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September 6, 2012

**VIA HAND-DELIVERY**

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

**RECEIVED**

**SEP 06 2012**

**PUBLIC SERVICE  
COMMISSION**

**Re: Application of Kentucky Utilities Company for an Order Amending and  
Extending Existing Authority with Respect to Revolving Line of Credit**

Dear Mr. DeRouen:

Enclosed for filing, please find the original and ten (10) copies of the Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit. An extra copy of the Application is enclosed to be filed stamped and returned to the undersigned.

Please do not hesitate to contact me should you have any questions or require additional information.

Very truly yours,

J. Wade Hendricks

JWH/dvg  
Enclosures

cc: Dennis G. Howard, II

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RECEIVED

SEP 06 2012

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY )  
UTILITIES COMPANY FOR AN ORDER )  
AMENDING AND EXTENDING EXISTING )  
AUTHORITY WITH RESPECT TO REVOLVING ) CASE NO. 2012-\_\_\_\_\_  
LINE OF CREDIT )

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

Kentucky Utilities Company (“KU”) hereby requests that the Commission amend and extend KU’s existing authority to allow for extending the term of its multi-year revolving credit line. In support of this Application, 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. A certified copy of KU’s Articles of Incorporation was filed with the Commission in Case No. 2010-00204.<sup>1</sup>

2. By Order dated August 3, 2012 in Case No. 2012-00232<sup>2</sup>, along with granting KU authority to issue certain First Mortgage Bonds, the Commission authorized KU to increase its existing revolving credit line or enter into new revolving credit arrangements in an aggregate amount of up to an additional \$100 million, with a term not to exceed five (5) years. This is in addition to KU’s existing, \$400 million revolving line of credit, which has a term ending October

<sup>1</sup>(Joint Application of PPL Corporation, E.ON AG, E.ON US Investment Corp., E.ON LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for approval of an acquisition of ownership and control of utilities).

<sup>2</sup>(Application of Kentucky Utilities Company for an Order authorizing the issuance of securities and assumption of obligations).

19, 2016, and which was originally authorized by Order dated September 30, 2010 in Case No. 2010-00206<sup>3</sup> with a term through December 31, 2014. The Commission authorized KU to extend the original term by Order dated October 10, 2011 in Case No. 2011-00307<sup>4</sup>.

3. KU was first granted authority to enter into multi-year revolving credit facilities in Case No. 2007-00233<sup>5</sup> by Orders dated August 2, 2007 and August 9, 2007. In Case No. 2007-00233, the Commission found that granting KU authority to enter into multi-year revolving credit facilities under which KU could incur short-term debt from time to time would alleviate the time and cost of annually negotiating and renewing short-term debt arrangements.<sup>6</sup>

4. Based upon its discussions with providers of credit facilities, KU believes that it is likely that in the near future changing market conditions and interest rates will mean that revolving credit facilities will no longer be available on terms as favorable as found in KU's current facility. In part, this is due to the new Basel III regulations, which will be phased in starting in 2013 and fully implemented in 2019. Basel III is a new regulatory framework created by the Bank for 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. As a result, not only are revolving lines of credit likely to be less readily available, but today's historically low commitment fees and interest spreads on actual borrowings are likely to be higher. KU therefore seeks authorization to extend, in one or more installments from time-to-time, its existing or

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<sup>3</sup> *(Application 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).*

<sup>4</sup> *(Application of Kentucky Utilities Company for an Order authorizing the issuance of securities and assumption of obligations).*

<sup>5</sup> *(Application of Kentucky Utilities Company for an Order authorizing the issuance of securities and assumption of obligations).*

<sup>6</sup> Case No. 2007-00233 Order of August 2, 2007.

previously authorized revolving credit arrangements through December 31, 2017. KU is seeking authority for an approximately five year term because this is the maximum term that lenders are willing to provide.

5. The extended credit facilities would be upon substantially 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, 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 had readily available funds with which to make payments with respect to variable rate bonds that could be tendered for purchase and not remarketed. However, KU does not assign specific financing to any particular capital project or use, and does not project finance projects. Thus, these are general reasons that KU might have need for short-term financing, rather than uses to which such financing would be assigned.

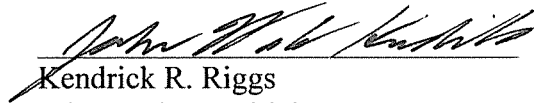
6. By extending its existing and previously authorized credit facilities, KU will be able to ensure that the current, favorable terms for such facilities are available for as long as possible. While KU believes that the conditions and fees on similar credit facilities are likely to be less favorable to the borrower in 2016 than today, KU is not able to quantify such differences. However, by way of comparison, KU believes that the costs of a one year extension of its existing revolving credit line would be approximately 10 basis points, while today's cost of entering into a new, one year revolving credit facility would be approximately 17 ½ basis points.

7. Attached as Exhibits 1 and 2, respectively, are a Description of KU's Property and a Financial Exhibit pursuant to 807 KAR 5:001, Section 11(2)(1) as described by 807 KAR 5:001, Section 11(2)(b).

**THEREFORE**, Kentucky Utilities Company respectfully requests that the Commission enter its Order authorizing KU to enter into such agreements and amendments as are necessary for KU to extend its existing and previously authorized multi-year revolving credit facilities for a term through December 31, 2017.

Dated: September 6, 2012.

Respectfully Submitted,



Kendrick R. Riggs  
John Wade Hendricks  
Stoll Keenon Ogden PLLC  
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500 W. Jefferson Street  
Louisville, KY 40202  
(502) 333-6000

Allyson K. Sturgeon  
Senior Corporate Attorney  
LG&E and KU Energy LLC  
220 W. Main Street  
Louisville, KY 40202  
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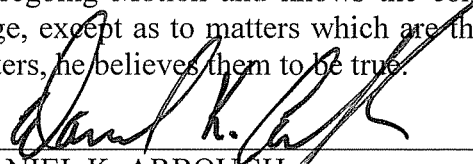
*Counsel for Kentucky Utilities Company*

**VERIFICATION**

**COMMONWEALTH OF KENTUCKY**

**COUNTY OF JEFFERSON**

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Motion 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 before me this 4<sup>th</sup> that day of September, 2012.

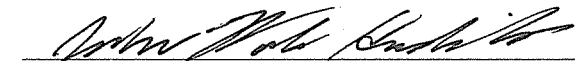
My Commission Expires: August 31, 2015

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Application was served on the following persons on the 6<sup>th</sup> day of September 2012, U.S. mail, postage prepaid:

Dennis G. Howard II  
Lawrence W. Cook  
Assistant Attorneys General  
Office of the Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

  
\_\_\_\_\_  
Counsel for Kentucky Utilities Company

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KENTUCKY UTILITIES COMPANY  
(807 KAR 5:001, Section 11, Item 1 (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO APPLICANT

June 30, 2012

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2011, the applicant owned 13 and operated 11 coal fired steam electric generating units having a total capacity of 3,355 Mw; a hydroelectric generating station having a total capacity of 24 Mw; and 17 gas/oil peaking units having a total capacity of 1,454 Mw.

The applicant's owned electric transmission system included 133 substations (55 of which are shared with the distribution system) with a total capacity of 13 million kVA and 4,078 miles of lines. The electric distribution system included 478 substations (55 of which are shared with the transmission system) with a transformer capacity of 7 million kVA, 14,112 miles of overhead lines, and 2,265 miles of underground conduit.

KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electrical 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 applicant at June 30, 2012, was:

	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 4,217,732,639
Distribution Plant	1,446,997,131
Transmission Plant	675,854,284
General Plant	142,934,218
Intangible Plant	61,131,068
Construction Work in Progress	<u>389,711,307</u>
Total Plant at Original Cost	\$ 6,934,360,647
Less Reserve for Depreciation	<u>2,084,313,904</u> *
Net Original Cost	<u><u>\$ 4,850,046,743</u></u>



\* Excludes \$371,076,241 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.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT  
(807 KAR 5:001 SEC. 6)

June 30, 2012

(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 applicant, 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 and November 1, 2010.)

Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$1,850,779,405

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 an amount of interest paid thereon during the last 12-month period.

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

Kentucky Utilities Company

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense
			Authorized	Outstanding at June 30, 2012	Year Ended June 30, 2012
<b>Pollution Control Bonds</b>					
05/01/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 20,140
02/01/02	02/01/32	Variable	20,930,000	20,930,000	101,987
02/01/02	02/01/32	Variable	2,400,000	2,400,000	11,543
02/01/02	02/01/32	Variable	7,200,000	2,400,000	199,413
02/01/02	02/01/32	Variable	7,400,000	7,400,000	35,591
07/01/02	10/01/32	Variable	96,000,000	96,000,000	11,543
10/01/04	10/01/34	Variable	50,000,000	50,000,000	81,784
02/23/07	10/01/34	Variable	54,000,000	54,000,000	87,972
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	127,348
			<u>\$ 355,579,405</u>	<u>\$ 350,779,405</u>	<u>\$ 2,240,754</u>
<b>First Mortgage Bonds</b>					
11/16/10	11/01/15	1.63%	\$ 250,000,000	\$ 250,000,000	\$ 4,062,500
11/16/10	11/01/20	3.25%	500,000,000	500,000,000	16,250,000
11/16/10	11/01/40	5.13%	750,000,000	750,000,000	38,437,500
			<u>\$ 1,500,000,000</u>	<u>\$ 1,500,000,000</u>	<u>\$ 58,750,000</u>

- (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 June 30, 2012.

- (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. (1)

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

2007	-
2008	-
2009	-
2010	\$50,000,000
2011	\$123,500,000

- (1) On November 1, 2010, PPL Corporation completed its acquisition of E.ON U.S. LLC, the Company's parent. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC. The 37,817,878 shares are currently owned by LG&E and KU Energy LLC. From May 1998 to October 31, 2010, the 37,817,878 shares were all owned by E.ON U.S. LLC (formerly LG&E Energy LLC) and all dividends declared by KU's Board of Directors were paid to E.ON U.S. LLC. Subsequent to October 31, 2010, all dividends declared by KU's Board of Directors were paid to LG&E and KU Energy LLC. During the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2012 KU declared and paid a dividend on common stock of \$24,000,000 each quarter.

- (9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending June 30, 2012.

**Kentucky Utilities Company**  
**Balance Sheet as of June 30, 2012**

		Liabilities and Proprietary Capital	
<b>Assets</b>			
<b>Utility Plant</b>		<b>Proprietary Capital</b>	
Utility Plant at Original Cost.....	\$ 6,934,360,647.01	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	2,454,979,594.60	Less: Common Stock Expense.....	321,288.87
	4,479,381,052.41	Paid-In Capital.....	315,858,083.00
<b>Total</b> .....	<b>\$ 4,479,381,052.41</b>	Other Comprehensive Income.....	(5,596,454.61)
		Retained Earnings.....	1,515,596,958.73
		Unappropriated Undistributed Subsidiary Earnings.....	11,146,615.75
<b>Investments</b>		<b>Total Proprietary Capital</b> .....	<b>2,144,823,891.56</b>
Electric Energy, Inc.....	3,282,915.55	Pollution Control Bonds.....	350,779,405.00
Ohio Valley Electric Company.....	250,000.00	First Mortgage Bonds.....	1,490,129,781.25
Nonutility Property-Less Reserve.....	179,120.94	L.T. Notes Payable to Associated Companies.....	-
<b>Total</b> .....	<b>3,712,036.49</b>	<b>Total Long-Term Debt</b> .....	<b>1,840,909,186.25</b>
<b>Current and Accrued Assets</b>		<b>Total Capitalization</b> .....	<b>3,985,733,077.81</b>
Cash.....	3,277,706.17	<b>Current and Accrued Liabilities</b>	
Special Deposits.....	57,287.16	ST Notes Payable to Associated Companies.....	6,336,000.00
Temporary Cash Investments.....	174,599,093.71	Accounts Payable.....	117,749,802.68
Accounts Receivable-Less Reserve.....	15,005,877.54	Accounts Payable to Associated Companies.....	34,625,251.10
Materials and Supplies-At Average Cost		Customer Deposits.....	23,801,840.52
Fuel.....	99,236,648.07	Taxes Accrued.....	22,722,975.24
Plant Materials and Operating Supplies.....	35,695,104.84	Interest Accrued.....	10,205,476.28
Stores Expense.....	10,312,820.24	Dividends Declared.....	-
Emission Allowances.....	387,776.19	Miscellaneous Current and Accrued Liabilities.....	22,072,103.12
Prepayments.....	9,426,409.22	<b>Total</b> .....	<b>237,513,448.94</b>
Miscellaneous Current and Accrued Assets.....	-		
<b>Total</b> .....	<b>347,998,723.14</b>	<b>Deferred Credits and Other</b>	
		Accumulated Deferred Income Taxes.....	622,309,957.19
<b>Deferred Debits and Other</b>		Investment Tax Credit.....	100,007,712.83
Unamortized Debt Expense.....	20,390,461.80	Regulatory Liabilities.....	106,992,168.82
Unamortized Loss on Bonds.....	11,472,631.03	Customer Advances for Construction.....	3,142,775.72
Accumulated Deferred Income Taxes.....	96,215,019.71	Asset Retirement Obligations.....	63,367,034.42
Deferred Regulatory Assets.....	267,735,762.32	Other Deferred Credits.....	17,417,280.66
Other Deferred Debits.....	46,138,526.05	Miscellaneous Long-Term Liabilities.....	2,513,881.13
<b>Total</b> .....	<b>441,952,400.91</b>	Accum Provision for Postretirement Benefits.....	134,046,875.43
		<b>Total</b> .....	<b>1,049,797,686.20</b>
<b>Total Assets</b> .....	<b>\$ 5,273,044,212.95</b>	<b>Total Liabilities and Stockholders Equity</b> .....	<b>\$ 5,273,044,212.95</b>

**Kentucky Utilities Company**  
**Statement of Income**  
**June 30, 2012**

	Year Ended 6/30/2012
Electric Operating Revenues.....	\$ 1,530,266,802.07
Rate Refunds.....	-
<b>Total Operating Revenues.....</b>	<b><u>1,530,266,802.07</u></b>
Fuel for Electric Generation.....	515,769,406.98
Power Purchased.....	107,347,468.09
Other Operation Expenses.....	233,079,653.72
Maintenance.....	126,581,935.20
Depreciation.....	186,121,785.43
Amortization Expense.....	7,744,129.18
Regulatory Credits.....	(6,145,997.06)
Taxes	
Federal Income.....	(16,518,325.55)
State Income.....	122,834.01
Deferred Federal Income - Net.....	103,947,992.41
Deferred State Income - Net.....	12,947,793.84
Property and Other.....	29,775,689.96
Investment Tax Credit.....	-
Loss (Gain) from Disposition of Allowances.....	(886.52)
Accretion Expense.....	3,043,065.39
<b>Total Operating Expenses.....</b>	<b><u>1,303,816,545.08</u></b>
Net Operating Income.....	226,450,256.99
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	2,800,109.49
Other Income Less Deductions.....	(1,515,959.71)
AFUDC - Equity.....	46,687.53
<b>Total Other Income Less Deductions.....</b>	<b><u>1,330,837.31</u></b>
Income Before Interest Charges.....	<u>227,781,094.30</u>
Interest on Long-Term Debt.....	60,990,752.85
Amortization of Debt Expense - Net.....	3,760,740.20
Other Interest Expenses.....	4,708,382.30
AFUDC - Borrowed Funds.....	(13,309.29)
<b>Total Interest Charges.....</b>	<b><u>69,446,566.06</u></b>
Net Income.....	<b><u>\$ 158,334,528.24</u></b>

**Kentucky Utilities Company**  
**Analysis of Retained Earnings**  
**June 30, 2012**

	<u>Year Ended 6/30/12</u>
Retained Earnings Balance at Beginning of Period.....	\$ 1,456,456,761.49
Add:	
Net Income for Period.....	158,334,528.24
Deduct:	
Common Dividends	
Common Stock Without Par Value	(103,500,000.00)
Adjust for Equity in Subsidiary	
Earnings for Year	
EE Inc.....	4,305,669.00
Dividends Received Current Year	
-EE Inc.....	-
Retained Earnings Balance at End of Period.....	<u>1,515,596,958.73</u>
Unappropriated Undistributed Subsidiary Earnings.....	<u>11,146,615.75</u>
Retained Earnings and Undistributed Subsidiary Earnings at End of Period..	<u>\$ 1,526,743,574.48</u>