LG&E KU
PPL companies

RECEIVED

JUL 01 2013

PUBLIC SERVICE
COMMISSION

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

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@lge-ku.com

July 2, 2013

Re: ***Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of An Acquisition of Ownership and Control of Utilities* – Case No. 2010-00204**

Dear Mr. DeRouen:

Pursuant to the Commission's Order dated September 30, 2010 in the aforementioned case, specifically Appendix C, Commitment No. 23 of the Commission's Order, Kentucky Utilities Company for informational purposes, hereby submits with the Commission its Money Pool Application filed on May 10, 2013 with the Virginia State Corporation Commission. The application was filed electronically and is attached for your reference. This matter has been assigned Case No. PUE-2013-00051.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy and returning to me in the enclosed envelope. Should you have any questions regarding this information, please contact me at your convenience.

Sincerely,

Rick E. Lovekamp

Rick E. Lovekamp

Virginia State Corporation Commission
eFiling CASE Document Cover Sheet

13054025 3

Case Number (if already assigned) PUE-2013-00051

Case Name (if known) Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, et seq., For Authority to Engage in Affiliate Transactions

Document Type APLA

Document Description Summary Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, LG&E and KU Energy LLC, and LG&E and KU Services Company to Engage in Affiliate Transactions

Total Number of Pages 33

Submission ID 6865

eFiling Date Stamp 5/10/2013 4:35:36PM

STOLL
KEENON
OGDEN
PLLC

2000 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KY 40202-2828
MAIN: (502) 333-6000
FAX: (502) 333-6099

KENDRICK R. RIGGS
DIRECT DIAL: (502) 560-4222
DIRECT FAX: (502) 627-8722
kendrick.riggs@skofirm.com

13054025 3

May 10, 2013

VIA ELECTRONIC FILING

Joel Peck
Clerk, Virginia State Corporation Commission
Document Control Center
1300 East Main Street
Tyler Building, 1ST Floor
Richmond, Virginia 23219

RE: ***Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, LG&E and KU Energy LLC, and LG&E and KU Services Company For Authority to Engage in Affiliate Transactions Under Chapter 4 of Title 56 of the Code of Virginia***
Case No. PUE-2013-00051

Dear Mr. Peck:

Enclosed please find for filing the Application to Engage in Affiliate Transactions on behalf of Kentucky Utilities Company d/b/a Old Dominion Power Company in the above-referenced case.

Should you have any questions, please do not hesitate to contact me.

Yours very truly,

Kendrick R. Riggs

Kendrick R. Riggs

KRR:ec
Enclosures
cc: C. Meade Browder Jr., Senior Assistant Attorney General
Robert M. Conroy, Director, Rates, LG&E and KU Energy LLC
Ed R. Staton, Vice President, State Regulation and Rates, LG&E and KU Energy LLC
Allyson K. Sturgeon, Senior Corporate Attorney, LG&E and KU Energy LLC

400001.358112/972346.1

1305402 53

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF:

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY, LOUISVILLE GAS AND ELECTRIC COMPANY, LG&E AND KU ENERGY LLC, AND LG&E AND KU SERVICES COMPANY For Authority to Engage in Affiliate Transactions Under Chapter 4 of Title 56 of the Code of Virginia	)))))))))	CASE NO. PUE-2013-00051

APPLICATION TO ENGAGE IN AFFILIATE TRANSACTIONS

Kentucky Utilities Company, a Virginia Public Service Company doing business in Virginia as Old Dominion Power Company ("KU-ODP" or the "Company"), Louisville Gas and Electric Company ("LG&E"), LG&E and KU Energy LLC ("LKE"), and LG&E and KU Services Company ("Services Company") (collectively, "Applicants") hereby apply to the State Corporation Commission of Virginia (the "Commission") for authority to amend and extend their current authorization, pursuant to Virginia Code § 56-76 et seq., to engage in affiliate transactions as more fully described herein. In support of this Application, Applicants state as follows:

I. Applicants and Affiliate Relationship

1. The official name of the Company and address of its principal business office:

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

KU-ODP was incorporated under Kentucky law on August 17, 1912, and under Virginia law on November 26, 1991. KU-ODP operates in Kentucky, Virginia, and Tennessee. KU-ODP provides retail electric service to customers in seventy-seven Kentucky counties, five southwestern Virginia counties, and one Tennessee county.

2. The official name of LG&E and address of its principal business office is:

Louisville Gas and Electric Company
220 West Main Street
Louisville, Kentucky 40202

LG&E was incorporated under the laws of Kentucky on July 2, 1913. LG&E is a combination gas and electric utility providing retail electric service to customers in nine Kentucky counties and retail gas service to customers in seventeen Kentucky counties.

3. The official name of LKE and address of its principal business office is:

LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202

LKE is a Kentucky limited liability company. LKE is a wholly owned, direct subsidiary of PPL Corporation serving as a holding company for, among other entities, KU-ODP and LG&E. Effective November 1, 2010, LKE and its subsidiaries, including KU-ODP, LG&E, and Services Company became members of the PPL Corporation holding company system.

4. The official name of Services Company and address of its principal business office is:

LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202

Services Company was incorporated under the laws of Kentucky on June 2, 2000. Services Company is organized to provide administrative, technical, management, engineering, legal, accounting and other services to affiliates, primarily with respect to KU-ODP, LG&E, and their parent, LKE.

5. The name, address, and telephone number of the persons within the Company authorized to receive notices and communications with respect to the Application are as follows:

Ed Staton
Vice President, State Regulation and Rates
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-4830

Daniel K. Arbough
Treasurer
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-4956

With copies to:

Kendrick R. Riggs
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 560-4222

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088

II. Approval Requested from the Commission

6. Applicants request authority to enter into an Amendment (the "2013 Amendment") to their 2011 Utility Money Pool Agreement, dated December 1, 2011 (the "2011 Utility Money Pool Agreement"), in order to update the interest rate applicable to short-term borrowings. Applicants further seek to extend their existing authority through June 30, 2018.

III. The Existing Money Pool Agreement

7. The Company's current authority, evidenced in the 2011 Utility Money Pool Agreement between itself and the other Applicants, allows it to engage in affiliate transactions to (1) loan excess funds to a Money Pool administered by Services Company and (2) borrow funds from the Money Pool on a short-term basis up to a maximum of $500,000,000.

8. The Commission approved the 2011 Utility Money Pool Agreement by Order dated November 29, 2011, in Case No. PUE-2011-00110.[1]

9. On November 21, 2011, the Federal Energy Regulatory Commission ("FERC") in Docket No. ES11-48-000 authorized the Company to issue promissory notes and other evidences of indebtedness, maturing two years or less from the date of issuance, in an amount not to exceed Five Hundred Million Dollars ($500,000,000) at any one time. The authority became effective on November 30, 2011, and terminates on November 30, 2013. The Company intends to file for an extension of its current FERC authority later this year.

10. Only KU-ODP and its sister utility, LG&E, are borrowers under the 2011 Utility Money Pool Agreement. LKE participates as a lender only and Services Company administers the Money Pool.

11. The Company may borrow funds ("Borrowings") from time to time from affiliates through the Money Pool. Each of the Borrowings by the Company matures on a date not more than twelve (12) months from the date of origination. Currently, no Borrowing will be due later than November 30, 2016, but as described below, the Applicants seek to extend this date through June 30, 2018. The Borrowings are evidenced by one or more promissory notes or by a blanket note. Each Borrowing is subject to prepayment by the Company in whole

[1] *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company: For Authority Under Chapter 4 of Title 56 of the Code of Virginia to Execute and Amended Affiliate Agreement.*

at any time, or in part from time to time, without premium or penalty, upon payment of the principal amount thereof to be prepaid and the interest then accrued on the amount so prepaid. Borrowings may be made for general corporate purposes, including to repay or refund any Borrowings then outstanding and unpaid. The Company may enter into one or more agreements or contracts covering the issuance of the notes or the making of the proposed Borrowings (the "Credit Documents"). It is not expected that the notes will be sold or resold to the public.

12. The aggregate principal amount of Borrowings that KU-ODP could have outstanding at any time under the Money Pool will not exceed Five Hundred Million Dollars ($500,000,000). If the entire requested amount of such short term Borrowings were outstanding, then the Company's total short term debt would be 11.1% of the Company's pro forma total capitalization computed as of December 31, 2012. Debt under the Money Pool, along with all the Company's other outstanding short-term debt, would under no circumstances exceed 12% of the Company's capitalization unless the Company obtains additional, specific authority from the Commission.

13. The Credit Documents contain and will continue to contain standard terms and conditions typical for such agreements.

14. The proceeds from any Borrowings are added to the general funds of the Company and would provide short-term funds which could be used when the need for such funds arises, including general operations. For example, it is anticipated that the Company's construction expenditures will be approximately $784 million in 2013 (excludes amounts in Accounts Payable as of December 31, 2012) and $674 million in 2014.

13054025 3

IV. Approval Requested

15. The Company requests authority to enter into the 2013 Amendment to the 2011 Utility Money Pool Agreement.

16. Under the existing 2011 Utility Money Pool Agreement, interest on the outstanding balance of all loans accrues at the rates for A2/P2/F2 rated Commercial Paper programs as quoted by Bloomberg under the ticker DCPD030D. The Company has obtained this rate through Bloomberg's free, publicly available website. However, Bloomberg has discontinued this free access. In addition, the Bloomberg rate includes both financial and non-financial issuers of short-term debt. As a non-financial issuer, the Company now seeks to utilize a rate that is not blended with both financial and non-financial issuers in order to more accurately reflect the third-party interest rate market applicable to the Company.

17. The Company requests the Commission approve the 2013 Amendment to the 2011 Utility Money Pool Agreement, which Amendment will utilize a rate based upon a Federal Reserve survey rate for A2/P2 issuers, based solely on the commercial paper issuances of non-financial entities. Specifically, the 2013 Amendment establishes the new interest rate as the sum of (a) the applicable Federal Reserve Commercial Paper Rate and Outstanding Summary Rate and (b) five basis points.[2] The applicable rate is the daily 30-day A2/P2 nonfinancial commercial paper rate. The Company will use the rate published on the last business day of the prior calendar month to calculate the interest on the Money Pool balances in the next succeeding month.

18. The interest rate formula includes a five-basis-point addition to the quoted rate. Because the new Federal Reserve survey rate omits the fees paid by issuers, it quotes the rates

[2] This rate is available at: http://www.federalreserve.gov/releases/cp/.

earned by the investor but not the market rate paid by an issuer. The addition of five basis points makes the rate more representative of actual market costs for short-term borrowings.

19. In addition to the amendment to the interest rate formula, KU-ODP requests that authority to participate in the Money Pool be extended through June 30, 2018.

20. Because the Company and LG&E—the two borrowers from the Money Pool—are of comparable credit quality (Standard & Poor's rating of A-2, Moody's rating of P-2, and Fitch's rating of F-2), the primary anticipated benefit of the Money Pool is the accumulated savings from avoided transaction fees/costs to borrow or invest externally.

21. Unless KU-ODP obtains additional approval from the Commission, short-term Borrowing under the Money Pool, along with the Company's other short-term debt outstanding will not exceed 12% of the Company's capitalization.[3] KU-ODP is therefore not seeking authority pursuant to Virginia Code §56-55 et seq., to issue securities and to assume obligations.[4]

---

[3] This includes debt under the revolving credit facility that the Commission approved by Order dated October 19, 2010 in Case No. PUE-2010-00061, *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority under Chapter 56 of the Code of Virginia to Restructure and Refinance Unsecured Debt, to Assume Obligations and for Amendment of Existing Authority*. On September 2, 2011, KU-ODP filed a Motion with the Commission to extend the authority granted in Case No. PUE-2010-00061 through December 31, 2016. On September 28, 2011, the Commission entered an order, granting the motion.

[4] In some prior Applications involving the Money Pool, KU-ODP did request authority under both the Affiliates Act and Virginia Code §56-55 et seq. because there was the potential for total short-term debt to exceed the 12% of total capitalization permitted under VA Code §56-65.1. On December 17, 2002, in Case No. PUE-2002-00644, *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority to Issue Securities Under Chapter 3 of Title 56 of the Code of Virginia and to Engage in Affiliate Transactions Under Chapter 4 of Title 56 of the Code of Virginia*, the Commission issued its Order granting KU-ODP authority to issue up to $400,000,000 in short-term debt and to participate in the Money Pool, through December 31, 2004. On January 30, 2004, the Commission authorized LG&E Energy LLC to replace LG&E Energy Corp. as a lender only participant in the Money Pool. Later, by Order dated September 21, 2004 in Case No. PUE-2002-00644, the Commission extended the authority granted on December 17, 2002, as amended on January 30, 2004 through December 31, 2007. By Order dated September 21, 2007 in Case No. PUE-2007-00082, *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority to Issue Securities Under Chapter 3 of Title 56 of the Code of Virginia and to Engage in Affiliate Transactions Under Chapter 4 of Title 56 of the Code of Virginia*, the Commission extended the Company's authority through December 31, 2009. Subsequently, by Order dated December 21, 2009 in Case No. PUE-2009-00104, *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for authority to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code of Virginia*, the Commission granted the Company authority through December 31, 2011. On December 6, 2010, the

1305402253

22. While such intercompany borrowing and lending may not meet all short-term capital needs of the Company, the use of excess funds generated internally among affiliates can minimize the transaction costs to borrow or invest externally.

23. A Financing Summary, a Balance Sheet, Statement of Income and Retained Earnings as of December 31, 2012, and a Transaction Summary for Affiliate Transactions are attached to this Application as Exhibits A, B, C, and D, respectively. A draft copy of the 2013 Amendment to the 2011 Utility Money Pool Agreement is attached as Exhibit E. A copy of the Company's Board of Directors resolution approving KU-ODP's incurrence of short-term debt will be provided when available.

WHEREFORE, Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, LG&E and KU Energy LLC, and LG&E and KU Services Company respectfully request the Commission to enter an appropriate order, pursuant to Virginia Code §§ 56-76 et seq.:

1. Granting the Applicants authority to participate in the Money Pool through June 30, 2018;

2. Approving pursuant to Virginia Code §§ 56-77 et seq., the proposed 2013 Amendment to the 2011 Utility Money Pool Agreement to be effective when executed;

3. In order to provide continuity in the Company's existing financing arrangements, that the Commission enter its order in this matter no later than June 30, 2013;

4. Granting all other necessary and applicable authorizations.

Commission authorized the Company to amend the Money Pool agreement by substituting the new entity name LG&E and KU Energy LLC for E.ON U.S. LLC, and the new name LG&E and KU Services Company for E.ON U.S. Services Inc.

13054025 3

Dated: May 10, 2013

Respectfully submitted,

Kendrick R. Riggs

Kendrick R. Riggs (VSB No. 32247)
J. Wade Hendricks
Barry L. Dunn
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 333-6000
Email: kendrick.riggs@skofirm.com

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202
Telephone: (502) 627-2088
Email: allyson.sturgeon@lge-ku.com

Counsel for Applicants

400001.358112/954973.8

13054025 3

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 and for Louisville Gas and Electric Company, that he has read the foregoing Application 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 9th day of May, 2013.

My Commission Expires: August 31, 2015

NOTARY PUBLIC, STATE AT LARGE

13054025 3

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Kent W. Blake, being first duly sworn, deposes and says that he is Chief Financial Officer for LG&E and KU Energy, LLC, and LG&E and for KU Services Company, that he has read the foregoing Application 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.

Kent W. Blake

KENT W. BLAKE

Subscribed and sworn before me this 9th day of May, 2013.

My Commission Expires: November 9, 2014

Tammy J. Ely

NOTARY PUBLIC, STATE AT LARGE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Application To Engage In Affiliate Transactions was electronically filed with the Clerk of the Virginia State Corporation Commission through the Document Control Center and served on the following person this 10th day of May 2013 by electronic mail to:

C. Meade Browder, Jr.
Sr. Assistant Attorney General/Chief
Insurance & Utilities Regulatory Section
Office of the Attorney General
Division of Consumer Counsel
900 East Main Street
Richmond, VA 23219

Counsel for Applicants

KENTUCKY UTILITIES COMPANY

FINANCING SUMMARY

Item 1: Description of Issue and Proposed Uses:

Kentucky Utilities Company (the "Company") proposes to amend its 2011 Utility Money Pool Agreement with affiliates within the PPL Corporation holding company system to update the interest rate formula applicable to short-term borrowings. The interest rate under the proposed Amendment would be based on the Federal Reserve Commercial Paper Rates and Outstanding Summary, available at http://www.federalreserve.gov/releases/cp/. This rate is the daily thirty-day A2/P2 nonfinancial commercial paper survey rate which represents the interest rate category applicable to the Company for short-term borrowings in the financial markets. The interest rate formula includes a five-basis point addition to the quoted rate. Because the new Federal Reserve survey rate omits the fees paid by issuers, it quotes the rates earned by the investor but not the market rate paid by an issuer. The addition of five-basis points makes the rate more representative of actual market costs for short-term borrowings. As under the current 2011 Utility Money Pool Agreement, the Company could issue up to $500,000,000 of Short Term Debt, with each individual note having a term of twelve (12) months or less. The Company also seeks to extend the term of the money pool, so that no note would be due past June 30, 2018.

The proceeds obtained will be used to supplement internally generated funds, or other short-term debt, including the financing of general operations and/or provide interim financing for the Company's financing requirements.

Item 2: Terms of Issue:

The Company proposes to issue in varying amounts its Notes from time to time, each of which would mature on a date not more than twelve (12) months from the date of issue.

The Company, the Company's utility affiliate, Louisville Gas and Electric Company ("LG&E"), their parent LG&E and KU Energy, LLC, and their non-utility affiliate LG&E and KU Services Company ("Services Company") would be parties to the Money Pool Arrangement. Only the Company and LG&E would be borrowers. The Company and LG&E could also act as lender to the other. LG&E and KU Energy, LLC would be a lender only, and Services Company would administer the arrangement.

The interest rates will vary depending on the current market conditions. For purposes of this Application, a .42% average annual percentage rate was applied, which is consistent with market conditions as of March 31, 2013.

The current security rating for the Company's short term debt is P-2 by Moody's, A-2 by Standard & Poor's and F-2 by Fitch.

KU has 37,817,878 shares of Common Stock, issued and outstanding.

Costs Of Issuance – Services Company would not charge the Company for administering the Money Pool.

Item 3: Reasonableness of Financing Strategy:

On November 21, 2011, the Company received approval from FERC to issue short-term debt securities in an amount not to exceed $500,000,000 outstanding at any time. The current authority terminates November 30, 2013. See Docket No. ES11-48-000. KU intends to notify FERC of the change in the interest rate methodology at the time the Commission approves this Application and will file to extend the FERC authority later this year. At March 31, 2013, the Company had no outstanding money pool borrowings payable to LG&E and KU Energy LLC. The proceeds from any Borrowings and/or commercial paper will be used to supplement internally generated funds or short term debt, finance general operations, and/or provide interim financing for the Company's financing requirements.

Using the current FERC short-term borrowing authorization levels, if KU/ODP issued in its entirety, the proposed $500,000,000 of short-term debt would represent 11.1% of the Company's pro forma total capitalization as of December 31, 2012.

As of December 31, 2012, the Company had taxable long-term debt in the form of First Mortgage Bonds with total principal amount of $1,500,000,000, all with fixed interest rates. As of December 31, 2012, the Company had external, pollution control debt outstanding with principal amounts totaling $350,779,405, consisting of $323,977,405 variable rate and $26,802,000 fixed rate.

Presently, the Company's capital structure is in line with averages of similarly rated utilities.

Item 4. Impact on Company *(all values are in Millions, except percentages)*:

EXHIBIT A
Page 3 of 3

4(A) Change In Capital Structure:

CAPITALIZATION	Actual	% of Total Capitalization	Adjustment	Proforma	% of Total Capitalization
	As of December 31, 2012				
Short-Term Debt	70	1.71%	430 [1]	$500	11.07%
Long-Term Debt	1,841 *	45.03%		$1,841	40.75%
Common Equity	2,177	53.25%		$2,177	48.18%
	4,088	100.00%		$4,517	100.00%

*Includes current portion of Long-Term Debt

4(B) Change In Interest Coverage:

	Actual	Adjustments	Proforma
	As of December 31, 2012		
Net Income	$146	(2) [2]	$144
Income Taxes	94	(1) [4]	93
Net Income Before Taxes	$240		$237
Interest Charges	69	2 [3]	71
Income Before Interest & Taxes	$309		$308
Pre-Tax Interest Coverage	**4.48x**		**4.34x**

Notes:

[1] Assumes $500 million outstanding in short-term debt (maximum amount).

[2] Calculation for incremental change in net income and taxes due assuming $500 million in short-term debt securities issued at .42%:

Annual interest expense on $500 million @ .42%	$2
Less: actual interest expense on promissory notes accrued for the year ended December 31, 2012	0
Additional Interest Expense	$2
Less: reduction in income taxes	(1)
Reduction in Net Income	$2

[3] Assumes all short-term debt outstanding for 12 months.

[4] Based on combined federal and state income tax rates of 38.9%.

13054025 3

EXHIBIT B

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF DECEMBER 31, 2012
(all values in millions)

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	21
Restricted cash	$	-
Accounts receivable customers - less reserve	$	171
Accounts receivable other - less reserve	$	7
Materials and supplies - at average cost:		
Fuel (predominantly coal)	$	88
Other	$	46
Prepayments and other	$	15
Total Current Assets	$	348
OTHER PROPERTY AND INVESTMENTS - less reserve	$	1
UTILITY PLANT:		
At original cost	$	7,232
Less: reserve for depreciation	$	2,520
Net Utility Plant	$	4,712
DEFERRED DEBITS AND OTHER ASSETS:		
Regulatory assets	$	286
Unamoritized debt expense and loss on bonds	$	31
Other	$	206
Total Deferred Debits and Other Assets	$	523
Total Assets	$	5,584

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF DECEMBER 31, 2012
(all values in millions)

LIABILITIES AND EQUITY

CURRENT LIABILITIES:	
Notes payable to associated companies	$ -
Notes payable	70
Accounts payable	156
Accounts payable to associated companies	33
Accrued income taxes	26
Customer deposits	25
Other	31
Total Current Liabilities	341
LONG TERM DEBT:	
Long-term debt	1,841
Long-term debt to affiliated companies	-
Total Long-Term Debt	1,841
DEFERRED CREDITS AND OTHER LIABILITIES:	
Accumulated deferred income taxes - net	746
Accumulated provision for pensions and related benefits	165
Investment tax credit	99
Asset retirement obligation	69
Regulatory liabilities	116
Other	30
Total Deferred Credits and Other Liabilities	1,225
COMMON EQUITY	
Common stock, without r value Outstanding 37,817,878 shares	308
Additional paid-in capital	316
Other Comprehensive Income	0
Retained earnings	1,553
Undistributed subsidiary earnings	0
Total Common Equity	2,177
Total Liabilities and Equity	$5,584

1305402533

EXHIBIT C

KENTUCKY UTILITIES COMPANY
INCOME STATEMENT FOR THE TWELVE MONTHS ENDED December 31, 2012
(all values in millions)

OPERATING REVENUES	$ 1,524
OPERATING EXPENSES:	
Operations and maintenance expenses	984
Depreciation and amortization	197
Property and other taxes	31
Other operating expenses	(3)
Total operating expenses	1,209
OPERATING INCOME	315
Other (income) - net	(6)
Interest expense	69
INCOME BEFORE INCOME TAXES	240
Federal and state income taxes	94
NET INCOME	$146

Retained Earnings Beginning of Period	$	1,491
Equity in Subsidiary Beginning of Period	$	16
Add: Net Income		146
Deduct. Dividends on common stock		(100)
Retained Earnings End of Period	$	1,553

13054025 3

KENTUCKY UTILITIES COMPANY

TRANSACTION SUMMARY – AFFILIATE TRANSACTION

A. All applications filed for approval of affiliate transactions under the Affiliates Act:

A 1. Describe, in detail, the affiliate relationship among the parties involved.

Response:

LG&E and KU Energy LLC ("LKE") is a wholly owned subsidiary of PPL Corporation. Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU-ODP" or the "Company") and Louisville Gas and Electric Company ("LG&E") are wholly owned utility subsidiaries of LKE. LG&E and KU Services Company ("Services Company") is a Kentucky corporation and a non-utility subsidiary of LKE. KU-ODP will borrow funds from LG&E and LKE only.

A 2. Describe specific services, rights, or things to be provided.

Response:

The Company proposes to amend and extend its current Money Pool arrangement to allow it to continue to borrow funds ("Borrowings") from time to time from affiliates through the Money Pool. Each of the Borrowings by the Company will mature on a date not more than twelve (12) months from the date of origination and no Borrowing would be due later than June 30, 2018. Borrowings will be evidenced by one or more promissory notes, or by a blanket note. Borrowings would be made for general corporate purposes, including repaying or refunding any Borrowings then outstanding and unpaid. The aggregate principal amount of Borrowings that KU-ODP will have outstanding under the Money Pool will not exceed Five Hundred Million

Dollars ($500,000,000) at any time.

Approval is necessitated by a change in the interest rate methodology for the Money Pool to more accurately reflect the third-party interest rate market applicable to the Company. This will be a Federal Reserve survey rate for A2/P2 issuers based upon the commercial paper issuances of non-financial entities plus five basis points. Because the new Federal Reserve survey rate omits the fees paid by issuers, it quotes the rates earned by the investor but not the market rate paid by an issuer. The addition of five basis points makes the rate more representative of actual market costs for short-term borrowings. In addition the Company seeks to extend the Money Pool's expiration date to June 30, 2018.

A 3. Describe the conditions and term of the agreement, contract, or arrangement, including rights of parties to cancel and renewability. If the agreement requires the utility company to become involved in a long-term captive relationship, explain why this is necessary.

Response:

The conditions and terms of the Money Pool arrangement that the Company wishes to extend would be contained in the 2011 Utility Money Pool Agreement, dated as of December 1, 2011, as amended by the proposed 2013 Amendment, a draft of which is attached to the Application as Exhibit E. In particular, the agreement expressly sets forth the terms and conditions for the lending and borrowing of excess funds by the Company, LG&E, and LKE to and from the Money Pool. No loans through the Money Pool will be made to, and no borrowings through the Money Pool will be made by, Services Company or LKE. LKE will participate only as a lender in the Money Pool Agreement. Services Company is the administrator.

The Company's Borrowings from the Money Pool will mature on a date not more than twelve (12) months from the date of origination. The Borrowings will be evidenced by one or more promissory note(s) or by a blanket note. Each Borrowing will be subject to prepayment by the Company in whole at any time, or in part from time to time, without premium or penalty, upon payment of the principal amount thereof to be prepaid and the interest then accrued on the amount so prepaid. Borrowings may be made for general corporate purposes, including repaying or refunding any Borrowings then outstanding and unpaid. It is not expected that the notes will be sold or resold to the public.

From time to time, the Company may borrow funds from one or more banks, affiliates through the Money Pool, or other financial institutions. At any one time the Company will consider the relative costs, of these alternatives. The Company will not borrow through the Money Pool unless the overall costs of such borrowing, including both interest and transaction costs, are equal to or lower than the overall costs of the available alternatives. Alternatively, if the Company has excess cash to invest, it will compare the interest rates available from the Money Pool to those available externally, and select the alternative with the most attractive risk adjusted return.

Following approval of the proposed amendment and extension of the Money Pool by the Commission, the companies will execute the 2013 Amendment to the 2011 Utility Money Pool Agreement.

Under Section 1.01 of the agreement, each party may withdraw any of its funds at any time upon providing notice to Services Company as administrative agent. No party shall be required to effect a borrowing through the Money Pool at any time, including if such party determines that it can, and is authorized to, effect such borrowing at lower cost directly from banks or through the sale of its own commercial paper.

A 4. Provide a copy of any formal agreement. If there is no formal agreement, provide a statement to that effect with a complete description of the contract or arrangement.

Response:

A draft of the 2013 Amendment is attached to the Application as Exhibit E. The existing 2011 Utility Money Pool Agreement is on file with the Commission in Case No. PUE-2011-00110.

B. Goods or services provided to the utility:

(To the extent that the loan of money to KU-ODP constitutes a service.)

B.1. Describe the utility's need for the goods or services.

Response:

The Money Pool provides the Company the ability to loan and borrow excess funds through Services Company in order to increase the Company's return on excess funds and reduce its transaction costs of borrowing short-term funds. It is anticipated that, from time-to-time, it may be more cost-effective for these funds to be loaned and borrowed among the participating companies than externally.

B.2. Describe the utility's current and prior arrangements for obtaining the goods or services, where applicable.

Response:

KU-ODP currently obtains short-term financing by participating in the Money Pool and by borrowing funds from banks and financial institutions and issuance of commercial paper.

B.3. Discuss whether or not the goods or services can be provided by the utility internally. If so, quantify the costs of doing so and compare such costs to costs of obtaining such goods or services from the affiliate. If not, explain why such goods or services cannot be provided internally.

Response:

KU-ODP obtains funds for its projects both through internally generated funds and debt and equity from outside the Company. The Company does not have the internal capability to generate up to $500 million in available short-term funds at any time, thus requiring the Company to look for sources of financing other than itself.

B.4. Discuss other alternative sources for obtaining the goods or services available to the utility. Provide specific details, quantifying the costs of obtaining such goods or services from the alternative sources and comparing those costs to the costs of obtaining the goods or services from the affiliate.

Response:

As noted previously, KU-ODP obtains funds from a mixture of sources including debt, retained earnings and equity. When it is most cost-effective, and if funds are available, the Company will borrow from its affiliates through the Money Pool.

B.5. Explain how the costs of obtaining goods or services from the affiliate are to be determined. If costs to the utility are to be based on the affiliate's cost of providing the goods or services, provide those cost components. If the cost components are to include a return on investment component, state what that is and show how it is determined.

13054025 3

Response:

Section 1.05 of the 2013 Amendment contains the formula for determining the interest rate that will be charged on funds borrowed from the Money Pool and that will be earned on funds loaned to the Money Pool. The formula utilizes a rate based upon an applicable Federal Reserve survey rate for the commercial paper issuances of A2/P2 rated non-financial entities.[1] Specifically, the new interest rate will be from the Federal Reserve Commercial Paper Rates and Outstanding Summary.[2] The Company will use the rate published on the last business day of the prior calendar month.

The interest rate formula includes a five-basis-point addition to the quoted rate. The new Federal Reserve survey rate omits the fees paid by issuers because it quotes the rates earned by the investor, but not the market rate paid by an issuer. The addition of five basis points makes the rate more representative of the actual market costs for short-term borrowings.

B.6. If costs to the utility are to be based on market rates, explain, in detail, how such market rates are to be determined. Provide the dollar amount and percentage of the affiliate's revenues that are derived from providing such goods or services to non-affiliated entities. Provide supporting calculations.

Response:

The interest rate formula is set out above in response to Item B.5.

B.7. If the utility is to be charged or allocated costs from the affiliate, explain how such charges or allocations are to be made, providing specific allocations methodologies. If

13054025 3

allocation formulas are to be used, provide such formulas.

Response:

See response to Item E.1.

B.8. If services are not proposed to be priced at the lower of cost, plus a reasonable return, or the market price, explain why this will not be done.

Response:

The interest rate formula is expected to result in the interest rate being equal to or lower than the lowest rate available to the Company on the external market.

C. Goods or services provided by the utility:

Response:

C1 – C8. This Application concerns a money pooling and borrowing arrangement between affiliates. The only affiliate to which KU could make a loan is LG&E, the participation of which will be governed by the same Money Pool Agreement terms that govern KU's participation therein, which terms are discussed at length in Section B above. A draft of the 2013 Amendment is attached to the Application as Exhibit E. Furthermore, Question C.7. and C.8., which are not included or discussed in Section B above, are not applicable. Regarding C.7, KU-ODP is not administering the money pool—Services Company is—and thus KU-ODP's employees will not be providing services to affiliates. Regarding C.8, the question is not applicable because KU-ODP will not be providing services to any subsidiary.

---

[1] The previous rate, Bloomberg's rate for A2/P2/FS rated Commercial Paper, is no longer available without charge.
[2] This rate is available at: http://www.federalreserve.gov/releases/cp/.

D. Leasing arrangements with affiliates:

Response:

D1 – D5. This Application concerns possible loans to and from affiliates; hence, the requirements of Part D are inapplicable.

E. Accounting and other issues to be provided or addressed by the utility and affiliate:

E.1. Provide a copy of the utility's or affiliate's Cost Allocation Manual (depending on which entity is providing services), which describes the accounting system (to include the chart of accounts used) and cost allocation methodologies (including factors and methods of calculation) put in place to track costs accurately relative to contracts and arrangements with affiliates.

Response:

Transaction and interest costs will be tracked through KU-ODP's uniform system of accounts. Transaction costs will be directly assigned to KU-ODP FERC Account No. 923-Outside Services. Interest costs will be directly assigned to KU-ODP Account No. 430-Interest on Debt to Associate Companies. KU-ODP's Cost Allocation Manual has been previously filed and approved by the Commission in Case No. PUE-2011-00375.

E.2. Describe any specific safeguards in place to ensure that no unregulated affiliate will be subsidized by the regulated company as a result of the proposed contract or arrangement.

Response:

No unregulated affiliate can borrow from the Money Pool. The interest rate formula would ensure that transactions are representative of the external market.

1305402253

Including short-term debt, the debt/total capitalization ratios of the Company and LG&E—the two borrowers from the Money Pool—as of December 31, 2012, are 46.75% and 44.90%, respectively.

For a discussion of the records to be kept by Services Company with respect to its administration of the Money Pool, see Section 2.01 of the 2011 Utility Money Pool Agreement.

E.3. Compare and contrast the utility's risk exposure as a result of the proposed arrangement and show that the arrangement is in the public interest in spite of any anticipated change in risk exposure.

Response:

The Company should be exposed to less business risk by participating in the Money Pool compared to obtaining funds from other external sources. Funds that the Company invests in the Money Pool will subsequently be invested in one of two ways. Upon proper request, Services Company will lend those funds to LG&E pursuant to Section 1.02 of the 2011 Money Pool Agreement. Alternatively, Services Company, pursuant to Section 2.02 of the 2011 Money Pool Agreement, will invest the funds in one or more investments in accordance with the same investment guidelines that currently govern the Company's external investments. Any funds that the Company invests in the Money Pool will therefore either (1) be invested by the Money Pool in the same type of investments in which the Company would invest such funds were it not for the Money Pool, or (2) be loaned to LG&E.

Investments in the Money Pool should actually reduce the Company's business risk associated with the external investment of funds. Unlike investments in third-party managed funds, the Company can directly evaluate the risk of investing in the Money Pool. The Company has direct knowledge as to the financial soundness of LG&E, its management personnel, and its general business practices. When the Company invests excess funds externally, the duty of investigating these aspects of potential investments is delegated to fund managers. The Company must therefore rely upon the judgment of fund managers and their assurances that such investigations are thorough.

E.4. Discuss any anticipated cost savings for the utility as a result of the arrangement. Describe such anticipated savings and quantify to the extent possible. Provide support for anticipated savings. Include any anticipated impacts on operating efficiencies or quality of service and explain and quantify to the extent possible with supporting detail.

Response:

The Money Pool arrangement facilitates administration of the cash management function at lower costs. By pooling the excess cash of the Company and LG&E to meet the short-term borrowing needs of the Company and LG&E, costs are lowered which ultimately benefits both the Company and its customers.

By borrowing short-term funds from the Money Pool, when appropriate, the Company has lower external borrowing requirements which may reduce the level of committed bank lines of credit necessary to support commercial paper programs and result in a reduction in the associated bank commitment or facility fees.

By investing short-term funds in the Money Pool, when appropriate, the Company avoids transaction costs on external investments such as load fees and commissions.

Investment in the Money Pool would constitute a short-term rather than a long-term commitment of funds.

E.5. Discuss in specific terms any other anticipated positive impacts on public interest not yet addressed, including any anticipated impacts on customers' rates.

Response:

The Company does not anticipate any immediate and direct impact on customer rates; however, the reduction in administrative and operational burdens on the Company will allow KU-ODP to more productively allocate administrative resources and serve its customers.

E.6. If approval is required in other jurisdictions, provide the status of the review process in those jurisdictions and provide copies of any orders issued. Provide biweekly updates until a Commission Order is issued.

Response:

No approval is needed in other jurisdictions. The Company will file the 2013 Amendment to the 2011 Money Pool Agreement with FERC in Docket No. ES11-48-000 if the Commission approves the Application. The Company's current approval from FERC terminates on November 30, 2013. The Company intends to file for an extension of its current FERC authority.

E.7. Descriptions of goods or services to be provided or received pursuant to affiliate contracts or arrangements must be specific. Categories such as "other" and "incidental" without description of the types of services in those categories are unacceptable and cannot be recommended for Commission approval.

Response:

The relevant Money Pool terms, including the method of determining interest rates, are discussed above and found in the 2011 Utility Money Pool Agreement and the 2013 Amendment.

E.8. If the proposed contract or arrangement is for the utility to provide services to an affiliate to support the affiliate providing services to other entities, the affiliate should have a separate accounting system established prior to obtaining Commission approval. If this has not been established, indicate when this will take place. A copy of the accounting procedures established for the affiliate showing how costs will be tracked should be provided to the Division of Public Utility Accounting.

Response:

Not applicable.

E.9. If the contract or arrangement involves investment by the utility company in an affiliate and the provisions of services to the affiliate to enable the affiliate to operate, describe, in specific detail, how the utility's customers (or members in the case of electric cooperatives) will be protected against any losses incurred by the affiliate.

Response:

Please see the response to Items E.2 and E.3 above, particularly noting that KU-ODP and LG&E enjoy comparable credit quality ratings of A-2 (Standard & Poor's), P-2 (Moody's), and F-2 (Fitch).

E.10. For contracts or arrangements in which services are offered to an affiliate operating in a competitive environment, describe, in specific detail, what steps are being taken to ensure that the affiliate is not being favored over competitors.

Response:

Not applicable.

E.11. Describe, in detail, how the proposed services provided by the utility company will be accounted for in the utility's financial records.

Response:

Not applicable.

EXHIBIT E
DRAFT

AMENDMENT NO. 1
TO
2011 UTILITY MONEY POOL AGREEMENT

This **AMENDMENT NO. 1** dated as of ________, 2013 (this "Amendment") amends the 2011 Utility Money Pool Agreement (the "Agreement"), dated as of December 1, 2011, by and between LG&E and KU Energy LLC, LG&E and KU Services Company, Louisville Gas and Electric Company and Kentucky Utilities Company (each a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to amend certain provisions of the Agreement to reflect appropriate market conditions.

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants contained herein, the Parties hereto agree as follows:

1. "Section 1.05 Interest" is hereby deleted and replaced, in its entirety, with the following:

> "Section 1.05 Interest. The daily outstanding balance of all loans to any Utility Subsidiary during a calendar month shall accrue interest at a rate equal to the sum of (a) such daily rate for 30-day A2/P2 rated non-financial commercial paper programs as published by the Federal Reserve System of the United States under the symbol CP/RATES/RIFSPPNA2P2D30_N.B (or substantially equivalent rate, if such rate is discontinued or modified) on the last business day of the prior calendar month and (b) five (5) basis points. LG&E and KU Services Company will not charge interest or fees for managing the Utility Money Pool."

IN WITNESS WHEREOF, this Amendment has been executed and delivered by a duly authorized officer of each Party hereto, as of the date above first written.

LG&E AND KU ENERGY LLC
LG&E AND KU SERVICES COMPANY

By:______________________________
Name: Kent W. Blake
Title: Chief Financial Officer

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

By: ___________________________
Name: Daniel K. Arbough
Title: Treasurer