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July 29, 2008

Stephanie L. Stumbo
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, KY 40602

Re: Kentucky Utilities Company - 2008-00309

Dear Ms. Stumbo:

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. We are also simultaneously filing a Motion for Deviation from Rules and for Incorporation by Reference. An extra copy of the Application and the Motion are enclosed to be file stamped and returned to the undersigned.

Please note that the Application requests authority with respect to an allocation under the Kentucky state cap for private activity bonds. This will allow portions of the cost of Kentucky Utilities' pollution control project to be financed on a tax-exempt basis, resulting in lower costs. However, this allocation will expire on October 21, 2008. Accordingly, in order to preserve the availability of this lower cost financing, we respectfully request that the Commission process this Application as expeditiously as possible and issue its Order in this matter by September 25, 2008.

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

Very truly yours,

J. Wade Hendricks

J. Wade Hendricks

JWH/dvg
Enclosure

cc: Dennis Howard, II
Daniel Arbough
Rick Lovekamp
John Fendig, Esq.
Allyson K. Sturgeon, Esq.
Elliott Horne
Don Harris
Robert J. Joseph, Esq.

993042.873042/534918.1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

THE APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES AND THE ASSUMPTION OF OBLIGATIONS	)))))	**CASE NO. 2008-**00309

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. 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 April 30, 2008, provides retail electric service to approximately 505,000 customers in seventy-seven counties in Kentucky, approximately 30,000 customers in five counties in southwest Virginia, and to 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: The 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 the proposed permanent financing for a portion of the capital costs of pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky. These facilities are described in the previously filed construction contract (the "Construction Contract") which, by Motion filed concurrently herewith, KU is requesting be incorporated by reference herein and in 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*). The Commission granted KU a Certificate of Public Convenience and Necessity for the facilities for which financing is sought by Order dated June 20, 2005, in Case No. 2004-00426.[1]

3. On July 23, 2008 the Kentucky Private Activity Bond Allocation Committee awarded KU an allocation of $18,026,265 of the state cap for private activity bonds. This will allow a portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs.[2] A comparison of taxable versus tax-exempt financing, as of the date of this Application, is attached as Exhibit 2.

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[1] By Order dated December 22, 2006 in Case No. 2006-00493 (*In the Matter of: The 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*), the Commission modified the Order in Case No. 2004-00426, to permit construction of three Flue Gas Desulfurization Systems to serve Ghent Generating Units 1, 3 and 4, rather than Generating Units 2, 3 and 4 as originally approved. In addition, the Commission modified a prior certificate awarded in Case No. 1992-00005, to permit use of the existing Ghent Unit 1 FGD to serve Ghent Generating Unit 2.

[2] The Commission has previously approved similar tax-exempt financings in regards to eligible portions of the capital costs of pollution control facilities at the Company's Ghent Generating Station. See Case No. 2007-00155 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of April 30, 2007, Case No. 2006-00414 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of November 20, 2006, Case No. 2006-00187 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 16, 2006, Case No. 2005-00183 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of June 20, 2005 and Case No. 2005-00357 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 14, 2005.

KU's allocation will expire on October 21, 2008. In order to preserve the availability of this lower cost financing, KU requests that the Commission process this Application as expeditiously as possible, and issue its Order by September 25, 2008.

4. The Company requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed $18,026,265 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds, to be appropriately designated (the "Pollution Control Bonds"). The Company currently does not anticipate issuing its First Mortgage Bonds to secure the Pollution Control Bonds.[3] The proceeds of the Pollution Control Bonds would be loaned to KU by Carroll County to provide permanent financing for a portion of the pollution control facilities at the Ghent Generating Station.

5. In connection with the Pollution Control Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Kentucky, and may enter into one or more guaranty agreements, and other similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of Pollution Control Bonds for the benefit of the holders of such bonds.

6. Carroll County has the power, pursuant to the provisions of the Industrial Building Revenue Bond Act, Sections 103.200 to 103.285 inclusive, of the Kentucky Revised Statutes, to enter into the transactions contemplated by the Loan Agreement (as hereinafter defined) and to carry out its obligations thereunder by issuing and selling negotiable Pollution Control Bonds and lending the proceeds from the sale of such Pollution Control Bonds to KU to

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[3] In Case No. 2006-00390 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*) the Commission approved the last actions necessary for KU to complete a financial restructure of its debt in order to terminate the lien of its Indenture, and to cease issuing debt secured by a lien on its properties. As a result, KU no longer issues First Mortgage Bonds to secure its pollution control debt. Case No. 2006-390, Orders of January 22, 2007 and February 6, 2007.

finance the acquisition, construction and installation of certain pollution control facilities, being within the corporate limits of Carroll County.

7. The structure and documentation for the issuance of the Pollution Control Bonds and related agreements will be similar to that in other recent pollution control financings of KU approved by the Commission, except that First Mortgage Bonds will not be used to collaterize the Pollution Control Bonds.

8. The Pollution Control Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between Carroll County and the Trustee under such Indenture(s). The proceeds from the sale of the Pollution Control Bonds would be loaned to KU pursuant to one or more loan agreements between Carroll County and KU (collectively, the "Loan Agreements").

9. The payments to be made by KU under the Loan Agreements for one or more series of Pollution Control Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Pollution Control Bonds. The Loan Agreement(s) and the payments to be made by KU pursuant thereto will be assigned to the Trustee(s) to secure the payment of the principal and interest on the related Pollution Control Bonds. Upon issuance of a series of Pollution Control Bonds, KU may issue one or more guarantees (collectively, the "Guarantees"), in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Pollution Control Bonds for the benefit of the holders of such Pollution Control Bonds.

10. The Pollution Control Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Pollution Control Bonds (including, in the event all or a portion of the Pollution Control Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU and Carroll

County, and the purchasers of such bonds. The variable rate of interest may reset within a range of 1 day or 5 years. The amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Pollution Control Bonds of the series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately $300,000, regardless of whether the new Pollution Control Bonds were issued alone or issued in conjunction with the additional series of Bonds as described in paragraphs 17 and 18 below.

11. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by KU. KU would reserve the option to convert any variable rate Pollution Control Bonds at a later date to other interest rate modes, including a fixed rate of interest. Pollution Control Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control Bonds, KU would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution Control Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Bonds. Thus, to the extent Variable Rate Pollution Control Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate, except that based on market developments, KU does not anticipate that auction mode bonds would be issued. In addition, it is more likely that a Facility, as defined and discussed below, would be an instrument other than bond insurance.

12. Also, in the event that Variable Rate Pollution Control Bonds are issued, KU may enter into one or more liquidity facilities (the "Initial Facility") with a bank or banks to be selected by KU (the "Bank"). The Initial Facility would be a credit agreement designed to provide KU the ability to borrow funds with which to make payments with respect to any Variable Rate Pollution Control Bonds that have been tendered for purchase and are not remarketed. KU would be obligated to repay any amounts borrowed under the Initial Facility. The Initial Facility may be pledged for the payment of the Variable Rate Pollution Control Bonds or to constitute security thereof. The Initial Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Initial Facility, KU may be required to execute and deliver to the Bank a note (the "Initial Facility Note") evidencing KU's obligation to repay any borrowings owed to the Bank under the Initial Facility.

13. In order to obtain terms and conditions more favorable to KU than those provided in the Initial Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Bonds, KU may desire to be able to replace the Initial Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instruments providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, are hereinafter referred to as a "Substitute Facility") (Initial Facility and Substitute Facility are sometimes referred to herein as "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Substitute Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Pollution Control Bonds. In the event the Variable Rate Pollution Control Bonds

are converted to bear interest at a fixed rate to maturity, the Initial Facility (if not already replaced or terminated) or, if applicable, the Substitute Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Pollution Control Bonds. The estimated cost of the financings shown in paragraph 10 does not include expenses incurred for entering into any Substitute Facility; however, the impact on the overall cost of the financing would be approximately 100 basis points (1 percent).

14. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would document the obligation of KU to reimburse or repay the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Pollution Control Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise. The cost of such a Facility is included in Exhibit 2.

15. In connection with the issuance of the Pollution Control Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow

KU to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Pollution Control Bonds. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, there is no cost for a 3-year hedge, which indicates that the market expects short-term rates to remain flat.

16. The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be the most favorable terms that can be negotiated by KU.

17. In addition to the new financing for which KU is seeking authorization, KU has existing authority under the Commission's Order of June 17, 2008 in Case No. 2008-00132 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligation)* to refund up to eight series of outstanding pollution control debt in response to various market conditions which have negatively impacted auction mode debt, including certain series of the Company's debt. In Case No. 2008-00132, KU represented that it would seek to consolidate refunding transactions in order to minimize legal and other issuance costs.

18. KU has identified four series of debt that it has existing authority to refund under the Commission's Order in Case No. 2008-00132: Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series A, Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series B, Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series A, and Carroll County, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series C, that it may refund and consolidate with the new Pollution Control Bonds for

which it is requesting authority herein. If KU does refund and consolidate these existing series of debt, then with respect to such debt, the new issuance will comply with all conditions of the Commission's Order in Case No. 2008-00132. The total principal amount of any new series of pollution control bonds that may be issued would thus include both the total aggregate principal amount of the new debt for which authority is sought herein ($18,026,265) plus the aggregate principal amount of any debt that may be refunded pursuant to authority granted in Case No. 2008-00132, and that may be combined with the new debt.

19. No contracts have been made for the disposition of any of the obligations which KU proposes to undertake, or for the proceeds of such transactions.

20. A redacted copy of the construction contract for the pollution control facilities at KU's Ghent Generating Station (the "Ghent Contract") was previously filed with the Commission in Case No. 2006-00187 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and in Assumption of Obligations*). By Motion filed concurrently herewith, KU is requesting that the Ghent Contract be incorporated by reference herein.

21. Exhibit 3 to this Application contains copies of the Carroll County Fiscal Court Resolutions authorizing issuance of the Carroll County Environmental Facilities Revenue Bonds, as well as a copy of the Memorandum of Agreement between Carroll County and KU.

22. KU shall, as soon as reasonably practicable after the issuance of the new Pollution Control Bonds referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and if applicable their method of determination), and all fees and expenses including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

23. Exhibit 4 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).

24. A certified copy of KU's Board of Directors' resolutions authorizing the proposed Pollution Control Bond transactions in connection with the Company's Ghent Generating Station pollution control project will be filed as a Supplement to this Application as soon as it is available.

25. 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 notes, etc. and (1)(c) regarding the use to be made of the proceeds, have been supplied in the extensive discussion above in paragraphs 2 through 16 of this Application.

26. In order to take advantage of the opportunity to finance portions of its pollution control project with tax-exempt debt, the Company plans for the securities to be issued as quickly as possible. Pursuant to regulation 200 KAR 15:010, the new Pollution Control Bonds must be issued within ninety (90) days of the date that the Kentucky Private Activity Bond Allocation Committee made its allocation to KU, in other words, prior to October 21, 2008. After the Commission has issued its Order in this case, various actions such as newspaper publications, public hearings and final action by the Carroll County Fiscal Court, as well as arrangements with underwriters and marketing activities must take place before the Pollution Control Bonds can be issued. Therefore, the Company respectfully requests that the Commission process this Application as expeditiously as possible both to afford the Company maximum flexibility in connection with this financing and to ensure that this opportunity to secure scarce Private Activity Bond Allocation of the state cap is not lost, and further requests that the Commission issue its Order by September 25, 2008.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission enter its Order, authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreements and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Application. Kentucky Utilities Company further requests that the Order of the Commission specifically include provisions stating:

1. KU is authorized to execute, deliver and perform its obligations under the Loan Agreements with Carroll County, Kentucky and under any guarantees, remarketing agreements, hedging agreements, bond insurance agreements, credit agreements and such other agreements and documents as set forth in its application, and to perform the transactions contemplated by all such agreements.

2. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

3. KU shall agree only to such terms and prices that are consistent with the parameters set out in its application.

4. KU shall, within thirty (30) days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof. In addition, KU shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of issuance. The explanation shall include a description of the specific interest rate management techniques and interest rate management agreements used by KU for each issuance, as well as copies of any executed interest rate management agreements. If a variable rate is chosen, KU shall file a

detailed description of the criteria to be periodically applied in determining whether the variable rate should be converted to a fixed rate.

5. In addition, to the extent that the issuance involves consolidation with any debt obligations that KU has authority to refund pursuant to authority granted in Case No. 2008-00132, then with respect to such obligations, KU shall comply with all requirements, including reporting requirements set out in the Commission's Order in Case No. 2008-00132.

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

Allyson K. Sturgeon
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202
(502) 627-2088

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 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

DANIEL K. ARBOUGH

Subscribed and sworn before me this 28th day of July, 2008.

My Commission Expires: August 31, 2011

Rhonda J. Anderson

NOTARY PUBLIC, STATE AT LARGE

993042.873042/534323.1

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item 1 (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY AND THE COST THEREOF TO APPLICANT

April 30, 2008

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2007, the applicant owned and operated four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,863 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 111 substations with a total capacity of approximately 17,223 MVA and approximately 4,030 miles of lines. The electric distribution system included 481 substations with a total capacity of approximately 6,653 MVA, 14,082 miles of overhead lines, and 2,046 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 April 30, 2008, was:

		Utility Plant
Original Cost		
Intangible Plant	$	25,664,252
Production Plant		2,188,712,550
Transmission Plant		521,778,335
Distribution Plant		1,081,564,173
General Plant		80,505,830
Transportation Plant		18,955,798
Construction Work in Progress		1,234,053,513
Total Plant at Original Cost	$	5,151,234,451
Less Reserve for Depreciation		1,972,362,645
Net Original Cost	$	3,178,871,806

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item 1 (a))

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Kentucky Utilities $18.0MM
Comparison: Tax Exempt Fixed vs. Taxable Fixed at Fidelia
Impact on Cash Flow

	TAX EXEMPT POLLUTION CONTROL BONDS							PROPOSED FINANCING — Comparison: Tax Exempt Fixed vs. Taxable Fixed at Fidelia							PRESENT VALUE ANALYSIS		
Date	Principal Outstanding	Interest @ 6.188%	Debt Expense Amortization	Issue Expenses	Taxes	Total Cash Outlay	Present Value	Interest @ 6.490%	Debt Expense Amortization (1)	Call Premium	Issue Expenses[3]	Taxes (2)	Total Cash Outlay	Present Value	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Oct-08	$ 18,026,265			$380,631		$380,631	380,631			$0	$0		$0		$380,631	1.0000	$380,631
01-Apr-09	18,026,265	557,688	6,344		(227,657)	330,030	323,823	584,952				(236,101)	348,851	342,290	(18,821)	0.9812	(18,467)
01-Oct-09	18,026,265	557,688	6,344		(227,657)	330,030	317,733	584,952				(236,101)	348,851	335,852	(18,821)	0.9627	(18,119)
01-Apr-10	18,026,265	557,688	6,344		(227,657)	330,030	311,757	584,952				(236,101)	348,851	329,535	(18,821)	0.9446	(17,778)
01-Oct-10	18,026,265	557,688	6,344		(227,657)	330,030	305,893	584,952				(236,101)	348,851	323,337	(18,821)	0.9269	(17,444)
01-Apr-11	18,026,265	557,688	6,344		(227,657)	330,030	300,140	584,952				(236,101)	348,851	317,256	(18,821)	0.9094	(17,116)
01-Oct-11	18,026,265	557,688	6,344		(227,657)	330,030	294,495	584,952				(236,101)	348,851	311,289	(18,821)	0.8923	(16,794)
01-Apr-12	18,026,265	557,688	6,344		(227,657)	330,030	288,956	584,952				(236,101)	348,851	305,434	(18,821)	0.8755	(16,478)
01-Oct-12	18,026,265	557,688	6,344		(227,657)	330,030	283,521	584,952				(236,101)	348,851	299,689	(18,821)	0.8591	(16,168)
01-Apr-13	18,026,265	557,688	6,344		(227,657)	330,030	278,189	584,952				(236,101)	348,851	294,053	(18,821)	0.8429	(15,864)
01-Oct-13	18,026,265	557,688	6,344		(227,657)	330,030	272,956	584,952				(236,101)	348,851	288,522	(18,821)	0.8271	(15,566)
01-Apr-14	18,026,265	557,688	6,344		(227,657)	330,030	267,823	584,952				(236,101)	348,851	283,096	(18,821)	0.8115	(15,273)
01-Oct-14	18,026,265	557,688	6,344		(227,657)	330,030	262,785	584,952				(236,101)	348,851	277,771	(18,821)	0.7962	(14,986)
01-Apr-15	18,026,265	557,688	6,344		(227,657)	330,030	257,843	584,952				(236,101)	348,851	272,547	(18,821)	0.7813	(14,704)
01-Oct-15	18,026,265	557,688	6,344		(227,657)	330,030	252,993	584,952				(236,101)	348,851	267,421	(18,821)	0.7666	(14,427)
01-Apr-16	18,026,265	557,688	6,344		(227,657)	330,030	248,235	584,952				(236,101)	348,851	262,391	(18,821)	0.7522	(14,156)
01-Oct-16	18,026,265	557,688	6,344		(227,657)	330,030	243,566	584,952				(236,101)	348,851	257,456	(18,821)	0.7380	(13,890)
01-Apr-17	18,026,265	557,688	6,344		(227,657)	330,030	238,985	584,952				(236,101)	348,851	252,614	(18,821)	0.7241	(13,629)
01-Oct-17	18,026,265	557,688	6,344		(227,657)	330,030	234,490	584,952				(236,101)	348,851	247,863	(18,821)	0.7105	(13,372)
01-Apr-18	18,026,265	557,688	6,344		(227,657)	330,030	230,080	584,952				(236,101)	348,851	243,201	(18,821)	0.6971	(13,121)
01-Oct-18	18,026,265	557,688	6,344		(227,657)	330,030	225,753	584,952				(236,101)	348,851	238,627	(18,821)	0.6840	(12,874)
01-Apr-19	18,026,265	557,688	6,344		(227,657)	330,030	221,507	584,952				(236,101)	348,851	234,138	(18,821)	0.6712	(12,632)
01-Oct-19	18,026,265	557,688	6,344		(227,657)	330,030	217,341	584,952				(236,101)	348,851	229,735	(18,821)	0.6585	(12,394)
01-Apr-20	18,026,265	557,688	6,344		(227,657)	330,030	213,253	584,952				(236,101)	348,851	225,414	(18,821)	0.6462	(12,161)
01-Oct-20	18,026,265	557,688	6,344		(227,657)	330,030	209,242	584,952				(236,101)	348,851	221,174	(18,821)	0.6340	(11,932)
01-Apr-21	18,026,265	557,688	6,344		(227,657)	330,030	205,306	584,952				(236,101)	348,851	217,014	(18,821)	0.6221	(11,708)
01-Oct-21	18,026,265	557,688	6,344		(227,657)	330,030	201,445	584,952				(236,101)	348,851	212,933	(18,821)	0.6104	(11,488)
01-Apr-22	18,026,265	557,688	6,344		(227,657)	330,030	197,656	584,952				(236,101)	348,851	208,928	(18,821)	0.5989	(11,272)
01-Oct-22	18,026,265	557,688	6,344		(227,657)	330,030	193,939	584,952				(236,101)	348,851	204,998	(18,821)	0.5876	(11,060)
01-Apr-23	18,026,265	557,688	6,344		(227,657)	330,030	190,291	584,952				(236,101)	348,851	201,143	(18,821)	0.5766	(10,852)
01-Oct-23	18,026,265	557,688	6,344		(227,657)	330,030	186,712	584,952				(236,101)	348,851	197,360	(18,821)	0.5657	(10,648)
01-Apr-24	18,026,265	557,688	6,344		(227,657)	330,030	183,200	584,952				(236,101)	348,851	193,648	(18,821)	0.5551	(10,447)
01-Oct-24	18,026,265	557,688	6,344		(227,657)	330,030	179,755	584,952				(236,101)	348,851	190,005	(18,821)	0.5447	(10,251)
01-Apr-25	18,026,265	557,688	6,344		(227,657)	330,030	176,374	584,952				(236,101)	348,851	186,432	(18,821)	0.5344	(10,058)
01-Oct-25	18,026,265	557,688	6,344		(227,657)	330,030	173,057	584,952				(236,101)	348,851	182,925	(18,821)	0.5244	(9,869)
01-Apr-26	18,026,265	557,688	6,344		(227,657)	330,030	169,802	584,952				(236,101)	348,851	179,485	(18,821)	0.5145	(9,683)
01-Oct-26	18,026,265	557,688	6,344		(227,657)	330,030	166,608	584,952				(236,101)	348,851	176,109	(18,821)	0.5048	(9,501)
01-Apr-27	18,026,265	557,688	6,344		(227,657)	330,030	163,474	584,952				(236,101)	348,851	172,797	(18,821)	0.4953	(9,322)
01-Oct-27	18,026,265	557,688	6,344		(227,657)	330,030	160,400	584,952				(236,101)	348,851	169,547	(18,821)	0.4860	(9,147)
01-Apr-28	18,026,265	557,688	6,344		(227,657)	330,030	157,383	584,952				(236,101)	348,851	166,358	(18,821)	0.4769	(8,975)
01-Oct-28	18,026,265	557,688	6,344		(227,657)	330,030	154,423	584,952				(236,101)	348,851	163,229	(18,821)	0.4679	(8,806)
01-Apr-29	18,026,265	557,688	6,344		(227,657)	330,030	151,518	584,952				(236,101)	348,851	160,159	(18,821)	0.4591	(8,641)
01-Oct-29	18,026,265	557,688	6,344		(227,657)	330,030	148,669	584,952				(236,101)	348,851	157,147	(18,821)	0.4505	(8,478)
01-Apr-30	18,026,265	557,688	6,344		(227,657)	330,030	145,873	584,952				(236,101)	348,851	154,191	(18,821)	0.4420	(8,319)
01-Oct-30	18,026,265	557,688	6,344		(227,657)	330,030	143,129	584,952				(236,101)	348,851	151,291	(18,821)	0.4337	(8,162)
01-Apr-31	18,026,265	557,688	6,344		(227,657)	330,030	140,437	584,952				(236,101)	348,851	148,446	(18,821)	0.4255	(8,009)
01-Oct-31	18,026,265	557,688	6,344		(227,657)	330,030	137,796	584,952				(236,101)	348,851	145,654	(18,821)	0.4175	(7,858)
01-Apr-32	18,026,265	557,688	6,344		(227,657)	330,030	135,204	584,952				(236,101)	348,851	142,914	(18,821)	0.4097	(7,710)
01-Oct-32	18,026,265	557,688	6,344		(227,657)	330,030	132,661	584,952				(236,101)	348,851	140,226	(18,821)	0.4020	(7,565)
01-Apr-33	18,026,265	557,688	6,344		(227,657)	330,030	130,166	584,952				(236,101)	348,851	137,589	(18,821)	0.3944	(7,423)
01-Oct-33	18,026,265	557,688	6,344		(227,657)	330,030	127,718	584,952				(236,101)	348,851	135,001	(18,821)	0.3870	(7,283)
01-Apr-34	18,026,265	557,688	6,344		(227,657)	330,030	125,316	584,952				(236,101)	348,851	132,462	(18,821)	0.3797	(7,146)
01-Oct-34	18,026,265	557,688	6,344		(227,657)	330,030	122,959	584,952				(236,101)	348,851	129,971	(18,821)	0.3726	(7,012)
01-Apr-35	18,026,265	557,688	6,344		(227,657)	330,030	120,646	584,952				(236,101)	348,851	127,526	(18,821)	0.3656	(6,880)
01-Oct-35	18,026,265	557,688	6,344		(227,657)	330,030	118,377	584,952				(236,101)	348,851	125,128	(18,821)	0.3587	(6,751)
01-Apr-36	18,026,265	557,688	6,344		(227,657)	330,030	116,150	584,952				(236,101)	348,851	122,774	(18,821)	0.3519	(6,624)
01-Oct-36	18,026,265	557,688	6,344		(227,657)	330,030	113,966	584,952				(236,101)	348,851	120,465	(18,821)	0.3453	(6,499)
01-Apr-37	18,026,265	557,688	6,344		(227,657)	330,030	111,822	584,952				(236,101)	348,851	118,199	(18,821)	0.3388	(6,377)
01-Oct-37	18,026,265	557,688	6,344		(227,657)	330,030	109,719	584,952				(236,101)	348,851	115,976	(18,821)	0.3325	(6,257)
01-Apr-38	18,026,265	557,688	6,344		(227,657)	330,030	107,656	584,952				(236,101)	348,851	113,795	(18,821)	0.3262	(6,139)
01-Oct-38	18,026,265	557,688	6,344		(227,657)	330,030	105,631	584,952				(236,101)	348,851	111,655	(18,821)	0.3201	(6,024)
	TOTAL	$33,461,254	$380,631	$380,631	($13,659,431)	$20,182,455		$35,097,138	$0	$0	$0	($14,166,082)	$20,931,056		($748,601)		($286,957)
	NPV						12,087,225							12,374,181			

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.
(3) Issuance expense for Fidelia loans are relatively immaterial. (Less than $50,000)

Assumptions

Kentucky Utilities $18.0MM
Comparison: Tax Exempt Fixed vs. Taxable Fixed at Fidelia
Assumptions

Tax Exempt Bond				
	6.188%	$	18,026,265	Matures October 1, 2038
Unamortized Debt Expense				
			$380,631	At October 1, 2008
Remaining amortization period				
From October 1, 2008 to Matu			360.0	months
Assuming a 30 Year Extensio			*360.0*	*months*
Redemption (Call) Price			0%	
Amount of Premium			$0	

Synthetic Fixed Interest Rate Calculation	
Low AMT Rate	6.13%
High AMT Rate	6.25%
Interest Rate	6.19%

Taxable Fidelia Loan					
		6.490%	$	18,026,265	Matures October 1, 2038
Bond Issue Costs				2.11%	
Underwriting		0.50%			
Bond Counsel	$	80,000.00		0.44%	
Company Counse	$	70,000.00		0.39%	
Underwriters Cou	$	44,000.00		0.24%	
Insurance	$	-		0.00%	
Ratings	$	40,000.00		0.22%	
Printing	$	8,000.00		0.04%	
Trustee Counsel	$	2,500.00		0.01%	
Accountants	$	40,000.00		0.22%	
Trustee	$	6,000.00		0.03%	
FMB Trustee	$	-		0.00%	
AMT				0.00%	
Issuance costs				1.61%	

Insurance Premium Calculation	
Par	0
RBI Coupon	4.65%
Annual	0
30 Years	0
Total Debt Serv.	0
Premium Rate	0.59%
Premium	0

Remarketing Expense 18,026
(O&M Expense)

MISCELLANEOUS

Tax rate	40.363%	0
Discount rate	3.87%	

KENTUCKY UTILITIES
Debt Analysis

Kentucky Utilities $18.0MM
Comparison: Tax Exempt Floating vs. Taxable Floating (Intercompany)
Impact on Cash Flow

								PROPOSED FINANCING							PRESENT VALUE ANALYSIS		
	TAX EXEMPT POLLUTION CONTROL BONDS							Comparison: Tax Exempt Floating vs. Taxable Floating (Intercompany)									
Date	Principal Outstanding	Interest @ 3.740%	Debt Expense Amortization	Issue Expenses	Taxes	Total Cash Outlay	Present Value	Interest @ 3.990%	Debt Expense Amortization (1)	Call Premium	Issue Expenses[3]	Taxes (2)	Total Cash Outlay	Present Value	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Oct-08	$ 18,026,265			$353,592		$353,592				$0	$0		$0		$353,592	1.0000	$353,592
01-Apr-09	18,026,265	337,091	5,893		(138,437)	198,654	196,332	359,624				(145,153)	214,471	211,964	(15,817)	0.9883	(15,632)
01-Oct-09	18,026,265	337,091	5,893		(138,437)	198,654	194,037	359,624				(145,153)	214,471	209,486	(15,817)	0.9768	(15,449)
01-Apr-10	18,026,265	337,091	5,893		(138,437)	198,654	191,769	359,624				(145,153)	214,471	207,037	(15,817)	0.9653	(15,268)
01-Oct-10	18,026,265	337,091	5,893		(138,437)	198,654	189,527	359,624				(145,153)	214,471	204,617	(15,817)	0.9541	(15,090)
01-Apr-11	18,026,265	337,091	5,893		(138,437)	198,654	187,312	359,624				(145,153)	214,471	202,225	(15,817)	0.9429	(14,914)
01-Oct-11	18,026,265	337,091	5,893		(138,437)	198,654	185,122	359,624				(145,153)	214,471	199,861	(15,817)	0.9319	(14,739)
01-Apr-12	18,026,265	337,091	5,893		(138,437)	198,654	182,958	359,624				(145,153)	214,471	197,525	(15,817)	0.9210	(14,567)
01-Oct-12	18,026,265	337,091	5,893		(138,437)	198,654	180,819	359,624				(145,153)	214,471	195,216	(15,817)	0.9102	(14,397)
01-Apr-13	18,026,265	337,091	5,893		(138,437)	198,654	178,706	359,624				(145,153)	214,471	192,934	(15,817)	0.8996	(14,228)
01-Oct-13	18,026,265	337,091	5,893		(138,437)	198,654	176,617	359,624				(145,153)	214,471	190,679	(15,817)	0.8891	(14,062)
01-Apr-14	18,026,265	337,091	5,893		(138,437)	198,654	174,552	359,624				(145,153)	214,471	188,450	(15,817)	0.8787	(13,898)
01-Oct-14	18,026,265	337,091	5,893		(138,437)	198,654	172,512	359,624				(145,153)	214,471	186,247	(15,817)	0.8684	(13,735)
01-Apr-15	18,026,265	337,091	5,893		(138,437)	198,654	170,495	359,624				(145,153)	214,471	184,070	(15,817)	0.8583	(13,575)
01-Oct-15	18,026,265	337,091	5,893		(138,437)	198,654	168,502	359,624				(145,153)	214,471	181,918	(15,817)	0.8482	(13,416)
01-Apr-16	18,026,265	337,091	5,893		(138,437)	198,654	166,532	359,624				(145,153)	214,471	179,792	(15,817)	0.8383	(13,259)
01-Oct-16	18,026,265	337,091	5,893		(138,437)	198,654	164,586	359,624				(145,153)	214,471	177,690	(15,817)	0.8285	(13,104)
01-Apr-17	18,026,265	337,091	5,893		(138,437)	198,654	162,662	359,624				(145,153)	214,471	175,613	(15,817)	0.8188	(12,951)
01-Oct-17	18,026,265	337,091	5,893		(138,437)	198,654	160,760	359,624				(145,153)	214,471	173,560	(15,817)	0.8092	(12,800)
01-Apr-18	18,026,265	337,091	5,893		(138,437)	198,654	158,881	359,624				(145,153)	214,471	171,531	(15,817)	0.7998	(12,650)
01-Oct-18	18,026,265	337,091	5,893		(138,437)	198,654	157,024	359,624				(145,153)	214,471	169,526	(15,817)	0.7904	(12,502)
01-Apr-19	18,026,265	337,091	5,893		(138,437)	198,654	155,188	359,624				(145,153)	214,471	167,544	(15,817)	0.7812	(12,356)
01-Oct-19	18,026,265	337,091	5,893		(138,437)	198,654	153,374	359,624				(145,153)	214,471	165,586	(15,817)	0.7721	(12,212)
01-Apr-20	18,026,265	337,091	5,893		(138,437)	198,654	151,582	359,624				(145,153)	214,471	163,650	(15,817)	0.7630	(12,069)
01-Oct-20	18,026,265	337,091	5,893		(138,437)	198,654	149,810	359,624				(145,153)	214,471	161,737	(15,817)	0.7541	(11,928)
01-Apr-21	18,026,265	337,091	5,893		(138,437)	198,654	148,058	359,624				(145,153)	214,471	159,847	(15,817)	0.7453	(11,788)
01-Oct-21	18,026,265	337,091	5,893		(138,437)	198,654	146,328	359,624				(145,153)	214,471	157,978	(15,817)	0.7366	(11,650)
01-Apr-22	18,026,265	337,091	5,893		(138,437)	198,654	144,617	359,624				(145,153)	214,471	156,131	(15,817)	0.7280	(11,514)
01-Oct-22	18,026,265	337,091	5,893		(138,437)	198,654	142,927	359,624				(145,153)	214,471	154,306	(15,817)	0.7195	(11,380)
01-Apr-23	18,026,265	337,091	5,893		(138,437)	198,654	141,256	359,624				(145,153)	214,471	152,503	(15,817)	0.7111	(11,247)
01-Oct-23	18,026,265	337,091	5,893		(138,437)	198,654	139,605	359,624				(145,153)	214,471	150,720	(15,817)	0.7028	(11,115)
01-Apr-24	18,026,265	337,091	5,893		(138,437)	198,654	137,973	359,624				(145,153)	214,471	148,958	(15,817)	0.6945	(10,985)
01-Oct-24	18,026,265	337,091	5,893		(138,437)	198,654	136,360	359,624				(145,153)	214,471	147,217	(15,817)	0.6864	(10,857)
01-Apr-25	18,026,265	337,091	5,893		(138,437)	198,654	134,766	359,624				(145,153)	214,471	145,496	(15,817)	0.6784	(10,730)
01-Oct-25	18,026,265	337,091	5,893		(138,437)	198,654	133,191	359,624				(145,153)	214,471	143,795	(15,817)	0.6705	(10,605)
01-Apr-26	18,026,265	337,091	5,893		(138,437)	198,654	131,634	359,624				(145,153)	214,471	142,114	(15,817)	0.6626	(10,481)
01-Oct-26	18,026,265	337,091	5,893		(138,437)	198,654	130,095	359,624				(145,153)	214,471	140,453	(15,817)	0.6549	(10,358)
01-Apr-27	18,026,265	337,091	5,893		(138,437)	198,654	128,574	359,624				(145,153)	214,471	138,811	(15,817)	0.6472	(10,237)
01-Oct-27	18,026,265	337,091	5,893		(138,437)	198,654	127,071	359,624				(145,153)	214,471	137,189	(15,817)	0.6397	(10,117)
01-Apr-28	18,026,265	337,091	5,893		(138,437)	198,654	125,586	359,624				(145,153)	214,471	135,585	(15,817)	0.6322	(9,999)
01-Oct-28	18,026,265	337,091	5,893		(138,437)	198,654	124,118	359,624				(145,153)	214,471	134,000	(15,817)	0.6248	(9,882)
01-Apr-29	18,026,265	337,091	5,893		(138,437)	198,654	122,667	359,624				(145,153)	214,471	132,434	(15,817)	0.6175	(9,767)
01-Oct-29	18,026,265	337,091	5,893		(138,437)	198,654	121,233	359,624				(145,153)	214,471	130,886	(15,817)	0.6103	(9,652)
01-Apr-30	18,026,265	337,091	5,893		(138,437)	198,654	119,816	359,624				(145,153)	214,471	129,356	(15,817)	0.6031	(9,540)
01-Oct-30	18,026,265	337,091	5,893		(138,437)	198,654	118,415	359,624				(145,153)	214,471	127,843	(15,817)	0.5961	(9,428)
01-Apr-31	18,026,265	337,091	5,893		(138,437)	198,654	117,031	359,624				(145,153)	214,471	126,349	(15,817)	0.5891	(9,318)
01-Oct-31	18,026,265	337,091	5,893		(138,437)	198,654	115,663	359,624				(145,153)	214,471	124,872	(15,817)	0.5822	(9,209)
01-Apr-32	18,026,265	337,091	5,893		(138,437)	198,654	114,311	359,624				(145,153)	214,471	123,412	(15,817)	0.5754	(9,101)
01-Oct-32	18,026,265	337,091	5,893		(138,437)	198,654	112,975	359,624				(145,153)	214,471	121,970	(15,817)	0.5687	(8,995)
01-Apr-33	18,026,265	337,091	5,893		(138,437)	198,654	111,654	359,624				(145,153)	214,471	120,544	(15,817)	0.5621	(8,890)
01-Oct-33	18,026,265	337,091	5,893		(138,437)	198,654	110,349	359,624				(145,153)	214,471	119,135	(15,817)	0.5555	(8,786)
01-Apr-34	18,026,265	337,091	5,893		(138,437)	198,654	109,059	359,624				(145,153)	214,471	117,742	(15,817)	0.5490	(8,683)
01-Oct-34	18,026,265	337,091	5,893		(138,437)	198,654	107,784	359,624				(145,153)	214,471	116,366	(15,817)	0.5426	(8,582)
01-Apr-35	18,026,265	337,091	5,893		(138,437)	198,654	106,524	359,624				(145,153)	214,471	115,006	(15,817)	0.5362	(8,481)
01-Oct-35	18,026,265	337,091	5,893		(138,437)	198,654	105,279	359,624				(145,153)	214,471	113,661	(15,817)	0.5300	(8,382)
01-Apr-36	18,026,265	337,091	5,893		(138,437)	198,654	104,048	359,624				(145,153)	214,471	112,333	(15,817)	0.5238	(8,284)
01-Oct-36	18,026,265	337,091	5,893		(138,437)	198,654	102,832	359,624				(145,153)	214,471	111,020	(15,817)	0.5176	(8,187)
01-Apr-37	18,026,265	337,091	5,893		(138,437)	198,654	101,630	359,624				(145,153)	214,471	109,722	(15,817)	0.5116	(8,092)
01-Oct-37	18,026,265	337,091	5,893		(138,437)	198,654	100,442	359,624				(145,153)	214,471	108,439	(15,817)	0.5056	(7,997)
01-Apr-38	18,026,265	337,091	5,893		(138,437)	198,654	99,268	359,624				(145,153)	214,471	107,172	(15,817)	0.4997	(7,904)
01-Oct-38	18,026,265	337,091	5,893		(138,437)	198,654	98,108	359,624				(145,153)	214,471	105,919	(15,817)	0.4939	(7,811)
	TOTAL	$20,225,469	$353,592	$353,592	($8,306,224)	$12,272,838		$21,577,439	$0	$0	$0	($8,709,194)	$12,868,245		($595,408)		($323,243)
NPV							8,500,907							9,177,742			

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.
(3) Issuance expense for Fidelia loans are relatively immaterial. (Less than $50,000)

Assumptions

Kentucky Utilities $18.0MM
Comparison: Tax Exempt Floating vs. Taxable Floating (Intercompany)
Assumptions

Tax Exempt Bond				
	3.740%	$ 18,026,265	Matures October 1, 2038	
Unamortized Debt Expense				
		$353,592	At October 1, 2008	
Remaining amortization period				
From October 1, 2008 to Matur		360.0	months	
Assuming a 30 Year Extension		360.0	months	
Redemption (Call) Price		0%		
Amount of Premium		$0		

Synthetic Fixed Interest Rate Calculation	
SIFMA	2.59%
Remarketing Fee	0.10%
L/C Fee	1.00%
L/C Spread Over SIFM	0.05%
Interest Rate	3.74%

Taxable Fidelia Loan	3.990%	$ 18,026,265	Matures October 1, 2038	
Bond Issue Costs			1.96%	
Underwriting		0.35%		
Bond Counsel	$	80,000.00	0.44%	
Company Counse	$	70,000.00	0.39%	
Underwriters Cou	$	44,000.00	0.24%	
Insurance	$	-	0.00%	
Ratings	$	40,000.00	0.22%	
Printing	$	8,000.00	0.04%	
Trustee Counsel	$	2,500.00	0.01%	
Accountants	$	40,000.00	0.22%	
Trustee	$	6,000.00	0.03%	
FMB Trustee	$	-	0.00%	
AMT			0.00%	
Issuance costs			1.61%	

Insurance Premium Calculation	
Par	0
RBI Coupon	4.65%
Annual	0
30 Years	0
Total Debt Serv.	0
Premium Rate	0.59%
Premium	0

Remarketing Expense 45,066
(O&M Expense)

M I S C E L L A N E O U S

Tax rate	40.363%	0
Discount rate	2.38%	

RESOLUTION NO. 2006-0124

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY AMENDING CERTAIN PROVISIONS OF THE COUNTY'S RESOLUTION NO. 2005-0222 AND THE MEMORANDUM OF AGREEMENT ADOPTED BY RESOLUTION NO. 2005-0222 FOR THE PURPOSE OF INCREASING THE PRINCIPAL AMOUNT OF ENVIRONMENTAL FACILITIES REVENUE BONDS WHICH MAY BE ISSUED BY THE COUNTY OF CARROLL, KENTUCKY FOR THE BENEFIT OF KENTUCKY UTILITIES COMPANY FOR THE PURPOSE OF CONSTRUCTING SOLID WASTE DISPOSAL FACILITIES TO SERVE GHENT GENERATION STATION, UNITS 2, 3 AND 4 FROM $30,000,000 TO $100,000,000; CONFIRMING AND CONTINUING ALL OTHER PROVISIONS OF RESOLUTION NO. 2005-0222 AND SAID MEMORANDUM OF AGREEMENT AND TAKING OTHER ACTIONS.

WHEREAS, on February 22, 2005, the Fiscal Court of Carroll County, Kentucky adopted Resolution No. 2005-0222, authorizing the County to issue Environmental Facilities Revenue Bonds (the "Bonds") for the benefit of Kentucky Utilities Company up to a principal amount of $30,000,000; and

WHEREAS, such previously authorized amount of Bonds will be inadequate for the purpose of constructing the necessary solid waste disposal facilities to serve the Ghent Generating Station, Units 2, 3, and 4 for Kentucky Utilities Company (the "Company") and it is necessary that Resolution No. 2005-0222 be modified and amended in order to increase the authorization and issuance of Bonds up to a principal amount of $100,000,000, in order to accomplish the funding of the necessary solid waste disposal facilities, the construction of which will provide benefits to the County and its inhabitants and which Bonds will be payable solely and only by loan payments to be made by the Company;

NOW THEREFORE BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY AS FOLLOWS:

Section 1. The statements of fact set forth in the preambles to this Resolution are hereby declared to be true and correct in their entirety and the same are incorporated by reference as a part of this Resolution.

Section 2. Resolution No. 2005-0222 is hereby modified and amended to provide that Environmental Facilities Revenue Bonds up to the increased amount of $100,000,000 may be authorized and issued by the County for the purpose of financing the Project, as defined and described in Resolution No. 2005-0222 and the Memorandum of Agreement, hereinafter defined.

Section 3. All references contained in Resolution No. 2005-0222 to Bonds in the principal amount of $30,000,000 are hereby modified and amended to substitute the increased sum of $100,000,000 in lieu of $30,000,000. Such modifications and amendments include, but are not limited to, the references set forth in Resolution No. 2005-0222 in (i) the fourth preamble thereof and (ii) Section 1 thereof. Additionally, references in Exhibit No. 1 to Resolution No. 2005-0222, being the Memorandum of Agreement dated February 22, 2005 between the County and the Company (the "Memorandum of Agreement") in (i) recital (c) thereof and (ii) Section 3(a) thereof are modified and amended to change the sum of $30,000,000 to the increased sum of $100,000,000.

Section 4. Except as modified and amended by this Resolution, the provisions of Resolution No. 2005-0222 and the Memorandum of Agreement, attached to Resolution No. 2005-0222, as Exhibit No. 1 shall be and remain in full force and effect.

Section 5. To the extent any resolution, ordinance or part thereof (except as modified and amended hereby) is in conflict with this Resolution, the provisions of this Resolution shall govern and prevail and shall be given full force and effect.

Section 6. This Resolution shall be full force and effect from and after its adoption as provided by law.

ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY HELD ON THE 24TH DAY OF JANUARY, 2006.

CARROLL COUNTY, KENTUCKY

(SEAL)

By Harold "Shorty" Tomlinson
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

Traci Courtney
Fiscal Court Clerk

CERTIFICATION

The undersigned, Fiscal Court Clerk of the County of Carroll, Kentucky, does hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Fiscal Court of the County of Carroll, Kentucky at a duly convened meeting of such Fiscal Court properly held on the 24th day of January, 2006, duly enrolled and now in full force and effect, as shown by the official records of the County in my custody and under my control.

WITNESS my hand and seal of said County this 24th day of January, 2006.

(SEAL)

Traci Courtney
Fiscal Court Clerk

343997.1

RESOLUTION NO. 2005-0222

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND BETWEEN THE COUNTY AND KENTUCKY UTILITIES COMPANY, A KENTUCKY CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF CERTAIN SOLID WASTE RECYCLING AND DISPOSAL FACILITIES IN THE COUNTY; AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING AND EQUIPPING SAID FACILITIES; AND TAKING OTHER PRELIMINARY ACTIONS.

WHEREAS, Kentucky Utilities Company (the "Company"), is a regulated public utility providing electric service to the general public and the Company owns and operates various electrical generating facilities, including the Ghent Generating Station, in Carroll County, Kentucky (the "County"); and in furtherance of the purpose of collecting, storing, treating, processing, recycling and disposing of solid wastes, and to comply with federal and state environmental regulations, it is essential and necessary that the Company design, acquire and construct additional solid waste disposal facilities relating to flue gas desulphurization to serve the Ghent Generating Station, including among other things, solid waste recycling and related facilities, including forced oxidation reaction processes for recycling purposes, for the treatment, processing, recycling and final disposition of solid wastes produced by the operation of such sulphur dioxide removal facilities at the Ghent Generating Station (collectively, the "Project"); and

WHEREAS, as the Company derives substantially all of its income and revenues from electric user rates and charges which are paid by the general public and any reduction in the costs to the Company of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of said electric consumers, including citizens of Carroll County, Kentucky; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between the Company and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose; the County has agreed with the Company to issue one or more series of such bonds upon compliance by the Company with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues; and the County has authorized the Company to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, as, if and when issued; and

WHEREAS, based upon an estimate of the costs of the Project, the County proposes to issue its revenue bonds in one or more series in the estimated amount of $30,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds; and

WHEREAS, the County proposes to enter into at the appropriate time a loan agreement or other financing agreement with the Company with respect to the Project, whereby the Company will covenant and agree to pay amounts sufficient to provide for the payment of principal of, premium, if any, and interest on the Bonds, together with all trustee's and paying agent's fees in connection with the Bonds as the same become due and payable; and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Company be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds to defray the costs thereof and the payments to be made by the Company with respect to the Bonds and the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and correct; (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by the Bonds will be approximately $30,000,000; (iii) the Company has represented that it has sufficient financial resources to construct and acquire the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of the proposed financing agreement; and (iv) sufficient safeguards will be provided by the financing agreement to insure that all money provided by the County from the proceeds of the sale of the Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such contributions of the Company as may be necessary to complete the Project, as such Project is defined in the loan or other financing agreement to be executed by and between the County and the Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the Company under such loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County.

Section 3. In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and between the Company and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4. Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of the Company, and inasmuch as the Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and the Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or caused to be undertaken by the Company. Accordingly, the Company is hereby authorized to formulate and develop plans for the construction and acquisition of the Project, in whole or in part, and to enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to the Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by the Company as specified in the loan or other financing agreement to be entered into by the County and the Company at the appropriate time pursuant to the Act.

Section 5. No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

Section 6. In adopting this Resolution, it is intended by the Fiscal Court of the County that this Resolution constitute the declaration of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

Section 7. To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.

Section 8. This Resolution shall be in full force and effect from and after its adoption as provided by law.

INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, held on the 22nd day of February, 2005, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be filed and recorded as required by law, and declared to be in full force and effect according to law.

Harold Tomlinson

HAROLD TOMLINSON
County Judge/Executive

(SEAL)

ATTEST:

Nicki Beckham

Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Carroll, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on February 22, 2005, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County this 22nd day of February, 2005.

(SEAL)

Nicki Beckham
Fiscal Court Clerk

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT, made and entered into this 22nd day of February, 2005, by and between the COUNTY OF CARROLL, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky and KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (the "Company").

1. Recitals.

(a) The Company is a public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Company owns and operates major electrical generating facilities in Carroll County, Kentucky, including the Ghent Generating Station, which facilities involve the combustion of coal, oil and natural gas. The Company's generating operations produce sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Company must abate, control, contain, neutralize and reduce in order that the Company may comply with applicable current Federal and State laws and regulations and continue to pursue its business as a public utility providing electrical service to the general public. In compliance with the law, the Company has previously constructed and acquired and must now construct and acquire additional major sulphur dioxide removal facilities with respect to generating units 2, 3 and 4 of the Ghent Generating Station to control sulphur dioxide emissions and for the collection, recycling, treatment and ultimate disposition of solid wastes. The operation of the Company's sulphur dioxide removal facilities and precipitators, which benefit the public, and other plant operations, produce substantial quantities of solid wastes, which the Company must collect, store, treat, process, recycle and dispose of, in order that the Company may continue to pursue its business as a regulated public utility and continue to provide service to the public.

(b) In order to efficiently treat, recycle and dispose of such solid wastes, the Company, based upon extensive study and analysis, has formulated a plan for the design, construction, reconstruction, treatment, processing, recycling and final disposition of solid wastes, as described, including forced air oxidation and recycling of solid wastes. (collectively, the "Project").

(c) The Company has proceeded and is proceeding to develop final plans and designs for the acquisition, construction and installation of the solid waste disposal and recycling facilities constituting the Project, including inter alia, such necessary new sulphur dioxide removal facilities and any necessary reconstruction and modification of the existing solid waste disposal facilities serving the Ghent Generating Station. The Company estimates that acquisition, construction and installation of the Project will require the expenditure of Company moneys and funds aggregating approximately $30,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As the Company is a public utility, depending upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to the Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of solid waste disposal revenue bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, the Company has requested that the County issue its environmental bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds may be issued, as requested by the Company, for the entire Project or any portion or portions thereof.

(e) The Company covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Company will promote the abatement, control, containment, neutralization, recycling, reduction and disposal of solid wastes within the County, will improve and enhance the environment and benefit the general public, will lower the Company's ultimate costs in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of Carroll County, Kentucky.

(g) The County proposes to issue the Bonds in one or more series to finance the cost of the Project and desires to authorize the Company to proceed with the Project and be reimbursed out of the proceeds of the Bonds for any costs of the Project incurred prior to the issuance of the Bonds.

(h) The County proposes to enter into, as lender, a loan agreement or other financing agreement (the "Agreement") with the Company, as borrower, relating to the Project and the Bonds, whereby the Company will agree to make payments sufficient to provide for the payment of the principal of and premium, if any, and interest on the Bonds and all other costs of the County incurred in connection with the Bonds and the Project.

2. Representations and Undertakings of the Company. The Company represents, undertakes, covenants and agrees as follows:

(a) The Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited;

(b) The Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the Company will enter into the Agreement with the County under the terms of which the Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the Bonds, as and when the Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the Company;

(d) The Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and the Bonds; and

(e) The Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. Undertakings of the County. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating $30,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds upon a negotiated basis to an entity or entities to be designated by the Company, (ii) the construction and acquisition of the Project, and (iii) the Agreement relating to the Project and the Bonds, all as shall be authorized by law and upon terms which must be mutually satisfactory to the County and the Company;

(c) The aggregate payments stipulated under the Agreement shall be sufficient (in addition to the covenants of the Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on all series of Bonds as and when the same become due and payable; and

(d) It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4. <u>General Provisions</u>.

(a) All commitments of the County and the Company pursuant to this Memorandum of Agreement are subject to the condition that on or before three years from the date hereof (or such other later date as shall be mutually satisfactory to the County and the Company) the County and the Company shall have agreed to mutually acceptable terms and conditions with respect to the Agreement and all other documents required in connection with the initial series of Bonds.

(b) If the events set forth in (a) of this paragraph do not take place within the time set forth, or any agreed extension thereof, and the initial series of Bonds are not issued within such time, all obligations of the County hereunder shall thereupon terminate upon written notice thereof by the County to the Company.

(c) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds at a later date. In executing and delivering this Memorandum of Agreement, it is intended by the Company and the County the Issuer that this Memorandum of Agreement and the County's related Resolution constitute declarations of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the County within the meaning of Federal Income Tax Regulations Section 1.150-2.

(the remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto, in accordance with the laws of Kentucky and Section 1.150-2 of the Code and Treasury Regulations thereunder, being duly authorized on the day and year first above written.

COUNTY OF CARROLL, KENTUCKY

(SEAL)

By Harold Tomlinson
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

Nicki Beckham
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By
DANIEL K. ARBOUGH
Treasurer

MEMORANDUM OF AGREEMENT

BY AND BETWEEN

THE COUNTY OF CARROLL, KENTUCKY

AND

KENTUCKY UTILITIES COMPANY

GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO_2 absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.

2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.

3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.

4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 6)

April 30, 2008

(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, without par value, recorded at $308,139,978.

(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

Kentucky Utilities Company

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount Authorized	Principal Amount Outstanding at April 30, 2008		Interest Expense Year Ended April 30, 2008
Pollution Control Bonds						
05/01/00	05/01/23	Variable	12,900,000	12,900,000		638,451
02/01/02	02/01/32	Variable	20,930,000	20,930,000		668,579
02/01/02	02/01/32	Variable	2,400,000	2,400,000		76,665
02/01/02	02/01/32	Variable	7,200,000	2,400,000		76,665
02/01/02	02/01/32	Variable	7,400,000	7,400,000		236,383
07/01/02	10/01/32	Variable	96,000,000	96,000,000		3,980,229
10/01/04	10/01/34	Variable	50,000,000	50,000,000		2,235,903
07/07/05	06/01/35	Variable	13,266,950	13,266,950		534,538
11/17/05	06/01/35	Variable	13,266,950	13,266,950		525,429
07/20/06	06/01/36	Variable	16,693,620	16,693,620		716,659
12/07/06	06/01/36	Variable	16,693,620	16,693,620	*	803,019
02/23/07	10/01/34	Variable	54,000,000	54,000,000		2,238,218
05/24/07	02/01/26	Variable	17,875,000	17,875,000		742,875
05/24/07	03/01/37	Variable	8,927,000	8,927,000		372,643
Total						$ 13,846,256

* KU issued notice to bondholder of its intention to convert this bond from the auction rate mode to a weekly interest rate mode, as permitted under the loan document. In connection with the conversion, KU purchased this bond from the remarketing agent. The bond is expected to be remarketed to the public at a later time.

(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.

Payee	Date of Issue	Date of Maturity	Rate of Interest	Amount	Interest Expense Year Ended April 30, 2008
Fidelia Corp.	04/30/03	04/30/13	4.550%	100,000,000	$4,550,000
Fidelia Corp.	08/15/03	08/15/13	5.310%	75,000,000	3,982,500
Fidelia Corp.	11/24/03	11/24/10	4.240%	33,000,000	1,399,200
Fidelia Corp.	01/15/04	01/16/12	4.390%	50,000,000	2,195,000
Fidelia Corp.	07/08/05	07/08/15	4.735%	50,000,000	2,367,500
Fidelia Corp.	12/19/05	12/21/15	5.360%	75,000,000	4,020,000
Fidelia Corp.	06/23/06	06/23/36	6.330%	50,000,000	3,165,000
Fidelia Corp.	10/25/06	10/25/16	5.675%	50,000,000	2,837,500
Fidelia Corp.	02/07/07	02/07/22	5.690%	53,000,000	3,015,700
Fidelia Corp.	03/30/07	03/30/37	5.860%	75,000,000	4,395,000
Fidelia Corp.	06/20/07	06/20/17	5.980%	50,000,000	2,583,028
Fidelia Corp.	09/14/07	09/14/28	5.960%	100,000,000	3,758,111
Fidelia Corp.	10/25/07	10/25/19	5.710%	70,000,000	2,076,219
Fidelia Corp.	12/20/07	12/19/14	5.450%	100,000,000	1,998,333
					$42,343,091

(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

2003	-
2004	63,000,000
2005	50,000,000
2006	-
2007	-

(1) As of May 1998, the 37,817,878 shares are all owned by E.ON U.S. LLC (formerly LG&E Energy 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 2003 - 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. The amount of dividends declared and paid through October 24, 2005 was $773,196.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in fiscal years 2003 - 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. The amount of dividends declared and paid through October 24, 2005 was $1,062,942.

(9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

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 June 30, 2008. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending April 30, 2008.

Kentucky Utilities Company
Balance Sheet as of April 30, 2008

Assets and Other Debits	This Year
Utility Plant	
Utility Plant at Original Cost	5,151,234,451.43
Less Reserves for Depreciation and Amortization	1,972,362,644.75
Total	3,178,871,806.68
Investments - at Cost	
Ohio Valley Electric Corporation	250,000.00
Nonutility Property-Less Reserve	179,120.94
Investments in Subsidiary Companies	24,880,478.80
Special Funds	6,046,655.99
Other	411,140.00
Total	31,767,395.73
Current and Accrued Assets	
Cash	2,125,603.26
Special Deposits	4,334,948.68
Temporary Cash Investments	17,681.67
Accounts Receivable-Less Reserve	142,596,743.77
Notes Receivable from Associated Companies	-
Accounts Receivable from Associated Companies	49,694.17
Materials and Supplies-At Average Cost	
Fuel	46,647,686.54
Plant Materials and Operating Supplies	28,045,637.93
Stores Expense	6,524,614.19
Allowance Inventory	223,085.27
Prepayments	3,405,611.11
Miscellaneous Current and Accrued Assets	-
Total	233,971,306.59
Deferred Debits and Other	
Unamortized Debt Expense	6,790,525.03
Unamortized Loss on Bonds	10,611,577.64
Accumulated Deferred Income Taxes	50,537,997.37
Deferred Regulatory Assets	82,545,197.75
Other Deferred Debits	58,995,218.47
Total	209,480,516.26
Total Assets and Other Debits	3,654,091,025.26

Liabilities and Other Credits	This Year
Capitalization	
Common Stock	308,139,977.56
Common Stock Expense	(321,288.87)
Paid-In Capital	115,000,000.00
Other Comprehensive Income	-
Retained Earnings	1,066,612,042.33
Unappropriated Undistributed Subsidiary Earnings	23,584,678.80
Total Common Equity	1,513,015,409.82
Preferred Stock	-
Pollution Control Bonds - Net of Reacquired Bonds	316,059,520.00
LT Notes Payable to Associated Companies	931,000,000.00
Total Long-term Debt	1,247,059,520.00
Total Capitalization	2,760,074,929.82
Current and Accrued Liabilities	
Long-term Debt Due in 1 Year	-
ST Notes Payable to Associated Companies	93,302,454.00
Notes Payable	-
Notes Payable to Associated Companies	-
Accounts Payable	134,916,555.69
Accounts Payable to Associated Companies	36,181,072.10
Customer Deposits	19,792,751.88
Taxes Accrued	12,576,638.88
Interest Accrued	11,397,765.18
Dividends Declared	-
Miscellaneous Current and Accrued Liabilities	13,363,943.14
Total	321,531,180.87
Deferred Credits and Other	
Accumulated Deferred Income Taxes	331,434,967.30
Investment Tax Credit	58,094,343.32
Regulatory Liabilities	38,152,787.49
Customer Advances for Construction	2,420,052.26
Asset Retirement Obligations	30,975,691.02
Other Deferred Credits	21,296,038.92
Miscellaneous Long-term Liabilities	3,256,903.03
Accum Provision for Postretirement Benefits	86,854,131.23
Total	572,484,914.57
Total Liabilities and Other Credits	3,654,091,025.26

Kentucky Utilities Company
Statement of Income
April 30, 2008

	Year Ended Current Mo
	This Year Amount
Electric Operating Revenues	1,306,033,926.31
Total Operating Revenues	1,306,033,926.31
Fuel	472,287,284.30
Power Purchased	181,129,785.86
Other Operation Expenses	159,464,403.04
Maintenance	90,466,641.60
Depreciation	119,163,163.72
Amortization Expense	5,193,055.16
Regulatory Credits	(2,196,419.97)
Taxes	
Federal Income	31,655,467.72
State Income	11,712,922.70
Deferred Federal Income - Net	(7,366,632.74)
Deferred State Income - Net	(651,073.62)
Property and Other	18,993,834.68
Investment Tax Credit	35,891,647.00
Loss (Gain) from Disposition of Allowances	(583,106.55)
Accretion Expense	1,901,344.24
Total Operating Expenses	1,117,062,317.14
Net Operating Income	188,971,609.17
Other Income Less Deductions	
Other Income Less Deductions	29,982,164.13
AFUDC - Equity	4,440,279.36
Total Other Income Less Deductions	34,422,443.49
Income Before Interest Charges	223,394,052.66
Interest on Long-term Debt	56,189,348.34
Amortization of Debt Expense - Net	739,208.56
Other Interest Expenses	6,892,097.73
AFUDC - Borrowed Funds	(1,379,940.85)
Total Interest Charges	62,440,713.78
Net Income	160,953,338.88

Kentucky Utilities Company
Analysis of Retained Earnings
April 30, 2008

Retained Earnings and Undistributed Earnings	Year Ended Current Month Total Retained Earnings
Balance Beginning of Period................	910,723,554.25
Net Income for Period........................	160,953,338.88
FIN 48 Adjustment............................	7,688.00
Adjust for Equity in Subsidiary	
Earnings for Year	
-EE Inc..................................	(28,622,538.80)
Dividends Received Current Year	
-EE Inc..................................	23,550,000.00
Balance End of Period........................	1,066,612,042.33