

J. WADE HENDRICKS

DIRECT DIAL 502-560-4227
DIRECT FAX 502-627-8727

whendricks@ogdenlaw.com

1700 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KENTUCKY 40202-2874
(502) 582-1601
FAX (502) 581-9564
www.ogdenlaw.com

May 2, 2005

VIA: HAND DELIVERY

Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED

MAY 2 2005

PUBLIC SERVICE
COMMISSION

Re: Kentucky Utilities Company

Case No. 2005-00183

Dear Ms. O'Donnell:

Enclosed for filing please find the original and ten copies of the Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations. An extra copy of the Application is also enclosed to be file stamped and returned to the undersigned.

Please note that the Application requests authority with respect to an allocation under the state ceiling for private activity bonds. This will allow a portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs. However, this allocation will expire on July 14, 2005. Accordingly, in order to preserve the availability of this low cost financing, KU respectfully requests that the Commission process this Application as expeditiously as possible and issue its Order in this matter by June 20, 2005.

Please do not hesitate to contact me if you have any questions or require additional information.

Very Truly Yours,

J. Wade Hendricks

JWH/cjg

Enclosures

cc: Elizabeth E. Blackford, Esq.
Daniel Arbough

Elizabeth O'Donnell
May 2, 2005
Page 2

Kent W. Blake
Elizabeth L. Cocanougher, Esq.
John Fendig, Esq.
Roger Hickman
Elliott Horne
Robert Joseph, Esq.
Mary Kimura, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY - 2 2005

PUBLIC SERVICE
COMMISSION

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. 2005-00183

APPLICATION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to KRS 278.300, that the Commission 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 Application, 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 KRS 278.010(3)(a), and provides retail electric service to approximately 518,000 customers in seventy-seven counties in Kentucky and five counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Application. A certified copy of the Company's Articles of Incorporation was filed with the Commission in Case No. 2001-104 (The Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition) and a certified copy of subsequent amendments to the Company's Articles of Incorporation was filed with this Commission in Case No. 2003-00434 (In the Matter of An Adjustment of the Electric Rates, Terms and Conditions of Kentucky Utilities Company) and both are incorporated herein.

2. This Application relates to the proposed permanent financing for portions of pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky. These facilities are described in Exhibit 2 hereto, and in Case No. 2004-00426 (In the Matter of the Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge) the record of which is incorporated herein.

Attached to this Application as Exhibit 3, is a copy of a letter from the Kentucky Private Activity Board Allocation Committee, dated April 15, 2005, notifying KU that it had received an allocation of \$13,266,950 of the state ceiling for private activity bonds. This will allow a portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs. A comparison of taxable versus tax-exempt financing, as of the date of this Application, is attached as Exhibit 4.

Because KU's allocation will expire on July 14, 2005, in order to preserve the availability of this lower cost financing, KU is filing this Application even though a Certificate of Convenience and Necessity has not yet been granted in Case No. 2004-00426. However, except for preliminary preparation of plans and specifications for the subject pollution control facilities and other activities which are necessary to enable the Commission to consider the request for a Certificate of Convenience and Necessity, the subject pollution control facilities would not be actually constructed until and unless a Certificate has been granted.

3. The Company requests authority to (i) assume certain obligations under various agreements in an aggregate principal amount not to exceed \$13,266,950 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds, to be appropriately designated (the "Pollution Control Bonds"), and (ii) issue one or more series of the Company's First Mortgage Bonds to collateralize the proposed Pollution Control

Bonds. The proceeds of the Pollution Control Bonds would be loaned to KU by Carroll County to provide permanent financing for a portion of the pollution control facilities described herein.

In connection with the Pollution Control Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Kentucky, 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 Pollution Control Bonds for the benefit of the holders of such bonds.

4. Carroll County has the power, pursuant to the provisions of the Industrial Building Revenue Code Act, Sections 103.200 to 103.285, inclusive of the Kentucky Revised Statutes, to enter into the transactions contemplated by the Loan Agreement and to carry out its obligations thereunder by issuing and selling negotiable bonds and lending the proceeds from the sale of such Bonds to KU to finance the acquisition, construction and installation of certain pollution control facilities, being within the corporate limits of Carroll County.

5. Depending upon KU's credit rating and market factors at the time of issuance, the financing may involve KU's First Mortgage Bonds (as hereinafter defined) issued to collateralize and secure the Pollution Control Bonds. If KU's First Mortgage Bonds are used, the structure and documentation for the issuance of KU's First Mortgage Bonds and related agreements would be similar to the structure and documentation of other recent pollution control financings of KU approved by this Commission involving KU's First Mortgage Bonds. KU's First Mortgage Bonds would be issued in like amount to the Pollution Control Bonds and would be used to secure its payment obligations under the Pollution Control Bonds. KU therefore requests authority to issue one or more series of its First Mortgage Bonds, Pollution Control Series (collectively, the "First Mortgage Bonds") in an aggregate principal amount not to exceed \$13,266,950. The First Mortgage Bonds would be delivered to one or more corporate trustees under one or more indentures of trust between Carroll County and such trustee (each a

“Trustee”) in connection with the issuance and sale by Carroll County of its Pollution Control Bonds. The First Mortgage Bonds would be held by the Trustees to secure the payment of the Pollution Control Bonds and payment by KU of all sums payable by KU as discussed below. The First Mortgage Bonds would be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture of Mortgage and Deed of Trust dated May 1, 1947, between KU and Continental Bank, N.A., and M.J. Kruger or their successors as trustees, as heretofore amended and supplemented. The First Mortgage Bonds would have a maturity date corresponding to the Pollution Control Bonds, not to exceed 30 years from date of issuance.

6. The Pollution Control Bonds would be issued pursuant to one or more indentures (each an “Indenture”), between Carroll County and the Trustee. The proceeds from the sale of the Pollution Control Bonds would be loaned to KU pursuant to one or more loan agreements between Carroll County and KU (collectively the “Loan Agreement”).

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

7. The Pollution Control 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 Pollution Control Bonds (including, in the event all or a portion of

the Pollution Control 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, Carroll County, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Pollution Control Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that bond insurance and issuance costs, excluding underwriting fees, will be approximately \$600,000.

8. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control 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, including issuance of auction mode Pollution Control Bonds, which may be coupled with bond insurance. KU would reserve the option to convert any variable rate Pollution Control Bonds at a later date to other interest rate modes, including a fixed rate of interest. Pollution Control Bonds that bear interest at a variable rate (the “Variable Rate Pollution Control 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 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 Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution Control Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Bonds. Thus, to the extent Variable Rate Pollution Control Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate.

9. Also, in the event that Variable Rate Pollution Control 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 with immediately available funds with which to make payments with respect to any Variable Rate Pollution Control Bonds that have been tendered for purchase and are not remarketed. The Current Facility may, but is not expected to be pledged for the payment of the Variable Rate Pollution Control Bonds or to constitute security therefor. 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 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 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 instrument 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, is 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 Bonds. It is contemplated that, in the event the Variable Rate Pollution Control 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 Bonds. The estimated cost of the financing shown in Section 7 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.

10. 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 contain the terms of reimbursement or payment to be made by KU to 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 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 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 Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

11. In connection with the issuance of the Pollution Control 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 Pollution Control 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 100 basis points.

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 Pollution Control Bonds (which will not exceed an aggregate principal amount of \$13,266,950) plus accrued but unpaid interest and premium, if any, on such bonds.

12. 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.

13. Exhibit 5 to this Application contains copies of the Carroll County Fiscal Court Resolutions authorizing issuance of the Pollution Control Bonds, as well as a copy of the Memorandum of Agreement between Carroll County and KU.

14. KU shall, as soon as reasonably practicable after the issuance of the Pollution Control Bonds referred to herein, file with the Commission 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.

15. Exhibit 6 to this Application contains the Financial Exhibit required by 807 KAR 5:001, Section 11(2)(a) as described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

16. Exhibit 7 to this Application is a certified copy of KU's Board of Directors' resolution authorizing the Company's Ghent pollution control project.

17. Other requirements of the Commission's regulations regarding this Application, 807 KAR 5:001, Section 11, including (1)(b) regarding the amount and kind of Notes, etc. and (1)(c) regarding the use to be made of the proceeds, have been supplied in the extensive discussion above in sections 2 through 11 of this Application.

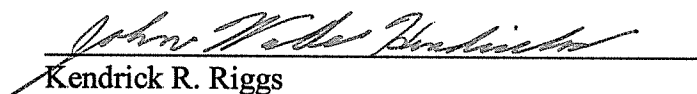
18. In order to take advantage of currently low interest rates, along with the opportunity to finance portions of its pollution control project with tax-exempt debt, the Company plans for the securities to be issued as quickly as possible. In addition, pursuant to regulation 200 KAR 15:010, the Pollution Control Bonds must be issued within 90 days of the date that the Kentucky Private Activity Bond Allocation Committee made its allocation to KU, in other words prior to July 14, 2005. After the Commission has issued its Order in this case, various actions such as newspaper publication, final action by the Carroll County Fiscal Court, as well as arrangements with underwriters and marketing activities must take place before the Pollution Control Bonds can be issued. Therefore, the Company respectfully requests that the Commission process this Application as expeditiously as possible both to afford the Company maximum flexibility in connection with this financing and to ensure that this opportunity is not lost and further requests that the Commission issue its Order by June 20, 2005.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission enter its Order, in the form of the proposed Order attached as Exhibit 8 authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Application. Kentucky Utilities Company further requests that the Order of the Commission specifically include provisions stating:

1. KU is authorized to issue and deliver its First Mortgage Bonds in an aggregate principal amount not to exceed \$13,266,950 in the manner set forth in its Application.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the Loan Agreement with Carroll County, Kentucky, and under any remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, guaranty agreements, credit agreements and facilities and such other agreements and documents as set out in its Application and to perform the transactions contemplated by such agreements.

Respectfully submitted,



Kendrick R. Riggs
John Wade Hendricks
Ogden Newell & Welch PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
(502) 582-1601

Elizabeth L. Cocanougher
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

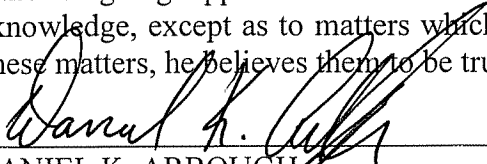
Counsel for Kentucky Utilities Company

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 Application 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 29 day of April, 2005.

My Commission Expires:


NOTARY PUBLIC, STATE AT LARGE

Harriet Eberle
Notary Public, State at Large, KY
My Commission Expires: December 24, 2007

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item I (a))

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

March 31, 2005

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,934,000 Kw; a hydroelectric generating station having an estimated total effective capability of about 24,000 Kw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499,000 Kw.

The applicant's owned electric transmission system includes 108 substations with a total capacity of approximately 16,978,000 Kva and approximately 4,239 structure miles of lines, The electric distribution system includes 491 substations with a total capacity of approximately 6,220,400 Kva, and 15,182 structure miles of lines.

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 applicant at March 31, 2005, was:

	Utility Plant
Original Cost	
Intangible Plant	\$ 21,695,593
Production Plant	1,992,484,724
Transmission Plant	489,776,803
Distribution Plant	970,140,900
General Plant	80,947,952
Transportation Plant	23,738,711
Construction Work in Progress	151,863,807
Total Plant at Original Cost	\$ 3,730,648,490
Less Reserve for Depreciation	1,709,675,386
Net Original Cost	\$ 2,020,973,104

KENTUCKY UTILITIES COMPANY

GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO₂ absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.

2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.

3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.

4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.



**Office of Financial Management
Finance and Administration Cabinet**

702 Capitol Avenue, Suite 261
Frankfort, Kentucky 40601-3453
(502) 564-2924
Fax: (502) 564-7416

Ernie Fletcher
Governor

Robbie Rudolph
Secretary

F. Thomas Howard
Acting Executive Director

April 15, 2005

Mr. Spencer E. Harper, Jr.
Division of Ogden Newell & Welch PLLC
(Harper, Ferguson & Davis)
1700 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202-2874

Re: Private Activity Bond Allocation Committee – 2005 Local Issuer Pool Applicants

Dear Mr. Harper:

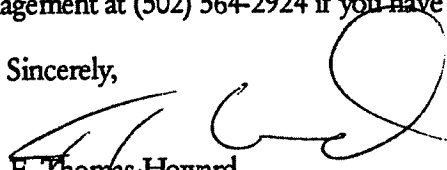
Per the attached confirmation, the Kentucky Private Activity Bond Allocation Committee ("KPABAC") has allocated a portion of the state ceiling to the identified company/issuer from the 2005 Local Issuer Pool. Pursuant to 200 KAR 15:010, the bond issue must close within 90 days (July 14, 2005) to qualify under the CY2005 cap. A Notice of Issuance must be filed with KPABAC following placement of the bonds.

Kentucky Utilities Company
C/O Louisville Gas and Electric Company

\$13,266,950

Please contact the Office of Financial Management at (502) 564-2924 if you have any questions.

Sincerely,



F. Thomas Howard
Acting Executive Director

Attachments



CONFIRMATION NO.: 4
DATE: April 15, 2005



KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
702 Capitol Avenue, Suite 261
Frankfort, KY 40601
(502) 564-2924

Issuer Name: County of Carroll, Kentucky
Borrower/User: Kentucky Utilities Company
C/O Louisville Gas and Electric Company
Bond Counsel: Spencer E. Harper, Jr.
Address: 500 West Jefferson Street, 1700 PNC Plaza
City: Louisville, KY 40202
Confirmation Type:
X Original
Renewal
Supplemental

Confirmation is hereby given that \$13,266,950 of the state ceiling for private activity bonds for the Commonwealth of Kentucky for CY2005 has been allocated to the bond issue described by the above referenced Notice of Intent Number. This Confirmation is numbered and dated and is effective only in accordance with the terms of state and federal law. This allocation has been made from the:

X Local Issuer Pool
Single Issuer Pool
State Issuer Pool

This allocation of the state ceiling shall expire on: July 14, 2005 pursuant to the provisions of 200 KAR 15:010. The undersigned officer executing and responsible for this confirmation and allocation hereby swears and certifies under penalty of perjury that the allocation was not made in consideration of any bribe, gift, gratuity or direct or indirect contribution of any political campaign.

Kentucky Private Activity Bond Allocation Committee

KENTUCKY UTILITIES
 Comparison: Tax Exempt Synthetic Fixed vs. Taxable Fixed at Fidelity

Kentucky Utilities \$13MM
 Comparison: Tax Exempt Synthetic Fixed vs. Taxable Fixed at Fidelity
 Impact of Cash Flow

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Amount	Interest @ 5.500%	Debt Expense Amortization	Issue Expenses	Tax	Total Cash Outflow	Interest @ 5.500%	Debt Expense Amortization (1)	Tax (2)	Total Cash Outflow	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Jul-05	\$1,266,950	254,062	10,038	\$602,279	(106,597)	147,465	368,821		(148,865)	219,956	1,0000	1,0000	\$602,279
01-Jul-06	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.9836	0.9836	174,300
01-Jul-07	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.9674	0.9674	169,978
01-Jul-08	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.9516	0.9516	165,781
01-Jul-09	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.9361	0.9361	161,706
01-Jul-10	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.9209	0.9209	157,742
01-Jul-11	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.9060	0.9060	153,888
01-Jul-12	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8914	0.8914	150,135
01-Jul-13	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8771	0.8771	146,474
01-Jul-14	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8631	0.8631	142,905
01-Jul-15	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8493	0.8493	139,428
01-Jul-16	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8358	0.8358	136,043
01-Jul-17	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8225	0.8225	132,750
01-Jul-18	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.8095	0.8095	129,548
01-Jul-19	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7967	0.7967	126,437
01-Jul-20	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7841	0.7841	123,417
01-Jul-21	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7717	0.7717	120,487
01-Jul-22	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7595	0.7595	117,647
01-Jul-23	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7475	0.7475	114,897
01-Jul-24	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7357	0.7357	112,237
01-Jul-25	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7241	0.7241	109,657
01-Jul-26	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7127	0.7127	107,157
01-Jul-27	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.7015	0.7015	104,737
01-Jul-28	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6905	0.6905	102,387
01-Jul-29	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6797	0.6797	100,107
01-Jul-30	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6691	0.6691	97,887
01-Jul-31	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6587	0.6587	95,727
01-Jul-32	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6485	0.6485	93,627
01-Jul-33	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6385	0.6385	91,587
01-Jul-34	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6287	0.6287	89,607
01-Jul-35	13,266,950	254,062	10,038		(106,597)	147,465	368,821		(148,865)	19,956	0.6191	0.6191	87,687
TOTAL		\$16,243,726	\$602,279	\$602,279	\$6,395,848	\$9,450,161	\$22,129,273	\$0	\$8,331,328	\$13,197,945	\$8,747,184		\$2,131,568
NPV						6,079,767				8,184,761			

(1) Debt Amortization Expense includes issuing costs of new series.
 (2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Assumptions

Kentucky Utilities Tax Exempt Bond
 Comparison: Tax Exempt Synthetic Fixed vs. Taxable Fixed at Fidelity
Assumptions

Kentucky Utilities Tax Exempt Bond
 3.8500% \$ 13,266,950 Matures July 1, 2035

Unamortized Debt Expense
 Remaining amortization period
 At July 1, 2005

From July 1, 2005 to Maturity
 Assuming a 30 Year Extension
 360.0 months
 360.0 months

Taxable Fidelity Loan \$ 13,266,950 Matures July 1, 2035

Bond Issue Costs Underwriting 4.154%

Bond Counsel	\$ 80,000.00	0.35%
Company Counsel	\$ 70,000.00	0.53%
Underwriters Coun	\$ 2,000,000.00	1.88%
Services	\$ 24,000.00	0.30%
Printing	\$ 17,000.00	0.13%
Trustee Counsel	\$ 6,000.00	0.05%
Accountants	\$ 40,000.00	0.30%
Trustee	\$ 6,000.00	0.05%
FMB Trustees	\$ 4,000.00	0.03%
AWT		0.00%
Issuance costs		4.19%

MISCELLANEOUS
 Tax rate 0
 Discount rate 3.32%

Insurance Premium Calculation	
Par	13,266,950
Rate	5.07%
Annual	672,634
30 Years	20,179,031
Total Debt Serv.	33,445,981
Premium Rate	0.75%
Premium	260,845
Remaining Expense (GSM Estimate)	33,167

RESOLUTION NO. 2005-0222

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND BETWEEN THE COUNTY AND KENTUCKY UTILITIES COMPANY, A KENTUCKY CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF CERTAIN SOLID WASTE RECYCLING AND DISPOSAL FACILITIES IN THE COUNTY; AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING AND EQUIPPING SAID FACILITIES; AND TAKING OTHER PRELIMINARY ACTIONS.

WHEREAS, Kentucky Utilities Company (the "Company"), is a regulated public utility providing electric service to the general public and the Company owns and operates various electrical generating facilities, including the Ghent Generating Station, in Carroll County, Kentucky (the "County"); and in furtherance of the purpose of collecting, storing, treating, processing, recycling and disposing of solid wastes, and to comply with federal and state environmental regulations, it is essential and necessary that the Company design, acquire and construct additional solid waste disposal facilities relating to flue gas desulphurization to serve the Ghent Generating Station, including among other things, solid waste recycling and related facilities, including forced oxidation reaction processes for recycling purposes, for the treatment, processing, recycling and final disposition of solid wastes produced by the operation of such sulphur dioxide removal facilities at the Ghent Generating Station (collectively, the "Project"); and

WHEREAS, as the Company derives substantially all of its income and revenues from electric user rates and charges which are paid by the general public and any reduction in the costs to the Company of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of said electric consumers, including citizens of Carroll County, Kentucky; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between the Company and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose; the County has agreed with the Company to issue one or more series of such bonds upon compliance by the Company with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues; and the County has authorized the Company to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, as, if and when issued; and

WHEREAS, based upon an estimate of the costs of the Project, the County proposes to issue its revenue bonds in one or more series in the estimated amount of \$30,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds; and

WHEREAS, the County proposes to enter into at the appropriate time a loan agreement or other financing agreement with the Company with respect to the Project, whereby the Company will covenant and agree to pay amounts sufficient to provide for the payment of principal of, premium, if any, and interest on the Bonds, together with all trustee's and paying agent's fees in connection with the Bonds as the same become due and payable; and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Company be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds to defray the costs thereof and the payments to be made by the Company with respect to the Bonds and the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and correct; (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by the Bonds will be approximately \$30,000,000; (iii) the Company has represented that it has sufficient financial resources to construct and acquire the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of the proposed financing agreement; and (iv) sufficient safeguards will be provided by the financing agreement to insure that all money provided by the County from the proceeds of the sale of the Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such contributions of the Company as may be necessary to complete the Project, as such Project is defined in the loan or other financing agreement to be executed by and between the County and the Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the Company under such loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County.

Section 3. In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and between the Company and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4. Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of the Company, and inasmuch as the Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and the Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or

caused to be undertaken by the Company. Accordingly, the Company is hereby authorized to formulate and develop plans for the construction and acquisition of the Project, in whole or in part, and to enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to the Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by the Company as specified in the loan or other financing agreement to be entered into by the County and the Company at the appropriate time pursuant to the Act.

Section 5. No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

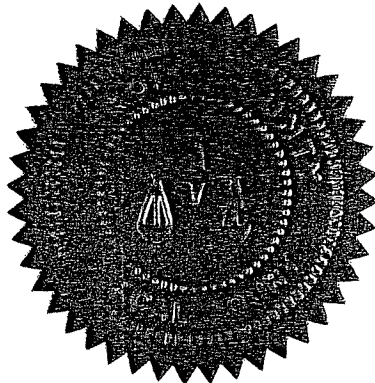
Section 6. In adopting this Resolution, it is intended by the Fiscal Court of the County that this Resolution constitute the declaration of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

Section 7. To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.


Section 8. This Resolution shall be in full force and effect from and after its adoption as provided by law.

INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, held on the 22nd day of February, 2005, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be filed and recorded as required by law, and declared to be in full force and effect according to law.

(SEAL)



ATTEST:


HAROLD TOMLINSON
County Judge/Executive

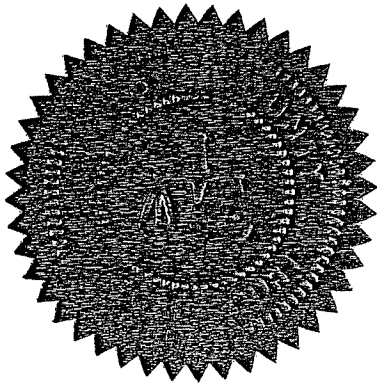

Micki Beckham
Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Carroll, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on February 22, 2005, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County this 22nd day of February, 2005.

(SEAL)



Nicki Beckham
Fiscal Court Clerk

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT, made and entered into this 22nd day of February, 2005, by and between the COUNTY OF CARROLL, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky and KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (the "Company").

1. Recitals.

(a) The Company is a public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Company owns and operates major electrical generating facilities in Carroll County, Kentucky, including the Ghent Generating Station, which facilities involve the combustion of coal, oil and natural gas. The Company's generating operations produce sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Company must abate, control, contain, neutralize and reduce in order that the Company may comply with applicable current Federal and State laws and regulations and continue to pursue its business as a public utility providing electrical service to the general public. In compliance with the law, the Company has previously constructed and acquired and must now construct and acquire additional major sulphur dioxide removal facilities with respect to generating units 2, 3 and 4 of the Ghent Generating Station to control sulphur dioxide emissions and for the collection, recycling, treatment and ultimate disposition of solid wastes. The operation of the Company's sulphur dioxide removal facilities and precipitators, which benefit the public, and other plant operations, produce substantial quantities of solid wastes, which the Company must collect, store, treat, process, recycle and dispose of, in order that the Company may continue to pursue its business as a regulated public utility and continue to provide service to the public.

(b) In order to efficiently treat, recycle and dispose of such solid wastes, the Company, based upon extensive study and analysis, has formulated a plan for the design, construction, reconstruction, treatment, processing, recycling and final disposition of solid wastes, as described, including forced air oxidation and recycling of solid wastes. (collectively, the "Project").

(c) The Company has proceeded and is proceeding to develop final plans and designs for the acquisition, construction and installation of the solid waste disposal and recycling facilities constituting the Project, including inter alia, such necessary new sulphur dioxide removal facilities and any necessary reconstruction and modification of the existing solid waste disposal facilities serving the Ghent Generating Station. The Company estimates that acquisition, construction and installation of the Project will require the expenditure of Company moneys and funds aggregating approximately \$30,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As the Company is a public utility, depending upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to the Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of solid waste disposal revenue bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, the Company has requested that the County issue its environmental bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds may be issued, as requested by the Company, for the entire Project or any portion or portions thereof.

(e) The Company covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Company will promote the abatement, control, containment, neutralization, recycling, reduction and disposal of solid wastes within the County, will improve and enhance the environment and benefit the general public, will lower the Company's ultimate costs in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of Carroll County, Kentucky.

(g) The County proposes to issue the Bonds in one or more series to finance the cost of the Project and desires to authorize the Company to proceed with the Project and be reimbursed out of the proceeds of the Bonds for any costs of the Project incurred prior to the issuance of the Bonds.

(h) The County proposes to enter into, as lender, a loan agreement or other financing agreement (the "Agreement") with the Company, as borrower, relating to the Project and the Bonds, whereby the Company will agree to make payments sufficient to provide for the payment of the principal of and premium, if any, and interest on the Bonds and all other costs of the County incurred in connection with the Bonds and the Project.

2. Representations and Undertakings of the Company. The Company represents, undertakes, covenants and agrees as follows:

(a) The Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited;

(b) The Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the Company will enter into the Agreement with the County under the terms of which the Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the Bonds, as and when the Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the Company;

(d) The Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and the Bonds; and

(e) The Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. Undertakings of the County. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating \$30,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds upon a negotiated basis to an entity or entities to be designated by the Company, (ii) the construction and acquisition of the Project, and (iii) the Agreement relating to the Project and the Bonds, all as shall be authorized by law and upon terms which must be mutually satisfactory to the County and the Company;

(c) The aggregate payments stipulated under the Agreement shall be sufficient (in addition to the covenants of the Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on all series of Bonds as and when the same become due and payable; and

(d) It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4. General Provisions.

(a) All commitments of the County and the Company pursuant to this Memorandum of Agreement are subject to the condition that on or before three years from the date hereof (or such other later date as shall be mutually satisfactory to the County and the Company) the County and the Company shall have agreed to mutually acceptable terms and conditions with respect to the Agreement and all other documents required in connection with the initial series of Bonds.

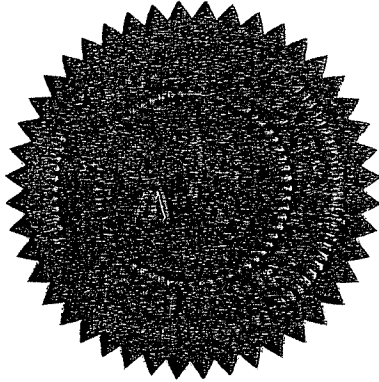
(b) If the events set forth in (a) of this paragraph do not take place within the time set forth, or any agreed extension thereof, and the initial series of Bonds are not issued within such time, all obligations of the County hereunder shall thereupon terminate upon written notice thereof by the County to the Company.

(c) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds at a later date. In executing and delivering this Memorandum of Agreement, it is intended by the Company and the County the Issuer that this Memorandum of Agreement and the County's related Resolution constitute declarations of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the County within the meaning of Federal Income Tax Regulations Section 1.150-2.

(the remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto, in accordance with the laws of Kentucky and Section 1.150-2 of the Code and Treasury Regulations thereunder, being duly authorized on the day and year first above written.

(SEAL)



ATTEST:

Nicki Becknam
Fiscal Court Clerk

COUNTY OF CARROLL, KENTUCKY

By Harold Tomlinson
HAROLD TOMLINSON
County Judge/Executive

(SEAL)

KENTUCKY UTILITIES COMPANY

By Daniel K. Arbough
DANIEL K. ARBOUGH
Treasurer

MEMORANDUM OF AGREEMENT
BY AND BETWEEN
THE COUNTY OF CARROLL, KENTUCKY
AND
KENTUCKY UTILITIES COMPANY
GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO₂ absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.
2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.
3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.
4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 6)

March 31, 2005

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.
5,300,000 shares of Cumulative Preferred Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

Preferred Stock

\$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.

\$100 stated value, 6.53% cumulative, 200,000 shares issued and outstanding.

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

Preferred Stock outstanding has cumulative provision on dividends.

(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.

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of March 31, 2005, the amount of indebtedness secured thereby was \$385,030,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

(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.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at March 31, 2005, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense
				Authorized	Outstanding at March 31, 2005	Year Ended March 31, 2005
P	05/15/92	05/15/07	7.92%	\$ 53,000,000	\$ 53,000,000	\$ 4,197,600
R	06/01/95	06/01/25	7.55%	50,000,000	50,000,000	3,775,000
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400
Pollution Control Bonds						
9	12/01/93	12/01/23	5.75%	50,000,000		1,852,778
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	831,262
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	192,391
12	02/01/02	02/01/32	Variable	20,930,000	20,930,000	328,637
13	02/01/02	02/01/32	Variable	2,400,000	2,400,000	37,684
14	02/01/02	02/01/32	Variable	7,200,000	2,400,000	48,237
15	02/01/02	02/01/32	Variable	7,400,000	7,400,000	116,193
16	07/01/02	10/01/32	Variable	96,000,000	96,000,000	1,504,560
17	10/01/04	10/01/34	Variable	50,000,000	50,000,000	406,021
					385,030,000	15,446,763
Interest rate swap						(5,094,665)
Long term debt mark to market					6,953,134	(545,673)
Total					\$ 391,983,134	\$ 9,806,425

- (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.

<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Interest Expense Year Ended March 31, 2005</u>
LG&E Energy LLC	12/31/00	\$ 25,975,000	Various	Various	\$ 367,028
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.	12/18/03	75,000,000	2.29%	12/19/05	1,717,500
Fidelia Corp.	01/15/04	50,000,000	4.39%	01/16/12	2,195,000

- (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

2000	94,500,000
2001	30,500,000
2002	-
2003	-
2004	63,000,000

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy LLC and all dividends declared by KU's Board of Directors are paid to LG&E Energy LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, 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.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, 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.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through March 31, 2005. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending March 31, 2005

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item 2(a))

The 2004 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). The Annual Report, the FERC Form 1, and subsequent monthly reports of KU have been previously filed with the Commission.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending March 31, 2005.

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF MARCH 31, 2005

	<u>THIS YEAR</u>	<u>THIS YEAR</u>	
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	3,730,648,489.93	Common Stock.....	308,139,977.56
Less Reserves for Depreciation & Amortization....	<u>1,709,675,385.89</u>	Common Stock Expense.....	<u>(321,288.87)</u>
Total.....	<u>2,020,973,104.04</u>	Paid-In Capital.....	15,000,000.00
Investments - At Cost		Other Comprehensive Income.....	653,725,438.57
Nonutility Property-Less Reserve.....	896,064.54	Retained Earnings.....	<u>12,642,752.00</u>
Investments in KU-R.....	13,938,552.00	Unappropriated Undistributed Subsidiary Earnings..	989,186,879.26
Investments in Subsidiary Companies.....	-	Total Common Equity.....	39,726,894.58
Ohio Valley Electric Corporation.....	250,000.00	Preferred Stock.....	349,030,000.00
Other.....	493,354.99	First Mortgage Bonds.....	-
Special Funds.....	<u>5,558,438.38</u>	Other Long-Term Debt.....	258,000,000.00
Total.....	<u>21,136,409.91</u>	LT Notes Payable to Associated Companies.....	6,953,134.00
Current and Accrued Assets		Long-Term Debt Marked to Market.....	613,983,134.00
Cash.....	2,279,149.79	Total Long-Term Debt.....	1,642,896,907.84
Special Deposits.....	143,545.66	Total Capitalization.....	111,000,000.00
Accounts Receivable-Less Reserve.....	105,114,838.31	Current and Accrued Liabilities	
Notes Receivable from Assoc. Companies.....	-	Advances from Associated Companies.....	-
Notes Receivable from KU-R.....	-	Long-Term Debt Due in 1 Year.....	25,975,000.00
Accounts Receivable from Assoc Companies.....	15,725,187.28	Notes Payable.....	50,275,946.96
Materials & Supplies-At Average Cost		Notes Payable to Associated Companies.....	21,030,334.90
Fuel.....	49,847,461.26	Accounts Payable.....	15,721,704.50
Plant Materials & Operating Supplies.....	22,900,898.03	Customer Deposits.....	37,233,805.01
Stores Expense.....	5,543,948.53	Taxes Accrued.....	6,083,077.95
Allowance Inventory.....	3,128,929.61	Interest Accrued.....	188,000.00
Prepayments.....	5,008,077.26	Dividends Declared.....	11,083,332.55
Miscellaneous Current & Accrued Assets.....	<u>1,224,043.84</u>	Misc. Current & Accrued Liabilities.....	278,591,201.87
Total.....	<u>210,916,079.57</u>	Total.....	320,480,583.21
Deferred Debits and Other		Accumulated Deferred Income Taxes.....	3,380,200.32
Unamortized Debt Expense.....	4,684,882.82	Investment Tax Credit.....	39,367,362.37
Unamortized Loss on Bonds.....	11,249,350.67	Regulatory Liabilities.....	1,585,007.35
Accumulated Deferred Income Taxes.....	44,132,197.53	Customer Advances for Construction.....	21,201,546.36
Deferred Regulatory Assets.....	56,701,680.04	Asset Retirement Obligations.....	11,784,858.46
Other Deferred Debits.....	<u>35,360,156.93</u>	Other Deferred Credits.....	17,686,278.35
Total.....	<u>152,128,267.99</u>	Misc. Long-Term Liabilities.....	68,179,918.38
Total Assets and Other Debits.....	<u>2,405,153,861.51</u>	Accum Provision for Post-Retirement Benefits.....	483,665,751.80
Total Liabilities and Other Credits.....	<u>2,405,153,861.51</u>	Total.....	2,405,153,861.51

KENTUCKY UTILITIES COMPANY
COMPARATIVE STATEMENT OF INCOME
MARCH 31, 2005

	<u>YEAR TO DATE</u>
	<u>THIS YEAR</u> <u>AMOUNT</u>
Electric Operating Revenues.....	286,352,166.94
Rate Refunds.....	-
Total Operating Revenues.....	286,352,166.94
Operating Expenses	
Fuel	87,199,851.46
Power Purchased.....	46,290,279.42
Other Operation Expenses.....	38,303,745.33
Maintenance.....	17,118,361.30
Depreciation.....	27,461,177.85
Amortization Expense.....	1,134,835.24
Regulatory Credits.....	(403,661.50)
Taxes	
Federal Income.....	20,882,577.30
State Income.....	4,388,586.44
Deferred Federal Income - Net.....	(2,094,051.42)
Deferred State Income - Net.....	(140,176.72)
Federal Income - Estimated.....	-
State Income - Estimated.....	-
Property and Other.....	4,380,337.00
Loss (Gain) from Disposition of Allowances.....	(1,110,364.00)
Accretion Expense.....	347,037.00
Total Operating Expenses.....	243,758,534.70
Net Operating Income.....	42,593,632.24
Other Income Less Deductions	
Other Income Less Deductions.....	1,408,684.88
AFUDC - Equity.....	6,425.63
Total Other Income Less Deductions.....	1,415,110.51
Income Before Interest Charges.....	44,008,742.75
Interest on Long Term Debt.....	5,395,308.87
Amortization of Debt Expense - Net.....	259,627.39
Other Interest Expenses.....	808,451.73
AFUDC - Borrowed Funds.....	(1,376.25)
Total Interest Charges.....	6,462,011.74
Net Inc Before Cumulative Effect of Acctg Chg.....	37,546,731.01
Cumulative Effect of Accounting Chg Net of Tax.....	-
Net Income.....	37,546,731.01
Preferred Dividend Requirements.....	564,001.54
Earnings Available for Common.....	36,982,729.47

KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS
MARCH 31, 2005

	Year Ended Current Month
Retained Earnings and Undistributed Earnings	Total Retained Earnings
Balance Beginning of Period.....	612,931,703.82
Net Income To Date.....	138,564,514.57
Other.....	9,597.45
Adjust for Equity in Subsidiary Earnings for Year -EE Inc.....	(2,524,371.00)
 Dividends Rec'd Current Year -EE Inc.....	 -
 Preferred Stock Dividends.....	(2,256,006.27)
Common Stock Dividends.....	(93,000,000.00)
 Balance End of Period.....	653,725,438.57

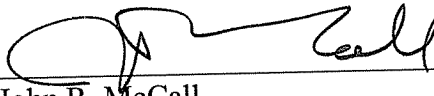
KENTUCKY UTILITIES COMPANY
(801 KAR 5:001, Section 11, Item 2(b))

The Applicant's Indenture of Mortgage or Deed of Trust dated May 1, 1947, as heretofore amended, securing Applicant's outstanding First Mortgage Bonds has heretofore been filed with the Commission. The most recent Supplemental Indenture, dated October 1, 2004, is on file with the Commission in Case No. 2004-305 (In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issue of Securities).

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am the duly qualified and acting Secretary of Kentucky Utilities Company (the "Company"), a Kentucky corporation, that as Secretary, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolutions were adopted by the Board of Directors of the Company by unanimous written consent in lieu of a meeting, dated December 16, 2004 and that the attached is a full, true and correct copy of said resolutions as they appear on the records of the Company and that the same has not been altered, amended or repealed.

IN WITNESS WHEREOF, I have signed and affixed the seal of the Company this 25th day of April, 2005.



John R. McCall
Executive Vice President, General
Counsel and Secretary

**ACTION OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY
TAKEN BY WRITTEN CONSENT**

December 16, 2004

FLUE GAS DESULFURIZATION PROJECT– KU

WHEREAS, the Company has considered long-term environmental and fuel supply options, including the installation of approximately \$678.2 million in wet flue gas desulfurization equipment on Brown Units 1-3 and Ghent Units 2-4 at its E.W. Brown and Ghent generating stations, respectively, (the “KU FGD Project”); and

WHEREAS, the Company desires to receive approval for the KU FGD Project, including, but not limited to, approval to proceed with engineering, construction, finance and contracting arrangements; submission of governmental applications for certificates of convenience and necessity (“CCN”), cost and rate recovery treatment, environmental permits, siting approvals, etc.; easement and real property acquisition; and other actions; and

WHEREAS, the Board of Directors has considered matters relating to the KU FGD Project and deems it advisable and in the best interests of the Company to approve such transactions.

NOW, THEREFORE, BE IT RESOLVED, that the KU FGD Project is hereby approved and the Company is hereby authorized to proceed with such transactions, as set forth below; and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized and directed to negotiate, execute and deliver, from time to time, for and on behalf of the Company such agreements, documents or instruments, including appropriate filings with regulatory agencies, that may be necessary or appropriate in connection with the KU FGD Project, with such officer’s execution and delivery to conclusively evidence such officer’s approval thereof and the approval of this Board of Directors; and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized to determine the form and content of documentation, filings or actions relating to the KU FGD Project; and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized and directed, to take such other actions as they shall, in their discretion, deem necessary, appropriate or advisable in connection with the KU FGD Project, including such changes as may be deemed necessary, appropriate or advisable in the discretion of such officers; and

FURTHER RESOLVED, that all actions heretofore or hereafter taken by any officer of the Company in connection with the KU FGD Project as contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.

FORM OF PROPOSED ORDER
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	Case No. 2005-_____
SECURITIES AND THE ASSUMPTION OF)	
OBLIGATIONS)	

ORDER

On _____, 2005, Kentucky Utilities Company ("KU") filed an Application to Issue its First Mortgage Bonds in an aggregate principal amount not to exceed \$13,266,950 and to assume certain obligations in connection therewith, represented by one or more Loan Agreement(s) with Carroll County, Kentucky in connection with the simultaneous issuance by Carroll County of its Pollution Control Bonds in an aggregate principal amount not to exceed \$13,266,950, the proceeds of which will be loaned to KU. KU will use the proceeds of such Carroll County Pollution Control Bonds to provide permanent financing for portions of pollution control facilities at KU's Ghent Generating Station in Carroll County. The proposed First Mortgage Bonds of KU will be used to secure and collateralize the Carroll County Pollution Control Bonds. KU has also requested authority to execute and deliver, as required, and to perform its obligations under, loan agreements with Carroll County, and any remarketing agreements and the various credit enhancing facilities, auction and other agreements, guaranty agreements, and notes as are set forth in the Application and to perform the transactions contemplated by those agreements.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed First Mortgage Bonds and the Carroll County Pollution Control Bonds and assumption of obligations in connection therewith as set out in KU's Application is for lawful objects and within the corporate purposes of KU's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in one or more series in an aggregate principal amount not to exceed \$13,266,950 in the manner set forth in its Application.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreement(s) with Carroll County, and under any remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and facilities, guaranty agreements and such other agreements and documents as set out in its Application, and to perform the transactions contemplated by all such agreements.

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

4. KU shall agree only to such terms that are consistent with the parameters set out in its Application.

5. KU shall, within thirty (30) day of the date of issuance, file with this Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions or other compensations, involved in the issuance and distribution of the Carroll County Pollution Control Bonds.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky this _____ day of _____, 2005.

By the Commission

ATTEST:

Executive Director