

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)	CASE NO. 2001-316
OF SECURITIES AND THE ASSUMPTION)	
OF OBLIGATIONS)	

O R D E R

On September 28, 2001, Louisville Gas and Electric Company ("LG&E") filed an application to issue one or more series of its First Mortgage bonds in an aggregate principal amount not to exceed \$120,000,000 and to assume certain obligations in connection therewith. LG&E will use the proceeds to refund the \$22,500,000 principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1996 Series A, the \$35,000,000 principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1997 Series A, the \$27,500,000 principal amount of County of Trimble, Kentucky Pollution Control Revenue Bonds, 1996 Series A, and the \$35,000,000 principal amount of County of Trimble, Kentucky Pollution Control Revenue Bonds, 1997 Series A.

On October 16, 2001, the Commission notified LG&E that the application was deficient. On October 18, 2001, LG&E supplemented its application and cured the deficiencies. On November 16, 2001, LG&E provided additional information in response to a Commission information request.

The proposed First Mortgage Bonds will be used to secure and collateralize the Jefferson County and Trimble County Refunding Bonds. The existing revenue bonds were issued on an unsecured basis since there was not a significant difference in interest rates at the time between secured and unsecured bonds. As a result of changes in the markets, along with the decline of the Company's credit ratings, LG&E now expects to benefit from lower interest rates if it either issues its own first mortgage bonds to secure the obligations, utilizes bond insurance, or both. LG&E has also requested authority to execute and deliver, as required, and to perform its obligations under loan agreements with Jefferson County and Trimble County respectively and any guaranties, remarketing agreements and the various credit and hedging facilities, auction rate and other agreements, and notes as are set forth in the application and to perform the transactions contemplated by those agreements.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed first mortgage bonds and the assumption of obligations in connection therewith as set out in LG&E's application will result in an interest rate that results in 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 and deliver one or more series of its First Mortgage bonds in an aggregate principal amount not to exceed \$120,000,000 as set forth in its application.

2. LG&E is authorized to execute, deliver and perform its obligations under the loan agreements with Jefferson County, Kentucky and Trimble County, Kentucky, and under any guaranties, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and such other agreements and documents as set out in its application, and to perform the transactions contemplated by all of such agreements.

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

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

5. 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 of the securities authorized herein, 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 7th day of December, 2001.

By the Commission

ATTEST:


Executive Director