

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF) CASE NO. 2003-00058
SECURITIES AND THE ASSUMPTION)
OF OBLIGATIONS)

O R D E R

On April 23, 2003, Louisville Gas and Electric Company (LG&E) filed a petition for clarification of the Commission s Order in this case dated April 14, 2003. In that Order, the Commission denied LG&E s proposed method of determining the interest rate for loans obtained by LG&E from Fidelia Corporation (Fidelia), a subsidiary of E.ON, LG&E s parent company. LG&E had proposed that Fidelia obtain three quotes, which would then be averaged, and that LG&E obtain three quotes, which would also be averaged. The financing would be at an interest rate that was the lower of the two averages.¹ In its Order, the Commission approved the use of the lowest rate available to LG&E, not the average of the rates available to LG&E.

LG&E petitioned for clarification, stating that the Order had addressed the averaging of rates by LG&E, but did not specifically address the interest rates obtained by E.ON. LG&E requests that the Commission clarify that in determining the interest rate for borrowings, the lower of (a) the average of the interest rates available to E.ON or (b) the lowest interest rate available to LG&E may be used. The rate offered to LG&E from E.ON, through Fidelia, is only one rate available to LG&E, along with rates it

¹ Application at 3.

can obtain from external sources. The Commission's intent is that LG&E should obtain an interest rate that is no higher than it would otherwise pay if there were no financing available through Fidelity. The Commission's April 14, 2003 Order meant to express that intent. If E.ON, through Fidelity, is able to offer a rate lower than that available to LG&E from external sources, the fact that the rate is an average of rates available to E.ON is acceptable to the Commission. We find, therefore, that LG&E's request for clarification is reasonable and we will approve LG&E borrowing at the lower of (a) the average of the interest rates available to E.ON or (b) the lowest interest rate available to LG&E.

IT IS THEREFORE ORDERED that LG&E is authorized to obtain long-term debt at the lower of (a) the average of the interest rates available to E.ON or (b) the lowest interest rate available to LG&E.

Done at Frankfort, Kentucky, this 30th day of April, 2003.

By the Commission

ATTEST:

Deputy W. H. Fowler
Executive Director