

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**September 20, 2012**

**IN RE:**

**PETITION OF KENTUCKY UTILITIES COMPANY  
FOR AN ORDER AUTHORIZING THE ISSUANCE OF  
SECURITIES AND THE ASSUMPTION OF  
OBLIGATIONS**

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**DOCKET NO.  
12-00067**

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**ORDER APPROVING FINANCING TRANSACTIONS**

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This matter came before Chairman Kenneth C. Hill, Director Sara Kyle and Director James M. Allison of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 20, 2012 for consideration of the *Petition* filed on June 29, 2012 by Kentucky Utilities Company ("KU" or the "Company") requesting authorization to incur debt and to increase the amount of its multi-year revolving line of credit, or enter into similar facilities, pursuant to Tenn. Code Ann. §65-4-109.

**THE PETITION**

KU is a Kentucky and a Virginia corporation, and a public utility as defined by Tenn. Code Ann. §65-4-101(6), which provides retail electric service to four residential customers in Tennessee, approximately 509,000 customers in seventy-seven counties in Kentucky, and approximately 29,000 customers in southwest Virginia. KU requests approval to (1) incur debt in the form of First Mortgage Bonds in a principal amount not to exceed \$300,000,000 and (2) increase the amount of its multi-year revolving line of credit by up to an additional

\$100,000,000, or in the alternative, to enter into similar additional facilities not to exceed that amount.

Specifically, KU anticipates incurring up to approximately \$1.45 billion in construction costs during 2012 and 2013. The Company's Mortgage Indenture authorizes it to issue from time to time bonds ("First Mortgage Bonds") of one or more series that would be equally and ratably secured by a first mortgage lien on substantially all of the Company's permanently fixed properties in Kentucky. The First Mortgage Bonds may be sold in 2012 and 2013 in one or more underwritten public offerings, negotiated sales, or private placement transactions using the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions, and other terms and provisions of each series of First Mortgage Bonds would be determined on the basis of negotiations among KU and the purchaser of such First Mortgage Bonds. In connection with the issuance of the First Mortgage Bonds, KU may enter into one or more interest rate hedging agreements (including interest rate cap, swap, collar, or similar agreement) with an affiliate company, or a bank or financial institution.

KU also requests authority to increase the amount of its multi-year revolving line of credit by \$100,000,000 to \$500,000,000. KU was authorized in Docket No. 10-00119 to enter into one or more multi-revolving credit facilities with one or more financial institutions in an aggregate amount not to exceed \$400,000,000.<sup>1</sup> Additionally, KU was authorized to extend the terms of its revolving credit facilities through December 31, 2016 and subsequently amended the terms of its revolving credit facilities that now mature on October 19, 2016.<sup>2</sup> KU anticipates that any new, additional revolving line of credit facility would be on similar terms as the current revolving line of credit, including a term not to exceed five (5) years. The additional credit

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<sup>1</sup> See *In Re: 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, Order Approving Financing Transactions*, Docket No. 10-00119 (October 21, 2010).

<sup>2</sup> See *In Re: Petition of Kentucky Utilities Company for an Order Approving Amendment of Existing Financing Authority, Order Approving Amendment to Existing Financing Authority*, Docket No. 11-00156 (October 12, 2011).

under the credit facility would be available for the same purposes for which the existing credit facility is currently available.

#### **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 authority for such proposed issue. It shall be the duty of the authority 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 authority.

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 refinance with lower cost secured debt; and

(4) KU shall be bound by the same filing requirements imposed by both the Kentucky Public Service Commission and the Virginia State Corporation Commission.

#### **IT IS THEREFORE ORDERED THAT:**

1. Kentucky Utilities Company is authorized to issue long-term debt in the form of First Mortgage Bonds in one or more series at one or more times during the remainder of 2012 through 2013, in an aggregate principal amount not to exceed \$300,000,000, as more specifically described in the *Petition*.

2. Kentucky Utilities Company is authorized to execute an amendment to its existing revolving line of credit increasing the total principal amount of debt under the line, or in the alternative, to enter into one or more additional revolving credit facilities with a term not to

exceed five (5) years, such increases in the existing line of credit and/or new facilities not to exceed, in a total combined additional aggregate principal amount of \$100,000,000, as more specifically described in the *Petition*.

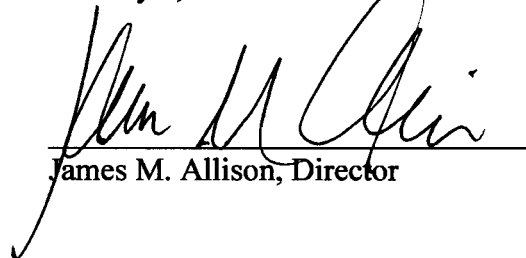
3. Kentucky Utilities Company is authorized to execute, deliver and perform its obligations under all such agreements and documents as set forth in its *Petition*, and to perform the transactions contemplated by all such agreements.

4. 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.

5. 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, Chairman

  
Sara Kyle, Director

  
James M. Allison, Director