

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 12, 2011

IN RE:

**PETITION OF KENTUCKY UTILITIES COMPANY
FOR AN ORDER APPROVING AMENDMENT OF
EXISTING FINANCING AUTHORITY**

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**DOCKET NO.
11-00156**

ORDER APPROVING AMENDMENT TO EXISTING FINANCING AUTHORITY

This matter came before Director Kenneth C. Hill, Director Sara Kyle, and Director Mary W. Freeman of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on September 26, 2011 for consideration of the *Petition of Kentucky Utilities Company for an Order Approving Amendment of Existing Financing Authority* ("Petition"). Kentucky Utilities Company ("KU" or the "Company") filed the *Petition* on September 7, 2011 for approval, pursuant to Tenn. Code Ann. §65-4-109, of an amendment to its existing financing authority previously granted in Docket No. 10-00119.

THE PETITION

KU is a public utility, as defined by Tenn. Code Ann. §65-4-101(6), which provides retail electric service to five residential customers in Tennessee, approximately 515,000 customers in seventy-seven counties in Kentucky, and approximately 29,000 customers in southwestern Virginia.

On September 7, 2011, KU filed a *Petition* requesting approval to modify its existing financing authority to amend and extend the term of its credit facilities (the “New Credit Facilities”). KU requests an additional period of five years from the date of extension, or through December 31, 2016. KU asserts that there have been significant changes in the credit markets that will make it advantageous to extend the New Credit Facilities beyond the current December 31, 2014 termination date or the five year term approved in KU’s prior petition in Docket No. 10-00119. The Company is not requesting borrowing authority beyond what the Authority has already approved.

In Docket No. 10-00118, the TRA approved the transfer of control of KU from E.ON AG to PPL Corporation. As a result of the transfer of control, KU was required to replace debt facilities provided by a subsidiary of E.ON AG. In Docket No. 10-00119, KU also requested authority to (1) refinance twenty-one unsecured promissory notes currently held by a subsidiary of E.ON AG with external secured debt, (2) secure eleven existing series of unsecured tax-exempt pollution control obligations, and (3) enter into one or more credit facilities to replace the existing multi-year revolving credit facilities authorized in Docket No. 07-00156. The terms of the New Credit Facilities were not to exceed five years, and the expected actual terms of any New Credit Facility would run through December 31, 2014. In the instant *Petition*, KU seeks authority to amend and extend its New Credit Facilities for an additional period five years from the date of extension, or through December 31, 2016.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann §65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds debenture, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [A]uthority for such proposed issue. It shall be the duty of the [A]uthority after hearing to approve any

such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [A]uthority.

The panel unanimously approved the *Petition*, pursuant to Tenn. Code Ann. § 65-4-109, based on the following findings:

(1) the financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109;

(2) the transaction is being made in accordance with the laws enforceable by this agency;

(3) the transaction is in the public interest because it allows KU to lower its borrowing costs; and

(4) approval of the *Petition* is contingent upon approval by the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission ("VSCC"), and KU shall be bound by the same filing requirements imposed by both the KPSC and the VSCC.

IT IS THEREFORE ORDERED THAT:

1. Kentucky Utilities Company is authorized to amend and extend the New Credit Facilities for an additional period of five years from the date of extension, or through December 31, 2016.

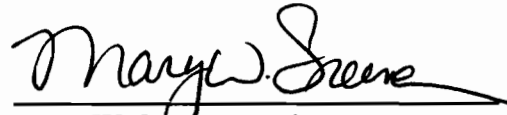
2. Approval of the *Petition* by the Tennessee Regulatory Authority is contingent upon approval by the Kentucky Public Service Commission and Virginia State Corporation Commission. Kentucky Utilities Company shall be bound by the same filing requirements imposed by both the Kentucky Public Service Commission and the Virginia State Corporation Commission.

3. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of securities for Kentucky Utilities Company or

any of its affiliates discussed herein. Nothing herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.


Kenneth C. Hill, Director


Sara Kyle, Director


Mary W. Freeman, Director