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 SECURITIES AND THE ASSUMPTION OF OBLIGATIONS	))))	CASE NO. 93-223

O R D E R

On June 23, 1993, Louisville Gas and Electric Company ("LG&E") filed an application seeking authority to issue and sell one or more new series of First Mortgage Bonds in an aggregate principal amount not to exceed $42.6 million ("new taxable mortgage bonds") for the purpose of refinancing two outstanding series of its First Mortgage Bonds; to issue and sell one or more series of First Mortgage Bonds in the aggregate principal amount not to exceed $203.2 million ("new tax-exempt mortgage bonds"); and to assume certain obligations for the purpose of refinancing up to seven outstanding series of Jefferson County Pollution Control Revenue Bonds ("existing pollution bonds").

The proceeds from the new taxable mortgage bonds would be used to reduce LG&E's embedded cost of debt by refinancing two outstanding series of First Mortgage Bonds as follows:

1. The 8-1/4% First Mortgage Bonds, dated August 1, 1971, due August 1, 2001, of which there are currently outstanding $19,700,000 in principal amount. The entire issue will be redeemed at the call price of 102.4 percent plus accrued interest to the date of redemption.

2. The 8-1/2% First Mortgage Bonds, dated November 1, 1976, due November 1, 2006, of which there are currently outstanding $21,362,000 in principal amount. The entire issue will be redeemed at the call price of 104.55 percent prior to November 1, 1993 and 104.20 percent from November 1, 1993 through October 31, 1994 plus accrued interest to the date of redemption.

The new taxable mortgage bonds would be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Trust Indenture, dated November 1, 1949, between LG&E and Harris Trust and Savings Bank, as heretofore amended and supplemented. Current interest rates would allow any new taxable mortgage bonds to be issued at lower rates than the existing taxable mortgage bonds. The new taxable mortgage bonds would mature not more than 30 years after the date of issuance, and would have a lower annual effective interest cost to LG&E than the existing taxable mortgage bonds.

The new tax-exempt mortgage bonds would be issued to secure the payment of up to $203.2 million in aggregate principal amount of up to seven new series of Pollution Control Revenue Bonds to be issued by Jefferson County, Kentucky ("refunding bonds"). The proceeds would be used to refinance the following securities in order to reduce LG&E's embedded cost of debt and extend the maturities thereby retaining the use of tax-exempt financing:

Issue	Date of Maturity	Amount Outstanding
Jefferson County, Kentucky 6-1/8% Pollution Control Revenue Bonds, 1976 Series A	September 1, 2006	$35,200,000
Jefferson County, Kentucky 6-1/8% Pollution Control Revenue Bonds, 1978 Series A	June 1, 1998	7,000,000
Jefferson County, Kentucky 6-3/8% Pollution Control Revenue Bonds, 1978 Series A	June 1, 2008	35,000,000
Jefferson County, Kentucky 6.60% Pollution Control Revenue Bonds, 1979 Series A	October 1, 2004	20,000,000
Jefferson County, Kentucky 6.70% Pollution Control Revenue Bonds, 1979 Series A	October 1, 2009	40,000,000
Jefferson County, Kentucky 9-3/4% Pollution Control Revenue Bonds, 1984 Series A	February 15, 2011	26,000,000
Jefferson County, Kentucky 9-3/4% Pollution Control Revenue Bonds, 1985 Series A	July 1, 2015	40,000,000

Each series of the existing pollution bonds is subject to redemption at the times and prices set forth in LG&E's application. One series, the 9-1/4% Pollution Control Revenue Bonds, 1985 Series A, due July 1, 2015, is not redeemable until July 1, 1995 and, under existing federal tax laws, cannot be refunded until 90 days prior to July 1, 1995. In connection with the refinancing of these bonds, LG&E and Jefferson County will enter into certain agreements as set out in the application to provide for the sale and purchase on or after April 1, 1995.

If all or a portion of the refunding bonds are issued initially at a variable interest rate, LG&E may enter into one or more interest rate exchange or swap agreements designed to allow LG&E to manage and limit its exposure to variable interest rates. An interest rate swap does not involve an exchange of the principal nor is it tied to any particular asset or liability. An interest rate swap is a contract in which one party agrees to make fixed rate payments to a counterparty, which, in turn, makes floating rate payments to the first party. In the event one or more series of fixed rate refunding bonds are issued, LG&E may enter into similar agreements for the purpose of lowering its overall borrowing costs.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale of the above securities by LG&E and the assumption by LG&E of the obligations under the loan agreement with Jefferson County, Kentucky, the interest rate agreements and other agreements described more fully in LG&E's application are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. LG&E be and it hereby is authorized to issue, sell, and deliver the new taxable mortgage bonds in an aggregate principal

amount not to exceed $42.6 million in the manner set forth in its application.

2. LG&E be and it hereby is authorized to issue and deliver the new tax-exempt mortgage bonds in an aggregate principal amount not to exceed $203.2 million in the manner set forth in its application.

3. LG&E be and it hereby is authorized to execute and deliver the loan agreements with Jefferson 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 agreements.

4. With respect to fixed rate bonds, LG&E shall agree only to such terms and conditions which will result in a positive net present value savings. As to variable rate bonds, LG&E shall agree only to such terms and conditions which are consistent with the parameters as set out in its application. If variable rate bonds are issued, LG&E shall prepare on an annual basis an analysis of the relationship between such variable rate bonds and fixed rate bonds at the time of the analysis. Such analysis shall be available for Commission review on an annual basis, beginning with an initial calculation within 30 days after the closing of the financing approved herein.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as set out in the application.

6. LG&E shall, within 30 days after the execution of the agreements or issuance of the securities referred to herein, whichever is applicable, file with the Commission the executed documents, including a statement setting forth the date or dates of issuance of the securities authorized herein, the price(s) paid, the interest rate(s) (including, if all or a portion of the refunding bonds initially bear a variable rate of interest, the method for determining the interest rate), the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution, and a statement of the net present value savings.

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 28th day of July, 1993.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director