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. 2003-00299

O R D E R

On August 4, 2003, Louisville Gas and Electric Company (LG&E) filed an application seeking Commission authorization to issue one or more series of its First Mortgage Bonds in an aggregate principal amount not to exceed $128,000,000 and to assume certain obligations in connection with the bonds. Those obligations relate to refunding bonds to be sold by Louisville Jefferson County Metro Government (Metro Government), the proceeds from which will be loaned to LG&E. The proposed LG&E First Mortgage Bonds will be used to secure and collateralize the Metro Government Refunding Bonds. Proceeds from the loan will be used by LG&E to refinance the $102,000,000 principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1993 Series B and the $26,000,000 principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1993 Series C (collectively the Existing Bonds).

Refinancing the existing bonds will allow LG&E to take advantage of currently low long-term interest rates and thereby reduce LG&E s cost of debt over the life of the bonds. The refunding bonds may be issued initially with a variable interest rate with the option for LG&E to convert the bonds to a fixed rate of interest at a later date. In its application, LG&E requests authority to enter into one or more remarketing agreements in the event that variable rate refunding bonds are issued initially, as well as authority to enter into one or more liquidity facilities. Liquidity facilities would consist of credit arrangements with a bank or banks that would allow for the availability of immediate funds with which payment for tendered variable rate refunding bonds could be made if the bonds are not remarketed. LG&E may enter into one or more interest rate hedging agreements, auction agreements, bond insurance agreements, credit agreements, or other agreements designed to limit its exposure to variable interest rates or lower its fixed borrowing costs.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed first mortgage bonds in an aggregate principal amount not to exceed $128,000,000 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 its 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 new first mortgage bonds in an aggregate amount not to exceed $128,000,000 as set forth in the provisions and terms in its application.

2. LG&E is authorized to perform its obligations under the loan agreements with the Metro Government, and any related guaranties, remarketing agreements, interest rate hedging agreements, auction agreements, bond insurance agreements, credit agreements and other agreements it may enter into, as described in its application.

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

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

5. LG&E shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate, the terms and all fees and expenses, including underwriting discounts, commissions or other compensation involved in the issuance and distribution of the securities. In addition, LG&E shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rates available at the time of issuance. The explanation shall include a description of the specific interest rate management techniques and interest rate management agreements utilized by LG&E for each issuance, as well as copies of any executed interest rate management agreements. If a variable interest rate is chosen, LG&E shall file a detailed description of the criteria to be periodically applied in determining whether the variable rate should be converted to a fixed rate.

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 16th day of September, 2003.

By the Commission

ATTEST:

Wm. H. Bowker

Deputy Executive Director