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January 6, 2021

RECEIVED

JAN 07 2021

PUBLIC SERVICE
COMMISSION

VIA ELECTRONIC SUBMISSION

Ms. Linda C. Bridwell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

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 Ms. Bridwell:

Pursuant to Commitment No. 23 referenced in the September 30, 2010 Order of this Commission, please find enclosed a copy of a *Verified Application to Engage in Affiliate Transactions* filed on behalf of Kentucky Utilities Company d/b/a Old Dominion Power Company with the Virginia State Corporation Commission on January 5, 2021.

Should you have any questions, please feel free to contact me at your convenience.

Yours very truly,

A handwritten signature in blue ink that reads "Kendrick R. Riggs".

Kendrick R. Riggs

KRR:ec
Enclosure as mentioned

Case Information

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Case Number:

Case Name:

Verified Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Approval of an Amendment to a Money Pool Agreement

Document Type:

Application

Document Description Summary:

KU-ODP Verified Application to Engage in Affiliate Transactions

Total Number of Pages: 38

PDF Document:

KU-ODP_2021_Money_Pool_Application_1-5-21.pdf

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January 5, 2021

VIA ELECTRONIC SUBMISSION

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

RE: *Verified Application of Kentucky Utilities Company d/b/a Old Dominion Power Company For Approval of an Amendment to a Money Pool Agreement*
Case No.: PUR-2021-000_____

Dear Mr. Peck:

Please find enclosed and accept for filing Kentucky Utilities Company d/b/a Old Dominion Power Company's *Verified Application For Approval of an Amendment to a Money Pool Agreement* pursuant to Chapter 4 of Title 56 of the Code of Virginia.

Should you have any questions or need any additional information, please contact me at your convenience.

Yours very truly,

A handwritten signature in blue ink that reads "Kendrick R. Riggs". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Kendrick R. Riggs

KRR:ec
Enclosures

Joel Peck
Clerk, Virginia State Corporation Commission
January 5, 2021
Page 2

cc: *(all via electronic mail)*

Office of General Counsel
Raymond L. Doggett, Jr., Senior Counsel
Austin Skeens, Attorney

Office of the Attorney General
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John E. Farmer, Jr., Assistant Attorney General

LG&E and KU Services Company
Allyson K. Sturgeon, Managing Senior Counsel, Regulatory and Transactions
Robert M. Conroy, Vice President, State Regulation and Rates

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

In the Matter of:

VERIFIED APPLICATION OF KENTUCKY)
UTILITIES COMPANY D/B/A OLD DOMINION)
POWER COMPANY FOR APPROVAL OF AN) CASE NO. PUR-2021-000 _____
AMENDMENT TO A MONEY POOL)
AGREEMENT)

VERIFIED 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” or the “Applicant”), hereby applies to the State Corporation Commission of Virginia (the “Commission”) for approval, under Chapter 4, Title 56 of the Code of Virginia, to engage in affiliate transactions with Louisville Gas and Electric Company (“LG&E”), LG&E and KU Energy LLC (“LKE”), and LG&E and KU Services Company (“LKS”) (collectively with KU-ODP, the “Parties”), pursuant to the authorized *Utility Money Pool Agreement* subject to the proposed amendments to Section 1.01 *Contributions to Utility Money Pool*, Section 1.02 *Rights to Borrow*, and Section 1.05 *Interest* (collectively, the “2021 Amendment” or “Amendment No. 3”). These amendments are requested to address updated guidance from one of the Company’s credit rating agencies and the anticipated discontinuation of the London Interbank Offer Rate (“LIBOR”) reference rate contained in the interest rate calculations for the short-term borrowings. In support of this Application, KU-ODP states as follows:

I. Applicant and Affiliate Relationship

1. The official name of KU-ODP and address of its principal business office is:

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

KU-ODP is a Virginia public service company under the laws of the Commonwealth of Virginia providing electric service in Dickenson, Lee, Russell, Scott, and Wise counties in Virginia. KU-ODP's principal place of business is at One Quality Street, Lexington, Kentucky 40507, though it maintains business offices in Virginia at 1000 Park Avenue, NW, Norton, Virginia, and at 317 E. Morgan Avenue, Pennington Gap, Virginia, as well. KU-ODP was incorporated in Virginia on November 26, 1991 (and effective as of December 1, 1991), and is in good standing in Virginia.

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 approximately 418,000 customers in nine Kentucky counties and retail gas service to approximately 329,000 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 LKS became members of the PPL Corporation holding company system.

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

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

LKS was incorporated under the laws of Kentucky on June 2, 2000. LKS 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:

Daniel K. Arbough
Treasurer
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202
dan.arbough@lge-ku.com

Robert M. Conroy
Vice President, State Regulation and Rates
Kentucky Utilities Company
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II. Approval Requested from the Commission

6. KU-ODP requests the Commission approve Amendment No. 3 to the 2011 *Utility Money Pool Agreement*, dated December 1, 2011 (the “2011 *Utility Money Pool Agreement*”), in order to limit the amount KU-ODP, LG&E, or LKE may lend to or KU-ODP or LG&E may borrow

from the Money Pool and to update the calculations of interest rates for short-term borrowings. The Company seeks to retain the authority granted by the Commission in Case No. PUR-2020-00066 to participate in the *2011 Utility Money Pool Agreement* through December 31, 2026.

III. The Existing Money Pool Agreement

7. Under the Company's current regulatory authority, KU may engage in short-term borrowing and lending through the *2011 Utility Money Pool Agreement* between itself, LG&E, LKE, and LKS. The *2011 Utility Money Pool Agreement* allows KU to engage in affiliate transactions to (1) loan excess funds to a Money Pool administered by LKS and (2) borrow funds from the Money Pool on a short-term basis (i.e., not to exceed 365 days from which the loan was made).

8. The Commission approved the *2011 Utility Money Pool Agreement* by Order dated November 29, 2011, in Case No. PUE-2011-00110.¹

9. The Commission approved the Company's proposed amendment ("2013 Amendment" or "Amendment No. 1") to the *2011 Utility Money Pool Agreement* by Order dated July 3, 2013, in Case No. PUE-2013-00051.² The 2013 Amendment revised the manner in which the applicable interest rate on outstanding loan balances was determined by replacing commercial paper rate information from Bloomberg that was no longer free and publicly available with publicly available commercial paper rate information from the Federal Reserve, and adding five basis points to the selected Federal Reserve rate. The Commission approved the amendment and

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*, Case No. PUE-2011-00110, Order Granting Authority (Va. SCC Nov. 29, 2011).

² *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, Order Granting Authority (Va. SCC July 3, 2013).

also approved the Company's request to extend the authority to participate in the Money Pool through June 30, 2018.³

10. In Case No. PUR-2018-00049, the Commission granted the Company's request to renew the regulatory approval of the *2011 Utility Money Pool Agreement* for an additional 5-year period, through June 30, 2023.⁴

11. The Commission approved the Company's proposed amendment ("2020 Amendment" or "Amendment No. 2") to the *2011 Utility Money Pool Agreement* by Order dated May 12, 2020, in Case No. PUR-2020-00066.⁵ Amendment No. 2 revised the interest rate terms of the Money Pool to add two additional rate options based on LIBOR. The two additional rate options were proposed to make the Money Pool a more competitive option as a source of liquidity, which was necessary because of the market dislocation and liquidity concerns caused by the COVID-19 pandemic. The Commission approved the amendment and also approved the Company's request to extend the authority to participate in the Money Pool through December 31, 2026.

12. Only KU-ODP and its sister utility, LG&E, are borrowers under the *2011 Utility Money Pool Agreement*. LKE participates as a lender only. LKS administers the Money Pool. Under the express terms of the agreement, "[n]o loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by, LKE or LG&E and KU Services."

³ *Id.*

⁴ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority to Engage in Affiliate Transactions Pursuant to Va. Code § 56-76 et seq.*, Case No. PUR-2018-00049, Order Granting Approval (Va. SCC June 29, 2018).

⁵ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for Approval of an Amendment to a Money Pool Agreement*, Case No. PUR-2020-00066, Order Granting Approval (Va. SCC May 12, 2020).

13. The Company may borrow funds (“Borrowings”) from time to time 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. The Commission's existing approval contemplates that no Borrowing will be due later than December 31, 2026.

IV. Approval Requested

Limit on Contributions and Borrowings

14. The Company requests authority to enter into the 2021 Amendment (Amendment No. 3) to the *2011 Utility Money Pool Agreement*, which is attached as Exhibit E to this Application.

15. Under the existing *2011 Utility Money Pool Agreement* as amended by the 2020 Amendment (Amendment No. 2), there is no limit to the amount LKE, LG&E, or KU-ODP can contribute to the Money Pool, and the amount LG&E or KU-ODP can borrow from the Money Pool is limited only by the borrowing limits set forth in Federal Energy Regulatory Commission (“FERC”) and other regulatory authority orders, resolutions of the utility’s Board of Directors, governing corporate documents, and the utility’s binding agreements.

16. In the fourth quarter of 2020, Standard and Poor’s (“S&P”) expressed discomfort with the absence in the current *2011 Money Pool Agreement* of specific monetary limitations on a party’s lending to or borrowing from the Money Pool. S&P is particularly concerned that the lack of limitations could provide the opportunity for one party to lend large amounts of funds to another party in times of financial distress, which in turn could cause credit stress for the larger group. It is S&P’s position that establishing lending and borrowing limitations would help insulate the lending party from the potential negative credit influence of the borrowing party.

17. To address S&P’s new guidance and mitigate any impact on its current credit rating with S&P and other credit rating agencies, the Company is proposing amendments to Section 1.01

Contributions to Utility Money Pool and Section 1.02 *Rights to Borrow* to impose limits on lending and borrowing. KU-ODP is proposing the amount of lending and borrowing be limited to the difference between the utility's FERC borrowing limit and the utility's commercial paper program limit, each as in existence from time-to-time. At present, KU-ODP's FERC borrowing limit is \$650 million⁶ and its commercial paper capacity limit is \$350 million; therefore, KU-OPP's current proposed limit on lending to or borrowing from the Money Pool at any one time is \$300 million. Similarly, at present, LG&E's FERC borrowing limit is \$750 million⁷ and its commercial paper capacity limit is \$350 million; therefore, LG&E's current proposed limit on lending to or borrowing from the Money Pool at any one time is \$400 million. KU-ODP's and LG&E's respective FERC borrowing limits and commercial paper capacity limits may change from time to time, thereby changing the amount of lending and borrowing restrictions in the Money Pool.

18. KU-ODP and LG&E generally lend and borrow modest amounts of funds under the Money Pool. The Company proposes these amendments to Section 1.01 *Contributions to Utility Money Pool* and Section 1.02 *Rights to Borrow* for the purpose of addressing S&P's guidance and with the goal of maintaining its current credit rating with S&P and other credit rating agencies.

Interest Rate Modification

19. Under the existing *2011 Utility Money Pool Agreement* as amended by the 2020 Amendment (Amendment No. 2), interest on the outstanding balance of all loans accrues at a rate equal to the lower of the following three options at the time of borrowing: 1) the rate for a one month Euro-dollar loan under the revolving credit facility of such Utility Subsidiary using LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*; 2) the one

⁶ *Kentucky Utilities Company*, 171 FERC ¶ 62,142, Docket No. ES20-21-00 (June 18, 2020).

⁷ *Louisville Gas and Electric Company*, 171 FERC ¶ 62,143, Docket No. ES20-20-00 (June 18, 2020).

month rate of other short-term borrowings available to KU-ODP or LG&E, including third party or affiliate loans using LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*; or 3) 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.

20. The administrator of LIBOR, UK Finance (formerly known as The British Bankers' Association) have announced they will no longer calculate and publish LIBOR. The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have recently encouraged banks to discontinue utilizing LIBOR as soon as practicable.⁸ The publication of LIBOR could cease as early as December 31, 2021, and as late as June 30, 2023.⁹

21. In anticipation of the discontinuation of LIBOR, KU-ODP is proposing an addition to the end of Section 1.05 *Interest* that will provide for an alternative reference rate. KU-ODP desires to continue using LIBOR until the rate is discontinued. The Company proposes to insert the following language regarding the replacement reference rate when the LIBOR rate is discontinued:

If the administrator of LIBOR or a governmental authority has made a public statement identifying a specific date after which LIBOR shall no longer be made available or used for determining the interest rate of loans, "LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*" in subsections (1) and (2) will be replaced with "the 30-day average secured overnight

⁸ See Statement on LIBOR Transition, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency (November 30, 2020). Available at: [Statement on LIBOR Transition - November 30, 2020 \(federalreserve.gov\)](https://www.federalreserve.gov/transition-libor).

⁹ *Id.*

financing rate (“SOFR”) as of the last day of the prior calendar month as reported by the Federal Reserve Bank of New York.

22. The Company takes the position that this amendment to Section 1.05 *Interest* will allow the Money Pool to continue to serve as a competitive option for KU-ODP or LG&E to consider as a source of liquidity.

23. The sources of funds for the Money Pool will continue to be the sources of funds identified in Section 1.03 *Source of Funds*, namely: (1) surplus funds in the treasuries of the Utility Subsidiaries; (2) surplus funds in the treasuries of LKE; (3) intercompany short-term loans; and (4) proceeds from bank borrowings or the sale of commercial paper by each of the Parties (other than LKS) or both.

24. At the relevant time, KU-ODP will make a filing with the FERC, under FERC’s regulations applicable to cash management programs, submitting the completed Amendment No. 3, within ten days of its effective date. Under 18 CFR 101 and 141.500 et seq., issued pursuant to the Federal Power Act’s sections 301 and 314, the FERC monitors participation by jurisdictional entities, including public utility companies, in cash management programs, such as money pool arrangements. Although FERC does not require pre-approval, FERC establishes certain documentation, record keeping, and reporting requirements. Entities’ cash management program documents and any changes thereto must be filed with FERC within ten days of their effective dates. Program documents are required to include certain information relating to participant’s roles and responsibilities, borrowing, and interest rate matters. Further, entities must report at least quarterly regarding a minimum proprietary capital ratio calculation. KU-ODP and affiliates’ cash management activities are in compliance with the relevant FERC requirements.

Retain Regulatory Authority Under 2011 Utility Money Pool Agreement

25. Lastly, KU-ODP seeks to retain the authority granted by the Commission in Case No. PUR-2020-00066 to participate in the *2011 Utility Money Pool Agreement* through December 31, 2026.

26. For the Commission's convenience, a Financing Summary, a Balance Sheet, and a Statement of Income and Analysis of Retained Earnings as of October 31, 2020 are attached to this Application as Exhibits A, B, and C, respectively. A Transaction Summary for Affiliate Transactions and a draft copy of the 2021 Amendment to the *2011 Utility Money Pool Agreement* are attached as Exhibits D and E, respectively. KU-ODP expects its \$650 million short-term indebtedness to be well within the 12 percent restriction in § 56-65.1. *Short-term indebtedness*.¹⁰

WHEREFORE, Kentucky Utilities Company d/b/a Old Dominion Power Company, due to lending and borrowing limit guidance from S&P and the upcoming discontinuation of LIBOR as a reference rate, respectfully requests the Commission to enter an appropriate order by March 5, 2021, pursuant to Virginia Code §§ 56-76 et seq.:

1. Approving, pursuant to Virginia Code §§ 56-77 et seq., the proposed 2021 Amendment to the *2011 Utility Money Pool Agreement* to be effective when executed;
2. Approving the Company's request to retain its authority granted by the Commission in Case No. PUR-2020-00066 to participate in the *2011 Utility Money Pool Agreement* through December 31, 2026; and
3. Granting all other necessary and applicable authorizations and relief.

¹⁰ § 56-65.1. Short-term indebtedness. ("Notwithstanding the provisions of §§ 56-57 and 56-65, the provisions of this chapter shall apply to the issuance of any note or notes by any public service company which has total capitalization, including securities having a maturity date of less than twelve months from the time of issue, of five million dollars or more, unless such note or notes together with all other outstanding notes and drafts of a maturity of less than twelve months on which such utility is primarily or secondarily liable, aggregates not more than twelve percent of the total capitalization of such utility.").

Dated: January 5, 2021

Respectfully submitted,



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*Counsel for Kentucky Utilities Company
d/b/a Old Dominion Power Company*

CERTIFICATE OF COMPLIANCE


The undersigned hereby certifies that a true and correct copy of the foregoing *Application* was electronically filed with the Clerk of the Virginia State Corporation Commission and served on the following persons by electronic mail this 5th day of January 2021:

Kimberly B. Pate
Director, Division of Utility
Accounting & Finance
Virginia State Corporation Commission
Tyler Building, 4th Floor
1300 East Main Street
Richmond, VA 23219

C. Meade Browder
Senior Assistant Attorney General/Chief
Insurance and Utilities Regulatory Section
Office of the Attorney General
202 North Ninth Street
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William H. Chambliss
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Virginia State Corporation Commission
Tyler Building, 10th Floor
1300 East Main Street
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Director, Division of Public Utility Regulation
Virginia State Corporation Commission
Tyler Building, 4th Floor
1300 East Main Street
Richmond, VA 23219



*Counsel for Kentucky Utilities Company
d/b/a Old Dominion Power Company*

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 LG&E and KU Energy LLC holding company system to update the interest rate formula applicable to short-term borrowings and provide borrowing and lending limits between the utilities.

The interest rate under the proposed Amendment would provide for an alternative reference rate upon the discontinuation of LIBOR.

The Company also seeks to impose limits on lending and borrowing through the money pool. The proposed limits would consist of the FERC borrowing limit, less the utility’s commercial paper program limit.

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 loan or borrow in varying amounts 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 the 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 0.18% average annual percentage rate was applied, which is consistent with market conditions as of October 31, 2020.

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

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 15, 2019, 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 on November 30, 2021. See Docket No. ES 19-52-000. The Company had applied and was approved, in Docket No. ES 20-21-000, to increase the authorized amount of short-term debt to \$650,000,000 and to extend the authorized period to June 15, 2022. KU intends to notify FERC of the change in the interest rate methodology of the Money Pool at the time the Commission approves this Application. At October 31, 2020, 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 proposed borrowing limits, consisting of the FERC short-term borrowing authorization of \$650,000,000 less the commercial paper program limit of \$350,000,000, the resulting \$300,000,000 money pool limit would represent 7.3% of the Company's pro forma total capitalization as of October 31, 2020.

As of October 31, 2020, the Company had taxable long-term debt in the form of First Mortgage Bonds with a total principal amount of \$2,300,000,000, all with fixed interest rates. As of October 31, 2020, the Company had external, pollution control debt outstanding with principal amounts totaling \$341,852,405, consisting of \$33,130,000 variable rate and \$308,722,405 fixed rate.

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

Item 4: Impact on Company:

4 (A): Change in Capital Structure:

The issuance of the new \$300 million of short-term debt would have the following impact:

Capitalization and Short-term Debt (\$ in millions)

	Actual Amount	%	Adjustment Amount	Proforma Amount	%
Short-Term Debt	\$ 157	2.6%	300 ¹	\$ 457	7.3%
Long-Term Debt	2,638*	44.4%		2,638	42.2%
Common Equity	3,150	53.0%		3,150	50.5%
TOTAL	\$ 5,945	100.00%	300	\$6,245	100.00%

* Includes current portion of Long-Term Debt

Actual Amount represents October 31, 2020

¹ Assumes \$650 million outstanding in short-term debt less commercial paper program limit of \$350 million.

4 (B): Changes in Interest Coverage:

Interest on \$300 million short-term debt issued at an estimated rate of 0.18%.

Twelve months ended October 31, 2020 (\$ in millions)

	Actual	Adjustments	Pro Forma
Net Income	\$273	(1) ²	\$272
Income Taxes	70		70
Net Income Before Taxes	\$343		\$342
Interest Charges	113	1	114
Income Before Interest & Taxes	\$456		\$456
Pre-Tax Interest Coverage	4.03x		4.00x

KU's financial statements are included as Exhibits to the Application.

² Calculation for incremental change in net income and taxes due assuming \$300 million in short-term debt securities issued at 0.18%:

Annual interest expense on \$300 million @ 0.18%	\$ 1
(Less) actual interest expense on promissory notes accrued for the year ended October 31, 2020	
Additional Interest Expense	\$ 1
(Less) reduction in income taxes	
Reduction in Net Income	\$ 1

Kentucky Utilities Company
Balance Sheet as of October 31, 2020

	<u>This Year</u>		<u>This Year</u>
Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 10,678,019,141.30	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	<u>3,608,356,414.69</u>	Less: Common Stock Expense.....	321,288.87
Total.....	<u>7,069,662,726.61</u>	Paid-In Capital.....	794,358,083.00
Investments		Other Comprehensive Income.....	0.01
Ohio Valley Electric Company.....	250,000.00	Retained Earnings.....	<u>2,047,628,733.66</u>
Nonutility Property-Less Reserve.....	681,648.48	Total Proprietary Capital.....	<u>3,149,805,505.36</u>
Special Fund.....	<u>36,304,444.86</u>	Other Long-Term Debt.....	<u>2,637,595,249.87</u>
Total.....	<u>37,236,093.34</u>	Total Long-Term Debt.....	<u>2,637,595,249.87</u>
Current and Accrued Assets		Total Capitalization.....	<u>5,787,400,755.23</u>
Cash.....	7,193,565.68	Current and Accrued Liabilities	
Temporary Cash Investments.....	44,183,209.20	Notes Payable.....	156,545,981.31
Accounts Receivable-Less Reserve.....	224,516,698.52	Accounts Payable.....	122,219,855.63
Accounts Receivable from Associated Companies.....	8,989,587.25	Accounts Payable to Associated Companies.....	49,162,995.30
Notes Receivable from Associated Companies.....	-	Customer Deposits.....	31,967,663.23
Notes Receivable.....	785,620.00	Taxes Accrued.....	32,770,152.14
Materials and Supplies-At Average Cost		Interest Accrued.....	35,535,016.46
Fuel.....	56,579,360.36	Miscellaneous Current and Accrued Liabilities.....	<u>32,264,718.74</u>
Plant Materials and Operating Supplies.....	62,221,390.84	Total.....	<u>460,466,382.81</u>
Stores Expense.....	2,827,061.22	Deferred Credits and Other	
Emission Allowances.....	123,974.21	Accumulated Deferred Income Taxes.....	1,130,586,367.40
Prepayments.....	<u>21,095,672.75</u>	Investment Tax Credit.....	88,529,444.37
Total.....	<u>428,516,140.03</u>	Regulatory Liabilities.....	718,421,482.84
Deferred Debits and Other		Customer Advances for Construction.....	1,764,371.98
Unamortized Debt Expense.....	21,706,907.01	Asset Retirement Obligations.....	126,287,871.87
Unamortized Loss on Bonds.....	8,757,271.58	Other Deferred Credits.....	2,348,999.16
Accumulated Deferred Income Taxes.....	302,413,477.94	Miscellaneous Long-Term Liabilities.....	25,123,490.01
Deferred Regulatory Assets.....	441,350,240.35	Accum Provision for Pension & Postretirement Benefits.....	<u>20,439,917.06</u>
Other Deferred Debits.....	<u>51,726,225.87</u>	Total.....	<u>2,113,501,944.69</u>
Total.....	<u>825,954,122.75</u>	Total Liabilities and Stockholders Equity	<u>\$ 8,361,369,082.73</u>
Total Assets	<u>\$ 8,361,369,082.73</u>		

Kentucky Utilities Company
Statement of Income
October 31, 2020

	<u>Year Ended</u>
	October 31, 2020
	<u>Amount</u>
Electric Operating Revenues.....	<u>1,691,056,740.17</u>
Total Operating Revenues.....	<u>1,691,056,740.17</u>
Fuel for Electric Generation.....	383,098,715.51
Power Purchased.....	37,946,506.50
Other Operation Expenses.....	289,167,699.41
Maintenance.....	133,788,574.05
Depreciation.....	314,188,067.05
Amortization Expense.....	16,357,822.29
Regulatory Debits.....	11,578,013.67
Taxes	
Federal Income.....	49,043,631.34
State Income.....	4,635,489.52
Deferred Federal Income - Net.....	5,907,559.11
Deferred State Income - Net.....	10,834,654.94
Property and Other.....	46,615,221.89
Investment Tax Credit.....	432,019.00
Loss (Gain) from Disposition of Allowances.....	<u>(19,940.00)</u>
Total Operating Expenses.....	<u>1,303,574,034.28</u>
Net Operating Income.....	387,482,705.89
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,862,340.20
Other Income Less Deductions.....	(3,619,252.16)
AFUDC - Equity.....	<u>136,066.77</u>
Total Other Income Less Deductions.....	<u>(1,620,845.19)</u>
Income Before Interest Charges.....	<u>385,861,860.70</u>
Interest on Long-Term Debt.....	107,271,713.35
Amortization of Debt Expense - Net.....	3,283,285.58
Other Interest Expenses.....	2,381,971.34
AFUDC - Borrowed Funds.....	<u>(69,080.01)</u>
Total Interest Charges.....	<u>112,867,890.26</u>
Net Income.....	<u>\$ 272,993,970.44</u>

Kentucky Utilities Company
Analysis of Retained Earnings
October 31, 2020

	Year Ended
	October 31, 2020
Retained Earnings and Undistributed Earnings	
Balance at Beginning of Period.....	\$ 1,981,634,763.22
Add:	
Net Income for Period.....	272,993,970.44
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	207,000,000.00
Adjust for Equity in Subsidiary	
Earnings for Year	
EEI Inc.....	-
Balance at End of Period.....	\$ 2,047,628,733.66

KENTUCKY UTILITIES COMPANY

TRANSACTION SUMMARY – AFFILIATE TRANSACTIONS

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 (“LKS”) 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 its current Money Pool arrangement to allow it to continue to lend and borrow funds (“Transactions”) from time to time to and from affiliates through the Money Pool. Each of the Transactions by the Company will mature on a date not more than twelve (12) months from the date of origination and no Transaction would be due later than December 31, 2026. Transactions will be evidenced by one or more promissory notes, or by a blanket note. Transactions would be made for general corporate purposes, including repaying or refunding any borrowings then outstanding and unpaid. Currently, the aggregate principal amount of borrowings that KU-ODP will have outstanding under the Money Pool will not exceed \$650,000,000 at any time.¹

¹ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company for an Order Authorizing the Issuance of Indebtedness*, Case No. PUR-2020-00064, Order Granting Authority (Va. SCC May 14, 2020).

The Company proposes to amend Section 1.01 *Contributions to Utility Money Pool* and Section 1.02 *Rights to Borrow* to impose limits on lending and borrowing to address Standard & Poor's ("S&P") concerns regarding insulation of utility subsidiaries from affiliates within the same corporate group. KU-ODP is proposing the amount of lending and borrowing be limited to the difference between the utility's Federal Energy Regulatory Commission ("FERC") borrowing limit and the utility's commercial paper program limit, each as in existence from time-to-time.

The Company is also proposing to amend Section 1.05 *Interest* to add a provision to the end of the Section that provides for an alternative reference rate for short-term borrowing interest rate calculations when the London Interbank Offer Rate ("LIBOR") is discontinued in the future.

In addition, the Company seeks to retain this Commission's authorization of the *2011 Utility Money Pool Agreement* through December 31, 2026.

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 are contained in the *2011 Utility Money Pool Agreement*, dated as of December 1, 2011, as amended by the 2013 Amendment, as amended by the 2020 Amendment, and as amended by the 2021 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, LKS or LKE. LKE will participate only as a lender in the *2011 Utility Money Pool Agreement*. LKS is only the administrator.

The Company's Transactions from the Money Pool will mature on a date not more than twelve (12) months from the date of origination. The Transactions 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. Transactions 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 has no contractual obligation to borrow from the Money Pool and will not borrow through the Money Pool unless lender party funds are available and the overall costs of such borrowing, including both interest and transaction costs, are equal to or lower than the overall costs of prudently 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 of the Money Pool by the Commission, the companies will execute the 2021 Amendment to the *2011 Utility Money Pool Agreement*.

Under express terms of Section 1.01 of the *2011 Utility Money Pool Agreement*, each party may withdraw any of its funds at any time upon providing notice to LKS as administrative agent. No party shall be required to effect a borrowing through the Money Pool at any time, including if lender party funds are not available or a borrowing party determines that it can, and is authorized

to, effect such borrowing at a lower cost directly from banks or through the sale of its own commercial paper. The proposed amendments to Section 1.01 *Contributions to Utility Money Pool* and Section 1.02 *Rights to Borrow* impose limits on lending and borrowing under the Money Pool. KU-ODP is proposing the amount of lending and borrowing be limited to the difference between the utility's FERC borrowing limit and the utility's commercial paper program limit.

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 2021 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, the 2013 Amendment is on file with the Commission in Case No. PUE-2013-00051, and the 2020 Amendment is on file with the Commission in Case No. PUR-2020-00066.

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 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 the authorized \$650,000,000² 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 written terms of the Money Pool permit the Company to borrow from its affiliates through the Money Pool.

² *Id.*

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.

Response:

Section 1.05 *Interest* contains the methodology 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. It will continue to be the **lower** of (1) the rate for a one month Euro-dollar loan under the revolving credit facility of the borrowing utility subsidiary using LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*; (2) the one month rate of other short-term borrowings available to the parties to the *2011 Utility Money Pool Agreement*, including third party or affiliate loans using LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*; or (3) the sum of the published Federal Reserve daily rate for 30-day A2/P2 rated non-financial commercial paper programs and five basis points. The proposed amendment to Section 1.05 *Interest* adds a provision to the end of the Section that provides for an alternative reference rate for short-term borrowing interest rate calculations when the LIBOR rate is discontinued in the future. The Company proposes to use the 30-day average secured overnight financing rate ("SOFR") upon the discontinuation of the LIBOR rate as of the last day of the prior calendar month as reported by the Federal Reserve Bank of New York.

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 allocation methodologies. If 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 methodology is expected to result in the interest rate being equal to or lower than the lowest rate available to the Company for similar tenors 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 *2011 Utility Money Pool Agreement* terms that govern KU's participation therein, which terms are discussed at length in Section B above. A draft of the 2021 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—LKS 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.

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:

Interest costs will be tracked through KU-ODP's uniform system of accounts. There are no transaction costs. 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. PUR-2019-00200.

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 methodology would ensure that transactions are representative of the external market.

Including short-term debt, the debt/total capitalization ratios of the Company and LG&E—the two borrowers from the Money Pool—as of October 31, 2020, are 47.0% and 47.1%, respectively.

For a discussion of the records to be kept by LKS 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. The funds could be lent to LG&E pursuant to Section 1.02 of the *2011 Utility Money Pool Agreement* and subject to the monetary limitations contained in the proposed 2021 Amendment. Alternatively, pursuant to Section 2.02 of the *2011 Utility Money Pool Agreement*, the funds could be placed 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 or investment returns are increased, or both, which ultimately benefits both the Company and its customers.

By borrowing short-term funds from the Money Pool, when appropriate and available, 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 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:

Approval of the 2021 Amendment to the *2011 Utility Money Pool Agreement* is not required in Kentucky, but pursuant to Commitment No. 23 in the PPL Acquisition Order in Kentucky Public Service Commission Case No. 2010-00204,³ KU-ODP is filing a letter and a copy of the Application in this case with the Kentucky Public Service Commission for informational purposes only.

At the relevant time, KU-ODP will make a filing with the FERC, under FERC's regulations applicable to cash management programs, submitting the completed Amendment No. 3, within ten days of its effective date. Under 18 CFR 101 and 141.500 et seq., issued pursuant to the Federal Power Act's sections 301 and 314, the FERC monitors participation by jurisdictional entities, including public utility companies, in cash management programs, such as money pool arrangements. The FERC does not require pre-approval, but rather establishes certain documentation, record keeping, and reporting requirements. Entities' cash management program documents and any changes thereto must be filed with FERC within ten days of their effective

³ *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, Order at 7 in Appendix C (Ky. PSC Sept. 30, 2010).

dates. Program documents are required to include certain information relating to participant's roles and responsibilities, borrowing, and interest rate matters. Further, entities must report at least quarterly regarding a minimum proprietary capital ratio calculation. KU-ODP and affiliates' cash management activities are in compliance with relevant FERC requirements, and KU-ODP will file Amendment No. 3 within ten days of its effective date.

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 limits on lending and borrowing and the method of determining interest rates, are discussed above and found in the *2011 Utility Money Pool Agreement* as amended.

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 and favorable credit quality ratings of A-2 (Standard & Poor's) and P-2 (Moody's).

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.

F. Applications for exemption from the filing and prior approval requirements of the Affiliates Act pursuant to § 56-77 B of the Code of Virginia

Response:

F1 – F6. Not applicable.

AMENDMENT NO. 3
TO 2011 UTILITY MONEY POOL AGREEMENT

This **AMENDMENT NO. 3** dated as of _____, 2021 (this “Amendment”) amends the 2011 Utility Money Pool Agreement (the “Agreement”) dated 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 lending and borrowing limitations that could provide benefits to the Utility Subsidiary credit ratings based on recent changes to guidance from one of the Parties’ credit rating agencies and the anticipated discontinuation of the London Interbank Offer Rate (“LIBOR”) reference rate contained in the interest rate calculations for the short-term borrowings.

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

1. “Section 1.01 Contributions to Utility Money Pool” is hereby deleted and replaced, in its entirety, with the following:

“Section 1.01 Contributions to Utility Money Pool. Each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party’s sole discretion, the amount of funds it has available for contribution to the Utility Money Pool, and will contribute such funds to the Utility Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool will be made by or under the direction of such Party’s chief financial officer or treasurer, or by their authorized designee, on the basis of cash flow projections and other relevant factors, in such Party’s sole discretion. The aggregate amount of all lending to the Utility Money Pool by any Utility Subsidiary at any one time shall be limited to the difference between the Utility’s FERC borrowing limit and the Utility’s commercial paper program limit. Each Party may withdraw any of its funds at any time upon notice to LG&E and KU Services as administrative agent of the Utility Money Pool.”

2. “Section 1.02 Rights to Borrow” is hereby deleted and replaced, in its entirety, with the following:

“Section 1.02 Rights to Borrow. Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Utility Subsidiaries may be met by funds in the Utility Money Pool to the extent such funds are available. Each Utility Subsidiary shall have the right to make short-term borrowings from the Utility

Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein, in the FPA and PUHCA 2005 and in the applicable orders of the Federal Energy Regulatory Commission (“FERC”) thereunder. Each Utility Subsidiary may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties. The aggregate amount of all borrowings requested from the Utility Money Pool by any Utility Subsidiary at any one time shall be limited to the difference between the Utility’s FERC borrowing limit and the Utility’s commercial paper capacity limit. Furthermore, the aggregate amount of all loans requested by any Utility Subsidiary hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the FERC and other regulatory authorities, resolutions of such Utility Subsidiary’s Board of Directors, such Utility Subsidiary’s governing corporate documents, and agreements binding upon such Utility Subsidiary. No loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by, LKE or LG&E and KU Services.”

3. “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 lower of 1) the rate for a one month Euro-dollar loan under the revolving credit facility of such Utility Subsidiary using LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*; or 2) the one month rate of other short-term borrowings available to the Parties, including third party or affiliate loans using LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*; or 3) 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.

If the administrator of LIBOR or a governmental authority has made a public statement identifying a specific date after which LIBOR shall no longer be made available or used for determining the interest rate of loans, “LIBOR as of the last day of the prior calendar month as reported by the *Wall Street Journal*” in subsections (1) and

(2) will be replaced with “the 30-day average secured overnight financing rate (“SOFR”) as of the last day of the prior calendar month as reported by the Federal Reserve Bank of New York.”

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: _____
John R. Crockett III, General Counsel, Chief Compliance Officer and Corporate Secretary

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

By: _____
Daniel K. Arbough, Treasurer