

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY) CASE NO.
FOR AN ORDER AUTHORIZING THE ISSUANCE OF) 2008-00309
SECURITIES AND THE ASSUMPTION OF OBLIGATIONS)

O R D E R

By Order dated September 16, 2008, the Commission authorized Kentucky Utilities Company ("KU") to assume certain obligations under loan agreements with Carroll County, Kentucky in relation to the issuance of tax-exempt pollution control bonds. In that Order, the Commission also granted KU authority to refund and consolidate four series of existing pollution control bonds with the *new pollution control bonds*.¹ The Commission had previously authorized KU to refinance the four existing bonds in Case No. 2008-00132.² On September 23, 2008, KU filed a motion seeking to amend Ordering Paragraph 3, which provides as follows:

KU 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.

(Emphasis added).

¹ The four series of debt that KU identified in its application are: (1) Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series A; (2) Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2005 Series B; (3) Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series A; and (4) Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2006 Series C.

² Case No. 2008-00132, The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations (Ky. PSC June 17, 2008).

Other than the four specific existing pollution control bonds, KU asserts that it is not able to identify any other specific existing financing that the proceeds from the new bonds will replace. KU further states that it does not assign specific financing to any particular project or use and does not project finance capital costs. All components of KU's capital structure, both debt, long-term and short-term, and equity, are used to fund capital expenditures. Thus, KU concludes that the appropriate comparison is between the cost to KU of permanent financing using tax-exempt debt and taxable debt.

KU recommends that Ordering Paragraph 3 to the September 16, 2008 Order be amended as follows:

*KU 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 four series of existing financing identified in Case No. 2008-00132.*³

(Emphasis added).

Having considered the motion and being otherwise sufficiently advised, the Commission finds that KU's proposed amendments to the September 16, 2008 Order are reasonable and that KU's motion should be granted.

IT IS THEREFORE ORDERED that:

1. KU's motion for amendment of Order is granted.
2. Ordering Paragraph 3 of the September 16, 2008 Order shall be amended

as follows:

KU 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 four series of existing financing specifically identified in this Order and

³ KU proposed the recommended language in an October 3, 2008 letter, which was filed subsequent to an informal conference conducted on October 1, 2008.

previously authorized to be refinanced in Case No. 2008-00132.


3. All remaining provisions of the Commission's Order of September 16, 2008 remain in full force and effect.

Done at Frankfort, Kentucky, this 9th day of October, 2008.

By the Commission

Chairman Armstrong abstains.

ATTEST


Executive Director