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November 7, 2007

VIA HAND DELIVERY

Eddie Roberson, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

filed electronically in docket office on 11/07/07

Re: In the Matter of the Petition of Kentucky Utilities
Company for an Order Authorizing the Issuance of Securities
and the Assumption of Obligations
Docket No: 07-00244

Dear Chairman Roberson,

Enclosed you will find an Order from the Kentucky Public Service Commission and an Order from the State Corporation Commission of the Commonwealth of Virginia approving the issuance of the securities that are subject to the above referenced docket. We respectfully request that this matter be placed on the next Authority Conference agenda which I understand to be December 3, 2007.

Please contact me if the Staff has any questions.

Sincerely,



D. Billye Sanders
Attorney for Kentucky Utilities
Company

Enclosures

November 7, 2007

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

cc:

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

November 5, 2007

RECEIVED CONTROL

2007 NOV -5 P 1:12

APPLICATION OF

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

CASE NO. PUE-2007-00098

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

ORDER GRANTING AUTHORITY

On October 19, 2007, Kentucky Utilities Company, d/b/a/ Old Dominion Power Company ("Applicant" or the "Company"), filed an application with the State Corporation Commission ("Commission") requesting authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia ("Code") and to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code. Applicant paid the requisite fee of \$250.

Applicant requests authority to issue up to \$100,000,000 of long-term debt ("Proposed Debt") through the first quarter of 2008 to Fidelia Corporation ("Fidelia"). The proposed transaction constitutes an affiliate transaction under Chapter 4 of Title 56 of the Code since Fidelia is an indirect, wholly-owned, finance company subsidiary of E.ON AG ("E.ON"), the parent holding company of Applicant. The rate of interest on the Proposed Debt will depend on market conditions at the time of issuance and the term of maturity. The interest rate may be fixed or variable; however the term of maturity will not exceed thirty years. Applicant further states that the interest rate on all borrowings will be at the lowest of: i) the effective cost of capital for E.ON; ii) the effective cost of capital for Fidelia Corporation ("Fidelia"); or iii) the Company's effective cost of capital as determined by reference to the Company's cost of a direct borrowing from an independent third party for a comparable term loan (the "Best Rate Method").

The Proposed Debt will be in the form of unsecured notes to Fidelia, subject to the terms of the loan agreement as set forth in Exhibit 1 attached to the Application. Applicant further requests authority to enter into one or more interest rate hedging agreements that may be in the form of a T-bill lock, swap, or similar agreement ("Hedging Facility") designed to lock in the underlying interest rate on Proposed Debt in advance of closing on the loan.

The Company states that proceeds from the Proposed Debt will be used ongoing upgrades and expansions related, but not limited to, pollution control facilities. Applicant further states that the authority requested is similar to prior authority requested and authorized in Case Nos. PUE-2007-00021, PUE-2006-00066, and PUE-2006-00107.

THE COMMISSION, upon consideration of the application and having been advised by Staff, is of the opinion and finds that approval of the application will not be detrimental to the public interest. Accordingly,

IT IS ORDERED THAT:

1) Applicant is hereby authorized to issue and deliver the Proposed Debt in the form of unsecured notes in an aggregate principal amount not to exceed \$100,000,000 in the manner and for the purposes as set forth in its application, through the period ending March 31, 2008.

2) Applicant is authorized to execute and deliver and perform the obligations of the Company under *inter alia*, the loan agreement with Fidelia, the Proposed Debt authorized in Ordering Paragraph (1), and such other agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements.

3) Applicant shall submit a Preliminary Report of Action within ten (10) days after the issuance of any securities pursuant to Ordering Paragraph (1), to include the type of security, the issuance date, amount of the issue, the interest rate, the maturity date, and a brief explanation of reasons for the term of maturity chosen.

4) Applicant shall file a final Report of Action on or before May 30, 2008, with respect to all Proposed Debt issued during the period of authority to include:

- (a) The issuance date, type of security, amount issued, interest rate, date of maturity, issuance expenses realized to date, net proceeds to Applicant, and an updated cost/benefit analysis that reflects the impact of any Hedging Facility for any Proposed Debt issued to refund other outstanding debt prior to maturity, if an update is applicable;
 - (b) A summary of the specific terms and conditions of each Hedging Facility and an explanation of how it functions to lock in the interest rate on an associated issuance of Proposed Debt;
 - (c) The cumulative principal amount of Proposed Debt issued under the authority granted herein and the amount remaining to be issued;
 - (d) A balance sheet that reflects the capital structure following the issuance of the Proposed Debt; and
 - (e) A detailed account of all the actual expenses and fees paid to date for the Proposed Debt with an explanation of any variances from the estimated expenses contained in the Financing Summary attached to the application.
- 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, Stolle Kenon 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.

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. 2007-00437
SECURITIES AND THE ASSUMPTION)	
OF OBLIGATIONS)	

O R D E R

On October 4, 2007, Kentucky Utilities Company ("KU") filed an application for authority to obtain up to \$100 million in long-term debt financing at various times during the remainder of 2007 and through March 2008 from an affiliate within the E.ON registered holding company system. KU plans to use the funds to finance construction of the pollution control projects approved in Case No. 2004-00426¹ and the transmission line construction approved in Case No. 2005-00467.²

KU plans to borrow the money from Fidelia Corporation ("Fidelia"), a finance company subsidiary of E.ON U.S. Holding GmbH, at various times during the remainder of 2007 through March 2008. KU states that it anticipates issuing unsecured notes to Fidelia with final maturities not to exceed 30 years. KU states that it will not borrow from Fidelia unless the interest rate on the loan will be equal to or lower than the cost of

¹ Case No. 2004-00426, 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 dated June 20, 2005.

² Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Construction of Alternative Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky, Order dated May 26, 2006.

borrowing that KU could obtain in the capital markets on its own. All borrowings will be at the lower of (1) E.ON's effective cost of capital or (2) KU's effective cost of capital as determined by the effective cost of KU borrowing directly from an independent third party. The actual interest rate will be the lower of (a) the average of three quotes obtained by Fidelia from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan or (b) the lowest of three quotes obtained by KU from international investment banks for a first mortgage bond issued by KU for the applicable term of the loan. KU refers to this as the Best Rate Method, which KU states will assure that it will not pay more for a loan from an affiliate than it would pay in the capital markets for a similar loan. In connection with this debt, KU may enter into one or more interest rate hedging agreements either with an E.ON affiliate or with a bank or financial institution. KU's issuance expenses will not exceed \$50,000.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance of securities and the assumption of obligations in connection therewith as set out in KU's application should be approved. The Commission also finds 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 obtain long-term debt in an aggregate amount not to exceed \$100 million, as set forth in its application.
2. KU shall obtain an interest rate that is the lower of the average of the interest rates available to Fidelia or the lowest rate available to KU.
3. KU is authorized to execute, deliver and perform its obligations under the agreements and documents as set out in the application, including but not limited to the inter-company loan agreement with Fidelia and the notes to Fidelia, and to perform the transactions contemplated by such agreements.
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.
5. KU shall agree only to such terms and prices that are consistent with this Order.
6. KU shall, within 30 days from the date of issuance, file with this Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. KU shall also file documentation showing the quotes that it relied upon to determine the lowest interest rate.

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

Done at Frankfort, Kentucky, this 1st day of November, 2007.

By the Commission

Commissioner Clark Abstains

ATTEST:


Executive Director

Case No. 2007-00437