

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 10, 2008

IN RE:

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

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)
) **DOCKET NO.**
) **07-00244**
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)

ORDER APPROVING FINANCING TRANSACTION

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 the regularly scheduled Authority Conference held on December 3, 2007 for consideration of the *Petition* of Kentucky Utilities Company ("KU") for an order, pursuant to Tenn. Code. Ann. §65-4-109, authorizing the issuance of securities and the assumption of obligations.

THE PETITION

KU is an electric utility primarily serving customers in Kentucky and Virginia with only five customers in the State of Tennessee. In its *Petition*, filed with the TRA on October 25, 2007, KU requests authority to obtain long-term debt financing from Fidelia Corporation ("Fidelia") not to exceed \$100,000,000 at various times during the remainder of 2007 and through March of 2008. KU anticipates issuing unsecured notes to Fidelia with final maturity not to exceed thirty years. Fidelia is an indirect finance subsidiary of E.ON A.G. ("E.ON"), KU's ultimate parent company. KU only anticipates borrowing from Fidelia if the interest rate

on the loan would result in an equal or lower cost of borrowing than the Company would obtain in a loan from E.ON or in the capital markets on its own. KU has determined that it is cost effective to borrow money from Fidelia through this intercompany loan facility.

The Kentucky Public Service Commission approved this financing transaction by an order dated November 1, 2007, in Case No. 2007-00437. The financing transaction was also approved by the State Corporation Commission of the Commonwealth of Virginia by an order dated November 5, 2007, in Case No. PUE 2007-00098.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 provides:

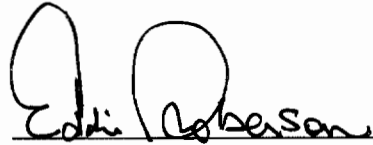
No public utility shall issue any stocks, stock certificates, bonds debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after 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 December 3, 2007, the panel 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;
2. the proposed financing transactions are being made in accordance with the laws enforceable by the Authority; and
3. the purposes of the above-described transactions are in the public interest.

IT IS THEREFORE ORDERED THAT:

1. Kentucky Utilities Company is authorized to issue and deliver its unsecured notes in an aggregate principal amount not to exceed \$100,000,000 in the manner set forth in its *Petition*.
2. Kentucky Utilities Company is authorized to execute, deliver and perform the obligations of KU under, *inter alia* the loan agreement with Fidelia Corporation, the notes, and such other agreements and documents as set out in its *Petition*, and to perform the transactions contemplated by such agreements.
3. Kentucky Utilities Company shall file with the Authority any additional information regarding the issuance of the securities that is required by the Kentucky Public Service Commission and/or the State Corporation Commission of the Commonwealth of Virginia.
4. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of Kentucky Utilities Company securities. Nothing herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.


Eddie Roberson, Chairman


Sara Kyle, Director


Ron Jones, Director