



Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

July 11, 2006

RE: Kentucky Utilities Company (Case No. 2006-00155)

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 6 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of information related to an issuance under said Order.

On June 23, 2006, KU borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 22, 2006 in the above-referenced case. The details of the loan are shown below:

| | |
|--------------------|---|
| Borrower: | Kentucky Utilities Company |
| Lender: | Fidelity Corporation |
| Amount: | \$50 million |
| Maturity Date: | June 23, 2036 |
| Interest Rate: | 6.33% |
| Price Paid: | 100% |
| Proceeds: | \$50 million |
| Commissions Paid: | None |
| Legal Costs: | None |
| Security for Loan: | None |
| Interest Payments: | June 23 and December 23 commencing December 23, 2006 |

The interest rate was set using the lowest rate quoted to KU at 1.07% above the yield on the thirty-year treasury bond (5.26%). The supporting price indications from the investment banks are attached along with a copy of a page from Bloomberg showing the yield on the treasury bond. The lowest rate

RECEIVED

JUL 12 2006

PUBLIC SERVICE
COMMISSION

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

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

Elizabeth O'Donnell
July 11, 2006

quoted to KU by the investment banks was lower than the lowest bid quoted to E.ON A.G. Once again, the supporting price indications are attached. The bids are summarized in the table below:

| | KU Pricing | E.ON Pricing | AG |
|------------------------------------|---------------|-----------------|----|
| Low bid above thirty-year treasury | 1.07% | | |
| Thirty-year treasury rate | 5.26% | | |
| All-in cost | 6.33% | | |
| Low bid above thirty-year treasury | | 1.10% | |
| Thirty-year treasury rate | | 5.26% | |
| All-in cost | | 6.36% | |

The proceeds of the loan were used to fund capital projects described in this application.

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the envelope provided.

Should you have any questions regarding this transaction or this information, please contact me at (502) 627-3780 or contact Don Harris at (502) 627-2021.

Sincerely,



Rick E. Lovekamp

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

**KU Intercompany Loan with Fidelity (\$50MM)
Spread Comparison - July 6, 2005**

| | <u>KU</u> | <u>E.ON AG</u> |
|---|--------------|----------------|
| Citigroup | 1.07% | |
| JP Morgan | 1.21% | |
| Barclays | 1.22% | |
| UBS | | 1.25% |
| Morgan Stanley | | 1.10% |
| ABNAmro | | 1.20% |
| Lowest Rate - KU, E.ON AG <i>(Three Lowest Quotes for each)</i> | 1.07% | 1.10% |
| 30-Year US Treasury Rate at Pricing | 5.26% | |
| All-in Rate | 6.33% | |

<HELP> for explanation, <MENU> for similar functions. N172 Govt ALLO
 T5 3/8 02/15/31 Market 101-18 5/8 / 101-18 7/8 Prev 101-17 3/4

| Additional Providers | | Options | T5 3/8 02/15/31 | All Quotes | 16:03:46 | |
|----------------------|----------------------|-------------------------|-----------------------|-----------------------|---------------|---------------|
| Buy Inquiry | | Sell Inquiry | | AXES | BW | OW |
| SPREAD | VS | T-1 02/15/31 | @ | 80-10 3/8 / 80-20 3/8 | 5.100 / 5.188 | 7.0 / 7.0 bps |
| Abbr | Firm Name | Bid Price / Ask Price | Bid Yield / Ask Yield | Bid Sz x Ask Sz (MM) | Time | |
| CBBT | BONDRADER COMPOSITE | 101-18 1/4 / 101-18 1/8 | 5.280 / 5.258 | x | 16:03 | |
| ML | MERRILL LYNCH | 101-18 / 101-20 | 5.281 / 5.258 | 10 x 10 | 16:03 | |
| GXC | G X CLARKE | 101-17 3/8 / 101-20 3/8 | 5.280 / 5.253 | 9 x 9 | 16:03 | |
| UBMK | UBM AUTO 2X | 101-17 5/8 / 101-20+ | 5.258 / 5.253 | 5 x 5 | 16:03 | |
| MZ | MIZUHO SECS. USA | 101-18 1/8 / 101-21 1/8 | 5.280 / 5.254 | 3 x 3 | 16:03 | |
| MANB | MAN FINANCIAL US | 101-18 5/8 / 101-18 5/8 | 5.258 / 5.257 | 5 x 5 | 16:03 | |
| WSAX | WALL STREET ACCESS | 101-17 1/4 / 101-20 1/4 | 5.280 / 5.253 | 1 x 1 | 16:03 | |
| AAUS | ABN Amro - USA | 101-18 / 101-18+ | 5.281 / 5.257 | 25 x 25 | 16:03 | |
| ZNBK | ZIONS BANK | 101-18 / 101-20 | 5.281 / 5.258 | 5 x 5 | 16:02 | |
| BSC | BEAR STEARNS N Y | 101-18 / 101-18 1/4 | 5.281 / 5.258 | 5 x 5 | 16:03 | |
| BBT | BLOOMBERG BONDRADER | 101-18 5/8 / 101-18 7/8 | 5.258 / 5.258 | 5 x 25 | 16:03 | |
| BDIR | Jefferies-BD | 101-17 7/8 / 101-18 1/8 | 5.281 / 5.258 | 2 x 2 | 16:03 | |
| BART | BARCLAYS CAPITAL UST | 101-18 1/8 / 101-18 7/8 | 5.258 / 5.255 | x | 16:03 | |
| BGN | BLOOMBERG GENERIC | 101-18 / 101-20 | 5.281 / 5.258 | x | 16:02 | |
| TSSE | TEST SSEOMS | 102-00 / 103-00 | 5.229 / 5.188 | 10 x 10 | 7:15 | |

*

Enabled Dealers Only Blue = Enabled Dealers White = Executable Grey = Does not monitor Green = Best bid/ask
 Executable Dealers Only 1st BBT 2nd 3rd 4th 5th Price Individually 11

Australia 61 2 9777 6600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U S 1 212 319 2000 Copyright 2006 Bloomberg L.P.
 6493-111-2 21-Jun-06 16:03:46

yield: 6.329 %
 spread 107 bp

Horne, Elliott

From: Hiller, Howard L [GFI] [howard.l.hiller@citigroup.com]
Sent: Monday, June 19, 2006 9:21 AM
To: Horne, Elliott
Cc: Arbough, Dan; Rice, Christopher [GFI]
Subject: RE: Kentucky Utilities Indicative Pricing

Based on recent (June 5) SDG&E 20-year FMBs, A1/A+, at +86bp, we would use about +95-100bp. (The SDG&E deal was index-eligible -- \$250mm -- and a \$50mm deal would have a small premium.) Markets are also still quite choppy.

To get to all-in, you have to add about 7 bp.

I hope that is responsive.

Regards,

Howard

Howard Hiller
Managing Director
Fixed Income Capital Markets
Citigroup Global Markets Inc.
390 Greenwich Street, 4th Floor
New York, NY 10013
212 723 6098
howard.l.hiller@citigroup.com

-----Original Message-----

From: Horne, Elliott [mailto:Elliott.Horne@eon-us.com]
Sent: Monday, June 19, 2006 9:09 AM
To: Hiller, Howard L [GFI]
Cc: Arbough, Dan
Subject: Kentucky Utilities Indicative Pricing

Howard,
Can you please have your capital markets desk provide me with some indicative pricing (all-in spread) on a Kentucky Utilities first mortgage bond (Rated A1/A). The term would be 30 years and the amount would be \$50 million. We are pricing an intercompany loan this week and our regulators require that we obtain pricing from independent parties in pricing the intercompany loan. Please call me at (502)627-3652 if you should have any questions. Thanks for your help!

JUNE 19, 2006



PRICING UPDATE

STRICTLY PRIVATE AND CONFIDENTIAL



This presentation was prepared exclusively for the benefit and internal use of the JPMorgan client to whom it is directly addressed and delivered (including such client's subsidiaries, the "Company") in order to assist the Company in evaluating, on a preliminary basis, the feasibility of a possible transaction or transactions and does not carry any right of publication or disclosure, in whole or in part, to any other party. This presentation is for discussion purposes only and is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by JPMorgan. Neither this presentation nor any of its contents may be disclosed or used for any other purpose without the prior written consent of JPMorgan.

The information in this presentation is based upon any management forecasts supplied to us and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. JPMorgan's opinions and estimates constitute JPMorgan's judgment and should be regarded as indicative, preliminary and for illustrative purposes only. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the Company or which was otherwise reviewed by us. In addition, our analyses are not and do not purport to be appraisals of the assets, stock, or business of the Company or any other entity. JPMorgan makes no representations as to the actual value which may be received in connection with a transaction nor the legal, tax or accounting effects of consummating a transaction. Unless expressly contemplated hereby, the information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects.

Notwithstanding anything herein to the contrary, the Company and each of its employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the U.S. federal and state income tax treatment and the U.S. federal and state income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Company relating to such tax treatment and tax structure insofar as such treatment and/or structure relates to a U.S. federal or state income tax strategy provided to the Company by JPMorgan.

JPMorgan's policies prohibit employees from offering, directly or indirectly, a favorable research rating or specific price target, or offering to change a rating or price target, to a subject company as consideration or inducement for the receipt of business or for compensation. JPMorgan also prohibits its research analysts from being compensated for involvement in investment banking transactions except to the extent that such participation is intended to benefit investors.

IRS Circular 230 Disclosure: JPMorgan Chase & Co. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters included herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone not affiliated with JPMorgan Chase & Co. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

JPMorgan is a marketing name for investment banking businesses of JPMorgan Chase & Co. and its subsidiaries worldwide. Securities, syndicated loan arranging, financial advisory and other investment banking activities are performed by a combination of J.P. Morgan Securities Inc., J.P. Morgan plc, J.P. Morgan Securities Ltd. and the appropriately licensed subsidiaries of JPMorgan Chase & Co. in Asia-Pacific, and lending, derivatives and other commercial banking activities are performed by JPMorgan Chase Bank, N.A. JPMorgan deal team members may be employees of any of the foregoing entities.

This presentation does not constitute a commitment by any JPMorgan entity to underwrite, subscribe for or place any securities or to extend or arrange credit or to provide any other services.

Kentucky Utilities indicative new issue pricing

| Fixed rate pricing - A/A, first mortgage bonds | |
|--|--------------|
| Maturity | 30 |
| Reference Treasury | 5.375% 02/31 |
| Treasury Yield | 5.25 |
| Reoffer Spread (bps) ¹ | 110 - 115 |
| Coupon (%) | 6.35 - 6.40 |
| Amortized fees (bps) | 6 |
| All-in Cost (%) | 6.41 - 6.46 |



Indicative New Issue Pricing – Kentucky Utilities (A1/A) First Mortgage Bonds

| | |
|--------------------------------|----------------------|
| Benchmark | 5.375% 2/31 |
| Benchmark Yield | 5.250% |
| Reoffer Spread | +110 - 115 |
| Reoffer Yield | 6.35% - 6.40% |
| Underwriting Commission | 0.875% |
| All-in Yield | 6.42% - 6.47% |
| <hr/> | |
| Swap Spread | +52 |
| Reoffer versus LIBOR | \$L+58 - 63 |
| All-in versus LIBOR | \$L+65 - 70 |

Benchmark and reoffer spreads as of 6/19/2006.

Signature
Date



Disclaimer

This document has been prepared by Barclays Capital, the investment banking division of Barclays Bank PLC ("Barclays"), for information purposes only. This document is an indicative summary of the terms and conditions of the securities/transaction described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the securities/transaction will be set out in full in the applicable offering document(s) or binding transaction document(s).

This document shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any securities described herein, which shall be subject to Barclays' internal approvals. No transaction or services related thereto is contemplated without Barclays' subsequent formal agreement. Barclays is acting solely as principal and not as advisor or fiduciary. Accordingly you must independently determine, with your own advisors, the appropriateness for you of the securities/transaction before investing or transacting. Barclays accepts no liability whatsoever for any consequential losses arising from the use of this document or reliance on the information contained herein.

Barclays does not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modelling or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The value of any investment may fluctuate as a result of market changes. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

Barclays, its affiliates and the individuals associated therewith may (in various capacities) have positions or deal in transactions or securities (or related derivatives) identical or similar to those described herein.

IRS Circular 230 Disclosure: Barclays Capital and its affiliates do not provide tax advice. Please note that (i) any discussion of US tax matters contained in this communication (including any attachments) cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

BARCLAYS CAPITAL INC., THE UNITED STATES AFFILIATE OF BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC, ACCEPTS RESPONSIBILITY FOR THE DISTRIBUTION OF THIS DOCUMENT IN THE UNITED STATES. ANY TRANSACTIONS BY US PERSONS IN ANY SECURITY DISCUSSED HEREIN MUST ONLY BE CARRIED OUT THROUGH BARCLAYS CAPITAL INC., 200 PARK AVENUE, NEW YORK, NY 10166.

NO ACTION HAS BEEN MADE OR WILL BE TAKEN THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED HEREIN IN ANY JURISDICTION IN WHICH ACTION FOR THAT PURPOSE IS REQUIRED. NO OFFERS, SALES, REALES OR DELIVERY OF THE SECURITIES DESCRIBED HEREIN OR DISTRIBUTION OF ANY OFFERING MATERIAL RELATING TO SUCH SECURITIES MAY BE MADE IN OR FROM ANY JURISDICTION EXCEPT IN CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND WHICH WILL NOT IMPOSE ANY OBLIGATION ON BARCLAYS OR ANY OF ITS AFFILIATES.

THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO AN INVESTMENT IN THE SECURITIES/TRANSACTION. PRIOR TO TRANSACTING, POTENTIAL INVESTORS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE SECURITIES/TRANSACTION AND ANY APPLICABLE RISKS.

Barclays Bank PLC is registered in England No. 1026167. Registered Office: 1 Churchill Place, London E14 5HP. Copyright Barclays Bank PLC, 2006 (all rights reserved). This document is confidential, and no part of it may be reproduced, distributed or transmitted without the prior written permission of Barclays.



Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Monday, June 19, 2006 12:29 PM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: WG: E.ON 30y USD financing indications

Indication number 1 for the loan pricing on Friday.

-----Ursprüngliche Nachricht-----

Von: tilo.kraus@ubs.com [mailto:tilo.kraus@ubs.com]

Gesendet: Montag, 19. Juni 2006 18:15
An: Heintzen, Lioba
Betreff: E.ON 30y USD financing indications

Dear Frau Heintzen,

we had a look at E.ON's potential refinancing costs in USD for a 30y offering. The best comparable from our perspective for E.ON in the US market appears to be UU, which however has a worse rating. UU's 2018s are trading at 127 over treasuries whilst the 2028s are trading at T + 140 or 6.58% .

On that basis we would see a 30y E.ON issue at around T + 125 or a new issue yield of 6.44%, reflecting the better credit quality. This would swap into roughly MS + 63 bps including fees.

Please do not hesitate to contact us should you require further information.

Best regards,

Tilo Kraus

This communication is issued by UBS AG or an affiliate ("UBS") by the Sales or Trading Department to institutional investors only and is not research. It is for informational purposes and is not an official confirmation of terms. It is not guaranteed as to accuracy, nor is it a complete statement of the financial products or markets referred to. Opinions expressed are subject to change without notice and may differ or be contrary to the opinions or recommendations of UBS Investment Research or the opinions expressed by other business areas or groups of UBS as a result of using different assumptions and

criteria. UBS may, as principal or agent, have position in,

underwrite, buy or sell, make a market in, or enter into derivatives transactions in relation to any financial instrument or asset

referred to in this email. Unless stated specifically otherwise, this is not a recommendation, offer or solicitation to buy or sell and any prices or quotations contained herein are indicative only. UBS has policies and procedures designed to minimise the risk that that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or

made available. To the extent permitted by law, UBS does not accept any liability arising from the use of this communication.

For additional information, please contact your local sales or

trading contact. © 2005 UBS. All rights reserved.
Intended for recipient only and not for further distribution

without the consent of UBS.

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Monday, June 19, 2006 12:29 PM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: WG: 30y financing costs

Indication 2.

Von: Bilo, Stephanie (GCM) [mailto:Stephanie.Bilo@morganstanley.com]
Gesendet: Montag, 19. Juni 2006 16:37
An: Bilo, Stephanie (GCM); Heintzen, Lioba
Cc: Lingnau, Philipp (GCM)
Betreff: RE: 30y financing costs

Hi Lioba

With regards to you request:

We believe that in the current markets E.ON AG could currently refinance at T+ 110bps for 30 years (above US T Feb-31), which is Mid Swaps + 56.

Best regards,

Stephanie

Stephanie Bilo - Vice President

Morgan Stanley | Global Capital Markets
20 Cabot Square | Canary Wharf | Floor 01
London, E14 4QW
Phone: +44 20 7677-2041
Mobile: +44 77663-67692
Fax: +44 20 7056-2226
Stephanie.Bilo@morganstanley.com

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

NOTICE: If received in error, please destroy and notify sender. Sender does not waive confidentiality or privilege, and use is prohibited

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and

6/21/2006

the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Horne, Elliott

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Monday, June 19, 2006 12:49 PM
To: Arbough, Dan
Cc: Horne, Elliott
Subject: WG: US\$ Levels

Indication 3.

Are these indications in line with your expectations?

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen
E.ON AG / Treasury
E.ON-Platz 1
40479 Düsseldorf

p: 0049 (0) 211 4579 655
f: 0049 (0) 211 4579 669
m: lioba.heintzen@eon.com

-----Ursprüngliche Nachricht-----

Von: hussain.hussain@uk.abnamro.com [mailto:hussain.hussain@uk.abnamro.com]

Gesendet: Montag, 19. Juni 2006 15:45
An: Heintzen, Lioba
Betreff: US\$ Levels

Dear Ms Heintzen,

As requested please find below indicative new issuance levels for E.ON:

- for a 30 year US\$ 50 mln issue the all-in cost would be UST + 120 bp = Libor + 60 bp
(reference UST is the UST 4.25% due February 2036).

I hope this information is useful.

Please do not hesitate to contact me if you have any queries.

Kind regards,

Hussain Hussain
Corporate Origination
ABN AMRO
250 Bishopsgate
London EC2M 4AA
UK

Phone: +44 (0) 207 678 8710
Fax: +44 (0) 207 678 3597

This message (including any attachments) is confidential and may be privileged. If you have received it by mistake please notify the sender by return e-mail and delete this message from your system. Any unauthorised use or dissemination of this message in whole or in part is strictly prohibited. Please note that e-mails are susceptible to change. ABN

AMRO Bank N.V, which has its seat at Amsterdam, the Netherlands, and is registered in the Commercial Register under number 33002587, including its group companies, shall not be liable for the improper or incomplete transmission of the information contained in this communication nor for any delay in its receipt or damage to your system. ABN AMRO Bank N.V. (or its group companies) does not guarantee that the integrity of this communication has been maintained nor that this communication is free of viruses, interceptions or interference.

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.