

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF SECURITIES) CASE NO. 90-142
AND THE ASSUMPTION OF OBLIGATIONS)

O R D E R

On May 22, 1990, Louisville Gas and Electric Company ("LG&E") filed an application seeking authority to issue and sell First Mortgage Bonds, Pollution Control Series P, ("First Mortgage Bonds") in an aggregate principal amount not to exceed \$25 million. In connection with the issuance of First Mortgage Bonds, LG&E will assume certain obligations under a loan agreement with Jefferson County, Kentucky ("Jefferson County"). The First Mortgage Bonds will be issued in connection with the issuance by Jefferson County of a new series of Pollution Control Revenue Bonds ("Jefferson County Refunding Bonds"), the proceeds of which will be used to refinance \$25 million of the Jefferson County 8.25 percent Pollution Control Revenue Bonds, 1985 Series A, due July 1, 1995 ("1985 Bonds").

LG&E expects the First Mortgage Bonds to bear an interest rate between 7.25 percent and 7.50 percent. In response to the Commission's request for information, LG&E indicated that its embedded cost of debt will be reduced if the First Mortgage Bonds are issued at an interest rate of less than 8.27 percent.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale of the above securities by LG&E at an interest rate of less than 8.27 percent are for lawful objects within the corporate purposes of LG&E's utility operations, are 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, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. LG&E be and it hereby is authorized to issue, sell, and deliver First Mortgage Bonds at an interest rate less than 8.27 percent, in one or more transactions, subsequent to the issuance of this Order, during 1990, in an aggregate principal value not to exceed \$25 million in the manner set forth in the application.

2. The terms and interest rate of the Jefferson County Refunding Bonds shall be determined in negotiations among LG&E, Jefferson County, and the purchasers, or through competitive bidding. The final maturity date of the Jefferson County Refunding Bonds shall not be more than 30 years. Such bonds shall be issued in connection with the refinancing of the outstanding 1985 Bonds, and will be issued only if such transaction results in an annual effective overall embedded cost, including recovery of redemption premium and issuance expense, that is lower than that of the outstanding securities being refunded.

3. LG&E be and it hereby is authorized to execute and deliver the loan agreement with Jefferson County as set out in the application.

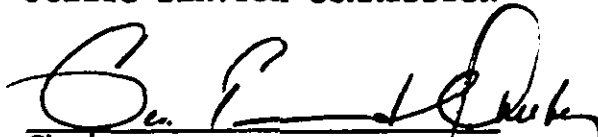
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

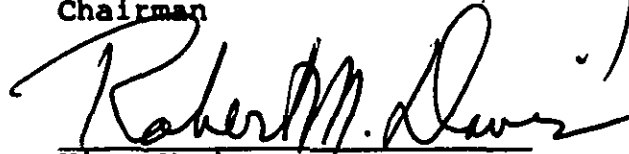
5. LG&E shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

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 25th day of June, 1990.

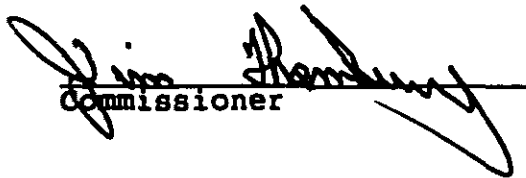
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Executive Director


Commissioner