COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES COMPANY FOR (1) AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES AND THE ASSUMPTION OF OBLIGATIONS AND (2) AN ORDER AMENDING AND EXTENDING EXISTING AUTHORITY WITH RESPECT TO REVOLVING LINE OF CREDIT	**)**	**CASE NO. 2018-00153**

VERIFIED APPLICATION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to KRS 278.300 and 807 KAR 5:001, Section 18, that the Commission authorize KU to refund and refinance the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A ("Carroll County 2007 Series A Bonds"). KU further requests authority to incur debt in the form of First Mortgage Bonds in a principal amount not to exceed $400,000,000. Finally, KU requests that the Commission amend and extend KU's existing authority to allow KU to exercise extensions of its multi-year revolving credit line in 2019 and 2020 to extend the credit facility maturity date to up to five years from the effective date of the amendment. In support of this Application, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991 (and effective as of December 1, 1991), and is in good standing in both Kentucky and Virginia. KU can be reached at the email addresses of the counsel listed below.

2. KU is a utility as defined by KRS 278.010(3)(a) and (b) and as of December 31, 2017, provides retail electric service to approximately 525,000 customers in 77 counties in Kentucky. A description of KU's properties is set out in Exhibit 1 to this Application.

3. KU obtains financing through numerous sources of capital, including the forms of debt that are the subject of this Application. KU does not assign specific financing to any particular project or use, and does not project-finance capital projects. All components of KU's capital structure are used to fund capital expenditures. Thus, the uses cited below are general reasons for KU's need for debt financing, rather than projects to which specific financing will be assigned.

REFUNDING AND REFINANCING ENVIRONMENTAL FACILITIES BONDS

4. The series of environmental facilities debt that KU seeks authority to refinance is Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A ("Carroll County 2007 Series A Bonds," as set forth above). In addition, KU plans to refund the Trimble County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A ("Trimble County 2007 Series A Bonds").[1] KU, however, plans only to refund those bonds and is not seeking authority to refinance same.

5. KU's obligations in connection with the Carroll County 2007 Series A Bonds were authorized by the Commission by Order dated April 30, 2007, in Case No. 2007-00115.[2] Proceeds from the sale of the Carroll County 2007 Series A Bonds were used to finance the

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[1] KU's obligations in connection with the Trimble County 2007 Series A Bonds were authorized by the Commission by Order dated April 30, 2007 (*In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, Case No. 2007-00115, Order (Ky. PSC April 30, 2007))

[2] *In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, Case No. 2007-00115, Order (Ky. PSC April 30, 2007).

acquisition, construction, and installation of solid waste disposal facilities at the Ghent Generating Station in Carroll County, Kentucky.

6. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale, and (iii) KU's final expenses associated with the sale of the Carroll County 2007 Series A Bonds:

	Public Offering Price	Proceeds	Expenses
Carroll County 2007 Series A Bonds	$17,875,000	$17,875,000	$416,203

7. The Company requests authority to assume certain obligations under various agreements in principal amounts not to exceed the Public Offering Price of the Outstanding Bonds discussed in paragraph 6 preceding, which may be refunded, in connection with the proposed issuance of one or more new series of Carroll County, Kentucky Environmental Facilities Refunding Revenue Bonds ("Carroll County Refunding Bonds" or "Refunding Bonds"). Carroll County has authority to issue the Refunding Bonds and to carry out the transactions contemplated herein pursuant to the provisions of the Industrial Building Revenue Code Act, Sections 103.200 to 103.285, inclusive of the Kentucky Revised Statutes. The proceeds of the Carroll County Refunding Bonds would be loaned to KU by Carroll County in one or more transactions to provide funds to repurchase, redeem and discharge a corresponding amount of the Carroll County 2007 Series A Bonds, within ninety (90) days of issuance of the corresponding Carroll County Refunding Bonds.

8. KU anticipates that the refinancing will involve KU's First Mortgage Bonds, (as hereinafter defined and limited to this section of the Application) issued to collateralize and secure the Refunding Bonds. The structure and documentation for the issuance of KU's First Mortgage Bonds and related agreements would be similar to the structure and documentation of

other solid waste disposal financings of KU approved by this Commission involving KU's First Mortgage Bonds, including the Outstanding Bonds. KU's First Mortgage Bonds will be used to secure its payment obligations with respect to the Loan Agreements, as defined below.

9. The First Mortgage Bonds would be delivered to trustee or trustees under one or more indentures of trust between Carroll County and such trustee (each a "Trustee") in connection with the reissuance and sale by Carroll County of the Carroll County Refunding Bonds. The First Mortgage Bonds would be held by the Trustee in securing the payment of the Refunding Bonds and payment by KU of all sums payable by KU as discussed below. The First Mortgage Bonds would be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture, dated as of October 1, 2010 between KU and The Bank of New York Mellon as Trustee, as heretofore amended and supplemented. The First Mortgage Bonds would have a maturity date not to exceed 30 years from date of issuance.

10. In connection with the Carroll County Refunding Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County and may enter into one or more guaranty agreements, or similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of the Carroll County Refunding Bonds for the benefit of the holders of such bonds.

11. The Carroll County Refunding Bonds would be issued pursuant to one or more indentures (each a "Carroll County Indenture"), between Carroll County and the Trustee under such Carroll County Indentures, as applicable. The proceeds from the sale of the Carroll County Refunding Bonds would be loaned to KU pursuant to one or more loan agreements between KU and Carroll County (the "Carroll Loan Agreements"). The payments to be made by KU under the Carroll Loan Agreements for one or more series of Carroll County Refunding Bonds,

together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Carroll County Refunding Bonds. The Carroll Loan Agreement(s) and the payments to be made by KU pursuant thereto will be assigned to the Trustee(s) to secure the payment of the principal and interest on the related Carroll County Refunding Bonds. Upon issuance of a series of Carroll County Refunding Bonds, KU may issue one or more guarantees (collectively, the "Guarantees"), in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Carroll County Refunding Bonds for the benefit of the holders of such Carroll County Refunding Bonds.

12. The Carroll County Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Carroll County Refunding Bonds (including, in the event all or a portion of the Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU and Carroll County, and the purchasers of such bonds, although KU presently expects the bonds will initially bear a fixed rate. However, the amount of compensation to be paid to underwriters for their services would not exceed three-quarters of one percent (.75%) of the principal amount of the Refunding Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately $350,000.

13. Although KU currently expects the Refunding Bonds to bear a fixed rate to maturity, based upon market conditions, all or a portion of the Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined

from time to time by KU. KU would reserve the option to convert from time to time any variable rate Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Refunding Bonds that bear interest at a variable rate (the "Variable Rate Environmental Facilities Refunding Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Environmental Facilities Refunding Bonds, KU would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Environmental Facilities Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Environmental Facilities Refunding Bonds, which will be 100% of the par amount of such Variable Rate Environmental Facilities Refunding Bonds. Thus, to the extent Variable Rate Pollution Control Refunding Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate, except that based on market developments, the auction mode bonds would not be issued. However, subject to market conditions KU may utilize new variable interest rate modes not previously used for its bonds, but which are not uncommon in industry practice, such as those based on Securities Industry and Financial Markets Association ("SIFMA") rates plus a credit spread could be used.

14. Also, in the event that Variable Rate Environmental Facilities Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the "Initial Facility") with a bank or banks to be selected by KU (the "Bank"). The Initial Facility would be a credit agreement designed to provide KU the ability to borrow funds with which to make payments with respect to any Variable Rate Environmental Facilities Refunding Bonds that have been tendered for purchase and are not remarketed. KU would be obligated to repay any amounts borrowed under

the Initial Facility. The Initial Facility may be pledged for the payment of the Variable Rate Environmental Facilities Refunding Bonds or to constitute security thereof. The Initial Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Initial Facility, KU may be required to execute and deliver to the Bank a note (the “Initial Facility Note”) evidencing KU’s obligation to repay any borrowings owed to the Bank under the Initial Facility.

15. In order to obtain terms and conditions more favorable to KU than those provided in the Initial Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Environmental Facilities Refunding Bonds, KU desires to be able to replace the Initial Facility with one or more substitute liquidity support or credit support facilities or both (the instruments providing the liquidity support or credit support or both and any subsequent replacement support facility thereof, are hereinafter referred to as a “Facility”) with one or more banks, or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a “Facility Provider”). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, or other similar arrangement designed to provide liquidity or credit support or both for the Variable Rate Environmental Facilities Refunding Bonds. If the Variable Rate Environmental Facilities Refunding Bonds are converted to bear interest at a fixed rate to maturity, the Initial Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Environmental Facilities Refunding Bonds. The estimated cost of the financing shown in paragraph 13 does not include expenses incurred for entering into any Facility; however, the impact on the overall cost of the financing would be approximately 85 basis points.

16. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would document the obligation of KU to reimburse or repay the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Carroll County Indenture for the Variable Rate Environmental Facilities Refunding Bonds may be authorized, upon the terms set forth in such County Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Environmental Facilities Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the County Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement or for the purpose of paying accrued interest on the Variable Rate Environmental Facilities Refunding Bonds or both when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

17. In connection with the issuance of the Refunding Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Refunding Bonds. KU requests authority to establish 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 Refunding Bonds.

18. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments or fees or both for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost to fix the interest rate of a variable rate bond for three years would be approximately 31 basis points (0.31%).

19. The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be subject to market conditions. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Outstanding Bonds that are refunded plus accrued but unpaid interest, and in the case of a letter of credit facility, interest for an additional 45 days, and premium, if any, on such bonds.

20. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

21. Attached as Exhibit 2 to this Application is a copy of the pertinent sections of the official statement describing the redemption provisions for the Carroll County 2007 Series A Bonds.

22. KU shall, as soon as reasonably practicable after the issuance of any Refunding Bonds referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and, if applicable, their method of determination), and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

23. Exhibit 3 to this Application consists of net present value analyses of the proposed refinancing assuming the bonds are issued in a fixed rate mode, based on current market conditions.

FIRST MORTGAGE BOND DEBT

24. KU requests, pursuant to KRS 278.300, that the Commission authorize it to incur additional long-term debt in the form of First Mortgage Bonds in a principal amount not to exceed $400,000,000 (the "First Mortgage Bonds," as hereinafter defined and limited to this section of the Application).

25. The First Mortgage Bonds will be used to pay down KU's short-term debt balance, and also to fund construction projects KU anticipates incurring. This includes the approximately $111 million in commercial paper that is presently outstanding. In addition, KU will use the proceeds to refund the $9 million incurred to refund the Trimble County 2007 Series A Bonds. The short-term debt balance includes costs for environmental compliance authorized in Case No. 2016-00026, such as the construction of process water systems and impoundment closures[3] Attached as Exhibits 4-10 are copies of the following contracts, under which KU is

[3] *In the Matter of: The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of its 2016 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2016-00026, Order (Ky. PSC Aug. 8, 2016).

anticipated to incur $135 million in 2018, and $35 million in 2019. Portions of the contracts are confidential, and KU has contemporaneously filed a Petition for Confidential Protection.

- Ghent Generating Station Coal Combustion Residuals Rule Process Water System Project, Burns & McDonnell Engineering Company, Inc.

- Ghent CCR Rule Landfill Haul Road Water Capture, Tetra Tech EC, Inc.

- Ghent CCR Rule Cooling Channel and North Cooling Pond Project, Tetra Tech EC, Inc.

- Green River CCR Impoundment Closure Project, Trans-Ash, Inc.

- Pineville and Tyrone CCR Impoundment Closure Project, Thalle Construction Co., Inc.

- Trimble County CCR Landfill – Phase 1A Project, Charah, LLC.

- KU is also providing a copy of the Trimble County Generating Station Coal Combustion Residuals Treatment System and Coal Combustion Residuals Rule Process Water System Project, Amec Foster Wheeler Kamtech, Inc. A prior version of this contract was provided in Case No. 2017-00081.

26. The First Mortgage Bonds proceeds will also be used to pay down short-term debt that will accumulate from other capital expenditures. KU anticipates incurring over $600 million in capital expenditures in calendar year 2018, which includes the projects described in the preceding paragraph. The costs of these projects are reflected in KU's capital budget that is attached as Exhibit 11.

27. The Company's Mortgage Indenture (the "Indenture") authorizes it to issue, from time to time, first mortgage bonds of one or more series, with each series having such date, maturity date(s), interest rate(s), and other terms as may be established by a supplemental indenture executed by the Company in connection with such series. All bonds issued under the Indenture would be equally and ratably secured by a first mortgage lien, subject to permitted encumbrances and exclusions, on substantially all of the Company's permanently fixed

properties in Kentucky. A copy of the form of the Indenture has been previously filed with the Commission in Case No. 2015-00137.[4]

28. The First Mortgage Bonds may be sold at various times through the remainder of 2018 and in 2019 in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation.

29. The First Mortgage Bonds of each series would be issued 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 would set forth the terms and provisions of such series, including without limitation, the maturity date(s), interest rate(s), redemption provisions and other applicable terms. The price, maturity date(s), interest rate(s), and the redemption provisions, and other terms and provisions of each series of First Mortgage Bonds (including, if all or a portion of the First Mortgage Bonds bear a variable rate of interest, the method for determining the interest rates), would be determined on the basis of negotiations among KU and the underwriters, agents, or other purchasers of such First Mortgage Bonds. The amount of compensation to be paid to underwriters or agents for their services would not exceed one percent (1%) of the principal amount of the First Mortgage Bonds of the series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately $400,000.

30. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the bonds could be issued with an interest rate that fluctuates on a quarterly or semi-annual basis.

[4] *In the Matter of: Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, filed May 11, 2015.

31. In connection with the issuance of First Mortgage Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar, or similar agreement, collectively, the "Hedging Facility") through an affiliate company, or directly with a bank or financial institution (the "Counterparty"). If KU elects to issue variable rate bonds, the Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its exposure to changes in interest rates. If a fixed rate bond is issued, the Hedging Facility would be designed to lower KU's exposure to changes in long term rates between the date of the Hedging Facility and the bond issuance date or to lower the volatility in the value of the bond if the Hedging Facility is entered into after the bond is issued. KU requests authority to establish regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the gains and losses over the remaining life of the First Mortgage Bonds.

32. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost to fix the interest rate of a variable rate bond for three years would be approximately 79 basis points (0.79%). The Hedging Facility could also be used to lock in interest rates in advance of a debt issuance. Thus, KU anticipates that it could enter into one or more of the preceding Hedging Facilities prior to issuance of some or all of the First Mortgage Bonds for which approval is being sought. Based on current market conditions, the Company could lock in 10 year rates for six months for a cost of approximately 7 basis points (0.07%).

33. The terms of each Hedging Facility will be negotiated by KU with the respective Counterparty and would be subject to market conditions.

EXTENDING TERM OF REVOLVING CREDIT LINE

34. KU was first granted authority to enter into multi-year revolving credit facilities in Case No. 2007-00233[5] by Orders dated August 2 and 9, 2007. In that case, 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 reduce the time and cost of negotiating and renewing short-term debt arrangements.[6]

35. By Order dated December 9, 2016, in Case No. 2016-00360,[7] the Commission authorized KU to extend the term of its existing revolving credit line, which had a term ending December 31, 2020, through January 31, 2022. The Commission also granted KU authority to extend the revolving credit facility five years from the date of the amendment in 2017 and 2018. On January 4, 2017, KU extended the termination date of its Amended and Restated Revolving Credit Agreement ("Credit Agreement") from December 31, 2020 to January 27, 2021. Subsequently on January 27, 2017, KU further extended the termination date by one year to

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[5] *In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations*, Case No. 2007-00233, Orders (Ky. PSC Aug. 2 and 9, 2007).

[6] Case No. 2007-00233, Order at 1 (Ky. PSC Aug. 2, 2007).

[7] *In the Matter of: Electronic Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*. In addition, KU's authority was previously extended by Order dated July 2, 2015, *In the Matter of: Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit* (Case No. 2015-00137), which extended authority granted by Order dated June 16, 2014, *In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligation* (Case No. 2014-00082), which extended authority granted by Order dated October 23, 2012, *In the Matter of: Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority With Respect to Revolving Line of Credit* (Case No. 2012-00409), which extended authority granted by Order dated October 10, 2011, *In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations* (Case No. 2011-00307), which extended authority granted by Order dated September 30, 2010, *In the Matter of: 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* (Case No. 2010-00206). Also, by Order dated August 3, 2012, *In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations* (Case No. 2012-00232), KU was authorized to increase the total aggregate amount of its revolving credit facilities to $500 million.

January 27, 2022.[8] On January 26, 2018, KU extended the Credit Agreement from January 27, 2022 to January 26, 2023.[9]

36. In Case No. 2016-00360, KU stated that based upon its discussions with providers of credit facilities, KU believed that it was likely that future changing market conditions and interest rates would mean that revolving credit facilities would no longer be available on terms as favorable as found in KU's current facility. To lock in favorable interest rates for as long of a term as possible, KU requested authority to extend the term of its existing revolving line of credit for the maximum five-year term, and authority to exercise additional extensions in 2017 and 2018.

37. The favorable market conditions under which KU has been able to obtain the revolving credit facilities has not changed materially since Case No. 2016-00360. In order to optimize the cost of short-term debt, KU seeks authority to exercise extensions of its multi-year revolving credit line in 2019 and 2020 to extend the credit facility maturity date to up to five years from the effective date of the amendment. Extending the current revolving credit facilities will allow KU to continue to obtain favorable short-term debt costs while avoiding higher commitment fees and related transaction costs expected in the future. This would provide KU with flexibility to further optimize its short-term debt costs for its customers. If the Commission grants the authority, KU will provide notice of each extension to the Commission within thirty days of execution.

38. Under the current agreements, KU must notify the revolving credit service providers of its intent to extend the current lines. As such, KU requests authority to amend its

[8] *See* the February 2, 2017 filing in Case No. 2016-00360.
[9] *See* the February 8, 2018 filing in Case No. 2016-00360.

existing Credit Agreement to effectuate the extension, and also requests authority to amend and restate the Credit Agreement, if necessary.[10]

39. Although KU expects that all of the credit service providers will agree to extend the credit facility at the current individual or aggregate participation levels, KU also requests alternative authority to enter into separate or individual revolving credit lines to replace any non-extended portion of the credit facility, up to the maximum total aggregate sizes, dates and terms described further herein.

40. Pursuant to 807 KAR 5:001, Section 18(1)(d) and (e), the extended credit facilities would be on 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 or other obligations, 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 has 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 operating or fiscal use and does not project finance projects.[11] Thus, these are general reasons that KU might need short-term financing, rather than uses to which such financing would be assigned.

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[10] KU has entered into revolving credit facilities totaling $400 million, but wishes to retain the previously authorized total aggregate authority for $500 million.

[11] Because KU does not assign specific financing to any particular capital project, as in prior cases, there are no maps, plans and detailed estimates to provide. 807 KAR 5:001, Section 18(2)(c). The deed of trust is not involved with these revolving credit facilities.

INFORMATION PERTINENT TO (1) REFUNDING AND REFINANCING ENVIRONMENTAL FACILITIES BONDS; (2) FIRST MORTGAGE BOND DEBT; AND (3) EXTENDING TERM OF REVOLVING CREDIT LINE

41. Exhibit 12 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 18(2)(a), as described by 807 KAR 5:001, Section 12. It also contains information required by 807 KAR 5:001, Section 18(2)(b).

42. Copies of KU's mortgages were filed with the Commission in Case No. 2015-00137,[12] and the most recently executed indentures were filed in Case No. 2016-00360.[13] No additional supplemental indentures have been executed.

43. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

44. A certified copy of KU's Board of Directors resolution authorizing the assumption of obligations related to the refunding and refinancing of environmental facilities bonds and first mortgage debt, and all transactions related thereto, as discussed in this Application, will be filed as a supplement to this Application.

45. Other requirements of the Commission's regulations regarding this Application, 807 KAR 5:001, Section 18, including (1)(c) regarding the amount and kind of notes, etc., (1)(d) regarding the use to be made of the proceeds, (1)(e) regarding the intended construction use of the proceeds, and (1)(f) regarding the obligations being refunded have been supplied in the extensive discussion in the preceding paragraphs of this Application.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission enter its Order authorizing it to issue securities and to refund and refinance the Carroll County, 2007 Series A Bonds. KU further requests authority to incur debt in the form of First Mortgage

[12] The copy was filed with the Commission on May 11, 2015.
[13] A copy was filed with the Commission on October 14, 2016.

Bonds in a principal amount not to exceed $400,000,000. Finally, KU requests that the Commission amend and extend KU's existing authority to allow KU to exercise extensions of its multi-year revolving credit line in 2019 and 2020 to extend the credit facility maturity date to up to five years from the effective date of the amendment. Kentucky Utilities Company further requests that the Order of the Commission specifically include provisions stating:

1. KU 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 Agreement 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 application, and to 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, all as described in this Application.

2. KU is also 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 Application, 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, all as described in this Application.

3. KU is authorized to enter into such agreements and amendments as are necessary for KU 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.

4. KU is authorized to execute, deliver and perform the obligations of KU under all such agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements

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

6. KU shall agree only to such terms and prices that are consistent with the parameters set out in its application.

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

Dated: May 11, 2018

Respectfully submitted,

Kendrick R. Riggs
Monica H. Braun
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 333-6000
Fax: 502-333-6099
kendrick.riggs@skofirm.com
monica.braun@skofirm.com

Allyson K. Sturgeon
Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
allyson.sturgeon@lge-ku.com

Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is the Treasurer for Kentucky Utilities Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the foregoing Verified Application and that the material contained therein is true and correct to the best of his information, knowledge, and belief.

Daniel K. Arbough
DANIEL K. ARBOUGH

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of May, 2018.

Judy Schooler
Notary Public

My Commission Expires: JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

CERTIFICATE OF COMPLIANCE

This is to certify that Kentucky Utilities Company's May 11, 2018 electronic filing of this Application is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on May11, 2018; that there are currently no parties the Commission has excused from participation by electronic means; and that an original in paper medium of the Application will be filed with the Commission within two business days from the date of the electronic filing.

Counsel for Kentucky Utilities Company

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