

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES )  
COMPANY FOR AN ORDER )  
AUTHORIZING THE ISSUANCE OF ) CASE NO. 2003-00059  
SECURITIES AND THE ASSUMPTION )  
OF OBLIGATIONS )

O R D E R

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

KU petitioned for clarification, stating that the Order had addressed the averaging of rates by KU, but did not specifically address the interest rates obtained by E.ON. KU 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 KU may be used. The rate offered to KU from E.ON, through Fidelity, is only one rate available to KU, along with rates it can obtain from external

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<sup>1</sup> Application at 3.

sources. The Commission's intent is that KU 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 KU 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 KU's request for clarification is reasonable and we will approve KU borrowing at the lower of (a) the average of the interest rates available to E.ON or (b) the lowest interest rate available to KU.

IT IS THEREFORE ORDERED that KU 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 KU.

Done at Frankfort, Kentucky, this 30<sup>th</sup> day of April, 2003.

By the Commission

ATTEST:

Deputy W<sup>m</sup> H. Fowler  
Executive Director