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August 24, 2010

**By Overnight Mail**

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

RECEIVED

AUG 25 2010

PUBLIC SERVICE  
COMMISSION

**RE: Application of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority**  
**Case No. 2010-00206**

Dear Mr. DeRouen:

Enclosed for filing in the above referenced case, please find the original and ten copies of a revised Exhibit 3 to Kentucky Utilities Company's Application. The purpose of Exhibit 3 is to provide details of the outstanding debt to Fidelity Corporation. KU's Application correctly stated the current outstanding principal balance of KU's debt to Fidelity Corporation (\$1,331,000,000), and the table in paragraph 8 of the Application included the November 25, 2009 Note. However, that Note was omitted from section I. of the Original Exhibit 3. The revised Exhibit 3 reflects this Note in the final row in the table on page 8.

An additional copy of the revised Exhibit is enclosed to be file stamped and returned to the undersigned in the enclosed pre-addressed envelope.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Yours very truly,

Kendrick R. Riggs

KRR/dvg  
Enclosure  
cc: Parties of Record

EXHIBIT 3 (REVISED)

PROMISSORY NOTES TO FIDELIA

Please note that KU does not “project finance,” and utilizes all sources of funds, including internally generated funds, capital, and debt for its various projects. Thus, the uses cited are general reasons for KU’s need for funds at the time the debt was incurred rather than specific uses to which specific debt was assigned.

A. By Orders dated April 14, 2003 and April 30, 2003 in Case No. 2003-00059 (*In the Matter of: The Application of Kentucky Utilities Company For an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelity in an amount not to exceed \$250,000,000. Among the causes for KU’s need for additional long-term financing were the maturity on June 15, 2003 of KU’s 6.32% First Mortgage Bonds, Series Q in the principal amount of \$62,000,000. In addition, financing in an amount not to exceed \$70,000,000 was needed for combustion turbines at the Trimble County generating station, for which a Certificate of Public Convenience and Necessity was granted in Case No. 2002-00381 (*In the Matter of: The Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Four Combustion Turbines and a Site Compatibility Certificate for the Facility*). Additional financing was needed for the costs of KU’s pollution control program, in an amount not to exceed \$125,000,000, as approved by the Commission by Orders dated May 14, 2001 and April 18, 2001 in Case No. 2000-439 (*In the Matter of: The Application of Kentucky Utilities Company for Approval of an Amended Compliance Plan for Purposes of Recovering the Cost of New and Additional Control Facilities and to Amend its Environmental Surcharge Tariff*). Long-term financing was further necessary

to reduce the Company's short-term debt and reduce its exposure to the risk of rising short-term interest rates.

Pursuant to the authority granted in Case No. 2003-00059, the Company issued the following notes:

| <u>Payee</u>      | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u>              |
|-------------------|----------------------|-----------------|----------------------|----------------------------|
| Fidelia           | 04/30/03             | 04/30/13        | 4.550%               | \$100,000,000              |
| Fidelia           | 08/15/03             | 08/15/13        | 5.310%               | \$ 75,000,000              |
| Fidelia (Matured) | 12/18/03             | 12/19/05        | 2.29%                | \$ 75,000,000<br>(Matured) |

B. By Order dated September 22, 2003 in Case No. 2003-00301 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelia in an amount not to exceed \$100,000,000. Among the causes for KU's need for additional long-term financing were the refunding of KU's 8.55% First Mortgage Bonds, Series P in the principal amount of \$33,000,000. In addition, financing was needed for the costs of KU's pollution control program as approved by the Commission by Orders dated May 14, 2001 and April 18, 2001 in Case No. 2000-439 (*In the Matter of: The Application of Kentucky Utilities Company for Approval of an Amended Compliance Plan for Purposes of Recovering the Cost of New and Additional Pollution Control Facilities and to Amend its Environment Surcharge Tariff*) in an amount not to exceed \$46,000,000. Additional financing was also needed in an amount of up to \$50,000,000 to replace the working capital generated by KU's Accounts Receivable Program, which was approved by the Commission by Orders dated December 13, 2000 and January 16, 2001 in Case No. 2000-490 (*In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for*

an Order Approved by the Transfer of Certain Financial Assets) and which was being terminated.

Pursuant to the authority granted in Case No. 2003-00301, the Company issued the following notes:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelia      | 11/24/03             | 11/24/10        | 4.240%               | \$ 33,000,000 |
| Fidelia      | 01/15/04             | 01/16/12        | 4.390%               | \$ 50,000,000 |

C. By Order dated May 10, 2005 in Case No. 2005-00117 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelia in an amount not to exceed \$125,000,000. Among the causes for KU's need for additional long-term financing were the Redemption of KU's 7.55% First Mortgage Bonds, Series R, in \$50,000,000 principal amount. In addition, an existing \$75,000,000 intercompany loan from Fidelia, authorized by the Commission in Case No. 2003-00059, matured on December 19, 2005.

Pursuant to the authority granted in Case No. 2005-00117, the Company issued the following notes:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelia      | 07/08/05             | 07/08/15        | 4.735%               | \$ 50,000,000 |
| Fidelia      | 12/19/05             | 12/21/15        | 5.360%               | \$ 75,000,000 |

D. By Order dated May 22, 2006 in Case No. 2006-00155 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt

financing from Fidelity in an amount not to exceed \$100,000,000. Among the reasons cited for KU's need for debt financing were routine and ongoing upgrades and expansion related to its distribution and transmission system and other capital projects including but not limited to pollution control facilities at the Company's Ghent Generating Station. The Commission granted KU a Certificate of Public Convenience and Necessity for those facilities by Order dated June 20, 2005 in Case No. 2004-00426 (*In the Matter of: The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge*), which was subsequently modified by Order dated December 22, 2006, in Case No. 2006-00493 (*In the Matter of: Application of Kentucky Utilities Company to Modify Certain Certificates of Public Convenience and Necessity to Construct Ductwork for Two Flue Gas Desulfurization Units at the Ghent Power Station*).

Pursuant to the authority granted in Case No. 2006-00155, the Company issued the following notes:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelity     | 06/23/06             | 06/23/36        | 6.33%                | \$ 50,000,000 |
| Fidelity     | 10/25/06             | 10/25/16        | 5.675%               | \$ 50,000,000 |

E. By Orders dated January 22, 2007 and February 6, 2007 in Case No. 2006-00390 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt from Fidelity for the purpose of defeasing and discharging \$53,000,000 in principal amount of KU's 7.92% First Mortgage Bonds, Series P.

Pursuant to the authority granted in Case No. 2006-00390, the Company issued the following note:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelia      | 02/07/07             | 02/07/22        | 5.69%                | \$ 53,000,000 |

F. By Order dated March 19, 2007 in Case No. 2007-00024 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelia in an amount not to exceed \$295,000,000. Among the causes for KU's need for additional long-term financing were capital expenditures for pollution control facilities at the Ghent Generating station, authorized by Orders dated June 20, 2005 in the previously referenced case No. 2004-00426 and December 21, 2006 in Case No. 2006-00206 (*In the Matter of: The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct a Selective Catalytic Reduction System and Approval of its 2006 Compliance Plan for Recovery by Environmental Surcharge*). In addition, KU needed financing for its share of construction costs for Trimble County Unit 2 in Trimble County. The Commission granted a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate for that facility by Orders dated November 1, 2005 and November 9, 2005 in Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate for Expansion of the Trimble County Generating Station*).

Pursuant to the authority granted in Case No. 2007-00024, the Company issued the following notes:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelia      | 03/30/07             | 03/30/37        | 5.86%                | \$ 75,000,000 |
| Fidelia      | 06/20/07             | 06/20/17        | 5.98%                | \$ 50,000,000 |
| Fidelia      | 09/14/07             | 09/14/28        | 5.96%                | \$100,000,000 |
| Fidelia      | 10/25/07             | 10/25/19        | 5.71%                | \$ 70,000,000 |

G. By Order dated November 1, 2007 in Case No. 2007-00437 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelia in an amount not to exceed \$100,000,000. Among the causes for KU's need for additional long-term financing were capital expenditures for pollution control facilities at KU's Ghent and E.W. Brown Generating Stations as authorized by the Commission in the previously cited Case Nos. 2004-00426 and 2006-00493. In addition, favorable weather and a compressed construction schedule resulted in accelerated capital expenditures for KU's share of transmission facilities, approved by the Commission by Order of May 26, 2006 in Case No. 2005-00467 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky*).

Pursuant to the authority granted in Case No. 2007-00437, the Company issued the following note:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelia      | 12/20/07             | 12/19/14        | 5.45%                | \$100,000,000 |

H. By Order dated February 13, 2008 in Case No. 2007-00548 (*In The Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of*

*Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelity in an amount not to exceed \$275,000,000. Among the causes for KU's need for additional long-term financing were capital expenditures for pollution control facilities, at KU's Ghent and E.W. Brown Generating Stations, as authorized by the Commission in the previously cited Case Nos. 2004-00426 and 2006-00493. In addition, KU required financing for its share of the construction costs for Trimble County Unit 2, for which the Commission granted a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate in the previously cited Case No. 2004-00507.

Pursuant to the authority granted in Case No. 2007-00548, the Company issued the following notes:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelity     | 05/20/08             | 05/22/23        | 5.85%                | \$ 75,000,000 |
| Fidelity     | 07/25/08             | 07/25/18        | 6.16%                | \$ 50,000,000 |
| Fidelity     | 08/26/08             | 08/27/18        | 5.645%               | \$ 50,000,000 |
| Fidelity     | 12/15/08             | 12/17/18        | 7.035%               | \$ 75,000,000 |

I. By Order dated November 5, 2008 in Case No. 2008-00426 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized KU to obtain long-term debt financing from Fidelity in an amount not to exceed \$275,000,000. Among the causes for KU's need for additional capital expenditures for pollution control facilities at KU's Ghent and E.W. Brown Generating Stations, as authorized by the Commission in the previously cited Case Nos. 2004-00426 and 2006-00493. In addition, KU required financing for its share of the construction costs for Trimble County Unit 2, for which the Commission granted a certificate of



Public Convenience and Necessity and a Site Compatibility Certificate in the previously cited Case No. 2004-00507.

Pursuant to the authority granted in Case No. 2008-00426, the Company issued the following notes:

| <u>Payee</u> | <u>Date of Issue</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Amount</u> |
|--------------|----------------------|-----------------|----------------------|---------------|
| Fidelia      | 04/24/09             | 04/24/17        | 5.28%                | \$ 50,000,000 |
| Fidelia      | 07/27/09             | 07/29/19        | 4.81%                | \$ 50,000,000 |
| Fidelia      | 11/25/09             | 11/25/19        | 4.445%               | \$ 50,000,000 |

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