

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)	CASE NO. 2016-00083
ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	

MOTION TO RECONSIDER AND AMEND ORDERING PARAGRAPH 4

Louisville Gas and Electric Company (“LG&E”), pursuant to KRS 278.400, requests the Commission to reconsider and amend paragraph 4 of its April 6, 2016 Order. In support of this Motion, LG&E states as follows:

The Commission’s Order permits LG&E to issue the First Mortgage Bonds requested in its Application and contains further terms related to its approval. Ordering Paragraph 4 states:

Within 30 days of the day of issuance, LG&E shall file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof, and a net present value analysis of the savings, if any, from the refinancing. LG&E shall also file documentation showing the quotes upon which it relied to determine the lowest interest rate.

LG&E would have difficulty taking the actions authorized in the Commission’s Order because of the limitation contained in the last sentence of this Ordering Paragraph requiring LG&E to demonstrate it selected the lowest interest rate.¹ LG&E requests that the Commission reconsider and amend this portion of Ordering Paragraph 4 and replace it with the following:

¹ The lowest interest rate standard is appropriate for evaluating affiliate transactions between the utility and its unregulated affiliate and was used by the Commission when LG&E would borrow funds in the E.ON AG holding company system from its affiliate Fidelity Corp.

“LG&E shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of issuance.”

LG&E selects terms for its various debt issues with a range of maturities and interest rate modes that best serve its overall financing needs. In doing so, LG&E may select different maturities and interest rate modes to achieve stability and with a view to where it sees value on the yield curve. Long-term debt, such as that evidenced by the First Mortgage Bonds, will rarely have the lowest interest rates as compared to various forms of short-term debt, such as commercial paper. It is prudent, however, to issue a certain amount of long-term debt to lock in favorable and reasonable, albeit not the lowest, interest rates for a longer term. This allows LG&E to mitigate its exposure to market volatility and maintain a balanced capital structure and a favorable credit rating. A prudently calibrated capital structure balances the risks of market volatility with the flexibility to benefit from advantageous shorter term interest rates.

WHEREFORE, Louisville Gas and Electric Company respectfully requests the Commission to reconsider and amend Ordering Paragraph 4 to allow for selection of the most reasonable interest rate available at the time of issuance.

Date: April 18, 2016

Respectfully submitted,




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CERTIFICATE OF SERVICE

This is to certify that Louisville Gas and Electric Company's April 18, 2016 electronic filing of the Motion to Reconsider and Amend Ordering Paragraph 4 is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on April 18, 2016; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original in paper medium of this filing will be mailed to the Commission on April 18, 2016.



Kenneth R. Riggs
Counsel for Louisville Gas and Electric Company