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PUBLIC SERVICE
COMMISSION



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

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

September 21, 2007

RE: The application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations (Case No. 2007-00024)

Dear Ms. O'Donnell:

Pursuant to Ordering Paragraph No. 8 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of information related to an issuance under said Order.

On September 14, 2007, KU borrowed \$100 million from Fidelity Corporation in accordance with the order issued March 19, 2007 in the above-referenced case. The details of the loan are shown below:

Borrower:	Kentucky Utilities Company
Lender:	Fidelity Corporation
Amount:	\$100 million
Maturity Date:	September 14, 2028
Interest Rate:	5.96%
Price Paid:	100%
Proceeds:	\$100 million
Commissions Paid:	None
Legal Costs:	None
Security for Loan:	None
Interest Payments:	March 14 and September 14 commencing March 14, 2008

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

The interest rate was set using the average rate quoted to E.ON A.G. at 1.58% above the yield on the ten-year treasury bond (4.38%). The supporting price indications from the investment banks are attached along with a copy of pages from Bloomberg showing the yield on the treasury bonds. The average rate quoted to E.ON A.G. by the investment banks was lower than the lowest bid quoted to KU, which was based on 1.47% above the yield on a thirty-year treasury bond (4.66%). 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 thirty-year treasury	1.47%	
Thirty-year treasury rate	4.66%	
All-in cost	6.13%	
Average bid above ten-year treasury		1.58%
Ten-year treasury rate		4.38%
All-in cost		5.96%


The 5.96% all-in rate for this 21 year borrowing is between that of recent ten-year and thirty-year debt issuances from other energy companies with a similar credit rating. (See table below along with attached support documentation).

Issuer	Moody's / S&P	Maturity	Spread	Coupon Rate
Progress Energy Florida	A2 / A-	09/15/2017	+ 135 bps	5.80%
Connecticut Light & Power	A3 / BBB+	09/01/2017	+ 145 bps	5.75%
Enel Finance Intl	A1/A	09/15/2017	+180 bps	6.25%
Progress Energy Florida	A2 / A-	09/15/2037	+160 bps	6.35%
Connecticut Light & Power	A3 / BBB+	09/15/2037	+175 bps	6.375%
San Diego Gas & Electric	A1/A+	09/15/2037	+142 bps	6.125%
Enel Finance Intl	A1/A	09/15/2037	+209 bps	6.80%

Ms. Elizabeth O'Donnell
September, 21, 2007

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy and returning it in the envelope provided. Should you have any questions regarding this transaction or this information, please contact me or Don Harris at (502) 627-2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with the first name "Rick" being the most prominent.

Rick E. Lovekamp

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

U.S. debt capital markets update

Utility & Pipeline sectors

For distribution to issuer clients only

New York Peter Madonia, MD (212) 834-3808
 Week ending Anisha Mehra, ED (212) 834-4918
 Sept 14, 2007 Heather Towner, VP (212) 834-4871
 Steve Leamer, Assoc (212) 834-4084
 Ed Suvada, Analyst (212) 834-3311
 Stephanie Wai, Analyst (212) 834-3117
 Sarah Chessin, VP-Hybrids (212) 834-4073

Economic and Treasury market update

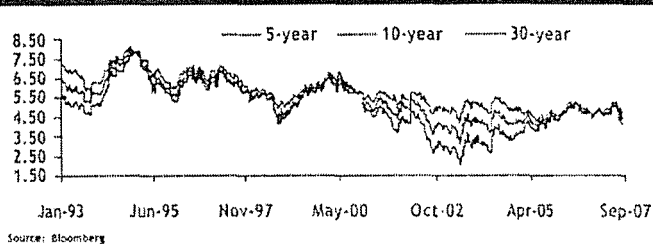
- Recent economic data signals a weakening economy: Core retail sales and manufacturing IP surprised to the downside and initial jobless claims ticked up
- The mortgage space continued to be hit with negative news: Northern Rock, UK's 3rd largest Mortgage lender with loans worth \$35 billion, required emergency funding from the Bank of England
 - However, the news of Countrywide's additional \$12 billion unsecured borrowing capacity gave the markets a boost
- The FOMC meeting is the key event this week as all market participants are focused on the Fed and a potential rate cut
 - Fed Fund Futures are fully pricing in a 25 bps cut and an approximate 50% probability of a 50 bps cut
- An ease in monetary policy should provide some much needed help for credit markets as credit constrained companies may find increased liquidity at more palatable terms
 - However, the credit crunch has been primarily driven by financial markets and risk aversion in asset prices and structured credit exposures
 - Earnings from the broker dealers, to be announced this week, will provide insight into the health of the credit markets
- Treasuries sold-off last week as speculation increased that the Fed will limit its interest rate cut to 25 bps; as a result, the curve flattened with 5-, 10-, and 30-year benchmark yields rising 16, 9, and 3 bps, respectively

JPMorgan Interest rate forecast (%)

	14-Sep-07	4Q'07	1Q'08	2Q'08	3Q'08
Fed funds rate	5.25%	4.50%	4.50%	4.50%	4.75%
3m LIBOR	5.65%	4.75%	4.65%	4.75%	5.00%
2yr UST	4.04%	3.85%	4.00%	4.35%	4.75%
5yr UST	4.18%	4.05%	4.15%	4.45%	4.80%
10yr UST	4.46%	4.45%	4.50%	4.80%	5.15%
30yr UST*	4.72%	4.75%	4.80%	5.05%	5.35%
2s/10s curve	42 bps	60 bps	50 bps	45 bps	40 bps
10s/30s curve	26 bps	30 bps	30 bps	25 bps	20 bps

*JPMorgan forecast as of 9/14/07; forecasts are for quarter-end
 4.750% Treasury due Feb-2037

Historical treasury rates (%)



Investment grade primary and secondary market update

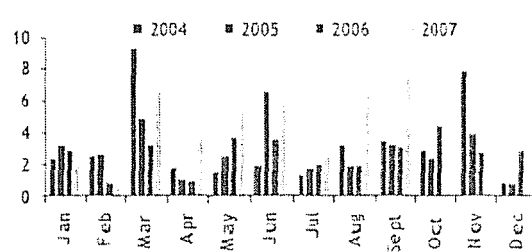
- Investment grade new issuance continued at a robust pace last week with \$16Bn of supply pricing as issuers accelerated offerings to ahead of this week's FOMC meeting. JPMorgan acted as Joint Bookrunner on several benchmark offerings:
 - Enel Finance International (A1/A), an Italian utility company, raised \$3.5 billion of funding across multiple tranches: \$1.0Bn long 5yr at +157 bps, \$1.5Bn 10yr at +180 bps and \$1.0Bn 30yr at +209 bps (See attached case study for more details)
 - FPL Group priced \$250mm 60 non-call 10yr step-up institutionally targeted hybrid securities (A3/BBB+) at +300 bps, marking the first equity-enhanced, tax-deductible transaction to price in the institutional market since mid-June
 - Schering Plough (Baa1/A-) priced \$2.0Bn divided evenly between 10yr notes and 30yr bonds, pricing at +165 bps and +190 bps, respectively. The deal was announced as \$1.5Bn and was upsized to \$2.0Bn on the back of strong investor demand
 - IBM Corp's (A1/A+) offering of 10yr notes received overwhelming interest, pricing \$3.0Bn at the tight end of guidance at +139 bps
 - Other JPMorgan-led Utility and Pipeline issuance included DCP Midstream (Baa2/BBB+) \$450mm 30yr at +210 bps, Connecticut Light & Power (A3/BBB-) \$200mm across 10- and 30-yr at +145 bps and +175 bps, and Alabama Power (Baa1/BBB+) \$150mm PerpNC10 DRD preference stock at 6.450% coupon
- Led by last week's benchmark transactions for Enel and Progress Energy Florida (A2/A-), utility and pipeline issuance has topped \$7Bn in September - already making it the heaviest month of supply since November 2004 in the sector
- The significant new issue calendar continues to push spreads wider as the high grade corporate bond index has widened 68bps on the year
 - Sectors that have outperformed since the beginning of the sub-prime meltdown (late February 2007) are those that are relatively insulated from the sub-prime/housing turmoil including (Utilities/Pipelines, Telecoms, Technology, Consumer Non-Cyclicals) while those that are affected have seen their valuations deteriorate more rapidly (Financial Institutions, Basic Industries, and Property/Real Estate)
 - Secondary trading remains subdued and the primary market continues to serve as the main channel for price discovery
 - CDS indices were little changed last week, leading the basis between cash bonds and CDS to fall further to an average of -15 bps for the HG bond universe (vs flat a month ago)
- The short term market showed preliminary signs of an improving liquidity environment last week
 - LIBOR sets have been lower and total CP outstanding rose \$4.1 billion, the first increase in five weeks; however, potential redemption concerns continue to dominate investor behavior with accounts shortening maturities and buying securities with less perceived liquidity risk

Selected recent investment grade new Issuance

Date	Issuer	Ratings	Size	Coupon	Maturity	Spread
9/10	FPL GROUP CAPITAL INC	A3/BBB+	250	7.300	60nc10 step	300
9/10	CONNECTICUT LIGHT & POWER	A3/BBB+	100	5.750	09/01/2017	145
9/10	CONNECTICUT LIGHT & POWER	A3/BBB+	100	6.375	09/01/2037	175
9/10	CENTRAL MAINE POWER	A3/BBB+	40	6.400	09/15/2037	175
9/11	FPL GROUP CAPITAL INC	A3/BBB+	350	7.450	60nc5	-
9/12	ALABAMA POWER CO	Baa1/BBB+	150	6.450	PerpNC10	-
9/12	DCP MIDSTREAM LLC	Baa2/BBB+	450	6.750	09/15/2037	210
9/13	PROGRESS ENERGY FLORIDA	A2/A-	250	5.800	09/15/2017	135
9/13	PROGRESS ENERGY FLORIDA	A2/A-	500	6.350	09/15/2037	160
9/13	ENEL FINANCE INTL	A1/A	1,000	5.700	01/15/2013	157
9/13	ENEL FINANCE INTL	A1/A	1,500	6.250	09/15/2017	180
9/13	ENEL FINANCE INTL	A1/A	1,000	6.800	09/15/2037	209
9/14	CENTRAL HUDSON GAS & ELEC	A2/A-	33	6.208	09/01/2017	155
9/14	MADISON GAS & ELEC	Aa3/AA-	25	6.274	09/15/2037	150

*Leading indicators; JPMorgan Issuance

Utility and Pipeline new issue supply (\$Bn)



JPMorgan

UTILITY & PIPELINE SECTORS, DEBT CAPITAL MARKETS UPDATE

Capital Markets Update

CITI

Monday, September 17, 2007

Treasury Yield Curve

Maturity	09/17/07	Daily Change
2-year	4.06%	+2 bp
3-year	4.08%	+3 bp
5-year	4.20%	+2 bp
7-year	4.27%	+1 bp
10-year	4.47%	+1 bp
30-year (old)	4.71% (4.72%)	-1 bp (-1 bp)
10-yr Swap (Mid)	+68 bp	+1 bp
Euro (3/ euro)	138.67	-0.10
Oil (Oct WTI)	80.57	+1.47
Gas (Oct Henry)	0.65	+0.37
3-Month LIBOR	5.58750	-1.000 bp

Equity Market Movers

	09/17/07	Daily Change	% Chg
DJIA	13,403.42	-39.10	-0.29%
S&P 500	1,476.65	-7.60	-0.51%
Nasdaq	2,581.66	-20.52	-0.79%
Nikkei	16,127.42	closed	--
UTY	526.01	-5.48	-0.66%
EXC	74.77	-1.70	-2.22%
PCG	46.02	-0.88	-1.88%
SRP	14.83	-0.21	-1.40%
POM	26.07	-0.35	-1.32%

Economic Data at Bat

Release	Prev	Citi	Street
Producer Price Index	0.6%	-0.2%	-0.3%
ex Food & Energy	0.1%	0.1%	0.1%

Power Industry Announcements

NY AG vs COAL. Bloomberg reports that New York Attorney General Andrew Cuomo subpoenaed five power companies to determine whether they disclosed to investors enough information about the financial risks of using coal to generate electricity. AES Corp., Dominion Resources Inc., Dynegy Inc., Peabody Energy Corp. and Xcel Energy Inc. received letters noting CO2 emissions from coal-fired plants have been linked to global climate change and are likely to be subject to future regulation. "Regulation of greenhouse gas emissions on the state level, such as through the *Regional Greenhouse Gas Initiative*, will begin shortly in several states," the Sept. 14 letters to each company say. "Such regulation would likely add a significant cost to carbon-intensive coal generation." "A public company must disclose information material to a shareholder's investment decision," the letters state. Each letter says the AG's office is "concerned" that the companies have "failed to disclose material information about the increased climate risks" each business faces, or the "possible effects of future greenhouse gas regulations" and their impact on the companies. Cuomo's letters invoke New York's *Martin Act*, a state securities law that gives broad powers to the AG. The letters ask for a response by Oct. 9, 2007.

XCEL RESPONDS. Xcel Energy released a statement saying its coal-fired plant in Colorado is being built under an agreement with national, state and local environmental groups, including the Sierra Club and Environmental Defense. "Our financial disclosures are adequate," the statement said. "We look forward to discussing this matter further with the New York attorney general."

PEABODY RESPONDS. Here are excerpts from Peabody Energy's statement on Cuomo's subpoena: "The New York state attorney general's office is using purported legal and regulatory claims to promote a political message by announcing an investigation of climate risk disclosure among major U.S. energy companies. It is unwarranted to use the legal process to advance the 'just say no' agenda, which opposes practical energy answers and has driven America to an unnecessary energy crisis. The legal system is designed to protect — not harass — those such as Peabody which are providing clean energy solutions for America. A process intended to protect shareholders is instead being used to advance a political agenda. It is already accomplishing the first objective: to gain headlines for a cause that has nothing to do with investor

Treasury Market

Yields on longer-term Treasury securities were little changed, as investors marked time ahead of the critical FOMC meeting. Fed funds futures trading reflects a 50/50 split between a Fed ease of 25-50 bp. In addition to the headline decision, the Fed has a number of other decisions to make: the balance of risks assessment in the 2:15 PM policy statement; a corresponding change in the discount rate; change of collateral or tenor for discount window borrowings. UK Chancellor of the Exchequer Alistair Darling said late Monday that the government will guarantee all Northern Rock accounts and this pledge will be extended to any solvent bank in similar circumstances. The Bank of England made emergency loans to UK banks to bolster the financial system, saying it received "intelligence" on this matter.

Equity Market

Stocks opened lower and stayed there for the duration of the trading day. Recent price gains in anticipation of a 50 bp rate cut may have been exaggerated on thin volumes. Commodity prices rose, including gold, which finished \$6.20 higher at \$715.80, its highest close since May 2006. Out of the ten S&P 500 industry groups, only energy producers gained as crude oil rose to another record high of \$80.57 on speculation that stockpiles continued to decline as refiners slowed operations at the end of the summer driving season. Financial shares were the biggest drag on equities, dropping 0.8%. A number of brokerage firms have pre-announced weaker quarterly earnings. E*Trade is exiting the wholesale mortgage business and warned of a 31% cut in 2007 earnings. The utility sector fell in line with the broader market as the UTY shed 0.7%.

Economic Announcements

The Empire State Manufacturing Index fell to 14.7 in Sept from 25.1, a slightly larger drop than market expectations. Notably, subindices for prices paid and received crept higher, while new orders and shipments fell. The employment gauge rose to 18.2 from 11.6. The headline producer price index (PPI) is expected to have declined 0.3%, while core PPI is expected to increase 0.1%.

communications. Peabody is happy to point out our clear disclosures regarding climate change and correct the letter's inaccuracies. For instance, the letter states that we don't have climate disclosure ... but in fact we do, in multiple places in our SEC filings on Form 10-K, annual report and social responsibility report. These are all available via Internet for anyone wanting to research the company. The letter also includes the inaccurate claim that we currently operate power plants. As our investors understand, we are a minority partner in the proposed Prairie State Energy Campus in Southern Illinois and would own less than 10 percent ..."

FPL NUKE UPRATE. Florida Power & Light asked Florida regulators to allow the company to boost energy production at its two South Florida nuclear plants. In a filing made with the PSC, FPL said it wants to add about 400 MW of capacity to its two plants, the Turkey Point generating plant south of Miami and one in St. Lucie County. FPL, a unit of FPL Group, has also already said it plans to seek approval to build two new nuclear plants at its existing Turkey Point complex by 2020 to add additional power generating capability. FPL President Armando Olivera said in a statement: "Nuclear power is an important component of the state's clean energy mix. FPL was turned down by the PSC earlier this year when the company sought to build a new coal-burning plant (*Glades*) in South Florida. The regulatory panel said other types of power plants would be more cost efficient, and cited in part the possibility of emissions controls for coal plants will become more costly."

PPL CLOSING COAL PLANT. PPL Corp. retired two coal-fired electrical generators at its Martins Creek power plant as part of an agreement aimed at reducing SO2 emissions. The units were shut down permanently on Friday under a 2003 agreement reached with environmental officials in Pennsylvania and New Jersey. The plant sits near the New Jersey border, about 10 miles north of Easton.

CAP AND TRADE COSTS VIA LAFFER. A cap-and-trade scheme for controlling greenhouse gas emissions would impose significant economic costs on the U.S. economy and is not a sound policy response to current concerns about global warming, says economist Arthur Laffer in a new study released today. Laffer's analysis, entitled "The Adverse Economic Impacts of Cap-and-Trade" concludes that cap-and-trade may reduce U.S. economic growth by 4.2%. The report is available online at <http://www.freecenterpriser.com>.

Corporate Financing Activity

Sempra Energy's San Diego Gas & Electric priced \$250mm of 30-year first mortgage bonds, rated A1/A+, at +142 bp. The utility was last in the market on June 5, 2006, when it priced \$250mm of 20-year bonds at +86 bp.

Issuer	Ratings	\$mm	Structure	Coupon	Spread	MW	CoC	Citi	Comments
San Diego Gas & Electric	A1/A+	\$250	30 NC/L	6.125%	+142 bp	1+25	-	-	First Mortgage Bonds
Rockies Express Pipeline	Baa2/BBB	\$600	2 NC/L	3mL+85 bp	NA	NA	-	R Bks	144A Floating Rate Notes

YAS

N1200 Govt Y A S

Enter 12<GO> for Comparable Bond Spread Analysis

YIELD & SPREAD ANALYSIS

CUSIP912826HA PCS BGN

US TREASURY N/B T 4 % 08/15/17 102-30 /102-31 (4.38 /38) BGN 316:20

SETTLE	9/13/07	FACE AMT	1000 M or PROCEEDS	1,033,430.71
1) YA	YIELDS		2) YASD	
PRICE	102-31	No Rounding	N	
YIELD	4.377	Wst		
SPRD	0.00	bp yld-decimals3/3		
versus				
10yr T 4 %	08/15/17	BENCHMARK		
PRICE	102-31	Save	Delete	
YIELD	4.377 %	sd:	9/13/07	
Yields are: Semi-Annual				

RISK & HEDGE RATIOS	T 4 % 08/15/17	HEDGE BOND	
	workout	OAS	
	8/15/17	OAS	
Mod Dur	7.86	7.92	7.92
Risk	8.120	8.188	8.188
Convexity	0.74	0.75	0.75
Workout HEDGE Amount: 1,000 M			
OAS HEDGE Amount: 1,000 M			

3) OAS	SPREADS		4) ASW
OAS:	0.1	CRV# CMT VOL	Opt
OAS:		CRV# TED:	77.1
ASW (A/A)	-66.7	ZSPR	-67.5
CRV#	152	US \$ SWAP	30/360
ISPRD	-65.0	DSPRD	-65.7
Yield Curve: I25 US TREASURY ACTIVES			
+ 0	v 9.9yr (4.377 %)	INTERPOLATED	
+ 30	v 5yr (4.07)	T 4 % 08/31/12	
+ 6	v 10yr (4.38)	T 4 % 08/15/17	
+ 23	v 30yr (4.66)	T 5 05/15/37	

5) PPA	FINANCING		
Repo	4.500	(360/365)	360 Days
Int Income	129.08	Carry P&L	
Fin Cost	-129.18	-0.10	
Amortiz	-7.47	-> -7.57	
Forwrd Prc	102.968760		
Prc Drop	-0.009010		
Drop (bp)	-0.01		
Accrued Interest	/100	0.374321	
Number Of Days Accrued	39		

AMSTERDAM 01 2017 1600 Brazil 0811 0448 1500 Europe 01 01 0000 0100 Germany 01 01 001100
 Hong Kong 01 01 0000 Japan 01 01 0001 0000 Singapore 01 0112 1000 U.S. 1 110 010 2000 Copyright 2007 Bloomberg L.P.
 09/13/07 10:11:00

YAS

N1200 Govt Y A S

Enter 12<GO> for Comparable Bond Spread Analysis

YIELD & SPREAD ANALYSIS

CUSIP912810PU PCS BGN

US TREASURY N/B T 5 05/15/37 105-15 /105-16 (4.65 /66) BGN 116:20
 SETTLE 9/13/07 FACE AMT 1000 M of PROCEEDS 1,071,440.22

1) YA	YIELDS	2) YASD
PRICE 105-16	No Rounding	N
YIELD 4.656	Wst	
SPRD 0.00	bp yld-decimals3/3	
versus		
30yr T 5 05/15/37		BENCHMARK
PRICE 105-16	Save	Delete
YIELD 4.656 %	sd:	9/13/07

RISK & HEDGE RATIOS	T 5 05/15/37		HEDGE BOND OAS
	workout	OAS	
	5/15/37	OAS	
Mod Dur	15.52	15.75	15.75
Risk	16.634	16.878	16.878
Convexity	3.55	3.65	3.65
Workout HEDGE Amount:1,000 M			
OAS HEDGE Amount:1,000 M			

3) OAS	SPREADS	4) ASW
OAS: -0.1	CRV# CMT VOL Opt	
OAS:	CRV# TED:	
ASW (A/A) -63.6	ZSPR -63.5	11) History
CRV# 152	US \$ SWAP 30/360	
ISPRD -60.6	DSPRD 60.7	
Yield Curve:125 US TREASURY ACTIVES		
+ 0	v 29.7yr (4.656 %)	INTERPOLATED
+ 53	v 5yr (4.07)	T 4 % 03/31/12
+ 23	v 10yr (4.38)	T 4 % 03/15/17
+ 0	v 30yr (4.65)	T 5 05/15/37

5) FPA	FINANCING	12) CBS
Repo% 4.500	(360/365)360	Days 1
Int Income	135.87	Carry P&L
Fin Cost	-133.93	1.94
Amortiz	-1.96<->	0.08
Forwrd Prc	105.409806	
Prc Drop	0.000194	
Drop (bp)	0.00	
Accrued Interest /100	1.544022	
Number Of Days Accrued	121	

Amortize 01 2 3772 4000 02/21/11 1111 3048 4800 Europe 44 24 1030 1030 Gateway 45 29 920110
 Hong Kong 158 2077 6700 Japan 01 1 02/11 1000 Singapore 01 6012 1000 U.S. 1 010 010 2010 Copyright 2005 Pitney Bowes Inc.
 04/11/11 11:11:11 11/11/11

Wiedmar, John

From: Harte, Timothy C [timothy.c.harte@bankofamerica.com]
Sent: Wednesday, September 12, 2007 9:15 AM
To: Wiedmar, John
Subject: RE: Indicative Pricing Request

Hi John,

I was just about to send this out. Please let me know if you have any questions.

Kentucky Utilities New Issue First Mortgage Bonds

A2/A (Stable / Stable)	21-Year
Reference Treasury Yield	4.640%
Reoffer Spread	T+ 140 bps
Reoffer Yield	6.040%
Gross Spread	0.875%
All-in Yield	6.115%
All-in Fixed Rate Spread	T+ 147 bps

From: Wiedmar, John [mailto:John.Wiedmar@eon-us.com]
Sent: Wednesday, September 12, 2007 8:56 AM
To: Harte, Timothy C
Subject: FW: Indicative Pricing Request

Tim,

Do you have the indicative pricing requested below for us yet? Thanks

From: Wiedmar, John
Sent: Monday, September 10, 2007 10:11 AM
To: 'Timothy C. Harte (timothy.c.harte@bankofamerica.com)'
Cc: 'peter.dougherty@bankofamerica.com'; Arbough, Dan
Subject: Indicative Pricing Request

Tim,

Can you please have your capital markets desk provide me with some indicative pricing (all-in spread) as of the close of business on Tuesday, September 11 for a \$100 million Kentucky Utilities first mortgage bond (Rated A1/A) at a fixed rate for a term of 21 years. If you have any questions, feel free to call me at (502) 627-3658.

Thanks again for your help.

John Wiedmar

9/12/2007

Wiedmar, John

From: Timmeny, Sean (GMI NY - DCM) [sean_timmeny@ml.com]
Sent: Tuesday, September 11, 2007 6:07 PM
To: Wiedmar, John
Cc: Arbough, Dan; Trachsel, Scott (GMIT - CAPMTS)
Subject: Indicative Pricing Request from Merrill Lynch

John,

Following up on your below query, we believe that a \$100 million Kentucky Utilities FMB (rated A1/A) would price at a spread to the 30-Yr Treasury (currently 4.65%) of 145bps. This would result in a reoffer yield of 6.10% and an all-in yield (inclusive of 0.750% MTN fees) of 6.17%.

I hope this is helpful. Please let me know if we can provide anything further.

Regards,
Sean

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

From: Wiedmar, John [mailto:John.Wiedmar@eon-us.com]
Sent: Monday, September 10, 2007 10:27 AM
To: Timmeny, Sean (GMI NY - DCM)
Cc: Arbough, Dan
Subject: Indicative Pricing Request

Sean,

Can you please have your capital markets desk provide me with some indicative pricing (all-in spread inclusive of fees) as of the close of business on Tuesday, September 11 for a \$100 million Kentucky Utilities first mortgage bond (Rated A1/A) at a fixed rate for a term of 21 years. If you have any questions, feel free to call me at (502) 627-3658.

Thanks again for your help.

John Wiedmar

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9/12/2007

Summary Terms for Kentucky Utilities

Kentucky Utilities
 Summary Terms for Underwritten US-Domestic First Mortgage Bonds
 (Assumes Secured Debt Ratings of A1 / A)

Fixed Rate New Issue Levels

	20 Years*	21 Years*
Maturity:	4.655%	4.655%
U.S. Treasury Rate:	4.655%	4.655%
Issue Price:	Par	Par
Optionality:	MW	MW
Reoffer Spread:	155 bps	155 bps
Reoffer Yield:	6.205%	6.205%
Gross Spread:	0.875%	0.875%
Amortization of Gross Spread:	0.07%	0.07%
Semiannual All-in Cost:	6.275%	6.271%
Semiannual All-in Spread:	162 bps	162 bps

Swapped to Floating

Swap Spread:	61 bps	61 bps
Option Value:		
Swapped Spread to LIBOR:	94 bps	94 bps
3 Month LIBOR:	5.370%	5.370%
Initial Coupon:	6.310%	6.310%

*20-year security is benchmarked to US 4.75% due 2/15/2037

U.S. Treasury and LIBOR rates as of September 11, 2007

Wiedmar, John

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Wednesday, September 12, 2007 8:36 AM
To: Wiedmar, John
Cc: Horne, Elliott; fidelia.corp@verizon.net; Arbough, Dan
Subject: WG: Spread

Spread 1 from ABN Amro

-----Ursprüngliche Nachricht-----
Von: hussain.hussain@uk.abnamro.com [mailto:hussain.hussain@uk.abnamro.com]
Gesendet: Dienstag, 11. September 2007 15:16
An: Heintzen, Lioba
Betreff: Re: Spread

Dear Ms Heintzen,

further to your request with respect to indicative funding levels for a USD 100 mln 21 year issue, we anticipate that the current new issue level (all-in) would be at UST 4.75% Notes due August 2017+ 135 bp.

Kind regards,

Hussain Hussain
Corporate Origination
ABN AMRO
250 Bishopsgate
London EC2M 4AA
UK

Phone: +44 (0) 207 678 8710
Fax: +44 (0) 207 678 3597

"Heintzen, Lioba" <Lioba.Heintzen@eon.com>	To <hussain.hussain@uk.abnamro.com>
11/09/2007 13:20	cc
	Subject Spread

Hallo,

ich brauche - für interne Zwecke - den Spread den E.ON für ein private placement USD 100m und einer Laufzeit von 21 Jahren all in über Treasuries zahlen müsste.

Mit freundlichen Grüßen/Kind regards

Wiedmar, John

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Wednesday, September 12, 2007 8:38 AM
To: Wiedmar, John
Cc: Horne, Elliott; Arbough, Dan; fidelia.corp@verizon.net
Subject: WG: E.on

Spread 2 from Goldman Sachs

Von: Schrago, Godefroy [mailto:Godefroy.Schrago@gs.com]
Gesendet: Mittwoch, 12. September 2007 12:59
An: Heintzen, Lioba
Betreff: FW: E.on

Dear Lioba,

For a newly issued \$100m 21yr US PP, we would expect new issue pricing indications in the T+175 area (all-in).

Kind regards,
Godefroy Schrago

From: Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]
Sent: 11 September 2007 13:19
To: Schrago, Godefroy
Subject: Spread

May I ask for an indicative Spread again which my colleagues in the US need for documentation reasons only? I am interested in the spread that E.ON would have to pay for a USD 100m privat placement with a fixed rate and a maturity of 21 years. This spread should already include fees and should be priced against Treasuries.

Thanks
Mit freundlichen Grüßen/Kind regards

Lioba Heintzen
Treasury
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F +49 2 11-45 79-669
Lioba.Heintzen@eon.com
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E.ON-Platz 1
40479 Düsseldorf
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Vorsitzender des Aufsichtsrats/Chairman of the Supervisory Board: Ulrich Hartmann
Vorstand/Board of Management: Dr. Wulf H. Bernotat (Vorsitzender/Chairman), Dr. Burckhard Bergmann,
Christoph Dänzer-Vanotti, Lutz Feldmann, Dr. Marcus Schenck, Dr. Johannes Teyssen

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9/12/2007

Wiedmar, John

From: Heintzen, Lioba [Lioba.Heintzen@eon.com]
Sent: Wednesday, September 12, 2007 8:39 AM
To: Wiedmar, John
Cc: Horne, Elliott; Arbough, Dan; fidelia.corp@verizon.net
Subject: WG: AW: indication on a E.ON PP

Part 2 Spread DB

-----Ursprüngliche Nachricht-----
Von: Hasso Spielberg [mailto:hasso.spielberg@db.com]
Gesendet: Mittwoch, 12. September 2007 11:34
An: Heintzen, Lioba
Betreff: Re: AW: indication on a E.ON PP

100 + 65 macht 165.

Viele Grüße

Hasso Spielberg

Deutsche Bank AG
Global Markets
Debt Capital Markets
Telefon 069 910 36842
Mobiltelefon 0172 677 6979

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

12/09/2007 11:29

To

Hasso Spielberg/DMG/Zentrale/DesBa@db.com

cc

Subject

AW: indication on a E.ON PP