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DEC 06 2007

PUBLIC SERVICE  
COMMISSION

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

**Louisville Gas and Electric  
Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

December 6, 2007

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
F 502-627-3213  
rick.lovekamp@eon-us.com

**RE: The application of Louisville Gas and Electric Company for an  
Order Authorizing the Issuance of Securities and the Assumption of  
Obligations (Case No. 2007-00039)**

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 8 of the Commission's Order in the  
aforementioned proceeding, Louisville Gas and Electric Company ("LG&E")  
hereby files an original and three (3) copies of information related to an  
issuance under said Order.

On November 26, 2007, LG&E borrowed \$47 million from Fidelity Corporation  
in accordance with the order issued March 22, 2007 in the above-referenced  
case. The details of the loan are shown below:

Borrower:	Louisville Gas and Electric Company
Lender:	Fidelity Corporation
Amount:	\$47 million
Maturity Date:	November 28, 2022
Interest Rate:	5.72%
Price Paid:	100%
Proceeds:	\$47 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	May 26 and November 26 commencing May 26, 2008

The proceeds of the loan were used to reduce short-term intercompany debt  
incurred from the funding of pension contributions and the funding of capital  
projects described in the application. The issuance of this \$47 million completes  
the debt issued under the authority granted in this order.

Ms. Elizabeth O'Donnell  
December 6, 2007

The interest rate was set using the lowest rate quoted to LG&E at 1.63% above the yield on the ten-year treasury bond (4.09%). The supporting price indications from the investment banks are attached along with a copy of pages from Bloomberg showing the yield on the treasury bond. The lowest rate quoted to LG&E by the investment banks was lower than the average bid quoted to E. ON A.G. Once again, the supporting price indications are attached. The bids are summarized in the table below:

	<b>LG&amp;E Pricing</b>	<b>E.ON AG Pricing</b>
Low bid above ten-year treasury	1.63%	
Ten-year treasury rate	4.09%	
All-in cost	5.72%	
Average bid above ten-year treasury		1.68%
Ten-year treasury rate		4.09%
All-in cost		5.77%

The 5.72% all-in rate for this 15 year borrowing is between that of recent ten-year and thirty-year debt issuances from other energy companies with a similar or slightly lower credit rating. (See table below along with attached support documentation).

<b>Issuer</b>	<b>Moody's / S&amp;P</b>	<b>Maturity</b>	<b>Spread</b>	<b>Coupon Rate</b>
NSTAR Electric Company	A1 / A+	11/15/2017	+ 140 bps	5.625%
Wisconsin Public Service	Aa3/A	11/01/2017	+ 140 bps	5.65%
Virginia Electric & Power	Baa1/BBB	11/30/2037	+ 200 bps	6.35%
Georgia Power	A2/A	12/01/2038		6.05%

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the envelope provided. Should you have any questions regarding this transaction or this information, please contact me or Don Harris at (502) 627-2021.

Sincerely,



Rick E. Lovekamp

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



## New Issue Pricing Indications Louisville Gas & Electric

### First Mortgage Bonds (Senior Secured Ratings: A1/A-)

Maturity	15 Year
Issue Size (\$mm)	\$17
Coupon Type	Fixed
Reset/Payment	NA/Stepped
Call Provision	Make-Whole
Benchmark	US14.250% due 11/17
Benchmark Yield	4.073%
Rooting Spread	T + 135 bps Area
Reoffer Yield	5.623%
Underwriting Commissions	0.750%
All-in Yield	5.699%
All-in Spread	T + 163 bps Area



Financial information is provided for informational purposes only. It is not intended to be used as a basis for investment decisions. The information is provided for informational purposes only. It is not intended to be used as a basis for investment decisions.

# Indicative New Issue Fixed Rate Pricing Indications

November 19, 2007

Louisville Gas & Electric  
First Mortgage Bonds  
Ratings: A1/A-  
Outlook: Stable/Stable

## PLAIN VANILLA DOMESTIC PRICING

Reference Treasury Yield	15-Year
Reoffer Spread	4.071%
Reoffer Yield	T+ 175 bps
Gross Spread	5.821%
All-in Yield	0.750%
All-in Fixed Rate Spread	5.897%
	T+ 183 bps

## INDICATIVE SWAPPED PRICING (PROMPT)

Swap Spread	96
Swapped vs. 3-Month LIBOR	L + 79 bps
All-in Swapped vs. 3-Month LIBOR	L + 87 bps

# Indicative Pricing for LG&E and E.ON U.S.

Louisville Gas & Electric Company  
\$47,000,000 First Mortgage Bonds

As of 11/15/2017, 11:59 AM EST

30-day

Benchmark US1	4.25% Nov 2017
Benchmark Yield	4.07%
<b>Reoffer Spread</b>	<b>T+200 bp area</b>
<b>Reoffer Yield</b>	<b>6.07%</b>
Offering Price	100.0000%
Underwriting Commission	0.7500%
Proceeds to the Company	99.2500%
S.A. All-In Cost of Funds	6.15%
<b>S.A. All-In Spread</b>	<b>+208 bp</b>

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**Wiedmar, John**

**From:** hussain.hussain@uk.abnamro.com  
**Sent:** Friday, November 16, 2007 1:53 PM  
**To:** Heintzen, Lioba  
**Cc:** Wunderlich, Barbara  
**Subject:** Re: AW: USS Levels

Dear Ms Heintzen and Ms Wunderlich,

As requested please find below indicative new issuance levels for E.ON:

- for a 15 year USS 47 mln issue the all-in cost would be UST + 163 bp  
Libor + 50 bp (reference UST is the UST 4 25% due November 2017).

I hope this information is useful.

Please do not hesitate to contact me if you have any queries.

Kind regards,

Hussain

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Hussain Hussain  
Corporate Origination  
ABN AMRO  
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UK

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**Wiedmar, John**

**From:** Schrago, Godefroy [Godefroy.Schrago@gs.com]  
**Sent:** Monday, November 19, 2007 3:11 AM  
**To:** Heintzen, Lioba; Wunderlich, Barbara  
**Cc:** Hofmann, Jens; Triebel, Tobias  
**Subject:** FW: Spread E.on PP

Dear Lioba, dear Barbara,

For a 15 year PP of USD 47m, we would see an all-in spread in the area UST+160bps using the UST 4.250% due 11-17 as treasury benchmark.

For future queries, pls liaise with my colleague Tobias Triebel.

Kind regards,  
GS Team

**From:** Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]  
**Sent:** 16 November 2007 16:36  
**To:** Schrago, Godefroy  
**Cc:** Wunderlich, Barbara  
**Subject:** Spread

Dear Godefroy,

May I ask you for a spread again? I am looking for the all in spread over Treasuries that E.ON has to pay for a 15 year PP of USD 47m. I would be helpful if you mention the reference treasury. As usual this is for internal purposes only. Please send the spread to my colleague Barbara because I will be on holiday. Barbara.wunderlich@eon.com.

Thanks in advance.

Mit freundlichen Grüßen Kind regards

Lioba Heintzen

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E.ON AG, Sitz Registered Office Düsseldorf Amtsgericht District Court Düsseldorf HRB 22315  
Vorsitzender des Aufsichtsrats Chairman of the Supervisory Board: Ulrich Hartmann  
Vorstand Board of Management: Dr. Wulf H. Bernotat (Vorsitzender Chairman), Dr. Burkhard Bergmann,  
Christoph Dünzer-Vanotti, Lutz Feldmann, Dr. Marcus Schenck, Dr. Johannes Teysen

11/20/2007





GRAB

< PAGE FWD > f.umsatzschwache Bills, Notes, und Bonds.  
12:43 AKTUELL./b.ERSCHEINEN

Govt PX1

**TREASURY BILLS**

1M	12/13/07	↓	3.69/68	3.75	--
2M	12/20/07	↑	3.73/72	3.79	+05
3M	2/21/08	↓	3.30/29	3.37	-01
6M	5/22/08	↑	3.46/45	3.57	+06

**NOTES/ANLEIHEN**

5	4	8/09	↓	101-07+/09+	3.24	-03+
6	4	9/09	↓	101-10/12	3.23	-03+
7	3 <sup>5</sup>	10/09	2yr	↓	100-24/24+	3.21 -04
8	4 <sup>5</sup>	11/09	↑	102-21/23	3.20	-04
9	4 <sup>3</sup>	2/10	↑	103-08+/10+	3.19	-04
10	4 <sup>1</sup>	5/10	3yr	↓	103-08+/09	3.12 -05
11	4 <sup>1</sup>	8/12	↓	102-05/07	3.61	-06+
12	4 <sup>1</sup>	9/12	↑	102-23+/25+	3.62	-06
13	3 <sup>8</sup>	10/12	5yr	↓	101-08+/09	3.59 -07

14	4 <sup>1</sup>	5/17	↓	103-02+/04+	4.10	-05
15	4 <sup>3</sup>	8/17	↑	105-01+/03+	4.11	-04+
16	4 <sup>1</sup>	11/17	10yr	↑	101-09/10	4.09 -04+
17	4 <sup>1</sup>	2/36	↑	100-05/07	4.49	-02
18	4 <sup>3</sup>	2/37	↑	104-07+/09+	4.48	-03
19	5	5/37	30yr	↑	108-12+/13+	4.48 -03+
20	11	5 YR	↑	103-01+/03+	1.27	-05+
21	11	10 YR	↑	108-07+/09+	1.69	-04+
22	11	20 YR	↑	106-09/11	1.98	-00+

**SONSTIGE MÄRKTE**

23	US	Long(CBT)	12:31	↓	116-03	-04
24	10Y	Flut(CBT)	12:33	↑	112-26+	-06
25	EURO\$	(IMM)	12:32	↓	96.035	-040
26	S&P	500 Ind	yd		1433.27	--
27	NASDAQ	Comp	yd		2593.38	--
28	DowJones	Ind	yd		12958.44	--
29	Gold	(CMX)	12:42	↓	787.72	+9.73
30	NYM	WTI Crd	12:13	↑	95.59	+0.95

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410 Hong Kong 852 2977 6000  
 Japan 81 6 3201 8900 Singapore 65 6212 1000 U.S. 1 212 618 2000 Copyright 2007 Bloomberg Finance L.P.  
 12:43 6705-612-1 20-Nov-07 12:43:07

# U.S. debt capital markets update

## Utility & Pipeline sectors

### For distribution to issuer clients only

New York  
 Week ending  
 November 16, 2007

Peter Madonna, MD (212) 834-2808  
 Anisha Wehra, ED (212) 834-4918  
 Heather Towler, VP (212) 834-4871  
 Steve Leamer, Assoc (212) 834-4084  
 Stephanie Wat, Analyst (212) 834-3117

Sarah Chessin, JP Hybrids (212) 834-4073

#### Economic and Treasury market update

- Tighter credit conditions, rising oil prices, and intensified contraction in residential investment have led JPMorgan economists to revise growth forecasts down to 0.5% in 4Q'07 and 1.5% in 1Q'08
- Despite stronger than anticipated 3Q growth, recent economic data suggests downward pressure on future growth and inflation concerns remain alive
  - Global crude oil prices have risen more than \$10 dollars per barrel during October and will likely suppress consumer spending and sentiment
  - CPI rose at a 3.5% annual rate in October, accelerating over the past year to the highest level since August 2006
  - The dollar continues to weaken - the real broad trade-weighted dollar has fallen 3.2% below its 3Q07 average
  - Jobless claims have risen to 339,000, with the four-week average now at its highest level since April
  - Defense spending and the strength in inventories are likely to fade next quarter
- JPMorgan predicts the Fed will ease an additional 25bps at both the December and January meetings due to growing downside risk
- JPMorgan is currently placing the risk of a recession taking hold in the next two quarters at 35%
- US Treasury yields continue to lower and the curve continues to steepen, with 2yr yields lower by 11bp last week

#### JPMorgan interest rate forecast (%)

	16 Nov 07	1Q 08	2Q 08	3Q 08	4Q 08
Fed funds rate	4.50%	4.00	4.00	4.00	4.50
3m LIBOR	4.45%	4.40	4.30%	4.45	4.70
2yr UST	3.32	3.05	3.40%	3.35	4.20
5yr UST	3.68	3.35	3.90	4.25	4.55
10yr UST	4.75%	4.70	4.75%	4.75	5.00
30yr UST	4.50%	4.65	4.85	5.00	5.40
2y/10y curve	83 bps	105 bps	93 bps	100 bps	80 bps
10y/30y curve	37 bps	55 bps	50 bps	45 bps	41 bps

#### Historical treasury rates (%)



JPMorgan forecast as of 11/16/07. Forecasts are for quarter ends.  
 14:150s Treasury due Feb-2032

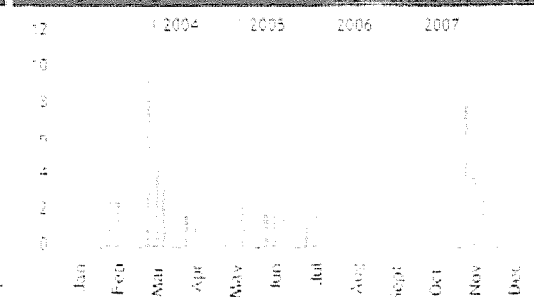
#### Investment grade primary and secondary market update

- Continued market volatility and the recent dislocation of the new issue market from secondary trading levels will remain a concern through year-end
  - A drop in secondary market liquidity has restricted investors' ability to sell out of existing positions, resulting in demand for larger new issue premiums
- The primary market environment remains challenging, and several issuers who priced transactions last week were not able to achieve their desired size without significant price breaks. However, the recent rally in treasuries somewhat offset these conditions by providing issuers with attractive coupon rates
- A few utility issuers entered the market last week:
  - NSTAR Electric Company (A1/A+) announced \$250mm of a 10-yr unsecured offering with JPMorgan as bookrunner
    - The offering attracted high quality insurance investors, and the oversubscribed orderbook allowed the company to upsize the transaction to \$300mm and price at +140bp
  - Illinois Power (Baa3/BBB-) priced \$250mm of 10yr fall-away first mortgage bonds at +190bp, led by JPMorgan as bookrunner
    - The orderbook was oversubscribed, driven by a covenant provided by the company stating that the security would not fall away until after its final maturity, offsetting any fall-away risk
    - The transaction priced in under 3 hours, and the bonds ended the day 3bp tighter in the secondary market
- JPMorgan also acted as bookrunner on several notable transactions including:
  - Unitedhealth Group (A3/A-) announced a benchmark size transaction of 5's, 10's, and 30yrs
    - Due to a reverse inquiry, the company added a tranche of 3yr notes to the offering
    - The company ultimately priced \$250mm 3yrs at +165, \$450mm 5yrs at +170, \$250mm 10yrs at +180, and \$650mm 30yrs at +205bps
  - Fiserv (Baa2/BBB) priced \$1.75bn of a 5yr and 10yr debut bond offering in a multi-day execution
    - The offering included change of control and coupon step-up provisions, and attracted a broad and diversified order book
    - The transaction priced 5yrs and 10yrs at +237.5 and +262.5bps respectively

#### Selected recent investment grade new issuance

Date	Issuer	Rating	Size	Coupon	Maturity	Spread
11-13	Xstrata Finance Canada	Baa1/BBB-	200	6.900	11/15/2017	130
11-13	Wisconsin Public Service	Aa2/A-	125	6.650	11/01/2017	140
11-10	Palamedes Electric Power	Baa1/BBB+	101	7.000	11/15/2027	137
11-14	Signature Inc.	aa2/A+	4,000	6.125	11/21/2017	140
11-14	NSTAR Electric Company	A1/A-	300	6.625	11/15/2017	140
11-14	Unitedhealth Group Inc.	A3/A-	50	5.125	11/15/2010	145
11-14	Unitedhealth Group Inc.	A3/A-	950	5.500	11/15/2011	130
11-14	Unitedhealth Group Inc.	A3/A-	250	6.000	11/15/2017	140
11-14	Unitedhealth Group Inc.	A3/A-	650	6.625	11/15/2037	205
11-15	Fiserv Inc.	Baa2/BBB	1,250	6.125	11/20/2012	137.5
11-15	Fiserv Inc.	Baa2/BBB	500	6.200	11/20/2017	142.5
11-15	Illinois Power Company	Baa2/BBB-	250	6.125	11/15/2017	192

#### Utility and Pipeline new Issue supply (\$Bn)



DEBT MARKETS UPDATE  
 11/16/07 11:45 AM EST  
 JPMORGAN

# Capital Markets Update



CITI

Tuesday, November 27, 2007

## Treasury Yield Curve

Maturity	11/27/07	Daily Change
1-Month	3.74	+17 bp
3-Month	3.76	+11 bp
1-Year	3.94	+8 bp
2-Year (old)	4.25	+5 bp
2-Year Swap (old)	4.25	+5 bp
3-Year (old)	4.28	+148
5-Year (old)	4.42	+125
7-Year (old)	4.56	+116
10-Year (old)	4.8125	+107 bp

## Equity Market Movers

	11/27/07	Daily Change	% Chg
DJIA	12,928.44	-213.00	-1.69%
S&P 500	1,428.23	-21.01	-1.49%
Nasdaq	2,890.80	-59.91	-2.07%
Nikkei	15,222.85	+87.64	+0.58%
FTSE	5,611.62	+3.08	+0.05%
HFT	50.09	+2.48	+5.04%
AME	50.50	+1.15	+2.30%
NYSE	116.51	+1.87	+1.63%
DFC	427.94	+7.26	+1.70%

## Economic Data at Bat

Release	Prev.	Citi	Street
Durable Goods Orders	-1.2%	-1.0%	-1.0%
Tr. Transportation	-1.4%	-1.6%	-1.5%
Existing Home Sales	3.03M	4.45M	3.03M

and Reserve Bank Survey of Regional Economic Conditions

## Power Industry Announcements

**COAL IN AR.** The Arkansas PSC has granted American Electric Power's Southwestern Electric Power Company (SWEPSCO) a Certificate of Environmental Compatibility and Public Need to construct a 600-MW coal-fired power plant in southwest Arkansas. In a decision issued the day before Thanksgiving, the commission placed 12 conditions on the certificate for the proposed *John W. Turk Jr. Power Plant*. SWEPSCO also needs final regulatory approvals from the Arkansas Department of Environmental Quality, the U.S. Army Corps of Engineers, and Louisiana and Texas regulators. In the 2-1 decision, APSC Chairman Paul Susskie and Commissioner David Bassett voted for the order and Special Commissioner David Newborn dissented. This is a good decision for SWEPSCO customers, said Venita McCollon-Allen, SWEPSCO president and COO. The proposed plant will use ultra-supercritical advanced coal combustion technology and will be one of the first plants of its type to go into operation in the United States. The plant will use low-sulfur coal and will include state-of-the-art emission control technologies, including a design that allows for the retrofit of CO2 controls. Completion date is projected to be 2011. The estimated cost of the plant is approximately \$1.34 billion. SWEPSCO's investment will be 75% (440 MW) or about \$1 billion. In a news release accompanying the ruling, the APSC said most of the 12 conditions are "designed to minimize environmental concerns raised by intervening parties and to protect SWEPSCO's Arkansas ratepayers from costs relating to imprudence and regulatory uncertainty associated with the Turk plant. We believe this is a workable package of conditions, many of which we agreed to during the proceedings," McCollon-Allen said.

**COAL IN MI.** The direct and indirect statewide economic impact of construction of Consumers Energy's proposed new clean coal plant near Bay City, Michigan is estimated at \$1.2 billion over a seven-year period, according to a study prepared at the utility's request. Consumers Energy is a subsidiary of CMS Energy. Consumers Energy previously announced that as part of its *Balanced Energy Initiative* it selected its *Franklin Fork Generating Complex* in Hampton Township as the site for construction of an 800-MW clean coal power

## Treasury Market

Profit-taking hit the U.S. Treasury market, reversing most of Monday's gains, despite relatively low-breath economic data (see below). Yields backed up 8-13 bp as equity markets bounced off the heralded 10% correction. The ten-year yield rose 9 bp to 4.74% and is nearly back to 4% this morning. Two Fed Presidents suggested they would favor no further Fed ease. Philly Fed President Charles Flosser said Fed policy will not resolve the subprime problem. Chicago Fed President Charles Evans commented that recent Fed actions should mitigate any serious threats to the U.S. economy. In contrast, this morning Vice Chairman Kohn said "uncertainties require flexible and pragmatic policymaking," possibly hinting at further Fed accommodation.

## Equity Market

Equity markets reversed much of Monday's 2+% losses, with major indices posting solid gains despite disappointing housing and consumer data. News of Citi's \$7.5-billion injection from the Abu Dhabi Investment Authority, a stake of 4.9% through the issuance of mandatory converts, supported the financial sector broadly. Sharply lower oil prices also eased investor concerns and helped equity markets. Crude oil prices fell \$3.28 per barrel to \$94.42 in anticipation of a December 3 OPEC meeting at which production increases are expected. For the day, the major indices added 1.3%-1.7%. The utility sector underperformed. After the close, Wells Fargo announced it will take a Q4 pre-tax provision of \$1.4bn related to indirect origination of home equity loans.

## Economic Announcements

The S&P Case-Shiller home price index fell 4.5% year-on-year in 15 of 20 major metropolitan areas saw a decline in their annual growth rate. Prices in Florida fell over 11% - home prices were also hard hit in San Diego and Detroit. The Conference Board consumer confidence measure fell sharply in the November survey. The Nov. print of 87.3 was nearly eight points below the Oct. figure. Wednesday will be another busy day for economic releases with durables goods orders, existing home sales and Beige Book.

plant. The Balanced Energy Initiative was submitted for approval to the Michigan PSC. The economic impact study prepared by Development Research Partners lists the following economic benefits for Michigan and the Tri-County area during the seven-year construction period of the new power plant: total construction jobs of 1,800 at peak; statewide impact of approximately \$1.2bn which includes Tri-County impact of nearly \$500 million.

**FLTURGEN GEN CLEAN COAL UPDATE.** The FutureGen Alliance is on schedule to announce next month where it will build a \$1.75bn, next-generation, near-zero-emissions coal-fired power plant. West Virginia fell out of contention for the plant in July, when the alliance narrowed the list of possible plant sites from 12 to four. The four site finalists are Mattoon and Tuscola, Illinois, and Odessa and Jewett, Texas. The FutureGen Alliance is a nonprofit organization which is partnering with the U.S. DOE to design and build the power plant.

**NO NUKE IN OK.** Last month, the Oklahoma Corporation Commission rejected a \$1.8bn, 950-MW coal-fired plant proposed by OGE Energy's Oklahoma Gas & Electric. AEP's Public Service Company of Oklahoma and the *Clinton Managed Power Authority*, Oklahoma power producers said the high cost and lengthy construction time for a nuclear power plant make it unlikely they will turn to nuclear energy to meet rising consumer demand for power in the state. John Wendling, director of power supply operations for OGE, the largest generator in the state with 6,200 MW of capacity but is still too small to afford the cost of a nuclear power plant, estimated by industry officials at \$5-86 billion. Licensing and construction of a nuclear power plant would take up to 10 years, too long to meet the demand producers will face in the next five years.

**WIND OFF RI.** Allico Renewable Energy Group Limited LLC said it plans to develop up to four offshore wind projects in Rhode Island. A spokesman said that the company's plans involve 200-300 wind turbines offshore. Allico said that it expects to negotiate power sales agreements for the output of any offshore wind facilities it builds and presumes the state will participate in any revenue produced, possibly through joint ownership.

## Corporate Financing Activity

Dominion Resources Inc. and its subsidiary Virginia Electric & Power Company tapped the bond market, raising \$1.05bn and \$350mm, respectively. Virginia Electric & Power Company was last in the market on September 6, when it priced \$600mm of 10-year notes at a spread of +150 bp. Dominion Resources Inc. was last in the market on November 9, 2006, when it issued \$600mm of 10-year and 2-year notes at +97 bp to the 10-year Treasury benchmark and the 2-year at +18 bp, respectively. Consumer finance company CIT Group was able to raise \$2bn of notes (A2 - A) at a spread near +500bp and a yield of 7.87%.

Issuer	Ratings	\$mm	Structure	Coupon	Spread	MW	CoC	Citi	Comments
Virginia Electric & Power	AAA (BBB)	600	5 NC L	5.10%	+175 bp	1-25	--	--	Unsecured
Virginia Electric & Power	AAA (BBB)	350	30 NC L	6.50%	+200 bp	1-25	--	--	Unsecured
Dominion Resources	AAA2 (BBB)	500	10 NC L	6.0%	+250 bp	7-15	--	--	
Anheuser-Busch	AA2 (A)	500	102 NC L	5.50%	+160 bp	7-25	101	--	

# Capital Markets Update

CITI

Thursday, November 29, 2007

## Treasury Yield Curve

Maturity	11/29/07	Daily Change
3-month	3.41%	-0.01%
6-month	3.41%	-0.01%
1-year	3.41%	-0.01%
2-year	3.41%	-0.01%
3-year	3.41%	-0.01%
5-year	3.41%	-0.01%
10-year	3.41%	-0.01%
30-year	3.41%	-0.01%

## Treasury Market

Treasury prices rebounded following weak home sales data, retaining recent losses. Persistent market volatility may have prompted Treasury buying. The two-year yield fell 14 bp to 3.06%, while the 10-year yield fell 8 bp back below 4%. Importantly, Fed Chairman Ben Bernanke in a speech late in the day hinted that another rate cut may be needed to bolster an economy weakened by uncertain credit markets, a deepening housing slump and rising energy prices. All of these developments will create headwinds for the consumer in the months ahead.

## Equity Market

US equities closed with modest gains after three successive upple-digt Dow days. Prices oscillated between positive and negative territory for most of the day as incoming weak report on new home sales conflicted with a sharp upward revision to Q3 GDP. Credit card prices rose 80 bp per barrel on the day, rearing some of its earlier rally as Enbridge's pipeline carrying crude oil was partially reopened. Financials continued their gains -- the index's best such run since Oct 2002. The Nasdaq also increased 0.2% while the broad based S&P 500 closed up less than 0.1%. The utility sector gave back 0.2% Citicad's announcement that it will invest \$2.55 billion in E-Trade Financial helped remove some uncertainty from the market.

## Equity Market Movers

11/29/07	Daily Change	% Chg.
SP500	13,811.75	+0.12%
Dow Jones	11,400.72	+0.11%
Nasdaq	2,688.17	+0.20%
NYSE	15,311.74	+0.08%
NYSE	1,572.27	+0.29%
NYSE	22.10	-2.53%
NYSE	48.17	-1.00%
NYSE	35.55	-1.20%
NYSE	41.91	-1.06%

## Economic Data at Bat

Release	Prev	Citi	Street
Personal Income	13.4%	13.4%	13.4%
Personal Spending	13.0%	13.0%	13.0%
Consumer Confidence	13.0%	13.0%	13.0%
Chicago PMI	44.7	51.0	50.5
Infrastructure Spending	17.5	17.5	17.2

## Power Industry Announcements

**D. SEEKS RENEWABLE ENERGY PROJECTS.** Dominion is and inefficient he said, adding that the 25 states with renewables seeking proposals for renewable energy projects in development or programs have a clear understanding of which resources are early construction as part of the company's commitment to meet ambitious renewable electricity sales goals established by the states of Virginia and North Carolina. Dominion is interested in project ownership interests or purchase of renewable energy credits. **MCKINSEY ON GHG EMISSIONS.** The U.S. could reduce projected 2020 emissions of greenhouse gases (GHG) by as much as 50% at manageable costs to the economy and without requiring major changes in consumer lifestyles, according to a report published by McKinsey and The Center for Global Business Research and energy efficiency. The study found this is achievable using proven and emerging technologies if the U.S. pursues a wide array of options to improve energy efficiency in buildings, appliances and industry could yield net savings while offsetting some 85% of the projected incremental demand for electricity in 2020. For example, The report was produced in association with DTE Energy, Environmental Defense, Homebrew, National Grid, National Resource Defense Council, PG&E and Shell. **ONCOR STAKE.** Energy Future Holdings Corp. and Oncor Electric Delivery Co. LLC said they have begun an offering to sell a 20% ownership interest in the regulated T&D unit to other investors. **ING IN OR.** Oregon Gov. Tom Watson's plan is open to the idea of LNG terminals but he has told state agencies to fully assess Oregon's concerns and interests as they are considered, according to a memo to state agency directors. Three LNG terminals are proposed in Oregon, one at Bradwood Landing, 20 miles east of Astoria, one in Warrenton and one in Coos Bay.

## Corporate Financing Activity

There was another flurry of issuance activity in the corporate bond market on Thursday. Southwestern Electric Power (SWEP)Co, a subsidiary of American Electric Power, priced \$800 million of 10-year senior notes at a spread of ~200 bp. New York State Electric & Gas, a subsidiary of Energy East and a Form 15 filer, priced \$200 million of 10-year 144 A notes at a spread of ~225 bp. Georgia Power, a subsidiary of Southern Company, priced \$100 million of unwrapped 31 NC 5 retail notes in the high yield market. Texas Competitive Electric Holdings formerly TXU Energy, priced \$175 billion of bonds following its \$1 billion bond issuance on Oct 24.

## Issuer

Issuer	Rating	Summ	Structure	Coupon	Spread	MW	Yield	Comments
Southwestern Electric Power	BBB	\$800	10-NC 1	5.75	200 bp	1,400	6.25%	144 A, Unwrted
NY State Electric & Gas	BBB+	\$200	10-NC 1	6.00	225 bp	1,400	6.44%	Unwrted
Georgia Power	A2-A	\$100	31-NC 5	6.95	250	1,400	7.45%	Retail Notes
Texas Competitive Holdings	BBB	\$1,750	10-NC 5	11.000	270 bp	1,400	12.70%	R Bonds
Texas Competitive Holdings	BBB	\$2,000	31-CCC	10.250	270 bp	1,400	12.90%	R Bonds
The Walt Disney Co.	A2-A	\$750	5-NC 1	4.70	115 bp	1,200	5.85%	Co Mgr
Dukeco	A2-A	\$1,000	53-NC L	4.98	128 bp	1,200	6.26%	R Bonds
Exelon Inc.	A3-A	\$350	10-NC L	5.00	140 bp	1,200	6.40%	R Bonds
Marble & Spencer	BBB	\$500	11-NC L	5.50	170 bp	1,200	7.20%	R Bonds
Marble & Spencer	BBB	\$500	11-NC L	7.125	250 bp	1,200	11.25%	R Bonds
General Electric Co.	AAA	\$4,000	11-NC L	5.250	140 bp	1,200	6.69%	R Bonds