



**LG&E Energy LLC**  
220 West Main Street (40202)  
P.O. Box 32030  
Louisville, Kentucky 40232

July 20, 2005

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

RECEIVED

JUL 20 2005

PUBLIC SERVICE  
COMMISSION

RE: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations (Case No. 2005-00117)

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 6 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 July 8, 2005, KU borrowed \$50 million from Fidelity Corporation in accordance with the order issued May 10, 2005 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelity Corporation
Amount:	\$50 million
Maturity Date:	July 8, 2015
Interest Rate:	4.735%
Price Paid:	100%
Proceeds:	\$50 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	January 8 and July 8 commencing January 8, 2006



Ms. Elizabeth O'Donnell  
Page 2

July 20, 2005

The interest rate was set using the lowest rate quoted to KU at .65% above the yield on the ten-year treasury bond (4.085). The supporting price indications from three investment banks is attached along with a copy of a page from Bloomberg showing the yield on the treasury bond on July 8. The average rate quoted to E.ON AG by the investment banks was higher than the lowest bid quoted to KU. 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 10-year treasury	0.650%	
Ten-year treasury rate	4.085%	
All-in cost	4.735%	
Average bid above ten-year treasury		0.687%
Ten-year treasury rate		4.085%
All-in cost		4.772%

The proceeds of the loan were used to redeem its 7.55% First Mortgage Bonds, Series R, which were redeemed at 103.775% on June 13, 2005. A Net Present Value schedule showing that the \$50 million borrowed to recall the First Mortgage Bonds fully offset the premium paid to redeem the bonds is attached. The Net Present Value Savings is approximately \$6.1 million greater than the premium paid of \$1.9 million.

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 at (502)627-4110 or contact Don Harris at (502)627-2021.

Sincerely,



John Wolfram

cc: Dan Arbough  
Kendrick Riggs – Ogden, Newell, and Welch



## Indicative New Issue Pricing – Kentucky Utilities (A1/A)

<b>Maturity</b>	<b>10 Years</b>
<b>Fixed Rate Issuance</b>	
Benchmark	4.125% 5/15
Benchmark Yield	3.960%
<b>Reoffer Spread</b>	<b>+70 area</b>
Reoffer Yield	4.66% area
Coupon	4.625%
Fees	0.650%
<b>All-in Yield</b>	<b>4.74% area</b>
<b>Swapped to Libor Levels</b>	
Swap Spread	+41
Reoffer versus LIBOR	\$L+29 area
<b>All-in versus LIBOR</b>	<b>\$L+37 area</b>

Benchmark and reoffer spreads as of 6/30/2005.

BARCLAYS

**Horne, Elliott**

**From:** Hiller, Howard L [FI] [howard.l.hiller@citigroup.com]  
**Sent:** Thursday, June 30, 2005 3:56 PM  
**To:** Horne, Elliott  
**Cc:** Arbough, Dan  
**Subject:** RE: Kentucky Utilities Pricing Indication

Sure thing. I am assuming the ratings are: A1/A (both stable).

A larger deal (>\$250mm) could be +60-65 bp. Given size, market might demand +65-70 bp range.

I hope that helps.

Please see disclaimer below.

All valuations reflect market factors rather than fundamentals. Unless otherwise specified, they are for normal trading units (even if some specific size is stated) and are based upon closing transactions and/or quotations on the as of date (or, if there were none, on the first preceding available date). If there was no established trading market, the valuation was based on market values of comparable instruments. Any of the valuations may be affected by our own transactions and/or be based on our own quotations.

Market information may have been obtained from reputable secondary sources usually considered reliable. Since we furnish these valuations as an accommodation and without special compensation, we shall not be liable for any incidental or consequential damages arising out of any inaccuracy in the valuations, including any act of negligence or breach of any warranty.

-----Original Message-----

**From:** Horne, Elliott [mailto:Elliott.Horne@lgeenergy.com]  
**Sent:** Thursday, June 30, 2005 3:25 PM  
**To:** Hiller, Howard L [FI]  
**Cc:** Arbough, Dan  
**Subject:** Kentucky Utilities Pricing Indication

Howard,

Can you please have your capital markets desk provide me with some indicative pricing (all-in spread) on a Kentucky Utilities first mortgage bond. The term would be 10 years and the amount would be \$50 million. We are pricing an intercompany loan next week and our regulators require that we obtain pricing from independent parties in pricing the intercompany loan. Please call me at (502)627-3652 if you should have any questions. Thanks for your help!

**Horne, Elliott**

**From:** Trachsel, Scott (GMIT - CAPMTS) [scott\_trachsel@ml.com]  
**Sent:** Thursday, June 30, 2005 3:47 PM  
**To:** Horne, Elliott  
**Cc:** Arbough, Dan; Vitale, Salvatore (GMI - CAPMKTS)  
**Subject:** RE: Kentucky Utilities Pricing Indication

Elliott,  
Presuming a rating of A1/A, a 10-year FMB would price with a credit spread of approximately 65bps over the 10-yr UST (currently yielding 3.92%), or a coupon of 4.57%. Inclusive of underwriting fees (0.65%), the all-in spread would be 73bps.

Please let me know if you need anything else.

Regards,  
Scott

*W. Scott Trachsel  
Debt Capital Markets  
Merrill Lynch  
Phone: 212-449-4908  
Fax: 212-449-6700*

-----Original Message-----

**From:** Horne, Elliott [mailto:Elliott.Horne@lgeenergy.com]  
**Sent:** Thursday, June 30, 2005 3:23 PM  
**To:** Trachsel, Scott (GMIT - CAPMTS)  
**Cc:** Arbough, Dan  
**Subject:** Kentucky Utilities Pricing Indication

Scott,

Can you please have your capital markets desk provide me with some indicative pricing (all-in spread) on a Kentucky Utilities first mortgage bond. The term would be 10 years and the amount would be \$50 million. We are pricing an intercompany loan next week and our regulators require that we obtain pricing from independent parties in pricing the intercompany loan. Please call me at (502)627-3652 if you should have any questions. Thanks for your help!

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7/6/2005

<HELP> for explanation, <MENU> for similar functions.

N247 Govt HP

**BGN/NY/CLOSE/MID/YTW**

Page 1 / 1

US TREASURY N/B T 4 1/8 05/15/15 100-12 /100-13

( 4.08 /07) BGN @ 9:17

Source **BGN**

HI 101-30+ ON 6/ 1/05

Range **5/13/05** to **7/ 6/05**

Period **D** Daily

AVE 100.79

Market **M** Mid/Last

LOW 99-31 ON 5/16/05

DATE	PRICE	YIELD	DATE	PRICE	YIELD	DATE	PRICE	YIELD			
F			F	6/17	100-13+	4.072	F	5/27	100-13+	4.073	
T			T	6/16	100-14+	4.069	T	5/26	100-11+	4.081	
W	7/ 6	100-12+	4.076	W	6/15	100-06	4.101	W	5/25	100-09+	4.088
T	7/ 5	100-04+	4.107	T	6/14	100-04	4.109	T	5/24	100-25	4.029
M	7/ 4	100-22	4.039	M	6/13	100-08	4.094	M	5/23	100-18	4.056
F	7/ 1	100-19	4.051	F	6/10	100-18+	4.053	F	5/20	100-00+	4.123
T	6/30	101-22+	3.915	T	6/ 9	101-13+	3.950	T	5/19	100-03	4.113
W	6/29	101-05+	3.980	W	6/ 8	101-17+	3.935	W	5/18	100-09	4.090
T	6/28	101-07+	3.972	T	6/ 7	101-26	3.903	T	5/17	100-02+	4.115
M	6/27	101-25+	3.904	M	6/ 6	101-12+	3.954	M	5/16	L99-31	4.129
F	6/24	101-21+	3.919	F	6/ 3	101-07	3.975	F	5/13	100-01+	4.119
T	6/23	101-12+	3.953	T	6/ 2	101-25+	3.905				
W	6/22	101-15+	3.942	W	6/ 1	H101-30+	3.886				
T	6/21	100-21+	4.042	T	5/31	101-05	3.983				
M	6/20	100-03+	4.111	M	5/30	100-14	4.071				

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
 G263-37-1 06-Jul-05 9:18:43

Bloomberg

## Hypothetical pricing for a 10-year US\$ (SEC registered) MTN (4 July 2005)

<b>Issuer:</b>	<b>E.ON AG</b>
<b>Rating:</b>	<b>Aa3 / AA- (both stable)</b>

**Amount:** US\$50 million

**Maturity:** 10 years

**Benchmark:** 10-year UST (4.125% due May 2015)

**Benchmark yield (% s.a.):** 4.05%

**Re-offer spread vs. benchmark (bp):** +61

**10-year US\$ mid swap rate (% s.a.):** 4.46

**Re-offer spread vs. US\$ mid swap rate (bp):** +20

**Re-offer yield of E.ON MTN (% s.a.):** 4.66

**Coupon (% s.a.):** 4.625

**Price (%):** 99.30

**Fees (%):** 0.20

**All-in yield (% s.a.):** 4.685

**All-in spread vs. benchmark (bp):** +63.5

**All-in spread vs. US\$ mid swap rate (bp):** +22.5

**Horne, Elliott**

**From:** Heintzen, Lioba [Lioba.Heintzen@eon.com]  
**Sent:** Wednesday, July 06, 2005 4:41 AM  
**To:** Horne, Elliott  
**Subject:** WG:

Second Spread...

**Von:** matthias.boehm@de.abnamro.com [mailto:matthias.boehm@de.abnamro.com]  
**Gesendet:** Dienstag, 5. Juli 2005 15:17  
**An:** Heintzen, Lioba  
**Cc:** matthias.klein@de.abnamro.com  
**Betreff:** Re:

Hallo Frau Heintzen,

hat leider einen Tag länger gedauert, die Jungs dort drüben waren gestern ja ihre Unabhängigkeit feiern...

Hier die All-in Spreads fuer ein USD 50m, 10 J Private Placement:

UST + 77 bp  
US\$ Libor + 31 bp

Liebe Grüße  
Matthias Boehm

ABN AMRO Bank N.V., Niederlassung Deutschland  
Global Markets / Client Risk Advisory & Sales  
Theodor-Heuss-Allee 80  
D-60486 Frankfurt am Main  
Phone: +49-69-2690-0616 Dealing Line: -0600  
Mobile: +49-160-366 5947  
Fax: +49-69-2690-0619

"Heintzen, Lioba" <Lioba.Heintzen@eon.com>

To <matthias.boehm@de.abnamro.com>

cc

04/07/2005 10.17

Subject

Hallo Herr Böhm,

darf ich noch mal lästig sein und Sie nach einem "Credit Spread" für unsere US Kollegen fragen? Wie immer völlig unverbindlich und nur für den internen Gebrauch.

7/6/2005



Laufzeit 10 Jahre, Volumen \$ 50m, private placement. Welchen "all in Spread" müsste E.ON dafür über Swaps und über UST zahlen ?

Ich brauche den Spread morgen. Geht das?

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen  
E.ON AG / Treasury  
E.ON-Platz 1  
40479 Düsseldorf

p: 0049 (0) 211 4579 655  
f: 0049 (0) 211 4579 669  
m: lioba.heintzen@eon.com

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**Horne, Elliott**

**From:** Heintzen, Lioba [Lioba.Heintzen@eon.com]  
**Sent:** Wednesday, July 06, 2005 4:41 AM  
**To:** Horne, Elliott  
**Subject:** WG: Sie haben meinen Spread doch nicht vergessen, oder???

third spread...

**Von:** Lingnau, Philipp (GCM) [mailto:Philipp.Lingnau@morganstanley.com]  
**Gesendet:** Dienstag, 5. Juli 2005 19:13  
**An:** Heintzen, Lioba  
**Betreff:** RE: Sie haben meinen Spread doch nicht vergessen, oder???

Dear Mrs Heintzen,

For a 10 Year Financing we would currently see the following all in spreads Swaps + 32 or T + 72.5

with best regards

Philipp Lingnau

**Philipp Lingnau - Executive Director**

Morgan Stanley | Global Capital Markets  
20 Cabot Square | Canary Wharf | Floor 01  
London, E14 4QW  
Phone: +44 20 7677-6816  
Mobile: +44 77474-55575  
Fax: +44 20 7056-1132  
[Philipp.Lingnau@morganstanley.com](mailto:Philipp.Lingnau@morganstanley.com)

**From:** Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]  
**Sent:** 05 July 2005 16:35  
**To:** Lingnau, Philipp (GCM)  
**Subject:** Sie haben meinen Spread doch nicht vergessen, oder???

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen  
E.ON AG / Treasury  
E.ON-Platz 1  
40479 Düsseldorf

p: 0049 (0) 211 4579 655  
f: 0049 (0) 211 4579 669  
m: lioba.heintzen@eon.com

7/6/2005

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## Horne, Elliott

---

**From:** Heintzen, Lioba [Lioba.Heintzen@eon.com]  
**Sent:** Wednesday, July 06, 2005 4:45 AM  
**To:** Horne, Elliott  
**Subject:** WG: INDICATIVE 10Y PP spread

spread number 4...

regards

Lioba

-----Ursprüngliche Nachricht-----

Von: ROESLER, Maximilian, FM [mailto:Maximilian.ROESLER@rbos.com]  
Gesendet: Mittwoch, 6. Juli 2005 09:41  
An: FOELS, Stephan, FM  
Cc: Heintzen, Lioba  
Betreff: INDICATIVE 10Y PP spread

Hello Frau Heintzen,

An indicative all-in spread for a 10Y E.ON PP would be UST (4.125% 15 May 2015 - current yield 4.09%) PLUS 70BP (all in).

This equals 10Y USD Swap rate (4.50%) PLUS 29BP.

Kind regards,

Maximilian Roesler  
RBS Financial Markets  
Corporate Risk Solutions - Germany  
Tel: +44 (0)207 085 3991  
Fax: +44 (0)207 085 3607

-----Original Message-----

From: Heintzen, Lioba <Lioba.Heintzen@eon.com>  
To: FOELS, Stephan, FM <Stephan.FOELS@rbos.com>  
Sent: Mon Jul 04 09:28:38 2005  
Subject:

Hallo Herr Foels,

sind Sie so nett und nennen mir für rein interne Zwecke den "all in Spread" (incl. Fees usw.), den E.ON für ein 10 Jahres Private Placement zu zahlen hätte über Swaps und UST für ein Volumen von \$ 50m. Ich brauche den Spread morgen früh und zwar in Form einer mail und in Englisch.

Können Sie mir kurz Bescheid sagen, ob das geht?

Mit freundlichen Grüßen / Kind regards

Lioba Heintzen  
E.ON AG / Treasury  
E.ON-Platz 1  
40479 Düsseldorf

p: 0049 (0) 211 4579 655  
f: 0049 (0) 211 4579 669  
m: lioba.heintzen@eon.com

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KENTUCKY UTILITIES  
Debt Refunding Analysis

Kentucky Utility 7.55% Series R due June 1, 2025  
Comparison: Fixed Rate  
Impact on Cash Flow

EXISTING CAPITALIZATION										PROPOSED REFUNDING										PRESENT VALUE ANALYSIS		
Series R First Mortgage Bonds										U.S. Treasury 10-Year Bond with Spread												
Date	Principal Outstanding	Interest @ 7.550%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 4.74%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	SAVINGS from Refunding (\$1,125,658)	Periodic Factor	Present Value SAVINGS (\$1,125,658)								
08-Jun-05	\$ 50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280	\$1,887,500	\$0	(761,842)	\$1,125,658	419,699	1.0000	413,622								
08-Jul-06	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.9660	408,027								
08-Jan-07	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.9322	402,313								
08-Jul-07	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.9000	396,679								
08-Jan-08	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.8685	391,124								
08-Jul-08	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.8375	385,647								
08-Jan-09	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.8060	380,246								
08-Jul-09	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.7750	374,922								
08-Jan-10	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.7445	369,671								
08-Jul-10	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.7145	364,485								
08-Jan-11	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.6850	359,390								
08-Jul-11	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.6565	354,358								
08-Jan-12	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.6285	349,395								
08-Jul-12	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.6010	344,502								
08-Jan-13	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.5740	339,678								
08-Jul-13	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.5475	334,921								
08-Jan-14	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.5215	330,231								
08-Jul-14	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.4960	325,607								
08-Jan-15	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.4710	321,047								
08-Jul-15	50,000,000	1,887,500	9,280	(765,586)	1,121,912	1,183,750	9,280			(761,842)	702,213	419,699	0.4465	316,551								
<b>TOTAL</b>		\$37,750,000	\$185,606	(\$15,311,759)	\$22,438,241	\$23,675,000	\$185,606	\$1,887,500	\$0	(\$10,392,579)	\$15,169,921	\$7,268,320		\$6,136,969								

(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.

**Assumptions**

Kentucky Utility 7.55% Series R due June 1, 2025  
 Comparison: Fixed Rate

**Assumptions**

**EXISTING ISSUE**  
 Kentucky Utility First Mortgage Bond  
 7.550% \$ 50,000,000 Matures June 1, 2025  
 Unamortized Debt Expense \$371,213 At January 1, 2005  
 Remaining amortization period 240.0 months  
 From June 1, 2005 to Maturity Assuming a 16 Year Extension 0.0 months  
 Redemption (Call) Price 103.775% **FRST CALL June 1, 2005**  
 Amount of Premium \$1,887,500  
 Cost of Funds (Lost Investment Earnings) 2.00%

**PROPOSED REFUNDING**

4.735% \$ 50,000,000 Matures June 1, 2025  
 Bond Issue Costs  
 Underwriting 0.00%  
 Bond Counsel \$ - 0.00%  
 Company Counsel \$ - 0.00%  
 Underwriters Couns \$ - 0.00%  
 Ratings \$ - 0.00%  
 Printing \$ - 0.00%  
 Trustee Counsel \$ - 0.00%  
 Accountants \$ - 0.00%  
 AMT \$ - 0.00%  
 Issuance costs \$ - 0.00%

**MISCELLANEOUS**

Tax rate 40.3653%  
 Discount rate 2.82%