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February 18, 2008

**HAND DELIVERY**

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FEB 18 2008

PUBLIC SERVICE  
COMMISSION

Elizabeth O'Donnell  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Louisville Gas and Electric Company  
Case No. 2007-00550**

Dear Ms. O'Donnell:

Enclosed for filing please find the original and ten copies of Louisville Gas and Electric Company's Motion for Clarification and Amendment of Order in the above referenced case. Extra copies of the Motion are enclosed to be file stamped and returned to the undersigned.

Please do not hesitate to contact me if you have any questions or require additional information.

Very truly yours,

J. Wade Hendricks

JWH/dvg  
Enclosures

cc: Daniel Arbough  
Lonnie Bellar  
Rick Lovekamp  
Allyson Sturgeon, Esq.  
Don Harris  
John Wiedmar

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 18 2008

PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR AN )  
ORDER AUTHORIZING THE ISSUANCE ) CASE NO. 2007-00550  
OF SECURITIES AND THE ASSUMPTION )  
OF OBLIGATIONS )

**MOTION FOR CLARIFICATION AND AMENDMENT OF ORDER**

Louisville Gas and Electric Company (“LG&E”) moves for clarification and amendment of the Commission’s Order of February 13, 2008. Specifically, LG&E requests clarification of language contained in the second literary paragraph and in ordering paragraphs 4 and 7 of the February 13 Order.

In the second literary paragraph of the Order, the interest rate on the proposed borrowing from Fidelity is described as follows:

The interest rate on its borrowing from Fidelity will be the lower of (a) the average of three quotes obtained from international investment banks for an unsecured bond issued by E.ON with the applicable term of the loan; and (b) the lowest of three quotes obtained by *the affiliate company* [meaning Fidelity] from international investment banks for a secured bond with the applicable term of the loan. (emphasis added)

As set out in LG&E’s Application, the comparison of the rate available to E.ON for its unsecured bonds should be with the lowest of three quotes obtained by LG&E for secured bonds. The language in the second paragraph of the Order appears to disregard the interest rate available directly to LG&E. This would not be consistent either with LG&E’s Application, or with past Commission orders.

In ordering paragraph 4, the February 13 Order provides that:

LG&E shall obtain an interest rate from Fidelia that is no greater than the lowest available rate that LG&E may obtain from any other source.

As written, this language both does not appear to reflect the comparison underlying the Best Rate Method (i.e., that the interest rate on the loan from Fidelia will be at the lower of the lowest rate available to LG&E or the average rate available on bonds issued by E.ON) and the computation of how the third party rate available to LG&E is determined (i.e., the lowest of three quotes obtained by LG&E from international investment banks for a secured bond issued by LG&E for the applicable term of the loan).

In ordering paragraph 7, the February 13 Order states:

LG&E shall agree only to such terms and prices that are consistent with this Order *and that produce the lowest cost financing.* (emphasis added)

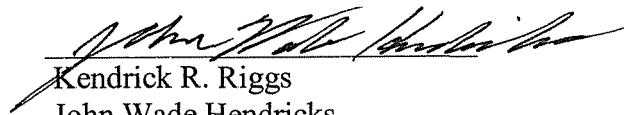
This language should be contrasted to similar language appearing in ordering paragraph 7 of the Commission's Order of the same date in Case No. 2007-00548:

KU shall agree only to such terms and prices that are consistent with this Order.

LG&E selects maturities for its various debt issues with a range of maturities that best serve its overall financing needs. In doing so, LG&E may select different maturities to achieve stability and with a view to where it sees value on the yield curve. In contrast, the lowest cost financing with respect to each individual debt issue would almost always result in issuance of only short-term debt. While the Best Rate Method is intended to achieve interest rates at or below those otherwise available to LG&E for a given maturity, for any given debt issue that rate may not be the lowest rate available on debt with other, generally shorter, terms.

**WHEREFORE**, Louisville Gas and Electric Company respectfully requests that the Commission enter an Order granting the clarification and amendment of the February 13, 2008 Order as requested in this Motion.

Respectfully submitted,



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