

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)	
FOR AN ORDER AUTHORIZING THE ISSUANCE OF)	CASE NO.
UNSECURED DEBT AND LONG-TERM NOTES,)	2016-00379
EXECUTION AND DELIVERY OF LONG-TERM LOAN)	
AGREEMENTS, AND USE OF INTEREST RATE)	
MANAGEMENT INSTRUMENTS)	
)	

ORDER

On October 27, 2016, Duke Energy Kentucky, Inc. ("Duke Kentucky") filed an application for authority to issue and sell a principal amount of up to \$200 million in long-term debt for a term not to exceed 50 years. In addition, Duke Kentucky requested authority to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky ("Authority"), for a term not to exceed 50 years, the proceeds of up to a maximum aggregate principal amount of \$76.72 million of Authority Tax Exempt Revenue Bonds ("Authority Bonds") that may be issued in one or more series. Duke Kentucky responded to one round of requests for information from Commission Staff. There are no intervenors in this proceeding, and the matter now stands submitted to the Commission for a decision.

Duke Kentucky requests approval to issue and sell up to \$200 million of any combination of secured or unsecured debt instruments over a period ending December 31, 2018. Duke Kentucky states that it also expects to classify \$25 million of Utility Money Pool Agreement borrowings as long-term debt via allocation of Duke Energy Corporation's master credit facility.

Authorization to issue \$175 million in long-term debt was previously granted in Case No. 2014-00343,¹ and that authority expires December 31, 2016.

Duke Kentucky states that it plans to use the proceeds:

- (1) To repay short-term debt or expiring long-term indebtedness;
- (2) To redeem early or at maturity long-term debt, if conditions are favorable;
- (3) To fund estimated future capital expenditures related to gas delivery and electric generation, transmission and distribution of approximately \$109 million in 2016, \$190 million in 2017, and \$192 million in 2018;
- (4) To fund such additional expenditures as are contemplated by KRS 278.300; or
- (5) For other lawful corporate purposes.

Duke Kentucky projects that it will need to issue at least \$175 million in long-term debt by the end of 2018 to pay for planned capital expenditures in the normal course of its utility business.

Duke Kentucky also requests authority to issue up to a maximum of \$76.72 million in Authority Bonds. Duke Kentucky states that the proceeds from the issuance of the Authority Bonds will be used to refund existing obligations on outstanding tax-exempt bonds, in particular the \$50 million County of Boone, Kentucky Pollution Control Revenue Refunding Bonds originally issued as series 2008A on December 3, 2008, and the \$26.72 million County of Boone, Kentucky Pollution Control Revenue Refunding Bonds issued as series 2010 on November 24, 2010.

¹ Case No. 2014-00343, *Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments* (Ky. PSC Nov. 20, 2014).

Duke Kentucky requests continued approval to use interest rate management techniques and to enter into interest rate management agreements. Duke Kentucky states that this authority will allow it to react to market fluctuations that will result in better management of its interest cost. This authority was also granted in Case No. 2014-00343.

According to Duke Kentucky, interest rate management agreements will facilitate products commonly used in today's capital markets, consisting of interest rate swaps, caps, collars, floors, options, or hedging products to manage interest rate costs. Duke Kentucky states that any net fees and commissions in connection with these interest rate management agreements will not exceed 10 percent of the amount of the underlying obligation.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance of securities and the assumption of obligations in connection therewith as set out in Duke Kentucky's application should be approved. The Commission also finds that the proposed financing is for lawful objects within the corporate purposes of Duke Kentucky'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.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky is authorized to obtain long-term debt in an aggregate amount not to exceed \$200 million as set forth in its application for the period ending December 31, 2018.

2. Duke Kentucky is authorized to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky, for a term not to exceed 50 years, the proceeds of up to a maximum of \$76.72 million aggregate principal amount of Authority Bonds that may be issued in one or more series, for the period ending December 31, 2018.

3. Duke Kentucky is authorized to continue to classify \$25 million of Utility Money Pool Agreement borrowings as long-term debt if it deems it prudent to do so.

4. Duke Kentucky is authorized to use interest rate management techniques and to enter into interest rate management agreements as will reduce its overall interest costs. Further, in the event Duke Kentucky enters into an interest rate management agreement, a copy of the agreement shall be provided to the Commission within 30 days of its execution.

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

6. Duke Kentucky shall agree to only such terms and prices as are consistent with this Order.

7. Duke Kentucky shall, within 30 days from the date of issuance, file with this Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution of any such securities.

8. Any documents filed in the future pursuant to ordering paragraphs 4 or 7 herein shall reference this case number 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

ENTERED
DEC 16 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

*Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

*Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201