COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 25, 2006

APPLICATION OF

KENTUCKY UTILITIES COMPANY
d/b/a OLD DOMINION POWER COMPANY

CASE NO. PUE-2006-00066

For authority to issue securities under
Chapter 3 of Title 56 of the Code of
Virginia

ORDER GRANTING AUTHORITY

On May 5, 2006, Kentucky Utilities Company, d/b/a/ Old Dominion Power Company ("Applicant" or the "Company"), filed an application with the State Corporation Commission ("Commission") requesting authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia ("Code"). Applicant paid the requisite fee of $250.

Applicant requests authority to issue up to $16,963,620 in long-term debt ("Proposed Debt") and to assume certain obligations and to enter into various agreements to collateralize and affect the issuance of tax-exempt Carroll County Environmental Facilities Revenue Bonds ("Pollution Control Bonds") in the same amount. Applicant was notified by the Kentucky Private Activity Bond Allocation Committee ("Allocation Committee") that the Company received an allocation of $16,693,620 in tax-exempt bond financing for its pollution control facilities at the Ghent Generating Station in Carroll County, Kentucky ("Carroll County"). Applicant was granted a Certificate of Public Convenience and Necessity to construct the pollution control facilities by the Kentucky Public Service Commission's June 20, 2005 Order in Case No. PUE- 2004-00426.

Applicant seeks to obtain expedited approval for the related tax-exempt financing to ensure that this lowest cost alternative for ratepayers is not lost. As indicated in the Company's application, and clarified by letter dated May 17, 2006, the time for this financing option is limited because the Pollution Control Bonds must be issued before August 8, 2006, to fall within 90 days of the date of written notice mailed to indicate the Allocation Committee's decision. Additionally, expedited approval would afford Applicant maximum flexibility to negotiate the most attractive terms under current market conditions and to arrange for underwriting, marketing and public notice of the Pollution Control Bonds.

Subject to one or more loan agreements ("Loan Agreement") with Carroll County, proceeds from the issuance of the Pollution Control Bonds will be loaned to the Company. Under the terms of the Loan Agreement, Applicant will issue the Proposed Debt in the form of First Mortgage Bonds that will mirror the structure and terms of the Pollution Control Bonds. Depending on market conditions and Applicant's credit rating at the time of issuance, the Proposed Debt will be issued in one or more series of First Mortgage Bonds to be held by one or more corporate trustees (each a "Trustee") under one or more indentures of trust between Carroll County and each Trustee. The Proposed Debt will serve as collateral to guarantee payment of the Pollution Control Bonds, in conjunction with any additional guarantee agreements, bond insurance agreements, or other similar arrangements that may be necessary or cost effective.

To obtain the most advantageous financing based on market conditions at the time of issuance, Applicant requests broad authority to negotiate terms and conditions of the Pollution Control Bonds, which will be assumed by the Proposed Debt. The Pollution Control Bonds will be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions. The Pollution Control Bonds may be issued as fixed rate or variable rate debt. If a variable rate option is chosen, the Pollution Control Bonds may include provisions to convert to other interest rate modes. In addition, the Pollution Control Bonds may include a tender purchase provision that would require entering into remarketing agreements with remarketing agents. Applicant may also need to enter into one or more liquidity facilities to provide immediate funding to pay for bonds tendered for purchase. Such facilities would require entering into one or more credit agreements and possibly a promissory note to each facility provider to secure repayments by Applicant.

Applicant states that the maturity of the Pollution Control Bonds and Proposed Debt will not exceed 30 years from the date of issuance. In addition, compensation for underwriters will not exceed two percent (2%) of the principal amount of each series of Pollution Control Bonds to be sold. Applicant estimates that issuance costs for the Proposed Debt will be approximately $545,000. Finally, Applicant requests authority to enter into one or more interest rate hedging agreements to manage its exposure to variable interest rates or to lower its fixed rate borrowing costs with respect to the Proposed Debt.

THE COMMISSION, upon consideration of the application and having been advised by Staff, is of the opinion and finds that approval of the application will not be detrimental to the public interest. Accordingly,

IT IS ORDERED THAT:

1) Applicant is hereby authorized to issue and deliver the Proposed Debt in an aggregate principal amount not to exceed $16,693,620 in the manner and for the purposes as set forth in its application, through the period ending December 31, 2006.

2) Applicant is authorized to execute and deliver and perform the obligations of the Company under *inter alia*, the Loan Agreement with Carroll County, Kentucky, the Proposed Debt authorized in Ordering Paragraph (1), and under any remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, guaranty agreements, credit agreements and facilities, and such other agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements.

3) Applicant shall submit a Preliminary Report of Action within ten (10) days after the issuance of any securities pursuant to Ordering Paragraph (1), to include the type of security, the issuance date, the amount issued, the interest rate, the maturity date, and a brief explanation of reasons for the term of maturity chosen.

4) Within sixty (60) days after the end of each calendar quarter in which any of the Proposed Debt is issued pursuant to Ordering Paragraph (1), Applicant shall file with the

Commission a detailed Report of Action with respect to all Proposed Debt issued during the calendar quarter to include:

(a) The issuance date, type of security, amount issued, interest rate, date of maturity, issuance expenses realized to date, net proceeds to Applicant;

(b) A summary of the specific terms and conditions of each Hedging Facility and an explanation of how it functions with respect to the underlying Proposed Debt; and

(c) The cumulative principal amount of Proposed Debt issued under the authority granted herein and the amount remaining to be issued.

5) Applicant shall file a final Report of Action on or before March 31, 2007, to include all information required in Ordering Paragraph (3) along with a balance sheet that reflects the capital structure following the issuance of the Proposed Debt. Applicant's final Report of Action shall further provide a detailed account of all the actual expenses and fees paid to date for the Proposed Debt with an explanation of any variances from the estimated expenses contained in the Financing Summary attached to the application.

6) Approval of the application shall have no implications for ratemaking purposes.

7) This matter shall be continued, subject to the continuing review, audit, and appropriate directive of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Kendrick R. Riggs, Esquire, Stoll Keenon Ogden PLLC, 1700 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202; Daniel K. Arbough, Director, Corporate Finance and Treasurer, Kentucky Utilities Company, 220 West Main Street, Louisville, Kentucky 40202; and to the Commission's Division of Economics and Finance and Division of Public Utility Accounting.

A True Copy
Teste:
State Corporation Commission