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Ms. Sara Kyle  
Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
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rick.lovekamp@eon-us.com

**VIA UPS OVERNIGHT DELIVERY**

October 9, 2007

**RE: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations**  
**Docket No. 07-00156**

Dear Ms. Kyle:

Pursuant to Finding No. 4 of the Commission's Order in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and thirteen (13) copies of all correspondence submitted to the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission ("VSCC") under said Order.

On October 9, 2007, pursuant to the KPSC Order Authorizing the Issuance of Securities and the Assumption of Obligations, a report setting forth the provisions of KU's multi-year revolving credit facility was provided.

Additionally, KU, d/b/a Old Dominion Power ("ODP") filed pursuant to the VSCC Order Authorizing the Issuance of Securities and the Assumption of Obligations, a Preliminary Report of Action as stipulated in the order.

Ms. Sara Kyle  
October 9, 2007

Attached are copies of all correspondence submitted to the KPSC and VSCC. Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy. Should you have any questions regarding this transaction or this information, please contact me or Don Harris at (502) 627-2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp", with a stylized flourish at the end.

Rick E. Lovekamp

cc: Ron Jones – Tennessee Regulatory Authority  
Pat Miller – Tennessee Regulatory Authority  
Dan Arbough  
Kendrick Riggs – Stoll · Keenon · Ogden

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**September 13, 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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)  
)  
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**DOCKET NO.  
07-00156**

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**ORDER APPROVING FINANCING TRANSACTIONS**

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This matter came before Chairman Eddie Roberson, Director Sara Kyle, 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 August 20, 2007 for consideration of the *Petition* for an order authorizing the issuance of securities and the assumption of obligations filed on June 20, 2007 by Kentucky Utilities Company.

**THE PETITION**

Kentucky Utilities Company ("KU") is a Kentucky and Virginia corporation that provides retail electric service to five (5) customers in Tennessee, approximately 502,000 customers in 77 counties in Kentucky, and approximately 30,000 customers in southwest Virginia. KU's *Petition* requests authority to enter into one or more multi-year revolving credit facilities (each a "Credit Facility" and collectively the "Credit Facilities").

KU states that the aggregate maximum credit available under all Credit Facilities would not exceed \$35,000,000. Each individual draw of funds under a Credit Facility would be short-term debt with a term not to exceed 364 days. However, a Credit Facility itself would be for a term not to exceed five (5) years. The terms governing each Credit Facility would be the most favorable that can be negotiated by KU with the respective bank. KU will negotiate terms for

fees, such as commitment fees, as well as interest rates for funds borrowed under the Credit Facility. Based upon current market conditions, KU expects that the interest rate for a Credit Facility would not exceed 5.8%.

**FINDINGS AND CONCLUSIONS**

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 August 20, 2007, the voting panel assigned to this docket voted unanimously to approve the *Petition* after making the following findings:


1. the proposed financing transactions are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004),
2. the proposed financing transactions are being made in accordance with the laws enforceable by the Authority,
3. the purposes of the above-described transactions are in the public interest, and
4. Kentucky Utilities Company shall be required to file with the Authority any documentation that is required to be filed by the Kentucky Public Service Commission and the Virginia State Corporation Commission.

**IT IS THEREFORE ORDERED THAT:**

1. The *Petition* of Kentucky Utilities Company for an order requesting authority to enter into one or more multi-year revolving credit facilities with an aggregate maximum available credit of \$35,000,000 as discussed herein is approved.

2. The authorization given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved, and the decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof.

  
Eddie Roberson, Chairman

  
Sara Kyle, Director

  
Ron Jones, Director



Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Kentucky Utilities Company**  
State Regulation and Rates  
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October 9, 2007

**RE:   *The Application of Kentucky Utilities Company for an Order  
Authorizing the Issuance of Securities and the Assumption of  
Obligations - Case No. 2007-00233***

Dear Ms. O'Donnell:

Pursuant to the Commission's Order, Ordering Paragraph No. 5, dated August 2, 2007, in the aforementioned proceeding, Kentucky Utilities Company ("KU") hereby files an original and three (3) copies of information related to an issuance under said Order.

Effective June 22, 2007, KU entered into a 364 day credit facility with a financial institution for \$35 million. This agreement contained an option to extend the facility to a multi-year facility upon receipt of regulatory approval. Upon receipt of the order issued August 2, 2007 in the above-referenced case, the expiration date of the credit facility was extended, effective September 20, 2007, to June 22, 2012. The details of the revised credit facility are shown below:

Borrower:	KU
Bank:	U.S. Bank National Association
Commitment:	\$35,000,000
Implementation Date:	9/20/2007
Expiration Date:	6/22/2012
Commitment Fee (.05%):	\$17,500
Annual Facility Fee (.07%):	\$24,500

Ms. Elizabeth O'Donnell  
October 9, 2007

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy. Should you have any questions regarding the information filed herewith, please contact Don Harris at (502) 627-2021 or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rick E. Lovekamp

cc: Dan Arbough  
Kendrick Riggs – Stoll · Keenon · Ogden

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY	)	
UTILITIES COMPANY FOR AN ORDER	)	
AUTHORIZING THE ISSUANCE OF	)	CASE NO.
SECURITIES AND THE ASSUMPTION	)	2007-00233
OF OBLIGATIONS	)	

O R D E R

On June 13, 2007, Kentucky Utilities Company ("KU") filed an application for authority to enter into one or more multi-year revolving credit facilities ("Facilities") with one or more financial institutions ("Institutions"). The aggregate maximum amount of credit available under all Facilities would not exceed \$35,000,000.

While each draw of funds would be short-term debt, with a term not to exceed 364 days, KU foresees entering into contracts with Institutions of up to 5 years. KU expects market conditions to remain favorable for entrance into multi-year Facilities; hence, it is advantageous for KU to enter into the proposed long-term credit arrangement(s) even though the debt under such arrangement(s) will be short term. This situation would alleviate the time and costs of negotiation and renewal on an annual basis during the term of the credit commitment.

KU would negotiate terms for fees as well as interest rates for funds borrowed. Interest rate options would set rates at some spread in relation to such indices as the Institutions' prime rate, the Federal Funds Rate or the London Inter-Bank Offered Rate ("LIBOR"), as well as provisions for converting from one interest rate to another. KU believes that rates under a Facility would not exceed 5.8 percent or approximately 40



basis points above current LIBOR, based on current market conditions. KU does expect rates to vary over the 5-year term of the credit commitment. KU also expects it may be required to pay an initial fee to establish the Facility, as well as an ongoing administrative fee to maintain the credit commitment. KU does not believe the initial fee would exceed .05 percent of the Institution's commitment, and the Administrative fee would not exceed .07 percent annually.

KU's variable rate external debt contains provisions whereby liquidity or credit support may be provided by instruments such as the Facilities in question, thus making the external long-term debt more marketable and eliminating the need for bond insurance. It is expected that the Facilities would serve this function and, in such role, funds would not necessarily be drawn. KU contends that it is possible that funds associated with this line of credit could be used to finance the general costs of operation or costs of construction programs, such as Trimble County Unit Two,<sup>1</sup> until permanent or long-term financing can be arranged. Borrowing under the Facilities would be used to meet short-term financing needs as they arise, and KU does not assign specific financing to any particular capital project or use, and does not project finance projects.

KU has not contacted any Institution to discuss proposals as of the date of its application. KU may enter into one or more short-term Credit Facilities, for terms less than one year, not requiring Commission approval. Such short-term Credit Facilities could contain provisions giving the option of extension of the term of the short-term

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<sup>1</sup> Case No. 2004-00507, The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station, Orders dated November 1, 2005 and November 9, 2005.

Facilities to a multi-year term, in the event that KU received approval necessary to enter into the extension.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed assumption of obligations in connection therewith as set out in KU's application should be approved and that the proposed financing is for lawful objects within the corporate purposes of KU's utility operations, is 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, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. KU is authorized to enter into one or more multi-year revolving Credit Facilities with one or more financial institutions in an aggregate amount not to exceed \$35 million, as set forth in its application.
2. KU is authorized to execute, deliver and perform its obligations under the agreements and documents as set out in the application, and to perform the transactions contemplated by such agreements.
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 consistent with this Order.
5. KU shall, within 30 days from the entrance into any multi-year Credit Facility, file with this Commission a statement setting forth the date or dates of implementation of the Credit Facility, or of exercise of any extension option as well as all fees and expenses.

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 2<sup>nd</sup> day of August, 2007.

By the Commission

ATTEST:

  
Executive Director



Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Louisville Gas and Electric  
Company**  
State Regulation and Rates  
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www.eon-us.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
F 502-627-3213  
rick.lovekamp@eon-us.com

October 9, 2007

**RE: *The Application of Louisville Gas and Electric Company for an Order  
Authorizing the Issuance of Securities and the Assumption of  
Obligations - Case No. 2007-00232***

Dear Ms. O'Donnell:

Pursuant to the Commission's Order, Ordering Paragraph No. 5, dated August 2, 2007, in the aforementioned proceeding, Louisville Gas and Electric Company ("LG&E") hereby files an original and three (3) copies of information related to an issuance under said Order. LG&E inadvertently omitted filing this report within 30 days as stipulated in Ordering Paragraph No. 5 and apologizes for this oversight.

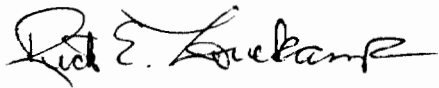
Effective June 22, 2007, LG & E entered into 364 day credit facilities with three financial institutions for an aggregate amount of \$125 million. These agreements contained an option to extend the facilities to multi-year facilities upon receipt of regulatory approval. Upon receipt of the order issued August 2, 2007 in the above-referenced case, the expiration date of the credit facilities was extended, effective August 16, 2007, to June 22, 2012. The details of the revised credit facilities are shown below:

Borrower:	LG&E	LG&E	LG&E
Bank:	Bank of America	Deutsche Bank	WestLB
Commitment:	\$50,000,000	\$25,000,000	\$50,000,000
Implementation Date:	8/16/2007	8/16/2007	8/16/2007
Expiration Date:	6/22/2012	6/22/2012	6/22/2012
Commitment Fee (.05%):	\$25,000	\$12,500	\$25,000
Annual Facility Fee (.07%):	\$35,000	\$17,500	\$35,000

Ms. Elizabeth O'Donnell  
October 9, 2007

Please confirm your receipt of this information by placing the File Stamp of your Office on the enclosed additional copy. Should you have any questions regarding the information filed herewith, please contact Don Harris at (502) 627-2021 or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with the first name "Rick" being more prominent.

Rick E. Lovekamp

cc: Dan Arbough  
Kendrick Riggs – Stoll · Keenon · Ogden

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE	)	
GAS AND ELECTRIC COMPANY FOR	)	
AN ORDER AUTHORIZING THE	)	CASE NO.
ISSUANCE OF SECURITIES AND THE	)	2007-00232
ASSUMPTION OF OBLIGATIONS	)	

O R D E R

On June 13, 2007, Louisville Gas and Electric Company ("LG&E") filed an application for authority to enter into one or more multi-year revolving credit facilities ("Facility") with one or more financial institutions ("Institution"). The aggregate maximum amount of credit available under all Credit Facilities would not exceed \$125,000,000.

While each draw of funds would be short-term debt, with a term not to exceed 364 days, LG&E foresees entering into contracts with Institutions of up to 5 years. LG&E expects market conditions to remain favorable for entrance into multi-year Credit Facilities; hence, it is advantageous for LG&E to enter into the proposed long-term credit arrangement(s) even though the debt under such arrangement(s) will be short term. This situation would alleviate the time and costs of negotiation and renewal on an annual basis during the term of the credit commitment.

LG&E would negotiate terms for fees as well as interest rates for funds borrowed. Interest rate options would set rates at some spread in relation to such indices as the Institution's prime rate, the Federal Funds Rate or the London Inter-Bank Offered Rate ("LIBOR"), as well as provisions for converting from one interest rate to another. LG&E

believes that rates under a Facility would not exceed 5.8 percent or approximately 40 basis points above the current LIBOR, based on current market conditions. LG&E does expect rates to vary over the 5-year term of the credit commitment. LG&E also expects that it may be required to pay an initial fee to establish the Facility, as well as an ongoing administrative fee to maintain the credit commitment. LG&E does not believe the initial fee would exceed five basis points or .05 percent of the Institution's commitment, and the Administrative fee would not exceed seven basis points or .07 percent annually.

LG&E's variable rate external debt contains provisions whereby liquidity or credit support may be provided by instruments such as the Facilities in question, thus making the external long-term debt more marketable and eliminating the need for bond insurance. It is expected that the Facilities would serve this function and, in such role, funds would not necessarily be drawn. LG&E contends that it is possible that funds associated with this line of credit could be used to finance the general costs of operation or costs of construction programs, such as the construction of Trimble County Unit Two, until permanent or long-term financing can be arranged. Borrowing under the Facilities would be used to meet short-term financing needs as they arise, and LG&E does not assign specific financing to any particular capital project or use, and does not project finance projects.

LG&E had not contacted any Institution to discuss proposals as of the date of its application. LG&E may enter into one or more short-term Credit Facilities, for terms less than one year, not requiring Commission approval. Such short-term Credit Facilities could contain provisions giving the option of extension of the term of the short-

term Facilities to a multi-year term, in the event that LG&E received approval necessary to enter into the extension.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed assumption of obligations in connection therewith as set out in LG&E's application should be approved and that the proposed financing is for lawful objects within the corporate purposes of LG&E's utility operations, is 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, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. LG&E is authorized to enter into one or more multi-year revolving Credit Facilities with one or more financial institutions in an aggregate amount not to exceed \$125 million, as set forth in its application.
2. LG&E is authorized to execute, deliver and perform its obligations under the agreements and documents as set out in the application, and to perform the transactions contemplated by such agreements.
3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.
4. LG&E shall agree only to such terms and prices consistent with this Order.
5. LG&E shall, within 30 days from the entrance into any multi-year Credit Facility, file with this Commission a statement setting forth the date or dates of implementation of the Credit Facility, or of exercise of any extension option as well as all fees and expenses.



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 2<sup>nd</sup> day of August, 2007.

By the Commission

ATTEST:

  
Executive Director



an **e-on** company

Mr. Joel Peck, Clerk  
Virginia State Corporation Commission  
Document Control Center  
1300 East Main Street - Tyler Building 1F  
Richmond, Virginia 23218

**VIA UPS OVERNIGHT DELIVERY**

October 9, 2007

**RE: Kentucky Utilities Company (Case No. PUE-2007-000056)  
Preliminary Report of Action**

Dear Mr. Peck:

Pursuant to the Commission's Order, Ordering Paragraph No. 3, dated August 3, 2007, in the aforementioned proceeding, Kentucky Utilities Company, d/b/a Old Dominion Power Company ("KU/ODP or "the Company") hereby submits a Preliminary Report of Action.

Effective June 22, 2007, KU/ODP entered into a 364 day credit facility with a financial institution for \$35 million. This agreement contained an option to extend the facility to a multi-year facility upon receipt of regulatory approval. Upon receipt of the order issued August 3, 2007 in the above-referenced case, the expiration date of the credit facility was extended, effective September 20, 2007, to June 22, 2012. Enclosed please find a copy of the underlying agreement that explains the terms, conditions, and available borrowing rate options.

Please confirm your receipt of this information by placing the File Stamp on the enclosed additional copy and returning it in the enclosed self-addressed, stamped envelope. Should you have any questions regarding the information filed herewith, please contact Don Harris at (502) 627-2021 or me.

Sincerely,

Rick E. Lovekamp

cc: Dan Arbough  
Kendrick Riggs – Stoll · Keenon · Ogden

**Old Dominion Power  
Company**  
State Regulation and Rates  
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COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

070810082

AT RICHMOND, AUGUST 3, 2007

APPLICATION OF

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

CASE NO. PUE-2007-000056

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

2007 AUG - 3 A 11: 15

DOCUMENT CONTROL

ORDER GRANTING AUTHORITY

On June 21, 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 requests authority to structure a Revolving Credit Facility ("RCF") by entering agreements and assuming obligations necessary to establish one or more credit facilities between the Company and one or more banks or other financial institutions ("Bank") to provide up to \$35,000,000 of aggregate short-term borrowings. Applicant states that the committed source of funds under the RCF will provide credit support, enhance the marketability, and eliminate the need for bond insurance on its variable rate, external, long-term debt. In addition, borrowings under the RCF could also be used to provide funds for general financing needs on a short-term basis until permanent financing can be arranged.

While the RCF would provide a committed source of short-term debt, Applicant states that funds available under the RCF may not necessarily be drawn. By Commission Order dated September 21, 2004, in Case No. PUE-2002-00644, Applicant was granted authority to issue up to \$400,000,000 in short-term debt in the form of unsecured promissory notes and/or commercial paper through December 31, 2007. This alternative source of short-term debt, while not

committed, may offer a more cost effective source of funds. Applicant states that its aggregate short-term borrowings from all sources, inclusive of the RCF, will not exceed the \$400,000,000 limit established in Case No. PUE-2002-00644.

The term of any funds borrowed under the RCF would not exceed 364 days. However, the term of the RCF could extend to five (5) years. Applicant believes that market conditions are favorable for a multi-year RCF, which will also avoid the time and cost to negotiate renewal of committed funds. Applicant expects that an origination fee to establish the RCF would not exceed five basis points or 0.05% of the amount of funds committed. Applicant further expects that the annual facility fee for the RCF will not exceed seven basis points or 0.07% of the amount of funds committed. Applicant intends to negotiate for interest rate options on RCF borrowings that can be converted from one rate to another. Based on current market conditions, the Company believes that interest rates on RCF borrowings would not exceed 40 basis points above the current London Inter-Bank Offered Rate ("LIBOR").

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 structure a RCF for a term of up to five (5) years by entering agreements and assuming obligations necessary to establish one or more credit facilities between the Company and one or more Banks to provide up to \$35,000,000 of committed short-term borrowing capacity.

2) The aggregate principal amount of RCF borrowings shall not exceed \$35,000,000 and the Company's aggregate short-term indebtedness, inclusive of RCF borrowings, shall not exceed the \$400,000,000 limit authorized by Commission Order dated September 21, 2004, in Case No. PUE-2002-00644.

3) Applicant shall submit a Preliminary Report of Action within thirty (30) days of its entrance into any RCF, to include a copy of the underlying agreement(s) that explain the terms, conditions, and available borrowing rate options.

4) Applicant shall file a final Report of Action on or before January 31, 2013, to include a summary of all origination, commitment, and facility fees paid during the term of the RCF.

5) Approval of the Application shall have no implications for ratemaking purposes.

6) 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.

A True Copy  
Teste:

  
Clerk of the  
State Corporation Commission

### **OFFICERS' CERTIFICATE**

I, Daniel K. Arbough, hereby certify that I am Treasurer of Kentucky Utilities Company (the "Company"), a corporation organized and existing under the laws of the Commonwealth of Kentucky and the Commonwealth of Virginia; and that in accordance with certain provisions of the Credit Agreement by and between the Company and U.S. Bank, N.A. (the "Bank") dated June 22, 2007 (the "Credit Agreement"), I do hereby certify to the following:

- (1) Attached hereto are true and correct copies of the approvals of the Kentucky Public Service Commission, Virginia State Corporation Commission and the Tennessee Regulatory Authority authorizing the extension of the term of the Agreement; and
- (2) As of September 20, 2007, no event or conditions which constitutes an Event of Default or which upon notice, lapse of time, or both would become an Event of Default exists or will exist after giving effect to the extension of the Expiration Date, and now as of this date "Expiration Date" means June 22, 2012.

IN WITNESS WHEREOF, I have executed and issued this Certificate for and on behalf of Kentucky Utilities Company this 20<sup>th</sup> day of September, 2007.

KENTUCKY UTILITIES COMPANY

By: \_\_\_\_\_

DANIEL K. ARBOUGH, Treasurer

CREDIT AGREEMENT

by and between

KENTUCKY UTILITIES COMPANY

and

U.S. BANK NATIONAL ASSOCIATION

Dated as of June 22, 2007

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## **LIST OF SCHEDULES AND EXHIBITS**

### **SCHEDULE**

- |                  |   |                        |
|------------------|---|------------------------|
| SCHEDULE 5.01(c) | - | List of Subsidiaries   |
| SCHEDULE 5.02    | - | Subsequent Disclosures |

### **EXHIBITS**

- |           |   |   |
|-----------|---|---|
| EXHIBIT A | - | Form of Revolving Credit Note                     |
| EXHIBIT B | - | Form of Revolving Credit Loan Request             |
| EXHIBIT C | - | Form of Conversion/Continuation Notice            |
| EXHIBIT D | - | Form of Opinion of Deputy General Counsel         |
| EXHIBIT E | - | Form of Opinion of Special Counsel                |
| EXHIBIT F |   | Application to Kentucky Public Service Commission |

## CREDIT AGREEMENT

THIS CREDIT AGREEMENT (the "Agreement") is dated as of June 22, 2007, and is made by and among KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (the "Borrower"), and U.S. BANK NATIONAL ASSOCIATION (together with its successors and permitted assigns, the "Bank").

The parties hereto hereby agree as follows:

### ARTICLE I CERTAIN DEFINITIONS

1.01 Certain Definitions. In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

Affiliate as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

Agreement shall mean this Credit Agreement as the same may be supplemented or amended from time to time, including all schedules and exhibits.

Annual Statements shall have the meaning assigned to that term in Section 5.01(i)(A).

Authorized Persons shall mean those individuals, designated by written notice to the Bank from the Borrower, authorized to execute notices, certificates, reports and other documents on behalf of the Borrower required hereunder or under the other Loan Documents. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Bank.

Base Rate shall mean the greater of (i) the interest rate per annum internally in use from time to time by the Bank at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Bank, or (ii) the Federal Funds Effective Rate plus 1/2% per annum.

Base Rate Loan shall mean a Revolving Credit Loan which bears interest at the Base Rate.

Base Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the Base Rate, under the terms and conditions set forth in Section 3.01(b)(i).

Benefit Arrangement shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which (i) is covered by ERISA, (ii) is neither a Plan nor a Multiemployer Plan and (iii) is maintained, sponsored or otherwise contributed to by any member of the ERISA Group.

Borrowing Date shall mean, with respect to any Revolving Credit Loan, the date for the making thereof.

Borrowing Tranche shall mean specified portions of the Revolving Credit Loans outstanding as follows: (i) any Euro-Rate Loans under the same Revolving Credit Loan Request or Conversion/Continuation Notice by the Borrower which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Revolving Credit Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday, Sunday or legal holiday on which commercial banks are authorized or required to be closed for business in Louisville, Kentucky or New York, New York and, if the applicable Business Day relates to any Euro-Rate Loan, such day must also be a day on which dealings in Dollar deposits are carried on in the London interbank market.

Closing Date shall mean June 22, 2007.

Commitment shall mean \$35,000,000, as such amount may be reduced pursuant to Section 2.09.

Consolidated Capitalization shall mean, at any time, the sum of Consolidated Net Worth at such time and Consolidated Indebtedness at such time.

Consolidated Indebtedness shall mean, at any time, the consolidated Indebtedness of the Borrower and the Consolidated Subsidiaries as of such time.

Consolidated Net Worth shall mean, at any time, the sum of (a) consolidated equity of the Borrower and the Consolidated Subsidiaries at such time and (b) minority interests at such time.

Consolidated Subsidiary shall mean, with respect to any Person at any time, any Subsidiary or other Person the accounts of which would be consolidated with those of such first Person in its consolidated financial statements as of such time in accordance with generally accepted accounting principles; unless otherwise specified, Consolidated Subsidiary means a Consolidated Subsidiary of the Borrower.

Conversion/Continuation Notice shall have the meaning given such term in Section 2.07.

Dollar, Dollars, U.S. Dollars and the symbol \$ shall mean lawful money of the United States of America.

Environmental Laws shall mean any and all federal, state, local and foreign Laws relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Group shall mean, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

ERISA Termination Event shall mean any event or condition that would constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan.

Euro-Rate shall mean with respect to the Revolving Credit Loans comprising any Borrowing Tranche to which the Euro-Rate Option applies for any Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upward to the nearest 1/16th of 1% per annum) (i) the average of the London interbank offered rates set forth on the "LIBO" page of the Reuters Monitor Money Rate Service (or appropriate successor or, if Reuters or its successor ceases to provide such quotes, a comparable replacement determined by the Bank) at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\frac{\text{Average of London interbank offered rates} \\ \text{on LIBO page of Reuters Monitor Money Rate} \\ \text{Service or appropriate successor}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

The Euro-Rate applicable to any Revolving Credit Loan outstanding shall be adjusted on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Bank shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

Euro-Rate Loan shall mean a Revolving Credit Loan which bears interest at a rate per annum equal to the Euro-Rate plus the Euro-Rate Spread, in accordance with Section 3.01(b)(ii).

Euro-Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at a rate per annum equal to the Euro-Rate plus the Euro-Rate Spread, in accordance with Section 3.01(b)(ii).

Euro-Rate Reserve Percentage shall mean the maximum percentage (expressed as a decimal rounded upward to the nearest 1/100 of 1%) as determined by the Bank which is in effect during any relevant period, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in such System.

Euro-Rate Spread shall mean 0.40% per annum.

Event of Default shall mean any of the Events of Default described in Section 8.01.

Expiration Date shall mean 364 days from the execution date of this Agreement; provided, however, that (a) if the Kentucky Public Service Commission approves the Borrower's application for permission to enter into long-term revolving lines of credit indebtedness on substantially the same terms and conditions as set forth in such application (a copy of which is attached hereto as Exhibit F), (b) the Bank receives a copy of such Kentucky Public Service Commission approval certified by an authorized officer of the Borrower, and (c) an authorized officer of the Borrower certifies to the Bank that as of the date of delivery to the Bank of the Kentucky Public Service Commission approval referred to in clause (b) hereof no event or condition which constitutes an Event of Default or which upon notice, lapse of time, or both would become an Event of Default exists or would exist after giving effect to the extension of the Expiration Date, then "Expiration Date" shall mean June 22, 2012.

Facility Fee shall mean the fee referred to in Section 2.03.

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 365 or 366 days, as the case may be, and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day (or if such day is not a Business Day, the next preceding Business Day) as being the weighted average of the rates on overnight Federal funds transactions arranged by Federal funds brokers with members of the Federal Reserve System on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day which is a Business Day, the "Federal Funds Effective Rate" for such day shall be the average of the quotations for such day on such transactions received by the Bank from three (3) Federal funds brokers of recognized standing selected by it.

FERC shall mean the Federal Energy Regulatory Commission.

FERC Order shall have the meaning given to such term in Section 5.01(q)(ii).

FPA shall have the meaning given to such term in Section 5.01 (q)(ii).

GAAP shall mean generally accepted accounting principles as are in effect in the United States from time to time, subject to the provisions of Section 1.03, and applied on a consistent basis both as to classification of items and amounts.

Guaranty of any Person shall mean any obligation, contingent or otherwise, of such Person to pay any Indebtedness of any other Person or to otherwise protect, or having the practical effect of protecting, the holder of any such Indebtedness against loss (whether such obligation arises by virtue of such Person being a partner of a partnership or participant in a joint venture or by agreement to pay, to keep well, to purchase assets, goods, securities or services or otherwise).

Historical Statements shall have the meaning assigned to that term in Section 5.01(i)(A).

Indebtedness of any Person shall mean (in each case, whether such obligation is with full or limited recourse) (a) any obligation of such Person for borrowed money, (b) any obligation of such Person evidenced by a bond, debenture, note or other similar instrument, (c) any obligation of such Person to pay the deferred purchase price of property or services, except a trade account payable that arises in the ordinary course of business but only if and so long as the same is payable on customary trade terms and within 90 days, (d) any obligation of such Person as lessee under a capital lease, (e) any obligation of such Person to purchase property that arises out of or in connection with the sale of the same or substantially similar property, (f) any non-contingent obligation of such Person to reimburse any other Person in respect of amounts paid under a letter of credit issued by such other Person to the extent that such reimbursement obligation remains outstanding after it becomes non-contingent, (g) any obligation with respect to an interest rate or currency swap or similar obligation obligating such Person to make payments, whether periodically or upon the happening of a contingency, except that if any agreement relating to such obligation provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount thereof, (h) any Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) a Lien on any asset of such Person and (i) any Guaranty by such Person of the Indebtedness of others.

Interest Period for a Euro-Rate Loan shall have the meaning given to such term in Section 3.02.

Interest Rate Option shall mean any Euro-Rate Option or Base Rate Option.

Interim Statements shall have the meaning assigned to that term in Section 5.01(i)(A).

Internal Revenue Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Labor Contracts shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among the Borrower and its employees.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body.

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any arrangement to provide priority or preference and any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security. In addition, in the case of securities, "Lien" shall include any third party's right or option to purchase such securities.

Loan Documents shall mean this Agreement, the Revolving Credit Note and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and Loan Document shall mean any of the Loan Documents.

Material Adverse Change shall mean (i) a material adverse change in the business, property, condition (financial or otherwise), operations, results of operations or prospects of the Borrower, or the Borrower and its Subsidiaries taken as a whole, (ii) a material adverse change in the ability of the Borrower to perform its obligations under the Loan Documents, or (iii) a material adverse change in the validity or enforceability of any of the Loan Documents or the rights or remedies of the Bank thereunder.

Month, with respect to an Interest Period under the Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Moody's shall mean Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

Multiemployer Plan shall mean any employee benefit plan covered by Title IV of ERISA which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any other member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

Multiple Employer Plan shall mean a Plan which has two or more contributing sponsors (including the Borrower or any other member of the ERISA Group) at least two of whom are not under common control, as such a plan is described in Sections 4063 and 4064 of ERISA.



Notices shall have the meaning assigned to that term in Section 9.06.

Obligation shall mean any obligation or liability of the Borrower to the Bank, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, the Revolving Credit Note or any other Loan Document.

Official Body shall mean any national, federal, state, local or other government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

Permitted Liens shall mean:

(i) Liens for taxes, assessments, governmental charges or levies, or similar charges, incurred in the ordinary course of business, provided that the payment thereof is not at the time required by Section 7.01(b);

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workers' compensation, or to participate in any fund in connection with workers' compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other statutory Liens, securing obligations incurred in the ordinary course of business and Liens of landlords securing obligations to pay lease payments, provided, in each case that the payment thereof is not at the time required by Section 7.01(b);

(iv) Good faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Easements, rights-of-ways, reservations, exceptions, minor encroachments, restrictions and similar charges created or incurred in the ordinary course of business which in the aggregate do not materially interfere with the business operations of the Borrower or its Subsidiaries;

(vi) Liens on property leased by the Borrower or any of its Subsidiaries under capital and operating leases securing obligations of the Borrower or its Subsidiaries to the lessor under such leases;

(vii) Purchase Money Security Interests;

(viii) Attachments, judgments and other similar Liens arising in connection with court proceedings, provided (a) the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings in such manner as not to have the Property of the Borrower or any Significant Subsidiary subject to such Liens forfeitable or (b) with respect to judgments or orders for the payment of money, the nonpayment of which will not give rise to an Event of Default under Section 8.01(f);

(ix) Leases, licenses or similar rights to use property of the Borrower or any of its Subsidiaries whereunder the Borrower or any of its Subsidiaries is lessor, licensor or the equivalent thereof upon fair and reasonable terms;

(x) Liens existing on Property at the time such Property is acquired by the Borrower or any of its Subsidiaries, whether or not the Indebtedness secured thereby is assumed by the Borrower or such Subsidiary;

(xi) Liens existing on Property of a Person at the time such Person is merged into or consolidated with the Borrower or any of its Subsidiaries or all or substantially all of the Property of any Person is sold, leased or otherwise transferred to the Borrower or any of its Subsidiaries;

(xii) Liens arising in connection with a receivables securitization transaction;

(xiii) Liens in favor of the Borrower or a Subsidiary of the Borrower; or

(xiv) Liens resulting from extensions, renewals, refinancings and refundings of Indebtedness secured by any Permitted Liens, provided that there is no increase in the outstanding principal amount of the Indebtedness secured thereby and any new Lien attaches only to the same Property theretofore subject to such earlier Lien.

Person shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, joint venture, limited liability company, government or political subdivision or agency thereof, or any other entity.

Plan shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

Principal Office shall mean the principal banking office of the Bank in New York, New York.

Prohibited Transaction shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an

individual or a class exemption has been issued by the United States Department of Labor nor a statutory exemption applies.

Property shall mean all real and personal property, both owned and leased, tangible or intangible, now owned or hereafter acquired, of the Borrower.

Purchase Money Security Interest shall mean a Lien upon a tangible asset (and any additions thereto and property in replacement or substitution thereof) securing loans to the Borrower or a Subsidiary of the Borrower or deferred payments by the Borrower or a Subsidiary of the Borrower to finance all or a portion of the purchase price of such asset; provided that (i) the amount of Indebtedness secured thereby does not exceed the purchase price therefor and (ii) such Lien is created substantially simultaneously with or within 12 months after such purchase.

Reportable Event means a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan.

Revolving Credit Loans shall mean collectively, and Revolving Credit Loan shall mean separately, all Revolving Credit Loans or any Revolving Credit Loan made by the Bank to the Borrower pursuant to Section 2.01.

Revolving Credit Loan Request shall mean a request for Revolving Credit Loans made in accordance with Section 2.04.

Revolving Credit Note shall mean the Revolving Credit Note issued by the Borrower to the Bank in the form of Exhibit A hereto evidencing the Revolving Credit Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Significant Subsidiary shall have the meaning given to such term in Regulation S-X of the Securities and Exchange Commission.

Standard & Poor's shall mean Standard & Poor's Ratings Service, a Division of The McGraw Hill Companies, Inc., or any successor to the rating agency business thereof.

Subsidiary of any Person at any time shall mean (i) any corporation or trust of which more than 50% (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, or any partnership or limited liability company of which such Person is a general partner or managing member or of which more than 50% of the partnership or membership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, or (ii) any corporation, trust, partnership, limited liability company or other entity which is controlled by such Person or one or more of such Person's Subsidiaries.

Voting Capital shall mean securities or other ownership interests of a corporation, partnership or other entity, the holders of which are generally and ordinarily, in the absence of

contingencies, entitled to vote for the election of the board of directors or other Persons performing similar functions of such corporation, partnership or other entity.

1.02 Construction. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

(a) references to the plural include the singular, the plural, the part and the whole; "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation";

(b) references to "determination" of or by the Bank shall be deemed to include good faith estimates by the Bank (in the case of quantitative determinations) and good faith beliefs by the Bank (in the case of qualitative determinations) and such determination (unless otherwise expressly provided herein) shall be conclusive absent manifest error;

(c) whenever the Bank is granted the right herein to act in its sole discretion or to grant or withhold consent such right shall be exercised in good faith;

(d) the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or such other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

(e) the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any) preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

(f) article, section, subsection, clause, schedule and exhibit references are to this Agreement or such other Loan Document, as the case may be, unless otherwise specified;

(g) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

(h) reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

(i) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding" and "through" means "through and including"; and

(j) references to "shall" and "will" are intended to have the same meaning.

1.03 Accounting Principles. Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP.

## ARTICLE II REVOLVING CREDIT FACILITY

2.01 Commitment. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, the Bank agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date in an aggregate principal amount not to exceed at any one time outstanding the Commitment. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.01. Notwithstanding any other provision hereof, each Revolving Credit Loan shall be repaid by the Borrower within one year after the Borrowing Date thereof.

2.02 Nature of Bank's Obligations with Respect to Revolving Credit Loans. The aggregate of Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed the Commitment. The Bank shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

### 2.03 Fees.

(a) The Borrower agrees to pay to the Bank, as consideration for the Bank's Commitment hereunder, a nonrefundable fee equal to the amount of the Commitment times 0.05%, payable on the Closing Date.

(b) Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Bank, as consideration for the Bank's Commitment hereunder, a nonrefundable facility fee (the "Facility Fee") equal to the amount of the Commitment times 0.07% per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed). The Facility Fee shall be payable in arrears on the first Business Day of each January, April, July and October after the date hereof, commencing on October 1, 2007, and on the Expiration Date or upon acceleration of the Revolving Credit Note.

2.04 Revolving Credit Loan Requests. Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Bank to make Revolving Credit Loans, by delivering to the Bank, not later than (i) 11:00 a.m. (New York time) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of a Euro-Rate Loan, and (ii) 11:00 a.m. (New York time) on the proposed Borrowing Date with respect to the making of a Base Rate Loan, a duly completed request therefor substantially in the form of Exhibit B hereto or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "Revolving Credit Loan Request"); it being understood that the Bank may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation, provided that such individual

identifies himself or herself as an Authorized Person. Each Revolving Credit Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Revolving Credit Loan comprising each Borrowing Tranche, which shall be in integral multiples of \$1,000,000 and not less than \$1,000,000 for each Borrowing Tranche to which the Euro-Rate Option applies and not less than the lesser of \$500,000 or the maximum amount available hereunder for each Borrowing Tranche to which the Base Rate Option applies; (iii) whether the Euro-Rate Option or Base Rate Option shall apply to the proposed Revolving Credit Loan comprising the Borrowing Tranche; and (iv) an appropriate Interest Period for a Euro-Rate Loan comprising such Borrowing Tranche.

2.05 Making Revolving Credit Loans. The Bank shall fund the Revolving Credit Loans to the Borrower in U.S. Dollars and immediately available funds prior to 2:00 p.m. (New York time) on the Borrowing Date to an account of the Borrower specified in the Revolving Credit Loan Request.

2.06 Revolving Credit Notes. The obligation of the Borrower to repay the aggregate unpaid principal amount of the Revolving Credit Loans made to it by the Bank, together with interest thereon, shall be evidenced by a Revolving Credit Note dated the Closing Date payable to the order of the Bank in a face amount equal to the Commitment of the Bank.

2.07 Conversion and Continuation of Outstanding Advances. Base Rate Loans shall continue as Base Rate Loans unless and until such Base Rate Loans are converted into Euro-Rate Loans pursuant to this Section 2.07 or are repaid in accordance with Section 4.03. Each Euro-Rate Loan shall continue as a Euro-Rate Loan until the end of the then applicable Interest Period therefor, at which time such Euro-Rate Loan shall be automatically converted into a Base Rate Loan unless (x) such Euro-Rate Loan is or was repaid in accordance with Section 4.03 or (y) the Borrower shall have given the Bank a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Euro-Rate Loan continue as a Euro-Rate Loan for the same or another Interest Period. Subject to the terms of Section 3.02, the Borrower may elect from time to time to convert all or any part of the Base Rate Loans into a Euro-Rate Loan.

The Borrower shall give the Bank irrevocable notice substantially in the form of Exhibit C hereto (a "Conversion/Continuation Notice") of each conversion of Base Rate Loans into a Euro-Rate Loan or continuation of a Euro-Rate Loan not later than 11:00 a.m. (New York time) on the third Business Day prior to the date of the requested conversion or continuation, specifying:

- (i) the requested date, which shall be a Business Day, of such conversion or continuation,
- (ii) the principal amount, Interest Rate Option and Borrowing Tranche of the Revolving Credit Loan which is to be converted or continued, and
- (iii) the duration of the Interest Period to be applicable thereto.

If the Borrower fails to give a Conversion/Continuation Notice for a Borrowing Tranche of Revolving Credit Loans bearing interest at the Euro-Rate prior to the expiration of an existing

Interest Period applicable to such Borrowing Tranche, such Borrowing Tranche shall be converted automatically to the Base Rate Option commencing upon the last day of the existing Interest Period.

2.08 Use of Proceeds. The proceeds of the Revolving Credit Loans shall be used for general corporate purposes of the Borrower, including without limitation, providing a source of funds to be available for the payment at maturity of commercial paper and/or the purchase of variable rate tax-exempt bond financings issued by the Borrower.

2.09 Reduction of Commitment. The Borrower shall have the right at any time and from time to time upon five (5) Business Days' prior written notice to the Bank to permanently reduce, in minimum amounts of \$5,000,000 and whole multiples of \$1,000,000 in excess thereof, or terminate, the Commitment, without penalty or premium, except as hereinafter set forth, provided that any such reduction or termination shall be accompanied by the payment in full of any Facility Fee then accrued on the amount of such reduction or termination and provided further that the amount of Revolving Credit Loans outstanding may not exceed the amount of the Commitment after such reduction. From the effective date of any such reduction or termination, the obligations of the Borrower to pay the Facility Fee pursuant to Section 2.03 shall correspondingly be reduced or cease.

### ARTICLE III INTEREST RATES

#### 3.01 Interest Rates.

(a) Payment of Interest. The Borrower shall pay interest in respect of the outstanding unpaid principal amount of each Revolving Credit Loan for the period from and including the date of such Revolving Credit Loan to, but excluding, the date such Revolving Credit Loan shall be paid in full, at the rate selected by it from the Base Rate Option or Euro-Rate Option set forth below applicable to the Revolving Credit Loans. If at any time the designated rate applicable to any Revolving Credit Loan made by the Bank exceeds the Bank's highest lawful rate, the rate of interest on such Bank's Revolving Credit Loan shall be limited to the Bank's highest lawful rate.

(b) Interest Rate Options. Subject to the provisions of Section 3.03, the Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans:

(i) Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Euro-Rate Option. A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus the Euro-Rate Spread. The Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Revolving Credit Loans comprising different Borrowing Tranches.

provided that there shall not be at any one time outstanding more than eight (8) Borrowing Tranches in the aggregate among all the Revolving Credit Loans.

(c) Changes in Interest Rate, etc. Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Base Rate Loan is made or is automatically converted from a Euro-Rate Loan into a Base Rate Loan pursuant to Section 2.07, to but excluding the date it is paid or is converted into a Euro-Rate Loan pursuant to Section 2.07 hereof, at a rate per annum equal to the Base Rate for such day. Each Euro-Rate Loan shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Bank as applicable to such Euro-Rate Loan based upon the Borrower's selections under Section 2.04 or 2.07, as applicable, and otherwise in accordance with the terms hereof.

(d) Rate Quotations. The Borrower may call the Bank on or before the date on which a request for a Euro-Rate Loan is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Bank nor affect the rate of interest which thereafter is actually in effect when the election is made.

3.02 Interest Periods for Euro-Rate Loans. At any time when the Borrower shall select a Euro-Rate Option by delivering a Revolving Credit Loan Request or a Conversion/Continuation Notice, as provided herein, the notice shall specify an interest period (the "Interest Period") during which such Interest Rate Option shall apply, such Interest Period to be one, two, three or six Months, provided, that:

(a) any Interest Period under the Euro-Rate Option which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) each Borrowing Tranche of Loans subject to any Euro-Rate Option shall be in integral multiples of \$1,000,000 and not less than \$1,000,000; and

(c) the Borrower shall not select an Interest Period for any portion of the Revolving Credit Loans that would end after the Expiration Date.

3.03 Interest After Default. To the extent permitted by Law, during the continuance of an Event of Default, the Bank may, at its option, by notice to the Borrower, in addition to its rights under Section 8.02:

(a) declare that no Revolving Credit Loan may be made as, converted into or continued as a Euro-Rate Loan;

(b) declare that (i) the rate of interest for each Revolving Credit Loan otherwise applicable pursuant to Section 3.01(b) shall be equal to 2% per annum plus the rate of interest otherwise applicable to such Revolving Credit Loan; and (ii) each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the



Base Rate plus an additional 2% per annum from the time such Obligation becomes due and payable and until it is paid in full.

The Borrower acknowledges that such increased rates reflect, among other things, the fact that such Revolving Credit Loans or other amounts have become a substantially greater risk given their default status and that the Bank is entitled to additional compensation for such risk. Such interest shall be payable by the Borrower upon demand by the Bank.

3.04 Euro-Rate Unascertainability and Illegality. If at any time the Bank shall have determined that:

- (i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or
- (ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate, or
- (iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a proposed Euro-Rate Loan are not available to the Bank with respect to such Euro-Rate Loan in the London interbank eurodollar market, or
- (iv) such Euro-Rate will not adequately and fairly reflect the cost to the Bank of the establishment or maintenance of any such Euro-Rate Loan, or
- (v) the making, maintenance or funding of any Euro-Rate Loan has been made impracticable or unlawful by compliance by the Bank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law),

then, in the case of any event specified above, the Bank shall promptly so notify the Borrower thereof and as to the specific circumstances giving rise to such notice. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the obligation of the Bank to allow the Borrower to select a Euro-Rate Option shall be suspended until the Bank shall have later notified the Borrower of the Bank's determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Bank makes a determination under this Section 3.04 and the Borrower has previously notified the Bank of its selection of a Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for the selection of the Base Rate Option with respect to such Revolving Credit Loans. If the Bank notifies the Borrower of a determination under subsection (v) of this Section 3.04, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 4.04(b), as to any Euro-Rate Loan, on the date specified in such notice either convert such Revolving Credit Loan to the Base Rate Option or prepay such Revolving Credit Loan in accordance with Section 4.03. Absent due notice from the Borrower of conversion or prepayment, such Revolving Credit Loan shall automatically be converted to the Base Rate Option upon such specified date.

## ARTICLE IV PAYMENTS

4.01 Payments. All payments or prepayments to be made in respect of principal or interest on the Revolving Credit Loans, Facility Fees or other fees or amounts due from the Borrower hereunder shall be payable prior to 11:00 a.m. (New York time) on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower. Such payments shall be made to the Bank at the Principal Office or to such account as the Bank shall designate in writing, in U.S. Dollars and in immediately available funds. The Bank's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Revolving Credit Loans and other amounts owing under this Agreement.

4.02 Interest Payment Dates. Interest on Base Rate Loans shall be due and payable in arrears on the first Business Day of each April, July, October and January after the date hereof, commencing on October 1, 2007, and on the Expiration Date or upon acceleration of the Revolving Credit Note. Interest on each Euro-Rate Loan shall be due and payable in arrears on the last day of each Interest Period for such Euro-Rate Loan and also on the day which is three (3) months after the first day of such Interest Period if such Interest Period is greater than three (3) months and on the Expiration Date or upon acceleration of the Revolving Credit Note. Interest on the principal amount of each Revolving Credit Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

### 4.03 Principal Payments.

(a) Required Payments; Termination. At any time that the aggregate outstanding principal balance of the Revolving Credit Loans shall exceed the amount of the Commitment, the Borrower shall immediately prepay the amount of such excess. The outstanding Revolving Credit Loans and all other unpaid Obligations shall be paid in full by the Borrower on the Expiration Date. Notwithstanding the termination of this Agreement on the Expiration Date, until all of the Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied and all financing arrangements between the Borrower and the Bank hereunder and under the other Loan Documents shall have been terminated, all of the rights and remedies under this Agreement and the other Loan Documents shall survive.

(b) Voluntary Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Base Rate Loans, or, in a minimum aggregate amount of \$500,000, any portion of the outstanding Base Rate Loans on any Business Day upon notice to the Bank by no later than 11:00 a.m. (New York time) on the date of such prepayment. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 4.04(b) but otherwise without penalty or premium, all outstanding Euro-Rate Loans, or, in a minimum aggregate amount of \$1,000,000 or any integral multiple of \$1,000,000 in excess thereof, any portion of the outstanding Euro-Rate Loans upon three Business Days' prior notice to the Bank.

All prepayment notices shall be irrevocable. The principal amount of the Revolving Credit Loans for which a prepayment notice is given, together with interest on such principal amount (except with respect to Base Rate Loans to which Section 4.02 shall apply), shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. If the Borrower prepays a Revolving Credit Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied first to Base Rate Loans, then to Revolving Credit Loans to which the Euro-Rate Option applies. Any prepayment of Euro-Rate Loans hereunder shall be subject to the Borrower's Obligation to indemnify the Bank under Section 4.04(b).

#### 4.04 Additional Compensation in Certain Circumstances.

(a) Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc. If any new, or change in any existing, Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any new, or change in any existing, request or directive (whether or not having the force of Law) of any central bank or other Official Body, in each case occurring after the date hereof:

(i) subjects the Bank to any tax or changes the basis of taxation with respect to this Agreement, the Revolving Credit Note, the Revolving Credit Loans or payments by the Borrower of principal, interest, Facility Fees or other amounts due from the Borrower hereunder or under the Revolving Credit Note (except for taxes on the overall net income of such Bank and franchise taxes, if any, imposed in lieu of net income taxes),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, the Bank, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, the Bank, or (B) otherwise applicable to the obligations of the Bank under this Agreement, and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon the Bank with respect to this Agreement, the Revolving Credit Note, or the making, maintenance or funding of any part of the Revolving Credit Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on the Bank's capital, taking into consideration the Bank's customary policies with respect to capital adequacy) by an amount which the Bank in its sole discretion deems to be material,

the Bank shall from time to time notify the Borrower of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by the Bank to be necessary to compensate the Bank for such increase in cost, reduction of income or return or additional expense, provided that the Bank shall not give the Borrower notice hereunder unless the Bank is generally imposing such increased costs on its similarly situated customers. Such notice shall be delivered within thirty (30) Business Days after the Bank becomes aware of such

increase of costs, reduction of income or return or imposition of expense and shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to the Bank ten (10) Business Days after such notice is given.

(b) Indemnity. In addition to the compensation required by subsection (a) of this Section 4.04, the Borrower shall indemnify the Bank against all liabilities, losses or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties and any loss or expense incurred in connection with funds acquired by the Bank to fund or maintain Euro-Rate Loans) which the Bank sustains or incurs as a consequence of any of the following:

(i) payment, prepayment, conversion or renewal of any Euro-Rate Loan on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due), or

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any notice relating to Revolving Credit Loan Requests under Section 2.04, Conversion/Continuation Notices pursuant to Section 2.07 or notice of prepayment under Section 4.03 in respect of the making or continuation of, or conversion to, or prepayment of Euro-Rate Loans.

If the Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by the Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as the Bank shall deem reasonable) to be necessary to indemnify the Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to the Bank ten (10) Business Days after such notice is given.

4.05 Taxes. (a) All payments made by the Borrower under this Agreement or the Revolving Credit Note shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority, excluding net income taxes and franchise taxes imposed as a result of a present or former connection between the Bank and the jurisdiction of the governmental authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Revolving Credit Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Bank hereunder or under the Revolving Credit Note, the amounts so payable to the Bank shall be increased to the extent necessary to yield to the Bank (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to the Bank, if the Bank is not organized under the laws of the United States of America or a state thereof and the Bank fails to comply with the

requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Bank for its own account or for the account of the Bank, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof or, if an official receipt cannot be obtained with commercially reasonable effort, other evidence of payment reasonably acceptable to the Bank. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Bank the required receipts or other required documentary evidence after receiving appropriate notification of such tax liability from the Bank, the Borrower shall indemnify the Bank for any incremental Non-Excluded Taxes, interest or penalties that may become payable by the Bank as a result of any such failure. The agreements in this subsection shall survive the termination of this Agreement and the payment of the Revolving Credit Loans and all other amounts payable hereunder.

(b) The Bank, if it is not incorporated under the laws of the United States of America or a state thereof, shall:

(i) deliver to the Borrower (on or before the date of any payment by the Borrower) two duly completed copies of Internal Revenue Service Form W-8BEN, W-8ECI, other applicable form, or successor applicable form, as the case may be;

(ii) deliver to the Borrower further copies of any such form or certification (i) after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, if as a result thereof the Bank would no longer be entitled to an exemption from U.S. withholding tax or (ii) upon the reasonable request of the Borrower;

unless in any such case any change in treaty, law or regulation has occurred after the date such Person becomes a party hereto which renders all such forms inapplicable or which would prevent such Person from duly completing and delivering any such form with respect to it and such Person so advises the Borrower. Each Person which is not incorporated under the laws of the United States or a state thereof that shall become an assignee of the Bank pursuant to Section 9.11 shall, upon the effectiveness of the related transfer, be required to provide all of the forms, certifications and statements required pursuant to this subsection.

## ARTICLE V REPRESENTATIONS AND WARRANTIES

5.01 Representations and Warranties. The Borrower represents and warrants to the Bank as follows:

(a) Organization and Qualification. The Borrower and each of its Significant Subsidiaries is a corporation, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Borrower and each of its Significant Subsidiaries has the corporate power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. The Borrower and each of its Significant Subsidiaries is duly licensed or qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification

necessary, except in jurisdictions in which the failure to be in good standing or to be so qualified or licensed would not result in a Material Adverse Change.

(b) Ownership. All of the outstanding common stock of the Borrower has been validly issued, is fully paid and nonassessable and is owned by E. ON U.S. LLC. The Borrower has not granted any options, warrants or other rights outstanding to purchase any shares of its common stock.

(c) Subsidiaries. Schedule 5.01(c) contains an accurate list of all Subsidiaries of the Borrower as of the date of this Agreement, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Borrower or other Subsidiaries.

(d) Power and Authority. The Borrower has full corporate power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents and all such actions have been duly authorized by all necessary proceedings on its part.

(e) Validity and Binding Effect. Each of this Agreement and the Revolving Credit Note has been duly and validly executed and delivered by the Borrower, and each other Loan Document which the Borrower is required to execute and deliver on or after the date hereof will have been duly executed and delivered by the Borrower on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will when executed constitute, legal, valid and binding obligations of the Borrower on and after its date of delivery thereof, enforceable against the Borrower in accordance with its terms, except to the extent that enforceability of such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or general principles of equity, including without limitation, any equitable principles which limit the right of specific performance.

(f) No Conflict. Neither the execution and delivery of this Agreement or the other Loan Documents by the Borrower nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by it will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the Articles of Incorporation, by-laws or other organizational documents of the Borrower or (ii) subject to the matters described in subsection (q)(ii) of this Section 5.01, any Law or of any material agreement or instrument or any order, writ, judgment, injunction or decree to which the Borrower is a party or by which it is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of the Borrower.

(g) Litigation. Except as disclosed in the Annual Statements (defined below) and the Interim Statements (defined below), there are no actions, suits, proceedings or investigations pending or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary of the Borrower at law or equity before any Official Body which individually or in the aggregate could reasonably be expected to result in any Material Adverse Change. Neither

the Borrower nor any Subsidiary of the Borrower is in violation of any order, writ, injunction or decree of any Official Body which could reasonably be expected to result in any Material Adverse Changes.

(h) Title to Properties. Each of the Borrower and its Subsidiaries has good and marketable title to or valid leasehold interest in all of its properties, assets and other rights material to the operations of the Borrower and its Subsidiaries taken as a whole which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property material to the operations of the Borrower and its Subsidiaries taken as a whole are in full force and effect without the necessity for any consent which has not previously been obtained.

(i) Financial Statements.

(A) Historical Statements. The Borrower has delivered to the Bank copies of its audited year-end financial statements for and as of the end of the three (3) fiscal years ended December 31, 2006 (the "Annual Statements"). In addition, the Borrower has delivered to the Bank copies of its unaudited consolidated interim financial statements for the fiscal year to date and as of the end of the fiscal quarter ended March 31, 2007 (the "Interim Statements") (the Annual and Interim Statements being collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by the Borrower's management, present fairly the consolidated financial condition of the Borrower as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP and, except as otherwise stated therein, consistently applied, subject (in the case of the Interim Statements) to normal year-end audit adjustments.

(B) Accuracy of Financial Statements. At the Closing Date, the Borrower has no material liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Annual Statements or in the notes thereto, and except as disclosed therein, there are no unrealized or anticipated losses from any commitments of the Borrower which could reasonably be expected to cause a Material Adverse Change.

(C) No Material Adverse Change. Since December 31, 2006, no Material Adverse Change has occurred.

(j) Margin Stock. Neither the Borrower nor any Subsidiary of the Borrower engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Revolving Credit Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. Neither the Borrower nor any Subsidiary of the Borrower holds or intends to hold margin stock in such amounts that more



than 25% of the reasonable value of the assets of the Borrower or any Subsidiary of the Borrower are or will be represented by margin stock.

(k) Full Disclosure. Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished by the Borrower or any Subsidiary of the Borrower to the Bank in connection herewith or therewith, contained as of its date any untrue statement of a material fact or omitted as of its date to state a material fact necessary in order to make the statements contained herein and therein, taken as a whole, in light of the circumstances under which they were made, not misleading. There is no fact known to the Borrower which materially adversely affects the business, property, assets, financial condition or results of operations of the Borrower and its Subsidiaries taken as a whole which has not been set forth in this Agreement or in the Annual Statements, certificates, statements, agreements or other documents furnished in writing by the Borrower to the Bank prior to or at the date hereof in connection with the transactions contemplated hereby.

(l) Taxes. All federal, state and other material tax returns required to have been filed with respect to the Borrower and each of its Subsidiaries have been filed and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that (i) such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made or (ii) the nonpayment of such taxes, fees, assessments or other charges could not reasonably be expected to result in a Material Adverse Change.

(m) Consents and Approvals. No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and, except as described in subsection (q)(ii) of this Section 5.01, performance of this Agreement and the other Loan Documents by the Borrower, other than such consents, approvals, exemptions, orders or authorizations that have been obtained and other than such registrations and filings as have been made. On the Closing Date, other than the FERC Order, no consent, approval, exemption, order, authorization, registration or filing is required by any Law or any agreement in connection with the execution and delivery of this Agreement and the other Loan Documents by the Borrower.

(n) No Event of Default; Compliance with Instruments. No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings, if any, to be made on the Closing Date under the Loan Documents which constitutes an Event of Default. Neither the Borrower nor any of its Subsidiaries is in violation of (i) any term of its certificate of incorporation, by-laws, or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties is subject or bound where such violation could reasonably be expected to constitute a Material Adverse Change.

(o) Insurance. The Borrower and each of its Significant Subsidiaries has policies of insurance which provide adequate coverage from reputable and financially sound insurers or is self-insured, in each case, in amounts sufficient to insure the assets and risks of the



Borrower and each of its Significant Subsidiaries in accordance with prudent business practice in the industry. As of the Closing Date, no notice has been given or claim made, and no grounds exist, to cancel or avoid any of such policies or any surety bonds or to reduce the coverage provided thereby, which could reasonably be expected to result in a Material Adverse Change.

(p) Compliance with Laws. The Borrower and each of its Subsidiaries is in compliance in all material respects with all applicable Laws (other than in respect of Environmental Laws, which are specifically addressed in subsection (s) of this Section 5.01) in all jurisdictions in which the Borrower or any of its Subsidiaries is doing business, except where the failure to do so could not reasonably be expected to constitute a Material Adverse Change.

(q) Investment Company Act and Federal Power Act.

(i) Neither the Borrower nor any of its Subsidiaries is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), or under the "control" of an "investment company" as such terms are defined in the Investment Company Act or under the "control" of an "investment company" as such terms are defined in the Investment Company Act.

(ii) The issuance of the Revolving Credit Note by the Borrower, the incurrence of the Indebtedness by the Borrower contemplated by this Agreement and the borrowing and reborrowing of Revolving Credit Loans hereunder is subject to regulation under the Federal Power Act, as amended ("FPA"). The FERC issued an order in Docket No. ES06-4-000 dated January 27, 2006 (the "FERC Order") authorizing through November 30, 2007, the issuance by the Borrower of debt securities with a maturity of two years or less in an aggregate principal amount not exceeding \$400,000,000 outstanding at any one time, subject to certain conditions set forth in the FERC Order. Revolving Credit Loans under this Agreement constitute debt securities with a maturity of two years or less as referred to in the FERC Order. The FERC Order is in full force and effect. Additional authorization of the FERC will be necessary in order for the Borrower to obtain any Revolving Credit Loans under this Agreement at any time that the conditions set forth in the FERC Order are not satisfied, or to have outstanding more than \$400,000,000 in principal amount of debt securities with a maturity of two years or less (including Revolving Credit Loans under this Agreement). The repayment of the Revolving Credit Loans by the Borrower is permitted under the FPA and no authorization or approval of the FERC is required in respect of such repayment.

(r) Plans and Benefit Arrangements. The Borrower and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans, except for any such noncompliances that, individually or in the aggregate, could not reasonably be expected to result in any Material Adverse Change. To the best knowledge of the Borrower, there has been no Prohibited Transaction with respect to any Benefit Arrangement, any Plan or any Multiemployer Plan that, assuming the taxable period of such transaction expired as of the date hereof, could, individually or in the aggregate, reasonably be expected to result in any Material Adverse Change. The Borrower and all members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto, except where such failures, individually

or in the aggregate, could not reasonably be expected to result in a Material Adverse Change. With respect to each Plan, the Borrower and each member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any material liability to the PBGC other than for premiums due but not delinquent under Section 4007 of ERISA, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA.

(s) Environmental Matters. Except for conditions, violations or failures which individually and in the aggregate are not reasonably likely to result in a Material Adverse Change and except as disclosed in the Borrower's Annual Statements and Interim Statements, (i) the Borrower and each of its Subsidiaries are in compliance with all Environmental Laws, (ii) the Borrower and each of its Subsidiaries are not the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, and (iii) no notice, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower or any of its Subsidiaries to comply in any respect with any of such Environmental Laws.

(t) Ranking. The obligations of the Borrower under this Agreement and the Revolving Credit Note constitute unsecured and unsubordinated obligations of the Borrower, which rank *pari passu* in right of payment with all other present and future unsecured and unsubordinated Indebtedness of the Borrower, except for such obligations which from time to time are mandatorily preferred by laws applicable to companies generally.

(u) Tax Advice. Neither the Bank nor any of its affiliates has provided the Borrower with tax advice in connection with this Agreement or the transactions contemplated hereunder.

(v) Approvals. Other than the FERC Order, no consent, approval, exemption, order, authorization, registration or filing is required by any Law or any agreement in connection with the execution and delivery of this Agreement by the Borrower.

5.02 Updates to Representations and Warranties. If any of the representations or warranties contained in Section 5.01 become outdated or incorrect in any material respect, the Borrower may, and prior to making any Revolving Credit Loan Request after the Closing Date shall, provide the Bank a Schedule 5.02 which will contain such revisions or updates to such representation and warranties as may be necessary or appropriate to update or correct same; provided, however, that no representation or warranty shall be deemed to have been amended, modified or superseded by any such correction or update, nor shall any breach of representation or warranty, resulting therefrom be deemed to have been cured thereby, unless and until the Bank, in its sole and absolute discretion, shall have accepted in writing such revisions or updates set forth in such Schedule 5.02.

ARTICLE VI  
CONDITIONS OF LENDING

The obligation of the Bank to make Revolving Credit Loans hereunder is subject to the performance by the Borrower of its obligations to be performed hereunder at or prior to the making of any such Revolving Credit Loans and to the satisfaction of the following further conditions:

6.01 Closing Date Conditions. No Revolving Credit Loans shall be made until each of the conditions set forth below in this Section 6.01 have been satisfied on or after the Closing Date:

(a) The representations and warranties of the Borrower contained in Article V shall be true and accurate in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and the Borrower shall have performed and complied with all covenants and conditions hereof; no Event of Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Bank a certificate of the Borrower, dated the Closing Date and signed by the Chief Executive Officer, President, Treasurer or Chief Financial Officer of the Borrower, to each such effect.

(b) There shall be delivered to the Bank a certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary or Treasurer of the Borrower, certifying as appropriate as to:

(i) all action taken by the Borrower in connection with this Agreement and the other Loan Documents:

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Persons permitted to act on behalf of the Borrower for purposes of this Agreement and the true signatures of such individuals, on which the Bank may conclusively rely; and

(iii) copies of the organizational documents of the Borrower, including its articles of incorporation and by-laws as in effect on the Closing Date, certified by the appropriate state official where such documents are filed in a state office, together with certificates from the appropriate state officials as to the continued existence and good standing of the Borrower in each state where it is organized or qualified to do business.

(c) The Revolving Credit Note and each other Loan Document shall have been duly executed and delivered to the Bank.

(d) There shall be delivered to the Bank a written opinion of Dorothy O'Brien, Deputy General Counsel of the Borrower, and Frost Brown Todd LLC, special counsel

for the Borrower, dated the Closing Date substantially in the form of Exhibits D and E, respectively.

(e) All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be in form and substance satisfactory to the Bank and counsel for the Bank, and the Bank shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Bank and said counsel, as the Bank or said counsel may reasonably request.

(f) The Borrower shall pay or cause to be paid to the Bank, to the extent not previously paid, all fees accrued through the Closing Date and the costs and expenses for which the Bank is entitled to be reimbursed.

(g) Since December 31, 2006, no Material Adverse Change shall have occurred; and there shall be delivered to the Bank a certificate dated the Closing Date and signed by the Chief Executive Officer, President, Treasurer or Chief Financial Officer of the Borrower to such effect.

(h) The making of any Revolving Credit Loan on the Closing Date shall not contravene any Law applicable to the Borrower or the Bank.

(i) No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement or the consummation of the transactions contemplated hereby or which, in the Bank's reasonable judgment, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

6.02 Each Loan Made On or After the Closing Date. At the time of making any Revolving Credit Loans hereunder and after giving effect to the proposed borrowings: except as disclosed on Schedule 5.02 (as previously delivered to the Bank and accepted by the Bank), the representations and warranties of the Borrower contained in Article V (other than the representations and warranties contained in Sections 5.01(g) and 5.01(i)(C), which representations and warranties are made only on and as of the Closing Date) shall be true in all material respects on and as of the date of such additional Revolving Credit Loans with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein); no Event of Default shall have occurred and be continuing or shall exist; the making of such Revolving Credit Loans shall not contravene any Law applicable to the Borrower, the Bank or the FERC Order; all necessary approvals of the FERC for the requested Revolving Credit Loans shall be in full force and effect; and the Borrower shall have delivered to the Bank a duly executed and completed Revolving Credit Loan Request.

## ARTICLE VII COVENANTS

7.01 Affirmative Covenants. The Borrower covenants and agrees that until payment in full of the Revolving Credit Loans and interest thereon, satisfaction of all of the Borrower's other Obligations hereunder and under the other Loan Documents and termination of the Commitment, the Borrower shall comply at all times with the following affirmative covenants:

(a) Preservation of Existence, Etc. The Borrower shall, and shall cause each of its Significant Subsidiaries to, maintain its corporate existence (except as otherwise specifically permitted under Section 7.02(b)) and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not result in a Material Adverse Change.

(b) Payment of Liabilities, Including Taxes, Etc. The Borrower shall, and shall cause each of its Significant Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that (i) such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, provided that the Borrower and its Significant Subsidiaries will pay or bond all such liabilities forthwith upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor, or (ii) failure to discharge such liabilities could not reasonably be expected to result in a Material Adverse Change.

(c) Maintenance of Insurance. The Borrower shall, and shall cause each of its Significant Subsidiaries to, insure its properties and assets with reputable and financially sound insurers, against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts, subject to deductions and self-insurance retentions, as is consistent with sound business practice and as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses.

(d) Keeping of Records and Books of Account. The Borrower shall, and shall cause each of its Subsidiaries to, maintain and keep proper books of record and account which enable the Borrower and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over the Borrower or any of its Subsidiaries, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

(e) Compliance with Laws. The Borrower shall, and shall cause each of its Subsidiaries to, comply with all applicable Laws, including all Environmental Laws, in all

respects, provided that it shall not be deemed to be a violation of this Section 7.01(e) if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change.

(f) Use of Proceeds. The Borrower will use the proceeds of the Loans only for lawful purposes in accordance with Section 2.08 and such uses shall not contravene any applicable Law or any other provision hereof.

(g) Ranking. The Borrower will ensure that the obligations of the Borrower under this Agreement and the Revolving Credit Note will rank at all times *pari passu* in right of payment with all other present and future unsecured and unsubordinated Indebtedness of the Borrower, except for such obligations which from time to time are mandatorily preferred by laws applicable to companies generally.

7.02 Negative Covenants. The Borrower covenants and agrees that until payment in full of the Revolving Credit Loans and interest thereon, satisfaction of all of the Borrower's other Obligations hereunder and termination of the Commitment, the Borrower shall comply with the following negative covenants:

(a) Liens. The Borrower shall not, and shall not permit any of its Significant Subsidiaries to, at any time create, incur, assume or suffer to exist any Lien on any of its properties or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens.

(b) Liquidations, Mergers, Consolidations, Dispositions. The Borrower shall not, and shall not permit any of its Significant Subsidiaries to, merge or consolidate with or sell, assign, lease or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person, except:

(i) the Borrower may merge or consolidate with any Person, provided that, immediately thereafter and after giving effect thereto, no event shall occur or be continuing which constitutes an Event of Default and the surviving corporation is the Borrower;

(ii) any Subsidiary of the Borrower may merge or consolidate with, or sell, assign, lease or otherwise dispose of all or substantially all of its assets to the Borrower or any of its Significant Subsidiaries; and

(iii) any Significant Subsidiary may merge or consolidate with any other Person, provided that immediately thereafter and after giving effect thereto, no event shall occur or be continuing which constitutes an Event of Default and the surviving corporation is a Significant Subsidiary of the Borrower.

(c) Disposition of Assets. The Borrower shall not, and shall not permit any of its Significant Subsidiaries to, sell, lease, or otherwise transfer or dispose of voluntarily or involuntarily (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangible with or without recourse) any of their respective Property, except:

(i) any sale, transfer, lease or other disposition of assets in the ordinary course of business;

(ii) any sale, transfer, lease or other disposition of assets by a Subsidiary to the Borrower or another Subsidiary or by the Borrower to a Subsidiary of the Borrower;

(iii) any sale, transfer, lease or other disposition of worn-out or obsolete assets or assets no longer used or useful in the business of the Borrower or such Subsidiary;

(iv) any sale or transfer of trade receivables in connection with a receivable securitization facility;

(v) any, sale, lease, transfer or other disposition of assets the net proceeds of which are invested or reinvested, or held in cash or cash equivalents for reinvestment, in energy-related assets or applied to repay Indebtedness of the Borrower; and

(vi) any sale, transfer, lease or other disposition of assets, other than those specifically excepted in clauses (i), (ii), (iii), (iv) and (v) above, so long as the assets subject to sale, transfer, lease or other disposition pursuant to this subsection (vi) do not exceed during the term of this Agreement more than 15% of the total assets of the Borrower as reported on the balance sheet of the Borrower as of December 31, 2006.”

(d) Affiliate Transactions. The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction (including purchasing property or services from or selling property or services to any Affiliate of the Borrower) with any Affiliate (other the Borrower or any Subsidiary), unless such transaction is entered into in the ordinary course of business upon fair and reasonable terms and conditions no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary could obtain in a comparable arms-length transaction, provided that, notwithstanding the foregoing, (i) so long as no Event of Default exists or would result and be continuing, to the extent permitted by applicable Law, the Borrower and any of its Subsidiaries may declare or pay dividends on their capital stock, (ii) transactions between the Borrower or its Subsidiaries with the Borrower’s Affiliate, E.ON U.S. Services, Inc., a service company, as required by and in compliance with any Law administered by or promulgated or issued by the FERC or the Kentucky Public Service Commission, the Virginia State Corporation Commission, and the Tennessee Regulatory Authority” and (iii) subject to compliance with Section 7.01(e) above, transactions subject to the jurisdiction of the FERC or the Kentucky Public Service Commission, the Virginia State Corporation Commission, and the Tennessee Regulatory Authority shall be permitted.

(e) Leverage Ratio. The Borrower shall not permit the ratio of Consolidated Indebtedness to Consolidated Capitalization to equal or exceed 70% at any time.

7.03 Reporting Requirements. The Borrower covenants and agrees that until payment in full of the Revolving Credit Loans and interest thereon, satisfaction of all of the Borrower's other Obligations hereunder and under the other Loan Documents and termination of the Commitment, the Borrower will furnish or cause to be furnished to the Bank:

(a) Quarterly Financial Reports. As soon as available and in any event within fifty (50) calendar days after the end of each of the first three (3) fiscal quarters in each fiscal year, consolidated financial statements of the Borrower and its Subsidiaries, consisting of a consolidated balance sheet as of the end of such fiscal quarter and related consolidated statements of income and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year, certified by the Chief Executive Officer, President, Chief Financial Officer or Treasurer of the Borrower as having been prepared in accordance with GAAP, consistently applied (except as stated therein), subject to normal year-end adjustments.

(b) Annual Financial Statements. As soon as available and in any event within ninety-five (95) days after the end of each fiscal year of the Borrower, financial statements of the Borrower and its Subsidiaries consisting of consolidated and consolidating balance sheets as of the end of such fiscal year, and related consolidated and consolidating statements of income and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year and such consolidated financial statements shall be certified by independent certified public accountants of nationally recognized standing.

(c) Certificate of the Borrower. Concurrently with the financial statements of the Borrower furnished to the Bank pursuant to Sections 7.03(a) and 7.03(b), a certificate of the Borrower signed by the Chief Executive Officer, President, Chief Financial Officer or Treasurer of the Borrower, except as described in Schedule 5.02 or pursuant to Section 7.03(d) or otherwise in such certificate, that no Event of Default exists and is continuing on the date of such certificate.

(d) Notice of Default. Promptly after the Chief Executive Officer, President, Chief Financial Officer, Treasurer or other executive officer of the Borrower has learned of the occurrence of an Event of Default, a certificate signed by the Chief Executive Officer, President, Chief Financial Officer or Treasurer of the Borrower setting forth the details of such Event of Default and the action which the Borrower proposes to take with respect thereto.

(e) Notice of Litigation. Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against the Borrower or any of its Subsidiaries which involve a claim or series of claims which could reasonably be expected to constitute a Material Adverse Change.

(f) Notice of Certain ERISA Matters. Promptly after (i) the occurrence thereof, notice of any ERISA Termination Event or Prohibited Transaction with respect to any Plan that results, or could reasonably be expected to result, in a Material Adverse Change, which notice shall specify the nature thereof and the Borrower's proposed response thereto, and (ii) actual knowledge thereof, copies of any notice of the PBGC's intention to terminate or to have a trustee appointed to administer any Plan.

(g) Other Reports and Information. Promptly upon their becoming available to the Borrower:



(i) any reports or notices generally distributed by the Borrower to its security holders, if any, (other than E. ON U.S. LLC) on a date no later than the date supplied to the security holders, and

(ii) any amendments, modifications or supplements to the FERC Order, any additional orders of the FERC, or any amendments, modifications or supplements thereto, in each case (A) relating to the incurrence by the Borrower of short-term debt or (B) that could reasonably be expected to result in a Material Adverse Change; and

(iii) such other reports and information as the Bank may from time to time reasonably request.

## ARTICLE VIII DEFAULT

8.01 Events of Default. An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

(a) The Borrower shall fail to pay (i) any principal of any Revolving Credit Loan (including scheduled installments, mandatory prepayments or the payment due at maturity) as such Revolving Credit Loan becomes due in accordance with the terms hereof or of any Loan Document or (ii) shall fail to pay any interest on any Revolving Credit Loan, any Facility Fees or any other amount owing hereunder or under the other Loan Documents within three (3) Business Days after the due date thereof,

(b) Any representation or warranty made at any time by the Borrower or a Significant Subsidiary herein or in any other Loan Document, or in any certificate, other instrument or statement furnished by the Borrower or a Significant Subsidiary pursuant to the provisions hereof or thereof, shall have been false or misleading in any material respect as of the time it was made or furnished;

(c) The Borrower shall default in the observance or performance of any covenant contained in Section 7.01(a), Section 7.02, Section 7.03(d), or Section 7.03(g);

(d) The Borrower or any Significant Subsidiary shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document, and such default shall continue unremedied for a period of thirty (30) days after (i) an executive officer of the Borrower shall have actual knowledge of such default or (ii) written notice thereof shall have been given to the Borrower by the Bank;

(e) A default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which the Borrower or any of its Significant Subsidiaries may be obligated for the payment in excess of \$50,000,000 in the aggregate, and (i) such breach, default or event of default continues beyond any period of grace permitted with respect thereto and permits the acceleration of any such Indebtedness or (ii) causes the acceleration of any such Indebtedness;

(f) Any final judgment(s) or order(s) for the payment of money shall be entered against the Borrower or any of its Significant Subsidiaries by a court having jurisdiction in the premises which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry if the aggregate amount of all such judgments and orders exceeds \$50,000,000;

(g) Any of the Loan Documents shall cease to be a legal, valid and binding agreement enforceable against the Borrower or the legality, validity or binding nature of any of the Loan Documents shall in any way be challenged or contested by the Borrower;

(h) The Borrower or any Significant Subsidiary ceases to be solvent or admits in writing its inability, or is generally unable, to pay its debts as they mature;

(i) The Borrower or any Significant Subsidiary ceases to conduct business (other than as permitted by Section 7.02(b) or (c)) or the Borrower or any Significant Subsidiary is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

(j) Any of the following occurs: (i) any Reportable Event which constitutes grounds under Section 4042 of ERISA for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) a notice of intent to terminate any Plan shall have been filed with the PBGC under Section 4041 of ERISA; (iii) the PBGC shall give notice under Section 4042 of ERISA of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; (iv) the Borrower or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (v) the Borrower or any member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vi) the Borrower or any member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan pursuant to Subtitle E of Title IV of ERISA; or (vii) the Borrower or any member of the ERISA Group shall withdraw within the meaning of Section 4063 of ERISA (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; and, with respect to any of such events specified in clause (i), (ii), (iii), (iv), (v), (vi) or (vii), such occurrence would be reasonably likely to result in a Material Adverse Change;

(k) A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the Borrower or any Significant Subsidiary in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of the Borrower for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days; such court shall enter a decree or order granting any of the relief sought in such proceeding; or the Borrower shall consent, approve or otherwise acquiesce in any of the actions sought in such proceeding;

(l) The Borrower or any Significant Subsidiary shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing;

(m) E.ON AG shall fail to own, directly or indirectly, at least 66-2/3% of the outstanding Voting Capital of the Borrower; or

(n) The Borrower's corporate credit rating by Standard & Poor's shall be withdrawn or reduced below BBB-; or the Borrower's issuer rating by Moody's shall be withdrawn or reduced below Baa3.

#### 8.02 Consequences of Event of Default.

(a) If an Event of Default specified under subsections (a) through (j), (m) or (n) of Section 8.01 shall occur and be continuing, the Bank may by written notice to the Borrower take one or both of the following actions: (i) terminate the Commitment and thereupon the Commitment shall be terminated and of no further force and effect or (ii) declare the unpaid principal amount of the Revolving Credit Note then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Bank hereunder, thereunder and under the other Loan Documents to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived.

(b) If an Event of Default specified under subsections (k) or (l) of Section 8.01 shall occur, the Commitment shall automatically terminate and be of no further force and effect, the Bank shall be under no further obligations to make Revolving Credit Loans hereunder and the unpaid principal amount of the Revolving Credit Note then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Bank hereunder, thereunder and under the other Loan Documents shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

(c) If an Event of Default shall occur and be continuing, the Bank and any branch, Subsidiary or Affiliate of such Bank shall have the right, in addition to all other rights and remedies available to it, without notice to the Borrower, to set off against and apply to the then-unpaid balance of the Revolving Credit Loans and all other Obligations of the Borrower hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower by the Bank or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower for its own account (but not including funds held in custodian or trust accounts) with the Bank or such branch, Subsidiary or Affiliate; provided, that the Bank or any such branch,

Subsidiary or Affiliate of the Bank shall use reasonable efforts to notify the Borrower thereof promptly after such set-off and application; provided, further, that the failure of the Bank or any such branch, Subsidiary or Affiliate of the Bank to so notify the Borrower shall not, under any circumstances, result in any liability to the party failing to provide such notice. Such right shall exist whether or not the Bank shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower is or are matured or unmatured and regardless of the existence or security, right or remedy available to the Bank.

(d) If an Event of Default shall occur and be continuing, and whether or not the Bank shall have accelerated the maturity of Revolving Credit Loans to the Borrower pursuant to any of the foregoing provisions of this Section 8.02, the Bank, if owed any amount with respect to the Revolving Credit Note, hereunder or under any other Loan Document, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for damages or for the specific performance of any covenant or agreement contained in this Agreement or the Revolving Credit Note, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Bank.

(e) Following any Event of Default, the Borrower agrees to reimburse the Bank upon written request from the Bank for the Bank's reasonable, actual, out-of-pocket expenses, disbursements and advances incurred or made in accordance with this Agreement (including reasonable fees and disbursements of its external counsel) and made in furtherance of the Bank's rights and privileges hereunder with respect to enforcement and collection, except to the extent that any such expense, disbursement or advance is due to the gross negligence or willful misconduct of the Bank.

(f) In addition to all of the rights and remedies contained in this Agreement or in any of the other Loan Documents, the Bank shall have all of the rights and remedies under applicable Law, all of which rights and remedies shall be cumulative and non-exclusive, to the extent permitted by Law. The Bank may exercise all post-default rights granted to the Bank under the Loan Documents or applicable Law.

## ARTICLE IX MISCELLANEOUS

9.01 Modifications, Amendments or Waivers. The Borrower and the Bank may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Bank or the Borrower hereunder or thereunder or granting waivers or consents to a departure from the due performance of the Obligations of the Borrower hereunder or thereunder. Any such agreement, waiver or consent shall be effective to bind the Bank and the Borrower.

9.02 No Implied Waivers; Cumulative Remedies; Writing Required. No course of dealing and no delay or failure of the Bank in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof; nor shall any single or partial exercise thereof or any

abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Bank under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of the Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

9.03 Reimbursement and Indemnification of the Bank by the Borrower. The Borrower agrees unconditionally upon demand to pay or reimburse to the Bank and to indemnify and save the Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel for the Bank) incurred by the Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Bank, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Bank hereunder or thereunder or the actual or proposed use of proceeds of the Loans, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Bank's gross negligence or willful misconduct.

9.04 Holidays. Whenever payment of a Revolving Credit Loan to be made or taken hereunder shall be due on a day which is not a Business Day, such payment shall be due on the next following Business Day (except as provided in Section 4.02(a) with respect to Interest Periods applicable to Euro-Rate Loans) and such extension of time shall be included in computing interest and fees. Whenever any payment or action to be made or taken hereunder (other than payment of the Revolving Credit Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

9.05 Funding by Branch, Subsidiary or Affiliate. The Bank shall have the right from time to time to make or maintain any Revolving Credit Loan by arranging for a branch, Subsidiary or Affiliate of the Bank to make or maintain such Revolving Credit Loan subject to the last sentence of this Section 9.05. If the Bank causes a branch, Subsidiary or Affiliate to make or maintain any part of the Revolving Credit Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such

part of the Revolving Credit Loans to the same extent as if such Revolving Credit Loans were made or maintained by the Bank but in no event shall the Bank's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Revolving Credit Loans hereunder cause the Bank or such branch, Subsidiary or Affiliate to incur any cost or expenses payable by the Borrower hereunder or require the Borrower to pay any other compensation to the Bank (including any expenses incurred or payable pursuant to Section 4.04 or Section 4.05) which would otherwise not be incurred.

9.06 Notices. All notices, requests, demands, directions and other communications (as used in this Section 9.06 collectively referred to as "notices") given to or made upon any party hereto under the provisions of this Agreement shall be in writing (including telex or facsimile communication) unless otherwise expressly permitted hereunder and shall be delivered or sent by telex or facsimile to the respective parties at the addresses and numbers set forth under their respective names on the signature pages hereof or in accordance with any subsequent unrevoked written direction from any party to the other. All notices shall, except as otherwise expressly herein provided, be effective (a) in the case of telex or facsimile, when received, (b) in the case of hand-delivered notice, when hand delivered, (c) if given by mail, three (3) Business Days after such communication is deposited in the mails with first-class postage prepaid, return receipt requested, and (d) if given by any other means (including by air courier), when delivered.

9.07 Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

9.08 Governing Law. This Agreement shall be deemed to be a contract under the State of New York and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to its conflict of laws principles.

9.09 Prior Understanding. This Agreement supersedes all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein, including any prior confidentiality agreements and commitments.

9.10 Duration; Survival. All representations and warranties of the Borrower contained herein or made in connection herewith shall survive the making of Revolving Credit Loans and shall not be waived by the execution and delivery of this Agreement, any investigation by the Bank, the making of Revolving Credit Loans or payment in full of the Revolving Credit Loans. All covenants and agreements of the Borrower contained in Article VII herein shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow and until termination of the Commitments and payment in full of the Revolving Credit Loans and all other Obligations hereunder. All covenants and agreements of the Borrower contained herein relating to the payment of additional compensation or expenses

and indemnification, including those set forth in Sections 4.04, 4.05 and 9.03, shall survive payment in full of the Revolving Credit Loans and termination of the Commitment.

9.11 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Bank, the Borrower and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights and Obligations hereunder or any interest herein without the consent of the Bank. The Bank may, at its own cost, (i) sell participations in all or any part of its Commitment and the Revolving Credit Loans made by it to one or more banks or other entities without the consent of the Borrower and (ii) with the consent of the Borrower, unless an Event of Default has occurred and is continuing, such consent not to be unreasonably withheld, make assignments of all or any part of its Commitment and the Revolving Credit Loans made by it to one or more banks or other entities; provided that the consent of the Borrower shall not be necessary to assign all or any part of the Bank's Commitment or Revolving Credit Loans (A) to an Affiliate of the Bank or (B) to any Person after the occurrence of an Event of Default and during the continuation thereof. Any assignee which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower the form of certificate described in Section 4.05 relating to federal income tax withholding. The Bank may furnish any publicly available information concerning the Borrower and any other information concerning the Borrower in the possession of the Bank from time to time to assignees and participants (including prospective assignees or participants) provided that such assignees and participants agree to be bound by the provisions of Section 9.12. Notwithstanding any other language in this Agreement, the Bank may at any time assign all or any portion of its rights under this Agreement and the Revolving Credit Note to a Federal Reserve Bank as collateral in accordance with Regulation A and the applicable Operating Circular of such Federal Reserve Bank.

9.12 Confidentiality. The Bank agrees to keep confidential all information obtained from the Borrower which is nonpublic and confidential in nature (including any information the Borrower specifically designates as confidential) other than any such information that is available to the Bank on a non-confidential basis prior to disclosure by the Borrower, except as provided below, and to use such information only in connection with its capacity under this Agreement and for the purposes contemplated hereby. The Bank shall be permitted to disclose such information (i) to its Affiliates and to its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to outside legal counsel, accountants and other professional advisors in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (iii) to assignees and participants as contemplated by Section 9.11, (iv) to the extent requested by any bank regulatory authority or other regulatory or self-regulatory authority, (v) as otherwise required by applicable Law or by any subpoena or similar legal process, with notice to the Borrower (to the extent the Bank is not legally prohibited from doing so by statute, rule or regulation), or in connection with any litigation, investigation or proceeding arising out of the transactions contemplated by this Agreement or the enforcement by the Bank of rights hereunder or under any Loan Document, (vi) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to the Bank to be subject to confidentiality restrictions, or (vii) if the Borrower shall have consented to such



disclosure. Notwithstanding anything provided herein, and any express or implied claims of exclusivity or proprietary rights, each party hereto is hereby authorized (including employees, representatives or agents) to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction, and all materials of any kind (including opinions or other tax analyses) that are provided to either party relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the transactions contemplated thereby. For purposes of this authorization, "tax" means United States Federal income tax, "tax treatment" means the purported or claimed Federal income tax treatment of the transaction, and "tax structure" means any fact that may be relevant to understanding the purported or claimed Federal income tax treatment of the transaction.

9.13 Counterparts. This Agreement may be executed by different parties hereto on any number of separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

9.14 CONSENT TO FORUM; WAIVER OF JURY TRIAL. BORROWER HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL COURT OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESSES PROVIDED FOR IN SECTION 9.06 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. BORROWER WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE OR BASED ON INCONVENIENT FORUM. THE BORROWER AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT TO THE FULLEST EXTENT PERMITTED BY LAW.



IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

KENTUCKY UTILITIES COMPANY

By: 

Title: Treasurer

Address for Notices:  
220 West Main Street  
Louisville, KY 40202  
Attention: Treasurer

Telecopier No. (502) 627-4742  
Telephone No. (502) 627-4956

U.S. BANK NATIONAL ASSOCIATION

By: 

Title: SVP

Address for Notices:  
One Financial Square  
Louisville, Kentucky 40202-3322  
Attention: David Wombwell

Telecopier No. (502) 562-6460  
Telephone No. (502) 562-6685

**SCHEDULE 5.01(c)**  
**LIST OF SUBSIDIARIES**

Kentucky Utilities Company

- Ohio Valley Electric Corporation, an Indiana corporation (2.5%)
  - Indiana-Kentucky Electric Corporation, an Indiana corporation
- Electric Energy, Inc., an Illinois corporation (20%)
  - Midwest Electric Power Inc., an Illinois corporation
  - Joppa and Eastern Railroad Company, an Illinois corporation
  - Met South, Inc., an Illinois corporation
  - Massac Enterprises LLC, an Illinois limited liability company
  - Joppa Generating Station LLC, an Illinois limited liability company
- Lexington Utilities Company, a Kentucky corporation

(Indentation indicates ownership relationships. Ownership is 100% by such indicated parent, unless otherwise indicated.)

**SCHEDULE 5.02**  
**SUBSEQUENT DISCLOSURES**

None.

## EXHIBIT A

### FORM OF REVOLVING CREDIT NOTE

\$35,000,000

June 22, 2007

FOR VALUE RECEIVED, the undersigned, KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (herein called the "Borrower"), hereby promises to pay to the order of U.S. BANK NATIONAL ASSOCIATION (the "Bank") the lesser of (i) the principal sum of THIRTY FIVE MILLION U.S. Dollars (U.S. \$35,000,000), or (ii) the aggregate unpaid principal balance of all Revolving Credit Loans made by the Bank to the Borrower pursuant to Section 2.01 of the Credit Agreement dated as of June 22, 2007 by and between the Borrower and the Bank, (as amended, restated, supplemented or modified from time to time, the "Credit Agreement"), the amount of (i) or (ii) (as applicable) being payable on the Expiration Date or at such other times specified in the Credit Agreement.

The Borrower shall pay interest on the unpaid principal balance hereof from time to time outstanding from the date hereof at the rate or rates per annum specified by the Borrower pursuant to, or as otherwise provided in, the Credit Agreement. Interest on this Revolving Credit Note will be payable at the times specified in the Credit Agreement.

Subject to the provisions of the Credit Agreement, payments of both principal and interest shall be made without setoff, counterclaim or other deduction of any nature, as and to the extent specified in the Credit Agreement, in lawful money of the United States of America in immediately available funds.

This Revolving Credit Note is referred to in, and is entitled to the benefits of, the Credit Agreement and other Loan Documents, including the representations, warranties, covenants and agreements contained therein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayment, in certain circumstances, on account of principal hereof prior to maturity upon the terms and conditions therein specified.

All capitalized terms used herein shall, unless otherwise defined herein, have the same meanings given to such terms in the Credit Agreement.

Except as otherwise provided in the Credit Agreement, the Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Credit Note and the Credit Agreement.

This Revolving Credit Note shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to its conflicts of law

principles. The Borrower hereby irrevocably (a) submits in any litigation involving this Revolving Credit Note to the non-exclusive jurisdiction of state and federal courts sitting in the State of New York; (b) waives and agrees not to plead any objection that it may now or hereafter have to the venue of any such litigation in any such courts; and (c) WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY SUCH LITIGATION.

IN WITNESS WHEREOF, the undersigned, by its duly authorized officer, has executed this Revolving Credit Note as of the date first above written.

KENTUCKY UTILITIES COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT B**

**FORM OF  
REVOLVING CREDIT LOAN REQUEST**

TO: U.S. Bank National Association (the "Bank")  
Telephone No.: \_\_\_\_\_  
Telecopier No.: \_\_\_\_\_  
Attn: \_\_\_\_\_

FROM: Kentucky Utilities Company (the "Borrower")

RE: Credit Agreement (as amended, restated, supplemented or modified from time to time, the "Agreement"), dated as of June 22, 2007, by and between the Borrower and the Bank

Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them by the Agreement.

A. Pursuant to Section 2.04 of the Agreement, the undersigned Borrower irrevocably requests **[check as appropriate]**:

1.(a)\_\_\_\_\_ Base Rate Loan, having a Borrowing Date of \_\_\_\_\_, 200\_ (which date may be the Business Day of receipt by Bank by 11:00 a.m. (New York time) of this Loan Request).

OR

(b)\_\_\_\_\_ Euro-Rate Loan of one (1) Borrowing Tranche having a Borrowing Date of \_\_\_\_\_, 200\_ (which date shall be three (3) Business Days after the Business Day of receipt by Bank by 11:00 a.m. (New York time) of this Loan Request) and an Interest Period for a Euro-Rate Loan of \_\_\_\_\_ [one, two, three or six Months].

2. In the principal amount of US\$\_\_\_\_\_.

B. Proceeds of the Revolving Credit Loan should be transferred by the Bank in U.S. Dollars and in immediately available funds prior to 2:00 p.m. (New York time) on the Borrowing Date to the following account:

**[insert appropriate wire instructions]**

C. As of the date hereof and the date of making of the above-requested Revolving Credit Loans (and after giving effect thereto); except as disclosed on Schedule 5.02

(as previously delivered to the Bank and accepted by the Bank), all of the Borrower's representations and warranties contained in Article V of the Agreement (other than the representations and warranties contained in Sections 5.01(g) and 5.01(i)(C), which representations and warranties are only made on and as of the Closing Date) are true and correct in all material respects (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein); no Event of Default has occurred and is continuing or shall exist; the making of such Revolving Credit Loans shall not contravene any Law applicable to the Borrower or the FERC Order.

The undersigned certifies to the Bank as to the accuracy of the foregoing.

KENTUCKY UTILITIES COMPANY

Date: \_\_\_\_\_, 200\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT C

### FORM OF CONVERSION/CONTINUATION NOTICE

TO: U.S. Bank National Association (the "Bank")  
Telephone No.: \_\_\_\_\_  
Telecopier No.: \_\_\_\_\_  
Attn: \_\_\_\_\_

FROM: Kentucky Utilities Company (the "Borrower")

RE: Credit Agreement (as amended, restated, supplemented or modified from time to time, the "Agreement"), dated as of June 22, 2007, by and between the Borrower and the Bank

Pursuant to Section 2.07 of the Agreement, the undersigned Borrower hereby requests that on \_\_\_\_\_, \_\_\_\_\_,

1. [\$\_\_\_\_\_ of the currently outstanding principal amount of the Base Rate Loans][and \$\_\_\_\_\_ of the currently outstanding principal amount of the Euro-Rate Loans with an Interest Period ending on \_\_\_\_\_, \_\_\_\_\_].

2. be [converted into][continued as],

3. <sup>1</sup>[Euro-Rate Loans having an Interest Period of \_\_\_ Months][Base Rate Loans].

The undersigned Borrower hereby certifies and warrants that no Event of Default has occurred and is continuing.<sup>2</sup>

The undersigned Borrower has caused this Conversion/Continuation Notice to be executed and delivered, and the certification and warranties contained herein to be made, by an Authorized Person on this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

KENTUCKY UTILITIES COMPANY

By: \_\_\_\_\_  
Title: \_\_\_\_\_

<sup>1</sup> Insert appropriate interest rate option.

<sup>2</sup> To be included in a notice of (i) a conversion of Base Rate Loans to Euro-Rate Loans or (ii) a continuation of Euro-Rate Loans.



## EXHIBIT D

### FORM OF OPINION OF DEPUTY GENERAL COUNSEL

June 22, 2007

U.S. Bank National Association  
One Financial Square  
Louisville, Kentucky 40202-3322

Ladies and Gentlemen:

I am Deputy General Counsel for Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Borrower"), in connection with the execution and delivery of the Credit Agreement dated as of the date hereof (the "Credit Agreement") between the Borrower and U.S. Bank National Association (the "Bank"). This opinion letter is delivered to you pursuant to Section 6.01(d) of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to such terms in the Credit Agreement.

I have examined and am familiar with originals or copies identified to my satisfaction of the Credit Agreement, the Revolving Credit Note and each of the other Loan Documents, and such other documents and proceedings as I have considered necessary for the purpose of rendering this opinion. In addition, I have examined such corporate records of the Borrower, certificates of public officials and officers of the Borrower and other documents, and have considered such legal matters as I have deemed necessary for the purpose of rendering this opinion.

In rendering this opinion I have assumed: (a) the genuineness of the signatures on all documents and instruments (other than the signatures of officers of the Borrower), the authenticity of all documents submitted as originals, the conformity to originals of all documents submitted as photostatic or certified copies, and the accuracy and completeness of all corporate records made available to me by the Borrower; (b) the due execution and delivery of the Credit Agreement by the Bank; and (c) that the Credit Agreement constitutes the legal, valid and binding obligation of the Bank.

I am qualified to practice law in the Commonwealth of Kentucky and do not purport to be expert on and express no opinion with respect to any laws other than the laws of the Commonwealth of Kentucky. I call to your attention the fact that each of the Credit Agreement and the Revolving Credit Note states that it is governed by, and construed in accordance with, New York law. I express no opinion as to the enforceability of such Loan Documents under New York law.

Based upon the foregoing, but subject to the qualifications and exceptions set forth herein, I am of the following opinion:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and the Commonwealth of Virginia. The Borrower is duly qualified to do business as a foreign corporation, in each jurisdiction in which the nature of the business conducted or the property owned, operated or leased by it requires such qualification, except where failure to so qualify would not result in a Material Adverse Change. The Borrower has full corporate power and authority and holds all governmental licenses, permits and other approvals required under Kentucky, Virginia and Tennessee law (a) to conduct its business as presently conducted, (b) to own or hold under lease its properties, and (c) to enter into and perform under each of the Loan Documents to which it is a party, except for any such governmental licenses, permits or other approvals which the failure to obtain would not, individually or in the aggregate, result in a Material Adverse Change.

2. The execution and delivery by the Borrower of the Credit Agreement and the Revolving Credit Note and the performance by it of each such Loan Document have been duly authorized by all necessary corporate action on the part of it and do not and will not (i) require the approval of its stockholder, except as may have been previously approved, or the approval or consent of any trustee or holders of any of its indebtedness or obligations, (ii) violate any Laws currently in effect applicable to or binding upon it or its property, or contravene its certificate of incorporation, by-laws or board or shareholders resolutions, (iii) result in a breach of, or constitute a default under or violation of, or result in the creation of any Lien upon any of its property under, any indenture, mortgage, chattel mortgage, deed of trust, lease, conditional sales contract, loan or credit arrangement or other material agreement or instrument by which it or any of its properties may be bound, or (iv) except for the approval of the term of the Credit Agreement by the Kentucky Public Service Commission, the Virginia State Corporation Commission and the Tennessee Regulatory Authority approvals, which are currently pending, and upon receipt of such approval, require any consents or approvals of, or registrations or filings with, any Official Body of the Commonwealth of Kentucky, Commonwealth of Virginia and the State of Tennessee.

3. Each of the Credit Agreement and the Revolving Credit Note has been duly executed and delivered by the Borrower. Each of the Credit Agreement and the Revolving Credit Note states that each such Loan Document shall be governed by, and construed in accordance with, the laws of the State of New York. However, assuming that such Loan Documents were governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky, such Loan Documents would be, under the laws of the Commonwealth of Kentucky, legal, valid and binding obligations of the Borrower, as applicable, enforceable against the Borrower, in accordance with their respective terms. The interest payable under the Note, including to the extent applicable the fees and charges payable by the Borrower under the Credit Agreement, is not usurious under or violative of any law or regulation of the State of Kentucky governing the payment or receipt of interest.

4. Except as disclosed in the Borrower's Interim Statements, there is no action, proceeding or investigation pending or, to my knowledge, after diligent inquiry, threatened

which could reasonably be expected to result in a Material Adverse Change or which questions the validity of the Loan Documents or any action taken or to be taken pursuant thereto.

Where the opinions set forth above concern enforceability, such opinions are subject to the following qualifications:

A. My opinions herein are subject to the effect of any applicable bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors.

B. My opinions herein are subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

C. Except as expressly set forth herein, I express no opinion herein as to the validity or enforceability of any provision regarding choice of law to govern the Loan Documents or of any provision of the Loan Documents for indemnification or contribution in connection with violations of securities laws or statutory duties or public policy, or in connection with willful, reckless or unlawful acts or gross negligence of the indemnified party or the party receiving contribution.

D. I express no opinion as to whether the execution, delivery and performance of the Loan Documents will constitute a breach of, or constitute a default under, any covenant or provision with respect to financial ratios or tests contained in any agreement to which the Borrower is a party.

This opinion is rendered only with respect to the laws and the regulations which are in effect as of the date hereof. I assume no responsibility for updating this opinion to take into account any event, action, interpretation or change of law occurring subsequent to the date hereof that may affect the validity of any of the opinions expressed herein.

The foregoing opinion is furnished solely for the benefit of the addressee hereof in connection with the Loan Documents and the transactions contemplated thereby; provided that the Bank has notified such assignee that this opinion speaks only as of the date hereof and to its addressee and that I have no responsibility or obligation to update this opinion, to consider its applicability or correctness to other than its addressee, or to take into account changes in law, facts or any other development of which I may later become aware. This opinion may not be relied upon by, and copies may not be delivered to, any other Person or be used for any other purpose without my prior written consent, except that the Bank may supply a copy of this opinion to its regulators for purposes of an internal audit without my prior written consent.

Very truly yours,

## **EXHIBIT E**

### **FORM OF OPINION OF SPECIAL COUNSEL**

June 22, 2007

U.S. Bank National Association  
One Financial Square  
Louisville, Kentucky 40202-3322

Ladies and Gentlemen:

We have acted as special New York counsel for Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Borrower"), in connection with the Credit Agreement dated as of June 22, 2007 (the "Credit Agreement") between the Borrower and U.S. Bank National Association (the "Bank"). This opinion is delivered to you pursuant to Section 6.01(d) of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to such terms in the Credit Agreement. With your permission, all assumptions and statements of reliance herein have been made without any independent investigation or verification on our part except to the extent, if any, otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of the assumptions or items upon which we have relied.

In connection with the opinions expressed herein, we have examined such documents, records and matters of law as we have deemed necessary for the purposes of this opinion. We have examined, among other documents, (i) an executed copy of the Credit Agreement and (ii) an executed copy of the Revolving Credit Note, the form of which is attached as Exhibit A to the Credit Agreement (the "Note"). The Credit Agreement and the Note issued thereunder are referred to herein collectively as the "Documents". In all such examinations, we have assumed the legal capacity of all natural persons executing documents, the genuineness of all signatures, the authenticity of original and certified documents and the conformity to original or certified copies of all copies submitted to us as conformed or reproduction copies. As to various questions of fact relevant to the opinions expressed herein, we have relied upon, and assume the accuracy of, representations and warranties contained in the Documents and certificates and oral or written statements and other information of or from representatives of the Borrower and others and assume compliance on the part of the Borrower and the Bank with their covenants and agreements contained therein. With respect to the opinion expressed in paragraph (c) below, our

opinion is limited (x) to our actual knowledge of the specially regulated business activities and properties of the Borrower, without any independent investigation or verification on our part, and (y) to our review of only those laws and regulations that, in our experience, are normally applicable to transactions of the type contemplated by the Credit Agreement.

Based upon the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, we are of the opinion that:

(a) Each of the Credit Agreement and the Note constitutes a valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms. The interest payable under the Note, including to the extent applicable the fees and charges payable by the Borrower under the Credit Agreement, is not usurious under or violative of any law or regulation of the State of New York governing the payment or receipt of interest.

(b) The execution and delivery of the Documents by the Borrower and the performance by the Borrower of its obligations thereunder do not violate any present law, or present regulation of any governmental agency or authority, of the United States of America applicable to the Borrower or its property. No federal governmental consents, approvals, authorizations, registrations, declarations or filings are required in connection with the extensions of credit under the Credit Agreement or the performance by the Borrower of its obligations under the Credit Agreement and the Note.

(c) The Borrower is not an "investment company" or a company "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

The opinions set forth above are subject to the following qualifications:

(A) Our opinions in paragraph (a) above are subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent transfer and conveyance, voidable preference, moratorium, receivership, conservatorship, arrangement or similar laws, and related regulations and judicial doctrines, from time to time in effect affecting creditors' rights and remedies generally, and (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses, the exercise of judicial discretion and limits on the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity.

(B) We express no opinion as to the enforceability of any provision in the Credit Agreement or the Note:

(i) relating to indemnification, contribution or exculpation in connection with violations of any securities laws or statutory duties or public policy, or in connection with willful, reckless or unlawful acts or gross negligence of the indemnified or exculpated party or the party receiving contribution;

(ii) providing that any person or entity may exercise set-off rights other than in accordance with and pursuant to applicable law;

(iii) relating to choice of governing law to the extent that the enforceability of any such provision is to be determined by any court other than a court of the State of New York;

(iv) waiving any rights to trial by jury;

(v) purporting to confer, or constituting an agreement with respect to, subject matter jurisdiction of United States Federal courts to adjudicate any matter;

(vi) purporting to create a trust or other fiduciary relationship;

(vii) specifying that provisions thereof may be waived only in writing, to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created that modifies any provision of the Documents; or

(viii) giving any person or entity the power to accelerate obligations without any notice to the Borrower.

(C) Our opinions as to enforceability are subject to the effect of generally applicable rules of law that:

(i) provide that forum selection clauses in contracts are not necessarily binding on the court(s) in the forum selected; and

(ii) may, where less than all of a contract may be unenforceable, limit the enforceability of the balance of the contract to circumstances in which the unenforceable portion is not an essential part of the agreed exchange, or that permit a court to reserve to itself a decision as to whether any provision of any agreement is severable.

(D) We express no opinion as to the enforceability of any purported waiver, release, variation, disclaimer, consent or other agreement to similar effect (all of the foregoing, collectively, a "Waiver") by the Borrower under the Documents to the extent limited by provisions of applicable law (including judicial decisions), or to the extent that such a Waiver applies to a right, claim, duty or defense or a ground for, or a circumstance that would operate as, a discharge or release otherwise existing or occurring as a matter of law (including judicial decisions).

(E) We express no opinion concerning (i) any taxation, securities or "blue sky" laws, rules or regulations; or (ii) ERISA laws, rules or regulations.

(F) For purposes of the opinions set forth in paragraph (c) above, we have assumed that (i) the Bank has not or will not have the benefit of any agreement or arrangement (excluding the Documents) pursuant to which any extensions of credit are directly or indirectly secured by

"margin stock", as defined in the Margin Regulations ("Margin Stock"). (ii) neither the Bank nor any of its affiliates has extended or will extend any other credit to the Borrower directly or indirectly secured by Margin Stock and (iii) the Bank has not relied or will not rely upon any Margin Stock as collateral in extending or maintaining any extensions of credit pursuant to the Credit Agreement.

(G) To the extent it may be relevant to the opinions expressed herein, we have assumed that the Bank has the power to enter into and perform the Credit Agreement and to consummate the transactions contemplated thereby and that the Credit Agreement has been duly authorized, executed and delivered by, and constitutes the legal, valid and binding obligation of, the Bank.

(H) For purposes of our opinions above, we have assumed that (i) the Borrower is a corporation validly existing and in good standing in its jurisdictions of organization, (ii) the Borrower has all requisite power and authority, and has obtained all requisite corporate, shareholder, board and third party authorizations, consents and approvals, (iii) except for the approval of the term of the Credit Agreement by the Kentucky Public Service Commission, the Virginia State Corporation Commission and the Tennessee Regulatory Authority approvals, which are currently pending, and upon receipt of such approvals, and except to the extent noted in paragraph (b) above, the Borrower has obtained all requisite governmental authorizations, consents and approvals, and made all requisite filings and registrations, necessary to execute, deliver and perform the Documents, (iv) except to the extent noted in paragraph (c) above, the execution, delivery and performance of the Documents by the Borrower will not violate or conflict with any law, rule, regulation, order, decree, judgment, instrument or agreement binding upon or applicable to the Borrower or its properties, and (v) the Documents to which the Borrower is a party have been duly executed and delivered by it.

The opinions expressed herein are limited to the federal laws of the United States and the laws of the State of New York, as currently in effect.

We express no opinion as to the compliance or noncompliance, or the effect of the compliance or noncompliance, of the addressee or any other person or entity with any state or federal laws or regulations applicable to each of them by reason of their status as or affiliation with a federally insured depository institution. Our opinions are limited to those expressly set forth herein, and we express no opinions by implication.

The opinions expressed herein are solely for the benefit of the addressee hereof in connection with the transaction referred to herein and may not be relied on by such addressee for any other purpose or in any manner or for any purpose by any other person or entity; provided, however, that this opinion may be relied upon by any assignee of the Bank that becomes a party to the Credit Agreement to the extent that the addressee hereto may rely on it. This opinion speaks only as of the date hereof and to its addressee and we have no other responsibility or obligation to update this opinion, to consider its applicability or correctness to other than its addressee, or to take into account changes in law, facts or any other development of which we may later become aware.

**EXHIBIT F**

**APPLICATION TO KENTUCKY PUBLIC SERVICE COMMISSION**



**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In The Matter Of:**

<b>THE APPLICATION OF KENTUCKY</b>	<b>)</b>	
<b>UTILITIES COMPANY FOR AN ORDER</b>	<b>)</b>	
<b>AUTHORIZING THE ISSUANCE OF</b>	<b>)</b>	<b>CASE NO. 2007-_____</b>
<b>SECURITIES AND THE ASSUMPTION</b>	<b>)</b>	
<b>OF OBLIGATIONS</b>	<b>)</b>	

**APPLICATION**

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to KRS 278.300, that the Commission authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. Specifically, KU requests authority to enter into one or more multi-year revolving credit facilities (each a "Credit Facility" and collectively the "Credit Facilities"), with one or more financial institutions. In support of this Application, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a utility as defined by KRS 278.010(3)(a), and, as of March, 31 2007, provides retail electric service to approximately 502,000 customers in seventy-seven counties in Kentucky, approximately 30,000 customers in five counties in southwest Virginia and five customers in Tennessee. A description of KU's properties is set out in Exhibit 1 to this Application. A certified copy of the Company's Articles of Incorporation was filed with the Commission in Case No. 2005-00471 (*In the Matter of: Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control*

of Their Transmission System) and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

2. This Application relates to one or more Credit Facilities between KU and one or more banks or other financial institutions (each such financial institution hereinafter a "Bank") under which a Bank would make available to KU a revolving line of credit. The aggregate maximum amount of credit available under all Credit Facilities would not exceed \$35,000,000. Each individual draw of funds under a Credit Facility would be short-term debt, with a term not to exceed 364 days. However, a Credit Facility itself would be for a term not to exceed five (5) years. The Company believes that market conditions are currently very favorable for entrance into multi-year Credit Facilities, hence it is advantageous for the Company to enter into the proposed long-term credit arrangement(s), even though the individual debt under such arrangement(s) will be short-term. In addition, a multi-year Credit Facility would avoid the time and costs of negotiation and renewal on an annual basis during the term of the credit commitment.<sup>1</sup>

3. A Credit Facility would be on the most favorable terms that can be negotiated by KU. The Company would negotiate terms for fees, such as commitment fees, as well as interest rates for funds borrowed under the Credit Facility. Negotiations concerning interest rates could include interest rate options which would set interest rates at some spread in relation to such indices as the Bank's prime rate, the Federal Funds Rate or the London Inter-Bank Offered Rate ("LIBOR"), as well as provisions for converting from one interest rate to another. Based upon market conditions today, the Company believes that current interest rates under a Credit Facility would not exceed 5.80%, or approximately 40 basis points above current LIBOR. However, interest rates would be expected to vary over the five-year term of the credit commitment.

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<sup>1</sup> KU would not be under any obligation to make draws under any Credit Facility, rather "credit commitment" refers to the Bank's obligation to make funds available to KU if KU so requests.

4. In addition to interest on funds that may actually be borrowed, the Company may be required to pay an initial fee to establish the Credit Facility, as well as an ongoing facility fee, to maintain the credit commitment. Based upon current conditions, KU does not believe the initial fee would exceed five basis points or .05% of the Bank's commitment, and the facility fee would not exceed seven basis points or .07% annually.

5. KU's variable rate external debt contains provisions whereby liquidity or credit support may be provided by instruments such as the Credit Facilities, thereby both enhancing the marketability of KU's external long-term debt and eliminating the need for bond insurance. In this role, the Credit Facilities would ensure that KU has readily available funds with which to make payments with respect to variable rate bonds that have been tendered for purchase and not remarketed. It is anticipated that the Credit Facilities would serve this function, and in such role, funds available under the Credit Facilities would not necessarily be drawn.

6. In addition, it is possible that loan proceeds under the Credit Facilities could be used to provide short-term financing for the Company's general financing needs--for example, general costs of operation or costs of the Company's various construction programs such as for pollution control facilities<sup>2</sup> or costs associated with construction of the Company's Ghent Unit Two<sup>3</sup>, until permanent or long-term financing can be arranged. However, borrowing under the Credit Facilities would be used to meet short-term financing needs as they arise and KU does not assign specific financing to any particular capital project or use, and does not project finance

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<sup>2</sup> See e.g., Case No. 2004-00426 (*In the Matter of the Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge*), Order of June 20, 2005, modified by Order dated December 22, 2006, in Case No. 2006-00493 (*In the Matter of: Application of Kentucky Utilities Company to Modify Certain Certificates of Public Convenience and Necessity to Construct Duct Work for Two Flue Gas Desulfurization Units at the Ghent Power Station*).

<sup>3</sup> See, e.g., Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*), Orders dated November 1, 2005 and November 9, 2005.

projects. Thus, these uses are general reasons that KU might have need for additional short-term financing, rather than projects to which such financing would be assigned.

7. No contracts have been made with respect to any of the Credit Facilities which KU proposes to enter into. However, because of currently favorable market conditions, KU may enter into one or more short-term Credit Facilities, for terms less than one (1) year, not requiring Commission approval. Such short-term Credit Facilities could contain provisions giving KU the option to extend the term of the short-term Credit Facilities to a multi-year term, in the event that KU received all regulatory approvals necessary to enter into the extension. Any extension could be exercised only after all regulatory approvals, including the approval of this Commission, were received, and if approvals were not received, the extension option would be of no effect and void.

8. KU will, within thirty (30) days of its entrance into any multi-year Credit Facility, file with the Commission a statement setting forth the date or dates of implementation of the Credit Facility, or of exercise of any extension option as discussed in Section 7, as well as all fees and expenses.

9. Exhibit 2 to this Application contains the Financial Exhibit required by 807 KAR 5:001, Section 11(2)(a) as described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

10. Exhibit 3 to this Application is a certified copy of KU's Board of Directors' resolution authorizing the proposed Credit Facilities.

11. Other requirements of the Commission's regulations regarding this Application, 807 KAR 5:001, Section 11, including (1)(b) regarding the amount and kind of the proposed debt, etc. and (1)(c) regarding the use to be made of the proceeds, have been supplied in the discussion above in sections 2 through 6 of this Application.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission enter its Order, authorizing KU to issue securities and to enter into, execute, deliver and perform the obligations of KU under the Credit Facilities.

Respectfully submitted,



Kendrick R. Riggs  
John Wade Hendricks  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202  
(502) 333-6000

John P. Fendig  
Allyson Sturgeon  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202

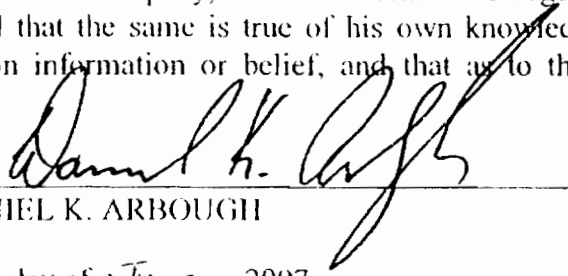
Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

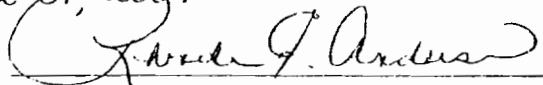
Daniel K. Arbough being first duly sworn, deposes and says that he is Director, Corporate Finance and Treasurer for Kentucky Utilities Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.



DANIEL K. ARBOUGH

Subscribed and sworn before me this 12<sup>th</sup> day of JUNE, 2007.

My Commission Expires: August 31, 2007



NOTARY PUBLIC, STATE AT LARGE

1

## KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO APPLICANT

March 31, 2007

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,934 Mw; a hydroelectric generating station having an estimated total effective capability of about 24 Mw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499 Mw.

The applicant's owned electric transmission system included 110 substations with a total capacity of approximately 16,978 Mva and approximately 4,031 miles of lines. The electric distribution system includes 480 substations with a total capacity of approximately 6,180 Mva, 13,805 miles of overhead lines, and 1,881 miles of underground conduit.

Other properties include office buildings, service centers, warehouses, garages and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at March 31, 2007, was:

	Utility Plant
Original Cost	
Intangible Plant	\$ 26,580,761
Production Plant	2,025,841,914
Transmission Plant	506,877,141
Distribution Plant	1,014,026,542
General Plant	83,161,550
Transportation Plant	23,860,353
Construction Work in Progress	646,978,981
Total Plant at Original Cost	\$ 4,327,327,242
Less Reserve for Depreciation	1,870,737,320
Net Original Cost	\$ 2,456,589,922



2

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

March 31, 2007

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

None

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

None

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

## Unsecured

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended March 31, 2007
			Authorized	Outstanding at March 31, 2007	
05/15/92	05/15/07	7.92%	53,000,000	-	4,722,300
Pollution Control Bonds					
11/01/94	11/01/24	Variable	-	-	2,491,723
05/01/00	05/01/23	Variable	12,900,000	12,900,000	357,998
02/01/02	02/01/32	Variable	20,930,000	20,930,000	765,447
02/01/02	02/01/32	Variable	2,400,000	2,400,000	87,772
02/01/02	02/01/32	Variable	7,200,000	2,400,000	87,772
02/01/02	02/01/32	Variable	7,400,000	7,400,000	270,631
07/01/02	10/01/32	Variable	96,000,000	96,000,000	3,538,120
10/01/04	10/01/34	Variable	50,000,000	50,000,000	1,806,889
07/07/05	06/01/35	Variable	13,266,950	13,266,950	477,168
11/17/05	06/01/35	Variable	13,266,950	13,266,950	477,996
07/20/06	06/01/36	Variable	16,693,620	16,693,620	432,270
12/07/06	06/01/36	Variable	16,693,620	16,693,620	195,592
02/23/07	10/01/34	Variable	54,000,000	54,000,000	197,880
				305,951,140	15,909,559
Interest rate swap					(266,637)
Long term debt mark to market				-	(909,031)
Total				<u>\$ 305,951,140</u>	<u>\$ 14,733,890</u>

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest during the last 12-month period.

<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Interest Expense Year Ended March 31, 2007</u>
Fidelia Corp.	04/30/03	100,000,000	4.55%	04/30/13	4,550,000
Fidelia Corp.	08/15/03	75,000,000	5.31%	08/15/13	3,982,500
Fidelia Corp.	11/24/03	33,000,000	4.24%	11/24/10	1,399,200
Fidelia Corp.	01/15/04	50,000,000	4.39%	01/16/12	2,195,000
Fidelia Corp.	07/08/05	50,000,000	4.735%	07/08/15	2,367,500
Fidelia Corp.	12/19/05	75,000,000	5.36%	12/21/15	4,020,000
Fidelia Corp.	06/23/06	50,000,000	6.33%	06/23/36	2,444,083
Fidelia Corp.	10/25/06	50,000,000	5.675%	10/25/16	1,229,583
Fidelia Corp.	02/07/07	53,000,000	5.690%	02/07/22	452,355
Fidelia Corp.	03/30/07	75,000,000	5.860%	03/30/37	12,208

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

2002	-
2003	-
2004	63,000,000
2005	50,000,000
2006	-

- (1) As of May 1998, the 37,817,878 shares are all owned by E.ON U.S. LLC and all dividends declared by KU's Board of Directors are paid to E.ON U.S. LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in fiscal years 2000 - 2004, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4.75 per share, or \$950,000. This series of preferred stock was redeemed on October 24, 2005.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in fiscal years 2000 - 2004, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000. This series of preferred stock was redeemed on October 24, 2005.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Our most recent mailing covered financial statements for periods through March 31, 2007. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending March 31, 2007.

KENTUCKY UTILITIES COMPANY

In February 2007, KU completed a series of financial transactions impacting its periodic reporting requirements. The \$54 million Pollution Control Series 10 bond was refinanced and replaced with a new unsecured tax-exempt bond of the same amount maturing in 2034. The \$53 million Series P bond was defeased and replaced with an intercompany loan totaling \$53 million from Fidelia. The Company terminated the related interest swap and agreed with Fidelia to eliminate the second lien on its two secured loans. Pursuant to the terms of the remaining tax-exempt bonds, the first mortgage bonds were cancelled and the underlying lien on KU's assets was released following completion of these steps. KU no longer has any secured debt and, having deregistered applicable securities with the SEC effective March 1, 2007, is no longer subject to periodic reporting under the Securities Exchange Act of 1934. The Annual Report, the FERC Form 1, and subsequent monthly reports of KU have been previously filed with the Commission.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending March 31, 2007.

KENTUCKY UTILITIES COMPANY  
BALANCE SHEET AS OF MARCH 31, 2007

ASSETS AND OTHER DEBITS		THIS YEAR	LIABILITIES AND OTHER CREDITS		THIS YEAR
Utility Plant			Capitalization		
Utility Plant at Original Cost	4,327,327,241.76		Common Stock	305,139,977.56	
Less Reserves for Depreciation & Amortization	1,870,737,319.65		Common Stock Expense	(321,235.57)	
Total	2,456,589,922.05		Paid-In Capital	15,000,000.00	
			Other Comprehensive Income		
Investments - At Cost			Retained Earnings	896,340,154.95	
Ohio Valley Electric Corporation	250,000.00		Unappropriated Undistributed Subsidiary Earnings	17,206,355.00	
Nonutility Property-Less Reserve	969,060.01		Total Common Equity	1,236,365,201.64	
Investments in Subsidiary Companies	18,502,158.00		Preferred Stock		
Special Funds	8,343,641.33		First Mortgage Bonds	305,951,140.00	
Other	426,140.00		Other Long-Term Debt		
Total	28,493,969.34		LT Notes Payable to Associated Companies	611,000,000.00	
			Long-Term Debt Marked to Market		
Current and Accrued Assets			Total Long-Term Debt	916,951,140.00	
Cash	5,850,653.65		Total Capitalization	2,153,316,341.64	
Special Deposits	21,102,462.74		Current and Accrued Liabilities		
Temporary Cash Investments	3,549.39		Advances from Associated Companies		
Accounts Receivable-Less Reserve	121,161,950.09		ST Notes Payable to Associated Companies	32,043,054.00	
Notes Receivable from Assoc. Companies			Notes Payable		
Accounts Receivable from Assoc. Companies	17,092,375.60		Notes Payable to Associated Companies	117,526,072.59	
Materials & Supplies-At Average Cost			Accounts Payable	83,416,005.35	
Fuel	54,727,427.91		Accounts Payable to Associated Companies	18,942,873.07	
Plant Materials & Operating Supplies	25,917,434.31		Customer Deposits	15,733,290.62	
Stores Expense	6,159,824.28		Taxes Accrued	9,244,175.38	
Allowance Inventory	1,230,596.13		Interest Accrued		
Prepayments	4,298,175.50		Dividends Declared		
Miscellaneous Current & Accrued Assets	1,419,930.89		Misc. Current & Accrued Liabilities	12,981,964.41	
Total	260,964,380.52		Total	289,887,435.33	
Deferred Debits and Other			Deferred Credits and Other		
Unamortized Debt Expense	6,464,290.05		Accumulated Deferred Income Taxes	328,775,200.23	
Unamortized Loss on Bonds	10,528,779.85		Investment Tax Credit	22,750,947.32	
Accumulated Deferred Income Taxes	45,723,507.74		Regulatory Liabilities	36,305,679.94	
Deferred Regulatory Assets	115,514,654.95		Customer Advances for Construction	1,981,564.45	
Other Deferred Debits	68,437,154.66		Asset Retirement Obligations	28,946,767.72	
Total	246,668,387.25		Other Deferred Credits	8,622,032.30	
			Misc. Long-Term Liabilities	46,913,039.58	
Total Assets and Other Debits	2,902,713,689.19		Accum. Provision for Post-Retirement Benefits	75,214,677.65	
			Total	549,509,909.22	
			Total Liabilities and Other Credits	2,502,713,459.19	

KENTUCKY UTILITIES COMPANY  
STATE OF INCOME  
MARCH 31, 2007

EXHIBIT 2  
Page 7 of 8

YEAR-ENDED CURRENT MONTH

	THIS YEAR AMOUNT
Electric Operating Revenues .....	1,230,383,134.28
Total Operating Revenues .....	1,230,383,134.28
Operating Expenses	
Fuel .....	437,166,514.59
Power Purchased .....	181,092,526.91
Other Operation Expenses .....	152,442,629.67
Maintenance .....	73,693,258.38
Depreciation .....	110,117,559.75
Amortization Expense .....	5,279,406.98
Regulatory Credits .....	(2,017,641.25)
Taxes	
Federal Income .....	48,174,271.44
State Income .....	12,422,990.88
Deferred Federal Income - Net .....	(4,461,586.84)
Deferred State Income - Net .....	274,520.86
Federal Income - Estimated .....	-
State Income - Estimated .....	-
Property and Other .....	18,485,302.19
Investment Tax Credit .....	21,875,000.00
Loss (Gain) from Disposition of Allowances .....	(706,910.17)
Accretion Expense .....	1,776,272.82
Total Operating Expenses .....	1,055,614,116.21
Net Operating Income .....	174,769,018.07
Other Income Less Deductions	
Other Income Less Deductions .....	25,693,569.94
AFUDC - Equity .....	887,952.40
Total Other Income Less Deductions .....	26,581,522.34
Income Before Interest Charges .....	201,350,540.41
Interest on Long Term Debt .....	37,506,637.97
Amortization of Debt Expense - Net .....	971,463.20
Other Interest Expenses .....	4,046,192.36
AFUDC - Borrowed Funds .....	(394,144.12)
Total Interest Charges .....	42,130,149.41
Net Inc Before Cumulative Effect of Acctg Chg .....	159,220,391.00
Cumulative Effect of Accounting Chg Net of Tax .....	-
Net Income .....	159,220,391.00
Preferred Dividend Requirements .....	-



KENTUCKY UTILITIES COMPANY  
ANALYSIS OF RETAINED EARNINGS  
MARCH 31, 2007

	Year Ended Current Month
	Total
Retained Earnings and Undistributed Earnings	Retained Earnings
Balance Beginning of Period.....	738,662,812.15
Net Income To Date.....	159,220,391.00
FIN 48 Adjustment.....	347,473.00
Adjust for Equity in Subsidiary Earnings for Year	
-EE Inc.....	(27,865,521.20)
Dividends Rec'd Current Year	
-EE Inc.....	25,975,000.00
Preferred Stock Dividends.....	-
Common Stock Dividends.....	-
Preferred Stock Redemption Exp. ....	-
Balance End of Period.....	896,340,154.95

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**OFFICER'S CERTIFICATE**

I, S. Bradford Rives, do hereby certify that I am a duly qualified and acting Chief Financial Officer of Kentucky Utilities Company (the "Company"), a Kentucky and Virginia corporation, and that as such officer, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolutions are a true and correct copy of the resolutions of the Company approved by unanimous written consent in lieu of a meeting on June 7, 2007 and that the same have not been altered, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 12 day of June 2007.



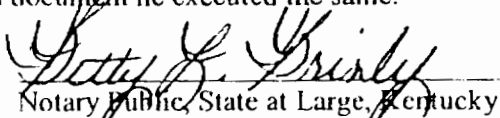
S. Bradford Rives  
Chief Financial Officer

COMMONWEALTH OF KENTUCKY )

SS:

COUNTY OF JEFFERSON )

On this 12 day of June, 2007, before me, Patty E. Grisly, a duly appointed Notary Public in and for the Commonwealth of Kentucky, appeared S. Bradford Rives, to me known and known to me to be the Chief Financial Officer of Kentucky Utilities Company, and the person who executed the foregoing instrument personally acknowledged to me that in this capacity and with authority to issue this document he executed the same.



Notary Public, State at Large, Kentucky

MY COMMISSION expires:

June 21, 2010

**ACTION OF THE BOARD OF DIRECTORS  
OF  
KENTUCKY UTILITIES COMPANY  
TAKEN BY WRITTEN CONSENT**

**June 7, 2007**

**REVISED BILATERAL LINES OF CREDIT STRUCTURE**

**WHEREAS**, the Company desires to establish or enter into a bilateral revolving line of credit facility with an external financial institution to be used for general corporate purposes; and

**WHEREAS**, discussions with financial markets representatives and financial institutions indicate that a modified structure is appropriate for the facilities including (i) reducing existing facilities at Louisville Gas and Electric Company, an affiliate ("LG&E"), to a total authorized amount of \$125 million, (ii) establishing a facility in a total authorized amount of \$35 million at the Company, and (iii) structuring the facilities for an approximate 5 year term, with individual borrowings having maturities of less than 1 year (collectively, the "Modified Bilateral Lines of Credit"); and

**WHEREAS**, the Company desires to implement the Modified Bilateral Lines of Credit, during June 2007, which will become effective on or about the expiration of the current facilities; and

**WHEREAS**, it is deemed advisable and in the best interest of the Company to grant approval authority regarding the Modified Bilateral Lines of Credit.

**NOW, THEREFORE, BE IT RESOLVED**, that the Company is hereby authorized to establish appropriate Modified Bilateral Lines of Credit facility, in an amount not to exceed \$35 million; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions to enter into the Modified Bilateral Lines of Credit and execute and deliver loan agreements, credit agreements, notes, guarantees and such other agreements and documents, as the Chief Executive Officer, President, Chief Financial Officer, any Vice President, Treasurer and Controller of the Company, shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

**FURTHER RESOLVED**, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed to prepare, execute and deliver such applications, filings, or notices to governmental, commercial or financial entities as they may deem necessary or advisable in connection with the

Modified Bilateral Lines of Credit, including but not limited to, submissions to federal and state regulatory agencies; and

**FURTHER RESOLVED**, that all actions heretofore or hereafter taken by any officer of the Company in connection with the transactions contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.