

*D. Billye Sanders*

Attorney-at Law  
3514 Geneva Circle  
Nashville, Tennessee 32709  
(615) 500-7749  
[sanders.billye@gmail.com](mailto:sanders.billye@gmail.com)

September 7, 2011

Received electronically  
in TRA Docket Room  
09/07/11  
11-00156

Eddie Roberson, Chairman Tennessee Regulatory Authority  
c/o Sharla Dillon Dockets and Records Manager  
460 James Robertson Parkway  
Nashville, Tennessee 37219

RE: Petition of Kentucky Utilities Company for an Order Approving Amendment  
of Existing Financing Authority

Dear Chairman Roberson,

Enclosed are the original and 4 copies of the above referenced Petition seeking approval  
of an amendment to the existing financing authority of Kentucky Utilities Company  
which was approved in TRA Docket No. 10-00119. The Petition is also being filed  
electronically. A check for the \$25 filing fee is enclosed.

The company respectfully requests that the matter be placed on the September 26, 2011  
TRA Conference docket, as the company desires to consummate the transactions  
contemplated in the Petition in October.

Requests for approval of the amendment of this financing authority have been filed with  
the Kentucky Public Service Commission and the Virginia State Corporation  
Commission. We will provide the TRA with copies of the orders issued by those  
agencies when they are issued.

Please contact me if you have any questions.

Sincerely,



D. Billye Sanders  
Attorney for Kentucky Utilities Company

Enclosures

c: Kendrick R. Riggs, Esq., Stoll Keenon Ogden PLLC  
Allyson K. Sturgeon, Senior Corporate Attorney, LG&E and KU Energy LLC  
Office of the Tennessee Attorney General Consumer Advocate and Protection Division

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

PETITION OF KENTUCKY UTILITIES )  
COMPANY FOR AN ORDER APPROVING ) Docket No. \_\_\_\_\_  
AMENDMENT OF EXISTING FINANCING )  
AUTHORITY

**PETITION**

Kentucky Utilities Company ("KU" or the "Company"), hereby respectfully requests that the Tennessee Regulatory Authority ("TRA" or "Authority") modify the financing authority granted to KU by Order dated, October 21, 2010 in TRA Docket No. 10-00119<sup>1</sup>. In support of this Petition, KU states the following:

1. On June 15, 2010 in TRA Docket No. 10-00119 along with other matters related to KU's restructure of its debt, KU applied for authority to replace its then current revolving credit facilities (the "Refinancing Petition"). KU requests that the Authority take official notice of Docket No. 10-00119. Original authority for the revolving credit facilities being replaced was granted in TRA Docket No. 07-00156<sup>2</sup> by Order dated September 13, 2007.

2. In its Petition in Docket No. 10-00119, KU requested authority to enter into one or more new credit facilities (the "New Credit Facilities") to replace the existing multi-year revolving credit facilities authorized in Docket No. 07-00156. This was necessary because the credit facilities in effect at that time were to be unavailable following consummation of the change of control contemplated in TRA Docket No. 10-00118<sup>3</sup>.

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<sup>1</sup> *Petition of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt, the Assumption of Obligations and for Amendment of Existing Financing Authority*

<sup>2</sup> *Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*

<sup>3</sup> *Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC and Kentucky Utilities Company for Approval of a Transfer of Control of Kentucky Utilities Company*

3. In its Petition in Docket No. 10-00119, KU stated that the term of the New Credit Facilities would not exceed five years, and that it expected the actual term of any New Credit Facility would run through December 31, 2014. By Order dated October 21, 2010, the Authority authorized KU to enter into one or more multi-year revolving New Credit Facilities with one or more financial institutions in an aggregate amount not to exceed \$400,000,000, as described in KU's Refinancing Petition.

4. KU subsequently entered into such facilities. However, significant changes in the credit markets have recently occurred that have made it advantageous for KU to extend the New Credit Facilities beyond the current December 31, 2014 termination date, or the five year term contemplated in KU's Refinancing Petition. KU therefore seeks authority to amend and extend the New Credit Facilities for an additional period of either five (5) years from the date of extension or through December 31, 2016.

5. The amended and extended New Credit Facilities would be available for the same purposes for which they are currently available. Loan proceeds could be used to provide short-term financing for KUs general financing needs, for example, general costs of operation or costs of KU's various construction programs, until permanent or long-term financing can be arranged. However, KU does not assign specific financing to any particular capital project or use, and does not project finance projects. Thus, these are general reasons that KU might have need for short-term financing, rather than uses to which such financing would be assigned. In addition, the amended and extended New Credit Facilities could be used to provide liquidity or credit support for KU's other debt, for example, ensuring that KU had readily available funds with which to make payments with respect to variable rate bonds that could be tendered for purchase and not remarketed.



6. By amending and extending the existing New Credit Facilities, KU will be able to pay lower on-going commitment fees immediately and KU anticipates paying a lower upfront fee than if it waited until the term of the current facility ended to replace the line of credit. The amendment would also significantly reduce the credit spread the Company would pay if it borrows under the line of credit. Attached to this Petition as Exhibit 1 is a net present value analysis showing significant savings to KU if it is able to amend and extend the New Credit Facilities. The model is conservative in that it assumes the current market conditions, which are very favorable, would continue to be available at the end of 2014 when the existing line of credit expires.

**THEREFORE**, Kentucky Utilities Company respectfully requests that the Authority amend the financing authority granted to Kentucky Utilities Company in its October 21, 2010 Order in Docket No. 10-00119, as follows:

1. That Kentucky Utilities Company be authorized to amend and extend the term of its multi-year revolving credit facilities through December 31, 2016.
2. Other than as expressly set out herein, that the authority granted by the Authority in its October 21, 2010 Order in Docket No. 10-00119 remain in force and effect.

Dated: September 7, 2011.

Respectfully submitted,

Kentucky Utilities Company

By: D. Billye Sanders

D. Billye Sanders (BPF #5631)

Attorney-at-Law

3514 Geneva Circle

Nashville, Tennessee 37209

Telephone: (615) 500-7749

Email: sanders.billye@gmail.com

Kendrick R. Riggs  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, KY 40202  
Telephone: (502) 333-6000  
Email: [kendrick.riggs@skofirm.com](mailto:kendrick.riggs@skofirm.com)

Allyson K. Sturgeon  
Senior Corporate Attorney  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, Kentucky 40202  
Telephone: (502) 627-2088  
Email: [allyson.sturgeon@lge-ku.com](mailto:allyson.sturgeon@lge-ku.com)

Counsel for Kentucky Utilities Company

## **EXHIBIT 1**

### **KU 2011 Credit Facility Analysis**

**KU 2011 Credit Facility Analysis**  
(Refinance in 2011 or Wait Until 2014\*)

**Assumptions:**

Tax Rate	38.9%	Average LC Outstanding:	\$0
Discount Rate (WACC):	6.68%	Average Drawn <sup>1</sup> :	\$0
Size:	\$400,000,000	Close Date:	October 1, 2011
New Rates:		2011 Unamortized Fee Write-off due to Bank Commitment Changes	\$0
5-Year Terms			
Up-Front Fee	0.375%		
Amendment Fee	0.150%		
Arranger Fee - Now	\$125,000		
Arranger Fee - Wait	0.100%		
Grid Pricing on Attachment 1			

<sup>1</sup> Interest on credit facility draws calculated using credit spread only

\* Assumed that Credit Facility pricing (37.5 bps and 10 bps arranger fees) and tenor availability remain available in 2014.

**Cash Analysis**

	2011 (3 Months)	2012	2013	2014	2015	2016
<b>Current</b>						
Upfronts/Arranger Fees						
Funded Fees	\$0	\$0	\$0	\$0	\$0	\$0
Unfunded Fees	200,000	800,000	800,000	800,000	600,000	600,000
LC Fees	0	0	0	0	0	0
Sub-Total (Before-Tax)	\$200,000	\$800,000	\$800,000	\$2,900,000	\$600,000	\$600,000
<b>Total After-Tax (A)</b>	<b>\$122,200</b>	<b>\$488,800</b>	<b>\$488,800</b>	<b>\$1,771,900</b>	<b>\$366,600</b>	<b>\$366,600</b>
<b>Proposed</b>						
Upfronts/Arranger Fees						
Funded	\$925,000	\$0	\$0	\$0	\$0	\$0
Unfunded	150,000	600,000	600,000	600,000	600,000	600,000
LC Fees	0	0	0	0	0	0
Sub-Total (Before-Tax)	\$1,075,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>Total After-Tax (B)</b>	<b>\$656,825</b>	<b>\$366,600</b>	<b>\$366,600</b>	<b>\$366,600</b>	<b>\$366,600</b>	<b>\$366,600</b>
<b>Benefit/ (Cost) - After-Tax ((A)-(B))</b>	<b>(\$534,625)</b>	<b>\$122,200</b>	<b>\$122,200</b>	<b>\$1,405,300</b>	<b>\$0</b>	<b>\$0</b>
<b>NPV</b>	<b>\$822,007</b>					

**GRID PRICING**

	<u>Current</u>		<u>Proposed</u>	
	<u>Undrawn</u>	<u>Drawn</u>	<u>Undrawn</u>	<u>Drawn</u>
A-/A3	0.200%	1.750%	0.150%	1.125%
BBB+/Baa1	0.250%	2.000%	0.175%	1.250%
BBB/Baa2	0.375%	2.250%	0.250%	1.500%
BBB-/Baa3	0.500%	2.500%	0.300%	1.750%
BB+/Ba1	0.625%	3.000%	0.400%	2.000%
LC Fronting Fee		0.250%		0.200%

**AMORTIZATIONS OF UPFRONT FEES****Monthly Existing Amortizations:**

KY	\$85,133	\$55,336 (A)
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**Proposed Fees:**

		<u>Now</u>	<u>Wait</u>
Upfront Fees	0.375%		\$1,500,000
Amendment Fees	0.150%	\$600,000	
Arrangement Fees		\$125,000	
Arrangement Fee	0.100%		\$400,000
Legal / Other Charges		<u>\$200,000</u>	<u>\$200,000</u>
		<u>\$925,000</u>	<u>\$2,100,000</u>
Term:	60 Months (C)	\$15,417 (B)	\$35,000

Total New Monthly Amortization Amounts

\$70,753 ((A)+(B))\$90,336Existing Amortizations

<u>Balance</u>	<u>Monthly Amortizations</u>
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Unamortized Balance - 10/01/2011 3,320,171.78 (D)

New Monthly Amortization of Existing Unamortized Balance \$55,336.20 ((D)/(C))



### Net Present Value Data

<b>KU</b>	Cash Flow	
	<u>Changes</u>	<u>Payment Dates</u>
	(\$565,175)	October 1, 2011
	\$30,550	December 31, 2011
	\$122,200	December 31, 2012
	\$122,200	December 31, 2013
	\$1,405,300	December 31, 2014
	\$0	December 31, 2015
	\$0	December 31, 2016

**NPV** **\$822,007**

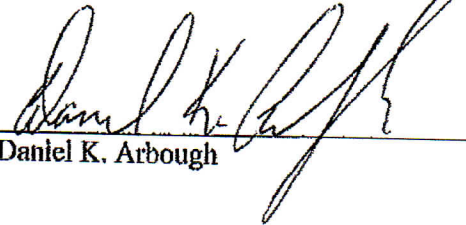
	<u>Current</u>	<u>Proposed</u>	<u>Benefit/(Cost)</u>	
			<u>Before-Tax</u>	<u>After-Tax</u>
Upfronts/Arranger Fees	<u>\$0</u>	<u>\$925,000</u>	<u>(\$925,000)</u>	<u>(\$565,175)</u>
<b>Total(10/01/2011)</b>	<b><u>\$0</u></b>	<b><u>\$925,000</u></b>	<b><u>(\$925,000)</u></b>	<b><u>(\$565,175)</u></b>
Funded Fees	\$0	\$0	\$0	\$0
Unfunded Fees	\$200,000	\$150,000	\$50,000	\$30,550
LC Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total(12/31/2011)</b>	<b><u>\$200,000</u></b>	<b><u>\$150,000</u></b>	<b><u>\$50,000</u></b>	<b><u>\$30,550</u></b>
Funded Fees	\$0	\$0	\$0	\$0
Unfunded Fees	\$800,000	\$600,000	\$200,000	\$122,200
LC Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total(12/31/2012)</b>	<b><u>\$800,000</u></b>	<b><u>\$600,000</u></b>	<b><u>\$200,000</u></b>	<b><u>\$122,200</u></b>
Funded Fees	\$0	\$0	\$0	\$0
Unfunded Fees	\$800,000	\$600,000	\$200,000	\$122,200
LC Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total(12/31/2013)</b>	<b><u>\$800,000</u></b>	<b><u>\$600,000</u></b>	<b><u>\$200,000</u></b>	<b><u>\$122,200</u></b>
Upfront/Arranger Fees	\$2,100,000		\$2,100,000	\$1,283,100
Funded Fees	\$0	\$0	\$0	\$0
Unfunded Fees	\$800,000	\$600,000	\$200,000	\$122,200
LC Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total(12/31/2014)</b>	<b><u>\$2,900,000</u></b>	<b><u>\$600,000</u></b>	<b><u>\$2,300,000</u></b>	<b><u>\$1,405,300</u></b>
Funded Fees	\$0	\$0	\$0	\$0
Unfunded Fees	\$600,000	\$600,000	\$0	\$0
LC Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total(12/31/2015)</b>	<b><u>\$600,000</u></b>	<b><u>\$600,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Funded Fees	\$0	\$0	\$0	\$0
Unfunded Fees	\$600,000	\$600,000	\$0	\$0
LC Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total(12/31/2016)</b>	<b><u>\$600,000</u></b>	<b><u>\$600,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

VERIFICATION

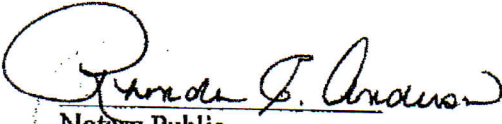
COMMONWEALTH OF KENTUCKY )

COUNTY OF JEFFERSON )

I, Daniel K. Arbough, being duly sworn, state that I am the Treasurer for Kentucky Utilities Company, the Petitioner in the subject proceeding; that I am authorized to make this verification of behalf of Kentucky Utilities Company, that I have read the foregoing Petition and Exhibit and know the content thereof; and that the same are true and correct to the best of my knowledge, information and belief.

  
Daniel K. Arbough

Sworn and subscribed before me this 6<sup>th</sup> day of September, 2011.

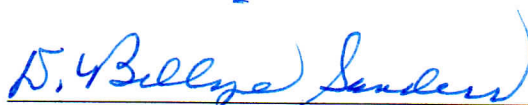
  
Notary Public

My Commission Expires: August 31, 2015

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the above and foregoing Petition was served upon the following persons by first class United States mail, on this 7<sup>th</sup> day of September 2011:

Office of Attorney General & Reporter  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, Tennessee 37201



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D. Billye Sanders  
Counsel for Kentucky Utilities Company