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

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FEB 27 2007

PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
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February 27, 2007

**Re: The Application of Kentucky Utilities Company for an Order
Authorizing the Issuance of Securities and the Assumption of
Obligations – Case No. 2007-00024**

Dear Ms. O'Donnell:

Enclosed for filing please find and accept for filing the original and five copies of Kentucky Utilities Company's Response to the Commission Staff's First Data Request dated February 16, 2007, in the aforementioned proceeding.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Rick E. Lovekamp

cc: Kendrick R. Riggs
John Wade Hendricks

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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In the Matter of:

**THE APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING)
THE ISSUANCE OF SECURITIES AND THE) CASE NO. 2007-00024
ASSUMPTION OF OBLIGATIONS)**

**RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
FIRST DATA REQUEST OF COMMISSION STAFF
DATED FEBRUARY 16, 2007**

FILED: FEBRUARY 28, 2007

KENTUCKY UTILITIES COMPANY

**Response to First Data Request of Commission Staff
Dated February 16, 2007**

Case No. 2007-00024

Question No. 1

Witness: Daniel K. Arbough

Q-1. Given the request for authorization to issue securities and assume obligations equaling \$295 million, cited on page 6 of the original application:

- a. Provide a breakdown of the \$295 million total amount for which authority is requested that identifies each component expenditure with its associated cost.
- b. Why does the \$295 million amount for which authority is requested differ from the sum of the projected costs, cited in the original application?
- c. Is the reference to the estimated costs associated with the Ghent and Trimble construction and the required contribution to the pension plan an indication that the requested \$295 million would be spent in those areas?

A-1. a. As noted in Kentucky Utilities Company (KU) Application, KU funds its capital projects through numerous sources of capital, including the form of debt that is the subject of KU's Application. KU does not assign specific financing to any particular project or use, and does not project finance capital projects. Below is a summary of KU's anticipated 2007 budget for capital expenditures for its Distribution and Transmission Systems, and for the pollution control facilities at the Ghent Generating Station and for construction costs at Trimble County Unit No. 2.

**KENTUCKY UTILITIES
2007 CAPITAL BUDGET for SELECTED EXPENDITURES
(in 000's)**

Ghent Unit No. 2 SCR	\$	25,000
Ghent Unit No. 2 and 3 FGD Systems	\$	197,342
Trimble County 2	\$	247,387
Transmission	\$	21,867
Distribution	\$	57,801

- b. For the reasons discussed in (a) above, the amount for which authority is requested differs from the sum of the projected costs. The mix of debt and

equity used to finance projects will be determined so as to allow KU to maintain its strong investment-grade credit rating and to maintain its operations and provide service to the public. In addition to debt, KU expects to use both internally generated funds and equity contributions.

- c. The reference to the estimated costs associated with the Ghent and Trimble construction and the required contribution to the pension plan were cited as general reasons for KU's need for additional debt financing, rather than projects for which financing will be specifically incurred.