



Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
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Louisville, Kentucky 40232
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Rick E. Lovekamp
Manager - Regulatory Affairs
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July 28, 2006

RE: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations (Case No. 2006-00187)

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 5 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.

Please be advised that on July 20, 2006, KU completed the sale of \$16,693,620 Environmental Facilities Revenue Bonds (Kentucky Utilities Company Project) as contemplated in the above-referenced Case. The details of the bond issue are as follows:

\$16,693,620 County of Carroll, Kentucky,
Environmental Facilities Revenue Bonds, 2006 Series A

The sale of the securities was negotiated with Citigroup Global Markets and was completed as shown in the table below:

<u>Face Value</u>	<u>Initial Interest Rate</u>	<u>Rate Adjustment Date</u>	<u>Maturity</u>
\$16,693,620	3.70%	8/29/2006	6/1/2036

The interest rate on this bond issuance will be reset every 35 days through an auction mechanism that will reflect existing market conditions. The auction rate mode allows KU to take advantage of the low interest rates in the variable rate market. The yield curve for tax-exempt bonds is currently steep with long-term rates very near those for taxable bonds. In such an environment, KU did not feel issuing fixed rate bonds was

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an attractive alternative. KU will continue to monitor the market for opportunities to enter into an interest rate swap to fix the rate of interest on all or some portion of the bond.

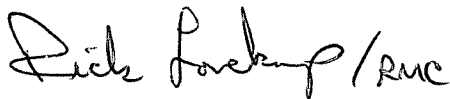
The auction rate option was selected among the short-term alternatives because it does not require bank liquidity support, which eliminates future uncertainty of cost and availability of bank liquidity. It is also less costly than a bank letter of credit backed issue. The auction rate procedures are detailed in Appendix B of the enclosed Official Statement. Citigroup Global Markets will act as the Remarketing Agent with respect to the bonds.

Total underwriter's commission of \$58,427.67 was paid to Citigroup Global Markets. An insurance premium in the amount of \$186,926.34 was paid at closing to Ambac Assurance Corporation covering the entire life of the bond. Other fees and expenses involved in the issuance and distribution (legal, printing, accounting, etc.) are estimated to be \$300,000.

Enclosed are three copies of the Official Statement and information related to the issuance of these securities. Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copies of this letter and the Official Statement.

Please contact me if you have any questions regarding this transaction at (502)627-3780 or contact Don Harris at (502)627-2021.

Sincerely,

A handwritten signature in black ink that reads "Rick Lovekamp / RMC". The signature is written in a cursive style.

Rick Lovekamp

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