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April 27, 2006

HAND DELIVERY

RECEIVED

APR 27 2006

PUBLIC SERVICE
COMMISSION

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

Re: Kentucky Utilities Company/Case No. 2006-00155

Dear Ms. O'Donnell:

Enclosed for filing please find the original and ten copies of the Response of Kentucky Utilities Company to the Commission Staff's Letter of April 19, 2006 and Kentucky Utilities Company's Motion Pursuant to 807 KAR 5:001, Section 5(5). An extra copy of the Application and the Motion are enclosed to be file stamped and returned to the undersigned.

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

Very truly yours,

J. Wade Hendricks

JWH/cjg

Enclosures

cc: Richard Raff, Esq.
Elizabeth E. Blackford, Esq.
Daniel Arbrough
Kent W. Blake
Allyson K. Sturgeon, Esq.
Roger Hickman
Elliott Horne

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 27 2006

In The Matter Of:

**THE APPLICATION OF KENTUCKY)
UTILITIES COMPANY FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF)
SECURITIES AND THE ASSUMPTION)
OF OBLIGATIONS)**

PUBLIC SERVICE
COMMISSION

CASE NO. 2006-00155

RESPONSE OF KENTUCKY UTILITIES COMPANY TO THE COMMISSION
STAFF'S LETTER OF APRIL 19, 2006

Kentucky Utilities Company ("KU" or the "Company") hereby responds to the letter from Commission Staff dated April 19, 2006 in the above referenced case. The April 19, 2006 letter cited deficiencies in KU's tendered Application under 807 KAR 5:001, Section 11(1)(c) and 807 KAR 5:001, Section 11(1)(d) and requested that KU file ten (10) copies of the requested information within 15 days.

1. As noted in KU's Application, KU funds its capital projects through numerous sources of capital, including the form of debt that is the subject of KU's Application. KU does not assign specific financing to any particular project, and otherwise does not project finance capital projects. Thus, the uses cited in KU's Application are general reasons for KU's need for additional debt financing, rather than projects for which the financing will be specifically incurred.

2. In response to the Commission Staff's April 19 letter, attached as Exhibit 1, is a copy of KU's anticipated 2006 budget for capital expenditures for its Distribution and Transmission Systems, and for the Ghent Flue Gas Desulfurization System.

3. The expenditures for the Ghent Flue Gas Desulfurization System are part of KU's Pollution Control Compliance Plan and are necessary for the Company to comply with the requirements of the Clean Air Act Amendments of 1990, 42 U.S.C.A. §7401 et seq., the Resource Conservation and Recovery Act, 43 U.S.C.A. § 6901 et. seq., and other environmental

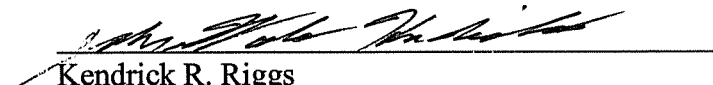
requirements applicable to combustion waste and byproducts from facilities used for the generation of energy from coal.

The transmission and distribution system expenditures are necessary to maintain the reliability of KU's existing transmission and distribution systems, and for ordinary extensions of those systems in the usual course of business.

4. In addition, Paragraph 3 of KU's Application contained a reference to the record 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). While KU does not believe that the record in that case is a necessary part of the current matter, it nevertheless believes that the Commission may wish to consider that case. Accordingly, filed concurrently with this Response is a Motion to incorporate the record in Case No. 2004-00426 by reference in the current proceeding.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission determine that Kentucky Utilities Company's Application in this case is complete.

Respectfully submitted,



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(502) 582-1601

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Attorney
E.ON U.S., LLC
220 West Main Street
Louisville, KY 40202
Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON


Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Response and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.



DANIEL K. ARBOUGH

Subscribed and sworn before me this 26th day of April, 2006.

My Commission Expires: August 31, 2007



NOTARY PUBLIC, STATE AT LARGE

Kentucky Utilities
2006 Transmission, Distribution, and Ghent Capital Expenditures
(in 000's)

Ghent FGD System

Ghent 3 FGD	\$	101,367
Ghent 2 FGD	\$	50,067
Total Ghent FGD System	\$	151,434

Distribution

New Business	\$	28,523
New Business - Transformers	\$	5,689
New Business Additional Investment	\$	1,094
New Business Additional Investment Matl.	\$	580
Enhance - Blanket Projects	\$	2,217
Enhance - Boston, Lebanon Jct. Upgrade Circuit	\$	20
Enhance - Boston, Lebanon Jct. Substation	\$	725
Enhance - Carlisle 4KV System	\$	161
Enhance - Diamond Substation	\$	90
Enhance - E'Town area Distribution Project	\$	19
Enhance - E'Town area Towne Mall	\$	8
Enhance - E'Town area Substation	\$	425
Enhance - Osaka East Ckt 4733	\$	53
Enhance - Richmond Area Substation	\$	255
Enhance - Rogers Gap Substation	\$	500
Enhance - Rogers Gap Circuit Work	\$	200
Enhance - Shun Pike Substation	\$	500
Enhance - Salvisa Substation Upgrade	\$	52
Enhance - Hurricane Rd. Reconductoring	\$	65
Enhance - Beltline Ckt. #36 Tap Reconductor	\$	55
Enhance - Bryant Rd. Ckt. #873 Reconductor	\$	45
Enhance - Donerail Ckt. #104 Phase Addition	\$	22
Enhance - Richmond System Upgrades	\$	92
Enhance - Snow Creek	\$	65
Enhance - Stratton Pike Rebuild	\$	45
Enhance - Woodlawn Circuit Work	\$	51
Maintain - Buildings and Grounds	\$	140
Maintain - Substation Maintenance	\$	510
Maintain - Substation Oil Spill Prevention	\$	1,804
Maintain - Repair/Replace Defective Equipment	\$	1,893
Maintain - Repair/Replace Additional Investment	\$	526
Repair - Storm Restoration	\$	700
Repair - Transformer Rewinds	\$	600
Repair - Trouble Orders Non-Wheather Related	\$	653
Other	\$	222
Total Distribution	\$	48,599

Transmission

SPCC Modifications	\$	1,240
Rebuild Lansdowne - Loudon Ave 69kV dbl ckt	\$	3,905
Paris 138-69 kV Avon to Renaker	\$	2,091
Paris 150 MVA transformer	\$	493
Virginia City-AEP Clinch River 138kV	\$	2,291
Virginia City 120 MVA xfrmr	\$	604
Fawkes 138-69kV, 150 MVA	\$	1,510
Relocations - lines	\$	441
Parameter Upgrades	\$	1,623
Priority Poles - Lines	\$	2,332
Capacitor Installations	\$	475
Terminal Upgrades	\$	107
Battery Replacements	\$	60
Breaker Replacements	\$	640
RTU Replacements	\$	221
Bushing Replacements	\$	110
Other Substation Capital	\$	462
EMS Consolidation	\$	390
Control Room Mods	\$	100
Trimble 2 Project	\$	4,226
Other	\$	326
Total Transmission	\$	23,647

Grand Total	\$	223,680
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OF OBLIGATIONS)

CASE NO. 2006-00155

MOTION PURSUANT TO 807 KAR 5:001, SECTION 5(5)

Kentucky Utilities Company ("KU" or the "Company") hereby petitions the Kentucky Public Service Commission pursuant to 807 KAR 5:001, Section 5(5) to incorporate the record 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) by reference in the record herein. In support of this Motion, KU states as follows:

1. As one general reason for KU's need for additional debt financing during 2006, KU's Application referenced Pollution Control Facilities at the Company's Ghent Generating Station in Carroll County, Kentucky. These facilities were the subject of 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).

2. As stated in KU's Application, the Company does not assign specific financing to any particular project, and does not project finance capital projects. However, the uses cited in KU's Application are general reasons for the Company's need for additional debt financing. KU believes that the record of Case No. 2004-00426 may prove useful to the Commission in considering the Company's need to incur these expenses and for additional debt financing.

3. The record in Case No. 2004-00426 is voluminous, and physically filing such record in this case would unnecessarily burden both the applicant and the Commission's files.

WHEREFORE, Kentucky Utilities Company respectfully requests that, pursuant to 807 KAR 5:001, Section 5(5), the record of Case No. 2004-00426 be incorporated in the record of the current case by reference only.

Respectfully submitted,



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