

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 24, 2014

IN RE:

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

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DOCKET NO.
14-00033

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman James M. Allison, Vice Chairman Herbert H. Hilliard and Director David F. Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 16, 2014 for consideration of the *Petition* filed on March 28, 2014, by Kentucky Utilities Company ("KU" or the "Company") requesting an Order authorizing the issuance of securities and the assumption of obligations 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 (4) residential customers in Tennessee, approximately 514,000 customers in seventy-seven counties in Kentucky, and approximately 29,000 customers in southwest Virginia. KU seeks approval to: (1) incur debt in the form of First Mortgage Bonds in a principal amount not to exceed \$500,000,000; and (2) increase the term of its multi-year line of credit through December 31, 2019.

KU's Mortgage Indenture (the "Indenture") authorizes it to issue from time-to-time First Mortgage Bonds of one or more series, with each series having such date, maturity date(s), interest rate(s), and other terms as may be established by a supplemental indenture executed by the Company

in connection with such series. A copy of the form of Indenture was previously filed in TRA Docket No. 10-00119. KU seeks approval to issue First Mortgage Bonds at various times through the remainder of 2014 and 2015 in one or more underwritten public offerings, negotiated sales, or private placement transactions, not to exceed an aggregate principal amount of \$500,000,000.

In TRA Docket No. 12-00067, the Authority granted KU's Petition to, among other things, amend its current multi-year revolving line of credit up to an additional \$100 million, for a total amount not to exceed \$500 million or, in the alternative, to enter into one or more new revolving credit facilities in an amount not to exceed \$100 million each with a term not to exceed five (5) years.¹ In TRA Docket No. 13-00096, the Authority granted KU's Petition to amend and extend in one or more installments from time-to-time, its existing or previously authorized revolving line of credit arrangements through December 31, 2018.²

In the *Petition* filed in this Docket on March 28, 2014, KU stated that the same conditions and market expectations remain in effect that existed when it sought the last amendment. Therefore, based upon its discussions with providers of credit facilities, KU asserted that it is likely that in the near future changing market conditions and interest rates will mean that revolving credit facilities will no longer be available on terms as favorable as found in KU's current facility.³ KU further represented that it is seeking authority for an approximate five year term because this is the maximum term that lenders are willing to provide. Therefore, KU seeks authorization to extend, in one or more installments from time-to-time, its existing or previously authorized revolving line of credit arrangements not to exceed a total aggregate limit of \$500 million through December 31, 2019.

¹ See *In Re: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, TRA Docket No. 12-00067, *Amended Order* (September 27, 2012).

² See *In Re: Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, TRA Docket No. 13-00096, *Order Approving Amendment to Existing Financing Authority* (September 18, 2013).

³ *Petition*, pp. 6-7 (March 28, 2014).

KU's *Petition* was approved by the Virginia State Corporation Commission in an Order issued on May 8, 2014, in Case No. PUE-2014-00031, and is pending before the Kentucky Public Service Commission.⁴

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.

At the regularly scheduled Authority Conference held on June 16, 2014, the panel unanimously approved the *Petition* pursuant to Tenn. Code Ann. § 65-4-109, contingent upon approval by the Kentucky Public Service Commission, based upon the following findings:

1. The proposed financing transactions are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109;
2. The transactions are being made in accordance with the laws enforceable by this agency;
3. The transactions are in the public interest because they allow KU to finance its operations; and
4. KU shall be bound by the same filing requirements imposed by 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 2014 through

⁴ See *Data Response* (May 14, 2014).

2015, in an aggregate principal amount not to exceed \$500,000,000 in the manner set forth in its *Petition*.

2. Kentucky Utilities Company is authorized to execute an amendment to its existing revolving line of credit, or enter into one or more new revolving lines of credit, with an aggregate principal amount not to exceed \$500,000,000 and a term not to exceed December 31, 2019.

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

4. The *Petition* is approved contingent upon approval by the Kentucky Public Service Commission, and Kentucky Utilities Company shall be bound by the same filing requirements approved by 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 risks involved.

6. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.

Chairman James M. Allison, Vice Chairman Herbert H. Hilliard and Director David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director