

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	CASE NO. 2003-00059
SECURITIES AND THE ASSUMPTION)	
OF OBLIGATIONS)	

INITIAL DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company (KU), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due within 10 days of the date of this request. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to pages 2-4, section 4, of the application. KU states, The Company anticipates issuing fixed rate notes to Fidelity with final maturities between 2 and 12 years. The Loan and Security Agreement in Exhibit 3, page 4, section 2.3(A), indicates that interest rates may be determined as fixed rates or floating rates.

a. Explain whether KU intends to issue floating rate notes under this agreement. If so, what percentage of the total obligations does KU anticipate will be subject to floating rates?

b. Provide a schedule showing KU's current floating rate long-term obligations. Include in the schedule the amount, type of obligation, issue date, maturity date and the most recently available interest rate for each obligation.

2. Refer to page 3, section 4, of the application. KU states, The Best Rate Method assures the Company that it will not pay more for a loan from Fidelia than it would pay in the capital markets for a similar loan. Describe in detail the basis for this statement.

3. Refer to page 3, section 5, of the application. KU states, That interest rate would be the lower of (a) the average of three quotes obtained by Fidelia from international investment banks for an unsecured bond issued by E.ON with the applicable term of the loan and (b) the average of three quotes obtained by the Company from international investment banks for a first mortgage bond issued by the Company with the applicable term of the loan.

a. Provide the rationale for using the average of three quotes obtained by Fidelia.

b. Provide the rationale for using the average of three quotes obtained by KU from international investment banks for a first mortgage bond issued by KU.

c. Explain why an average of three quotes will be used as opposed to using the lowest quote.

d. Explain why KU is to secure quotes from international investment banks rather than investment banks in the United States.

4. Refer to page 4 of the application, which states that if the Securities and Exchange Commission (SEC) does not permit KU and its affiliates to engage in secured transactions, the loans will be unsecured.

a. If authority to engage in secured transactions is not approved by the SEC, describe the consequences to KU of issuing unsecured debt, including the effect upon the interest rates.

b. If unsecured debt is issued, explain KU s financing strategy if its unsecured debt reaches the limit of 25 percent of secured debt plus capital and surplus that is allowed in its Articles of Incorporation.

5. Refer to page 6, section 13, of the application, which refers to long-term interest rates being at or near 10-year lows. Explain why the proposed financing, with maximum maturities of 12 years, is preferable to longer-term bond issues.

6. Refer to page 9, section 17, subsection (c), of the application.

a. Is it correct that the Pineville 3 generating station has been retired or decommissioned?

b. If Pineville 3 has been retired, provide the estimated cost of pollution control work for Pineville 3 included in KU s 2001 Amended Pollution Control Plan that was approved by the Commission.

7. Refer to Exhibit 3, page 1, of the application.

a. Specifically identify the assets that constitute the collateral required by the Loan and Security Agreement. This will require more detail than in the list of items on page 6 of the Loan and Security Agreement.

b. Explain how the proposed financing is consistent with the Commission's Order in the E.ON merger proceedings.

c. Explain how the proposed financing is consistent with the provisions of the SEC's approval of E.ON's acquisition of Powergen and the ability of E.ON subsidiaries to secure financing through Fidelity.

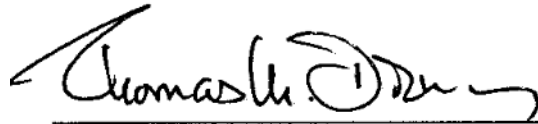
8. Refer to Exhibit 5 of the application. The explanation on page 5, section 10, states that Exhibit 5 establishes that intercompany loans within the E.ON holding company system will result in equal or lower financing costs. The date or length of time covered by the rates shown is not identified.

a. Identify the date(s) represented in the table provided on Exhibit 5.

b. Provide the supporting calculations for each interest rate and term shown in the column labeled Independent Financing. Include the name of each investment bank used to determine each interest rate.

c. Provide the supporting calculations for each interest rate and term shown in the column labeled Intercompany from Fidelity. Include the name of each investment bank used to determine each interest rate.

d. Provide a table similar to Exhibit 5 showing a monthly average percentage rate for each of the three sources of financing shown. The table should include averages for each month of the most recently available 6-month period.



Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED: March 11, 2003

cc: All parties