

**MORGAN STANLEY****10 December 2003**

**To: LOUISVILLE GAS AND ELECTRIC COMPANY**  
**Attn: Dan Arbough**  
**Fax: 15026274742**

**From: MORGAN STANLEY CAPITAL SERVICES INC.**

**Re: Swap Transaction Ref. No. AUC1P**

**Dear Sir or Madam:**

The purpose of this letter agreement is to set forth the terms and conditions of the transaction entered into between MORGAN STANLEY CAPITAL SERVICES INC. and LOUISVILLE GAS AND ELECTRIC COMPANY on the Trade Date specified below (the "Transaction"). This facsimile constitutes a "Confirmation" as referred to in the Agreement as specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (the "Definitions") as published by the International Swaps and Derivatives Association, Inc. ("ISDA") are incorporated into this Confirmation. For these purposes, all references in the Definitions to a "Swap Transaction" shall be deemed to apply to the Transaction referred to herein. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement dated as of 12 December 1997, as amended and supplemented from time to time (the "Agreement"), between MORGAN STANLEY CAPITAL SERVICES INC. and you. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The terms of the particular Transaction to which this Confirmation relates are as follows:

Party A:	MORGAN STANLEY CAPITAL SERVICES INC.
Party A Credit Support:	Payments guaranteed by Morgan Stanley
Party B:	LOUISVILLE GAS AND ELECTRIC COMPANY
Party A and Party B Credit Support:	Credit Support Annex dated as of 12 December 1997
Notional Amount:	USD 32,000,000
Trade Date:	09 December 2003
Effective Date:	11 December 2003
Termination Date:	01 October 2033, subject to adjustment in accordance with the Modified Following Business Day Convention.

<b>Floating Amounts</b>	
Floating Rate Payer:	Party A
Floating Rate Payer Notional Amount:	USD 32,000,000

Floating Rate Payer Payment Dates:	On 1 January, 1 February, 1 March, 1 April, 1 May, 1 June, 1 July, 1 August, 1 September, 1 October, 1 November And 1 December in each year, from and including 1 January 2004 to and including 01 October 2033, subject to adjustment in accordance with the Modified Following Business Day Convention
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**Floating Rate for Initial Calculation Period:** 1.16875 %  
**Floating Rate Option:** USD-LIBOR-BBA  
**Designated Maturity:** 1 Month Except for the Initial Calculation Period as specified above  
**Floating Rate Formula:** 68.00000 % \* Floating Rate Option  
**Floating Rate Day Count Fraction:** ACTUAL/360  
**Reset Dates:** The first day of each Calculation Period

**Fixed Amounts**  
**Fixed Rate Payer:** Party B  
**Fixed Rate Payer Notional Amount:** USD 32,000,000

**Fixed Rate Payer Payment Dates:** On 1 January, 1 February, 1 March, 1 April, 1 May, 1 June, 1 July, 1 August, 1 September, 1 October, 1 November And 1 December In each year, from and including 1 January 2004 to and including 01 October 2033, subject to adjustment in accordance with the Modified Following Business Day Convention

**Fixed Rate:** 3.64500 %  
**Fixed Rate Day Count Fraction:** 30/360

**Business Days for Payment Calculation Agent:** London And New York  
 Party A, or as specified in the Agreement

**Other Provisions:**  
 None

**Account Details:**  
 Account for payments to Party A:

Account for payments in USD : Citibank, New York  
ABA No: 021 000 089  
A/C No: 4072-4601  
A/C Morgan Stanley Capital Services

Account for payments to Party B:  
Account for payments in USD : Please supply details

**Documentation and Operations**

**Contacts:**  
**Documentation:** Telephone New York (212) 761 2630  
Facsimile New York (212) 761 9662  
**Operations:** Telephone New York (212) 761 4662  
Facsimile New York (718) 754 8494

**Confirmation:**

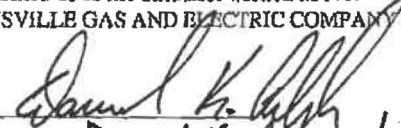
Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation, our Reference No. AUCIP, and returning it to us by sending to us a facsimile substantially similar to this facsimile which sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms. We are delighted to have executed this Transaction with you and look forward to working with you again.

Yours sincerely,



By: \_\_\_\_\_  
Name: George James  
Title: Managing Director  
MORGAN STANLEY CAPITAL SERVICES INC.

Confirmed as of the date first written above:  
LOUISVILLE GAS AND ELECTRIC COMPANY

By:   
Name: Daniel K. Arbaugh  
Title: Treasurer