



Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED

OCT 21 2010

PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Rick E. Lovekamp
Manager Regulatory Affairs
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October 21, 2010

Re: *The Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*
Case No. 2010-00204

Dear Mr. DeRouen:

Pursuant to the Commission's Order of September 30, 2010 in the above-referenced proceeding and in accordance with ordering paragraph No. 2, enclosed are copies of orders issued on October 19, 2010 from the Virginia State Corporation Commission as noted below.

Exhibit 1 – Case No. PUE-2010-00060
Final Order for approval of transfer of ownership and control

Exhibit 2 – Case No. PUE-2010-00061
Order granting authority under Chapter 3 of Title 56 of the Code of Virginia to restructure and refinance unsecured debt, to assume obligations, and for amendment of existing authority

Exhibit 3 – Case No. PUE-2010-00094
Order granting approval of affiliate transactions in connection with transfer of ownership and control and restructuring and refinancing of debt pursuant to Chapter 4 of Title 56 of Code of Virginia

Exhibit 4 – Case No. PUE-2009-00130
Order amending authority granted for authority to issue securities 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 Code of Virginia

Mr. Jeff DeRouen
October 21, 2010

Exhibit 5 – Case No. PUE-2008-00034
Order amending authority granted for authority to issue securities under
Chapter 3 of Title 56 of the Code of Virginia

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with a prominent loop at the end.

Rick E. Lovekamp

Exhibit 1

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, OCTOBER 19, 2010

RECORDS OFFICE

2010 OCT 19 P 2:06

JOINT PETITION OF

PPL CORPORATION, E.ON AG,
E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, AND KENTUCKY UTILITIES COMPANY
d/b/a OLD DOMINION POWER COMPANY

CASE NO. PUE-2010-00060

For approval of transfer of ownership and control

FINAL ORDER

On June 15, 2010, PPL Corporation ("PPL"), E.ON AG ("E.ON"), E.ON US Investments Corp. ("E.ON US Investments"), E.ON U.S. LLC ("E.ON U.S."), and Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP") (collectively, "Petitioners"), filed with the State Corporation Commission ("Commission") a joint petition, pursuant to the Utility Transfers Act, Chapter 5 of Title 56 of the Code of Virginia ("Code"), § 56-88 *et seq.* of the Code, for approval of the transfer of ownership and control of KU/ODP by E.ON US Investments to PPL ("Joint Petition"). The Petitioners stated that, in accordance with the terms of a purchase and sale agreement, PPL intends to acquire all of the issued and outstanding limited liability company interests of E.ON U.S. from E.ON's indirect wholly owned subsidiary, E.ON US Investments ("Proposed Transfer").

The Petitioners have requested that the Commission find that approval of the proposed acquisition of ownership and control of E.ON U.S. by PPL will not impair or jeopardize the provision of adequate service by KU/ODP to the public at just and reasonable rates. In conjunction with the request for the Commission to approve the proposed acquisition of ownership and control, the Petitioners have also requested that the Commission determine that PPL and any intermediate company between PPL and KU/ODP will not, by reason of ownership of all limited liability interests of E.ON U.S., which in turn owns all outstanding common shares

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of KU/ODP, be a public service company in Virginia as defined in § 56-1 of the Code. The Petitioners further have requested that the Commission declare that no further approval under Chapter 4 of Title 56 of the Code is necessary for the previously approved services agreement between and among KU/ODP, Louisville Gas and Electric Company, and LG&E Energy Services, Inc. ("Services Agreement").¹

On June 25, 2010, E.ON US Investments filed its Supplemental Verification with the Commission in response to Staff's Memorandum of Incompleteness issued on June 23, 2010. Commission Staff subsequently issued a Memorandum of Completeness deeming the Joint Petition complete as of June 25, 2010.

On July 9, 2010, the Commission entered an Order for Notice and Comment, which, *inter alia*, directed the publishing of notice to the public, afforded interested persons an opportunity to comment and request a hearing on the Joint Petition, and directed the Staff of the Commission ("Staff") to review the Joint Petition and file a report detailing the results of its investigation.

To date, no comments or requests for hearing have been received by the Commission. On September 24, 2010, the Staff Report was filed, which documented certain commitments ("Commitments") made by the Petitioners *in support of the Proposed Transfer*, which Staff believes are appropriate and will further ensure that adequate service to the public at just and reasonable rates will not be jeopardized by the Proposed Transfer. They are as follows:

1. KU/ODP's ability to provide adequate, efficient, and reasonable utility service will not be impaired by E.ON U.S.

¹ See *Joint Petition of Kentucky Utilities Co., Louisville Gas and Elec. Co., and LG&E Energy Services, For approval of a services agreement*, Case No. PUA-2000-00050, 2000 S.C.C. Ann. Rept. 210, Order Granting Approval (Aug. 10, 2000). Note that this case is also referred to as Case No. PUA000050.

2. KU/ODP is prohibited from guaranteeing the debt of E.ON U.S. and its affiliates without the prior approval of the Commission.
3. KU/ODP will not include in Virginia retail rates any costs attributable to LG&E's regulatory assets or potential strandable costs without prior Commission approval.
4. PPL will ensure that KU/ODP will: a) adequately fund and maintain KU/ODP's transmission and distribution systems, b) comply with all Commission regulations and statutes, and c) supply KU/ODP customers' service needs.
5. PPL and E.ON U.S. will support and assist KU/ODP's continued maintenance of a balanced capital structure and recognize the Commission's continued ratemaking authority over KU/ODP's capital structure, financing, and cost of capital.
6. KU/ODP's ratepayers, directly or indirectly, will not incur any additional costs, liabilities, or obligations in conjunction with the acquisition (except in connection with the repayment and refinancing of the closing indebtedness in accordance with its terms).
7. The Commission will have open access to the books and records of E.ON U.S. and KU/ODP and to appropriate personnel, including the books and records of affiliates and subsidiaries as they relate to transactions between KU/ODP and other affiliates. PPL and KU/ODP also commit to continue the same reporting process in place and to include such additional, special, or periodic reports, schedules, classifications, or other information that the Commission would reasonably require in accordance with Virginia regulatory law, to monitor significant transfers of utility assets, personnel changes, business ventures, other major transactions, and to regulate effectively the operations of KU/ODP.
8. KU/ODP will commit to continue to maintain a high level of cooperation with Staff and will take all actions necessary to ensure KU/ODP's timely response to informal data requests submitted by Staff with respect to KU/ODP's provisions of service in Virginia.
9. KU/ODP will not seek recovery of the acquisition premium paid by PPL for the E.ON U.S. stock and the costs associated with the consummation of the transaction through its Virginia jurisdictional retail rates. Further, PPL and E.ON U.S. commit that the premium paid by PPL for the E.ON U.S. stock, as well as any

other associated costs, will not be "pushed down" to KU/ODP for ratemaking purposes.

10. KU/ODP commits to provide Staff annually with information regarding the general corporate objectives of the consolidated operations of E.ON U.S. and their potential impact on KU/ODP.

11. KU/ODP will operate and maintain the distribution system in its Virginia service territory at or above current levels of service quality and reliability; will implement, on a timely basis, distribution system improvements that are required to maintain such system levels of service quality and reliability as well as to provide any individual customer or groups of customers with an acceptable level of service quality and reliability consistent with nationally recognized standards acceptable to the Commission.

12. KU/ODP will make all reasonable efforts to support any additional distribution reliability monitoring efforts undertaken by Staff.

13. KU/ODP will provide the Commission with notice thirty (30) days' prior to any FERC [Federal Energy Regulatory Commission] filing that proposes new allocation factors.

14. KU/ODP will abide by the conditions placed on the Services Agreement by the Commission in its August 10, 2000 Order in Case No. PUA000050 unless and until modified by the Commission.²

Furthermore, the Staff recommended approval of the proposed acquisition, subject to the above-mentioned Commitments to which the Petitioners have agreed. In addition to these Commitments, Staff also recommended that the Commission require that when any of the affiliates with which KU/ODP currently has an approved affiliate agreement undergoes a name change as a result of the proposed acquisition, KU/ODP should be required to obtain Commission approval of a new affiliate agreement within sixty (60) days of such name change taking effect. At that time, the Staff can review the appropriateness of the services being provided to KU/ODP as well as the associated allocation methods.

² Staff Report at 13-15.

Also, the Staff recommended that KU/ODP be required to file an application requesting approval under Chapter 4 of Title 56 of the Code, § 56-76 *et seq.* ("Affiliates Act"), in the event that E.ON U.S. Services, Inc., utilizes any other affiliates, including PPL Services Corporation, to provide services to KU/ODP. The Staff noted that even though the transaction is not dependent on any synergies and savings, the Staff still recommended that the Petitioners track costs and savings attributable to the proposed acquisition for KU/ODP and maintain such records to be available for Staff review as necessary.

The Staff recommended that the Commission require, for a period of two (2) years, that PPL report to the Commission any credit rating agency downgrade of the debt of PPL or any E.ON U.S.-based operating subsidiaries within thirty (30) days of such downgrade. The Staff recommended that PPL supply in its report to the Commission a copy of the publicly available rating agency report containing such downgrade.

Staff also recommended that a report of action be filed with the Commission within thirty (30) days of the acquisition taking place, subject to administrative extension by the Commission's Director of Public Utility Accounting. Such report should include the date the acquisition took place, the price paid by PPL, and any accounting entries on the books of KU/ODP as a result of the acquisition. With these requirements, the Staff recommended that the Commission approve the Proposed Transfer.

On September 29, 2010, the Petitioners filed their response to the Staff Report acknowledging their agreement with the fourteen Commitments contained in the Staff Report and offering comments on the five additional recommendations offered by Staff. Regarding Staff's recommendation that KU/ODP be required to obtain Commission approval of a new affiliate agreement within sixty (60) days when any of its affiliates with which it currently has an

approved affiliate agreement undergoes a name change, Petitioners requested that the Commission accept the Staff's recommendation "with the clarification that KU/ODP 'seek' rather than 'obtain' Commission approval."³ The Petitioners noted that KU/ODP currently operates under a Services Agreement approved by the Commission in its August 10, 2000 Order in Case No. PUE-2000-00050 and that the Joint Petition requested a finding that no further approval under Chapter 4 of Title 56 of the Code is necessary for that Services Agreement. The Petitioners further noted that they expect to announce the name change of E.ON US Services, Inc., and intend to file with the Commission the existing Services Agreement with the new name within sixty (60) days of the announcement or by November 29, 2010.

The Petitioners' response also addressed Staff's recommendation that "Petitioners track costs and savings attributable to the proposed acquisition for KU/ODP and maintain such records to be available for Staff review as necessary."⁴ The Petitioners suggested that this requirement is adequately addressed by the Commitments contained in the Staff Report.⁵ To the extent that this requirement is not satisfied by the Commitments, the Petitioners stated that they can accept this recommendation "with the understanding it is consistent with the documentation of expected cost

³ Petitioners' Response at 2.

⁴ Staff Report at 15.

⁵ Petitioners' Response at 3. Specifically, the Petitioners suggested that Commitment Nos. 6 and 9 satisfactorily address this recommendation made by the Staff. Commitment No. 6 provides that "KU/ODP's ratepayers, directly or indirectly, will not incur any additional costs, liabilities, or obligations in conjunction with the acquisition (except in connection with the repayment and refinancing of the closing indebtedness in accordance with its terms)." Commitment No. 9 provides that "KU/ODP will not seek recovery of the acquisition premium paid by PPL for the E.ON U.S. stock and the costs associated with the consummation of the transaction through its Virginia jurisdictional retail rates. Further, PPL and E.ON U.S. commit that the premium paid by PPL for the E.ON U.S. stock, as well as any other associated costs, will not be 'pushed down' to KU/ODP for ratemaking purposes." Staff Report at 14.

effectiveness of significant business decisions and maintaining those records for Staff review as necessary, which is the current business practice of KU/ODP."⁶

Finally, the Petitioners stated that the additional recommendations by Staff are acceptable to the Petitioners as contained in the Staff Report. Due to favorable conditions for the refinancing in the bond market, the Petitioners requested that the Commission issue its orders in this proceeding by October 15, 2010, to support and facilitate a closing of the acquisition by November 1, 2010.

NOW THE COMMISSION, upon consideration of the filings herein and of the applicable law, is of the opinion and finds that the Commitments of the Petitioners and the recommendations as set forth in the Staff Report, except as modified herein, should be adopted as *requirements for Commission approval of the Proposed Transfer*. The Commission further finds that, with these Commitments and recommendations in place, the Proposed Transfer will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved.

With regard to the Petitioners' request that the Commission declare that no further approval under Chapter 4 of Title 56 of the Code is necessary for the Services Agreement between and among KU/ODP, Louisville Gas and Electric Company, and LG&E Energy Services, Inc. which was previously approved by the Commission in Case No. PUA-2000-00050, the Commission finds that the request should be granted in part. Said Services Agreement need not be re-filed for approval at this time. However, we have herein adopted a requirement directing the filing of a new application for approval of an affiliate agreement when an affiliate in the agreement undergoes a name change. The Services Agreement approved in Case No.

⁶ Petitioners' Response at 4.

PUA-2000-00050 is subject to the same requirement. At that time we will exercise our continuing jurisdiction, as per § 56-80 of the Code, to review the Services Agreement to ensure that it continues to be in the public interest.

Finally, Petitioners requested that the Commission determine that PPL and any intermediate company between PPL and KU/ODP will not, by reason of ownership of all limited liability interests of E.ON U.S., which in turn owns all outstanding common shares of KU/ODP, be a public service company in Virginia as defined in § 56-1 of the Code. We find that such a determination is not necessary at this time nor required for reaching our decision on the Proposed Transfer under the relevant statutory standards.

Accordingly, IT IS ORDERED THAT:

- (1) The Proposed Transfer is hereby approved subject to the requirements set forth herein.
- (2) KU/ODP's ability to provide adequate, efficient, and reasonable utility service shall not be impaired by E.ON U.S.
- (3) KU/ODP shall be prohibited from guaranteeing the debt of E.ON U.S. and its affiliates without the prior approval of the Commission.
- (4) KU/ODP shall not include in Virginia retail rates any costs attributable to LG&E's regulatory assets or potential strandable costs without prior Commission approval.
- (5) PPL shall ensure that KU/ODP will: a) adequately fund and maintain KU/ODP's transmission and distribution systems, b) comply with all Commission regulations and statutes, and c) supply KU/ODP customers' service needs.

(6) PPL and E.ON U.S. shall support and assist KU/ODP's continued maintenance of a balanced capital structure and recognize the Commission's continued ratemaking authority over KU/ODP's capital structure, financing, and cost of capital.

(7) KU/ODP's ratepayers shall not, directly or indirectly, incur any additional costs, liabilities, or obligations in conjunction with the acquisition (except in connection with the repayment and refinancing of the closing indebtedness in accordance with its terms).

(8) The Commission shall have open access to the books and records of E.ON U.S. and KU/ODP and to appropriate personnel, including the books and records of affiliates and subsidiaries as they relate to transactions between KU/ODP and other affiliates. PPL and KU/ODP also shall continue the same reporting process in place and include such additional, special, or periodic reports, schedules, classifications, or other information that the Commission may reasonably require in accordance with Virginia regulatory law, to monitor significant transfers of utility assets, personnel changes, business ventures, and other major transactions, and to regulate effectively the operations of KU/ODP.

(9) KU/ODP shall continue to maintain a high level of cooperation with Staff and shall take all actions necessary to ensure KU/ODP's timely response to informal data requests submitted by Staff with respect to KU/ODP's provision of service in Virginia.

(10) KU/ODP shall not seek recovery of the acquisition premium paid by PPL for the E.ON U.S stock and the costs associated with the consummation of the transaction through its Virginia jurisdictional retail rates. The premium paid by PPL for the E.ON U.S. stock, as well as any other associated costs, shall not be "pushed down" to KU/ODP for ratemaking purposes.

(11) KU/ODP shall provide Staff annually with information regarding the general corporate objectives of the consolidated operations of E.ON U.S. and their potential impact on KU/ODP.

(12) KU/ODP shall operate and maintain the distribution system in its Virginia service territory at or above current levels of service quality and reliability; shall implement, on a timely basis, distribution system improvements that are required to maintain such system levels of service quality and reliability as well as to provide any individual customer or groups of customers with an acceptable level of service quality and reliability consistent with nationally recognized standards acceptable to the Commission.

(13) KU/ODP shall make all reasonable efforts to support any additional distribution reliability monitoring efforts undertaken by Staff.

(14) KU/ODP shall provide the Commission with notice thirty (30) days prior to any FERC filing that proposes new allocation factors.

(15) KU/ODP shall abide by the conditions placed on the Services Agreement by the Commission in its August 10, 2000 Order in Case No. PUA-2000-00050 unless and until modified by the Commission.

(16) When any of the affiliates with which KU/ODP currently has an approved affiliate agreement undergoes a name change as a result of the Proposed Transfer, KU/ODP shall file an application for Commission approval of a new affiliate agreement within sixty (60) days of such name change taking effect.

(17) In the event that E.ON U.S. Services, Inc., utilizes any other affiliates, including PPL Services Corporation, to provide services to KU/ODP, then KU/ODP shall file an application requesting approval under the Affiliates Act to obtain such services.

(18) KU/ODP shall track costs and savings attributable to the Proposed Transfer for KU/ODP and maintain such records to be available for Staff review as necessary.

(19) For a period of two (2) years, PPL shall be required to report to the Commission any credit rating agency downgrade of the debt of PPL or any E.ON U.S.-based operating subsidiaries within thirty (30) days of such downgrade. In its report, PPL shall supply to the Commission a copy of the publicly available rating agency report containing such downgrade. PPL shall offer to provide a discussion or presentation to the Commission Staff of the future plans to deal with the credit downgrade.

(20) Within thirty (30) days of completing the Proposed Transfer, the Petitioners shall file a report of action with the Commission. Such report shall include the date the acquisition took place, the price paid by PPL, and any accounting entries on the books of KU/ODP as a result of the acquisition. The deadline for the filing of the report shall be subject to administrative extension by the Commission's Director of Public Utility Accounting.

(21) As there is nothing further to come before the Commission, this matter is dismissed from the Commission's active docket and the papers filed herein placed in the Commission's file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Louis R. Monacell, Esquire, and Michael J. Quinan, Esquire, Christian & Barton, L.L.P., 909 East Main Street, Suite 1200, Richmond, Virginia 23219-3095; Paul E. Russell, Associate General Counsel, PPL Services Corporation, Two North Ninth Street, Allentown, Pennsylvania 18101-1179; Kendrick R. Riggs, Esquire, J. Wade Hendricks, Esquire, and Brad S. Keeton, Esquire, Stoll Keenon Ogden PLLC, 2000 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202-2828; John R. McCall, Esquire, and Allyson K. Sturgeon, Esquire, E.ON U.S. LLC,

220 West Main Street, Louisville, Kentucky 40202; Dr. Frank Fischer, Vice President, Legal Affairs – M&A/Integration, E.ON AG, E.ON-Platz 1, 4079 Düsseldorf, Federal Republic of Germany; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, 2nd Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and the Divisions of Energy Regulation, Public Utility Accounting, and Economics and Finance.

Exhibit 2

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, OCTOBER 19, 2010

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APPLICATION OF

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

DOCUMENT CONTROL
CASE NO. PUE-2010-00061

For authority under Chapter 3 of
Title 56 of the Code of Virginia to
restructure and refinance unsecured
debt, to assume obligations, and
for amendment of existing authority

ORDER GRANTING AUTHORITY

On June 15, 2010, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or "Company"), filed an application with the State Corporation Commission ("Commission") pursuant to Chapter 3 of Title 56 of the Code of Virginia ("Code"), § 56-55 *et seq.* of the Code, to restructure and refinance its existing debt ("Application"). On June 25, 2010, KU/ODP paid the requisite fee of \$250.

KU/ODP states that this Application is filed concurrently with the joint petition of PPL Corporation ("PPL"), E.ON AG ("E.ON"), E.ON US Investments Corp. ("E.ON US Investments"), E.ON U.S. LLC, and KU/ODP (collectively "Joint Petitioners"), in Case No. PUE-2010-00060, in which the Joint Petitioners seek the Commission's approval for the transfer of ownership and control ("Change of Control") of KU/ODP by E.ON US Investments to PPL, pursuant to the Utility Transfers Act, § 56-88 *et seq.* of the Code.¹ KU/ODP states that the approvals requested herein are in conjunction with and are contingent upon

¹ KU/ODP acknowledges that certain aspects of the refinancing transactions proposed herein involve affiliate transactions that will also require approval under Chapter 4 of Title 56 of the Code. The Company filed an application on August 17, 2010, and the Commission docketed it as Case No. PUE-2010-00094.

approval of the Change in Control sought in Case No. PUE-2010-00060. On July 7, 2010, the Commission issued an order extending jurisdiction over the instant case until 30 days after the final order in Case No. PUE-2010-00060. The Company supplemented the Application with revisions filed on August 2, 2010, August 24, 2010, and October 12, 2010.

In this Application, KU/ODP seeks Commission authority to replace a total of twenty-one (21) existing unsecured promissory notes (\$1.331 billion total principal amount) between itself and Fidelity Corporation ("Fidelity"), an affiliate within E.ON, with the issuance of First Mortgage Bonds ("FMB") directly to the market secured by a lien on KU/ODP's properties in Kentucky. According to the Application, when the Change of Control transaction is completed, all Fidelity promissory notes ("Fidelity Notes") will become due at the closing, requiring refinancing. Bridge financing to retire the Fidelity Notes will be provided by a financing affiliate of PPL and is under Commission consideration in Case No. PUE-2010-00094. KU/ODP intends to issue FMB in a like amount of principal after the Change of Control transaction is completed. The existing loan agreements with Fidelity include a prepayment provision should the Fidelity Notes be paid off prior to maturity. As of March 31, 2010, KU/ODP estimated the prepayment provision would require a payment of approximately \$73 million from KU/ODP to Fidelity. However, under the terms of the Change of Control, the prepayment provision is waived, saving refinancing costs.

KU/ODP also seeks to revise the authority granted in Case No. PUE-2009-00130² to allow KU/ODP to issue up to \$225 million in long-term debt to Fidelity or the external capital markets. If a portion of the \$225 million in debt authority is issued to Fidelity prior to the Change

² See *Application of Kentucky Utilities Co. d/b/a Old Dominion Power Co., For authority to issue securities 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*, Case No. PUE-2009-00130, 2009 S.C.C. Ann. Rept. 557, Order Granting Authority (Dec. 28, 2009).

of Control, KU/ODP also requests authority to replace the additional Fidelia debt with a like amount of new FMB. KU/ODP states that it is not requesting any additional borrowing beyond the amount already approved by the Commission. By letter filed on October 12, 2010, KU/ODP requests that the time to issue the \$225 million of debt securities be extended from December 31, 2010, to December 31, 2011.

The Company also seeks an order from the Commission confirming KU/ODP's existing authority to secure seven (7) series of pollution control debt with the Company's FMB or, alternatively, modifying KU/ODP's authority with respect to these seven (7) series of pollution control debt to allow for such security, and granting the Company authority to secure four (4) series of pollution control debt with FMB, which series were issued since 2006.

KU/ODP further seeks an order that expressly allows for the use of FMB to secure any refunding debt obligations that may be incurred pursuant to the authority granted to KU/ODP in Case No. PUE-2008-00034.³ KU/ODP states that mitigation actions contemplated may not be completed until 2011, therefore the Company further requests that its authority in Case No. PUE-2008-00034 be extended through December 31, 2011.

The Company also seeks authority to enter into new, multi-year revolving credit facilities to replace KU/ODP's current \$400 million revolving credit facilities with Fidelia, to allow for short-term borrowing from time to time. When the Change of Control is completed, the existing revolving credit facility ("Money Pool") between KU/ODP and Fidelia will no longer be available. KU/ODP will be seeking to enter into a new multi-year revolving credit facility with

³ *Application of Kentucky Utilities Co. d/b/a Old Dominion Power Co., For authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia*, Case No. PUE-2008-00034, 2008 S.C.C. Ann. Rept. 522, Order Granting Authority (June 19, 2008), and 2009 S.C.C. Ann. Rept. 311, Order Granting Motion and Extending Authority (Nov. 30, 2009).

one or more financial institutions, to become effective when the Change of Control becomes effective.

Finally, KU/ODP seeks Commission authority to secure the proposed debt issuances via a lien created under a proposed new mortgage indenture, which would, as described herein, include modernized administrative terms and conditions, according to the Company.

KU/ODP originally requested that the order in this case be issued concurrently with the order in Case No. PUE-2010-00060 and that the orders be issued no later than November 19, 2010. However, in filings made on September 22, 2010, and on September 29, 2010, in Case No. PUE-2010-00060, where, among other things, KU/ODP's requested approval date for Case Nos. PUE-2010-00060, PUE-2010-00061, and PUE-2010-00094, was revised from November 19, 2010, to October 15, 2010.

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. Therefore, we find that KU/ODP's requests to restructure and refinance unsecured debt, to assume obligations, and for amendment of existing authority should be granted.⁴

Accordingly, IT IS ORDERED THAT:

(1) KU/ODP is authorized to enter into a new indenture agreement, all under the terms and conditions and for the purposes as set forth in the Application.

(2) KU/ODP is authorized to refinance up to \$1.331 billion of unsecured debt to Fidelia Corporation or PPL Corporation, as applicable, from the date of this order through December 31, 2011, all under the terms and conditions and for the purposes set forth in the Application.

⁴ In accordance with the findings herein, orders will be issued concurrently in Case Nos. PUE-2008-00034 and PUE-2009-00130 amending the authority granted and extending the time period approved therein to and through December 31, 2011.

(3) KU/ODP is authorized to secure all eleven (11) existing series of pollution control financing debt with secured debt issued by KU/ODP to refinance Fidelia unsecured long-term debt, all under the terms and conditions and for the purposes set forth in the Application.

(4) KU/ODP is authorized to enter into one or more new credit facilities to provide short-term financing up to \$400 million to replace its current revolving credit facility with Fidelia, all under the terms and conditions and for the purposes set forth in the Application.

(5) KU/ODP shall submit to the Division of Economics and Finance a preliminary report of action within ten (10) days after the issuance of any long-term debt securities pursuant to Ordering Paragraph (2) to include the type of security, the issuance date, amount of the issue, the interest rate, 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 pursuant to Ordering Paragraph (2), KU/ODP shall file with the Commission a detailed report of action with respect to all long-term debt 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 for any secured debt issued to refund other outstanding debt prior to maturity, if an update is applicable;
- (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) KU/ODP shall submit to the Division of Economics and Finance a final report of action on or before February 28, 2012, to include all information required in Ordering Paragraph (6) along with 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 (4), and a detailed account of all upfront line of credit fees and a summary of the actual expenses 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.

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

(9) The authority granted herein shall not preclude the Commission from applying the provisions of § 56-78 and § 56-80 of the Code hereafter.

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

(11) 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 40202-2828; Allyson K. Sturgeon, Esquire, Senior Corporate Counsel, E.ON U.S. LLC, 220 West Main Street, Louisville, Kentucky 40202; C. Meade Browder, Senior Assistant Attorney General, Office of Attorney General, Division of Consumer

Counsel, 900 East Main Street, 2nd Floor, Richmond, Virginia 23219; and a copy shall be sent to the Commission's Office of General Counsel and Divisions of Economics and Finance, Energy Regulation, and Public Utility Accounting.

101030158

Exhibit 3

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, October 19, 2010

CLERK'S OFFICE
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DOCUMENT CONTROL

101030152

APPLICATION OF

KENTUCKY UTILITIES COMPANY
D/B/A OLD DOMINION POWER COMPANY

CASE NO. PUE-2010-00094

For approval of affiliate transactions in connection with transfer of ownership and control and restructuring and refinancing of debt pursuant to Chapter 4 of Title 56 of the Code of Virginia

ORDER GRANTING APPROVAL

On August 17, 2010, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or "Applicant") filed an application ("Application") with the State Corporation Commission ("Commission") for approval of affiliate transactions, in connection with transfer of ownership and control and restructuring and refinancing of debt, pursuant to Chapter 4 of Title 56 ("Affiliates Act") of the Code of Virginia ("Code"). In the Application, KU/ODP references two (2) related cases that are pending before the Commission. In Case No. PUE-2010-00060 ("Transfer Case"),¹ KU/ODP, among others, is seeking approval pursuant to Chapter 5 of Title 56 ("Utility Transfers Act") of the Code to transfer KU/ODP from E.ON AG ("E.ON") to PPL Corporation ("PPL"). In Case No. PUE-2010-00061,² KU/ODP is seeking approval, pursuant to Chapter 3 of Title 56 of the Code, to refinance and restructure KU/ODP's existing debt.

¹ *Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company d/b/a Old Dominion Power Company, For approval of transfer of ownership and control.*

² *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority under Chapter 3 of Title 56 of the Code of Virginia to restructure and refinance unsecured debt, to assume obligations, and for amendment to existing authority.*

In the instant Application, KU/ODP represents that it seeks approval of certain affiliate agreements that it plans to execute upon the successful change in control contemplated in the Transfer Case. Specifically, KU/ODP requests that the Commission enter an order:

(1) approving a new tax allocation agreement (“PPL Agreement”) between KU/ODP and PPL and its affiliates, which grants KU/ODP authority to participate in the consolidated tax allocations pursuant to the provisions of the PPL Agreement; (2) approving affiliate loans from PPL Investment Corporation (“PPL Investment”) and authorizing KU/ODP to issue notes to PPL Investment with the same principal amounts, terms, conditions, and interest rates as KU/ODP’s existing Fidelia Corporation notes, except that the new notes would lack “make whole” provisions and could be prepaid at par plus accrued interest at any time rather than just on interest payment dates; and (3) approving KU/ODP’s entrance into an insurance agreement (“Insurance Agreement”) with PPL Power Insurance, Ltd. (“PPL Insurance”), a subsidiary of PPL.

KU/ODP is a Kentucky and Virginia corporation based in Lexington, Kentucky, which provides electric generation, transmission, and distribution service to approximately 515,000 retail customers in seventy-seven (77) counties in Kentucky, approximately 30,000 retail customers in southwestern Virginia, and five customers in Tennessee. In Virginia, KU/ODP operates under the name of Old Dominion Power and serves the Counties of Dickenson, Lee, Russell, Scott, and Wise, and the City of Norton. KU/ODP also owns coal and gas-fired electric generating facilities and a hydro-electric generating facility with a combined generation capacity of 4,570 megawatts. For the year ended December 31, 2009, KU/ODP had operating revenues of \$1.355 billion and net income of \$133 million. Currently, KU/ODP is a wholly owned indirect subsidiary of E.ON. E.ON, which is based in Dusseldorf, Germany, is one of the

world's largest investor-owned power and gas companies, generating annual revenues of approximately €82 billion (\$114.8 billion) and employing about 88,000 employees worldwide.

PPL is an energy and utility holding company that, through its subsidiaries, is primarily engaged in the generation and marketing of electricity in the northeastern and western United States and in the delivery of electricity in Pennsylvania and the United Kingdom. Headquartered in Allentown, Pennsylvania, PPL's principal direct subsidiaries are PPL Energy Funding, PPL Electric, PPL Services, and PPL Capital Funding. As of December 31, 2009, PPL Electric delivered electricity to approximately 1.4 million customers in twenty-nine counties of eastern and central Pennsylvania. For the year ended December 31, 2009, PPL and its subsidiaries had operating revenues of \$7.556 billion and net income of \$407 million.

On April 28, 2010, E.ON and PPL entered into a definitive agreement ("Purchase Agreement") for the purchase of E.ON's U.S.-based businesses, including KU/ODP, by PPL for \$7.625 billion. Upon the successful execution of the proposed Purchase Agreement, KU/ODP and PPL will become affiliated interests under § 56-76 of the Code. As such, KU/ODP must obtain approval from the Commission pursuant to the Affiliates Act prior to entering into any arrangement, agreement or contract between the companies for the provision of services, the exchange of property, rights, or things, or the purchase or sale of treasury bonds or stock.

The Applicant now requests approval, pursuant to Chapter 4 of Title 56, for KU/ODP to purchase insurance coverage from an affiliate in the PPL group of companies, PPL Insurance, at a lower premium than would be charged by the commercial insurance market, for approval of a new tax allocation agreement, and for approval of intercompany financing between itself and

PPL in connection with the refinancing of KU/ODP's current intercompany debt within the E.ON holding company system.³

Insurance Agreement

The Applicant requests approval to enter into a Utility Service Agreement ("Insurance Agreement") under which KU/ODP would be able to purchase insurance through PPL Insurance at lower premiums than would be charged by the commercial insurance market. The Insurance Agreement may terminate by either party providing sixty (60) days' written notice of such termination.

PPL Insurance was established by PPL in 2002 to underwrite primary property, public liability, and workers' compensation coverage for PPL and its subsidiaries. PPL Insurance only provides coverage to affiliates of PPL Corporation. It is a Bermuda-licensed insurance company, which insures the deductibles of property, public liability, and workers' compensation insurance policies purchased from commercial insurance companies by PPL. It also provides coverage for storm damage to the distribution line system of PPL Electric Utilities.

The Applicant states that affiliated insurance companies, such as PPL Insurance, are able to offer insurance at lower premiums than would be charged by commercial insurance companies, because premiums are based on expected losses within the limit of coverage and do not include normal commercial insurance company loadings for underwriting expenses and profits. The Applicant represents that these loadings could add 20%-30% to the cost of insurance coverage. The Applicant states that affiliated insurers may also provide coverage where commercial insurance is not available, or they may provide coverage necessary for commercial insurance to be written. As an example provided by the Applicant, the reinsurance

³ While KU/ODP filed this application under Chapter 4 of Title 56 of the Code, the portion of the application pertaining to the refinancing of debt and issuance of notes by KU/ODP also necessitates a review by the Commission pursuant to the provisions of Chapter 3 of Title 56 of the Code.

market may be available to provide catastrophic coverage only if there is a primary insurance policy in place. The affiliated insurance arrangement may provide insurance coverage at a lower cost. Such an arrangement also may allow KU/ODP to cover previously uninsured risks. KU/ODP would be able to insure a deductible to, in effect, “self insure” against certain losses, and then obtain primary insurance from PPL Insurance or from a commercial insurer if such coverage is available at lower rates than from PPL Insurance. Additionally, depending upon costs, likelihood of occurrence, and the impact of catastrophic losses on both KU/ODP and its ratepayers, KU/ODP might also obtain reinsurance in the commercial market.

KU/ODP states that it also could obtain insurance from PPL Insurance through its parent E.ON U.S. LLC (“E.ON U.S.”). E.ON U.S. would obtain insurance coverage from PPL Insurance for itself and its subsidiaries’ benefit, including KU/ODP. KU/ODP would be assessed its share of the costs of such insurance. KU/ODP’s current service agreement approved by the Commission in Case No. PUA-2000-00050 provides for the provision of insurance services and allocation of such costs from E.ON U.S. to KU/ODP. Alternatively, KU/ODP could obtain insurance coverage directly from PPL Insurance, in which case no cost allocation from E.ON U.S. would be involved. The Applicant represents that, whether KU/ODP purchases insurance from PPL Insurance directly or through E.ON U.S., the premium would be the same. The only costs that would be allocated to KU/ODP are costs directly related to its insurance coverage. In practice, both E.ON U.S. and KU/ODP would be named insureds, and KU/ODP’s portion of the premium would be based on specific KU/ODP data used to develop actuarial loss expectancy for KU/ODP. The Applicant represents that under no circumstances would there be markup by E.ON U.S., and all allocated premiums would be passed to KU/ODP at cost. Under the Insurance Agreement, there would be no requirement by either party that coverage be

renewed after the expiration of the current term of insurance or that coverage be undertaken at all.

The Applicant represents that a detailed analysis of potential insurance premiums has not been performed, and that KU/ODP would only purchase insurance through PPL Insurance if such detailed analysis, when performed, proved it would be cost effective. Insurance coverage potentially provided by PPL Insurance will not occur until post-merger. The primary cost benefit from PPL Insurance, according to the Applicant, will be that PPL Insurance proposals will not include any profit, which should result in lower costs.

As to the types of insurance coverage KU/ODP plans to purchase from PPL Insurance, KU/ODP could obtain coverage for deductibles for property, public liability, workers' compensation, and transmission and distribution system storm damage insurance. The Applicant represents that PPL Insurance could provide coverage on a primary basis above a deductible level for storm damages to the distribution line system of KU/ODP. It may also provide coverage for run off directors and officers liability coverage. This would apply to claims that exceed \$300 million.

KU/ODP expects to pay premiums to PPL Insurance based on costs related to expected losses within coverage limits, without markups. There would be no loading for underwriting or profits. KU/ODP would be allocated its share of such insurance costs. This arrangement provides KU/ODP an additional option to acquire insurance, and one that would provide for deductible coverage. The Applicant states that KU/ODP would only purchase insurance from PPL Insurance if the cost was lower than purchasing from a commercial insurance company.

PPL Agreement

The Applicant also requests approval, pursuant to the Affiliates Act, of a “PPL and Consenting Members of its Consolidated Group Agreement for filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits” tax allocation agreement between PPL and the ninety-five other affiliated members (“Members”) of its consolidated tax group (collectively “PPL Group”), including KU/ODP. The proposed PPL Agreement will replace the existing tax allocation agreement between KU/ODP and E.ON US Investments Corporation, KU/ODP’s current parent company, which was approved by the Commission in Case No. PUE-2009-00022.⁴

PPL files a consolidated federal income tax return (“Federal Return”) on behalf of the PPL Group in accordance with 26 United States Code⁵ §§ 1501-1505. The PPL Agreement also references Tax Code § 172(b)(3), § 1504(a), and § 6655, and Treasury Regulation § 1.1502-55.

PPL intends to file a consolidated Virginia income tax return (“Virginia Return”) on behalf of seven (7) Members of the PPL Group (“Virginia Group”),⁶ including KU/ODP, which have property, payroll, or gross receipts nexus in the state in accordance with § 58.1-300 *et seq.* of the Code. The Virginia Group also is subject to a special regulatory revenue tax equivalent to two-tenths of one percent pursuant to § 58.1-2660 of the Code.⁷

⁴ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For approval of a revised tax allocation agreement pursuant to Chapter 4 of Title 56 of the Code of Virginia, Case No. PUE-2009-00022, 2009 S.C.C. Ann. Rept. 435, Order Granting Approval (June 29, 2009).*

⁵ Title 26 of the U.S.C. is also known as the Internal Revenue Code of 1986 as amended, or the “Tax Code.”

⁶ The seven (7) current Members of the Virginia Group are: (i) KU/ODP; (ii) LG&E Energy Marketing, Inc.; (iii) LG&E International, Inc.; (iv) LG&E Power Development, Inc.; (v) LG&E Power Inc.; (vi) LG&E Power Operations Inc.; and (vii) E.ON U.S. LLC. KU/ODP does not expect the list of Virginia Group Members to change as a result of the PPL acquisition.

⁷ The Commission’s Division of Public Service Taxation certifies and notifies KU/ODP of the amount of its calendar year gross receipts that are subject to the Virginia special tax each year.

The general purpose of the PPL consolidated tax filing is to reduce the PPL Group's federal and state corporate income tax liability. The specific purpose of the PPL Agreement is to recognize KU/ODP as a new Member of the PPL Group and to establish an appropriate allocation of consolidated tax liabilities ("consolidated tax") for KU/ODP within the PPL Group. The PPL Agreement is intended to establish an allocation of consolidated tax for the PPL Group, including KU/ODP, which is consistent with the ratemaking requirements of the 2007 amendment to § 56-235.2 A in Chapter 10, Title 56 of the Code, which states:

For ratemaking purposes, the Commission shall determine the federal and state income tax costs for investor-owned water, gas, or electric utility that is part of a publicly-traded, consolidated group as follows: (i) such utility's apportioned state income tax costs shall be calculated according to the applicable statutory rate, as if the utility had not filed a consolidated return with its affiliates, and (ii) such utility's federal income tax costs shall be calculated according to the applicable federal income tax rate and shall exclude any consolidated tax liability or benefit adjustments originating from any taxable income or loss of its affiliates.

Section Two (2) of the PPL Agreement states that PPL or its designee will prepare, make elections, and take all such other actions deemed necessary for the proper filing of the PPL Group's Federal Return. Section Five (5) of the PPL Agreement states that PPL or its designee shall make all calculations on behalf of the Members of the PPL Group to comply with the estimated tax provisions of the Tax Code, shall charge or refund members the appropriate tax amounts consistent with the dates indicated by Tax Code § 6655, and shall be responsible for paying the IRS the current federal consolidated tax. After filing the Federal Return and allocating the federal consolidated tax among the Members, PPL or its designee will charge or credit the Members to reflect the difference between the prior payments or credits and their current tax as allocated under the PPL Agreement.

The primary rules for allocating the PPL Group's federal consolidated tax are as follows. For purposes of allocating the federal consolidated tax liabilities and benefits under the PPL Agreement, each PPL affiliate operating as a limited liability company or limited partnership will be considered a Member and shall be responsible for its allocable share of corporate taxable income or loss.⁸ Under the PPL Agreement, the determination of a regulated business' allocable share of corporate taxable income shall be made: (i) as if such regulated business was a regarded entity for U.S. federal income tax purposes; and (ii) utilizing the "Corporate Taxable Income" or stand-alone method.

The federal consolidated tax will be allocated among the Members of the PPL Group utilizing the separate "Corporate Taxable Income," or stand-alone, method.⁹ Each Member with a corporate taxable loss ("Loss Member") will be entitled to a corporate tax credit equal to the amount by which the federal consolidated tax is reduced by including the Loss Member's taxable loss in the Federal Return. The Members with positive corporate taxable income ("Income Members") will be allocated a federal income tax liability equal to the sum of the federal consolidated tax and the corporate tax credits allocated to the Loss Members based on the ratio that each Income Member's corporate taxable income bears to the total corporate taxable income of all Income Members. If the aggregate of the Loss Members' corporate taxable losses are not fully utilized in the current year's Federal Return, then the consolidated carry-back or carry-forward of such losses to the applicable taxable years will be allocated to each Loss Member in the ratio that its corporate taxable loss bears to the total corporate taxable losses of all Loss Members.

⁸ PPL Agreement, § 3, at 3.

⁹ PPL Agreement, § 4, at 3-4.

For the purpose of computing separate return tax, intercompany eliminations booked in consolidation entries that affect the federal consolidated tax will be assigned to the Member requiring the intercompany elimination.

The consolidated alternative minimum tax ("AMT") will be allocated among the Members in accordance with Proposed Treasury Regulation § 1.1502-55 in the form the regulation exists on the date the PPL Agreement is executed. Any AMT liability shall be treated as part of the Member's separate tax liability provided that the entire PPL Group incurs an AMT liability.

Tax benefits such as general business credits, foreign tax benefits, or other tax credits¹⁰ will be apportioned directly to the Members whose investment or contributions generated the credit or benefit ("Benefit Members"). If the tax benefit or credit cannot be fully utilized to offset current federal consolidated tax, the consolidated tax benefit or credit will be apportioned to the Benefit Members in proportion to the relative amount of benefits or credits generated by each Benefit Member.

If the amount of federal consolidated tax allocated to any Member under the PPL Agreement exceeds the separate return tax of that Member, then the excess tax will be reallocated among the Members with allocated consolidated tax less than their separate return tax liability (*i.e.* surtax exemption). The reallocation shall be in proportion to the respective reductions in separate return tax liability of these Members. Any remaining unallocated consolidated tax will be assigned to PPL. Under no circumstances will the amount of federal consolidated tax allocated to a PPL Group Member under the PPL Agreement exceed its separate

¹⁰ KU/ODP is currently eligible to receive the following federal tax credits: (i) Investment Tax Credit (including Advanced Coal Credit); (ii) Renewable Electricity Production Credit; (iii) Production Credit for Hydropower Generation; (iv) Credit for Increasing Research Activities; (v) Fuel Credits; (vi) Foreign Tax Credit; and (vii) Alternative Minimum Tax Credit.

tax liability. Any remaining tax cost or benefit will be allocated to the applicable business unit parent on at least an annual basis.

The allocation of state and local income tax liabilities and credits¹¹ under the PPL Agreement will be determined by the election of one of the following filing methods:

(i) separate entity; (ii) unitary group; (iii) nexus combined; and (iv) consolidated.¹²

Under a separate entity filing, all tax costs or benefits will be allocated to the PPL affiliate that filed the separate return.

Under a unitary group filing, all tax costs or benefits will be allocated to the applicable business unit. For example, if a business unit that includes a parent entity and its subsidiaries files a state unitary return, the entire state tax cost or benefit is allocated to the business unit. Further allocations within the business unit are at the discretion of the business unit.

Under a nexus combined filing, all tax costs or benefits will be allocated as if each entity or business unit filed a stand-alone or separate entity return. Both apportionment factors and taxable income will be considered in the allocation. Any residual tax costs or benefits will be allocated to the appropriate business unit at least annually.

Under a consolidated filing, all tax costs or benefits will be allocated based on each subsidiary's or business unit's nexus within the specific state or locality. For example, state tax determined in a consolidated return will be allocated as if each entity filed a stand-alone or separate tax return using both: (a) the entity's property, payroll, and receipts apportioned to the state; and (b) their taxable income or loss. Entities lacking nexus in the state or locality will not

¹¹ KU/ODP is currently eligible to receive the following state tax credits: (i) Coal Credit; (ii) Recycling Credit; (iii) Jobs Credit; (iv) Corporation Minimum Tax Credit; and (v) Construction Tax Credit.

¹² PPL Agreement, § 6, at 5-6.

be allocated any tax or benefit. Any residual tax costs or benefits will be allocated to the appropriate business unit parent at least annually.

In Virginia, KU/ODP will participate in a consolidated Virginia Return that includes the seven (7) Members of the Virginia Group that have property, payroll, or gross receipts nexus in the state. KU/ODP represents that the Virginia tax liability for each Member of the Virginia Group, including KU/ODP, will be computed based on each Member's separate return apportionment factors. The total of the Virginia Group Members' separate return tax liabilities or benefits will then be compared to the consolidated tax computed for the Virginia Group based on consolidated apportionment factors. Any residual tax cost or benefit will be allocated to the applicable business unit parent.

KU/ODP represents that, for tax return purposes, no Virginia income taxes paid by KU/ODP are specifically allocated to another jurisdiction. Likewise, KU/ODP avers that no non-Virginia state or local income taxes paid in other jurisdictions are specifically allocated to KU/ODP's Virginia operations.

Any subsequent adjustments to the Federal Return or Virginia Return by federal or state authorities will be treated as though they had formed part of the original consolidated return. Interest paid or received, and penalties imposed as a result of the adjustment, will be allocated to the responsible member.¹³ In the case of an increased tax liability, each Member shall pay its portion of the increased tax, penalties, and interest to the parent company within ten (10) days of receiving notice of the liability. In the case of a refund, the parent company will pay each member its portion of the refund within ten (10) days of receiving the refund.

¹³ PPL Agreement, § 7, at 6.

Any company that joins the PPL Group or Virginia Group as a new Member must execute a duplicate copy of the PPL Agreement.¹⁴ Any current Member that leaves the PPL Group or Virginia Group is assigned its portion of the tax attributes of the affiliated group, including but not limited to net operating losses, credit carry-forwards, and minimum tax carry-forwards.¹⁵ If the assignment differs from the amounts previously allocated to the departing Member, then the Member must settle with the affiliated group on a dollar-for-dollar basis for tax credit differences and, in the case of net operating loss differences, by computing the tax settlement amount by applying the highest marginal tax rate. Any settlement amounts will be allocated among the remaining Members in proportion to the relative level of attributes possessed by each Member.

The PPL Agreement will be binding and inure to the benefit of any successors to the Members. The PPL Agreement is effective for the allocation of the current federal income tax liabilities of the Members for the 2010 consolidated tax year and all subsequent years until the PPL Agreement is revised in writing. The PPL Agreement is made under the law of the Commonwealth of Pennsylvania.

Under the PPL Agreement, KU/ODP will accrue taxes on a stand-alone basis and settlements or payments will be made throughout the year coinciding with the related estimated payment and filing dates. Since federal and state consolidated tax benefits will be retained by the PPL Group or Virginia Group parent, no additional entries are needed.

¹⁴ PPL Agreement, § 8, at 6.

¹⁵ PPL Agreement, § 9, at 6.

Restructure and refinance debt

According to the Application, upon consummation of the change of control, all KU/ODP loans from Fidelia will become payable. Since it will take a number of days or weeks to issue the permanent secured first mortgage bonds (“FMB”) to be issued (under consideration in Case No. PUE-2010-00061), PPL will need to provide temporary financing at the time of closing (“Bridge Financing”) to complete the change of control with E.ON. At the time of closing, PPL will cause KU/ODP to refinance those loans from Fidelia with proceeds from replacement notes issued by KU/ODP to PPL Investment Corporation, a subsidiary of PPL, on substantially the same terms and conditions as the existing Fidelia notes, including the same interest rate and maturity date. The only changes would be elimination of the “make whole” provision and the removal of the prepayment restriction by allowing prepayment to be made with one day’s notice.

The Fidelia notes are comprised of twenty-one (21) separate promissory notes, issued between April 2003 and November 2009, totaling \$1.331 billion in principal amount. Interest rates on each Fidelia note were fixed at the time of issuance until maturity (fourteen notes were issued with maturities of ten years or less) for each note and vary between 4.24% and 7.035%. KU/ODP investigated and decided against providing Bridge Financing in the form of short-term debt, as the exposure to interest rate risk on all KU/ODP debt was too risky for KU/ODP management, especially in light of capital market disruptions over the past two years.

NOW THE COMMISSION, upon consideration of the Application and representations of the Applicant and having been advised by its Staff, is of the opinion and makes the following findings. Regarding the Insurance Agreement, we find that the agreement is in the public interest as long as KU/ODP pays PPL Insurance the lower of cost or market for insurance services purchased. Since KU/ODP will pay premiums to PPL Insurance based on cost of

insurance related to expected losses within coverage limits without markup for underwriting and profits, such payments to PPL Insurance would likely be lower than market. It is expected that such premiums would approximate cost, which would seem to meet the lower of cost or market standard. Therefore, it appears that the Insurance Agreement for KU/ODP to purchase insurance from its affiliate, as long as KU/ODP pays PPL Insurance the lower of cost or market, is in the public interest and meets the standard of the Affiliates Act.

Regarding the PPL Agreement, the 2006 repeal of the Public Utility Holding Company Act of 1935 removes the statutory requirement that public utility holding companies such as PPL must share holding company federal consolidated tax benefits with the members of its federal consolidated tax group. The 2007 amendment to § 56-235.2 A in Chapter 10, Title 56 of the Code disallowed the recognition of any federal or state consolidated tax adjustments in the determination of income tax costs for ratemaking purposes. The PPL Agreement aligns itself with these statutory changes by providing that each Member of the PPL Group, including KU/ODP, will be allocated and pay its federal and state income tax liability or receive its share of corporate tax benefits on a separate return basis as if it was a stand-alone company. The PPL Agreement also includes the statement that “[u]nder no circumstances shall the amount of tax liability allocated to a Member of the [PPL Group] under this Agreement exceed its separate tax liability.”¹⁶ Therefore, we believe that the PPL Agreement is in the public interest and should be approved subject to certain requirements outlined below that are intended to clarify the nature and extent of our Affiliates Act approval in this case and to permit the Commission’s Staff to monitor KU/ODP’s separate return tax representations on an ongoing basis.

First, we reserve the right to reflect ratemaking adjustments to KU/ODP’s income taxes in the course of any Commission review and analysis of KU/ODP’s cost of service in the future.

¹⁶ See PPL Agreement, § 4 at 3.

Second, we will direct KU/ODP to prepare an annual detailed reconciliation of any differences between its allocation of actual federal and state tax liabilities and what such liabilities are on a separate return basis. Beginning May 1, 2010, this reconciliation should be included with KU/ODP's Annual Report of Affiliate Transactions ("ARAT") submitted to the Commission's Director of Public Utility Accounting ("PUA Director") each year. If there are no differences between KU/ODP's allocated and separate return tax liabilities, then KU/ODP should prepare a verified legal representation to that effect to be included as an addendum to its ARAT each year. We also direct KU/ODP to provide (i) a computation of the Domestic Production Activities Deduction ("DPAD") performed on a consolidated basis; (ii) a computation of the DPAD performed on a separate return basis; and (iii) a description of how the DPAD is allocated to and booked by KU/ODP, to be included in its ARAT submitted to the Commission's PUA Director each year.

We find the intercompany financing between KU/ODP and PPL in connection with the refinancing of KU/ODP's current intercompany debt within the E.ON holding company system to be in the public interest.

Accordingly, IT IS ORDERED THAT:

- (1) Pursuant to § 56-77 of the Code, KU/ODP is hereby granted approval to enter into the Insurance Agreement with PPL Insurance, effective as of the date of this order, provided that KU/ODP pays PPL Insurance the lower of cost or market for any insurance services purchased.
- (2) KU/ODP shall bear the burden of proving, during any rate proceeding, that it paid PPL Insurance the lower of cost or market under the Insurance Agreement.

(3) Pursuant to § 56-77 of the Code, KU/ODP is hereby granted approval of the PPL Agreement as described herein and consistent with the findings set out above, effective as of the date of the order in this case.

(4) Pursuant to §§ 56-57 and 56-77 of the Code, KU/ODP's proposed intercompany financing as described herein is approved, and KU/ODP is authorized to issue notes to PPL Investment Corporation with the same principal amounts, terms, conditions and interest rates as the Fidelia notes, except that the new notes will not have "make whole" provisions and can be repaid at par plus accrued interest on any day rather than only on the interest payment dates.

(5) The approval granted herein shall have no ratemaking implications. Specifically, the approval granted in this case shall not guarantee the recovery of any costs directly or indirectly related to the Insurance Agreement or the PPL Agreement.

(6) The Commission reserves the right to reflect ratemaking adjustments to KU/ODP's income taxes in the course of any Commission review and analysis of KU/ODP's cost of service in the future.

(7) The approval granted herein shall not preclude the Commission from exercising its authority pursuant to the provisions of §§ 56-78 and 56-80 of the Code hereafter.

(8) Commission approval shall be required for any changes in any of the agreements approved herein, including any successors or assigns thereto.

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

(10) KU/ODP shall prepare an annual detailed reconciliation of any differences between its allocation of actual federal and state tax liabilities and what such liabilities are on a

separate return basis. Beginning May 1, 2010, this reconciliation shall be included with KU/ODP's ARAT submitted to the Commission's PUA Director each year. If there are no differences between KU/ODP's allocated and separate return tax liabilities, then KU/ODP shall prepare a verified legal representation to that effect to be included as an addendum to its ARAT each year. KU shall also provide (i) a computation of the DPAD performed on a consolidated basis; (ii) a computation of the DPAD performed on a separate return basis; and (iii) a description of how the DPAD is allocated to and booked by KU/ODP, to be included in its ARAT submitted to the Commission's PUA Director each year.

(11) KU/ODP shall include the transactions associated with the PPL Agreement approved herein in its ARAT submitted to the Commission's PUA Director by May 1 of each year, subject to administrative extension by the PUA Director.

(12) In the event that annual informational filings or expedited or general rate case filings are not based on a calendar year, then KU/ODP shall include the affiliate information contained in its ARAT in such filings.

(13) There appearing nothing further to be done in this matter, it hereby is dismissed.

AN ATTESTED COPY hereof shall be sent to: Kendrick R. Riggs, Esquire, Stoll Keenon Ogden PLLC, 2000 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202; Allyson K. Sturgeon, Esquire, Senior Corporate Attorney, E.ON U.S. LLC, 220 West Main Street, Louisville, Kentucky 40202; Lonnie E. Bellar, Vice President of State Regulation and Rates, Kentucky Utilities Company c/o E.ON U.S. LLC, 220 West Main Street, Louisville, Kentucky 40202; and a copy shall be delivered to the Commission's Office of General Counsel and the Divisions of Public Utility Accounting and Energy Regulation.

Exhibit 4

101030160

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

CLEARY'S OFFICE

AT RICHMOND, OCTOBER 19, 2010

2010 OCT 19 P 2:07

APPLICATION OF

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

REGULATORY CONTROL
CASE NO. PUE-2009-00130

For authority to issue securities 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 AMENDING AUTHORITY GRANTED

By Order dated December 28, 2009, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or "Company"), was authorized by the State Corporation Commission ("Commission") to issue up to \$225 million in unsecured long-term debt securities to an affiliate, Fidelity Corporation.¹ The order also permitted KU/ODP to enter into hedging transactions related to the debt securities. The Commission's authorization period is set to expire on December 31, 2010.

In an application filed by KU/ODP on June 15, 2010, in Case No. PUE-2010-00061, KU/ODP made the following request:

V. RECENTLY AUTHORIZED \$225,000,000 NEW DEBT

16. The Commission recently authorized KU/ODP to obtain long-term debt from Fidelity in an amount not to exceed \$225,000,000.⁷ Because it has a continuing need to use the debt authority the Commission has already approved, KU/ODP may issue some or all of this debt under its existing authority. KU/ODP therefore further requests authority (a) to issue up to \$225,000,000 in new unsecured debt to Fidelity, later replacing it with up to \$225,000,000 of secured debt, or (b) to issue up to \$225,000,000 of new secured debt in lieu of the \$225,000,000 of already authorized, but unissued, Fidelity debt, provided that the total of

¹ Application of Kentucky Utilities Co. d/b/a Old Dominion Power Co., For authority to issue securities 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, Case No. PUE-2009-00130, 2009 S.C.C. Ann. Rept. 557, Order Granting Authority (Dec. 28, 2009) ("December 28, 2009 Order").

debt outstanding under (a) and (b) together shall not exceed \$225,000,000.²

By letter filed on October 12, 2010, in Case No. PUE-2010-00061, KU/ODP requests that the time period to issue the \$225 million of debt securities authorized in Case No. PUE-2009-00130 be extended to December 31, 2011.

On this day, the Commission issued an order in Case No. PUE-2010-00061 granting KU/ODP's request to restructure and refinance unsecured debt, to assume obligations, and for amendment of existing authority.

NOW THE COMMISSION, upon consideration of the matter, is of the opinion and finds that an order should be entered amending the authority granted and extending the period of authority in this case.

Accordingly, IT IS ORDERED THAT:

(1) KU/ODP is authorized to issue up to \$225 million in long-term debt, either (a) with Fidelia, later refinancing any Fidelia debt with new secured debt from the capital markets, or (b) issuing secured debt directly in the capital markets, provided that the total debt outstanding under (a) and (b) together shall not exceed \$225 million, consistent with our order in Case No. PUE-2010-00061.

(2) The authority granted, pursuant to our December 28, 2009 Order and amended by Ordering Paragraph (1) herein, is effective from the date of this order through December 31, 2011.

(3) On or before March 31, 2012, KU/ODP shall submit to the Division of Economics and Finance a final report of action containing the information required in Ordering Paragraph (4) of our December 28, 2009 Order.

² Application at 10 (footnote omitted).

(4) All other directives detailed in our December 28, 2009 Order shall remain in full force and effect.

(5) 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 40202-2828; Daniel K. Arbough, Director, Corporate Finance and Treasurer, 220 West Main Street, Louisville, Kentucky 40202; and a copy shall be sent to the Commission's Office of General Counsel and Division of Economics and Finance.

Exhibit 5

101030162

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

CLERK'S OFFICE

AT RICHMOND, OCTOBER 19, 2010

2010 OCT 19 P 2:07

APPLICATION OF

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

POLLUTION CONTROL
CASE NO. PUE-2008-00034

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

ORDER AMENDING AUTHORITY GRANTED

By Orders dated June 19, 2008, and November 30, 2009, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP" or "Company"), was authorized by the State Corporation Commission ("Commission") to issue securities, assume obligations and enter into all necessary agreements to issue new Refunding Bonds for the purpose of refinancing up to eight (8) separate series of outstanding auction rate pollution control revenue bonds issued to Mercer County, Kentucky, and Carroll County, Kentucky.¹ The Commission's authorization is due to expire on December 31, 2010.

In an application filed by KU/ODP on June 15, 2010, in Case No. PUE-2010-00061, KU/ODP made the following request:

VIII. AUCTION MODE POLLUTION CONTROL DEBT
MITIGATION

24. In Case No. PUE 2008-00034 by Order dated June 19, 2008, the Commission granted KU/ODP authority to take certain actions to mitigate the impact of market conditions on its auction mode pollution control bonds. KU/ODP requests that its authority be amended to expressly allow for the use of First Mortgage Bonds to secure any refunding debt obligations that may be incurred pursuant to the authority granted in Case No. PUE-2008-00034. In addition, by Order dated November 30, 2009, the Commission extended KU/ODP's authority in Case No. PUE-2008-00034

¹ Application of Kentucky Utilities Co. d/b/a Old Dominion Power Co., For authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia, Case No. PUE-2008-00034, 2008 S.C.C. Ann. Rept. 522, Order Granting Authority (June 19, 2008) and 2009 S.C.C. Ann. Rept. 311, Order Granting Motion and Extending Authority (Nov. 30, 2009) ("June 19, 2008 Order").

through December 31, 2010. Because of the transactions contemplated in [Case No. PUE-2010-00060], it is now possible that the mitigation actions will not be completed until 2011. KU/ODP therefore further requests that its authority in Case No. PUE-2008-00034 be extended through December 31, 2011.²

On this day, the Commission issued an order in Case No. PUE-2010-00061 granting KU/ODP's request to restructure and refinance unsecured debt, to assume obligations, and for amendment of existing authority.

NOW THE COMMISSION, upon consideration of the matter, is of the opinion and finds that an order should be entered amending the authority granted and extending the period of authority in this case.

Accordingly, IT IS ORDERED THAT:

- (1) KU/ODP shall be allowed to use first mortgage bonds to secure any refunding obligations that may be incurred pursuant to the authority granted in our June 19, 2008 Order, consistent with our order in Case No. PUE-2010-00061.
- (2) The authority granted, pursuant to our June 19, 2008 Order and amended by Ordering Paragraph (1) herein, is effective from the date of this Order through December 31, 2011.
- (3) On or before March 31, 2012, KU/ODP shall file a final report of action containing the information required in Ordering Paragraph (4) of our June 19, 2008 Order.
- (4) All other directives detailed in our June 19, 2008 Order shall remain in full force and effect.
- (5) 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

² Application at 14 (footnote omitted).

Street, Louisville, Kentucky 40202-2828; Daniel K. Arbough, Director, Corporate Finance and Treasurer, 220 West Main Street, Louisville, Kentucky 40202; and a copy shall be sent to the Commission's Office of General Counsel and Division of Economics and Finance.

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