KU®
an e·on company

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED
MAY 30 2008
PUBLIC SERVICE COMMISSION

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

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

May 29, 2008

RE: The application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations *(Case No. 2007-00548)*

Dear Ms. Stumbo:

Pursuant to Ordering Paragraph No. 8 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.

On May 20, 2008, KU borrowed $75 million from Fidelia Corporation in accordance with the order issued February 13, 2008 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelia Corporation
Amount:	$75 million
Maturity Date:	May 22, 2023
Interest Rate:	5.85%
Price Paid:	100%
Proceeds:	$75 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	May 20 and November 20 commencing November 20, 2008

The proceeds of the loan were used to fund capital projects described in the application.

The interest rate was set using the lowest rate quoted to KU at 2.02% above the yield on the ten-year treasury bond (3.83%). 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 KU 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:

	KU Pricing	E.ON AG Pricing
Low bid above ten-year treasury	2.02%	
Ten-year treasury rate	3.83%	
All-in cost	5.85%	
Average bid above ten-year treasury		2.25%
Ten-year treasury rate		3.83%
All-in cost		6.08%

The 5.85% all-in rate for this fifteen year borrowing is favorable to that of recent ten-year issuances from other energy companies with lower credit ratings and to that of a recent thirty-year issuance from an energy company with a similar rating. (See table below along with attached support documentation).

Issuer	Moody's / S&P	Maturity	Spread	Coupon Rate
Columbus Southern Power	A3 / BBB	5/1/2018	+ 220 bps	6.05%
Tampa Electric	Baa2 / BBB-	5/15/2018	+ 225 bps	6.10%
Alabama Power Co.	A2/A	5/15/2038	+155 bps	6.125%

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

Summary Terms for Kentucky Utilities

Indicative Fixed Rate Pricing

Kentucky Utilities

Summary Terms for Underwritten US-Domestic First Mortgage Bonds

(Assumes Secured Debt Ratings of A1/A)

Fixed Rate New Issue Levels	
Maturity:	15 Years
U.S. Treasury Rate:	3.822%
Issue Price:	Par
Optionality:	MW
Reoffer Spread:	**195 bps**
Reoffer Yield:	5.772%
Gross Spread:	0.750%
Amortization of Gross Spread:	0.07%
Semiannual All-in Cost:	5.838%
Semiannual All-in Spread:	202 bps

U.S. Treasury and LIBOR rates as of May 15, 2008

KU an e·on company

New Issue Pricing Indications

Kentucky Utilities – Public Market Pricing

Indicative Pricing: First Mortgage Bonds (Senior Secured Ratings: A1 / A)

	10 Year	15 Year	20 Year	30 Year
Issue Size (MM)	$75	$75	$75	$75
Coupon Type	Fixed	Fixed	Fixed	Fixed
Reset/Payment	NA/Semi	NA/Semi	NA/Semi	NA/Semi
Call Provision	Make-Whole	Make-Whole	Make-Whole	Make-Whole
Benchmark Treasury	3.875% due 5/18	3.875% due 5/18	5.000% due 5/37	5.000% due 5/37
Benchmark Treasury Yield	3.818%	3.818%	4.545%	4.545%
Reoffer Spread	**T + 200 bps Area**	**T + 237.5 bps Area**	**T + 200 bps Area**	**T + 212.5 bps Area**
Reoffer Yield	**5.818%**	**6.193%**	**6.545%**	**6.670%**
Underwriting Fees	0.650%	0.750%	0.875%	0.875%
All-in Yield	**5.905%**	**6.271%**	**6.625%**	**6.739%**
All-in Spread	**T + 209 bps Area**	**T + 245 bps Area**	**T + 208 bps Area**	**T + 219 bps Area**
INTEREST RATE SWAP ECONOMICS				
Reoffer Spread to 3M LIBOR	L + 139 bps Area	L + 150 bps Area	L + 174 bps Area	L + 180 bps Area
All-in Spread to 3M LIBOR	**L + 148 bps Area**	**L + 158 bps Area**	**L + 182 bps Area**	**L + 187 bps Area**

Pricing indications as of May 15, 2008. Assumes a new issue settlement date of May 20, 2008, with interest accruing from May 20, 2008. All yields are quoted on a semiannual basis. Based upon FMB ratings of A1/A.

Indicative new issue pricing for $75mm Kentucky Utilities first mortgage bond offering

Kentucky Utilities fixed rate pricing - A1/A, first mortgage bonds	
Maturity	15
Reference Treasury	3.875% 05/18
Treasury Yield	3.81
Reoffer Spread (bps)	212.5 - 225
Coupon (%)	5.94 - 6.06
Amortized fees (bps)	7
All-in Cost (%)	6.01 - 6.13
Coupon swapped to 3m$L (bps)	128 - 140

Wiedmar, John

From: roland.plan@uk.abnamro.com
Sent: Thursday, May 15, 2008 8:31 AM
To: Mältzer, Michael
Cc: Wunderlich, Barbara; Heintzen, Lioba; hussain.hussain@uk.abnamro.com
Subject: Fw: USS Levels

Dear Mr Maeltzer,

I refer to your email to Hussain. Our indication for a 15 year USS 75 million private placemetn is T + 240-245 bp (vs the 10 year Treasury).

I hope this is useful.

with kind regards
Roland Plan

ABN·AMRO

Roland Plan
Executive Director
Debt Capital Markets

ABN AMRO Bank N.V., Niederlassung Deutschland
Theodor-Heuss-Allee 80, D-60486 Frankfurt

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Fax : +49 (69) 2690 [illegible]
Mobile : +49 175 [illegible]
Email : roland.plan@uk.abnamro.com

Wiedmar, John

From: Janssen, Alexander [Alexander Janssen@dkib.com]
Sent: Wednesday, May 14, 2008 8:18 AM
To: Mältzer, Michael
Cc: Hug, Christopher; Sonst, Oliver
Subject: Indiaktion:E.ON

Sehr geehrter Herr Maeltzer,

Wie versprochen finden Sie unten die Indiaktion Sollten Sie Fragen haben stehen Herr Sonst und ich Ihnen selbstverständlich gerne zur Verfügung

Mit freundlichen Grüßen

Alexander Janssen

Alexander Janssen
Vice President
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Strategic Structured Solutions

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-----Original Message-----
From: Khimasia, Tarang
Sent: 14 May 2008 13:39
To: Janssen, Alexander; Carter, Hugh; Hollingsworth, Cormac
Cc: Gipp, Martin; Mohn, Tim; Sonst, Oliver; Hug, Christopher
Subject: RE: E.ON

10y - T +185
30y - T +152

I think the curve from 10-15yrs on a Z spread basis is around 10 bps

So based on that I would say

For a 15yr the level is: T 3.875 2018 plus 220-225bps

Wiedmar, John

To: Triebel, Tobias
Subject: RE: Spread E.on PP

From: Triebel, Tobias [mailto:Tobias.Triebel@gs.com]
Sent: Wednesday, May 14, 2008 7:25 AM
To: Mältzer, Michael
Cc: Heintzen, Lioba; Wunderlich, Barbara; Hofmann, Jens
Subject: RE: Spread E.on PP

Sehr geehrter Herr Mältzer,

Ein 15-Jähriges USD75m PP würden wir derzeit bei ca. UST + 215bps all-in sehen (Rendite von 6.09%). Reference Treasury ist der 3.875% 05/18 Benchmark

Mit freundlichen Grüßen
Tobias Triebel

-----Original Message-----
From: Mältzer, Michael [mailto:Michael.Maeltzer@eon.com]
Sent: 14 May 2008 11:00
To: Schrago, Godefroy
Cc: Hofmann, Jens; Triebel, Tobias; Heintzen, Lioba; Wunderlich, Barbara
Subject: AW: Spread E.on PP

Dear Godefroy,

We need an indication again. We are looking for the all in spread over Treasuries that E.ON has to pay for a 15 year PP of USD 75m. It would be helpful if you mention the reference treasury. Many thanks in advance

Freundliche Gruesse/Kind regards
Michael Maeltzer

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GRAB

M-Mkt **PX1**

< PAGE FWD> f.umsatzschwache Bills, Notes, und Bonds.

13:07 AKTUELL./b.ERSCHEINEN

Bloomberg

TREASURY BILLS

1) 1Mo	6/12/08	↑	1.81/80	1.83	--
2) 3Mo	8/14/08	↑	1.80/79	1.83	--
3) WIB	8/21/08	↑	1.83/82	1.85	+.01
4) 6Mo	11/13/08	↑	1.84/83	1.87	+.01
5) WIB	11/20/08	↑	1.85/84	1.89	+.01

NOTES/ANLEIHEN

6) 2	2/10	↑	99-06+/08+	2.42	- 01+
7) $1\frac{3}{4}$	3/10	↑	98-23 /25	2.42	- 01
8) $2\frac{1}{8}$	4/10 2yr	↑	99-11+/12	2.46	- 02
9) $2\frac{3}{4}$	2/13	↓	98-12 /14	3.10	- 04
10) $2\frac{1}{2}$	3/13	↑	97-06 /08	3.11	- 03+
11) $3\frac{1}{8}$	4/13 5yr	↓	100-01+/02	3.11	- 04
12) $4\frac{1}{4}$	11/17	↑	103-07+/09+	3.83	- 03+
13) $3\frac{1}{2}$	2/18	↑	97-09 /11	3.83	- 03
14) $3\frac{7}{8}$	5/18 10yr	↑	100-11+/12+	3.83	- 03+
15) $4\frac{3}{4}$	2/37	↓	102-31 /01	4.56	- 06
16) 5	5/37	↓	107-02+/04+	4.55	- 06+
17) $4\frac{3}{8}$	2/38 30yr	↓	96-30 /31	4.56	- 05+
18) TII	5 YR	↓	105-11+/13+	.59	- 06+
19) TII	10 YR	↑	102-08 /10	1.37	- 05
20) TII	20 YR	↓	96-13 /15	1.97	- 07+

SONSTIGE MÄRKTE

21) US Long(CBT)	12:57	↑	116-18+	+ 05
22) 10Y Fut(CBT)	12:57	↓	115-09+	+ 00+
23) EURO$ (IMM)	12:56	↑	97.240	--
24) S&P 500 Ind	yd		1423.57	--
25) NASDAQ Comp	yd		2533.73	--
26) DowJones Ind	yd		12992.66	--
27) Gold (CMX)	13:07	↑	886.95	+5.30
28) NYM WTI Crd	12:37	↓	125.50	+1.38

U.S. Debt Capital Markets update
Utility & Pipeline sectors
For distribution to issuer clients only

New York
Week ending
May 16, 2008

Peter Madonia, MD (212) 834-3808
Anisha Mehra, ED (212) 834-4918
Heather Towner, ED (212) 834-4871
Steve Leamer, Assoc (212) 834-4084
Stephanie Wai, Analyst (212) 834-3117
Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

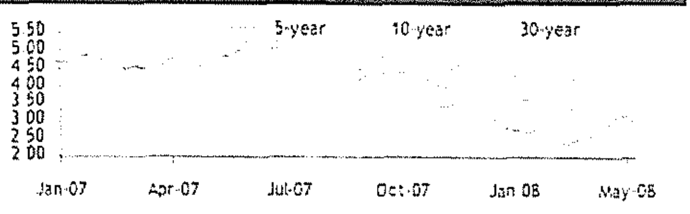
- Latest economic data point towards an upward revision of 1Q'08 GDP growth to 0 9% (vs 0 6% initially reported) and JPMorgan's forecast for 2Q GDP growth has been revised up to 0 5% vs. 0%
  - The tracking estimate of real final sales in 1Q is being raised to 0 6% from -0 2% in the advance GDP report, given the strength of recent data
  - Real final sales look set to reach a 1 4% pace in 2Q, helped by support for spending from tax rebate checks and by another large contribution to growth from net exports
  - April housing data surprised significantly on the upside, but JPMorgan believes that the figures are an anomaly
- The revisions have no impact on JPMorgan's Fed call, with the Fed expected to remain on hold into 2009
- Although core CPI rose only 0 1% m/m in April, and has surprised on the low side for three consecutive months, soaring energy and import prices still pose a continued threat to rising inflation
  - Non-fuel import prices increased 1 0% in April and have accelerated to a 10.4% annual rate over the past three months
  - Oil prices have steadied at around $125 but are likely to be impacted by China demand after the earthquake

JPMorgan interest rate forecast (%)

	16-May-08	2Q'08	3Q'08	4Q'08	1Q'09
Fed funds rate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3m LIBOR	3.01%	2.70%	2.65%	2.70%	2.75%
2yr UST	2.45%	2.10%	2.15%	2.20%	3.30%
5yr UST	3.11%	2.95%	3.00%	3.05%	3.15%
10yr UST	3.85%	4.00%	4.05%	4.10%	4.15%
30yr UST	4.58%	4.70%	4.85%	4.95%	4.95%
2s/10s curve	140 bps	190 bps	190 bps	190 bps	185 bps
10s/30s curve	73 bps	70 bps	80 bps	85 bps	80 bps

JPMorgan forecast as of 5/16/08; forecasts are for quarter-end

Historical treasury rates (%)



Source: Bloomberg

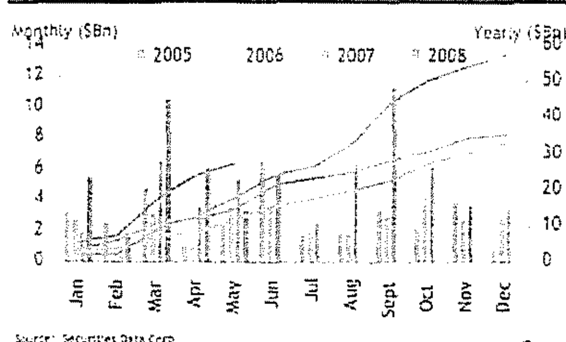
Investment grade primary and secondary market update

- Despite recent heavy new issue supply, IG secondary cash spreads have moved tighter
  - Historically, there has been little correlation between changes in supply trends and changes in spreads
- However, with a soft economic outlook, and an expected increase in financial supply, it may prove difficult for credit spreads to tighten in the immediate term
- The positive momentum in new issue supply has continued, with almost $82 billion already priced for the month of May
  - During the past five weeks, supply has been at historic levels—averaging a record $35bn/week. The previous record was set in April 2007, when average weekly new issuance was $25Bn/week
  - Issuance continues to be largely driven by longer-dated fixed rate paper as investors' bid for duration remains strong, although the short-dated floating rate new issue market has recently seen increased new issuance volumes
- Several utility and pipeline sector issuers entered the market last week:
  - **NiSource Finance Corp (Baa3/BBB-)** announced a $700mm offering of 5 and 10-year notes with JPMorgan as bookrunner
    - The offering included a $200mm reopening of existing notes due 2013 and $500mm new 10-year notes
    - The orderbook was significantly oversubscribed with several high quality investors placing large orders
    - Investors placed value in the enhanced liquidity created by reopening the existing 2013 notes, and NI was able to price the 5-years flat to secondaries
    - The company ultimately priced the 5-yr at T+292bps and the 10-yr at T+297bps, both at the tight end of guidance
  - **Centerpoint Energy Resources (Baa3/BBB)** priced $300mm 10-years at T + 235 bps The offering priced at the tight end of the T + 237 5 bps area guidance Earlier in May, the holding company, **Centerpoint Energy Inc**, priced $300mm 10-years at T+282bps
  - **Entergy Gulf States Louisiana (Baa3/BBB+)** priced $375mm 10-year first mortgage bonds at T + 230 bps. This is the first offering from the new entity created by the separation of Entergy Gulf States into Entergy Texas and Entergy Gulf States Louisiana
  - **Columbus Southern Power (A3/BBB)** priced $350mm of 10-year senior unsecured notes at T+220bps, the tight end of guidance
  - **Tampa Electric (Baa2/BBB-)** priced $150mm 10-year notes at T+225bps

Recent utility and pipeline new issues

Issue Date	Issuer	Ratings	Coupon	Size ($mm)	Maturity	Issue Spread (bps)
04/14/08	Virginia Electric Power	Baa1/A-	5.400 %	600.0	04/15/18	+195
04/15/08	Plains All American	Baa3/BBB-	6.500 %	600.0	05/01/18	+275
04/23/08	Great River Energy	A3/BBB	7.233 %	400.0	07/01/38	275
05/01/08	Centerpoint Energy Inc	Ba1/BBB-	6.500 %	300.0	05/01/18	+282
05/08/08	Alabama Power Co	A2/A	6.125 %	300	05/15/38	+155
05/08/08	Public Service New Mexico	Baa3/BB+	7.950 %	350	05/15/18	+410.5
05/09/08	PNM Resources	Ba2/BB-	9.250 %	350	05/15/15	588
05/12/08	Centerpoint Energy Resources	Baa3/BBB-	6.000 %	300	05/15/18	+235
05/12/08	Entergy Gulf States Louisiana	Baa3/BBB+	6.000 %	375	05/01/18	+230
05/13/08	Columbus Southern Power	A3/BBB	6.050 %	350	05/01/18	+220
05/13/08	Tampa Electric	Baa2/BBB	6.100 %	150	05/15/18	+225
05/13/08	Empire District Electric	Baa1/BBB-	6.375 %	90	06/01/18	+248
05/15/08	NiSource Finance Corp	Baa3/BBB	6.150 %	200	03/01/13	+292
05/15/08	NiSource Finance Corp	Baa3/BBB	6.800 %	500	01/15/19	+297

Utility and Pipeline new issue supply ($Bn)



Source: Securities Data Corp

JPMorgan