

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY)	
UTILITIES COMPANY FOR AN)	
ORDER AUTHORIZING THE ISSUE)	CASE NO. 8488
OF SECURITIES)	

O R D E R

On March 29, 1982, Kentucky Utilities Company ("KU") filed its application seeking authority to issue and sell the following securities:

<u>Issue</u>	<u>Amount Outstanding at December 31, 1981</u>	<u>Amount to be Issued in Addi- tion to Securi- ties Previously Authorized for Issuance</u>
Common Stock, par value \$10 per share, pursu- ant to underwritten public offering(s)	15,000,000 shares	Not to exceed 3,000,000 shares
Common Stock, par value \$10 per share, pur- suant to Employee Stock Ownership Plan	354,813 shares	Not to exceed 1,000,000 shares
Preferred Stock, with- out par value, ___% Series and following	1,089,500 shares of other series	Not to exceed \$30,000,000 in stated value
Long-term debt consist- ing of First Mortgage Bonds, Series P and following, and/or Eurodollar Obligations	\$298,826,000 of other series	Not to exceed \$100,000,000 in principal amount

Pollution Control
Obligations, in-
cluding related
First Mortgage
Bonds, Pollution
Control Series
No. _____
and following

\$88,600,000 of
other series

Not to exceed
\$85,000,000 in
principal amount

The securities are to be issued during 1982, except for shares of Common Stock issued pursuant to KU's Employee Stock Ownership Plan, which may be issued during 1982 and thereafter.

The net proceeds to be derived by KU from sales of the aforesaid securities will be applied to one or more of the following purposes:

- (a) payment of construction expenditures;
- (b) repayment of short-term borrowings;
- (c) to meet sinking fund requirements on outstanding Preferred Stock;
- (d) repayment of all or a portion of outstanding intermediate-term unsecured bank debt, prior to maturity;
or
- (e) in the case of certain pollution control obligations, the refunding (including advance refunding) of outstanding pollution control obligations.

The Commission, after consideration of the application and being advised, is of the opinion and finds that the issuance and sale by KU of the above-enumerated securities is for lawful objects within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will

not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that Kentucky Utilities Company be and it hereby is authorized to issue and sell during 1982 or, with respect to shares of Common Stock issued pursuant to its Employee Stock Ownership Plan, during 1982 and thereafter:

1. Common Stock in one or more transactions, provided that the aggregate number of additional shares so issued and sold during 1982 shall not exceed 3,000,000, exclusive of shares of KU's Common Stock which may be issued during 1982 pursuant to KU's Automatic Dividend Reinvestment and Stock Purchase Plan, as heretofore authorized by the Commission in Case No. 8473, and KU's Employee Stock Ownership Plan, referred to herein. It is proposed that the shares will be issued in one or more underwritten public offerings pursuant to an underwriting agreement or agreements to be entered into between KU and underwriters. The price per share to be paid to KU by the underwriters for the shares will be determined on the basis of negotiations between KU and the underwriters, but in no event will such price per share be less than the par value thereof (\$10 per share) or lower than 93 percent of the current market price of the Common Stock on the New York Stock Exchange at the time of such negotiations;

2. Common Stock not to exceed 1,000,000 shares to be issued and sold during 1982 and subsequent years pursuant to KU's Employee Stock Ownership Plan, heretofore filed as Exhibit 3 with KU's application in Case No. 7537, and the

related Trust Agreement filed as Exhibit A with KU's application in Case No. 6625, such shares to be issued and sold pursuant to the Employee Stock Ownership Plan as described in the application in this case, which shares shall be in addition to the 550,000 shares previously authorized by the Commission in connection with the Employee Stock Ownership Plan, in Cases No. 6627 and 7537;

3. Preferred Stock without par value in one or more transactions, provided that the aggregate amount of Preferred Stock so issued and sold during 1982 shall not exceed \$30,000,000 in stated value. The shares may be sold in underwritten public offerings (which may be negotiated or at competitive bidding) or in so-called "private placement" transactions. The price per share paid to KU for shares of such series will not be less than the stated value per share of the shares of such series. Such price, stated value, dividend rate, redemption price or prices and terms and conditions, and sinking fund provisions, if any, will be determined as follows: (a) if sold in a negotiated public offering, on the basis of negotiations between KU and the underwriters, (b) if sold at competitive bidding, upon the terms of competitive bidding established by KU and (c) if sold in a private placement transaction, on the basis of negotiations between KU and the purchasers of the shares or their agent(s). In the case of (a) or (b), the shares will be sold to underwriters pursuant to the terms of an underwriting agreement or purchase contract with underwriters; and in the case of (c), the shares will be sold to sophisticated

investors pursuant to the terms of one or more separate preferred stock purchase contracts or agreements. The underwriting discount or commission per share (applicable to underwritten public offerings) will not exceed 5 percent of the stated value per share; and the fee or other compensation paid in connection with any private placement transaction will not exceed an amount equal to 1 percent of the aggregate price at which the shares are purchased from KU. The cost of money in respect to any series of Preferred Stock will not exceed 18 percent per annum;

4. Long-term debt in the form of First Mortgage Bonds and/or Eurodollar Obligations in one or more transactions provided that the aggregate principal amount so issued and sold during 1982 shall not exceed \$100,000,000, which long-term debt shall consist of either or both of the following:

(a) First Mortgage Bonds of one or more series in one or more transactions issued under and secured by KU's First Mortgage Indenture, as amended ("Indenture"), and as to be further supplemented and amended by a supplemental indenture creating the bonds of such series. Such supplemental indenture will set forth the terms and provisions of such series, including, without limitation, the maturity date(s), interest rate(s), designation and redemption provisions applicable to such series. The First Mortgage Bonds of each series may be sold in an underwritten public offering (which may be negotiated or at

competitive bidding) or in a so-called private placement transaction. The price at which the First Mortgage Bonds of each series will be sold by KU will be not less than the principal amount thereof. Such price, maturity date(s), interest rate(s) and redemption provisions (including sinking fund or debt retirement provisions) and other terms and provisions of such series will be determined as follows: (i) if sold in a negotiated public offering, on the basis of negotiations between KU and the underwriters of such bonds, (ii) if sold at competitive bidding, on the basis of the terms of competitive bidding established by KU and (iii) if sold in a private placement transaction, on the basis of negotiations between KU and the purchasers of such bonds or their agent(s). In case of (i) or (ii), the First Mortgage Bonds of such series will be sold to underwriters pursuant to the terms of an underwriting agreement or purchase contract with underwriters; and in the case of (iii) the First Mortgage Bonds of such series will be sold to sophisticated investors pursuant to the terms of one or more purchase contracts or agreements. The underwriting discount or commission (applicable to underwritten public offerings) will not exceed 2 percent of the principal amount of First Mortgage Bonds of such series to be sold; and the fee or other compensation paid in connection with any private placement transaction will not exceed an amount equal to 1 percent

of such principal amount. The cost of money applicable to the First Mortgage Bonds of each such series will not exceed 18 percent per annum. The final maturity date of First Mortgage Bonds of each such series will be not less than 5 years, nor more than 30 years, from the nominal date of the First Mortgage Bonds of such series;

(b) Eurodollar Obligations through one or more transactions entered into with Kentucky Utilities Finance, N.V., a limited liability company to be incorporated under the laws of the Netherlands Antilles as a wholly-owned subsidiary of KU, in the following manner:

Kentucky Utilities Finance, N.V., will issue and sell debt represented by its own notes or debentures in the European capital markets. The notes or debentures will have maturities not less than 3 years nor more than 30 years. KU will enter into a guaranty or similar arrangement providing for the payment of principal, premium, if any, and interest in respect of the Kentucky Utilities Finance, N.V., notes or debentures. Such obligations to pay principal, premium, if any, and interest may include obligations to pay, in certain circumstances, such additional amounts as may be necessary in order that every payment to certain holders of the Kentucky Utilities Finance, N.V., notes or debentures, after deduction for certain taxes, assessments or charges which may be imposed on such holders, will not be less

than the amounts provided in the notes or debentures. The Kentucky Utilities Finance, N.V., notes or debentures will not be secured by a lien or other charge on KU's property. The terms and conditions of the proposed offering will be determined by KU and Kentucky Utilities Finance, N.V., through negotiation with underwriters, purchasers or agents. Kentucky Utilities Finance, N.V., will loan to KU proceeds obtained through issuance of Kentucky Utilities Finance, N.V.'s notes or debentures. As evidence of KU's indebtedness to Kentucky Utilities Finance, N.V., KU may issue to Kentucky Utilities Finance, N.V., its unsecured notes or other obligations in an amount equal to the principal amount of the Kentucky Utilities Finance, N.V., notes or debentures. The amounts and timing of payments from KU to Kentucky Utilities Finance, N.V., pursuant to any such notes or other obligations issued by KU will be determined so as to allow Kentucky Utilities Finance, N.V., to meet its payment obligations in respect to the Kentucky Utilities Finance, N.V., notes or debentures. Prior to the transactions described above, KU will make or cause to be made a capital contribution to Kentucky Utilities Finance, N.V., in the amount required by the laws of the United States to establish that the notes or debentures constitute indebtedness of Kentucky Utilities Finance, N.V. The price at which the notes or debentures will be

sold by Kentucky Utilities Finance, N.V., and the maturity date(s), interest rate(s) and redemption provisions (including sinking fund or debt retirement provisions, if any) and other terms and provisions of such notes or debentures will be determined as follows: (i) if sold in an underwritten public offering, on the basis of negotiations between KU and the underwriters of such bonds and (ii) if sold in a private placement transaction, on the basis of negotiations between KU and the purchasers of such notes or debentures or their agents. In the case of (i), the notes and debentures will be sold to underwriters pursuant to the terms of an underwriting agreement or purchase contract with underwriters; and in the case of (ii), the notes or debentures will be sold to sophisticated investors pursuant to the terms of one or more purchase contracts or agreements. The underwriting discount or commission (applicable to underwritten public offerings) will not exceed 3 percent of the principal amount of notes or debentures to be sold; and the fee or other compensation paid in connection with any private placement transaction will not exceed an amount equal to 3 percent of such principal amount. The cost of money applicable to the notes or debentures will not exceed 18 percent per annum; and

5. Pollution control obligations not to exceed \$85,000,000 in principal amount during 1982, in the form of a loan agreement,

lease, installment sale agreement or similar agreement entered into in connection with the issuance and sale of revenue bonds by a Kentucky county or other public body of Kentucky authorized by law to issue such bonds ("Issuer"). The obligations of KU under the loan agreement, lease, installment sale agreement or similar agreement may be secured or unsecured and may be evidenced by First Mortgage Bonds, notes or other instruments issued by KU. Such pollution control obligations may also be separately guaranteed by KU. If KU's pollution control obligation in respect of any series of revenue bonds is to be evidenced or secured by KU's First Mortgage Bonds, KU will issue one or more series of its First Mortgage Bonds under its Indenture, in a principal amount not to exceed the principal amount of the related revenue bonds. The First Mortgage Bonds of any such series will be issued under and secured by the Indenture as to be further supplemented and amended by a supplemental indenture creating the bonds of such series. Such supplemental indenture will set forth the terms and provisions of such series, including without limitation, the maturity date(s), interest rate(s), designation and redemption provisions applicable to such series. If KU's pollution control obligation is to be guaranteed, it will enter into a separate guaranty agreement with respect to the related revenue bonds. In an appropriate transaction, the Issuer will enter into an indenture with a trustee to secure the payment of the revenue bonds and the payment by KU of all sums payable by it under its pollution control obligation.

The Issuer's revenue bonds, in respect of which KU will enter into pollution control obligations, may be sold in a negotiated underwritten public offering or in a so-called private placement transaction. The price at which the revenue bonds will be sold will be not less than the principal amount thereof. Such price, maturity date(s), interest rate(s) and redemption provisions (including sinking fund or debt retirement provisions) and other terms and provisions of such revenue bonds will be determined as follows: (a) if sold in a negotiated public offering, on the basis of negotiations between KU and the underwriters of such revenue bonds and (b) if sold in a private placement transaction, on the basis of negotiations between KU and the purchasers of such revenue bonds or their agent(s). In case of (a), the Issuer's revenue bonds will be sold to underwriters pursuant to the terms of an underwriting agreement or purchase contract with underwriters, and KU may enter into a separate agreement providing for payment by KU to the underwriters of compensation for their services in underwriting and selling the revenue bonds. In the case of (b), the Issuer's revenue bonds will be sold to sophisticated investors pursuant to the terms of one or more purchase contracts or agreements. The underwriting discount or commission (applicable to negotiated public offerings) will not exceed 3 percent of the principal amount of the revenue bonds to be sold; and the fee or other compensation paid in connection with any private placement transaction will not exceed an amount equal to 2 percent of such principal amount. The

cost of money to KU in respect to any of its pollution control obligations will not exceed 16 percent per annum. The final maturity date of the revenue bonds will be not less than 5 years, nor more than 30 years, from the nominal date of such revenue bonds.

IT IS FURTHER ORDERED that the proceeds from the sale of the securities authorized herein shall be used only for the lawful purposes as set out in the application.

IT IS FURTHER ORDERED that any issuance and sale pursuant to the authority contained in this Order shall occur on or before December 31, 1982, unless such date be extended by further order of the Commission, except for shares of Common Stock issued pursuant to KU's Employee Stock Ownership Plan, which shares may be issued in 1982 or thereafter.

IT IS FURTHER ORDERED that KU shall, as soon as reasonably possible prior to each issuance of securities authorized herein, file with this Commission a statement setting forth the type of securities to be issued, the anticipated date or dates of issuance of the securities, the anticipated price to be paid therefor, the anticipated interest or dividend rate (as applicable), and fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

IT IS FURTHER ORDERED that KU shall, as soon as reasonably possible after each issuance of securities authorized herein, file with this Commission the form of underwriting agreement, purchase contract or purchase agreement relating

to such securities; the resolution adopted by KU's Board of Directors creating and establishing any series of Preferred Stock; the form of supplemental indenture relating to any series of First Mortgage Bonds; the form of agreement between KU and the Issuer, the form of KU's pollution control obligations and any indenture between the Issuer and a trustee relating to any revenue bonds; the form of any guaranty relating to any Eurodollar financing or any revenue bonds; the form of unsecured note or debenture to be issued to Kentucky Utilities Finance, N.V., relating to any Eurodollar financing; a statement of the principal terms of sale of such securities (including, as applicable, pricing terms, dividend rate, interest rate(s), cost of money, maturity date(s), redemption terms and sinking fund obligations, if any); a list of the names of the underwriters or purchasers; and information as to all fees and expenses including underwriting discounts or commissions or other compensation involved in the issuance or distribution.

IT IS FURTHER ORDERED that KU shall, as soon as reasonably possible prior to each issuance of long-term debt authorized herein, file with the Commission a detailed explanation including supporting data considered in determining whether to issue First Mortgage Bonds or Eurodollar Obligations, including the expected "cost of money" for First Mortgage Bonds and Eurodollar Obligations at the time the decision is made.

IT IS FURTHER ORDERED that failure to provide the required information before and after each issuance of securities

may result in revocation of the authorization to issue further securities approved herein.

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.

Done at Frankfort, Kentucky, this 1st day of June, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary