

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

In its *Petition*, KU seeks authority to refinance a series of bonds issued which relate to certain environmental facilities. More specifically, the Company proposes to issue Collateral Bonds and assume obligations necessary for the issuance of new Carroll County, Kentucky Environmental Refunding Bonds (“Refunding Bonds”) to refinance outstanding Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A (“Carroll County Bonds”) not to exceed the Public Offering Price of \$17,875,000.<sup>3</sup> KU requests authority to issue First Mortgage Bonds and to perform its obligation under certain Loan Agreements with Carroll County, Kentucky as part of the bond refinancing arrangements. In addition, the Petitioners also assert that authority to enter into certain notes, guarantees, remarketing agreements, hedging agreements and other credit agreements may be required to complete the financing transaction.<sup>4</sup>

Further, KU requests to issue long-term debt in the form of First Mortgage Bonds in a principal amount not to exceed \$400,000,000.<sup>5</sup> Said Bonds would be “sold at various times through the remainder of 2018 and 2019 in one or underwritten public offerings, negotiated sales, or private placement transactions utilizing proper documentation.”<sup>6</sup> The Company asserts that First Mortgage Bonds will be utilized to reduce its short-term debt, fund construction projects and to refund the Trimble County 2007 Series A Bonds.<sup>7</sup> In connection with the First Mortgage Bonds, KU seeks authority to enter into interest rate hedging agreements to assist the Company in managing its liability and exposure with regard to interest rate changes and bond market volatility.<sup>8</sup>

Finally, in its *Petition*, KU seeks authority to exercise extensions of its multi-year revolving credit line in 2019 and 2020, respectively, to extend the facility maturity dates to five years from the date of the amendments. The Petitioner represents that this Commission has authorized it to enter into multi-year revolving credit facilities and to extend the term of an existing revolving line of credit

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<sup>3</sup> *Id.* at 2.

<sup>4</sup> *Id.* at 5-9.

<sup>5</sup> *Id.* at 10.

<sup>6</sup> *Id.* at 11.

<sup>7</sup> *Id.* at 10.

<sup>8</sup> *Id.* at 12.

in previous docketed matters.<sup>9</sup> KU asserts that the favorable market conditions that existed at the time this Commission extended authority with regard to the revolving credit facilities in Docket Nos. 15-0056 and 16-00119 has not materially changed. Further, Petitioner asserts that extending the current revolving credit facilities allows it to void higher commitment fees and transaction costs while obtaining favorable short-term debt costs, optimizing KU's flexibility with regard to its short-term debt costs. As an alternative, should a credit service provider not agree to extend a credit facility at current individual or aggregate participation levels, KU requests authority to enter into separate or individual revolving credit lines to replace any non-extended portion of the credit facility with similar multi-year revolving credit facilities for the same term.<sup>10</sup>

There were no petitions for intervention filed in the docket. In addition, the Petitioners filed an application seeking similar approval with the Kentucky Public Service Commission on May 11, 2018. A Petition seeking similar approval was also filed with the Virginia State Corporation Commission on May 14, 2018.<sup>11</sup> The Virginia State Corporation Commission entered an *Order Granting Approval* of the requested financing transactions on July 5, 2018.<sup>12</sup> The Kentucky Public Service Commission has entered an *Order* approving the financing transactions on June 27, 2018,<sup>13</sup> said *Order* having been amended by an *Order* entered July 17, 2018 to correct a typographical

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<sup>9</sup> *Id.* at 13-14. See *In Re: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, Docket No. 07-00156, *Order Approving Financing Transactions* (September 13, 2007); See also *In Re: Petition of Kentucky Utilities Company for an Order Amending and Extending Authority with Respect to Revolving Line of Credit*, Docket No. 15-00056, *Order Approving Financing Transactions* (August 3, 2015); See also *In Re: Petition of Kentucky Utilities Company for an Order Amending and Extending Authority with Respect to Revolving Line of Credit*, Docket No. 16-00119, *Order Approving Amendment to Existing Financing Authority*, (December 29, 2016).

<sup>10</sup> *Id.* at 14-16.

<sup>11</sup> *Update on Kentucky Utilities Company's Similar Filings Pending Before the KY Public Service Commission and the Virginia State Corporation Commission*, p. 1 (May 23, 2018).

<sup>12</sup> *Data Response*, pp. 17-21, (July 11, 2018). See also *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority to Issue Securities Under Chapters 3 and 4 of Title 56 of the Code of Virginia*, Case No. PUR-2018-00076, *Order Granting Approval*, (July 5, 2018).

<sup>13</sup> *Data Response*, pp. 3-16, (July 11, 2018). See also *In the Matter of: Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations and an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Kentucky Public Service Commission Case No. 2018-00153, *Order*, (June 27, 2018).

error,<sup>14</sup> and currently subject to a pending *Motion to Clarify Order* filed on July 20, 2018 by KU to correct what it has been described as a typographical error.

### **HEARING ON THE MERITS**

A Hearing in this matter was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on July 23, 2018, as noticed by the Commission on July 13, 2018. Tim Eifler, local counsel for KU, appeared personally at the Hearing and facilitated the telephone testimony of Daniel K. Arbough, Treasurer for the Company.<sup>15</sup> Rhonda Anderson, a licensed Notary Public in good standing in Jefferson County, Kentucky, appeared telephonically with Mr. Arbough, administered the testimonial oath to Mr. Arbough and agreed to remain physically present with Mr. Arbough throughout his testimony. Thereafter, Mr. Arbough participated in the Hearing, ratified and summarized his pre-filed testimony and was subject to questioning before the voting panel and by TPUC staff. Members of the public were given an opportunity to offer comments, at which time, no comments were submitted.

### **STANDARD FOR COMMISSION APPROVAL**

Commission approval is required for certain financing programs pursuant to Tenn. Code Ann. § 65-4-109, which 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 commission for such proposed issue. It shall be the duty of the commission 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 commission.<sup>16</sup>

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<sup>14</sup> KU's *Motion to Clarify Order Sent to Kentucky PSC*, (July 23, 2018). See also *In the Matter of: Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations and an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Kentucky Public Service Commission Case No. 2018-00153, *Order*, (July 17, 2018).

<sup>15</sup> The Company filed a motion seeking to have both its counsel and witness appear telephonically. The Hearing Officer entered an Order allowing the witness to appear and testify telephonically but requiring counsel to appear in person. See *Motion to Allow Counsel and Witness to Appear and Participate at Hearing By Telephone*, (July 11, 2018); See also *Order Granting Electronic Participation in Hearing*, (July 19, 2018).

<sup>16</sup> Tenn. Code Ann. § 65-4-109 (2017 Supp.).

## **FINDINGS AND CONCLUSIONS**

The Commission's review of financing programs or transactions focuses on whether such financing programs or transactions are in accordance with applicable law and their purpose is in the public interest. During the Commission Conference held on July 23, 2018, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The financing transactions are subject to Commission approval pursuant to Tennessee Code Annotated § 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.
4. The authorization and approval of these financing transactions given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved.
5. The authorization and approval of these financing transactions is decision is not intended to create any liability on the part of the Tennessee Public Utility Commission, the State of Tennessee, or any political subdivision thereof.

### **IT IS THEREFORE ORDERED THAT:**

1. The *Petition* filed by Kentucky Utilities Company on May 11, 2018 is approved.
2. Kentucky Utilities Company is authorized to issue its First Mortgage Bonds in one or more series and at one or more times and to execute, deliver and perform its obligations under the Loan Agreements with Carroll County, Kentucky, and under any notes, guarantees, remarketing agreements, hedging agreements, credit agreements and such other agreements and documents as set forth in its *Petition*. In addition, Kentucky Utilities Company may perform the transactions contemplated by all such agreements, including, but not limited to borrowings or advances, and the related repayment or reimbursement obligations, under the Loan Agreements, Current Facilities and Facilities and Credit Facilities, Hedging Facilities, and the establishment of regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and

amortize the losses and gains over the remaining life of the First Mortgage Bonds, as described in its *Petition*.

3. 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 2018, and in 2019, in an aggregate principal amount not to exceed \$400,000,000 in the manner set forth in its *Petition*, including the establishment of regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the losses and gains over the remaining life of the First Mortgage Bonds, as described in its *Petition*.

4. Kentucky Utilities Company is authorized to enter into such agreements and amendments as are necessary for it to exercise extensions in 2019 and 2020, respectively, to extend the facility maturity dates to five years from the date of the amendment in the previously authorized total aggregate amount not to exceed \$500 million, or alternatively replace any credit facilities not extended with similar multi-year revolving credit facilities for the same term.

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

6. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

7. Kentucky Utilities Company shall agree only to such terms and prices that are consistent with the parameters set out in its *Petition*.

8. The authorization and approval of these financing transactions given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved.

9. The authorization and approval of these financing transactions is decision is not intended to create any liability on the part of the Tennessee Public Utility Commission, the State of Tennessee, or any political subdivision thereof.

10. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.

11. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

**Chair Robin L. Morrison, Vice Chair Kenneth C. Hill and Commissioner Herbert H. Hilliard concur.**

**ATTEST:**

A handwritten signature in cursive script, appearing to read "Earl Taylor", is written above a horizontal line.

**Earl R. Taylor, Executive Director**