Waller Lansden Dortch & Davis, LLP
Nashville City Center
511 Union Street, Suite 2700
Nashville, Tennessee 37219-8966
(615) 244-6380
Fax: (615) 244-6804
www.wallerlaw.com

1901 Sixth Avenue North, Suite 1400
Birmingham, Alabama 35203-2623
(205) 214-6380

520 South Grand Avenue, Suite 800
Los Angeles, California 90071
(213) 362-3680

D. Billye Sanders
(615) 850-8951
billye.sanders@wallerlaw.com

June 23, 2008

<u>**VIA HAND DELIVERY**</u>

filed electronically in docket office on 06/23/08

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

Re: In the Matter of the Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations
Docket No. 08-00070

Dear Chairman Roberson,

Enclosed are five copies of the Order of the Virginia State Corporation Commission approving the issuance of the securities that are the subject of the above referenced docket. A copy of this filing has been made electronically.

Please contact me if you have any questions.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities Company

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

2129734.1

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 19, 2008

2008 JUN 19 A 10: 46

APPLICATION OF

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

CASE NO. PUE-2008-00034

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

ORDER GRANTING AUTHORITY

On May 1, 2008, 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 under Chapter 3 of Title 56 of the Code of Virginia ("Code") to issue securities, assume obligations and enter into all necessary agreements to refinance certain tax-exempt pollution control bonds. Applicant paid the requisite fee of $250.

Applicant requests authority to refinance a total of up to eight (8) separate series of outstanding auction rate pollution control bonds (collectively, the "Outstanding Bonds") issued by Mercer County, Kentucky, and Carroll County, Kentucky (collectively, "Issuing Authorities"). The Outstanding Bonds were issued in auction rate mode, which was designed to provide a short-term interest rate on the debt securities that are re-auctioned and re-priced at short-term intervals. Bond insurance was acquired at the time of issuance to facilitate a liquid market of buyers for the periodic re-issuance and re-pricing of the Outstanding Bonds at the time of auction. However, the auction rate security market lost its liquidity after the sub-prime mortgage crisis impaired the credit quality of the underlying bond insurers and severely reduced the buyer interest in auction rate securities.

Applicant states this market development for auction rate securities warrants a restructuring of the Company's Outstanding Bonds. Authority was granted for the Outstanding Bonds to be convertible to a fixed or variable rate interest mode. The Company is evaluating and considering a variety of options in response to market developments. However, the Company believes that refinancing of the Outstanding Bonds with new Refunding Bonds ("Refunding Bonds") may be necessary if actions under its existing authority do not provide an effective and sufficient response to evolving and uncertain market conditions.

Applicant therefore requests authority to enter into one or more loan agreements ("Loan Agreement") with the Issuing Authorities to collateralize, secure payment and affect the issuance of one or more series of new Refunding Bonds, and to incur other ancillary obligations that may be necessary and desirable to enhance the liquidity and cost effectiveness of the Refunding Bonds. The Refunding Bonds would be issued by the same Issuing Authorities for the Outstanding Bonds, with proceeds loaned to the Company to redeem and discharge a corresponding amount of Outstanding Bonds within ninety (90) days of issuance of the Refunding Bonds. Under the terms of the Loan Agreement, Applicant will be required to make payments to Trustee(s) sufficient to pay the principal and interest on the Refunding Bonds. The Company may also be required to issue one or more guarantees in favor of the Trustee(s) to guarantee all or any part of the obligations under the Refunding Bonds for the benefit of the holders of such Refunding Bonds.

To obtain the most advantageous financing based on market conditions at the time of issuance, Applicant requests broad authority to negotiate terms and conditions of the Refunding Bonds to be assumed by the Company. Applicant states that the structure and documentation for the issuance of the Refunding Bonds will be similar to that in other recent pollution control financings approved by the Commission for the Company, except that First Mortgage Bonds will not be used to collateralize the Refunding Bonds. The Refunding Bonds will be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions. Applicant states that compensation for underwriters will not exceed three-quarters of one percent (.75%) of the principal amount of each series of Refunding Bonds to be sold. Excluding underwriting fees, Applicant estimates that other aggregate issuance costs for the Refunding Bonds will be approximately $2.3 million, if all eight series of Outstanding Bonds are refinanced individually. Applicant will make efforts, however, to consolidate transactions to minimize legal and other issuance costs.

The Refunding Bonds may be issued as fixed rate or variable rate debt. If a variable rate option is chosen, the Refunding Bonds would reserve the option to convert any variable rate at a later date to other interest rate modes, including a fixed rate. The Refunding Bonds under a variable rate mode may include a tender purchase provision that would require Applicant to enter into one or more remarketing agreements ("Remarketing Agreement") with one or more remarketing agents. To provide immediate funding to pay for bonds tendered for purchase under its Remarketing Agreement, Applicant may need to enter into one or more liquidity or credit facilities ("Credit Facility") with one or more banks or other financial institutions ("Bank").

In lieu of or in addition to the Credit Facility, Applicant may utilize one or more alternative credit facilities ("Alternative Facility") to provide additional or alternative means of credit support for variable rate Refunding Bonds. A Credit Facility or Alternative Facility may be in the form of a letter of credit, revolving credit agreement, bond purchase agreement, or other similar arrangement through one or more Banks. In connection with any Credit Facility or Alternative Facility, Applicant may also be required to enter one or more agreements ("Credit

Agreements") that would require the Company to execute and deliver to the Bank a note evidencing the Company's payment obligations.

Finally, Applicant requests authority to enter into one or more interest rate hedging agreements ("Hedging Facility"). The purpose of the Hedging Facility would be to protect against future interest rate movements when the Refunding Bonds are issued. The Hedging Facility may be in the form of an interest rate cap, collar or similar agreement.

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

IT IS ORDERED THAT:

1) Applicant is hereby authorized to execute, deliver and perform its obligations under, inter alia, the Loan Agreements with Mercer County and Carroll County, Kentucky and under any guarantees, remarketing agreements, hedging agreements, bond insurance agreements, credit agreements and such other agreements and documents as set forth in its application, including interest rate moderation provisions contained therein, but not limited to, borrowings or advances, and the related repayment or reimbursement obligations, under the Loan Agreements, Current Facilities, and Alternative Facilities in the manner and for the purposes as set forth in its application, through the period ending December 31, 2009.

2) Applicant shall submit a Preliminary Report of Action within ten (10) days after the issuance of any securities pursuant to Ordering Paragraph (1), to include the type of security, the issuance date, the amount issued, the interest rate, and the maturity date.

3) Within sixty (60) days after the end of each calendar quarter in which any of the Refunding Bonds are issued or supporting arrangements are entered into pursuant to Ordering

Paragraph (1), Applicant shall file with the Commission a detailed Report of Action with respect to all Refunding Bonds issued during the calendar quarter to include:

(a) The issuance date, type of security, amount issued, interest rate along with any spread, index, and repricing period for a variable rate, date of maturity, issuance expenses realized to date, net proceeds to Applicant;

(b) A summary of the specific terms and conditions of each supporting arrangement related to the Refunding Bonds such as any Credit Facility, Alternative Facility, and Hedging Agreement;

(c) A copy of each Loan Agreement pertaining to all Refunding Bond proceeds received to date, which may be omitted from subsequent reports after initial submission; and

(d) The cumulative principal amount of Refunding Bonds issued to date and the amount remaining to be issued.

4) Applicant shall file a final Report of Action on or before March 31, 2010, to include all information required in Ordering Paragraph (3) along with a balance sheet that reflects the capital structure following the obligations assumed for the Refunding Bonds issued. Applicant's final Report of Action shall further provide a detailed account of all the actual expenses and fees paid to date associated with the Refunding Bonds 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, 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..