

Docket No. 13-00096

D. Billye Sanders

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June 25, 2013

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

RE: The Petition of Kentucky Utilities Company for an Order Amending and
Extending Existing Authority with Respect to Revolving Line of Credit

Dear Chairman Allison,

Enclosed are the original and 4 copies of the above referenced Petition of Kentucky Utilities Company ("KU") seeking an order amending and extending the authority that was granted to KU with respect to the revolving line of credit arrangements that were previously approved in the dockets referenced in the Petition. KU respectfully requests that this matter be placed on the TRA's July Conference docket for consideration. This Petition is also being filed electronically. A check for the \$25 filing fee is enclosed.

Please contact me if you have any questions.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities Company

Enclosures

c: Kendrick R. Riggs, Esq., Stoll Keenon Ogden PLLC
John Wade Hendricks, Esq., Stoll Keenon Ogden PLLC
Barry L. Dunn, 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

¹ *Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations.*

3. By Order dated October 29, 2012, in Docket No. 12-00108,² the Authority authorized KU to extend the term of its existing revolving credit line, which had a term ending October 19, 2016, through December 31, 2017. Subsequently, KU entered into an Amended and Restated Revolving Credit Agreement, with a term that now ends November 6, 2017.

4. In Docket No. 12-00108, KU stated that based upon its discussions with providers of credit facilities, KU believed that it was likely that in the future changing market conditions and interest rates would mean that revolving credit facilities would no longer be available on terms as favorable as found in KU's current facility. In part, this was due to the new Basel III regulations, which will be phased in starting in 2013 and fully implemented in 2019. Basel III is a new regulatory framework created by the Bank for International Settlements, and adopted by the Federal Reserve. These regulations are intended to prevent another banking crisis and establish more stringent requirements for banks with respect to capitalization, leverage and liquidity. As a result, not only are revolving lines of credit likely to be less readily available, but the current historically low commitment fees and interest spreads on actual borrowings are likely to be higher in the future.

5. These same conditions and market expectations remain in effect today. KU therefore seeks authorization to replace, extend, or extend authority for, in one or more installments from time to time, its existing, or previously authorized but not yet entered, revolving credit arrangements through December 31, 2018. KU is seeking authority for an approximately five-year term because this is the maximum term that lenders are willing to

²*Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit. In addition to the current extension granted in Docket No. 12-00108, KU's authority was previously extended by Order dated October 12, 2011, in Docket No. 11-00156, (Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations), which extended authority granted by Order dated October 21, 2010, in Docket No. 10-00119, (Petition of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority).*

provide. KU also seeks to maintain the previously authorized total aggregate limit on its revolving credit facilities of \$500 million.³

6. The extended credit facilities would be on substantially the same terms as KU's existing revolving credit and would be available for the same purposes for which revolving credit is currently available. Loan proceeds could be used to provide short-term financing for KU's general financing needs, for example, general costs of operation or costs of KU's various construction programs or other obligations, until permanent or long-term financing can be arranged. In addition, the extended credit facilities could be used to provide liquidity or credit support for KU's other debt, for example, ensuring that KU has readily available funds with which to make payments with respect to variable rate bonds that could be tendered for purchase and not remarketed. However, KU does not assign specific financing to any particular capital project or operating or fiscal use and does not project finance projects. Thus, these are general reasons that KU might need short-term financing, rather than uses to which such financing would be assigned.

7. By replacing or extending, and extending the authority for, its existing or previously authorized but not presently entered into, credit facilities, KU will be able to ensure that the current, favorable terms for such facilities are available for as long as possible. While KU believes that the conditions and fees on similar credit facilities are likely to be less favorable to the borrower in 2017 than today, KU is not able to quantify such differences. However, KU believes that the costs of a one-year extension of its existing revolving credit line would be approximately 10 basis points.

³ By Amended Order dated September 27, 2012, in Docket No. 12-0067(Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations), KU was authorized to increase the total aggregate amount of its revolving credit facilities to \$500 million. While KU's current revolving credit agreement remains in an amount of \$400 million, KU continues to anticipate adding \$100 million in additional amended or new revolving credit capacity subject to company needs, market conditions and cost considerations.

8. Attached as Exhibits 1 and 2, respectively, are a Description of KU's Property and a Financial Exhibit.

THEREFORE, Kentucky Utilities Company respectfully requests that the Authority enter its Order authorizing KU to enter into such agreements and amendments as are necessary for KU to replace, extend, or extend authority for, its existing or previously authorized but not presently entered into, multi-year revolving credit facilities, in the previously authorized total aggregate amount not to exceed \$500 million, for a term through December 31, 2018.

Respectfully Submitted,

Kentucky Utilities Company

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Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON


Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.


DANIEL K. ARBOUGH

Subscribed and sworn before me this 24th that day of JUNE, 2013.

My Commission Expires:

August 31, 2015


NOTARY PUBLIC, STATE AT LARGE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Petition was served on the following entity on the 25th day of June 2013, U.S. mail, postage prepaid:

Office of Attorney General & Reporter
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202

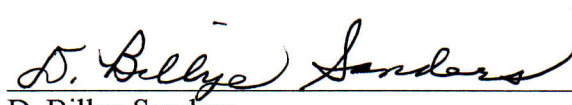

D. Billye Sanders
Counsel for Kentucky Utilities Company

Exhibit 1

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF PETITIONER'S PROPERTY, INCLUDING A STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY AND THE COST THEREOF TO PETITIONER

April 30, 2013

The Petitioner's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2012, the Petitioner owned 13 and operated 11 coal fired steam electric generating units having a total capacity of 3,355 Mw; a hydroelectric generating station having a total capacity of 24 Mw; and 17 gas/oil peaking units having a total capacity of 1,454 Mw.

The Petitioner's owned electric transmission system included 134 substations (55 of which are shared with the distribution system) with a total capacity of 13 million kVA and 4,079 miles of lines. The electric distribution system included 480 substations (55 of which are shared with the transmission system) with a transformer capacity of 7 million kVA, 14,134 miles of overhead lines, and 2,299 miles of underground conduit.

KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electrical generating units.

Other properties include office buildings, service centers, warehouses, garages and other structures and equipment.

The net original cost of the property and cost thereof to the Petitioner at April 30, 2013, was:

	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 4,362,752,294
Distribution Plant	1,498,625,770
Transmission Plant	694,629,427
General Plant	147,139,815
Intangible Plant	62,545,063
Construction Work in Progress	<u>621,890,696</u>
Total Plant at Original Cost	\$ 7,387,583,065
Less Reserve for Depreciation	<u>2,163,462,957</u> *
Net Original Cost	<u>\$ 5,224,120,108</u>

* Excludes \$384,694,558 related to cost of removal reserves that is not included in the reserve in the Financial Statements and Additional Information, but instead is included as a regulatory liability.

Exhibit 2

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

April 30, 2013

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value
5,300,000 shares of Cumulative Preferred Stock, without par value -- authorized, but unissued
2,000,000 shares of Preferred Stock, without par value -- authorized, but unissued

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding, without par value, recorded at \$307,818,689.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

None

(4) Brief description of each mortgage on property of Petitioner, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Date of Execution: As of October 1, 2010 (Supplemental Indentures were executed on October 15, 2010 and November 1, 2010.)

Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$1,850,779,405

Sinking Fund Provisions: None

Pledged Assets: Substantially all assets of Kentucky Utilities located in Kentucky

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last 12-month period.

Secured by first mortgage lien on substantially all assets in Kentucky.

Kentucky Utilities Company

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense
			Authorized	Outstanding at April 30, 2013	Year Ended April 30, 2013
Pollution Control Bonds					
05/01/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 21,346
02/01/02	02/01/32	Variable	20,930,000	20,930,000	92,769
02/01/02	02/01/32	Variable	2,400,000	2,400,000	10,543
02/01/02	02/01/32	Variable	7,200,000	2,400,000	10,619
02/01/02	02/01/32	Variable	7,400,000	7,400,000	32,548
07/01/02	10/01/32	Variable	96,000,000	96,000,000	243,147
10/01/04	10/01/34	Variable	50,000,000	50,000,000	84,376
02/23/07	10/01/34	Variable	54,000,000	54,000,000	89,560
05/24/07	02/01/26	5.75%	17,875,000	17,875,000	1,027,812
05/24/07	03/01/37	6.00%	8,927,000	8,927,000	535,620
10/17/08	02/01/32	Variable	77,947,405	77,947,405	129,513
			<u>\$ 355,579,405</u>	<u>\$ 350,779,405</u>	<u>\$ 2,277,853</u>
First Mortgage Bonds					
11/16/10	11/01/15	1.63%	\$ 250,000,000	\$ 250,000,000	\$ 4,062,500
11/16/10	11/01/20	3.25%	500,000,000	500,000,000	16,250,000
11/16/10	11/01/40	5.13%	750,000,000	750,000,000	38,437,500
			<u>\$ 1,500,000,000</u>	<u>\$ 1,500,000,000</u>	<u>\$ 58,750,000</u>

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest paid thereon during the last 12-month period.

There are no notes outstanding as of April 30, 2013.

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value (not based on rate per share)

2008	-
2009	-
2010	\$ 50,000,000
2011	123,500,000
2012	99,500,000

- (1) On November 1, 2010, PPL Corporation completed its acquisition of E.ON U.S. LLC, the Company's parent. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC. The 37,817,878 shares are currently owned by LG&E and KU Energy LLC. From May 1998 to October 31, 2010, the 37,817,878 shares were all owned by E.ON U.S. LLC (formerly LG&E Energy LLC) and all dividends declared by KU's Board of Directors were paid to E.ON U.S. LLC. Subsequent to October 31, 2010, all dividends declared by KU's Board of Directors were paid to LG&E and KU Energy LLC. During the 1st quarter of 2013, KU declared and paid a dividend on common stock of \$13,000,000.

- (9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending April 30, 2013.

Kentucky Utilities Company
Balance Sheet as of April 30, 2013

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 7,387,583,064.54	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	2,547,612,110.32	Less: Common Stock Expense.....	321,288.37
Total.....	<u>4,839,970,954.22</u>	Paid-In Capital.....	365,858,083.00
		Other Comprehensive Income.....	(846,655.63)
		Retained Earnings.....	1,612,863,811.89
		Unappropriated Undistributed Subsidiary Earnings.....	-
Investments		Total Proprietary Capital.....	<u>2,285,693,927.95</u>
Electric Energy, Inc.	-	Pollution Control Bonds.....	350,779,405.00
Ohio Valley Electric Company.....	250,000.00	First Mortgage Bonds.....	1,490,659,156.25
Nonutility Property-Less Reserve.....	<u>971,720.15</u>	LT Notes Payable to Associated Companies.....	-
Total.....	<u>1,221,720.15</u>	Total Long-Term Debt.....	<u>1,841,438,561.25</u>
		Total Capitalization.....	<u>4,127,132,489.20</u>
Current and Accrued Assets		Current and Accrued Liabilities	
Cash.....	6,458,502.56	ST Notes Payable to Associated Companies.....	-
Special Deposits.....	-	Notes Payable.....	124,982,620.82
Temporary Cash Investments.....	17,103,958.02	Accounts Payable.....	162,068,722.70
Accounts Receivable-Less Reserve.....	188,388,863.92	Accounts Payable to Associated Companies.....	30,115,224.19
Materials and Supplies-At Average Cost	417,008.19	Customer Deposits.....	25,318,274.26
Fuel.....	83,537,775.43	Taxes Accrued.....	15,971,580.78
Plant Materials and Operating Supplies.....	35,969,389.97	Interest Accrued.....	30,222,020.60
Stores Expense.....	10,543,549.74	Miscellaneous Current and Accrued Liabilities.....	24,228,195.40
Prepayments.....	10,999,668.74	Dividends Declared.....	-
Emission Allowances.....	295,954.95	Total.....	<u>412,906,638.75</u>
Miscellaneous Current and Accrued Assets.....	<u>6,320,157.73</u>		
Total.....	<u>360,034,829.25</u>		
		Deferred Credits and Other	
Deferred Debits and Other		Accumulated Deferred Income Taxes.....	781,275,027.95
Unamortized Debt Expense.....	18,680,730.57	Investment Tax Credit.....	97,991,946.82
Unamortized Loss on Bonds.....	10,972,301.85	Regulatory Liabilities.....	107,182,629.13
Accumulated Deferred Income Taxes.....	162,789,971.41	Customer Advances for Construction.....	2,942,056.19
Deferred Regulatory Assets.....	284,111,343.92	Asset Retirement Obligations.....	70,610,739.22
Other Deferred Debits.....	<u>45,919,169.60</u>	Other Deferred Credits.....	16,985,803.27
Total.....	<u>522,473,517.35</u>	Miscellaneous Long-Term Liabilities.....	2,330,079.31
		Accum Provision for Postretirement Benefits.....	104,343,611.13
		Total.....	<u>1,183,661,893.02</u>
Total Assets	\$ 5,723,701,020.97	Total Liabilities and Stockholders Equity.....	\$ 5,723,701,020.97

Kentucky Utilities Company
Statement of Income
April 30, 2013

	Year Ended 4/30/2013
Electric Operating Revenues.....	\$ 1,588,692,083.27
Rate Refunds.....	-
Total Operating Revenues.....	<u>1,588,692,083.27</u>
Fuel for Electric Generation.....	525,980,572.28
Power Purchased.....	98,591,024.29
Other Operation Expenses.....	247,693,273.76
Maintenance.....	132,337,527.02
Depreciation.....	187,076,181.33
Amortization Expense.....	7,831,024.57
Regulatory Credits.....	(7,118,372.28)
Taxes	
Federal Income.....	(12,712,818.07)
State Income.....	1,048,059.73
Deferred Federal Income - Net.....	110,708,955.75
Deferred State Income - Net.....	12,881,339.98
Property and Other.....	31,826,977.14
Investment Tax Credit.....	-
Loss (Gain) from Disposition of Allowances.....	(359.80)
Accretion Expense.....	<u>3,186,929.19</u>
Total Operating Expenses.....	<u>1,339,330,314.89</u>
Net Operating Income.....	249,361,768.38
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	2,482,450.76
Other Income Less Deductions.....	(7,846,275.40)
AFUDC - Equity.....	<u>121,887.23</u>
Total Other Income Less Deductions.....	<u>(5,241,937.41)</u>
Income Before Interest Charges.....	<u>244,119,830.97</u>
Interest on Long-Term Debt.....	61,027,852.16
Amortization of Debt Expense - Net.....	3,767,148.06
Other Interest Expenses.....	3,678,112.00
AFUDC - Borrowed Funds.....	<u>(40,610.21)</u>
Total Interest Charges.....	<u>68,432,502.01</u>
Net Income.....	<u>\$ 175,687,328.96</u>

Kentucky Utilities Company
Analysis of Retained Earnings
April 30, 2013

	<u>Year Ended 4/30/13</u>
Retained Earnings Balance at Beginning of Period.....	\$ 1,512,136,811.18
Add:	
Net Income for Period.....	175,687,328.96
Deduct:	
Common Dividends	
Common Stock Without Par Value	(88,500,000.00)
Adjust for Equity in Subsidiary	
Earnings for Year	
-EEI, Inc.	13,539,671.75
Dividends Received Current Year	
-EE Inc.....	-
Retained Earnings Balance at End of Period.....	<u>\$ 1,612,863,811.89</u>