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MAR 18 2008

PUBLIC SERVICE
COMMISSION

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Public Service Commission of Kentucky
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March 17, 2008

RE: Case No. 2000-052 (In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations)

Case No. 2006-00414 (In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations)

Case No. 2000-051 (In the Matter of: The Application of Louisville Gas and Electric Company, for an Order Authorizing the Issuance of Securities and the Assumption of Obligations)

Dear Ms. Stumbo:

By letter dated February 25, 2008, and in reference to Case Nos. 2007-00115, 2006-00445, and 2005-00046, I advised the Commission regarding actions that Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (KU and LG&E, collectively, the "Companies") were preparing to take to mitigate the impact of recent market conditions on certain of their variable rate tax-exempt pollution control bonds.

In my February 25 letter, I indicated that the Companies, in consultation with their financial and legal advisors and depending upon the developing situation in the financial markets, might also decide to take action with respect to other series of outstanding debt. This is to advise the Commission that the Companies have decided to take such additional action. The financings affected by this action were approved by the Commission in the proceedings referenced above.

Stephanie L. Stumbo
March 17, 2008

The Companies plan to take the following specific actions:

For Kentucky Utilities Company:

KU Carroll County 2006 Series C (\$16,693,630) (authorized in Case No. 2006-00414)

KU Mercer County 2000 Series A (\$12,900,000) (authorized in Case No. 2000-052)

- convert from auction mode to 7 day variable mode

For Louisville Gas and Electric Company:

LG&E Jefferson County 2000 Series A (\$25,000,000) (authorized in Case No. 2000-051)

- convert from auction mode to 7 day variable mode

The Companies have authority under the Commission's 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 LG&E bonds will be temporarily repurchased and held by LG&E, and the KU bonds will be temporarily repurchased and held by KU. In neither case would the bonds be retired, but held with a view to refinancing with new debt in the future. Prior to any such refinancing, or other action requiring the Commission's authorization, an application seeking authority for the proposed action will be filed with the Commission.

As was the case with the actions cited in my February 25th letter, the Companies are taking these actions in response to conditions in the financial markets. These are conditions affecting the financial markets generally, and are not specific to the Companies nor reflective of their financial condition.

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

Sincerely,



Lonnie E. Bellar