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February 13, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2007-00548
Kentucky Utilities Company

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 13, 2008.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/tw
Enclosure



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	CASE NO.
SECURITIES AND THE ASSUMPTION)	2007-00548
OF OBLIGATIONS)	

O R D E R

On December 20, 2007, Kentucky Utilities Company ("KU") filed an application for authority to obtain long-term debt financing from an affiliate within the E.ON AG ("E.ON") registered holding company system. KU seeks authorization to issue and deliver unsecured notes in an aggregate principal amount not to exceed \$275,000,000. KU plans to use the funds in connection with capital expenditures associated with the construction of Trimble County Unit Two and in connection with KU's pollution control project at the Ghent and E.W. Brown generating stations.

KU plans to borrow the money from Fidelia Corporation ("Fidelia"), a finance company subsidiary of E.ON U.S. Holding GmbH, at various times prior to December 31, 2008. It anticipates issuing unsecured notes to Fidelia, with final maturity not to exceed 30 years. KU also states that it will not borrow from Fidelia unless the interest rate will be equal to or lower than the cost of borrowing from the capital markets. If the money is borrowed from Fidelia, the rate will be at the lowest of (1) E.ON's effective cost of capital; (2) Fidelia's effective cost of capital; or (3) KU's effective cost of capital measured in comparison to the effective cost of KU borrowing from an independent third party. The actual interest rate on any note issued will be the lower of (a) the average of

three quotes obtained by Fidelity from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan; and (b) the lowest of three quotes obtained by KU from international investment banks for a secured bond issued by KU for the applicable term of the loan. KU refers to this as the Best Rate Method and states that this method provides assurance that KU will not pay more for a loan from Fidelity than it would pay in the capital markets for a similar loan. KU also states that it intends to execute notes with each loan entered into with Fidelity stating the interest rate, maturity date and payment terms. Issuance expenses for the loans described herein will not exceed, in total, the sum of \$50,000. KU may choose a variable rate in conjunction with interest rate hedging agreements with an E.ON affiliate or with a bank or financial institution.

KU also seeks Commission approval to deviate from the filing requirements of 807 KAR 5:001, Section 11(d), which requires that a copy of KU's Engineering, Procurement and Construction Contract with Bechtel Power Corporation ("EPC Contract") for construction of Trimble County Unit Two and a copy of KU's construction contract with Fluor Enterprises, Inc. ("Construction Contract") for construction of KU's pollution control project be annexed to the instant application. The EPC Contract has been previously filed with the Commission in Case No. 2007-00024.¹ In that case, KU

¹ Case No. 2007-00024, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.

was granted confidential protection for portions of the EPC Contract. Subsequently, the EPC Contract was incorporated by reference only into the record of Case No. 2007-00115.²

The Construction Contract has been previously filed with the Commission in Case No. 2006-00187.³ In that case, KU was granted confidential protection for portions of the Construction Contract. Like the EPC Contract, KU was granted a deviation from Commission rules and the Construction Contract was incorporated by reference only into the record of Case No. 2007-00115.

807 KAR 5:001, Section 11(d) provides that a copy of KU's EPC Contract and Construction Contract must be annexed to KU's application in this proceeding. KU states that the EPC Contract and Construction Contract previously filed into the record in Case No. 2007-00024 and Case No. 2006-00187, respectively, have not been changed or modified. KU requests that it be granted a deviation from the requirement to file the EPC Contract and Construction Contract herein and that the Commission, pursuant to 807 KAR 5:001, Section 5(5), incorporate the redacted EPC Contract and Construction Contract into this proceeding by reference only. The Commission finds that the request is reasonable and should be granted. The Commission further finds that the proposed issuance of securities and the assumption of obligations in connection therewith as set out in KU's application should be approved and that the proposed financing is for lawful objects within the corporate purposes of KU's utility operations, is

² Case No. 2007-00115, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.

³ Case No. 2006-00187, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.

necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. KU's motion for deviation from the filing requirements of 807 KAR 5:001, Section 11(d) and for incorporation by reference is granted.

2. The redacted EPC Contract contained in the record of Case No. 2007-0024 and redacted Construction Contract contained in the record of Case No. 2006-00187 shall be made a part of the record in the instant proceeding by reference only, pursuant to 807 KAR 5:001, Section 5(5).

3. KU is authorized to obtain long-term debt in an aggregate amount not to exceed \$275 million, as set forth in its application.

4. KU shall obtain an interest rate that is the lower of the average of the interest rates available to Fidelia or the lowest rate available to KU.

5. KU is authorized to execute, deliver and perform its obligations under the agreements and documents as set out in the application, including but not limited to the inter-company loan agreement with Fidelia and the notes, and to perform the transactions contemplated by such agreements.

6. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

7. KU shall agree only to such terms and prices that are consistent with this Order.

8. KU shall, within 30 days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. KU shall also file documentation showing the quotes that it relied upon to determine the lowest interest rate.

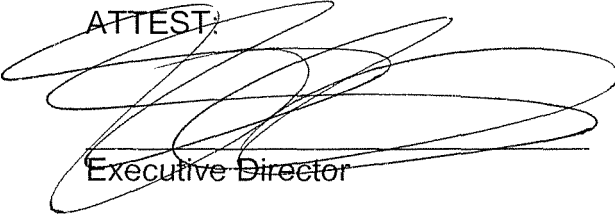
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 13th day of February, 2008.

By the Commission

Commissioner Clark Abstains

ATTEST:



Executive Director