

*D. Billye Sanders*

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Docket No. 16-00119

October 14, 2016

David Jones, Chairman Tennessee Regulatory Authority  
c/o Ms. Sharla Dillon, Dockets and Records Manager  
Tennessee Regulatory Authority  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

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

Dear Chairman Jones,

Enclosed are the original and 4 copies of the above referenced Petition of Kentucky Utilities Company ("KU") seeking an order amending and extending existing authority with respect to its revolving line of credit. This Petition is also being filed electronically. A check for the \$25 filing fee is enclosed.

KU respectfully requests that an order approving its Petition be issued within sixty (60 days) from the date of filing this Petition so that KU can comply with the timelines in the Amended and Restated Revolving Credit Agreement.

Please contact me if you have any questions.

Sincerely,



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**

IN RE:

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

DOCKET NO. 16-\_\_\_\_\_

**PETITION FOR AMENDMENT AND EXTENSION OF AUTHORITY WITH RESPECT  
TO REVOLVING CREDIT**

Kentucky Utilities Company (“KU”) hereby requests pursuant to T.C.A. §65-4-109, that the Tennessee Regulatory Authority (“TRA” or “Authority”) amend and extend KU’s existing authority to allow for extending the term of its multi-year revolving credit line through January 31, 2022, and additional authority in 2017 and 2018 to extend the credit facility maturity date to up to five years from the effective date of the amendment. In support of this Petition, KU states as follows:

1. KU’s full name is Kentucky Utilities Company. The post office address of KU 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 provides retail electric service to approximately 518,000 customers in seventy-seven counties in Kentucky, approximately 28,000 customers in 5 counties in Virginia, and fewer than 10 residential customers in Fork Ridge, Tennessee. KU can be reached at the contact information for its counsel listed on the signature page of this Petition.

2. KU was first granted authority to enter into multi-year revolving credit facilities in Docket No. 07-00156<sup>1</sup> by Order dated September 13, 2007. In its Petition in Docket No. 07-00156, KU sought approval to enter into multi-year revolving credit facilities under which KU could incur short-term debt from time to time that would reduce the time and cost of negotiating and renewing short-term debt arrangements. The TRA found that granting KU the authority it requested in its Petition was in the public interest.<sup>2</sup>

3. By Order dated June 24, 2014, in Docket No. 14-00033,<sup>3</sup> the TRA authorized KU to extend the term of its existing revolving credit line, which had a term ending November 6, 2017, through December 31, 2019.

4. 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 during 2013 and will be fully implemented in 2019. As KU explained, the Basel III 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

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

<sup>2</sup> *Id.*

<sup>3</sup> *Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations.* In addition KU's authority was previously extended by Order dated October 29, 2012, *In Re: Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority With Respect to Revolving Line of Credit* (Docket No. 12-00108), which extended authority granted by Order dated October 12, 2011, *In Re: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations* (Docket No. 11-00156), which extended authority granted by Order dated October 21, 2010, *In Re: 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* (Docket No. 10-00119). Also, by Order dated September 20, 2012, which was amended and superseded by Amended Order, dated September 27, 2012, *In Re: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations* (Docket No. 12-00067), KU was authorized to increase the total aggregate amount of its revolving credit facilities to \$500 million.



the current historically low commitment fees and interest spreads on actual borrowings are likely to be higher in the future.

5. Most recently, by order dated August 3, 2015, in Docket No. 15-00056, the TRA authorized KU to extend the term of its existing revolving line of credit for a term through December 31, 2020.<sup>4</sup> In that proceeding, KU explained that the same conditions and market expectations described in Docket No. 14-0033 remained in effect with respect to revolving lines of credit. Subsequently, KU entered into an Amended and Restated Revolving Credit Agreement, with a term that now ends December 31, 2020.

6. The outlook regarding the effect of the Basel III regulations on the costs and availability of revolving credit has not changed materially since Docket No. 15-00056. In order to optimize the cost of short-term debt, KU seeks authority to extend its current revolving lines of credit to January 31, 2022. This specific maturity date, which adds an additional month to the one-year extension, was selected to synchronize the maturity dates of the credit facilities with those of its affiliates, PPL Electric Utilities Corporation and PPL Capital Funding Inc. Extending the current revolving credit facilities will allow KU to continue to obtain favorable short-term debt costs while avoiding higher commitment fees and related transaction costs in the future.

7. Under the current agreements, KU must notify the revolving credit service providers of its intent to extend the current lines. KU is currently working with these providers to determine the optimal means of extending the credit facility. As such, KU requests authority to amend its existing Amended and Restated Revolving Credit Agreement to effectuate the

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<sup>4</sup> *Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit* (Docket No. 15-00056).



extension, and also requests authority to amend and restate the Credit Agreement, if necessary.<sup>5</sup> KU respectfully requests an order granting such authority within sixty (60) days so that KU can comply with the timelines in the Amended and Restated Revolving Credit Agreement.

8. Although KU expects that all of the credit service providers will agree to extend the credit facility at the current individual or aggregate participation levels, KU also requests alternative authority to enter into separate or individual revolving credit lines to replace any non-extended portion of the credit facility, up to the maximum total aggregate sizes, dates and terms described further herein.

9. Given that the Basel III regulations will be fully implemented in 2019, KU requests authority to extend the revolving credit facilities in 2017 and 2018, as well. With each extension the Company would extend the credit facility maturity date to up to five years from the effective date of the amendment. If the TRA grants this authority, KU will have the flexibility to further optimize its short-term debt costs for its customers. If the TRA grants the authority, KU will provide notice of each extension to the TRA within thirty days of execution.

10. The extended credit facilities would be on 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

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<sup>5</sup> KU has entered into revolving credit facilities totaling \$400 million, but wishes to retain the previously authorized total aggregate authority for \$500 million.

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.

11. 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 an Order within sixty days authorizing KU to enter into such agreements and amendments as are necessary for KU to (1) extend its current multi-year revolving credit facilities, in the previously authorized total aggregate amount not to exceed \$500 million, for a term through January 31, 2022; (2) alternatively replace any credit facilities not extended with similar multi-year revolving credit facilities for the same term; and (3) exercise extensions in 2017 and 2018, respectively, to extend the facility maturity dates to five years from the date of the amendment.

Dated: October 14, 2016

Respectfully Submitted,

Kentucky Utilities Company

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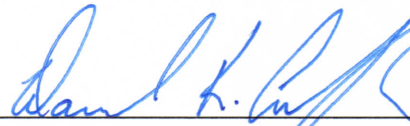
*Counsel for Kentucky Utilities Company*




VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says 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.

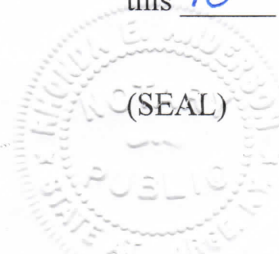
  
\_\_\_\_\_  
DANIEL K. ARBOUGH

Subscribed and sworn to before me, a Notary Public in and before said County and State,  
this 13<sup>th</sup> day of October, 2016.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

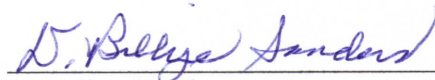
August 31, 2019



## CERTIFICATE OF SERVICE

I hereby certify that on this 14<sup>th</sup> day of October 2016, 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

August 31, 2016

The Petitioner's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2015, the Petitioner had ownership in 10 and operated 7 coal fired steam electric generating units having a total capacity of 3,099 Mw; owned and operated a hydroelectric generating station having a total capacity of 32 Mw; and had ownership in 17 and operated 9 gas/oil peaking units having a total capacity of 1,947 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 4,078 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, 14,049 circuit miles of overhead lines, and 2,408 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 August 31, 2016, was:

	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 6,133,488,335
Distribution Plant	1,707,460,371
Transmission Plant	840,422,673
General Plant	177,370,067
Intangible Plant	93,717,976
Construction Work in Progress	282,962,925
Total Plant at Original Cost	<u>\$ 9,235,422,348</u>
Less Reserve for Depreciation	<u>2,589,358,189</u> *
Net Original Cost	<u><u>\$ 6,646,064,159</u></u>

\* Excludes \$391,396,279 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

August 31, 2016

(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, November 1, 2013, September 1, 2015 and August 1, 2016.)

Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$2,350,779,405

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 the amount of interest paid thereon during the last fiscal year.

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

Kentucky Utilities Company

Date of Issue	Date of Maturity	Rate of Interest	Authorized	Outstanding at December 31, 2015	Interest Expense Year Ended December 31, 2015
Pollution Control Bonds					
05/19/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 5,006
05/23/02	02/01/32	Variable	20,930,000	20,930,000	61,528
05/23/02	02/01/32	Variable	2,400,000	2,400,000	7,055
05/23/02	02/01/32	Variable	7,400,000	7,400,000	21,918
05/23/02	02/01/32	Variable	7,400,000	2,400,000	7,109
10/03/02	10/01/32	Variable *	96,000,000	96,000,000	235,248
10/20/04	10/01/34	Variable	50,000,000	50,000,000	16,682
02/23/07	10/01/34	Variable	54,000,000	54,000,000	19,063
05/24/07	02/01/26	5.75%	17,875,000	17,875,000	1,027,813
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	26,649
Interest Rate Swaps					
			<u>\$ 355,779,405</u>	<u>\$ 350,779,405</u>	<u>\$ 1,963,692</u>
First Mortgage Bonds					
11/16/10	11/01/15	1.625%	\$ 250,000,000	\$ -	\$ 3,385,417
11/16/10	11/01/20	3.250%	500,000,000	500,000,000	16,250,000
09/28/15	10/01/25	3.300%	250,000,000	250,000,000	2,497,034
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%	250,000,000	250,000,000	10,191,296
09/28/15	10/01/45	4.375%	<u>250,000,000</u>	<u>250,000,000</u>	<u>3,082,166</u>
			<u>\$ 2,250,000,000</u>	<u>\$ 2,000,000,000</u>	<u>\$ 73,843,412</u>

\* On August 25, 2016, KU refinanced the Carroll County 2002 Series C bonds replacing them with Carroll County 2016 Series A bonds with a maturity date of 9/1/42 and an interest rate fixed at 1.05% until 9/1/19, at which time the Company must remarket the bonds or buy them back. There were no additional changes to the amount or structure of bonds outstanding from December 31, 2015 to August 31, 2016.

- (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 August 31, 2016.<sup>1</sup>

- (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.

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

2011	\$123,500,000
2012	\$99,500,000
2013	\$124,000,000
2014	\$148,000,000
2015	\$153,000,000

The amount of total proprietary capital on which dividends were paid as of Dec. 31st

2011	\$2,128,238,257
2012	\$2,176,783,084
2013	\$2,437,295,661
2014	\$2,599,430,441
2015	\$2,679,352,744

- (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 August 31, 2016.

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<sup>1</sup> KU maintains a syndicated revolving credit facility of \$400 million. Although there isn't any outstanding balance on the revolver, KU has executed notes under the multiyear revolving credit program.



Kentucky Utilities Company  
Balance Sheet as of August 31, 2016

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 9,235,422,348.11	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization....	<u>2,980,088,654.41</u>	Less: Common Stock Expense.....	321,288.87
Total.....	<u>6,255,333,693.70</u>	Paid-In Capital.....	583,858,083.00
		Other Comprehensive Income.....	(1,795,297.72)
		Retained Earnings.....	<u>1,798,594,116.42</u>
		Total Proprietary Capital.....	<u>2,688,475,590.39</u>
Investments		Other Long-Term Debt.....	
Electric Energy, Inc.....	-		<u>2,341,490,682.64</u>
Ohio Valley Electric Company.....	250,000.00	Total Long-Term Debt.....	<u>2,341,490,682.64</u>
Nonutility Property-Less Reserve.....	971,313.10	Total Capitalization.....	<u>5,029,966,273.03</u>
Special Fund.....	<u>-</u>		
Total.....	<u>1,221,313.10</u>		
Current and Accrued Assets		Current and Accrued Liabilities	
Cash.....	8,711,701.09	ST Notes Payable to Associated Companies.....	-
Special Deposits.....	-	Notes Payable.....	-
Temporary Cash Investments.....	942,198.83	Accounts Payable.....	78,345,166.55
Accounts Receivable-Less Reserve.....	244,904,320.32	Accounts Payable to Associated Companies.....	43,216,664.22
Accounts Receivable from Associated Companies.....	208,640.74	Customer Deposits.....	28,000,984.02
Notes Receivable from Associated Companies.....	33,000,000.00	Taxes Accrued.....	59,382,341.43
Materials and Supplies-At Average Cost		Interest Accrued.....	30,139,072.19
Fuel.....	97,618,732.38	Dividends Declared.....	84,000,000.00
Plant Materials and Operating Supplies.....	44,476,438.62	Miscellaneous Current and Accrued Liabilities.....	<u>21,651,638.87</u>
Stores Expense.....	10,515,070.84	Total.....	<u>344,735,867.28</u>
Emission Allowances.....	136,559.78		
Prepayments.....	21,195,410.16	Deferred Credits and Other	
Miscellaneous Current and Accrued Assets.....	<u>-</u>	Accumulated Deferred Income Taxes.....	1,469,832,526.73
Total.....	<u>461,709,072.76</u>	Investment Tax Credit.....	95,788,137.57
Deferred Debits and Other		Regulatory Liabilities.....	157,330,338.78
Unamortized Debt Expense.....	19,770,745.89	Customer Advances for Construction.....	1,576,406.04
Unamortized Loss on Bonds.....	9,648,232.90	Asset Retirement Obligations.....	369,962,422.88
Accumulated Deferred Income Taxes.....	351,912,940.78	Other Deferred Credits.....	6,310,541.56
Deferred Regulatory Assets.....	406,740,879.04	Miscellaneous Long-Term Liabilities.....	2,343,039.61
Other Deferred Debits.....	<u>50,434,294.08</u>	Accum Provision for Pension & Postretirement Benefits...	<u>78,925,618.77</u>
Total.....	<u>838,507,092.69</u>	Total.....	<u>2,182,069,031.94</u>
Total Assets.....	<u>\$ 7,556,771,172.25</u>	Total Liabilities and Stockholders Equity.....	<u>\$ 7,556,771,172.25</u>

Kentucky Utilities Company  
Statement of Income  
August 31, 2016

	Year Ended 8/31/2016
Electric Operating Revenues.....	\$ 1,719,846,885.66
Rate Refunds.....	76,686.46
Total Operating Revenues.....	<u>1,719,923,572.12</u>
Fuel for Electric Generation.....	486,802,442.82
Power Purchased.....	38,544,834.09
Other Operation Expenses.....	296,204,208.48
Maintenance.....	129,353,982.34
Depreciation.....	218,690,510.76
Amortization Expense.....	11,590,545.81
Regulatory Dedits.....	33,928.72
Regulatory Credits.....	-
Taxes	
Federal Income.....	(508,887.72)
State Income.....	2,592,363.03
Deferred Federal Income - Net.....	130,076,697.01
Deferred State Income - Net.....	19,614,396.47
Property and Other.....	40,041,267.00
Investment Tax Credit.....	4,000,000.00
Loss (Gain) from Disposition of Allowances.....	(91.81)
Accretion Expense.....	-
Total Operating Expenses.....	<u>1,377,036,197.00</u>
Net Operating Income.....	342,887,375.12
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,846,202.00
Other Income Less Deductions.....	(518,531.13)
AFUDC - Equity.....	620,010.69
Total Other Income Less Deductions.....	<u>1,947,681.56</u>
Income Before Interest Charges.....	<u>344,835,056.68</u>
Interest on Long-Term Debt.....	88,340,333.52
Amortization of Debt Expense - Net.....	3,282,749.66
Other Interest Expenses.....	2,396,055.73
AFUDC - Borrowed Funds.....	(231,145.99)
Total Interest Charges.....	<u>93,787,992.92</u>
Net Income.....	<u>\$ 251,047,063.76</u>

Kentucky Utilities Company  
Analysis of Retained Earnings  
August 31, 2016

	<u>Year Ended 8/31/16</u>
Balance at Beginning of Period.....	\$ 1,791,547,052.66
Add:	
Net Income for Period.....	251,047,063.76
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	244,000,000.00
Balance at End of Period.....	<u><u>\$ 1,798,594,116.42</u></u>