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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
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June 1, 2007

RE: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations
Case No. 2007-00115

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 five (5) copies of information related to an issuance under said Order.

Please be advised that on May 24, 2007, Kentucky Utilities Company (the "Company") completed the sale of \$26,802,000 Environmental Facilities Revenue Bonds (Kentucky Utilities Company Project) as contemplated in the above-referenced Case. The sale of the securities was negotiated with Lehman Brothers Inc. and was completed as shown in the table below:

	<u>Carroll County 2007 SeriesA</u>	<u>Trimble County 2007 Series A</u>
Type of Security:	Unsecured Pollution Control Bonds	Unsecured Pollution Control Bonds
Issuance Date:	May 24, 2007	May 24, 2007
Amount:	\$17,875,000	\$8,927,000
Maturity Date:	February 1, 2026 variable – will be reset every 7	March 1, 2037 variable – will be reset every 7
Interest Rate:	days	days
Initial Interest Rate:	3.80%	3.80%

Ms. Elizabeth O'Donnell
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The proceeds of each series of bonds will be used to finance a portion of the costs of the acquisition, construction, installation and equipping of solid waste disposal facilities at the Ghent Generating Station in Carroll County, Kentucky and Unit 2 of the Trimble County Generating Station in Trimble County, Kentucky. KU elected to issue the maximum possible term allowed to take full advantage of low cost tax-exempt financing.

The interest rate on this bond issuance will be reset every 7 days through an auction mechanism that will reflect existing market conditions. The auction rate mode allows the Company to take advantage of the low interest rates in the variable rate market. The long-term historical average of variable rates has been lower than current fixed rates even though fixed rates are at historic low levels. The 10-Yr historical average BMA rate¹ is 2.67% compared to the current Revenue Bond Index (RBI)² of 4.46%. The company will continue to monitor the market for opportunities to enter into an interest rate swap to fix the rate of interest on all or some portion of the bond.

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 also less costly than a bank letter of credit backed issue. The auction rate procedures are detailed in Appendix B of the enclosed Official Statement. Lehman Brothers Inc. will act as the Remarketing Agent with respect to the bonds.

Total underwriter's commission of \$93,807.00 was paid to Lehman Brothers Inc. An insurance premium in the amount of \$320,852.36 was paid at closing to Ambac Assurance covering the entire life of the bond. Other fees and expenses involved in the issuance and distribution (legal, printing, accounting, etc.) are estimated to be \$300,000.

Enclosed are five 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

¹ BMA rate – index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by The Bond Market Association.

² RBI - An estimate of the yield compiled by the Bond Buyer using an index of revenue bonds maturing in 30 years, with a rating equivalent to Moody's A1 and Standard and Poor's A-plus.

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June 1, 2007

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 or Don Harris at (502)627-2021.

Sincerely,

A handwritten signature in black ink that reads "Rick E. Lovekamp". The signature is written in a cursive style with a large, stylized initial "R".

Rick E. Lovekamp

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

Instruction Letter

Relating to

\$17,875,000	\$8,927,000
County of Carroll, Kentucky	County of Trimble, Kentucky
Environmental Facilities Revenue Bonds	Environmental Facilities Revenue Bonds
2007 Series A	2007 Series A
(Kentucky Utilities Company Project)	(Kentucky Utilities Company Project)

Attached please find a Supplement dated May 22, 2007 to the Official Statement dated May 17, 2007 with respect to the above-referenced bonds. Please attach the following page to the earlier distributed Official Statement. Thank you.

Supplement dated May 22, 2007 to the

Official Statement dated May 17, 2007

Relating to

\$17,875,000
County of Carroll, Kentucky
Environmental Facilities Revenue Bonds
2007 Series A
(Kentucky Utilities Company Project)

\$8,927,000
County of Trimble, Kentucky
Environmental Facilities Revenue Bonds
2007 Series A
(Kentucky Utilities Company Project)

The section captioned "Selected Financial Data" on page A-9 of "Appendix A – Kentucky Utilities Company" in the Official Statement dated May 17, 2007 is hereby replaced in its entirety by the following:

Selected Financial Data

(in millions)	12 Months Ended March 31, 2007	Years Ended December 31				
		2006	2005	2004	2003	2002
Operating revenues	\$ 1,233	\$ 1,210	\$ 1,207	\$ 995	\$ 892	\$ 862
Net operating income	\$ 256	\$ 235	\$ 202	\$ 228	\$ 162	\$ 163
Net income	\$ 162	\$ 152	\$ 112	\$ 134	\$ 91	\$ 93
Total assets	\$ 3,246	\$ 3,143	\$ 2,756	\$ 2,610	\$ 2,505	\$ 2,252
Long-term obligations (including amounts due within one year)	\$ 917	\$ 843	\$ 746	\$ 726	\$ 688	\$ 501
Ratio of Earnings to Fixed Charges (1)	6.63x	6.77x	6.41x	8.85x	6.62x	6.44x
				March 31, 2007	% of Capitalization	
Capitalization:						
Long-Term Debt				\$ 884	42.0%	
Common Equity				<u>1,238</u>	<u>58.0</u>	
Total Capitalization				<u>\$2,122</u>	<u>100.0%</u>	

- (1) For purposes of this ratio, "Earnings" consist of the aggregate of Income Before Cumulative Effect of a Change in Accounting Principle, taxes on income, investment tax credit (net) and "Fixed Charges." "Fixed Charges" consist of interest charges and one-third of rentals charged to operating expenses.

Management's Discussion and Analysis of Financial Condition and Results of Operations, Notes to Financial Statements (Unaudited) for the Three Months Ended March 31, 2007 and Notes to Financial Statements for the Year Ended December 31, 2006 should be read in conjunction with the above information.