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filed electronically in
docket office on 07/31/12

July 31, 2012

Mr. Jerry Kettles, Chief Economic Analysis & Policy Division
c/o Ms. Sharla Dillon, Docket Room Manager
460 James Robertson Parkway
Nashville, Tennessee 37219

RE: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Liabilities, Docket No. 12-00067; Second Response to Data Request

Dear Mr. Kettles,

This letter is the second response to your data request dated July 25, 2012 seeking the status and periodic updates on the similar filings of Kentucky Utilities Company ("KU") pending before the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission (VSCC").

Attached you will find the order of the VSCC (Case No. PUE-2012-00078), dated July 27, 2012, granting KU authority to issue securities and assume liabilities that are also the subject of the TRA docket.

KU is still awaiting action from the KPSC.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities Company

c: Kendrick R. Riggs, Esq., Stoll Keenon Ogden PLLC
John Wade Hendricks, Esq., Stoll Keenon Ogden PLLC
Barry L. Dunn, Esq., Stoll Keenon Ogden PLLC
Allyson K. Sturgeon, Senior Corporate Attorney, LG&E and KU Energy LLC

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, July 27, 2012

APPLICATION OF

KENTUCKY UTILITIES COMPANY
d/b/a OLD DOMINION POWER

CASE NO. PUE-2012-00078

For authority to issue securities and assume obligations under Chapter 3 of Title 56 of the Code of Virginia and to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code of Virginia

ORDER GRANTING AUTHORITY

On July 5, 2012, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or the "Company")[1] filed an application with the State Corporation Commission ("Commission") for authority under Chapter 3 of Title 56 of the Code of Virginia ("Code")[2] to issue up to $300 million of long-term debt in the form of First Mortgage Bonds ("FMB") from time to time through December 31, 2013; to increase the amount of its multi-year revolving line of credit ("Revolving Line of Credit") up to an additional $100 million; and to engage in one or more interest rate hedging agreements. KU/ODP also seeks authority under Chapter 4 of Title 56 of the Code[3] to engage in an affiliate transaction in connection with the proposed hedging agreements ("Application"). KU/ODP paid the requisite fee of $250.

The Company requests authority to issue up to $300 million of long-term debt in the form of FMB, which will be sold at various times through the remainder of 2012 and 2013, in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing

[1] KU/ODP is a wholly owned subsidiary of LG&E and KU Energy, LLC, which, in turn, is a wholly owned subsidiary of PPL Corporation ("PPL").

[2] Va. Code § 56-55 *et seq.*

[3] Va. Code § 56-76 *et seq.*

the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of FMB (including, in the event all or a portion of the FMB bear a variable rate of interest, the method for determining the interest rates) would be determined on the basis of negotiations among KU/ODP and the underwriters of other purchasers of such FMB. KU/ODP represents that it does not assign financing to any particular project or use and does not project-finance capital projects. The Company expects to incur approximately $1.45 billion in construction costs for environmental controls and projects at its existing generation stations and for the construction of a new jointly owned generating unit during 2012 and 2013.

In addition, the Company requests authority to increase the amount of its Revolving Line of Credit by up to an additional $100 million, in total up to $500 million.[4] Under KU/ODP's current Revolving Line of Credit agreement with its lenders, the Company has the opportunity to request that the maximum debt allowed under the credit facility be increased by $100 million. Although the lenders are not obligated to do so, KU/ODP represents that it is likely the lenders will agree to do so. In the event it is unable to increase its current Revolving Line of Credit, the Company requests the authority to enter into an additional revolving credit facility in the amount of $100 million for a term not to exceed five (5) years. KU/ODP anticipates that any new revolving credit facility would be on similar terms as its current Revolving Line of Credit. The Company represents that loan proceeds could be used to provide short-term financing for KU/ODP's general funding needs until permanent or long-term financing is arranged, or to provide new or expanded liquidity or credit support for KU/ODP's other debt.

[4] By Order Granting Authority dated October 19, 2010, in Case No. PUE-2010-00061, the Commission authorized KU/ODP to enter into one or more revolving credit facilities with one or more financial institutions in an amount not to exceed $400 million.

In connection with issuing the FMB, the Company seeks authority to enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar, or similar agreement (collectively, the "Hedging Facility") and authority to engage in an affiliate transaction in conjunction with the Hedging Facility. KU/ODP requests authority to enter into a Hedging Facility either through PPL, in which PPL would act as a pass-through entity, or directly with an outside bank or financial institution ("Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU/ODP to either manage the risk of interest rates rising before the dates of issuance of the FMB or to actively manage and limit its exposure to variable interest rates. The advantage of using PPL as a pass-through entity is that KU/ODP would not need to negotiate the terms of an agreement independently, and it would be able to take advantage of any master agreements for hedging arrangements that PPL has or may establish. KU/ODP represents that it would not be charged or assigned any costs or expenses by PPL in connection with the Hedging Facility other than those fees charged by the third-party Counterparty, and such Hedging Facility would be on at least as favorable terms as KU/ODP could obtain on its own.

NOW THE COMMISSION, upon consideration of the Application and having been advised by its 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) The Company is hereby authorized to issue long-term debt in the form of First Mortgage Bonds in an amount not to exceed $300 million, through December 31, 2013, under the terms and conditions and for the purposes set forth in the captioned Application.

(2) The Company is hereby authorized to amend its current multi-year revolving line of credit by increasing the amount of short-term debt by $100 million, for a total amount not to exceed $500 million or, in the alterative, to enter into one or more new revolving credit facilities with a term not to exceed five (5) years in an amount not to exceed $100 million.

(3) The Company is authorized to enter into interest rate hedging agreements as set forth in its Application, in an amount not to exceed the notional amount of the bonds issued or anticipated to be issued.

(4) The Company is authorized to engage in an affiliate transaction with PPL as set forth in its Application, provided that any hedging agreement secured through PPL is on at least as favorable terms as the Company can obtain on its own.

(5) The Company shall file a preliminary Report of Action within ten (10) days after the issuance of any long-term debt securities and/or any hedging agreement is entered into pursuant to this Order to include the type of security or hedging agreement, the issuance date, the amount of issuance, the interest rate or yield, the maturity date, and a brief explanation of reasons for the term of maturity chosen.

(6) Within sixty (60) days after any debt securities are issued, the Company shall file with the Commission a detailed Report of Action with respect to such securities to include:

(a) The issuance date, type of security, amount issued, interest rate, date of maturity, issuance expenses realized to date, net proceeds to KU/ODP, and an updated cost benefit analysis that reflects the impact of any Hedging Facility;

(b) A summary of the specific terms and conditions of each Hedging Facility and an explanation of how it functions to lock-in the interest rate on an associated issuance of secured debt; and

(c) The cumulative principal amount of secured debt issued under the authority granted herein and the amount remaining to be issued.

(7) On or before February, 28, 2014, the Company shall file a Final Report of Action to include all details required in Ordering Paragraph (6) concerning all financing activities, including the Hedging Facility, completed pursuant to this authority. The Company also shall submit a balance sheet that reflects the capital structure following the issuance of any long-term debt. The Final Report of Action shall further provide a term sheet for the revolving credit facilities authorized in Ordering Paragraph (2), whether the current Revolving Line of Credit is amended or an additional facility is entered into, and a detailed account of all upfront line of credit fees and a summary of the actual expended and ongoing line of credit fees associated with the Revolving Lines of Credit. Further, the Final Report of Action shall provide a detailed account of all the actual expenses and fees paid to date for all secured debt issued pursuant to the authority granted herein with an explanation of any variances from the estimated expenses contained in the Financing Summary attached to the Application. Finally, the Final Report of Action should quantify the benefit of using PPL as a pass-through entity in any hedging agreements that it serves such purpose.

(8) Approval of this Application shall have no implications for ratemaking purposes.

(9) The Commission reserves the right to examine the books and records of any affiliate, whether or not such affiliate is regulated by the Commission, in connection with the authority granted herein.

(10) This matter shall be continued, subject to the continued review, audit, and appropriate directive of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Lonnie E. Bellar, Vice President, State Regulation and Rates, LG&E and KU Energy, LLC, 220 West Main Street, Louisville, Kentucky 40202; Daniel K. Arbough, Director, Corporate Finance and Treasurer, LG&E and KU Energy, LLC, 220 West Main Street, Louisville, Kentucky 40202; Kendrick R. Riggs, Stoll Keenon Ogden PLLC, 2000 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202; Allyson K. Sturgeon, Senior Corporate Attorney, LG&E and KU Energy, LLC, 220 West Main Street, Louisville, Kentucky 40202; and a copy shall be delivered to the Commission's Office of General Counsel and to the Division of Utility Accounting and Finance.