sections of the official statements describing the redemption provisions for the Outstanding Bonds.

39. KU shall, as soon as reasonably practicable after the issuance of any Refunding Bonds referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and, if applicable, their

method of determination), and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

40. Exhibit 4 to this Petition contains financial information in support of the Petition.

41. Exhibit 5 to this Petition consists of net present value analyses of the refinancing alternatives based on current market conditions for the various alternatives. While the analyses show the results for each bond series, the Company expects to use a mix of alternatives. This diversity is prudent given the limited availability of letter of credit facilities in the current market, and avoids excess exposure to any one market segment.

42. A certified copy of KU's Board of Directors resolution authorizing the assumption of obligations under the Loan Agreements, and all transactions related thereto and discussed in this Petition, will be filed as a supplement to this Petition.

43. In order to allow the Company flexibility to mitigate the impact of current market conditions, the Company respectfully requests that the Authority process this Petition as expeditiously as practicable.

WHEREFORE, Kentucky Utilities Company respectfully requests that the TRA enter its Order authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreements, and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the Order of the TRA specifically include provisions stating:

1. KU is authorized to execute, deliver and perform its obligations under the Loan Agreements with Mercer County and Carroll County, Kentucky and under any guarantees, remarketing agreements, hedging agreements, bond insurance agreements, credit agreements and

such other agreements and documents as set forth in its Petition, including interest rate moderation provisions contained therein, and to perform the transactions contemplated by all such agreements, including, but not limited to, borrowings or advances, and the related repayment or reimbursement obligations, under the Loan Agreements, current Facilities and the Facilities.

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

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

4. KU shall, within 30 days from the date of issuance, file with the TRA 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 executed interest rate management agreements. If a variable interest 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 one.

5. In addition, KU shall, within thirty (30) days of issuance, provide a detailed explanation of why it was decided to refund any series of Outstanding Bonds refunded, rather

than take other action to mitigate market conditions or why refunding was taken subsequent to or in conjunction with such other action.

Respectfully submitted,

Kentucky Utilities Company

By: *D. Billye Sanders*

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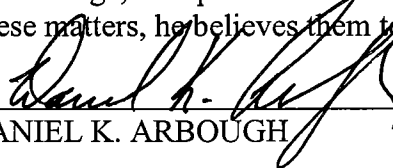
Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, 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.



DANIEL K. ARBOUGH

Subscribed and sworn before me this 29th day of April, 2008

My Commission Expires: August 31, 2011



NOTARY PUBLIC, STATE AT LARGE

EXHIBIT 1

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

January 31, 2008

The Petitioner's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2007, the Petitioner owned and operated four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,863 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 111 substations with a total capacity of approximately 17,223 MVA and approximately 4,030 miles of lines. The electric distribution system included 481 substations with a total capacity of approximately 6,653 MVA, 14,082 miles of overhead lines, and 2,046 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 January 31, 2008, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	24,957,783
Production Plant	2,187,843,773
Transmission Plant	521,725,870
Distribution Plant	1,064,322,317
General Plant	79,443,357
Transportation Plant	18,955,798
Construction Work in Progress	1,095,244,871
Total Plant at Original Cost	<u>\$ 4,992,493,769</u>
Less Reserve for Depreciation	1,942,102,310
 Net Original Cost	 <u><u>3,050,391,459</u></u>

EXHIBIT 2



RECEIVED

2008 MAR -4 PM 1:14

T.R.A. DOCKET ROOM

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

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

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

Eddie Roberson, Chairman
March 3, 2008

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, appearing to read "Lonnie E. Bellar". The signature is written in a cursive, flowing style.

Lonnie E. Bellar

cc: D. Billye Sanders, Esq.



RECEIVED

2008 MAR 19 PM 1:3

T.R.A. DOCKET ROOM

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

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

March 17, 2008

RE: Docket No. 06-00248 (Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations)

Docket No. 00-00364 (Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations)

Dear Chairman Roberson:

By letter dated March 3, 2008, I advised the Authority regarding actions that Kentucky Utilities Company was preparing to take to mitigate the impact of recent market conditions on certain of KU's variable rate pollution control bonds. Specifically, I informed the Authority that KU planned to convert its Carroll County 2007 Series A and Trimble County 2007 Series A Pollution Control Bonds from variable rate to fixed rate to maturity. Both series of bonds were approved by the Authority in Docket No. 07-00083.

I also informed the Authority that, in consultation with its legal and financial advisors and depending upon the developing situation in the financial markets, KU might also decide to take action with respect to other series of outstanding debt. This is to inform the Authority that KU is now preparing to take action with regard to two additional series of tax exempt pollution control bonds. These are the KU Carroll County 2006 Series C (\$16,693,630) approved by the Authority in Docket No. 06-00248 and the KU Mercer County 2000 Series A (\$12,900,000) approved by the Authority in Docket No. 00-00364.


Eddie Roberson
March 17, 2008

KU will convert both series of bonds from auction mode to 7 day variable mode. KU has authority under the Authorities' Orders in the respective cases cited above to undertake these actions, and the procedures to effect these conversions of interest rate modes are set out in the documentation for each bond series. In addition, following the conversions it is anticipated that the bonds would be temporarily repurchased and held by KU (but not retired) with a view to refinancing with new debt in the future. Prior to any such refinancing, or other action requiring Authority approval, a Petition seeking authority for the proposed action will be filed with the Authority.

As was the case with the actions cited in my March 3 letter, KU is taking this action in response to conditions in the financial markets. These are conditions affecting the financial markets generally, and are not specific to KU nor reflective of its financial condition.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lonnie E. Bellar".

Lonnie E. Bellar

cc: D. Billye Sanders, Esq.

EXHIBIT 3

\$25,000,000
COUNTY OF JEFFERSON, KENTUCKY
POLLUTION CONTROL REVENUE BONDS,
2000 SERIES A (LOUISVILLE GAS AND
ELECTRIC COMPANY PROJECT) (Non-AMT)
Due: May 1, 2027

Dated: Date of Original Issuance

\$12,900,000
COUNTY OF MERCER, KENTUCKY SOLID
WASTE DISPOSAL FACILITY REVENUE
BONDS, 2000 SERIES A (KENTUCKY
UTILITIES COMPANY PROJECT) (AMT)
Due: May 1, 2023

First Auction Date:

June 21, 2000

First Interest Payment Date:

June 22, 2000

The Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project) (the "Jefferson County Bonds") issued by the County of Jefferson, Kentucky ("Jefferson County") will be special obligations of Jefferson County, payable solely from and secured by payments to be received by Jefferson County pursuant to a Loan Agreement with Louisville Gas and Electric Company ("LG&E"), except as payable from proceeds of the Jefferson County Bonds or investment earnings thereon. The Jefferson County Bonds will not constitute general obligations of Jefferson County or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky. The Solid Waste Disposal Facility Revenue Bonds, 2000 Series A (Kentucky Utilities Company Project) (the "Mercer County Bonds") and, together with the Jefferson County Bonds, the "2000 Bonds") issued by the County of Mercer, Kentucky ("Mercer County") will be special obligations of Mercer County, payable solely from and secured by payments to be received by Mercer County pursuant to a Loan Agreement with Kentucky Utilities Company ("KU") and, together with LG&E, the "Companies", except as payable from proceeds of the Mercer County Bonds or investment earnings thereon. The Mercer County Bonds will not constitute general obligations of Mercer County or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky. Each issue of 2000 Bonds is being separately offered. Accordingly, the issuance and sale of one issue are not dependent upon the issuance and sale of the other issue.

Until the Release Date (generally, the earlier of the date upon which the Bond Insurer consents to the release of first mortgage bond collateral of a Company or the date that all of the prior first mortgage bonds of the related Company have been retired), principal of, and interest on, the Jefferson County Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of

LOUISVILLE GAS AND ELECTRIC COMPANY

Until the Release Date, principal of, and interest on, the Mercer County Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of

KENTUCKY UTILITIES COMPANY

See "THE 2000 BONDS — Security; Release Date" and "THE FIRST MORTGAGE BONDS" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the related issue of 2000 Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by LG&E or KU under its related Loan Agreement, which will become an unsecured general obligation of LG&E or KU, as the case may be, and will rank on a parity with other unsecured indebtedness of such Company.

Payment of the principal of and interest on each issue of 2000 Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of that issue of 2000 Bonds.

Ambac

The 2000 Bonds will accrue interest from the date of original issuance and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in APPENDIX B hereto. Each issue of 2000 Bonds will continue to bear interest at the Dutch Auction Rate until the Conversion of that issue to a different Interest Rate Mode or until maturity. Prospective purchasers of the 2000 Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell 2000 Bonds of the related issue based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in 2000 Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

Each issue of 2000 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the 2000 Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$50,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the 2000 Bonds. See the information contained under the caption "THE 2000 BONDS — Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the 2000 Bonds will be paid by The Bank of New York, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the 2000 Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC Participants and Indirect Participants, as more fully described herein.

PRICE: 100%

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT", Bond Counsel is of the opinion that, under current law, interest on each issue of 2000 Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any 2000 Bond during any period in which it is held by a "substantial user" or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Mercer County Bonds will be an item of tax preference and interest on the Jefferson County Bonds will not be an item of tax preference, in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the corporate alternative minimum tax on a portion of such interest in the case of the Jefferson County Bonds and imposition of the branch profits tax on a portion of such interest in the case of both issues of 2000 Bonds. Bond Counsel is further of the opinion that interest on each issue of 2000 Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, principal of each issue of 2000 Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of each issue of the 2000 Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the 2000 Bonds. See "TAX TREATMENT" herein.

Each issue of 2000 Bonds is offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Harper, Ferguson & Davis, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Companies by their counsel, Gardner, Carton & Douglas, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Companies, for the Issuers by their respective County Attorneys, and for the Underwriter by its counsel, Jones, Day, Reavis & Pogue, Chicago, Illinois. It is expected that the 2000 Bonds will be available for delivery to DTC in New York, New York on or about May 19, 2000.

MORGAN STANLEY DEAN WITTER

May 18, 2000

surrender of such 2000 Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the 2000 Bonds will be deemed satisfied when the ownership rights in the 2000 Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the 2000 Bonds is the Daily Rate or the Weekly Rate, the 2000 Bonds will be subject to redemption at the option of the Issuer, upon the direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(ii) Whenever the Interest Rate Mode for a 2000 Bond is the Flexible Rate, such 2000 Bond will be subject to redemption at the option of the Issuer, upon the direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that 2000 Bond.

(iii) Whenever the Interest Rate Mode for the 2000 Bonds is the Dutch Auction Rate, the 2000 Bonds will be subject to redemption at the option of the Issuer, upon the direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in APPENDIX B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(iv) Whenever the Interest Rate Mode for the 2000 Bonds is the Semi-Annual Rate, the 2000 Bonds will be subject to redemption at the option of the Issuer, upon the direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

(v) Whenever the Interest Rate Mode for the 2000 Bonds is the Annual Rate, the 2000 Bonds will be subject to redemption at the option of the Issuer, upon the direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the 2000 Bonds is the Long Term Rate, the 2000 Bonds will be subject to redemption at the option of the Issuer, upon the direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	101%, declining by 1% on the next succeeding anniversary of the first day of the redemption period and thereafter 100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the 2000 Bonds will not adversely affect the exclusion from gross income of interest on the 2000 Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agent in its judgment.

Extraordinary Optional Redemption in Whole. The 2000 Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the 2000 Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date the 2000 Bonds are issued, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the generating station where any of the related Project is located have occurred, in the judgment of the Company, render the continued operation of such generating station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the 2000 Bonds, including but not limited to changes in clean air or other air and water pollution

control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the 2000 Bonds requires the Company to cease a substantial part of its operation at the generating station where any of the related Project is located to such extent that the Company will be prevented from carrying on its normal operations at such generating station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The 2000 Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the 2000 Bonds from gross income for federal income tax purposes. See "THE LOAN AGREEMENTS -- Maintenance; Damage, Destruction and Condemnation". Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the 2000 Bonds is the Daily Rate, Weekly Rate, Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2000 Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption: Determination of Taxability. The 2000 Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination Taxability". As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a 2000 Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the 2000 Bonds, the interest on the 2000 Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2000 Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2000 Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate.

No Determination of Taxability described above will result from the inclusion of interest on any 2000 Bond in the computation of minimum or indirect taxes. All of the 2000 Bonds of an issue are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such 2000 Bonds would have the result that interest payable on the remaining 2000 Bonds outstanding of such issue after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2000 Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any 2000 Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includible in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the 2000 Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their 2000 Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, 2000 Bonds will not be redeemed as described herein.

Mandatory Redemption: Failure to Pay and Discharge Prior Bonds. The 2000 Bonds are also subject to mandatory redemption by the Issuer in whole at a redemption price equal to 100% of the principal amount thereof plus accrued interest on or prior to the fifteenth day after the date which is the 90th day after the issuance of the 2000 Bonds if, on or prior to such 90th day, the Company has not caused the payment and discharge of the related issue of Prior Bonds, in accordance with the indenture or indentures of trust under which the related issue of Prior Bonds were issued.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the 2000 Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the 2000 Bonds is the Dutch Auction Rate) but not more than 60 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any 2000 Bond will not affect the validity of any proceedings for the redemption of any other 2000 Bond. No further interest will accrue on the principal of any 2000 Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. So long as the 2000 Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuers, the Companies and the Underwriter make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the 2000 Bonds and the 2000 Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the

NEW ISSUE—BOOK-ENTRY-ONLY

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT," Bond Counsel is of the opinion that, under current law, interest on the Bonds (as hereinafter defined) offered hereby (i) will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the corporate alternative minimum tax on a portion of such interest and the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "TAX TREATMENT" herein.

\$96,000,000

County of Carroll, Kentucky

Pollution Control Revenue Bonds, 2002 Series C

(Kentucky Utilities Company Project)

Dated: Date of Original Issuance

Due: October 1, 2032

The Pollution Control Revenue Bonds, 2002 Series C (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of Carroll County, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

Kentucky Utilities Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. Until the Release Date (generally, the date upon which the Bond Insurer consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series No. 11, No. 12, No. 13, No. 14 and No. 15) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "SUMMARY OF THE BONDS—Security; Release Date; Limitation on Liens" and "SUMMARY OF THE FIRST MORTGAGE BONDS" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become unsecured general obligations of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "SUMMARY OF THE BONDS—Security; Release Date; Limitation on Liens."

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in APPENDIX B hereto. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "SUMMARY OF THE BONDS—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

THE BONDS WILL NOT CONSTITUTE GENERAL OBLIGATIONS OF THE ISSUER OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS THEREOF OR OF THE COMMONWEALTH OF KENTUCKY OR ANY OTHER POLITICAL SUBDIVISION OF KENTUCKY.

PRICE: 100%

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones, Day, Reavis & Pogue, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, Winston & Strawn, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about October 3, 2002.

Salomon Smith Barney

Banc of America Securities LLC

Dated: September 26, 2002

Any deficiency in purchase price payments resulting from the Remarketing Agents' failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agents notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

Payment of Purchase Price

When a book-entry-only system is not in effect, payment of the purchase price of any Bond will be payable (and delivery of a replacement Bond in exchange for the portion of any Bond not purchased if such Bond is purchased in part will be made) on the Purchase Date upon delivery of such Bond to the Tender Agent on such Purchase Date; provided that such Bond must be delivered to the Tender Agent: (i) at or prior to 12:00 noon (New York City time), in the case of Bonds delivered for purchase during a Weekly Rate Period or Flexible Rate Period, (ii) at or prior to 1:00 p.m. (New York City time), in the case of Bonds delivered for purchase during a Daily Rate Period or (iii) at or prior to 11:00 a.m. (New York City time), in the case of Bonds delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period. If the date of such purchase is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

Any Bond delivered for payment of the purchase price must be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the registered owner thereof and with all signatures guaranteed. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and has no obligation to pay the purchase price of such Bond until a satisfactory instrument is delivered.

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such Bond for purchase on (or before) the Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(ii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iii) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in APPENDIX B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	101%, declining by 1% on the next succeeding anniversary of the first day of the redemption period and thereafter 100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agents in their judgment.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the

judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "SUMMARY OF THE LOAN AGREEMENT — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Daily Rate, Weekly Rate, Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners

thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriters make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

NEW ISSUE—BOOK-ENTRY-ONLY

\$50,000,000
COUNTY OF CARROLL, KENTUCKY,
ENVIRONMENTAL FACILITIES
REVENUE BONDS, 2004 SERIES A,
DUE OCTOBER 1, 2034
(KENTUCKY UTILITIES COMPANY PROJECT)

DATED: Date of Original Issuance

The County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2004 Series A (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

KENTUCKY UTILITIES COMPANY

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Until the Release Date (generally, the date upon which the Bond Insurer consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series Nos. 11, 12, 13, 14, 15 and 16) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "SUMMARY OF THE BONDS—Security; Release Date; Limitation on Liens" and "SUMMARY OF THE FIRST MORTGAGE BONDS" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "SUMMARY OF THE BONDS—Security; Release Date; Limitation on Liens."

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond new issue insurance policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty") simultaneously with the delivery of the Bonds.



The Bonds will accrue interest from the date of original issuance, will initially be issued in a 35-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in APPENDIX B hereto. The first Auction will occur on November 23, 2004 and the first Interest Payment Date on the Bonds will be November 24, 2004. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "SUMMARY OF THE BONDS—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Wachovia Bank of Delaware, National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

PRICE: 100%

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT" Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "TAX TREATMENT" herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about October 20, 2004.

Merrill Lynch & Co.

October 13, 2004

Morgan Stanley

Payment of Purchase Price

When a book-entry-only system is not in effect, payment of the purchase price of any Bond will be payable (and delivery of a replacement Bond in exchange for the portion of any Bond not purchased if such Bond is purchased in part will be made) on the Purchase Date upon delivery of such Bond to the Tender Agent on such Purchase Date; provided that such Bond must be delivered to the Tender Agent: (i) at or prior to 12:00 noon (New York City time), in the case of Bonds delivered for purchase during a Weekly Rate Period or Flexible Rate Period, (ii) at or prior to 1:00 p.m. (New York City time), in the case of Bonds delivered for purchase during a Daily Rate Period or (iii) at or prior to 11:00 a.m. (New York City time), in the case of Bonds delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period. If the date of such purchase is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

Any Bond delivered for payment of the purchase price must be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the registered owner thereof and with all signatures guaranteed. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and has no obligation to pay the purchase price of such Bond until a satisfactory instrument is delivered.

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such Bond for purchase on (or before) the Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(ii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iii) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in APPENDIX B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agents in their judgment.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to

prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of

the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "SUMMARY OF THE LOAN AGREEMENT — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Daily Rate, Weekly Rate, Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is

required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "SUMMARY OF THE INDENTURE - Discharge of the Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriters make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York

\$13,266,950
COUNTY OF CARROLL, KENTUCKY,
ENVIRONMENTAL FACILITIES
REVENUE BONDS, 2005 SERIES A,
DUE JUNE 1, 2035
(KENTUCKY UTILITIES COMPANY PROJECT)
DATED: Date of Original Issuance

The County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2005 Series A (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

Kentucky Utilities Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Until the Release Date (generally, the date upon which the Bond Insurer (as hereinafter defined) consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series Nos. 11, 12, 13, 14, 15, 16, and 17) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "SECURITY; RELEASE DATE; LIMITATION ON LIENS" and "SUMMARY OF THE FIRST MORTGAGE BONDS" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "SECURITY; RELEASE DATE; LIMITATION ON LIENS."

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance, will initially be issued in a seven-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in APPENDIX B hereto. The first Auction will occur on July 13, 2005 and the first Interest Payment Date on the Bonds will be July 14, 2005. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof; provided that one Bond may be in the denomination of, or include an additional, \$16,950. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "SUMMARY OF THE BONDS—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

PRICE: 100%

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "TAX TREATMENT" herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriter by its counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about July 7, 2005.

Banc of America Securities LLC

June 21, 2005

be delivered to the Tender Agent: (i) at or prior to 12:00 noon (New York City time), in the case of Bonds delivered for purchase during a Weekly Rate Period or Flexible Rate Period, (ii) at or prior to 1:00 p.m. (New York City time), in the case of Bonds delivered for purchase during a Daily Rate Period or (iii) at or prior to 11:00 a.m. (New York City time), in the case of Bonds delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period. If the date of such purchase is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

Any Bond delivered for payment of the purchase price must be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the registered owner thereof and with all signatures guaranteed. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and has no obligation to pay the purchase price of such Bond until a satisfactory instrument is delivered.

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such Bond for purchase on (or before) the Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agent in its judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "SUMMARY OF THE LOAN AGREEMENT — Maintenance;

Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being

contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "SUMMARY OF THE INDENTURE - Discharge of the Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriter make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York

\$13,266,950
COUNTY OF CARROLL, KENTUCKY,
ENVIRONMENTAL FACILITIES
REVENUE BONDS, 2005 SERIES B,
DUE JUNE 1, 2035
(KENTUCKY UTILITIES COMPANY PROJECT)
DATED: Date of Original Issuance

The County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2005 Series B (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

Kentucky Utilities Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Until the Release Date (generally, the date upon which the Bond Insurer (as hereinafter defined) consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series Nos. 11, 12, 13, 14, 15, 16, 17 and 18) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "SECURITY; RELEASE DATE; LIMITATION ON LIENS" and "SUMMARY OF THE FIRST MORTGAGE BONDS" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "SECURITY; RELEASE DATE; LIMITATION ON LIENS."

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance, will initially be issued in a seven-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in APPENDIX B hereto. The first Auction will occur on November 30, 2005 and the first Interest Payment Date on the Bonds will be December 1, 2005. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof; provided that one Bond may be in the denomination of, or include an additional, \$16,950. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "SUMMARY OF THE BONDS—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

PRICE: 100%

Subject to the conditions and exceptions set forth under the caption "TAX TREATMENT," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "TAX TREATMENT" herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriter by its counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about November 17, 2005.

Banc of America Securities LLC

November 14, 2005

be delivered to the Tender Agent: (i) at or prior to 12:00 noon (New York City time), in the case of Bonds delivered for purchase during a Weekly Rate Period or Flexible Rate Period, (ii) at or prior to 1:00 p.m. (New York City time), in the case of Bonds delivered for purchase during a Daily Rate Period or (iii) at or prior to 11:00 a.m. (New York City time), in the case of Bonds delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period. If the date of such purchase is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

Any Bond delivered for payment of the purchase price must be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the registered owner thereof and with all signatures guaranteed. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and has no obligation to pay the purchase price of such Bond until a satisfactory instrument is delivered.

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such Bond for purchase on (or before) the Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agent in its judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;

(ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;

(iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "SUMMARY OF THE LOAN AGREEMENT — Maintenance;

Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being

contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "SUMMARY OF THE INDENTURE – Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriter make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York

Subject to the conditions and exceptions set forth under the caption "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.

\$16,693,620

**County of Carroll, Kentucky
Environmental Facilities Revenue Bonds
2006 Series A
(Kentucky Utilities Company Project)**

Dated: Date of original delivery

Due: June 1, 2036

The County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series A (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

Kentucky Utilities Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance, will initially be issued in a 35-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in Appendix B hereto. The first Auction will occur on August 29, 2006 with subsequent auctions occurring each fifth Tuesday unless changed as provided herein. The first Interest Payment Date on the Bonds will be August 30, 2006 and each fifth Wednesday thereafter subject to certain exceptions described herein. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer. See "Summary of the Bonds—Broker-Dealer," "Summary of the Bonds—Summary of Certain Provisions of the Bonds," and "Appendix B—Dutch Auction Procedures."

PRICE: 100%

Until the Release Date (generally, the date upon which the Bond Insurer (as hereinafter defined) consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series Nos. 11, 12, 13, 14, 15, 16, 17, 18 and 19) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "Security; Release Date; Limitation on Liens" and "Summary of the First Mortgage Bonds" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "Security; Release Date; Limitation on Liens."

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof; provided that one Bond may be in the denomination of, or include an additional, \$18,620. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriter by its counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about July 20, 2006.

Citigroup

Dated: July 14, 2006

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agent in its judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

- (i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;
- (ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;
- (iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the

inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate

Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "Summary of the Indenture – Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriter make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

NEW ISSUE

BOOK-ENTRY-ONLY

Subject to the conditions and exceptions set forth under the caption "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.

\$54,000,000
COUNTY OF CARROLL, KENTUCKY
ENVIRONMENTAL FACILITIES REVENUE REFUNDING BONDS
2006 Series B
(Kentucky Utilities Company Project)

Dated: Date of original delivery

Due: October 1, 2034

The County of Carroll, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2006 Series B (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

KENTUCKY UTILITIES COMPANY

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance, will initially be issued in a seven-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in Appendix B hereto. The first Auction will occur on March 1, 2007 with subsequent auctions occurring each Thursday unless changed as provided herein. The first Interest Payment Date on the Bonds will be March 2, 2007 and each Friday thereafter subject to certain exceptions described herein. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer. See "Summary of the Bonds—Broker-Dealers," "Summary of the Bonds—Certain Considerations Affecting Auction Rate Securities," "Summary of the Bonds—Summary of Certain Provisions of the Bonds" and "Appendix B—Dutch Auction Procedures."

PRICE: 100%

The Bonds will be secured solely by payments to be made by the Company under the Loan Agreement, which will be an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. The Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "Security; Limitation on Liens."

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about February 23, 2007.

Banc of America Securities LLC

Lehman Brothers

Dated: February 15, 2007

pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agents in their judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

- (i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;
- (ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;
- (iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer or the Company in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption: Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the

inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate

Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "Summary of the Indenture – Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriters make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

Subject to the conditions and exceptions set forth under the caption "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.

\$16,693,620
County of Carroll, Kentucky
Environmental Facilities Revenue Bonds
2006 Series C
(Kentucky Utilities Company Project)

Dated: Date of original delivery

Due: June 1, 2036

The County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series C (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

Kentucky Utilities Company

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by XL Capital Assurance Inc. ("XLCA" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

XL CAPITAL ASSURANCE

The Bonds will accrue interest from the date of original issuance, will initially be issued in a 35-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in Appendix B hereto. The first Auction will occur on January 16, 2007 with subsequent auctions occurring each fifth Tuesday unless changed as provided herein. The first Interest Payment Date on the Bonds will be January 17, 2007 and each fifth Wednesday thereafter subject to certain exceptions described herein. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer. See "Summary of the Bonds—Broker-Dealer," "Summary of the Bonds—Certain Considerations Affecting Auction Rate Securities," "Summary of the Bonds—Summary of Certain Provisions of the Bonds" and "Appendix B—Dutch Auction Procedures."

PRICE: 100%

Until the Release Date (generally, the date upon which the Bond Insurer consents to the release of first mortgage bond collateral of the Company as security for the Bonds, provided that in no event shall that date be later than the date that all of the prior first mortgage bonds of the Company (other than the First Mortgage Bonds securing the Bonds and the First Mortgage Bonds, Pollution Control Series Nos. 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20) have been retired), principal of, and interest on, the Bonds will be further secured by the delivery to the Trustee of First Mortgage Bonds of the Company. See "Security; Release Date; Limitation on Liens" and "Summary of the First Mortgage Bonds" for a description of the circumstances in which the First Mortgage Bonds will be released. On the Release Date, the Bonds will cease to be secured by First Mortgage Bonds and will be secured solely by payments to be made by the Company under the Loan Agreement, which will become an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. From and after the Release Date, the Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "Security; Release Date; Limitation on Liens."

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book entry only form in denominations of \$25,000 and integral multiples thereof; provided that one Bond may be in the denomination of, or include an additional, \$18,620. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "Summary of the Bonds—Book Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriter by its counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about December 7, 2006.

Citigroup

Dated: November 28, 2006

pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

Redemptions

Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Dutch Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the Bonds is the Annual Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

Original Length of Current Long Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 11 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agent in its judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

Extraordinary Optional Redemption in Whole. The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

- (i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;
- (ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;
- (iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

(v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the

inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate

Mode for the Bonds is the Dutch Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "Summary of the Indenture – Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company and the Underwriter make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

EXHIBIT 4

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

January 31, 2008

- (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, without par value, recorded at \$308,139,977.56.

- (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 applicant, 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 January 31, 2008
			Authorized	Outstanding at January	
05/15/92	05/15/07	7.92%	53,000,000		1,224,300
Pollution Control Bonds					
11/01/94	11/01/24	Variable	54,000,000		107,044
05/01/00	05/01/23	Variable	12,900,000	12,900,000	515,982
02/01/02	02/01/32	Variable	20,930,000	20,930,000	776,375
02/01/02	02/01/32	Variable	2,400,000	2,400,000	89,025
02/01/02	02/01/32	Variable	7,200,000	2,400,000	89,025
02/01/02	02/01/32	Variable	7,400,000	7,400,000	274,495
07/01/02	10/01/32	Variable	96,000,000	96,000,000	3,830,421
10/01/04	10/01/34	Variable	50,000,000	50,000,000	1,991,799
07/07/05	06/01/35	Variable	13,266,950	13,266,950	517,186
11/17/05	06/01/35	Variable	13,266,950	13,266,950	508,985
07/20/06	06/01/36	Variable	16,693,620	16,693,620	685,714
12/07/06	06/01/36	Variable	16,693,620	16,693,620	685,178
02/23/07	10/01/34	Variable	54,000,000	54,000,000	2,008,905
05/24/07	02/01/26	Variable	17,875,000	17,875,000	526,612
05/24/07	03/01/37	Variable	8,927,000	8,927,000	262,903
				332,753,140	14,093,949
Interest rate swap					(76,781)
Long term debt mark to market					(226,047)
Total				332,753,140	\$ 13,791,121

- (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 January 31, 2008
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	2,837,500
Fidelia Corp.	02/07/07	53,000,000	5.690%	02/07/22	2,965,438
Fidelia Corp.	03/30/07	75,000,000	5.860%	03/30/37	3,674,708
Fidelia Corp.	06/20/07	50,000,000	5.980%	06/20/17	1,835,528
Fidelia Corp.	09/14/07	100,000,000	5.960%	09/14/28	2,268,111
Fidelia Corp.	10/25/07	70,000,000	5.710%	10/25/19	1,076,970
Fidelia Corp.	12/20/07	100,000,000	5.450%	12/19/14	635,833
					<hr/>
					\$36,973,288

- (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

2003	--
2004	63,000,000
2005	50,000,000
2006	--
2007	--

- (1) As of May 1998, the 37,817,878 shares are all owned by E.ON U.S. LLC (formerly LG&E Energy LLC) and all dividends declared by KU's Board of Directors are paid to EON 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, Balance Sheet and Statement of Retained Earnings

Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending January 31, 2008.

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.

KENTUCKY UTILITIES COMPANY
STATEMENT OF INCOME
JANUARY 31, 2008

Exhibit 4
Page 6 of 8

	YEAR ENDED CURRENT MONTH
	THIS YEAR AMOUNT
Electric Operating Revenues.....	1,286,691,123.42
Total Operating Revenues.....	1,286,691,123.42
Operating Expenses	
Fuel.....	465,203,269.38
Power Purchased.....	170,865,199.99
Other Operation Expenses.....	152,986,700.09
Maintenance.....	86,112,162.21
Depreciation.....	116,696,241.88
Amortization Expense.....	5,372,055.37
Regulatory Credits.....	(2,166,418.39)
Taxes	
Federal Income.....	27,762,415.79
State Income.....	13,060,218.03
Deferred Federal Income - Net.....	(6,360,163.38)
Deferred State Income - Net.....	(488,065.68)
Federal Income - Estimated.....	813,130.16
State Income - Estimated.....	(98,721.88)
Property and Other.....	18,481,376.24
Investment Tax Credit.....	42,566,647.00
Loss (Gain) from Disposition of Allowances.....	(706,851.51)
Accretion Expense.....	1,871,431.60
Total Operating Expenses.....	1,091,970,626.90
Net Operating Income.....	194,720,496.52
Other Income Less Deductions	
Other Income Less Deductions.....	29,601,898.20
AFUDC - Equity.....	3,564,303.91
Total Other Income Less Deductions.....	33,166,202.11
Income Before Interest Charges.....	227,886,698.63
Interest on Long Term Debt.....	50,764,409.82
Amortization of Debt Expense - Net.....	837,380.64
Other Interest Expenses.....	7,294,508.40
AFUDC - Borrowed Funds.....	(1,048,902.18)
Total Interest Charges.....	57,847,396.68
Net Income.....	170,039,301.95
Preferred Dividend Requirements.....	-
Earnings Available for Common.....	170,039,301.95

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF JANUARY 31, 2008

ASSETS AND OTHER DEBITS	THIS YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	4,992,493,769.02	Common Stock.....	308,139,977.56
Less Reserves for Depreciation & Amortization.....	1,942,102,310.23	Common Stock Expense.....	(321,288.87)
Total.....	3,050,391,458.79	Paid-In Capital.....	90,000,000.00
		Other Comprehensive Income.....	-
		Retained Earnings.....	1,032,360,104.32
		Unappropriated Undistributed Subsidiary Earnings.....	24,392,477.00
Investments - At Cost		Total Common Equity.....	1,454,571,270.01
Ohio Valley Electric Corporation.....	250,000.00	Preferred Stock.....	-
Nonutility Property-Less Reserve.....	180,295.94	Pollution Control Bonds.....	332,753,140.00
Investments in Subsidiary Companies.....	25,688,277.00	Other Long-Term Debt.....	-
Special Funds.....	5,947,999.25	LT Notes Payable to Associated Companies.....	931,000,000.00
Other.....	411,140.00	Long-Term Debt Marked to Market.....	-
Total.....	32,477,712.19	Total Long-Term Debt.....	1,263,753,140.00
Current and Accrued Assets		Total Capitalization.....	2,718,324,410.01
Cash.....	3,212,082.40	Current and Accrued Liabilities	
Special Deposits.....	6,621,781.66	Long-Term Debt Due in 1 Year.....	-
Temporary Cash Investments.....	17,552.89	ST Notes Payable to Associated Companies.....	59,036,454.00
Accounts Receivable-Less Reserve.....	176,960,558.18	Notes Payable.....	-
Notes Receivable from Assoc. Companies.....	-	Notes Payable to Associated Companies.....	-
Accounts Receivable from Assoc Companies.....	13,428,962.21	Accounts Payable.....	152,833,670.83
Materials & Supplies-At Average Cost		Accounts Payable to Associated Companies.....	10,686,051.44
Fuel.....	41,778,204.71	Customer Deposits.....	19,735,283.57
Plant Materials & Operating Supplies.....	27,414,373.87	Taxes Accrued.....	15,664,813.20
Stores Expense.....	6,542,041.79	Interest Accrued.....	13,918,111.42
Allowance Inventory.....	339,421.31	Dividends Declared.....	-
Prepayments.....	5,417,348.90	Misc. Current & Accrued Liabilities.....	12,556,983.32
Miscellaneous Current & Accrued Assets.....	329,914.34	Total.....	284,431,367.78
Total.....	282,062,242.26	Deferred Credits and Other	
Deferred Debits and Other		Accumulated Deferred Income Taxes.....	333,296,780.67
Unamortized Debt Expense.....	7,257,072.04	Investment Tax Credit.....	54,972,919.32
Unamortized Loss on Bonds.....	10,137,288.95	Regulatory Liabilities.....	38,069,650.10
Accumulated Deferred Income Taxes.....	50,753,515.51	Customer Advances for Construction.....	2,783,322.27
Deferred Regulatory Assets.....	82,329,873.40	Asset Retirement Obligations.....	30,480,217.20
Other Deferred Debits.....	54,724,025.35	Other Deferred Credits.....	16,115,991.84
Total.....	205,201,775.25	Misc. Long-Term Liabilities.....	3,768,886.19
		Accum Provision for Post-Retirement Benefits.....	87,889,643.11
Total Assets and Other Debits.....	3,570,133,188.49	Total.....	567,377,410.70
		Total Liabilities and Other Credits.....	3,570,133,188.49

KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS
JANUARY 31, 2008

	Year Ended Current Month
Retained Earnings and Undistributed Earnings	Total Retained Earnings
Balance Beginning of Period.....	868,164,231.37
Net Income for Period.....	170,039,301.95
FIN 48 Adjustment.....	355,161.00
Adjust for Equity in Subsidiary Earnings for Year	
-EE Inc.....	(27,598,590.00)
Dividends Rec'd Current Year	
-EE Inc.....	21,400,000.00
Balance End of Period.....	<u><u>1,032,360,104.32</u></u>

EXHIBIT 5

Summary of Bond Insurance Options

				Net Present Value		
				Variable w/LOC	Put	Fixed w/o Insurance
Kentucky Utilities Company						
May 1, 2023	PCS 11	CUSIP	Coupon	Amount	Existing Insurer	
October 1, 2032	PCS 16	587829AA	Variable	12,900,000	Ambac	4,764,817
October 1, 2034	PCS 17	144838AC3	Variable	96,000,000	Ambac	7,525,751
June 1, 2035	PCS 18	14483RAA5	Variable	50,000,000	FGIC	42,109,817
June 1, 2035	PCS 19	14483RAB3	Variable	13,266,950	Ambac	67,233,830
June 1, 2036	PCS 20	14483RAC1	Variable	13,266,950	Ambac	23,188,176
June 1, 2036	PCS 21	14483RAD9	Variable	16,693,620	Ambac	37,382,306
October 1, 2034		14483RAE7	Variable	54,000,000	XL	10,387,694
		14483RAF4	Variable	272,821,140		6,489,182
Total - KU						10,387,694
						8,186,867
						13,122,592
						13,122,592
						40,336,116
						124,427,898
						199,498,576
						210,554,344

Assumptions

Discount Rate	6.00%
L/C Facility Fee	0.55%
2007 Average CP Rate	3.723%
2007 Average SIFMA Rate	3.625%
Spread Over SIFMA	0.097%
10-Year SIFMA	2.650%
LOC Spread Over SIFMA	0.050%
Remarketing Fee	0.100%
All-In Rate	2.800%
L/C Facility Fee	0.550%
	3.350%
Upfront L/C Fee (Every 3 Years)	0.125%
Legal Fee (Every 3 years) per issue	\$ 20,000
Arrangement Fee (Every 3 Years)	\$ 350,000
5-Year Put (AMT)	5.50%
5-Year Put (Non-AMT)	5.35%

	Bond Insurance Costs	
	Fixed w/o Insurance	Variable (bps)
Underwriting	80,000	0.35%
Bond Counsel	70,000	
Company Counsel	41,000	
Underwriters Couns	40,000	
Ratings	5,000	
Printing	3,000	
Trustee Counsel	40,000	
Accountants	6,000	
Trustee	285,000	0.50% (fixed, put)

Note:

While the analysis shows the results for each alternative for each bond, the company expects to use a mix of alternatives. This diversity is prudent given the limited availability of letter of credit facilities in the current market and to avoid excess exposure to any one market segment.

Variable Letter of Credit

Municipal Utilities Company	Coupon	Amount	Excess Interest	Years to Maturity	NPV	Refinancing Cost	Letter of Credit Arrangement Fee	Interest										
								Flexible Rate										
October 1, 2022	Variable	12,000,000	Arbitrac	AMT	15.3	220,828	18,549	484,824	3,350%	432,150	3,188,000	3,431,159	484,824	432,150	3,188,000	3,431,159	484,824	432,150
October 1, 2023	Variable	86,000,000	Arbitrac	Non-AMT	24.9	820,786	123,158	3,431,159	3,350%	3,188,000	1,875,000	1,875,000	1,875,000	3,188,000	1,875,000	1,875,000	1,875,000	3,188,000
October 1, 2034	Variable	50,000,000	FOUC	AMT	28.8	459,766	64,145	1,875,000	3,350%	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000
June 1, 2025	Variable	13,285,850	Arbitrac	AMT	27.4	301,270	17,020	488,047	3,350%	444,443	444,443	488,047	488,047	444,443	444,443	488,047	444,443	444,443
June 1, 2026	Variable	13,285,850	Arbitrac	AMT	27.4	301,270	17,020	488,047	3,350%	444,443	444,443	488,047	488,047	444,443	444,443	488,047	444,443	444,443
June 1, 2026	Variable	16,880,670	Arbitrac	AMT	28.4	343,213	21,416	559,238	3,350%	559,238	559,238	559,238	559,238	559,238	559,238	559,238	559,238	559,238
June 1, 2026	Variable	16,880,670	XL	AMT	28.4	343,213	21,416	559,238	3,350%	559,238	559,238	559,238	559,238	559,238	559,238	559,238	559,238	559,238
October 1, 2034	Variable	13,285,850	Arbitrac	AMT	26.8	299,867	16,549	488,047	3,350%	444,443	444,443	488,047	488,047	444,443	444,443	488,047	444,443	444,443
Total LTV		272,801,140			124,427,888	3,220,189	350,000	8,842,535		8,091,508	8,091,508	8,842,535	8,842,535	8,091,508	8,091,508	8,842,535	8,842,535	8,091,508

Assumptions	
Discount Rate	6.000%
10-Year SFMA	2.65%
LOC Spread Over SFMA	0.05%
Arbitrac Fee	1.00%
Arbitrac Fee	2.80%
UC Facility Fee	0.55%
Non-AMT Favorability	0.35%
Upland L/C Fee (Every 3 Years)	0.125%
Legal Fee (Every 3 years) per issue	20,000
Arrangement Fee (Every 3 Years)	\$ 350,000

	Bond Issue Costs	
	Fixed	Variable (Total)
Underwriting	80,000	0.000%
Bond Counsel	70,000	
Company Counsel	41,000	
Underwriters Counsel	4,000	
Printings	4,195	
Private Placements	3,000	
Trustee Counsel	40,000	
Accountants	6,000	
Trustees	284,785	

Variable Letter of Credit

[illegible]

Assumptions

Discount Rate	6.000%
10-Year SFMA	2.85%
10-Year Spread Over SFMA	0.05%
Remarking Fee	0.10%
10-Year Rate	2.80%
10-Year Spread	0.55%
J/C Facility Fee	0.05%
Non-AMT Favorability	0.175%
10-Year J/C Fee (Every 3 Years)	\$ 20,000
10-Year J/C Fee (Every 3 Years) per annum	\$ 350,000
10-Year J/C Fee (Every 3 Years) per annum	\$ 350,000

	Bond Issue Costs	
	Fixed	Variable (bars)
		0.0035
Underwriting		
Bond Counsel	80,000	
Company Counsel	70,000	
Underwriters Counsel	41,000	
Rankings	40,000	
Printing	4,785	
Trustees Counsel	3,000	
Accountants	40,000	
Trustee	6,000	
	284,785	

Put

Kentucky Utilities Company		Coupon	Amount	Existing Tranche	Years to Maturity	NPV	Refinancing Cost	(Every 5 Years) Refinancing Cost Less Cash	Interest	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Total
									5 Year PM															
PCS 11	Variable	10,500,000	Ambsac	AMT	15.0	7,525,751	249,500	155,500	5.50%	728,471	5,138,000	5,138,000	5,138,000	5,138,000	5,138,000	5,138,000	5,138,000	5,138,000	5,138,000	3,832,333	-	-	-	11,181,871
PCS 16	Variable	86,000,000	Ambsac	Non-AMT	24.8	67,232,820	785,000	571,000	5.50%	5,107,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,550,000	2,092,056	-	-	178,471,333
PCS 17	Variable	50,000,000	FISC	AMT	28.8	37,362,306	535,000	341,000	5.50%	3,081,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,550,000	2,092,056	-	-	74,827,858
PCS 18	Variable	13,500,000	Ambsac	AMT	27.4	10,367,884	245,500	155,500	5.50%	887,017	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	308,588	-	74,827,858
PCS 19	Variable	13,500,000	Ambsac	AMT	27.4	10,367,884	245,500	155,500	5.50%	887,017	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	728,882	308,588	-	74,827,858
PCS 20	Variable	18,893,670	Ambsac	AMT	28.4	13,122,562	388,488	174,488	5.50%	1,022,817	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	1,022,817	818,148	388,213	28,970,728
PCS 21	Variable	18,893,670	XL	AMT	28.4	13,122,562	388,488	174,488	5.50%	1,022,817	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	1,022,817	818,148	388,213	28,970,728
PCS 22	Variable	18,893,670	Ambsac	AMT	28.4	13,122,562	388,488	174,488	5.50%	1,022,817	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	1,022,817	818,148	388,213	28,970,728
PCS 23	Variable	18,893,670	Ambsac	AMT	28.4	13,122,562	388,488	174,488	5.50%	1,022,817	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	1,022,817	818,148	388,213	28,970,728
PCS 24	Variable	18,893,670	Ambsac	AMT	28.4	13,122,562	388,488	174,488	5.50%	1,022,817	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	818,148	1,022,817	818,148	388,213	28,970,728
Year 10					20.0	189,486,578	3,844,105	2,027,108		18,233,238	14,151,883	14,151,883	14,151,883	14,151,883	14,151,883	14,151,883	14,151,883	14,151,883	14,151,883	12,838,896	8,678,288	7,643,218	2,452,474	789,477
Year 10 - 2034																								392,038,882

Assumptions

Discount Rate 6.000%

S-Year Put (AMT) 5.50%

S-Year Put (Non-AMT) 5.35%

Non-AMT Favorability 0.15%

Bond Issue Costs	
Fixed	Variable (Cash)
Underwriting	80,000
Company Counsel	70,000
Trustee's Counsel	40,000
Rating	40,000
Printing	5,000
Trustee Counsel	10,000
Escrow	40,000
Trustee	9,000
	285,000

Fixed Rate

Company	Coupon	Amount	Existing Interest	Years to Maturity	NPV	Refinancing Cost	Interest		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
							Fixed Rate	Interest															
Kentucky Utilities Company	PCS 11	Variable	12,000,000	Ambsac	AMT	7,851,201	294,500	5.750%	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750
	PCS 17	Variable	89,000,000	Ambsac	Non-AMT	71,039,459	765,000	5.749%	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865
	October 1, 2032	PCS 18	Variable	50,000,000	FSC	AMT	39,692,286	535,000	5.846%	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873
	June 1, 2025	PCS 19	Variable	13,750,000	Ambsac	AMT	10,961,288	251,335	5.855%	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539	780,539
	June 1, 2026	PCS 20	Variable	16,833,020	Ambsac	AMT	13,854,317	398,488	5.827%	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009
	June 1, 2028	PCS 21	Variable	16,833,020	XL	AMT	13,854,317	398,488	5.827%	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009	899,009
	October 1, 2034	PCS 22	Variable	12,000,000	Ambsac	AMT	7,851,201	294,500	5.847%	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750	741,750
	Total NPV			272,931,145			210,554,944	3,844,105		18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894	18,024,894

Assumptions

Non-AMT Interest Rate: 5.000%

Non-AMT Favorability: 0.150%

	Bond Issue Costs	
	Fixed	Variable (0.00%)
Underwriting	80,000	0.00%
Company Counsel	70,000	
Investment Bankers' Counsel	40,000	
Printing	5,000	
Trustee Counsel	3,000	
Escrow Agents	40,000	
Trustee	285,000	

Fixed Rate

Municipal Utilities Company	Coupon	Amount	Expiring Issuer	Years to Maturity	NPV	Remaining Cost	Interest																	Total
							Fixed Rate	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036			
PCS 11	Variable	12,800,000	Amtec	AMT	7,851,701	245,500	5.750%	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	5,520,865	11,975,569
October 1, 2032	Variable	86,000,000	Amtec	AMT	71,026,459	765,000	5.751%	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	2,972,873	138,718,864
October 1, 2034	Variable	50,000,000	PGC	AMT	38,687,388	535,000	5.568%	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	79,580,680
June 1, 2035	Variable	13,268,550	Amtec	AMT	10,861,358	351,335	5.555%	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	780,639	21,881,095
June 1, 2036	Variable	18,833,670	Amtec	AMT	13,854,317	368,488	5.582%	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	888,009	424,468
October 1, 2038	Variable	54,000,000	Amtec	AMT	42,812,458	565,000	5.846%	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	3,210,811	28,385,471
October 1, 2034	Variable	272,821,140	Amtec	AMT	210,552,344	3,844,108	5.846%	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	848,318
Total - MU								15,532,455	13,269,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	15,283,144	13,879,807	0,782,278	6,262,047	2,864,892	413,711,640	

Assumptions
Discount Rate 6.000%
Non-AMT Favorability 0.150%

	Bond Issue Costs	
	Fixed	Variable (Cost)
Underwriting	80,000	0.50%
Bond Counsel	10,000	
Financial Counsel	41,000	
Investment Counsel	40,000	
Rating	5,000	
Printer	5,000	
Trustee	40,000	
Accountants	6,000	
Trustee	795,000	