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October 9, 2008

VIA HAND DELIVERY

Tre Hargett, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

filed electronically in docket office on 10/10/08

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

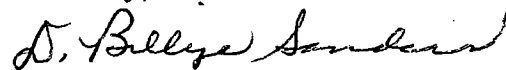
Docket No. 08-00193

Dear Chairman Hargett,

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.

Please contact me if you have any questions.

Sincerely,



D. Billye Sanders
Attorney for Kentucky Utilities
Company

DBS:hmd
Enclosures

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

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In the Matter of:

Docket NO. 08-_____

**THE PETITION OF KENTUCKY UTILITIES
COMPANY FOR AN ORDER AUTHORIZING
THE ISSUANCE OF 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. Specifically, KU requests authority to obtain long-term debt financing from an affiliate within the E.ON AG ("E.ON") holding company system. In support of this Petition, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a utility as defined by T.C.A. §65-4-101, and as of August 31, 2008 provides retail electric service to five customers in Tennessee, approximately 507,000 customers in seventy-seven counties in Kentucky and approximately 30,000 customers in southwestern Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition.

2. KU obtains financing through numerous sources of capital, including the form of debt that is the subject of this Petition. KU does not assign specific financing to any particular project or use, and does not project finance capital projects. All components of KU's capital

structure are used to fund capital expenditures. Thus the uses cited below are general reasons for KU's need for debt financing, rather than projects for which the financing will be required.

3. KU anticipates incurring capital expenditures during the remainder of 2008 and 2009 for pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky and the Company's E.W. Brown Generating Station in Mercer County, Kentucky (the "Pollution Control Project"). During 2009, KU anticipates incurring up to \$229 million in construction costs in connection with the Pollution Control Project.¹

4. KU also anticipates incurring capital expenditures during the remainder of 2008 and 2009 for its share of construction costs for Trimble County Unit 2 in Trimble County, Kentucky. During 2009 KU anticipates incurring up to \$135 million in construction costs in connection with Trimble County Unit 2.

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

5. E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of E.ON. KU is a wholly owned subsidiary of E.ON US. E.ON US Holding GmbH, is also a subsidiary of E.ON. Fidelia Corporation ("Fidelia"), a finance company subsidiary organized in Delaware, is a subsidiary of E.ON U.S. Holding GmbH. Fidelia lends money to companies in the E.ON holding company

¹ The Company makes every effort to finance eligible portions of the Pollution Control Project with tax-exempt debt. See Docket No. 08-00144 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of September 15, 2008, Docket No. 07-00083 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of May 9, 2007, Docket No. 06-00248 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 30, 2006, Docket No. 06-00140 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 26, 2006, Docket No. 05-00144 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 20, 2005 and Docket No. 05-00249 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 19, 2005, authorizing the Company to issue securities and assume obligations in connection with private activity bond allocations from the Kentucky Private Activity Bond Allocation Committee. The Company intends to continue seeking allocations from the state ceiling for private activity bonds and the opportunity to finance additional, eligible portions of the Pollution Control Project with tax-exempt financing resulting in lower costs.

system and upon request of the Company would lend money to the Company as set out in this Petition.²

Description of the New Long-Term Debt

6. This Petition relates to the issuance of long-term unsecured debt by KU to Fidelia. The Company proposes to borrow money from Fidelia in an amount not to exceed \$275 million at various times during the remainder of 2008 through the period ending December 31, 2009.³ The Company anticipates issuing unsecured notes to Fidelia with final maturity not to exceed thirty years. The Company anticipates utilizing a range of maturities that are reflective of operating and market conditions and cash flow requirements. Such borrowings would only occur if the interest rate on the loan would result in an equal or lower cost of borrowing than the Company could obtain in a loan from E.ON or in the capital markets on its own. All borrowings from Fidelia would be at the lowest of 1) E.ON's effective cost of capital; 2) Fidelia's effective cost of capital; and 3) the Company's effective cost of capital determined by reference to the effective cost of a direct borrowing by the Company from an independent third party for a comparable term loan that could be obtained at the time of the loan (the "Best Rate Method"). The Best Rate Method assures the Company that it will not pay more for a loan from Fidelia than

² In seven other proceedings in recent years, the TRA has previously approved other, long-term debt financing between KU and an affiliate within the E.ON holding company system. See Docket No. 08-0009 (*In the Matter of the Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of February 22, 2008, Docket No. 07-00244 (*In the Matter of The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of January 10, 2008, Docket No. 07-00043 (*In the Matter of The Petition of Kentucky, Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of May 18, 2007, Docket No. 06-00121 (*In the Matter of The Petition of Kentucky, Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 27, 2006, Docket No. 05-00095 (*In the Matter of The Petition of Kentucky, Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of August 4, 2005, Docket No. 03-00522 (*In the Matter of The Petition of Kentucky, Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 30, 2003 and Docket No. 03-00146 (*In the Matter of The Petition of Kentucky, Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of April 7, 2003.

³ This is in addition to the approximately \$100 million remaining from the TRA's debt authorization in Docket No. 07-0009. See Order of February 22, 2008.

it would pay in the capital markets for a similar loan. The Company's treasury group has evaluated its capital requirements through December 31, 2009, and the appropriate sources of capital available to it (both existing and potential). The Company has determined that it is cost effective to borrow money from Fidelia through this intercompany loan facility and desires to take advantage of this opportunity.

7. The interest rates will be set at the time of issuance of each note and would depend on the maturity of the notes. The interest rate on each note would be the lower of (a) the average of three quotes obtained by the affiliate company from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan; and (b) the lowest of three quotes obtained by the Company from international investment banks for a secured bond issued by the Company with the applicable term of the loan. This method complies with the Best Rate Method because this rate would be determined using the lower of the average of actual quotes obtained based upon the credit of E.ON or the lowest of three actual quotes obtained by the Company.

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

terms under which the Company will agree to make payments, and the other terms and conditions of any rights or obligations thereunder.

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

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

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

12. A meeting of KU's Board of Directors to authorize the issuance of the notes, and the transactions related thereto as discussed in this Petition was held on October 9, 2008, and a certified copy of the resolution will be filed as a supplement to this Petition as soon as it is available.

Correspondence Pertaining to the Petition

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

D. Billye Sanders
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Nashville, TN 37219-8966
Telephone: (615) 850-8951
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E-mail: bsanders@wallerlaw.com

Kendrick R. Riggs
John Wade Hendricks
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202
Telephone: (502) 333-6000

Allyson K. Sturgeon

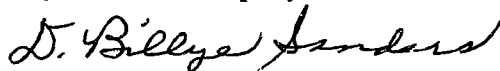
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202
Telephone: (502) 627-2088

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

1. KU is authorized to issue and deliver its unsecured notes in an aggregate principal amount not to exceed \$275 million in the manner set forth in its Petition.
2. KU is authorized to execute, deliver and perform the obligations of KU under, *inter alia* the loan agreement with Fidelia Corporation, the notes, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

Respectfully submitted,

Kentucky Utilities Company

BY: 

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511 Union Street, Suite 2700
Nashville, TN 37219
(615) 850-8951

Kendrick R. Riggs
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Louisville, Kentucky 40202
(502) 333-6000

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

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 9th day of October, 2008.

My Commission Expires

August 2009


NOTARY PUBLIC, STATE AT LARGE

EXHIBIT 1

KENTUCKY UTILITIES COMPANY

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

August 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 August 31, 2008, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	27,740,085
Production Plant	2,533,448,760
Transmission Plant	523,439,141
Distribution Plant	1,206,129,618
General Plant	103,683,086
Construction Work in Progress	<u>1,021,258,754</u>
Total Plant at Original Cost	\$ 5,415,699,444
Less Reserve for Depreciation	<u>2,015,375,147</u>
Net Original Cost	<u>\$ 3,400,324,297</u>

EXHIBIT 2

Kentucky Utilities Company
(as Borrower)

Fidelia Corporation
(as Lender)

LOAN AGREEMENT

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THIS AGREEMENT made on _____

Between

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

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

Whereas

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

Now it is hereby agreed as follows:

1. Definitions

1.1 In this Agreement

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

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

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

Final Repayment Date means _____;

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

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

Loan Amount means _____;

Maturity Date means the Final Repayment Date;

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

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

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

2. Term Loan

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

3. Availability of Requests

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

4. Interest

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

5. Repayment and Prepayment

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

6. Payments

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

7. Termination Events

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

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

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

8. Operational Breakdown

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

9. Notices

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

10. Assignment

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

11. Severability

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

12. Counterparts

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

13. Law

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

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

SIGNED by _____)
for and on behalf of)
Kentucky Utilities Company)
in the presence of:)

SIGNED by _____)
for and on behalf of)
Fidelia Corporation)
in the presence of:)

EXHIBIT "A"

PROMISSORY NOTE

U.S. _____

Louisville, KY, _____

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

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

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

Kentucky Utilities Company

By: _____

EXHIBIT 3

KENTUCKY UTILITIES COMPANY
FINANCIAL EXHIBIT

August 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 \$308,139,978.

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

None

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

None

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

Unsecured

Kentucky Utilities Company

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Authorized</u>	<u>Outstanding at August 31, 2008</u>	<u>Interest Expense Year Ended August 31, 2008</u>
Pollution Control Bonds					
05/01/00	05/01/23	Variable	12,900,000	12,900,000	289,041
02/01/02	02/01/32	Variable	20,930,000	20,930,000	521,807
02/01/02	02/01/32	Variable	2,400,000	2,400,000	59,835
02/01/02	02/01/32	Variable	7,200,000	2,400,000	59,835
02/01/02	02/01/32	Variable	7,400,000	7,400,000	184,490
07/01/02	10/01/32	Variable	96,000,000	96,000,000	3,988,803
10/01/04	10/01/34	Variable	50,000,000	50,000,000	2,219,437
07/07/05	06/01/35	Variable	13,266,950	13,266,950	523,660
11/17/05	06/01/35	Variable	13,266,950	13,266,950	513,712
07/20/06	06/01/36	Variable	16,693,620	16,693,620	791,924
12/07/06	06/01/36	Variable	16,693,620	16,693,620	572,749
02/23/07	10/01/34	Variable	54,000,000	54,000,000	2,532,369
05/24/07	02/01/26	Variable	17,875,000	17,875,000	907,360
05/24/07	03/01/37	Variable	8,927,000	8,927,000	462,309
Total					<u>\$ 13,627,331</u>

KU issued notice to bondholders of its intention to convert the bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. In connection with the conversion, KU purchased the bonds from the remarketing agent. The bonds are expected to be remarketed to the public at a later time.

- (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	Date of Maturity	Rate of Interest	Amount	Interest Expense Year Ended August 31, 2008
Fidelia Corp.	04/30/03	04/30/13	4.550%	100,000,000	\$4,550,000
Fidelia Corp.	08/15/03	08/15/13	5.310%	75,000,000	3,982,500
Fidelia Corp.	11/24/03	11/24/10	4.240%	33,000,000	1,399,200
Fidelia Corp.	01/15/04	01/16/12	4.390%	50,000,000	2,195,000
Fidelia Corp.	07/08/05	07/08/15	4.735%	50,000,000	2,367,500
Fidelia Corp.	12/19/05	12/21/15	5.360%	75,000,000	4,020,000
Fidelia Corp.	06/23/06	06/23/36	6.330%	50,000,000	3,165,000
Fidelia Corp.	10/25/06	10/25/16	5.675%	50,000,000	2,837,500
Fidelia Corp.	02/07/07	02/07/22	5.690%	53,000,000	3,015,700
Fidelia Corp.	03/30/07	03/30/37	5.860%	75,000,000	4,395,000
Fidelia Corp.	06/20/07	06/20/17	5.980%	50,000,000	2,990,000
Fidelia Corp.	09/14/07	09/14/28	5.960%	100,000,000	5,744,778
Fidelia Corp.	10/25/07	10/25/19	5.710%	70,000,000	3,408,553
Fidelia Corp.	12/20/07	12/19/14	5.450%	100,000,000	3,815,000
Fidelia Corp.	05/20/08	05/22/23	5.850%	75,000,000	1,230,938
Fidelia Corp.	07/25/08	07/25/18	6.160%	50,000,000	308,000
Fidelia Corp.	08/26/08	08/27/18	5.645%	50,000,000	31,361
					<u>\$49,456,030</u>

- (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 E.ON U.S. LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in fiscal years 2003 - 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. The amount of dividends declared and paid through October 24, 2005 was \$773,196.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in fiscal years 2003 - 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. The amount of dividends declared and paid through October 24, 2005 was \$1,062,942.

- (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 August 31, 2008.

Kentucky Utilities Company

Balance Sheet as of August 31, 2008

Assets and Other Debits		Liabilities and Other Credits	
Utility Plant		Capitalization	
Utility Plant at Original Cost	5,415,699,444.44	Common Stock	308,139,977.56
Less Reserves for Depredation and Amortization....	<u>2,015,375,147.49</u>	Common Stock Expense.....	(321,288.87)
Total	<u>3,400,324,296.95</u>	Paid-In Capital.....	165,000,000.00
		Other Comprehensive Income.....	
		Retained Earnings	1,114,019,861.27
		Unappropriated Undistributed Subsidiary Earnings	<u>24,580,772.40</u>
		Total Common Equity	<u>1,611,419,322.36</u>
Investments			
Ohio Valley Electric Corporation	250,000.00	Pollution Control Bonds - Net of Reacquired Bonds.....	253,159,520.00
Nonutility Property-Less Reserve	179,120.94	LT Notes Payable to Associated Companies.....	<u>1,106,000,000.00</u>
Investments in Subsidiary Companies.....	25,876,572.40	Total Long-term Debt	1,359,159,520.00
Special Funds	5,752,910.35	Total Capitalization	<u>2,970,578,842.36</u>
Other.....	<u>411,140.00</u>		
Total	<u>32,469,743.69</u>		
Current and Accrued Assets		Current and Accrued Liabilities	
Cash	2,086,966.11	Long-term Debt Due in 1 Year.....	
Special Deposits	358,199.63	ST Notes Payable to Associated Companies.....	129,285,454.00
Temporary Cash Investments.....	17,814.92	Notes Payable	
Accounts Receivable-Less Reserve	184,189,601.55	Notes Payable to Associated Companies	
Notes Receivable from Associated Companies		Accounts Payable	173,318,668.33
Accounts Receivable from Associated Companies	3,957,090.64	Accounts Payable to Associated Companies	22,743,322.35
Materials and Supplies-At Average Cost		Customer Deposits.....	20,272,626.76
Fuel	55,005,776.43	Taxes Accrued.....	12,052,965.07
Plant Materials and Operating Supplies.....	29,348,359.42	Interest Accrued.....	15,717,677.70
Stores Expense.....	6,400,985.38	Dividends Declared	
Allowance Inventory	83,388.05	Miscellaneous Current and Accrued Liabilities	<u>10,757,947.24</u>
Prepayments	4,511,489.71	Total.....	<u>384,148,661.45</u>
Miscellaneous Current and Accrued Assets.....	<u>186,853.12</u>		
Total	<u>286,146,524.96</u>		
		Deferred Credits and Other	
Deferred Debits and Other		Accumulated Deferred Income Taxes.....	328,797,010.68
Unamortized Debt Expense.....	5,490,890.72	Investment Tax Credit	67,714,572.27
Unamortized Loss on Bonds	11,772,367.61	Regulatory Liabilities	38,834,699.57
Accumulated Deferred Income Taxes.....	49,891,465.49	Customer Advances for Construction	2,403,814.00
Deferred Regulatory Assets.....	84,306,182.02	Asset Retirement Obligations.....	31,532,159.10
Other Deferred Debits	<u>69,002,182.70</u>	Other Deferred Credits.....	26,456,568.27
Total.....	<u>220,463,088.54</u>	Miscellaneous Long-term Liabilities	3,338,956.78
		Accum Provision for Postretirement Benefits.....	<u>85,598,369.66</u>
		Total.....	<u>584,676,150.33</u>
Total Assets and Other Debits	<u>3,939,403,654.14</u>	Total Liabilities and Other Credits	<u>3,939,403,654.14</u>

Kentucky Utilities Company
Statement of Income
August 31, 2008

	<u>Year Ended Current Month</u>
Electric Operating Revenues	1,333,067,604.93
Total Operating Revenues	1,333,067,604.93
Fuel for Electric Generation	477,851,360.41
Power Purchased	198,265,969.60
Other Operation Expenses	168,329,742.62
Maintenance	95,497,737.87
Depredation	123,694,732.86
Amortization Expense	5,045,712.03
Regulatory Credits	(2,221,970.49)
Taxes	
Federal Income	25,392,988.30
State Income	11,176,814.70
Deferred Federal Income – Net	(8,520,241.79)
Deferred State Income - Net	(1,942,920.66)
Property and Other	19,275,723.30
Investment Tax Credit,	36,399,999.97
Loss (Gain) from Disposition of Allowances	(583,106.55)
Accretion Expense	1,927,399.89
Total Operating Expenses	1,149,589,942.06
Net Operating Income	183,477,662.87
Other Income Less Deductions	
Other Income Less Deductions	30,026,332.19
AFUDC – Equity	5,456,672.21
Total Other Income Less Deductions	35,483,004.40
Income Before Interest Charges	218,960,667.27
Interest on Long-term Debt	63,264,479.50
Amortization of Debt Expense – Net	727,785.70
Other Interest Expenses	4,131,481.09
AFUDC - Borrowed Funds	(1,774,875.79)
Total Interest Charges	66,348,870.50
Net Income	152,611,796.77

Kentucky Utilities Company
Analysis of Retained Earnings
August 31, 2008

	Year Ended Current Month Total Retained Earnings
Retained Earnings and Undistributed Earnings	
Balance at Beginning of Period	963,308,067.90
Add:	
Net Income for Period.....	152,611,796.77
FIN 48 Adjustment	7,688.00
Deduct:	
Adjust for Equity in Subsidiary	
Earnings for Year	
-EE Inc	(35,107,691.40)
Dividends Received Current Year	
-EE Inc	33,200,000.00
Balance at End of Period.....	<hr/> 1,114,019,861.27