

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR AN ORDER AUTHORIZING THE)	
ISSUE OF SECURITIES AND THE ASSUMPTION)	CASE NO. 91-108
OF OBLIGATIONS)	

O R D E R

On April 3, 1991, Kentucky Utilities Company ("KU") filed an application seeking authority to issue Pollution Control Obligations, including related First Mortgage Bonds, Pollution Control Series No. 8 and following, in an aggregate principal amount of \$96,000,000. The First Mortgage Bonds would be issued pursuant to a Supplemental Indenture supplemental to the Indenture of Mortgage and Deed of Trust dated May 1, 1947 between KU and Continental Bank, N.A., and Mr. M. J. Kruger, as Trustees. In connection with the issuance of these First Mortgage Bonds, KU will assume certain obligations under a loan agreement with Carroll County, Kentucky. The proceeds would be used to discharge or refund, on or about September 15, 1992, bonds designated "County of Carroll, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project) 1982 Series A" ("1982 Bonds") in order to reduce KU's embedded cost of debt. The First Mortgage Bonds would secure the payment of \$96,000,000 in

aggregate principal amount of a new series of Collateralized Pollution Control Revenue Bonds to be issued by Carroll County, Kentucky ("1992 Bonds").

The 1982 Bonds consist of two maturities: \$25,000,000 of 11 percent bonds and \$71,000,000 of 11.25 percent bonds, each redeemable at any time on or after September 15, 1992. As tax-exempt advance refunding is not available and based on KU's belief that waiting until the 1982 Bonds can be redeemed would jeopardize the opportunity to issue the 1992 Bonds at today's favorable interest rates, KU and Carroll County, Kentucky will each enter into certain agreements as set out in the application to provide for the sale and purchase of the 1992 Bonds. KU believes that the 1992 Bonds will bear interest of between 7.5 percent and 8.6 percent. However, based on its net present value analysis of refunding, a savings will result at any interest rate below 10.55 percent.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and delivery of the above securities by KU and the assumption by KU of the obligations under the loan agreement with Carroll County, Kentucky and the other agreements described more fully in KU's application, are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. KU be and it hereby is authorized to issue and deliver First Mortgage Bonds in an aggregate principal amount of \$96,000,000 in the manner set forth in the application and the Supplemental Indenture pursuant to the form set forth in the application.

2. KU be and it hereby is authorized to execute and deliver the loan agreement with Carroll County, Kentucky and such other agreements as set out in the application and to perform the transactions contemplated by the agreements.

3. KU shall agree only to such terms and prices which will result in a positive net present value savings and which are consistent with said parameters as set out in its application.

4. KU shall, within 30 days after the execution of agreements or issuance of the securities referred to herein, whichever is applicable, file with the Commission the executed documents including a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution and a statement of the net present value savings.

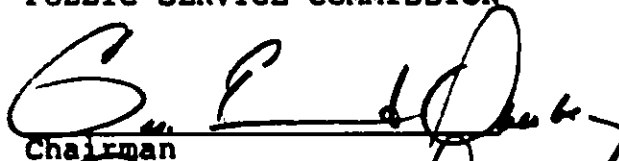
5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the

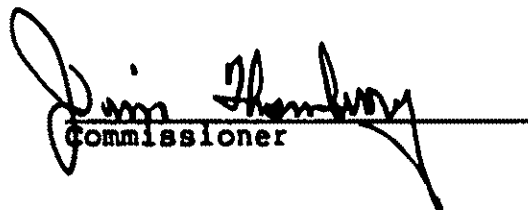
Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 15th day of May, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director