



Ms. Stephanie L. Stumbo, Executive Director
 Public Service Commission of Kentucky
 211 Sower Boulevard
 P.O. Box 615
 Frankfort, Kentucky 40602

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 COMMISSION

Kentucky Utilities Company
 State Regulation and Rates
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 PO Box 32010
 Louisville, Kentucky 40232
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Rick E. Lovekamp
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November 5, 2008

RE: *The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations – Case Nos. 2008-00132 and 2008-00309*

Dear Ms. Stumbo:

Please be advised that on October 17, 2008, Kentucky Utilities Company (the “Company”) completed the sale of \$77,947,405 Environmental Facilities Revenue Bonds (Kentucky Utilities Company Project) as contemplated in the above-referenced Cases. This action was the first of several transactions expected pursuant to the orders. The transaction involved the refinancing of four (4) separate series of outstanding pollution control bonds totaling \$59,921,140 and a new issuance of \$18,026,265 of long-term debt all in a single new bond totaling \$77,947,405. The sale of the securities was negotiated with Banc of America Securities LLC and was completed as shown in the table below:

<u>Carroll County 2008 SeriesA</u>	
Type of Security:	Unsecured Pollution Control Bonds
Issuance Date:	October 17,2008
Refinanced Bonds:	
2005 Series A	\$13,266,950
2005 Series B	\$13,266,950
2006 Series A	\$16,693,620
2006 Series C	<u>\$16,693,620</u>
Total Refinanced Bonds	\$59,921,140
New Issuance:	<u>\$18,026,265</u>
Total Principal:	\$77,947,405
Maturity Date:	February 1, 2032
Interest Rate:	Flexible Rate Mode
Initial Interest Rate:	3.25%

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The interest rate on this bond issuance will be reset via a flexible rate determined by Banc of America Securities that will reflect prevailing market conditions. The flexible 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. The 10-Yr historical average SIFMA rate¹ is 2.59% compared to the current Revenue Bond Index (RBI²) of 6.48%. The company anticipates short-term rates to continue to be favorable to long-term rates. However, the company will continue to monitor the market for fixed rate opportunities.

The flexible rate mode was selected among the short-term alternatives due to the lower interest rates associated with this type of financing. The flexible rate mode procedures are detailed within the enclosed Official Statement. Banc of America Securities LLC will act as the Remarketing Agent with respect to the bonds.

The Company decided to refund the four series of bonds due to the risk associated with downgrades of the rating of the insurer (Ambac), which have resulted in significant interest rate increases on the bonds. Given the need to issue the new money series, the Company took the opportunity to combine the four existing series of bonds into the new series to reduce administrative costs.

Total underwriter's commission of \$277,642.18 was paid to Banc of America Securities LLC. Other fees and expenses involved in the issuance and distribution (legal, printing, accounting, etc.) are estimated to be \$300,000.

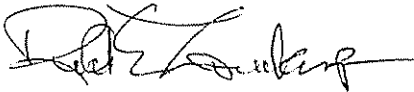
¹ SIFMA rate – index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry And Financial Markets 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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Enclosed are an original and five (5) copies of the Official Statement and information related to an issuance under said Order. 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", with a stylized flourish at the end.

Rick E. Lovekamp