

D. Billye Sanders

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

Docket No. 15-00056

May 18, 2015

Herbert H. Hillard, Chairman Tennessee Regulatory Authority
c/o Ms. Sharla Dillon, Dockets and Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

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

Dear Chairman Hillard,

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. 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
Monica Braun, 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**

**THE PETITION OF KENTUCKY)
UTILITIES COMPANY FOR AN ORDER)
AMENDING AND EXTENDING)
AUTHORITY WITH RESPECT TO)
REVOLVING LINE OF CREDIT)**

DOCKET NO. 15-_____

PETITION

Kentucky Utilities Company (“KU” or the “Company”) hereby requests, pursuant to T.C.A. §65-4-109, that the Tennessee Regulatory Authority (“TRA” or “Authority”) authorize KU to enter into such agreements and amendments as are necessary for KU to replace, extend, and 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, 2020. In support of its Petition, KU states as follows:

1. The Company’s full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and Virginia corporation. KU is a public utility as defined by T.C.A. §65-4-101(6) and as of December 31, 2014, provides retail electric service to approximately 515,000 customers in seventy-seven counties in Kentucky, approximately 28,000 customers in southwest Virginia and fewer than ten (10) residential customers in Fork Ridge, Tennessee. A description of KU’s properties is set out in Exhibit 1 to this Petition.

2. KU obtains financing through numerous sources of capital, including the forms of debt that are the subject of this Petition. KU does not assign specific financing to any particular project or use, and does not project-finance capital projects. All components of KU’s capital structure are used to fund capital expenditures. Thus, the uses cited below are general reasons

for KU's need for debt financing, rather than projects to which specific financing will be assigned.

3. KU requests that the TRA amend and extend KU's authority to allow for replacing, extending, and extending authority for, existing or previously authorized but not presently entered into, multi-year revolving line of credit through December 31, 2020.

4. KU was first granted authority to enter into multi-year revolving credit facilities in TRA Docket No. 07-00156¹ by Order dated September 13, 2007.

5. Subsequently, the TRA has authorized KU to renew or extend its multi-year revolving credit arrangement on numerous occasions.² Most recently, by Order dated June 24, 2014, in Docket No. 14-00033, the TRA authorized KU to extend the term of its revolving credit line through December 31, 2019.

6. In Docket No. 14-00033, 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 began to be phased in starting in 2013 and will be 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

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

² See Order dated June 24, 2014 in Docket No. 14-00033 (*Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Liabilities*); Order dated September 18, 2013 in Docket No. 13-00096 (*Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*); Order dated October 29, 2012 in Docket No. 12-00108 (*Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*); Order dated October 12, 2011 in Docket No. 11-00156 (*Petition of Kentucky Utilities Company for an Order Approving Amendment of Existing Financing Authority*); 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 Financing Authority*).

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.

7. These same conditions and market expectations remain in effect today. KU therefore seeks authorization to replace, extend, and extend authority for, in one or more installments from time to time, its existing, or previously authorized but not yet entered,³ revolving credit arrangements through December 31, 2020. KU is seeking authority for an approximately five-year term because this is the maximum term that lenders are willing to provide. KU also seeks to maintain the previously authorized total aggregate limit on its revolving credit facilities of \$500 million.

8. 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

³ KU has entered into revolving credit facilities totaling \$400 million, but wishes to retain the previously authorized total aggregate authority for \$500 million.

reasons that KU might need short-term financing, rather than uses to which such financing would be assigned.

9. 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 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 2019 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 15 basis points.

10. As soon as reasonably practicable after action to extend the term under KU's Revolving Line of Credit, KU shall file with the TRA a statement setting forth the date or dates of such action, as well as all fees and expenses.

11. Exhibit 2 to this Petition contains the financial exhibit.

12. Notices and communications regarding this Petition should be sent to the counsel for KU listed at the end of this Petition.

THEREFORE, Kentucky Utilities Company respectfully requests that the TRA enter an Order authorizing KU to extend authority for its previously authorized line of credit through December 31, 2020, as set forth in this Petition. KU requests that the Order of the TRA specifically include provisions stating:

1. KU 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, 2020.

2. KU is authorized to execute, deliver, and perform the obligations of KU under all such agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

Respectfully submitted,

Kentucky Utilities Company

By: D. Billye Sanders
D. Billye Sanders
Attorney-at-Law
3514 Geneva Circle
Nashville, Tennessee 37209
(615) 500-7749
sanders.billye@gmail.com

Kendrick R. Riggs
John Wade Hendricks
Monica Braun
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 W. Jefferson Street
Louisville, KY 40202
Telephone: (502) 333-6000
Facsimile: (502) 333-6099
kendrick.riggs@skofirm.com
wade.hendricks@skofirm.com

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

Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

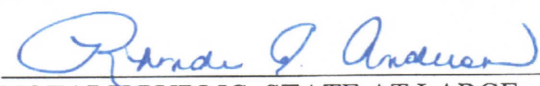
COUNTY OF JEFFERSON

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 18th that day of May, 2015.

My Commission Expires: August 31, 2015


NOTARY PUBLIC, STATE AT LARGE

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of May 2015, a true and correct copy of the foregoing Petition was served on the entity below by placing the same in the U.S. mail, postage pre-paid addressed to:

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

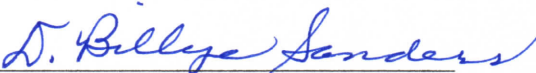

D. Billye Sanders

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

February 28, 2015

The Petitioner's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2014, the Petitioner had ownership in 12 and operated 10 coal fired steam electric generating units having a total capacity of 3,273 Mw; owned and operated a hydroelectric generating station having a total capacity of 32 Mw; and had ownership in and operated 16 gas/oil peaking units having a total capacity of 1,440 Mw.

The Petitioner's owned electric transmission system included 138 substations (58 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,079 pole miles of lines. The electric distribution system included 479 substations (58 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,084 circuit miles of overhead lines, and 2,375 underground cable miles.

KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electricity 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 February 28, 2015, was:

	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 5,156,718,319
Distribution Plant	1,627,049,282
Transmission Plant	780,010,462
General Plant	185,632,812
Intangible Plant	86,229,900
Construction Work in Progress	888,751,923
Total Plant at Original Cost	<u>\$ 8,724,392,698</u>
Less Reserve for Depreciation	<u>2,430,831,658</u> *
Net Original Cost	<u><u>\$ 6,293,561,040</u></u>

* Excludes \$391,736,201 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

February 28, 2015

(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, November 1, 2010 and November 1, 2013.)

Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$2,100,779,405

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 February 28, 2015	Year Ended February 28, 2015
Pollution Control Bonds					
05/01/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 7,239
02/01/02	02/01/32	Variable	20,930,000	20,930,000	54,022
02/01/02	02/01/32	Variable	2,400,000	2,400,000	6,130
02/01/02	02/01/32	Variable	7,400,000	7,400,000	18,751
02/01/02	02/01/32	Variable	7,200,000	2,400,000	6,311
07/01/02	10/01/32	Variable	96,000,000	96,000,000	165,493
10/01/04	10/01/34	Variable	50,000,000	50,000,000	27,924
02/23/07	10/01/34	Variable	54,000,000	54,000,000	30,663
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	<u>77,947,405</u>	<u>77,947,405</u>	<u>44,216</u>
Interest Rate Swaps					-
			<u>\$ 355,579,405</u>	<u>\$ 350,779,405</u>	<u>\$ 1,924,183</u>
First Mortgage Bonds					
11/16/10	11/01/15	1.625%	\$ 250,000,000	\$ 250,000,000	4,062,500
11/16/10	11/01/20	3.250%	500,000,000	500,000,000	16,250,000
11/16/10	11/01/40	5.125%	750,000,000	750,000,000	38,437,500
11/14/13	11/15/43	4.650%	<u>250,000,000</u>	<u>250,000,000</u>	<u>10,193,556</u>
			<u>\$ 1,750,000,000</u>	<u>\$ 1,750,000,000</u>	<u>\$ 68,943,556</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 February 28, 2015.¹

- (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)

2010	\$50,000,000
2011	\$123,500,000
2012	\$99,500,000
2013	\$124,000,000
2014	\$148,000,000

- (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 2015, KU declared and paid dividends on common stock of \$30,000,000.

- (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 February 28, 2015.

¹ KU maintains a syndicated revolving credit facility of \$400 million. Although there is no outstanding balance on the facility, KU has executed notes under the multiyear revolving credit program, and also has \$265 million of short term commercial paper outstanding as of February 28, 2015.

Kentucky Utilities Company
Balance Sheet as of February 28, 2015

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 8,724,392,698.03	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	<u>2,822,254,109.94</u>	Less: Common Stock Expense.....	321,288.87
Total.....	<u>5,902,138,588.09</u>	Paid-In Capital.....	563,858,083.00
		Other Comprehensive Income.....	(1,232,509.32)
		Retained Earnings.....	1,756,861,620.75
		Unappropriated Undistributed Subsidiary Earnings.....	-
		Total Proprietary Capital.....	<u>2,627,305,883.12</u>
Investments		Other Long-Term Debt.....	<u>2,090,880,874.57</u>
Electric Energy, Inc.....	-	Total Long-Term Debt.....	<u>2,090,880,874.57</u>
Ohio Valley Electric Company.....	250,000.00	Total Capitalization.....	<u>4,718,186,757.69</u>
Nonutility Property-Less Reserve.....	971,313.10		
Special Fund.....	<u>-</u>		
Total.....	<u>1,221,313.10</u>		
Current and Accrued Assets		Current and Accrued Liabilities	
Cash.....	6,340,684.46	ST Notes Payable to Associated Companies.....	-
Special Deposits.....	-	Notes Payable.....	264,890,745.65
Temporary Cash Investments.....	8,033,998.95	Accounts Payable.....	112,807,295.69
Accounts Receivable-Less Reserve.....	269,107,973.17	Accounts Payable to Associated Companies.....	35,212,922.28
Accounts Receivable from Associated Companies.....	33,685,035.94	Customer Deposits.....	27,274,071.04
Notes Receivable from Associated Companies.....	-	Taxes Accrued.....	10,632,864.28
Materials and Supplies-At Average Cost		Interest Accrued.....	23,610,871.48
Fuel.....	85,358,312.27	Dividends Declared.....	30,000,000.00
Plant Materials and Operating Supplies.....	38,692,862.20	Miscellaneous Current and Accrued Liabilities.....	<u>74,445,941.64</u>
Stores Expense.....	10,328,880.13	Total.....	<u>578,874,712.06</u>
Emission Allowances.....	155,398.87		
Prepayments.....	9,259,755.88		
Miscellaneous Current and Accrued Assets.....	<u>-</u>		
Total.....	<u>460,962,901.87</u>	Deferred Credits and Other	
		Accumulated Deferred Income Taxes.....	1,119,204,755.90
Deferred Debits and Other		Investment Tax Credit.....	94,553,263.57
Unamortized Debt Expense.....	18,260,456.30	Regulatory Liabilities.....	140,427,150.92
Unamortized Loss on Bonds.....	9,480,250.51	Customer Advances for Construction.....	2,160,348.44
Accumulated Deferred Income Taxes.....	230,401,542.17	Asset Retirement Obligations.....	212,661,999.12
Deferred Regulatory Assets.....	345,565,960.90	Other Deferred Credits.....	40,913,399.62
Other Deferred Debits.....	<u>43,873,804.19</u>	Miscellaneous Long-Term Liabilities.....	2,049,991.68
Total.....	<u>647,582,014.07</u>	Accum Provision for Pension & Postretirement Benefits.....	<u>102,872,438.13</u>
		Total.....	<u>1,714,843,347.38</u>
Total Assets.....	<u>\$ 7,011,904,817.13</u>	Total Liabilities and Stockholders Equity.....	<u>\$ 7,011,904,817.13</u>

Kentucky Utilities Company
Statement of Income
February 28, 2015

	Year Ended 2/28/2015
Electric Operating Revenues.....	\$ 1,727,458,732.46
Rate Refunds.....	(2,700,606.53)
Total Operating Revenues.....	<u>1,724,758,125.93</u>
Fuel for Electric Generation.....	562,373,315.27
Power Purchased.....	97,569,868.78
Other Operation Expenses.....	268,924,343.15
Maintenance.....	130,626,641.71
Depreciation.....	190,322,366.83
Amortization Expense.....	9,741,809.56
Regulatory Credits.....	-
Taxes	
Federal Income.....	(99,329,807.40)
State Income.....	4,253,849.26
Deferred Federal Income - Net.....	216,228,064.76
Deferred State Income - Net.....	15,040,511.26
Property and Other.....	36,205,071.02
Investment Tax Credit.....	-
Loss (Gain) from Disposition of Allowances.....	(545.85)
Accretion Expense.....	<u>-</u>
Total Operating Expenses.....	<u>1,431,955,488.35</u>
Net Operating Income.....	292,802,637.58
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,871,260.00
Other Income Less Deductions.....	473,861.56
AFUDC - Equity.....	<u>1,283,652.50</u>
Total Other Income Less Deductions.....	<u>3,628,774.06</u>
Income Before Interest Charges.....	<u>296,431,411.64</u>
Interest on Long-Term Debt.....	70,867,739.27
Amortization of Debt Expense - Net.....	3,508,301.78
Other Interest Expenses.....	3,659,095.22
AFUDC - Borrowed Funds.....	<u>(415,672.85)</u>
Total Interest Charges.....	<u>77,619,463.42</u>
Net Income.....	<u><u>\$ 218,811,948.22</u></u>

Kentucky Utilities Company
Analysis of Retained Earnings
February 28, 2015

	Year Ended 2/28/2015
Balance at Beginning of Period.....	\$ 1,679,049,672.53
Add:	
Net Income for Period.....	218,811,948.22
Deduct:	
Common Dividends	
Common Stock Without Par Value	141,000,000.00
Balance at End of Period.....	<u>\$ 1,756,861,620.75</u>