

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 9, 2007

IN RE:

PETITION OF KENTUCKY UTILITIES COMPANY  
FOR AN ORDER AUTHORIZING THE ISSUANCE OF  
SECURITIES AND THE ASSUMPTION OF OBLIGATIONS

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DOCKET NO.  
07-00083

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ORDER APPROVING FINANCING TRANSACTIONS

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This matter came before Chairman Sara Kyle, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 30, 2007 for consideration of the Petition of Kentucky Utilities Company for an Order authorizing the issuance of securities and the assumption of obligations ("*Petition*") pursuant to Tenn. Code Ann. § 65-4-109 (2004).

**The *Petition***

Kentucky Utilities Company ("KUC") is an electric utility serving customers in Kentucky and Virginia primarily, with five customers in the State of Tennessee. On March 30, 2007, KUC filed a *Petition* with the Authority requesting approval to assume obligations and issue securities related to permanent financing arrangements for portions of the capital cost of pollution control facilities at its Ghent Generating Station in Carroll County, Kentucky and at its Trimble County Unit 2 in Trimble County, Kentucky. According to the *Petition*, KUC requests approval for a series of transactions through which it would finance a portion of its pollution control projects on a tax-exempt basis, resulting in lower costs. The proposed transactions involve the issuance of environmental revenue bonds by Carroll and Trimble counties, respectively, with the proceeds being loaned to KUC.

Carroll County would issue environmental revenue bonds not to exceed an aggregate principal of \$17,875,814 while Trimble County would issue the same not to exceed an aggregate principal of \$8,927,444. Both counties would loan the proceeds to KUC pursuant to one or more loan agreements which could be in various forms such as guaranty agreements, bond insurance agreements or other similar undertakings. The outstanding aggregate principal amount of KUC's obligations at any time under the loan agreements would not exceed \$26,803,258, the aggregate principal amount of the environmental revenue bonds issued by both Carroll and Trimble counties. KUC would utilize various credit and/or interest arrangements in regard to the above-discussed transactions in order to obtain the most favorable terms and conditions available in the market.

**The April 30, 2007 Authority Conference**

Tenn. Code Ann. § 65-4-109 (2004) states:

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 April 30, 2007, the voting panel assigned to this docket voted unanimously to approve the *Petition* contingent upon its approval by the Kentucky Public Service Commission and the State Corporation Commission of Virginia, and subject further to the filing requirements approved by those Commissions, after making the following findings:

1. The financing transaction proposed by the parties is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004) and is being made in accordance with the laws enforceable by the Authority; and
2. the purposes of the above-described transactions are in the public interest because tax exempt financing reduces costs for KUC.

The Panel also noted that its authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved, nor is the Authority's decision intended to create any liability on the part of the TRA, the State of Tennessee, or any public subdivision thereof.

**IT IS THEREFORE ORDERED THAT:**

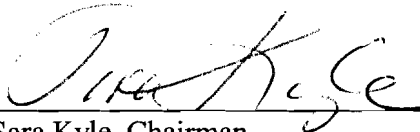

1. The *Petition* of Kentucky Utilities Company for an Order authorizing the issuance of securities and the assumption of obligations is approved contingent on its approval by the Kentucky Public Service Commission and the State Corporation Commission of Virginia, subject to the filing requirements approved by those Public Service Commissions.

2. Kentucky Utilities Company is authorized to assume obligations and issue securities related to permanent financing for portions of the capital costs of pollution control facilities at its Ghent Generating Station in Carroll County, Kentucky and at its Trimble County Unit 2 in Trimble County, Kentucky in an aggregate principal amount not to exceed \$26,803,258 as set forth in its *Petition* and discussed herein.

3. Kentucky Utilities Company is authorized to execute, deliver and perform its obligations under the proposed loan agreements with Carroll County, Kentucky and Trimble 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.

4. Subsequent to the assumption of obligations and issuance of securities approved herein, Kentucky Utilities Company shall file with the Tennessee Regulatory Authority any additional information regarding such financial transactions that is required by the Kentucky Public Service Commission and the State Corporation Commission of Virginia.

5. 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 risks involved. 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.

  
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Sara Kyle, Chairman  
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Pat Miller, Director  
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Ron Jones, Director