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May 9, 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 Virginia State Corporation Commission approving the issuance of the securities that are also the subject of TRA Docket No. 07-00083.

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

Sincerely,



D. Billye Sanders
Attorney for Kentucky Utilities
Company

DBS:hd

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Enclosures

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

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 8, 2007

APPLICATION OF

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

CASE NO. PUE-2007-000021

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

ORDER GRANTING AUTHORITY

On March 27, 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"). Applicant paid the requisite fee of \$250.

Applicant has been notified by the Kentucky Private Activity Board Allocation Committee ("Allocation Committee") that the Company has been awarded aggregate allocations of \$26,803,258 from the state's pool for private activity bonds to help provide tax-exempt financing for portions of pollution control facilities. Of the aggregate amount, \$17,875,814 is designated for use in connection with the Ghent Generating Station in Carroll County, Kentucky, ("Carroll County Bonds") and \$8,927,444 is designated for use in connection with Trimble County Unit 2 in Trimble County, Kentucky ("Trimble County Bonds") (collectively, the "Pollution Control Bonds"). Applicant was granted a Certificate of Public Convenience and Necessity to construct pollution control facilities in Carroll County, Kentucky, by the Kentucky Public Service Commission's Order dated June 20, 2005, in Case No. 2004-00426. A Certificate of Public Convenience and Necessity to construct the pollution control facilities in Trimble County, Kentucky, was granted by the Kentucky Public Service Commission's Orders dated November 1 and 9, 2005, in Case No. 2004-00507.

Applicant requests authority to enter into one or more loan agreements (“Loan Agreement”) with Carroll County, Kentucky, and Trimble County, Kentucky, to collateralize, secure payment and affect the issuance of the Pollution Control Bonds, and to incur other ancillary obligations that may be necessary and desirable to enhance the liquidity and cost effectiveness of the Pollution Control Bonds. The Company is seeking expedited approval to ensure that the limited, low cost financing opportunity for ratepayers through tax-exempt financing is not lost. As indicated in the Company’s , the time for this financing option is limited because the Pollution Control Bonds must be issued before June 4, 2007, when the allocation will expire. Expedited approval would also 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 with Carroll County and Trimble County, proceeds from the issuance of the Pollution Control Bonds will be loaned to the Company to help finance the designated pollution control facilities. Under the terms of the Loan Agreement, Applicant will be required to make payments to Trustee(s) sufficient to pay the principal and interest on the Pollution Control Bonds. The Company may also be required to issue one or more guarantees in favor of the Trustee(s) to guarantee all or any part of the obligations under the Pollution Control Bonds for the benefit of the holders of such Pollution Control Bonds.

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 to be assumed by the Company. 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, variable rate 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 compensation for underwriters will not exceed two percent (2%) of the principal amount of each series of Pollution Control Bonds to be sold. Including underwriting fees, Applicant estimates that issuance costs for the proposed debt will be approximately \$754,000. Finally, Applicant requests authority to enter into one or more interest rate hedging agreements to actively manage its exposure to variable interest rates or to lower its fixed rate borrowing costs with respect to the Pollution Control Bonds. Applicant states that the aggregate outstanding principal amount of any credit agreements, promissory notes, hedging agreements, or similar supporting obligations that the Company may enter at any one time will not exceed \$26,803,258 plus unpaid interest and premiums.

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 execute and deliver and perform the obligations of the Company under *inter alia*, the Loan Agreements with Carroll County, Kentucky and Trimble County, Kentucky, 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.

2) The aggregate principal amount of the obligations authorized to be incurred pursuant to Ordering Paragraph (1) shall not exceed \$26,803,258 plus unpaid interest and premiums in the manner and for the purposes as set forth in its Application, through the period ending March 31, 2008.

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, and the maturity date.

4) Within sixty (60) days after the end of each calendar quarter in which any of the Pollution Control Bonds are issued pursuant to Ordering Paragraph (1), Applicant shall file with the Commission a detailed Report of Action with respect to all Pollution Control Bonds issued during the calendar quarter to include a copy of each Loan Agreement in the first report and thereafter:

- (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 Pollution Control Bonds; and
- (c) The cumulative principal amount of Pollution Control Bonds 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 May 30, 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 Pollution Control Bonds. Applicant's final Report of Action shall further provide a detailed account of all the actual expenses and fees paid to date for the Pollution Control Bonds 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, 2000 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.