

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:	February 22, 2008)	
)	
PETITION OF KENTUCKY UTILITIES)	DOCKET NO.
COMPANY FOR AN ORDER AUTHORIZING)	08-00009
THE ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Director Tre Hargett, 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 February 11, 2008 for consideration of the *Petition* of Kentucky Utilities Company (“KU”) for an order, pursuant to Tenn. Code. Ann. § 65-4-109 (2004), 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 January 10, 2008, KU requests authority to obtain long-term debt financing from Fidelity Corporation (“Fidelity”) not to exceed \$275,000,000 at various times during the period ending December 31, 2008. KU anticipates issuing unsecured notes to Fidelity with final maturity not to exceed thirty years.

Fidelity is an indirect finance subsidiary of E.ON A.G. (“E.ON”), KU’s ultimate parent company. KU only anticipates borrowing from Fidelity 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 Fidelity through this intercompany loan facility. While KU does not assign specific financing to any particular project, some of the proceeds of the proposed financing would be used for capital expenditures and construction costs incurred during 2008 and for general corporate purposes.

The financing transactions described in the *Petition* were approved by the State Corporation Commission of the Commonwealth of Virginia by an order dated January 16, 2008, in Case No. PUE 2007-00118. The Kentucky Public Service Commission is still considering the requested financing.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 (2004) 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 February 11, 2008, 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 (2004);
2. the proposed financing transactions are being made in accordance with the laws enforceable by the Authority;
3. the transactions are in the public interest because they provide funds for capital projects; and
4. approval of the *Petition* is contingent upon approval by the Kentucky Public Service Commission, and KU shall be bound by the same filing requirements imposed by the Kentucky Public Service Commission and the Virginia State Corporation Commission.

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 \$275,000,000 in the manner set forth in its *Petition* and discussed herein, contingent upon approval by the Kentucky Public Service Commission and subject to the filing requirements approved by the Kentucky Public Service Commission and/or the State Corporation Commission of the Commonwealth of Virginia.

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.

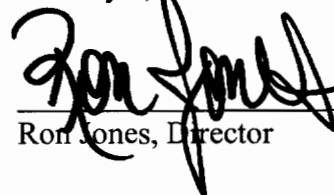
3. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of Kentucky Utilities Company securities. Nothing herein creates or is intended to 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.



Tre Hargett, Director



Sara Kyle, Director



Ron Jones, Director