

WALLER LANSDEN DORTCH & DAVIS, LLP

NASHVILLE CITY CENTER
511 UNION STREET, SUITE 2700
NASHVILLE, TENNESSEE 37219-8966
(615) 244-6380
FAX: (615) 244-6804
www.wallerlaw.com

1901 SIXTH AVENUE NORTH, SUITE 1400
BIRMINGHAM, ALABAMA 35203-2623
(205) 214-6380

520 SOUTH GRAND AVENUE, SUITE 800
LOS ANGELES, CALIFORNIA 90071
(213) 362-3680

D. Billye Sanders
(615) 850-8951
billye.sanders@wallerlaw.com

May 1, 2007

VIA HAND DELIVERY

Ms. Sharla Dillon
Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

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. 07-00083

Dear Ms. Dillon,

In response to the Staff Data Request dated April 16, 2007 enclosed you will find the Order of the Kentucky Public Service Commission approving the issuance of the securities that are also the subject of TRA Docket No. 07-00083. We anticipate that the Order of the Virginia State Corporation Commission will be issued by next week.

Please contact me if you have any questions or need any additional information.

Sincerely,



D. Billye Sanders
Attorney for Kentucky Utilities
Company

May 1, 2007

Page 2

DBS:hd

Enclosures

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

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES	)	
COMPANY FOR AN ORDER AUTHORIZING	)	CASE NO.
THE ISSUANCE OF SECURITIES AND THE	)	2007-00115
ASSUMPTION OF OBLIGATIONS	)	

O R D E R

On March 20, 2007, Kentucky Utilities Company ("KU") filed an application for authority to issue securities in an aggregate principal amount not to exceed \$26,803,258 and to assume certain obligations in connection therewith, represented by one or more loan agreements with Carroll County and Trimble County, Kentucky, in connection with the simultaneous issuance by Carroll and Trimble counties of Pollution Control Bonds in an aggregate principal amount not to exceed \$26,803,258. The proceeds of the Carroll County Pollution Control Bonds will be loaned to KU, which will use the proceeds to provide permanent financing for a portion of the costs associated with pollution control facilities at its Ghent Generating Station ("Ghent") in Carroll County, Kentucky and Trimble County Unit 2 in Trimble County, Kentucky.¹

¹ The Commission previously approved Pollution Control Bond financing for the construction at the Ghent Generating Station. See Case Nos. 2005-00183, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, final Order dated June 20, 2005; Case No. 2005-00357, Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, final Order dated October 14, 2005, and Case No. 2006-00187, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, final Order dated June 16, 2006, and Case No. 2006-00414, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations, Order dated November 20, 2006.

KU's application also includes a request to deviate from 807 KAR 5:001, Section 11(d), which specifies that an application for authority to issue indebtedness must include copies of any contracts for the construction of facilities to be financed by the proposed indebtedness. KU states that it has one such contract with Fluor Enterprises, Inc. for construction of KU's pollution control project, but since the contract was previously filed with the Commission in Case No. 2006-00187, KU seeks to incorporate the contract by reference. In Case No. 2006-00187, KU was granted confidential protection for portions of the Ghent Contract. KU was also granted a deviation from Commission rules and incorporation of the Ghent Contract filed in Case No. 2006-00187 by reference only in Case No. 2006-00414. The TC2 Contract has also been filed with the Commission in a prior case requesting authority for financing, Case No. 2007-00024.² The Commission has granted confidential protection for portions of the TC2 Contract in Case No. 2007-00024. The Ghent and TC2 contracts have not been amended since their initial filing. It is KU's contention that the filing of these duplicative filings of information already contained in the Commission files would serve no purpose and represent a burden on the Company for photocopying and would also needlessly burden the Commission which would again have to consider the issue of whether the confidential information in these contracts should be protected.

On March 8, 2007, the Kentucky Private Activity Bond Allocation Committee awarded KU allocations from the state's pool for private activity bonds totaling \$17,875,814 and \$8,927,444 for both the Carroll and Trimble County facilities, respectively. These allocations will allow KU to finance a portion of the costs

² Case No. 2007-0024, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.

associated with KU's pollution control projects on a tax-exempt basis. KU requests that the Commission process this application as expeditiously as possible and issue its Order by May 9, 2007, as the expiration date of these allocations is June 4, 2007.

KU requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$17,875,814 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds ("Carroll County Bonds"), and an aggregate principal amount not to exceed \$8,927,444 in connection with the proposed issuance of one or more series of Trimble County Environmental Facilities Revenue Bonds ("Trimble County Bonds"). Proceeds from the release of these bonds would be loaned to KU by Carroll and/or Trimble County, as applicable, to provide permanent financing for portions of the pollution control facilities described. The agreements mentioned above may include one or more guaranty agreements, bond insurance agreements and other similar financial undertakings designed to guarantee the repayment of all or any part of the obligations associated with one or more series of the subject Pollution Control Bonds for the benefit of the holders of such bonds. The structure and documentation for the issuance of the Pollution Control Bonds in question will be similar to that in other pollution control financings of KU approved by the Commission, except for the fact that First Mortgage Bonds will not be used.

Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control Bonds may be issued initially with interest rates that fluctuate on a weekly, monthly or other basis. In order to obtain the most favorable terms and conditions and to limit its exposure to variable interest

rates, KU requests authority to enter into remarketing agreements, credit agreements, hedging agreements and such other agreements as set forth in its application in an aggregate amount not to exceed the original principal amount of the bonds, which is \$26,803,258. To the extent the Pollution Control Bonds are issued with variable interest rates, the documentation will be similar to previous bonds that have been issued with variable interest rates.

The Commission, having considered the evidence of record and being otherwise advised, finds that the issuance of the proposed Carroll County and Trimble County Pollution Control Bonds and the assumption of obligations in connection therewith, as set out in KU's application, are for lawful objects within the corporate purposes of KU's utility operations, are necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, are reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. KU is authorized to issue and deliver the Carroll County and Trimble County Pollution Control Bonds in one or more series in an aggregate principal amount not to exceed \$26,803,258 as set forth in its application.

2. KU is authorized to execute, deliver and perform its obligations under the loan agreements with Carroll and Trimble counties, 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 application.

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

4. KU shall agree only to such terms and prices that are consistent with the parameters set out in its application.

5. KU's request to deviate from 807 KAR 5:001, Section 11(d) is granted and the contract for the construction of pollution control facilities at KU's Ghent Generation Station, filed with the Commission in Case No. 2006-00187, is incorporated by reference.

6. KU shall, within 30 days from the date of issuance (by July 6, 2007) file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof. In addition, KU shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of issuance. The explanation shall include a description of the specific interest rate management techniques and interest rate management agreements used by KU for each issuance, as well as copies of any executed interest rate management agreements. If a variable rate is chosen, KU shall

file a detailed description of the criteria to be periodically applied in determining whether the variable rate should be converted to a fixed rate.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 30th day of April, 2007.

By the Commission

ATTEST:



Executive Director