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COMMISSION

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
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December 14, 2006

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

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 five (5) copies of information related to an issuance under said Order.

Please be advised that on December 7, 2006, Kentucky Utilities Company (the  
"Company") 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 C

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%	1/16/2007	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  
the Company to take advantage of the low interest rates in the variable rate market.

The long-term historical average of variable rates has been lower than current fixed rates even though fixed rates are at historic low levels. [The 10-Yr historical average BMA rate<sup>1</sup> is 2.66% compared to the current Revenue Bond Index (RBI<sup>2</sup>) of 4.53%]. The company 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 \$219,998.21 was paid at closing to XL Capital Assurance 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 five 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.

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<sup>1</sup> BMA rate – index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by The Bond Market Association.

<sup>2</sup> RBI - An estimate of the yield compiled by the Bond Buyer using an index of revenue bonds maturing in 30 years, with a rating equivalent to Moody's A1 and Standard and Poor's A-plus.

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, appearing to read "Rick Lovekamp", with a long horizontal flourish extending to the right.

Rick Lovekamp

Cc: Dan Arbough  
Kendrick Riggs – Stoll Keenin Ogden PLLC