



Ernie Fletcher  
Governor

Mark David Goss  
Chairman

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

John W. Clay  
Commissioner

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

Honorable J. Wade Hendricks  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza  
500 W Jefferson Street  
Louisville, KY 40202-2828

June 14, 2007

RE: Case No. 2007-00233  
Kentucky Utilities Company  
(Financing)

Application of KU authorizing the issuance of securities and the assumption of obligations

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received June 13, 2007 and has been assigned Case No. 2007-00233. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/tw



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June 14, 2007

Honorable John P. Fendig  
Senior Corporate Attorney  
Louisville Gas and Electric Company  
P. O. Box 32010  
Louisville, KY 40232-2010

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2007-233

STOLL · KEENON · OGDEN  
PLLC

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**J. WADE HENDRICKS**  
DIRECT DIAL 502-560-4227  
DIRECT FAX 502-627-8727  
wade.hendricks@skofirm.com

June 13, 2007

**HAND DELIVERY**

RECEIVED

JUN 13 2007

PUBLIC SERVICE  
COMMISSION

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

**Re: Kentucky Utilities Company**

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 enclosed to be file stamped and returned to the undersigned.

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

Very truly yours,

J. Wade Hendricks

JWH/dvg  
Enclosure

- cc: Elizabeth E. Blackford, Esq.
- Daniel Arbough
- Kent W. Blake
- Rick Lovekamp
- John Fendig, Esq.
- Allyson Sturgeon, Esq.
- John Wiedmar
- Elliott Horne
- Don Harris

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

**In The Matter Of:**

<b>THE APPLICATION OF KENTUCKY</b>	)	
<b>UTILITIES COMPANY FOR AN ORDER</b>	)	
<b>AUTHORIZING THE ISSUANCE OF</b>	)	<b>CASE NO. 2007- <u>00233</u></b>
<b>SECURITIES AND THE ASSUMPTION</b>	)	
<b>OF OBLIGATIONS</b>	)	

**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. Specifically, KU requests authority to enter into one or more multi-year revolving credit facilities (each a “Credit Facility” and collectively the “Credit Facilities”), with one or more financial institutions. 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, as of March, 31 2007, provides retail electric service to approximately 502,000 customers in seventy-seven counties in Kentucky, approximately 30,000 customers in five counties in southwest Virginia and five customers in Tennessee. 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. 2005-00471 (*In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control*

*of Their Transmission System*) and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

2. This Application relates to one or more Credit Facilities between KU and one or more banks or other financial institutions (each such financial institution hereinafter a “Bank”) under which a Bank would make available to KU a revolving line of credit. The aggregate maximum amount of credit available under all Credit Facilities would not exceed \$35,000,000. Each individual draw of funds under a Credit Facility would be short-term debt, with a term not to exceed 364 days. However, a Credit Facility itself would be for a term not to exceed five (5) years. The Company believes that market conditions are currently very favorable for entrance into multi-year Credit Facilities, hence it is advantageous for the Company to enter into the proposed long-term credit arrangement(s), even though the individual debt under such arrangement(s) will be short-term. In addition, a multi-year Credit Facility would avoid the time and costs of negotiation and renewal on an annual basis during the term of the credit commitment.<sup>1</sup>

3. A Credit Facility would be on the most favorable terms that can be negotiated by KU. The Company would negotiate terms for fees, such as commitment fees, as well as interest rates for funds borrowed under the Credit Facility. Negotiations concerning interest rates could include interest rate options which would set interest rates at some spread in relation to such indices as the Bank’s prime rate, the Federal Funds Rate or the London Inter-Bank Offered Rate (“LIBOR”), as well as provisions for converting from one interest rate to another. Based upon market conditions today, the Company believes that current interest rates under a Credit Facility would not exceed 5.80%, or approximately 40 basis points above current LIBOR. However, interest rates would be expected to vary over the five-year term of the credit commitment.

---

<sup>1</sup> KU would not be under any obligation to make draws under any Credit Facility, rather “credit commitment” refers to the Bank’s obligation to make funds available to KU if KU so requests.

4. In addition to interest on funds that may actually be borrowed, the Company may be required to pay an initial fee to establish the Credit Facility, as well as an ongoing facility fee, to maintain the credit commitment. Based upon current conditions, KU does not believe the initial fee would exceed five basis points or .05% of the Bank's commitment, and the facility fee would not exceed seven basis points or .07% annually.

5. KU's variable rate external debt contains provisions whereby liquidity or credit support may be provided by instruments such as the Credit Facilities, thereby both enhancing the marketability of KU's external long-term debt and eliminating the need for bond insurance. In this role, the Credit Facilities would ensure that KU has readily available funds with which to make payments with respect to variable rate bonds that have been tendered for purchase and not remarketed. It is anticipated that the Credit Facilities would serve this function, and in such role, funds available under the Credit Facilities would not necessarily be drawn.

6. In addition, it is possible that loan proceeds under the Credit Facilities could be used to provide short-term financing for the Company's general financing needs--for example, general costs of operation or costs of the Company's various construction programs such as for pollution control facilities<sup>2</sup> or costs associated with construction of the Company's Ghent Unit Two<sup>3</sup>, until permanent or long-term financing can be arranged. However, borrowing under the Credit Facilities would be used to meet short-term financing needs as they arise and KU does not assign specific financing to any particular capital project or use, and does not project finance

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<sup>2</sup> See e.g., 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*), Order of June 20, 2005, modified by Order dated December 22, 2006, in Case No. 2006-00493 (*In the Matter of: Application of Kentucky Utilities Company to Modify Certain Certificates of Public Convenience and Necessity to Construct Duct Work for Two Flue Gas Desulfurization Units at the Ghent Power Station*).

<sup>3</sup> See, e.g., Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*), Orders dated November 1, 2005 and November 9, 2005.

projects. Thus, these uses are general reasons that KU might have need for additional short-term financing, rather than projects to which such financing would be assigned.

7. No contracts have been made with respect to any of the Credit Facilities which KU proposes to enter into. However, because of currently favorable market conditions, KU may enter into one or more short-term Credit Facilities, for terms less than one (1) year, not requiring Commission approval. Such short-term Credit Facilities could contain provisions giving KU the option to extend the term of the short-term Credit Facilities to a multi-year term, in the event that KU received all regulatory approvals necessary to enter into the extension. Any extension could be exercised only after all regulatory approvals, including the approval of this Commission, were received, and if approvals were not received, the extension option would be of no effect and void.

8. KU will, within thirty (30) days of its entrance into any multi-year Credit Facility, file with the Commission a statement setting forth the date or dates of implementation of the Credit Facility, or of exercise of any extension option as discussed in Section 7, as well as all fees and expenses.

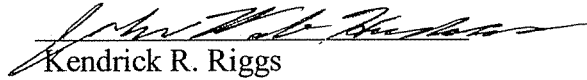
9. Exhibit 2 to this Application contains the Financial Exhibit required by 807 KAR 5:001, Section 11(2)(a) as described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

10. Exhibit 3 to this Application is a certified copy of KU's Board of Directors' resolution authorizing the proposed Credit Facilities.

11. 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 the proposed debt, etc. and (1)(c) regarding the use to be made of the proceeds, have been supplied in the discussion above in sections 2 through 6 of this Application.

**WHEREFORE**, Kentucky Utilities Company respectfully requests that the Commission enter its Order, authorizing KU to issue securities and to enter into, execute, deliver and perform the obligations of KU under the Credit Facilities.

Respectfully submitted,



Kendrick R. Riggs  
John Wade Hendricks  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202  
(502) 333-6000

John P. Fendig  
Allyson Sturgeon  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202

Counsel for Kentucky Utilities Company

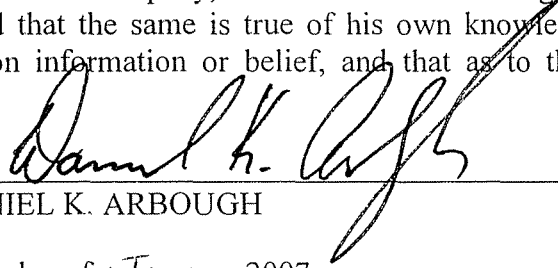


**VERIFICATION**

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

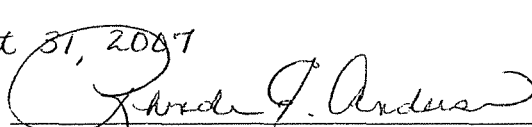
Daniel K. Arbough being first duly sworn, deposes and says that he is Director, Corporate Finance and Treasurer for Kentucky Utilities Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein 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 12<sup>th</sup> day of JUNE, 2007.

My Commission Expires: August 31, 2007



\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE



## KENTUCKY UTILITIES COMPANY

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, 2007

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 Mw; a hydroelectric generating station having an estimated total effective capability of about 24 Mw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499 Mw.

The applicant's owned electric transmission system included 110 substations with a total capacity of approximately 16,978 Mva and approximately 4,031 miles of lines. The electric distribution system includes 480 substations with a total capacity of approximately 6,180 Mva, 13,805 miles of overhead lines, and 1,881 miles of underground conduit.

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, 2007, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	\$ 26,580,761
Production Plant	2,025,841,914
Transmission Plant	506,877,141
Distribution Plant	1,014,026,542
General Plant	83,161,550
Transportation Plant	23,860,353
Construction Work in Progress	646,978,981
Total Plant at Original Cost	\$ 4,327,327,242
Less Reserve for Depreciation	1,870,737,320
Net Original Cost	<u>\$ 2,456,589,922</u>



KENTUCKY UTILITIES COMPANY  
FINANCIAL EXHIBIT

March 31, 2007

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.

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

Common Stock:

37,817,878 shares issued and outstanding.

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

None

(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.

None

(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.

Unsecured

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended March 31, 2007
			Authorized	Outstanding at March 31, 2007	
05/15/92	05/15/07	7.92%	53,000,000	-	4,722,300
Pollution Control Bonds					
11/01/94	11/01/24	Variable	-	-	2,491,723
05/01/00	05/01/23	Variable	12,900,000	12,900,000	357,998
02/01/02	02/01/32	Variable	20,930,000	20,930,000	765,447
02/01/02	02/01/32	Variable	2,400,000	2,400,000	87,772
02/01/02	02/01/32	Variable	7,200,000	2,400,000	87,772
02/01/02	02/01/32	Variable	7,400,000	7,400,000	270,631
07/01/02	10/01/32	Variable	96,000,000	96,000,000	3,538,120
10/01/04	10/01/34	Variable	50,000,000	50,000,000	1,806,889
07/07/05	06/01/35	Variable	13,266,950	13,266,950	477,168
11/17/05	06/01/35	Variable	13,266,950	13,266,950	477,996
07/20/06	06/01/36	Variable	16,693,620	16,693,620	432,270
12/07/06	06/01/36	Variable	16,693,620	16,693,620	195,592
02/23/07	10/01/34	Variable	54,000,000	54,000,000	197,880
				305,951,140	15,909,559
Interest rate swap					(266,637)
Long term debt mark to market				-	(909,031)
Total				<u>\$ 305,951,140</u>	<u>\$ 14,733,890</u>

- (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, 2007</u>
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.	01/15/04	50,000,000	4.39%	01/16/12	2,195,000
Fidelia Corp.	07/08/05	50,000,000	4.735%	07/08/15	2,367,500
Fidelia Corp.	12/19/05	75,000,000	5.36%	12/21/15	4,020,000
Fidelia Corp.	06/23/06	50,000,000	6.33%	06/23/36	2,444,083
Fidelia Corp.	10/25/06	50,000,000	5.675%	10/25/16	1,229,583
Fidelia Corp.	02/07/07	53,000,000	5.690%	02/07/22	452,355
Fidelia Corp.	03/30/07	75,000,000	5.860%	03/30/37	12,208

- (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

2002	-
2003	-
2004	63,000,000
2005	50,000,000
2006	-

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

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in fiscal years 2000 - 2004, 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. This series of preferred stock was redeemed on October 24, 2005.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in fiscal years 2000 - 2004, 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. This series of preferred stock was redeemed on October 24, 2005.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Our most recent mailing covered financial statements for periods through March 31, 2007. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending March 31, 2007.



KENTUCKY UTILITIES COMPANY

In February 2007, KU completed a series of financial transactions impacting its periodic reporting requirements. The \$54 million Pollution Control Series 10 bond was refinanced and replaced with a new unsecured tax-exempt bond of the same amount maturing in 2034. The \$53 million Series P bond was defeased and replaced with an intercompany loan totaling \$53 million from Fidelity. The Company terminated the related interest swap and agreed with Fidelity to eliminate the second lien on its two secured loans. Pursuant to the terms of the remaining tax-exempt bonds, the first mortgage bonds were cancelled and the underlying lien on KU's assets was released following completion of these steps. KU no longer has any secured debt and, having deregistered applicable securities with the SEC effective March 1, 2007, is no longer subject to periodic reporting under the Securities Exchange Act of 1934. 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, 2007.

KENTUCKY UTILITIES COMPANY  
BALANCE SHEET AS OF MARCH 31, 2007

	THIS YEAR	THIS YEAR
<b>ASSETS AND OTHER DEBITS</b>		
Utility Plant		
Utility Plant at Original Cost.....	4,327,327,241.76	
Less Reserves for Depreciation & Amortization.....	<u>1,870,737,319.68</u>	
Total.....	<u>2,456,589,922.08</u>	
Investments - At Cost		
Ohio Valley Electric Corporation.....	250,000.00	
Nonutility Property-Less Reserve.....	969,060.01	
Investments in Subsidiary Companies.....	18,502,158.00	
Special Funds.....	8,343,641.33	
Other.....	<u>426,140.00</u>	
Total.....	<u>28,490,999.34</u>	
<b>LIABILITIES AND OTHER CREDITS</b>		
Capitalization		
Common Stock.....		308,139,977.56
Common Stock Expense.....		<u>(321,288.87)</u>
Paid-In Capital.....		15,000,000.00
Other Comprehensive Income.....		-
Retained Earnings.....		896,340,154.95
Unappropriated Undistributed Subsidiary Earnings..		<u>17,206,358.00</u>
Total Common Equity.....		<u>1,236,365,201.64</u>
Preferred Stock.....		-
First Mortgage Bonds.....		305,951,140.00
Other Long-Term Debt.....		-
LT Notes Payable to Associated Companies.....		611,000,000.00
Long-Term Debt Marked to Market.....		-
Total Long-Term Debt.....		916,951,140.00
Total Capitalization.....		<u>2,153,316,341.64</u>
Current and Accrued Liabilities		
Advances from Associated Companies.....		-
ST Notes Payable to Associated Companies.....		32,043,054.00
Notes Payable.....		-
Notes Payable to Associated Companies.....		-
Accounts Payable.....		117,526,072.50
Accounts Payable to Associated Companies.....		83,416,005.35
Customer Deposits.....		18,942,873.07
Taxes Accrued.....		15,733,290.62
Interest Accrued.....		9,244,178.38
Dividends Declared.....		-
Misc. Current & Accrued Liabilities.....		<u>12,981,964.41</u>
Total.....		<u>289,887,438.33</u>
Deferred Credits and Other		
Accumulated Deferred Income Taxes.....		328,775,200.23
Investment Tax Credit.....		22,750,947.32
Regulatory Liabilities.....		36,305,679.94
Customer Advances for Construction.....		1,981,564.48
Asset Retirement Obligations.....		28,946,767.72
Other Deferred Credits.....		8,622,032.30
Misc. Long-Term Liabilities.....		46,913,039.58
Accum Provision for Post-Retirement Benefits.....		<u>75,214,677.65</u>
Total.....		<u>549,509,909.22</u>
Total Liabilities and Other Credits.....		<u>2,992,713,689.19</u>
<b>ASSETS AND OTHER DEBITS</b>		
Current and Accrued Assets		
Cash.....	5,850,653.68	
Special Deposits.....	21,102,462.74	
Temporary Cash Investments.....	3,549.39	
Accounts Receivable-Less Reserve.....	123,161,950.09	
Notes Receivable from Assoc. Companies.....		17,092,375.60
Accounts Receivable from Assoc Companies.....		54,727,427.91
Materials & Supplies-At Average Cost		25,917,434.31
Fuel.....		6,159,824.28
Plant Materials & Operating Supplies.....		1,230,596.13
Stores Expense.....		4,298,175.50
Allowance Inventory.....		<u>1,419,930.89</u>
Prepayments.....		260,964,380.52
Miscellaneous Current & Accrued Assets.....		-
Total.....	<u>260,964,380.52</u>	
Deferred Debits and Other		
Unamortized Debt Expense.....	6,464,290.05	
Unamortized Loss on Bonds.....	10,528,779.85	
Accumulated Deferred Income Taxes.....	45,723,507.74	
Deferred Regulatory Assets.....	115,514,654.95	
Other Deferred Debits.....	<u>68,437,154.66</u>	
Total.....	<u>246,668,387.25</u>	
Total Assets and Other Debits.....	<u>2,992,713,689.19</u>	

KENTUCKY UTILITIES COMPANY  
STATEMENT OF INCOME  
MARCH 31, 2007

	YEAR ENDED CURRENT MONTH	THIS YEAR AMOUNT
Electric Operating Revenues.....		1,230,383,134.28
Total Operating Revenues.....		1,230,383,134.28
Operating Expenses		
Fuel .....	437,166,514.59	
Power Purchased.....	181,092,526.91	
Other Operation Expenses.....	152,442,629.67	
Maintenance.....	73,693,258.38	
Depreciation.....	110,117,559.75	
Amortization Expense.....	5,279,406.98	
Regulatory Credits.....	(2,017,641.25)	
Taxes		
Federal Income.....	48,174,271.44	
State Income.....	12,422,990.88	
Deferred Federal Income - Net.....	(4,461,586.84)	
Deferred State Income - Net.....	274,520.86	
Federal Income - Estimated.....	-	
State Income - Estimated.....	-	
Property and Other.....	18,485,302.19	
Investment Tax Credit.....	21,875,000.00	
Loss (Gain) from Disposition of Allowances.....	(706,910.17)	
Accretion Expense.....	1,776,272.82	
Total Operating Expenses.....	1,055,614,116.21	
Net Operating Income.....	174,769,018.07	
Other Income Less Deductions		
Other Income Less Deductions.....	25,693,569.94	
AFUDC - Equity.....	887,952.40	
Total Other Income Less Deductions.....	26,581,522.34	
Income Before Interest Charges.....	201,350,540.41	
Interest on Long Term Debt.....	37,506,637.97	
Amortization of Debt Expense - Net.....	971,463.20	
Other Interest Expenses.....	4,046,192.36	
AFUDC - Borrowed Funds.....	(394,144.12)	
Total Interest Charges.....	42,130,149.41	
Net Inc Before Cumulative Effect of Acctg Chg.....	159,220,391.00	
Cumulative Effect of Accounting Chg Net of Tax.....	-	
Net Income.....	159,220,391.00	
Preferred Dividend Requirements.....	-	

**KENTUCKY UTILITIES COMPANY**  
**ANALYSIS OF RETAINED EARNINGS**  
**MARCH 31, 2007**

	Year Ended Current Month	
	Total	Retained
	Earnings	
Retained Earnings and Undistributed Earnings		
Balance Beginning of Period.....	738,662,812.15	
Net Income To Date.....	159,220,391.00	
FIN 48 Adjustment.....	347,473.00	
Adjust for Equity in Subsidiary Earnings for Year		
-EE Inc.....	(27,865,521.20)	
 Dividends Rec'd Current Year		
-EE Inc.....	25,975,000.00	
 Preferred Stock Dividends.....	-	
Common Stock Dividends.....	-	
Preferred Stock Redemption Exp. ....	-	
 Balance End of Period.....	896,340,154.95	





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

June 7, 2007

**REVISED BILATERAL LINES OF CREDIT STRUCTURE**

**WHEREAS**, the Company desires to establish or enter into a bilateral revolving line of credit facility with an external financial institution to be used for general corporate purposes; and

**WHEREAS**, discussions with financial markets representatives and financial institutions indicate that a modified structure is appropriate for the facilities including (i) reducing existing facilities at Louisville Gas and Electric Company, an affiliate ("LG&E"), to a total authorized amount of \$125 million, (ii) establishing a facility in a total authorized amount of \$35 million at the Company, and (iii) structuring the facilities for an approximate 5 year term, with individual borrowings having borrowings of less than 1 year (collectively, the "Modified Bilateral Lines of Credit"); and

**WHEREAS**, the Company desires to implement the Modified Bilateral Lines of Credit, during June 2007, which will become effective on or about the expiration of the current facilities; and

**WHEREAS**, it is deemed advisable and in the best interest of the Company to grant approval authority regarding the Modified Bilateral Lines of Credit.

**NOW, THEREFORE, BE IT RESOLVED**, that the Company is hereby authorized to establish appropriate Modified Bilateral Lines of Credit facility, in an amount not to exceed \$35 million; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions to enter into the Modified Bilateral Lines of Credit and execute and deliver loan agreements, credit agreements, notes, guarantees and such other agreements and documents, as the Chief Executive Officer, President, Chief Financial Officer, any Vice President, Treasurer and Controller of the Company, shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed to prepare, execute and deliver such applications, filings, or notices to governmental, commercial or financial entities as they may deem necessary or advisable in connection with the

Modified Bilateral Lines of Credit, including but not limited to, submissions to federal and state regulatory agencies; and

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