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MAR 13 2007

PUBLIC SERVICE COMMISSION

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

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PUBLIC SERVICE COMMISSION

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

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

March 13, 2007

RE: *Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*
Case No. 2006-00390

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 7 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.

Please be advised that on February 23, 2007, KU completed the sale of \$54,000,000 Environmental Facilities Revenue Refunding Bonds (Kentucky Utilities Company Project) as contemplated in the above-referenced Case. The details of the bond issue are as follows:

\$54,000,000 County of Carroll, Kentucky,
Environmental Facilities Revenue Refunding Bonds, 2006 Series B

The sale of the securities was negotiated with Banc of America Securities LLC and Lehman Brothers and was completed as shown in the table below:

<u>Face Value</u>	<u>Initial Interest Rate</u>	<u>Rate Adjustment Date</u>	<u>Maturity</u>
\$54,000,000	3.60%	03/01/07	10/1/2034

The interest rate on this bond issuance will be reset every 7 days through an auction mechanism that will reflect existing market conditions. The proceeds of the \$54,000,000 were used to redeem 100% of the principal amount of the 1994 Series A County of Carroll, Kentucky, Collateralized Solid Waste

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Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project), previously issued by KU to finance certain solid waste disposal facilities. KU elected to issue at the maximum possible term allowed to take full advantage of low cost tax-exempt financing.

The auction rate option was selected among the short-term alternatives because it does not require bank liquidity support, which eliminates future uncertainty of cost and availability of bank liquidity. It is less costly than a bank letter of credit backed issue. The auction rate procedures are detailed in Appendix B of the enclosed Official Statement. Banc of America Securities LLC and Lehman Brothers Inc. will act as the Remarketing Agent with respect to the bonds. The bonds are rated AAA/Aaa based on bond insurance provided by Ambac Assurance Corporation (Ambac).

In connection with the underwriting of the Bonds, the Banc of America Securities LLC and Lehman Brothers Inc. were paid by the Company fees in the amount of \$189,000. Also, Banc of America Securities received from the Company reimbursement for certain out-of-pocket expenses of \$3,914. An insurance premium in the amount of \$524,451.04 was paid at closing to Ambac. Other fees and expenses involved in the issuance and distribution (legal, printing, accounting, etc.) are estimated to be \$310,000.

Enclosed are three copies of the Official Statement and information related to the issuance of these securities. Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copies of this letter and the Official Statement and by returning them in the envelope provided.

Should you have any questions regarding this transaction or this information, please contact me at your convenience.

Sincerely,



Rick E. Lovekamp

cc: Dan Arbough
Kendrick Riggs – Stoll · Keenon · Ogden

NEW ISSUE

BOOK-ENTRY-ONLY

Subject to the conditions and exceptions set forth under the caption "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.

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\$54,000,000
COUNTY OF CARROLL, KENTUCKY
ENVIRONMENTAL FACILITIES REVENUE REFUNDING BONDS
2006 Series B
(Kentucky Utilities Company Project)

Dated: Date of original delivery

Due: October 1, 2034

The County of Carroll, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2006 Series B (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with

KENTUCKY UTILITIES COMPANY

(the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will accrue interest from the date of original issuance, will initially be issued in a seven-day Auction Period, and will initially bear interest at a Dutch Auction Rate determined pursuant to the Dutch Auction Procedures described in Appendix B hereto. The first Auction will occur on March 1, 2007 with subsequent auctions occurring each Thursday unless changed as provided herein. The first Interest Payment Date on the Bonds will be March 2, 2007 and each Friday thereafter subject to certain exceptions described herein. The Bonds will continue to bear interest at the Dutch Auction Rate until their Conversion to a different Interest Rate Mode or until maturity. While the Bonds bear interest at the Dutch Auction Rate, the Bonds will not be subject to purchase on demand of the owners thereof. Prospective purchasers of the Bonds should carefully review the Dutch Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds bearing interest at a Dutch Auction Rate may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer. See "Summary of the Bonds—Broker-Dealers," "Summary of the Bonds—Certain Considerations Affecting Auction Rate Securities," "Summary of the Bonds—Summary of Certain Provisions of the Bonds" and "Appendix B—Dutch Auction Procedures."

PRICE: 100%

The Bonds will be secured solely by payments to be made by the Company under the Loan Agreement, which will be an unsecured general obligation of the Company, and will rank on a parity with other unsecured indebtedness of the Company. The Company will covenant not to incur, assume or guarantee any secured indebtedness other than as permitted in the Loan Agreement. See "Security; Limitation on Liens."

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds bearing interest at the Dutch Auction Rate will be made in book-entry only form in denominations of \$25,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by Deutsche Bank Trust Company Americas, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. McCall, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about February 23, 2007.

Banc of America Securities LLC

Lehman Brothers

Dated: February 15, 2007