

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND )  
ELECTRIC COMPANY FOR AN ORDER AUTHORIZING ) CASE NO. 91-284  
THE ISSUANCE OF SECURITIES AND THE )  
ASSUMPTION OF OBLIGATIONS )

O R D E R

On October 22, 1991 and November 19, 1991, Louisville Gas and Electric Company ("LG&E") filed letters, which the Commission will treat as motions, requesting modification of the Commission's October 11, 1991 Order approving LG&E's issuance of up to \$50 million in cumulative preferred stock. At LG&E's option, the preferred stock will bear a fixed dividend rate or a dividend rate to be set periodically through an auction process. The first sentence of ordering paragraph 2 of the October 11, 1991 Order states:

2. LG&E 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.

While LG&E believes that the above-quoted language will allow it to issue either fixed rate or auction rate preferred stock, it has been unable to obtain an unqualified legal opinion to issue auction rate preferred because the auction rate preferred theoretically could exceed the dividend rates on the preferred to be redeemed.

Based on the motions and being advised, the Commission hereby finds that the net present value analysis required by the October 11, 1991 Order is to be calculated prospectively only. Once an issuance of preferred stock is redeemed, or the dividend rate is reestablished through the auction process, the previously effective dividend rate is eliminated from any subsequent net present value analysis.

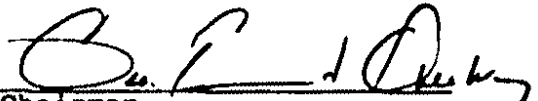
IT IS THEREFORE ORDERED that:


1. The October 11, 1991 Order be and it hereby is modified by deleting ordering paragraph 2.

2. With respect to fixed rate preferred stock, LG&E shall agree only to such terms and conditions which will result in a positive net present value savings. As to auction rate preferred, LG&E shall issue such stock only if the terms and conditions of such stock are consistent with the parameters as set out in its application. Dividends on the new preferred stock shall be payable quarterly unless and until LG&E amends its restated articles of incorporation to allow otherwise. If auction rate preferred is issued, LG&E shall prepare on an annual basis an analysis of the relationship between such auction rate preferred stock and fixed rate preferred stock at the time of the analysis. Such analysis shall be available for Commission review on an annual basis, beginning with an initial calculation within 30 days after the closing of the financing approved herein.

Done at Frankfort, Kentucky, this 6th day of December, 1991.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

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Commissioner

ATTEST:

  
Executive Director