

D. Billye Sanders

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December 9, 2016

Mr. Jerry Kettles, Chief, Economic Analysis & Policy Division
c/o Ms. Sharla Dillon, Dockets and Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Petition of Kentucky Utilities Company for an Order Amending and Extending Authority with Respect to Revolving Line of Credit, Docket No. 16-00119; Third Response to Data Request

Dear Mr. Kettles:

This letter is in response to your letter dated October 25, 2016 seeking the status of and periodic updates on the similar filings of Kentucky Utilities Company ("KU") pending before the Kentucky Public Service Commission ("KPSC") and the Virginia State Corporation Commission ("VSCC").

On December 9, 2016, the KPSC issued an Order granting KU the authority it requested in Case No. 2016-00360. A copy of the KPSC's Order is attached. KU is seeking a revision of Ordering Paragraph 6; however, the requested change does not materially affect the authority that was granted to KU by the KPSC. Ordering Paragraph 6 of the December 9, 2016 Order states:


KU shall, within 30 days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the date of maturity, the price paid, the proceeds of such issuances, the interest rate, costs or gains from the use of hedging agreements, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. KU shall also file documentation showing the quotes that it relied upon to determine the lowest interest rate.

These notice requirements align more closely with bond issuances, as opposed to extending a revolving line of credit, therefore in order to make sure the KPSC receives notice of actions KU takes with respect to the authorizations provided in that case, KU filed a Motion on December 9 requesting that Ordering Paragraph 6 in the KPSC's December 9, 2016 Order be amended to read in its entirety as follows:

KU shall, within 30 days from the date of any action taken to replace, amend or extend the term of its Revolving Line of Credit file with the Commission a statement and copy of any new revolving credit extensions or agreements setting forth the date or dates of such action and all fees and expenses.

Please contact me if you have any questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads "D. Billye Sanders". The signature is written in dark ink and is positioned above the printed name and title.

D. Billye Sanders
Attorney for Kentucky Utilities Company

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, Esq., LG&E and KU Energy LLC

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER AMENDING)	CASE NO.
AND EXTENDING EXISTING AUTHORITY WITH)	2016-00360
RESPECT TO REVOLVING LINE OF CREDIT)	

ORDER

On October 14, 2016, Kentucky Utilities Company ("KU") filed an application for authority to extend its existing and previously authorized \$500 million multi-year revolving line of credit for a term through January 31, 2022. The current maturity date for the revolving credit facility is December 31, 2020. KU also requests additional authority in 2017 and 2018 to extend the facility maturity date up to five years from the date of the amendment, or to 2023 and 2024, respectively. Lastly, KU requests authority to enter separate or individual revolving credit lines to replace any non-extended portion of the credit facility.

Pursuant to an Order issued on October 25, 2016, an Informal Conference ("IC") was held on November 3, 2016, at the request of KU. The Attorney General ("AG") requested and was granted intervention in this matter. The AG also requested that a procedural schedule be established. However, the AG indicated at the IC that he had intervened to monitor the financing issues involved in this proceeding and, in light of the information gained at the IC, the AG stated that he would withdraw his request to issue a procedural schedule and would not have any further need for discovery on KU's application. On November 30, 2016, the AG submitted a notice indicating that he is

withdrawing his request to set a procedural schedule and stating his belief that the case can be submitted for a decision based on the existing record. The matter now stands submitted for a decision based upon the existing evidentiary record.

BACKGROUND AND DISCUSSION

KU was authorized by Commission Order in Case No. 2012-00232¹ to increase its existing revolving line of credit or enter into new lines of credit, with a term not to exceed five years, and with total aggregate amount of multi-year revolving credit facilities not to exceed \$500 million. In Case No. 2012-00409,² KU informed the Commission that, due to changes in regulation adopted by the Federal Reserve,³ revolving lines of credit will be less readily available and the current low commitment fees and interest spreads on borrowings would likely be higher in the future. KU sought and received authority in that case to extend the term of its existing \$500 million revolving credit facilities through December 31, 2017, which was the maximum term that lenders were willing to provide. In Case No. 2013-00238,⁴ KU stated that market conditions and expectations continued to remain unchanged. KU requested and was granted authority to replace, extend, or extend authority for its existing or previously authorized but not yet entered revolving credit arrangements for an additional year,

¹ Case No. 2012-00232, *Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations* (Ky. PSC Aug. 3, 2012).

² Case No. 2012-00409, *Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit* (Ky. PSC Oct. 23, 2012).

³ Basel III is a new regulatory framework created by the Bank of 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. *Id.*, and Application, paragraph 4.

⁴ Case No. 2013-00238, *Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit* (Ky. PSC Aug. 7, 2013).

through December 31, 2018. In Case No. 2014-00082,⁵ KU informed the Commission that the new regulatory requirements had not yet resulted in the expected pricing pressure and it had not yet elected to extend its existing revolving credit agreement beyond November 6, 2017. It also stated that market expectations remained unchanged, and it therefore requested and was granted authority to extend the term of its existing revolving line of credit through December 31, 2019. Pursuant to the Commission's Order in that proceeding, on August 4, 2014, KU filed with the commission its Amended and Restated Revolving Credit Agreement. Most recently, in Case No. 2015-00137,⁶ KU stated the same conditions and market expectations remained in effect and requested and was granted authority to replace, extend, or extend authority for its \$500 million in revolving credit facilities for an additional year, through December 31, 2020.

In the instant case, KU is seeking authority to extend its current revolving lines of credit from December 31, 2020, to January 31, 2022. This specific date adds an additional month to the one-year extension to synchronize the maturity dates of the credit facilities with those of KU's affiliates, PPL Electric Utilities Corporation and PPL Capital Funding Inc.⁷ To accomplish this, KU may need to enter into a one-month extension, followed by a one-year extension.⁸ There will be a one-time fee for both the

⁵ Case No. 2014-00082, *Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations* (Ky. PSC June 16, 2014).

⁶ Case No 2015-00137 *Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit* (Ky. PSC July 2, 2015).

⁷ Application, paragraph 6.

⁸ Comments to IC memorandum, November 9, 2016.

five-year revolving credit facility and the additional month of \$200,000, plus a \$45,000 arrangement fee.⁹

KU further requests 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. KU notes that it has not been refused an extension to date, and similar multi-year revolving credit facilities for the same term will replace the non-extended portions.¹⁰

KU commented that the outlook regarding the effect of the Basel III regulations on the costs and availability of revolving credit has not materially changed since Case No. 2015-00137, and that extending the current revolving credit facilities allows KU to obtain favorable short-term debt costs while avoiding expected future higher commitment fees and related transaction costs.¹¹ Given that Basel III regulations will not be fully implemented until 2019, KU additionally requests authority to extend the revolving credit facilities in 2017 and 2018. Each extension extends the credit facility maturity date to up to five years from the effective date of the amendment. Each extension will be on the same terms and will allow KU to avoid repetitive applications and allow quick access to the market.¹²

KU states that the extended credit facility will be upon substantially the same terms as its existing credit. Loan proceeds may be used for short-term financing of

⁹ IC Memo, November 7, 2016.

¹⁰ *Id.* and Application, paragraph 8.

¹¹ Application, paragraph 6.

¹² IC Memo, November 7, 2016.

general needs, including general costs of operation and construction, until permanent or long-term financing can be arranged. The additional funds could also be used to provide liquidity or credit support for other debt.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the extension of KU's authority with respect to its multi-year revolving line of credit as set out in KU's application is for lawful objects within the corporate purposes of KU's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved. Additionally, the Commission grants KU authority to extend the revolving credit facility again in 2017 and 2018 five years from the date of the amendment and replace any credit facilities not extended with separate or individual revolving credit lines.

IT IS THEREFORE ORDERED that:

1. KU is authorized to extend the term of its existing revolving line of credit for a term through January 31, 2022. The total aggregate amount of multi-year revolving credit facilities shall not exceed \$500 million.
2. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.
3. KU shall agree only to such terms and prices as are consistent with the parameters set out in its application.
4. KU is authorized to alternatively replace any credit facility not extended with similar multi-year revolving credit facilities for the same term.

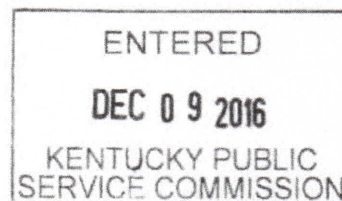
5. KU is authorized to exercise extension in 2017 and 2018, respectively, to extend the facility maturity dates to five years from the date of the amendment.

6. KU shall, within 30 days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the date of maturity, the price paid, the proceeds of such issuances, the interest rate, costs or gains from the use of hedging agreements, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. KU shall also file documentation showing the quotes that it relied upon to determine the lowest interest rate.

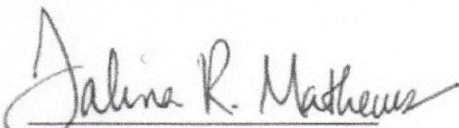
7. Any documents filed pursuant to ordering paragraph 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST:


Executive Director

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