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March 6, 2007

VIA HAND DELIVERY

Ms. Sharla Dillon
Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: In the Matter of the Petition of Kentucky Utilities Company for an
Order Authorizing the Issuance of Securities and the Assumption of
Obligations
Docket No. 07-00043

Dear Ms. Dillon:

This letter comes in response to the Data Request from Jerry Kettles, Chief Economic Analysis & Policy Division, dated February 26, 2007, requesting the status of the proceedings in Kentucky and Virginia regarding the securities that are the subject of the above referenced docket.

Kentucky Utilities filed an Application with the Kentucky Public Service Commission ("KPSC") for an order authorizing the issuance of securities and the assumption of obligations in Case No. 2007-00024 on January 18, 2007. On February 16, 2007, the Commission Staff issued its first data request. On February 27, 2007 Kentucky Utilities filed a response to the data request. We will provide the KPSC Order when it is issued.

On February 12, 2007 Kentucky Utilities filed an Application for authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia and to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code of

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Virginia. On March 1, 2007 the Virginia Corporation Commission issued an Order granting the requested authority. A copy of the Order is enclosed.

Please let us know if you need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "D. Billye Sanders". The signature is written in dark ink and is positioned above the printed name.

D. Billye Sanders

DBS/hmd

Enclosure

cc: Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Allyson K. Sturgeon, Esq.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

07 031 0022

AT RICHMOND, MARCH 1, 2007

APPLICATION OF

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

CASE NO. PUE-2007-00007

For authority to issue securities under
Chapter 3 of Title 56 of the Code of
Virginia and to engage in an affiliate
transaction under Chapter 4 of Title
56 of the Code of Virginia

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DOCUMENT CONTROL

ORDER GRANTING AUTHORITY

On February 12, 2007, 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") and to engage in an affiliate transaction under Chapter 4 of Title 56 ("Affiliates Act") of the Code. Applicant paid the requisite fee of \$250.

Applicant is a wholly owned subsidiary of E.ON U.S. LLC ("E.ON US"). E.ON US is an indirect subsidiary of the multinational holding company, E.ON AG ("E.ON"). Fidelia Corporation ("Fidelia") is a finance company subsidiary of E.ON US Holding GmbH, another subsidiary of E.ON, which lends money to companies in the E.ON holding company system.

Applicant requests authority to issue up to \$295,000,000 of unsecured notes ("Notes") to Fidelia, through December 31, 2007. Applicant states that the interest rate, maturity, and other terms on the Notes will be based on market conditions at the time of issuance. The interest rate will depend on the maturity of the Notes, which will not exceed a period of 30 years. In addition, the interest rate on the Notes will be at the lowest of: i) the effective cost of capital for E.ON; ii) the effective cost of capital for Fidelia; and iii) the Company's effective cost of capital as determined by reference to the Company's cost of a direct borrowing from an independent third

party for a comparable term loan (the "Best Rate Method"), as described in the application. Proceeds will be used, in part, to fund the Company's 2007 construction budget.

Applicant further requests authority to enter into one or more interest rate hedging agreements (T-Bill lock, swap or similar agreement, collectively the "Intercompany Loan Hedging Facility") either with an affiliate within the E.ON system or with a bank or financial institution. Applicant states that the Intercompany Loan Hedging Facility will be an interest rate agreement designed to lock in the underlying interest rate on the Notes in advance of closing on the loan.

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 unsecured Notes in an aggregate principal amount not to exceed \$295,000,000 in the manner and for the purposes as set forth in its application, through the period ending December 31, 2007.

2) Applicant is authorized to execute and deliver and perform the obligations of the Company under *inter alia*, the loan agreements with Fidelia, the Notes authorized in Ordering Paragraph (1), 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, amount of the issue, 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 Paragraphs (1) and (4), 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 to lock in or manage the interest rate on the underlying portion of Notes; and
- (c) The cumulative principal amount of Notes issued under the authority granted herein and the amount remaining to be issued; and
- (d) A copy of all agreements related to the issuance of notes.

5) Applicant shall file a final Report of Action on or before March 31, 2008, to include all information required in Ordering Paragraph (4) along with a balance sheet that reflects the capital structure following the issuance of the Notes. Applicant's final Report of Action shall further provide a detailed account of all the actual expenses and fees paid to date for the Notes 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, PLLLC, 1700 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202; and to the Commission's Division of Economics and Finance.

A True Copy
Teste:


Clerk of the
State Corporation Commission