

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
KENTUCKY UTILITIES COMPANY AND)	CASE NO.
LOUISVILLE GAS AND ELECTRIC COMPANY)	2023-00016
FOR A DECLARATORY ORDER)	

ORDER

On January 12, 2023, Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E) (collectively, KU/LG&E), filed a joint application for a declaratory order pursuant to KRS Chapter 278 and 807 KAR 5:001E, Section 19, stating that the Commission’s Orders in Case Nos. 2022-00007¹ and 2022-00008² continue to provide KU/LG&E with the regulatory authority to issue long-term or intermediate debt for the purpose of refinancing two \$300 million short-term loans.

¹ Case No. 2022-00007, *Electronic Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Indebtedness* (Ky. PSC Apr. 14 and 27, 2022). The Commission granted LG&E the authority to issue long-term debt in the form of First Mortgage Bonds, Intermediate Term Financing, or a combination of both, not to exceed an aggregate principal of \$700 million. The authority was for April 14, 2022, through December 31, 2023, and was conditioned upon LG&E agreeing only to terms and conditions consistent with what was in the application and the proceeds only being used for the purposes set out in the application.

² Case No. 2022-00008, *Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Indebtedness* (Ky. PSC April 14 and 27, 2022). The Commission granted KU the authority to issue long-term debt in the form of First Mortgage Bonds, or Intermediate Financing or a combination of both, not to exceed an aggregate principal of \$550 million. The authority was for April 14, 2022, through December 31, 2023, and was conditioned upon KU agreeing only to terms and conditions consistent with what was in the application and the proceeds only being used for the purposes set out in the application.

BACKGROUND

On April 14, 2022, the Commission entered Orders in Case Nos 2022-00007 and 2022-00008, authorizing KU/LG&E to issue long-term debt in the form of First Mortgage Bonds, Intermediate Term Financing, or a combination of both. In Case No. 2022-00007, LG&E was granted authority to issue up to an aggregate principal of \$700 million in long-term debt, and in Case No. 2022-00008, KU was granted authority to issue up to an aggregate principal of \$550 million in long-term debt. On April 27, 2022, the Commission entered Orders in both proceedings clarifying that the authority granted in the April 14, 2022 Orders extended through December 31, 2023.

The April 14, 2022 Orders in Case Nos 2022-00007 and 2022-00008 required KU/LG&E to file a written statement setting forth the date or dates of issuance of the debt authorized, the date of maturity, the price paid, the proceeds of such issuance, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution; and to file documentation showing the quotes relied upon to determine the lowest interest rate. The Commission's records indicate nothing has been filed to date by KU/LG&E indicating any of the authority granted in those proceedings has been used.

LEGAL STANDARD

Pursuant to 807 KAR 5.001E, Section 19, the Commission may, upon application by a person substantially affected, issue a declaratory order with respect to the jurisdiction of the Commission, the applicability to a person, property, or state of facts of an order or administrative regulation of the commission or provision of KRS Chapter 278, or with respect to the meaning and scope of an Order or administrative regulation of the

Commission or provision of KRS Chapter 278. Here, KU/LG&E seek an Order with respect to the meaning and scope of the Commission's prior Orders in Case Nos. 2022-00007 and 2022-00008.

DISCUSSION AND FINDINGS

KU/LG&E state that in July 2022, the companies entered into short-term (exactly 2-years) loans to act as bridge financing during a time of volatility in the debt markets, and now KU/LG&E desire to refinance these short-term loans using the authority granted in Case Nos 2022-00007 and 2022-00008. Further, KU/LG&E stated that no authority was used in issuing the short-term financing because short-term financing does not require Commission approval. KRS 278.300(8) provides that a utility need not seek prior Commission approval to issue notes for proper purposes and not in violation of law, that are payable at periods of not more than two years from the date thereof, or to like notes, payable at a period of not more than two years from date thereof, that are issued to pay or refund in whole or in part any such notes, or to renewals of such notes from time to time, not exceeding in the aggregate six years from the date of the issue of the original notes so renewed or refunded.

The Orders in Case Nos 2022-00007³ and 2022-00008⁴ indicated that the authority granted was conditioned upon KU/LG&E agreeing only to terms and conditions consistent with what was in the applications in those proceedings and that the proceeds could only be used for the purposes set out in those applications. The purposes of the long-term financing as set out in the applications was to pay down short-term debt balance,

³ Case No. 2022-00007, Apr. 14, 2022 Order at 7–8.

⁴ Case No. 2022-00008, Apr. 14, 2022 Order at 7–8.

complete an advanced refinancing of an existing First Mortgage Bond series, and for general corporate purposes.⁵ In both cases, KU/LG&E stated they needed this authority to provide flexibility, and to ensure that KU/LG&E could timely issue debt while obtaining the most favorable pricing.

For the reasons stated below, the Commission finds that the authority granted to KU/LG&E in Case Nos. 2022-00007 and 2022-00008 continues to exist through December 31, 2023, and can be used to refinance the two \$300 million short-term loans described in KU/LG&E's applications.

The Commission granted KU/LG&E authority to enter into long-term debt⁶ in the form of First Mortgage Bonds, Intermediate Term Financing, or a combination of both from April 14, 2022, through December 31, 2023. The Commission's records indicate that KU/LG&E have not used any of the authority granted by the Commission in April 2022. The two \$300 million 2-year term loans described in the application are short-term financing and did not require Commission approval. Refinancing short-term debt with long-term debt to gain favorable financing conditions is a general corporate purpose within the authority granted by the Commission in the prior proceedings discussed in this Order.

⁵ See Case No. 2022-00007, Application at 3–4 (filed on Mar. 2, 2022), and Case No. 2022-00008, Application at 3–4 (filed on Mar. 2, 2022).

⁶ Case Nos. 2022-00007 and 2022-00008. As stated above, LG&E was granted authority to issue long-term debt not to exceed an aggregate principal of \$700 million, and KU was granted authority to issue long-term debt not to exceed an aggregate principal of \$550 million from April 14, 2022, through December 31, 2023.

IT IS THEREFORE ORDERED that:

1. The authority to issue long-term debt in the form of First Mortgage Bonds, Intermediate Term Financings, or a combination of both, in an aggregate principal amount not to exceed \$700 million granted by the Commission to LG&E in Case No. 2022-00007 continues to exist through December 31, 2023.

2. The authority to issue long-term debt in the form of First Mortgage Bonds, Intermediate Term Financings, or a combination of both, in an aggregate principal amount not to exceed \$550 million granted by the Commission to KU in Case No. 2022-00008 continues to exist through December 31, 2023.

3. Consistent with the representations made by KU/LG&E in this proceeding and in the prior proceedings discussed in this Order, the authority granted by the Commission in Case Nos. 2022-00007 and 2022-00008 may be used for the purpose of refinancing the two \$300 million short-term loans described in this Order.

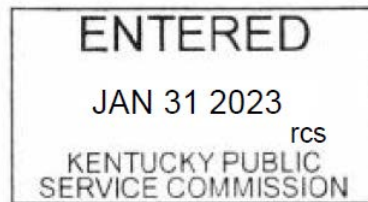
4. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


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Commissioner



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