



Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
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Frankfort, KY 40602

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September 6, 2006

Rick E. Lovekamp
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Re: Joint Application of the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency for Approval to be a 25% Partner in the Construction of a 750 Megawatt Addition to the Existing Trimble County Generating Facility in Trimble County, Kentucky
Siting Board Case No. 2005-00152

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's (collectively "Companies") interim report on significant developments of the Trimble County 2 ("TC2") generating facility. An electronic copy of this filing has been posted to the Commission's Electronic Filing Center.

The electronically filed document is a true representation of the original document that has been filed with the Commission.

The Companies hereby respond to the Kentucky State Board on Electric Generation and Transmission Siting ("Board") request to be kept apprised of any significant developments on the progress of the TC2 generation facility.

As stated in the Companies' April 7, 2005, response to the Motion for Informal Conference filed by Intervenors International Brotherhood of Electrical Workers, Local 2100 and Greater Louisville Building and Construction Trades Council (collectively "the Unions"), the Companies on April 4, 2006 filed a Declaratory Judgment Complaint against Bechtel, seeking a judgment that the Engineering, Procurement and Construction Agreement (the "EPC Agreement") is a valid and binding contract.

After weeks of intensive negotiations, the Companies and Bechtel reached an agreement on all outstanding issues on June 10, 2006. The Companies and Bechtel jointly filed for a dismissal of the Declaratory Judgment Complaint on June 15, 2006. On July 5, 2006 Bechtel was mobilized at the site. The project is still on target for commercial operation in the second quarter of 2010.

In its order issued in response to the Union's Motion for Informal Conference, the Board requested that the Companies keep the parties' advised of significant developments in the case and inform them if conditions change such that an informal conference in this case or in the Commission's Case No. 2004-00507 addressing labor issues raised in the Unions' motion might be warranted, if commercial sensitivity might merit it.

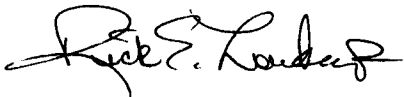
The terms of the EPC Agreement between the Companies and Bechtel remain confidential. However, the Companies have and are complying with the Board's final order issued in November 2005, in which the Applicants were directed to ensure the hiring of "construction and operation workers from the local population and [the utilization of] local materials and MBEs and WBEs whenever practical and possible."

For all of these reasons, the Companies respectfully submit that there has been no change in conditions that would warrant an informal conference in the matter as requested by the Unions and further, that such matters remain commercially sensitive.

The Companies do not believe the filing of an interim or early annual report would be beneficial to the Board, or parties of record in this proceeding. The Companies, together with the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency, will file the first annual report in November 2006 in accordance with the order for Case No. 2005-00152 and Appendix A thereto.

If you have any questions about this matter, please let me know.

Sincerely,



Rick E. Lovekamp