

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR AN ORDER)	CASE NO. 2000-275
AUTHORIZING THE ISSUANCE OF SECURITIES)	
AND THE ASSUMPTION OF OBLIGATIONS)	

O R D E R

On June 2, 2000, Louisville Gas and Electric Company (“LG&E”) filed an application to issue one series of tax-exempt pollution control revenue bonds in an aggregate principal amount not to exceed \$83,335,000 and to assume certain obligations in connection therewith. LG&E will use the proceeds to refinance the principal amount of Trimble County, Kentucky, 7.625 percent Pollution Control Revenue Bonds, 1990 Series A Bonds due November 1, 2020. LG&E also seeks authority to issue one or more series of its First Mortgage Bonds, Pollution Control Series in an aggregate amount of \$83,355,000. The overall purposes of the proposed financing are to extend the maturities of the existing series of tax-exempt pollution control revenue bonds and reduce the cost of debt over the extended period.

LG&E provided information in the application that indicated that it should be able to negotiate a fixed interest rate of 6.3 percent to 6.5 percent and a variable rate of approximately 4.3 percent on the refinancing bonds, assuming current interest rates prevail.¹ LG&E also stated that “we do not expect the initial rate will exceed 7.00% unless serious disruptions in the capital markets occur, or the Company experiences adverse

¹ Charles Markel testimony, filed June 2, 2000, at 11.

circumstances or events.”² LG&E indicated that it would realize savings as long as the interest rate for the proposed refundings did not exceed 7.30 percent.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed refinancing bonds at an interest rate that results in a net present value savings over the existing financing is for lawful objects within the corporate purposes of LG&E’s utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. LG&E is authorized to issue and deliver the new tax-exempt mortgage bonds in an aggregate principal amount not to exceed \$83,335,000 in the manner set forth in its application.
2. LG&E is authorized to execute and deliver the loan agreements with Trimble County, Kentucky, the interest rate exchange agreement and such other agreements as set out in its application, and to perform the transactions contemplated by the agreement.
3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.
4. LG&E shall agree only to such terms and prices that are consistent with the parameters set out in its application and which produce net present value savings over the existing financing.

² Id. at 7.

5. LG&E shall, within 30 days from the date of issuance, file with this 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 commission 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 18th day of July, 2000.

By the Commission

ATTEST:


Executive Director