

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND )  
ELECTRIC COMPANY FOR AN ORDER ) CASE NO. 2000-051  
AUTHORIZING THE ISSUANCE OF SECURITIES )  
AND THE ASSUMPTION OF OBLIGATIONS )

O R D E R

On February 1, 2000, Louisville Gas and Electric Company ("LG&E") filed an application to issue one series of tax-exempt pollution control revenue bonds in an aggregate principal amount not to exceed \$25,000,000 and to assume certain obligations in connection therewith. LG&E will use the proceeds to refinance the principal amount of Jefferson County, Kentucky 7.45 percent Pollution Control Revenue Bonds, 1990 Series A Bonds due June 15, 2015. Although the existing revenue bonds are backed by first mortgage bonds, LG&E indicated that the proposed refinancing bonds will not be similarly secured. The overall purposes of the proposed financing are to extend the maturities of the existing series of tax-exempt pollution control revenue bonds and reduce the cost of debt over the extended period.

LG&E provided additional information on March 3, 2000 and March 14, 2000 in response to a Commission information request. In its March 3, 2000 response, LG&E revised its application, based on changes to its current credit ratings, to include the issuance of first mortgage bonds to secure the proposed refinancing bonds.

LG&E provided information in the application that indicated that it should be able to

negotiate a fixed interest rate of 6.30 percent to 6.50 percent and a variable rate of approximately 3.50 percent on the refinancing bonds, assuming current interest rates prevail.<sup>1</sup> LG&E also stated that “we do not expect the initial rate will exceed 7.00 percent unless serious disruptions in the capital markets occur, or the Company experiences adverse circumstances or events.”<sup>2</sup> LG&E indicated that it would realize a savings as long as the interest rate did not exceed 7.41 percent for the proposed refinancing of the Series due in 2015.<sup>3</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed refinancing bonds at an interest rate that results in a net present value savings over the existing financing is for lawful objects within the corporate purposes of LG&E’s utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. LG&E is authorized to issue one series of tax-exempt pollution control revenue bonds in an aggregate principal amount not to exceed \$25,000,000 and to assume certain obligations in connection therewith.

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<sup>1</sup> Charles Markel testimony, filed February 4, 2000, at 11.

<sup>2</sup> Id. at 6.

<sup>3</sup> LG&E response filed March 14, 2000.

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

3. LG&E shall agree only to such terms and prices that are consistent with the parameters set out in its application and which produce net present value savings over the existing financing.

4. LG&E shall, within 30 days from the date of issuance, file with this Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution.

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 31<sup>st</sup> day of March, 2000.

By the Commission

ATTEST:

  
Executive Director