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Mark David Goss
Chairman

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Commissioner

December 21, 2006

PARTIES OF RECORD:

Case Nos. 2006-00390 and 2006-00445

Louisville Gas and Electric Company and Kentucky Utilities Company

Attached is a copy of the memorandum which is being filed in the record of the above referenced case. If you wish to make any comments regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Dawn McGee at 502/564-3940.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

RGR:v

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 2006-00390
Main Case File No. 2006-00445

FROM: Dawn McGee; Richard Raff

DATE: December 21, 2006

SUBJECT: Informal Conference of December 20, 2006

Pursuant to the Commission's Order dated December 19, 2006, an informal conference was held at the Commission's offices on December 20, 2006 with representatives from the Commission Staff ("Staff"), Louisville Gas and Electric Company and Kentucky Utilities Company ("the companies"). A list of attendees is attached to this memorandum.

The companies provided a one-page summary of their respective proposals in Case Nos. 2006-00390 and 2006-00445. A copy of that summary is attached hereto. They reassured Staff that even though their proposals would eliminate the need for certain periodic filings with the Securities and Exchange Commission, the Kentucky Commission could still require the companies to file any information it deemed appropriate. The parties then discussed the various analyses of the cost savings that could result from the companies' proposals to replace existing secured debt with unsecured debt and price all future debt at unsecured rates. Staff explained that, although the current change from secured debt to unsecured debt showed cost savings, it was open to question whether future debt might be less costly if it was secured. In addition, Staff indicated that the LG&E and KU analyses of cost savings used today's interest rates, which are near historic lows, and those low rates are not likely to continue indefinitely. The companies explained that they use a mix of maturities when issuing debt, and that their analyses did not take into account the rate variations that will actually occur over time. The companies offered to amend their respective applications to continue using the existing best-rate method as approved in prior financing cases. Under the existing best-rate method, all future issues of debt will be priced at the lower of the average of the unsecured debt rate available for their parent company, E.ON, or the secured rate available to KU and LG&E, whichever is issuing the debt. Staff agreed that the amendment would alleviate their concerns regarding the future variability in unsecured versus secured interest rates. The companies proposed to file their amendments by December 21, 2006.

The meeting was then adjourned.

cc with attachments: Parties of record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)
UTILITIES COMPANY FOR AN)
ORDER AUTHORIZING THE) CASE NO. 2006-00390
ISSUANCE OF SECURITIES AND THE)
ASSUMPTION OF OBLIGATIONS)

THE APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR AN)
ORDER AUTHORIZING THE ISSUANCE) CASE NO. 2006-00445
OF SECURITIES AND THE ASSUMPTION)
OF OBLIGATIONS)

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December 20, 2006 Informal Conference
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Please sign in:

NAME

REPRESENTING

RICHARD RAFF

PSC - LEGAL

KENT BLAKE

LGIE/KU

BRAD RIVES

LGIE/KU

Allyson Sturgem

Atty for LGIE/KU

Paul Rignie

SKO for LGIE/KU

JEFF JOHNSON

PSC

Dawn McGee

PSC

