

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:	February 3, 2010)	
)	
PETITION OF KENTUCKY UTILITIES)	DOCKET NO.
COMPANY FOR AN ORDER AUTHORIZING)	09-00190
THE ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Director Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on January 11, 2010 for consideration of the *Petition* filed on December 1, 2009 by Kentucky Utilities Company ("KU" or "Company") for an order, pursuant to Tenn. Code Ann. § 65-4-109 (2004), authorizing the issuance of securities and the assumption of obligations and entrance into all necessary agreements. KU is an electric utility serving 512,000 customers in Kentucky, 30,000 customers in Southwest Virginia and approximately five customers in the State of Tennessee.

THE PETITION

E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of 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"), a finance company, is a subsidiary of E.ON U.S. Holding GmbH. Fidelia lends money to companies in the E.ON Holding Company System which includes KU. KU requests approval to obtain long-term unsecured debt from Fidelia in an amount not to exceed \$225,000,000 at various times during 2010. KU anticipates issuing unsecured notes to Fidelia with final maturity not to exceed thirty years. The interest rate will be set at the time of issuance of each note and depend on the maturity of the notes. A note will be executed by KU

each time a loan is made by Fidelia to KU stating the interest rate, maturity date and payment terms. Issuance expenses for the intercompany loans will not exceed, in total, 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 agreement) either with an E.ON affiliate or with a bank or financial institution. The Company notes 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 from E.ON or in the capital markets on its own.

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.

The panel voted unanimously to approve the *Petition* contingent upon approval by the Kentucky Public Service Commission after making the following findings:

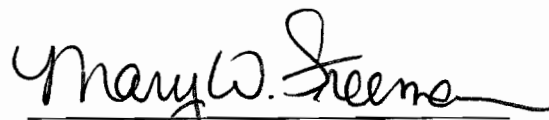
1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transaction is being made in accordance with the laws enforceable by the Authority.
3. Approval of the transaction is in the public interest because although KU does not assign specific financing to any specific project or use, the Company cites specific projects as general reasons why financing activity is necessary.
4. KU shall be bound by the same filing requirements imposed by the Kentucky Public Service Commission and the Virginia State Corporation Commission.

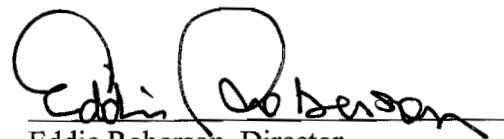
IT IS THEREFORE ORDERED THAT:

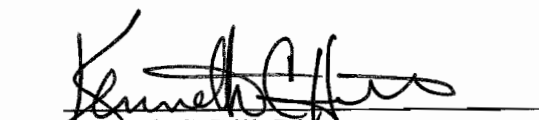
1. Kentucky Utilities Company is authorized to issue and deliver its unsecured notes in an aggregate principal amount not to exceed \$225,000,000 in the manner set forth in its *Petition* and discussed herein, contingent upon approval by the Kentucky Public Service Commission and subject to the filing 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 Fidelity 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 securities for Kentucky Utilities Company or any of its affiliates discussed herein. 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.


Mary W. Freeman, Director


Eddie Roberson, Director


Kenneth C. Hill, Director