

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	June 26, 2006)	
)	
PETITION OF KENTUCKY UTILITIES)	DOCKET NO.
COMPANY FOR AN ORDER AUTHORIZING)	06-00140
THE ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Ron Jones, Director Eddie Roberson and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on June 12, 2006 for consideration of the *Petition* of Kentucky Utilities Company ("KUC") for an order, pursuant to Tenn. Code Ann. § 65-4-109 (2004), authorizing the issuance of securities and the assumption of obligations.

The *Petition*

KUC is an electric utility primarily serving customers in Kentucky and Virginia, with only five customers in the State of Tennessee. In its *Petition*, filed with the TRA on May 15, 2006, KUC requests authority to issue one or more series of its First Mortgage Bonds in an aggregate principal amount not to exceed \$16,693,620 to collateralize the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds (the "Pollution Control Bonds") and to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$16,693,620 in connection with the issuance of the Pollution Control Bonds. The proceeds of the Pollution Control Bonds will be loaned to KUC by Carroll County, Kentucky to provide permanent financing for a portion of the pollution control facilities described in the *Petition*. KUC asserts that the transaction will allow a portion of the costs of KUC's pollution control project to be financed on a tax-exempt basis, resulting in

lower costs.

June 12, 2006 Authority Conference

Tenn. Code Ann. § 65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

At a regularly scheduled Authority Conference held on June 12, 2006, the panel found that based on the *Petition* and responses to data requests:

- (1) the proposed transaction is subject to approval pursuant to Tenn. Code Ann. § 65-4-109;
 - (2) the transaction is being made in accordance with the laws enforceable by the Authority;
- and
- (3) the purpose of the transaction is in the public interest because it will allow KUC to reduce its costs through the use of tax-exempt financing.

The panel voted unanimously to approve the *Petition* subject to approval by the Kentucky Public Service Commission¹ and to require KUC to file with the Authority the same documentation as required by the Kentucky Public Service Commission and the Virginia State Corporation Commission.²

IT IS THEREFORE ORDERED THAT:

1. Kentucky Utilities Company is authorized to issue and deliver the new First Mortgage Bonds in one or more series in an aggregate principal amount not to exceed \$16,693,620 as set forth in its *Petition*.
2. Kentucky Utilities Company is authorized to execute, deliver and perform its obligations

¹ Subsequent to the TRA Conference, KUC filed with the Authority the Order of the Kentucky Public Service Commission approving the financing transaction. See *In the Matter of Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, Case No. 2006-00187, Order (June 16, 2006).

² See *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority to Issue Securities under Chapter 3 of Title 56 of the Code of Virginia*, Case No. PUE-2006-00066, Order Granting Authority (May 25, 2006).

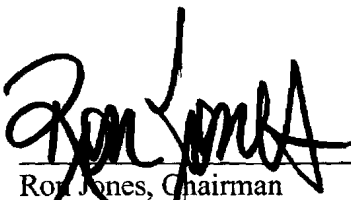
under the loan agreements with Carroll County, Kentucky and under any guarantees, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and such other agreements and documents as set forth in its *Petition*, and to perform the transactions contemplated by all such agreements.

3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the *Petition*.


4. Kentucky Utilities Company shall agree only to such terms and prices that are consistent with the parameters set out in its *Petition*.

5. Kentucky Utilities Company shall file with the Authority any additional information regarding the issuance of the securities that is required by the Kentucky Public Service Commission and/or the State Corporation Commission of the Commonwealth of Virginia.

6. The authorization given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of Kentucky Utilities Company securities. Nothing herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.



Ron Jones, Chairman



Eddie Roberson, Director



Pat Miller, Director