

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**November 25, 2008**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF KENTUCKY UTILITIES</b>	)	<b>DOCKET NO.</b>
<b>COMPANY FOR AN ORDER AUTHORIZING</b>	)	<b>08-00193</b>
<b>THE ISSUANCE OF SECURITIES AND THE</b>	)	
<b>ASSUMPTION OF OBLIGATIONS</b>	)	

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**ORDER APPROVING FINANCING TRANSACTION**

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This matter came before Director Eddie Roberson, Director Sara Kyle and Director Mary W. Freeman of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on November 10, 2008 for consideration of the *Petition* of Kentucky Utilities Company ("KU" or the "Company") filed on October 10, 2008 for an order, pursuant to Tenn. Code. Ann. § 65-4-109 (2004), authorizing the issuance of securities, the assumption of obligations and entrance into all necessary agreements.

**THE PETITION**

KU is an electric utility serving approximately 507,000 customers in seventy-seven counties in Kentucky, 30,000 customers in five counties in Southwest Virginia and approximately five customers in the State of Tennessee.

E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of E.ON AG ("E.ON"). KU is a wholly-owned subsidiary of E.ON US. E.ON US Holding GmbH is also a subsidiary of E.ON. Fidelia Corporation ("Fidelia") is a finance company subsidiary of E.ON U.S. Holding GmbH. Fidelia lends money to companies in the E.ON Holding Company System which includes KU.

KU obtains financing through numerous sources of capital, including the form of debt that is the subject of this *Petition*. KU does not assign specific financing to any particular project or use and does not finance capital projects specifically. All components of KU's capital structure are used to fund capital expenditures. KU, therefore, anticipates that the proposed financing will be used to fund capital expenditures it will incur during the remainder of 2008 and 2009 in connection with its pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky, the Company's E.W. Brown Generating Station in Mercer County, Kentucky and its share of construction costs for Trimble County Unit 2 in Trimble County, Kentucky. The Authority has approved similar long term debt financing for KU in previous dockets.

KU requests approval to obtain long-term unsecured debt from Fidelia in an amount not to exceed \$275,000,000 during the period ending December 31, 2009. KU intends to issue unsecured notes to Fidelia with final maturity dates not to exceed thirty years. The interest rates will be set at the time of issuance of each note and depend on the maturity dates of the notes. A note will be executed by KU each time it obtains a loan from Fidelia, stating the interest rate, maturity date and payment terms. Issuance expenses for the intercompany loans will not exceed the sum of \$50,000. In connection with the issuance of the debt, KU may enter into one or more interest rate hedging agreements (T-bill lock, swap or similar agreements) either with an E.ON affiliate or with a bank or financial institution.

According to the *Petition*, KU has determined that it is cost effective to borrow money from Fidelia through this intercompany loan facility. KU states that the borrowing will occur only if the interest rate on the loan would result in an equal or lower cost of borrowing than the Company could obtain in a loan in the capital markets. KU refers to this as the Best Rate

Method, which it states will assure that it will not pay more for a loan from Fidelia or an affiliate, than it would pay for a similar loan in the capital markets.

### **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 November 10, 2008, the panel voted unanimously to approve the *Petition* after making the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The transaction is being made in accordance with the laws enforceable by the Authority.
3. The transaction is in the public interest because it provides funds for capital projects.


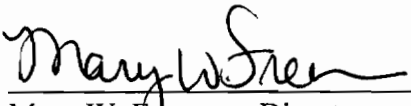
### **IT IS THEREFORE ORDERED THAT:**

1. The *Petition* of Kentucky Utilities Company for an order authorizing the issuance of securities and the assumption of obligations is approved pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. Kentucky Utilities Company is specifically 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*.

3. Kentucky Utilities Company is authorized to execute, deliver and perform its obligations under *inter alia* the loan agreement with Fidelity Corporation, the notes and such other agreements and documents as are set out in its *Petition* and to perform the transactions contemplated by such agreements.

4. Kentucky Utilities Company shall be bound by the same filing requirements imposed by the Kentucky Public Service Commission and the Virginia State Corporation Commission.

5. This authorization shall not be used for the purpose of inferring an analysis or assessment of the risks involved. This 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, Director  
Sara Kyle, Director  
Mary W. Freeman, Director