

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 29, 2016

IN RE:

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

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**DOCKET NO.
16-00119**

ORDER APPROVING AMENDMENT TO EXISTING FINANCING AUTHORITY

This matter came before Chairman David F. Jones, Vice Chairman Robin L. Morrison, and Director Herbert H. Hilliard of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 12, 2016 for consideration of the *Petition for Amendment and Extension of Authority with Respect to Revolving Credit* (“*Petition*”) filed by Kentucky Utilities Company (“KU” or the “Company”) requesting an Order amending and extending its existing authority with respect to revolving line of credit transactions 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 fewer than ten (10) residential customers in Fork Ridge, Tennessee, approximately 518,000 customers in seventy-seven counties in Kentucky, and approximately 28,000 customers in five (5) counties in Virginia. KU seeks approval to: (1) amend and extend its existing authority to allow for extending the term of its multi-year revolving line of credit line through January 31, 2022; (2) alternatively replace any credit facilities not extended with similar multi-year revolving revolving credit facilities; and (3)

additional authority in 2017 and 2018 to extend the credit facility maturity date up to five years from the effective date of the amendment.

KU was first granted authority to enter into multi-year revolving credit facilities in Docket No. 07-00156¹ 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. By Order dated June 24, 2014, in Docket No. 14-00033,² 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.

In Docket No. 14-00033, KU stated it 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. 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 the current historically low commitment fees and interest spreads on actual borrowings are likely to be higher in the future.

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

²*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.

In TRA Docket No. 15-00056, the Authority granted KU's Petition to amend and extend the term of its existing revolving line of credit for a term through December 31, 2020.³ In that proceeding, KU explained that the same conditions and market expectations described in Docket No. 14-00033 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.

In the *Petition* filed in this Docket on October 14, 2016, KU stated that the same conditions and market expectations remain in effect that existed when it sought the last amendment. 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. KU stated that this 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. KU further stated that 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.⁴ KU requests authority to amend its existing Amended and Restated Revolving Credit Agreement to effectuate the extension, and also requests authority to amend and restate the Credit Agreement, if necessary.⁵ Although KU stated that it 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 maximum total aggregate sizes, dates and terms described further herein.

³See *In re: Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Docket No. 15-00056, *Order Approving Financial Transactions*, pp.3-5 (August 3, 2015).

⁴*Petition*, p. 3, and pre-filed testimony of Daniel K. Arbough, pp. 3-4, (November 13, 2016).

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

Given that the Basel III regulations will be fully implemented in 2019, KU requests authority to also extend the revolving credit facilities in 2017 and 2018. With each extension, the Company would extend the credit facility maturity date up to five years from the effective date of the amendment, which would give KU the flexibility to further optimize its short-term debt costs for its customers.

KU stated that the extended credit facilities would be on the same or substantially similar terms as KU's existing revolving credit and would be available for the same purposes for which revolving credit is currently available, i.e. to provide short-term financing for KU's general financing needs. (See Petition pp. 4-5).

KU's request for approval of an amendment and extension of the financing authority that is the subject of this Docket has been approved by the Virginia State Corporation Commission ("VSCC") by Order dated November 21, 2016 in Case No. PUE-2014-00031 and by the Kentucky Public Service Commission ("KPSC") by Order dated December 9, 2016 as amended December 14, 2016 in Case No. 2016-00360.

HEARING ON THE MERITS

The Hearing in this matter was held before the voting panel of Directors during the regularly scheduled Authority Conference on December 12, 2016, as noticed by the Authority on December 2, 2016. D. Billye Sanders, local counsel for Kentucky Utilities Company, appeared personally at the Hearing and facilitated the telephone testimony of Daniel K. Arbough, Treasurer and employee of LG&E and KU Services Company.⁶ Ms. Rhonda E. Anderson, a licensed Notary Public in good standing in Jefferson County, Kentucky, appeared telephonically with Mr. Arbough, administered the testimonial oath to him, and pledged to remain physically present with

⁶ On November 29, 2016, Kentucky Utilities Company filed a *Motion to Allow Witness to Participate by Telephone* requesting to permit Kentucky Utilities Company to present its witness via telephone during the hearing. On December 6, 2016, the Hearing Officer granted Kentucky Utilities Company's request in an *Order Granting Motion to Allow Witness to Participate by Telephone*.

him throughout his examination and testimony.⁷ Thereafter, Mr. Arbough participated in the Hearing, ratified his pre-filed testimony, testified concerning the *Petition*, and was subject to examination by the Hearing Panel. No person sought intervention in the proceedings. Members of the public were given an opportunity to offer comments but no one sought recognition to do so.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann § 65-4-109 (2015) provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, 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 December 12, 2016, the panel unanimously approved the *Petition* pursuant to Tenn. Code Ann. § 65-4-109 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 with low cost debt; and
- (4) KU shall be bound by the same filing requirements imposed by the Kentucky Public Service Commission and the Virginia State Corporation Commission.

⁷In granting approval for Mr. Arbough to appear telephonically, the Hearing Officer set out certain conditions, including requiring the personal appearance of counsel, a notary public to administer the testimonial oath and observe the witness during testimony, as well as, filing of a witness certification and notary public affidavit. See *Order Granting Motion to Allow Witness to Participate by Telephone* (December 6, 2016). The required filings were made on December 13, 2016.

IT IS THEREFORE ORDERED THAT:

1. Kentucky Utilities Company is authorized to (a) amend and/or 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; (b) alternatively replace any credit facilities not extended with similar multi-year revolving credit facilities for the same term; and (c) amend and/or exercise extensions in 2017 and 2018, respectively, to extend the facility maturity dates to five years from the date of the amendment.

2. 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.

3. Kentucky Utilities Company shall be bound by the same filing requirements imposed by the Kentucky Public Service Commission and the Virginia State Corporation Commission.

4. 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 risk involved.

5. Nothing herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.

Chairman David F. Jones, Vice Chairman Robin L. Morrison and Director Herbert H. Hilliard concur.

ATTEST:



Earl R. Taylor, Executive Director