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PUBLIC SERVICE  
COMMISSION

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500 WEST JEFFERSON STREET  
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LOUISVILLE, KY 40202-2828  
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April 13, 2020

**VIA ELECTRONIC SUBMISSION**

Kent A. Chandler  
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 Mr. Chandler:

Pursuant to Commitment No. 23 referenced in the September 30, 2010 Order of this Commission, please find enclosed a copy of an *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 April 13, 2020.

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

400001.141232/8189233.1



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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:** 37

**PDF Document:** KU-ODP\_Verified\_Appl\_to\_Engage\_in\_Affiliate\_Transactions.pdf

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April 13, 2020

**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-2020-00\_\_\_\_\_**

Dear Mr. Peck:

Please find enclosed and accept for filing *Kentucky Utilities Company d/b/a Old Dominion Power Company's Verified Application to Engage in Affiliate Transactions* under Chapter 4 in Title 56 of the Code of Virginia in the above-referenced matter.

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".

Kendrick R. Riggs

KRR:ec  
Enclosures

Joel Peck  
Clerk, Virginia State Corporation Commission  
April 13, 2020  
Page 2

cc: *(all via electronic mail)*

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

Office of the Attorney General  
C. Meade Browder, Jr.  
John E. Farmer, Jr

LG&E and KU Services Company  
Allyson K. Sturgeon  
Robert M. Conroy  
Andrea M. Fackler

**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-2020-00\_\_\_\_\_**  
**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”), pursuant to the authorized *Utility Money Pool Agreement* subject to the proposed amendment to Section 1.05 *Interest*. The current market dislocation caused by the COVID-19 pandemic has resulted in a dramatic increase in the commercial paper rates for A2/P2 issuers used by the *Utility Money Pool Agreement*. Due to liquidity concerns resulting from the ongoing COVID-19 pandemic, KU’s maturity requirements beginning on May 18, 2020 for certain existing short-term borrowings, and the need to facilitate cash flow requirements, the Company respectfully requests the Commission enter an order on or before May 15, 2020.<sup>1</sup> In support of this Application, KU-ODP states as follows:

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<sup>1</sup> In the interest of administrative efficiency, KU-ODP also seeks to extend its current authorization for the *Utility Money Pool Agreement* for an additional five years.

**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  
220 West Main Street  
Louisville, Kentucky 40202  
robert.conroy@lge-ku.com

Allyson K. Sturgeon, Managing Senior Counsel – Regulatory and Transactions  
Sara Judd, Senior Corporate Attorney  
LG&E and KU Services Company  
220 West Main Street  
Louisville, Kentucky 40202  
allyson.sturgeon@lge-ku.com  
sara.judd@lge-ku.com

Kendrick R. Riggs  
Stoll Keenon Ogden PLLC  
500 West Jefferson Street, Suite 2000  
Louisville, Kentucky 40202-2828  
kendrick.riggs@skofirm.com

## **II. Approval Requested from the Commission**

6. KU-ODP requests the Commission approve an Amendment (the “2020 Amendment” or “Amendment No. 2”) to the 2011 *Utility Money Pool Agreement*, dated December 1, 2011 (the “2011 *Utility Money Pool Agreement*”), in order to update the interest rates for short-term borrowings. In the interest of administrative efficiency, the Company further seeks to extend its authority to participate in the *2011 Utility Money Pool Agreement* as amended through June 30, 2025.

## **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.<sup>2</sup>

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.<sup>3</sup> The 2013 Amendment revised the manner in which the applicable interest rate on outstanding loan balances was determined by replacing commercial

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<sup>2</sup> *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.*

<sup>3</sup> *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).*



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 also approved the Company's request to extend the authority to participate in the Money Pool to June 30, 2018.<sup>4</sup>

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.<sup>5</sup>

11. 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.”

12. 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, the Commission's existing approval contemplates that no Borrowing will be due later than June 30, 2023, but as described below, KU-ODP seeks to extend this approval date through June 30, 2025. 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 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

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<sup>4</sup> *Id.*

<sup>5</sup> *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).

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.

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

14. The Company anticipates the need to have access to more liquidity to address issues, including potential diminished revenues, increased accounts receivable, and reduced access to the capital markets, as a result of the COVID-19 pandemic. The proceeds from any Borrowings are also added to the general funds of the Company and will 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 \$523 million in 2020 and \$625 million in 2021.

#### **IV. Approval Requested**

##### **Interest Rate Modification**

15. The Company requests authority to enter into the 2020 Amendment (Amendment No. 2) to the *2011 Utility Money Pool Agreement*, which is attached as Exhibit E to this Application.

16. Under the existing *2011 Utility Money Pool Agreement* as amended by the 2013 Amendment (Amendment No. 1), interest on the outstanding balance of all loans accrues at a rate equal to the sum of the published Federal Reserve rate for A2/P2 rated non-financial commercial paper programs and five basis points. The current market dislocation caused by the COVID-19 pandemic has resulted in a dramatic increase in the commercial paper rates for A2/P2 issuers. The April 2020 Money Pool interest rate (based on interest rates as of March 31, 2020) using the

existing form of the agreement is 2.95%. This rate is well above the interest rate available to KU-ODP from other sources. By effectively eliminating the Money Pool as a source of funds, a valuable source of liquidity is not available to KU. This situation also makes it unlikely that LG&E would be willing to borrow from the Money Pool, thereby eliminating one potential source for investing excess cash at very attractive rates. While the current situation is certainly atypical, other participants may have sources of funds from time to time that are lower than the current interest rate as defined in the amended *2011 Utility Money Pool Agreement*. PPL Corporation or its affiliates could have excess cash available from time to time that might be available to LKE at rates below those available elsewhere. Similarly, LG&E might enter into a short-term bank term loan and not need all of the cash immediately. Having the flexibility to loan these funds to KU via the Money Pool for a short period at rates below the rates available with other alternatives could benefit both KU-ODP and its customers. The expectation is that these situations might arise occasionally but would not be regular occurrences.

17. Consequently, KU-ODP now seeks to amend the interest rate calculation to include two additional calculation options for loans under the *2011 Utility Money Pool Agreement*: 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.

18. Of these three options, the one that yields the **lower** interest rate at the time of the borrowing will be used. The option of using the lowest of the three interest rates will make the Money Pool a more competitive option to consider as a source of liquidity. Exhibit F demonstrates

how the two proposed interest rates and existing interest rate compare to current market interest rates for short term debt. The three interest rate methodologies are 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 going forward.

19. 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 and Moody’s rating of P-2), the primary anticipated benefit of the Money Pool is the accumulated savings from avoided transaction fees and costs to borrow or invest externally.

20. While such intercompany borrowing and lending will not meet or be used to cover all short-term capital needs of the Company, the use of excess funds generated internally, when available, among affiliates can minimize the transaction costs to borrow or invest externally.

21. 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.

22. At the relevant time, KU-ODP will make a filing with the Federal Energy Regulatory Commission (“FERC”), under FERC’s regulations applicable to cash management programs, submitting the completed Amendment No. 2, 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 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.

### **Extend Regulatory Authority Under 2011 Utility Money Pool Agreement**

23. Lastly, in the interest of administrative efficiency, KU-ODP requests its authority to participate in the Money Pool be extended through June 30, 2025.

24. A Financing Summary, a Balance Sheet, Statement of Income and Analysis of Retained Earnings as of February 29, 2020, 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 2020 Amendment to the *2011 Utility Money Pool Agreement* is attached as Exhibit E. KU-ODP expects its \$650,000,000 short term indebtedness to be well within the 12 percent restriction in § 56-65.1. Short-term indebtedness.<sup>6</sup>

**WHEREFORE**, Kentucky Utilities Company d/b/a Old Dominion Power Company, due to liquidity concerns resulting from the ongoing COVID-19 pandemic, KU's maturity requirements beginning on May 18, 2020 for certain existing short-term borrowings, and the need to facilitate cash flow requirements, respectfully requests the Commission to enter an appropriate order on or before May 15, 2020, pursuant to Virginia Code §§ 56-76 et seq.:

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<sup>6</sup> § 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.").

1. Approving pursuant to Virginia Code §§ 56-77 et seq., the proposed 2020 Amendment to the *2011 Utility Money Pool Agreement* to be effective when executed;
2. Approving the extension in current authorization for the *2011 Utility Money Pool Agreement* for an additional five years, until June 30, 2025; and
3. Granting all other necessary and applicable authorizations.

Dated: April 13, 2020

Respectfully submitted,



Kendrick R. Riggs (VSB No. 32247)  
Stoll Keenon Ogden PLLC  
500 West Jefferson Street, Suite 2000  
Louisville, Kentucky 40202  
Telephone: (502) 333-6000  
Email: [kendrick.riggs@skofirm.com](mailto:kendrick.riggs@skofirm.com)

Allyson K. Sturgeon  
Managing Senior Counsel,  
Regulatory and Transactions  
Sara V. Judd  
Senior Corporate Attorney  
LG&E and KU Services Company  
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[sara.judd@lge-ku.com](mailto:sara.judd@lge-ku.com)

*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 following person by electronic mail this 13<sup>th</sup> day of April 2020:

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  
Richmond, VA 23219

William H. Chambliss  
General Counsel  
Virginia State Corporation Commission  
Tyler Building, 10<sup>th</sup> Floor  
1300 East Main Street  
Richmond, VA 23219

William F. Stephens  
Director, Division of Public Utility Regulation  
Virginia State Corporation Commission  
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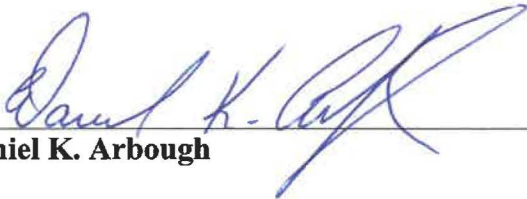


*Kenneth R. Rios*  
Counsel for Kentucky Utilities Company  
d/b/a Old Dominion Power Company


**VERIFICATION**

**COMMONWEALTH OF KENTUCKY )**  
**)**  
**COUNTY OF JEFFERSON )**

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

  
**Daniel K. Arbough**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of April, 2020.

  
Notary Public (SEAL)  
Notary Public, ID No. 603967

My Commission Expires: 7/11/2022



**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. The interest rate under the proposed Amendment would be based on 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. As under the current 2011 Utility Money Pool Agreement, the Company could issue 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, 2025.

The proceeds obtained will be used to supplement internally generated funds, or other short-term debt, including the financing of general operations, provide interim financing or both 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 1.99% average annual percentage rate was applied, which is consistent with market conditions as of March 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 November 30, 2021. See Docket No. ES 19-52-000. The Company has applied 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 February 29, 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 current FERC short-term borrowing authorization levels, if KU/ODP issued in its entirety, the proposed \$650,000,000 of short-term debt would represent 10.3% of the Company's pro forma total capitalization as of February 29, 2020.

As of February 29, 2020, the Company had taxable long-term debt in the form of First Mortgage Bonds with total principal amount of \$2,300,000,000, all with fixed interest rates. As of February 29, 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 (*all values are in millions, except percentages*):

**4(A) Change In Capital Structure**

CAPITALIZATION	Actual	% of Total Capitalization	Adjustment	Pro Forma	% of Total Capitalization
Short-Term Debt	\$ 116	2.0%	534 <sup>1</sup>	\$ 650	10.3%
Long-Term Debt	2,640*	45.7%		2,640	41.8%
Common Equity	3,025	52.3%		3,025	47.9%
	<u>\$ 5,781</u>	100.00%	534	<u>\$6,315</u>	100.00%

\* Includes current portion of Long-Term Debt

**4(B) Change In Interest Coverage:**

	As of February 29, 2020		
	<u>Actual</u>	<u>Adjustments</u>	<u>Pro Forma</u>
Net Income	\$298	(8) <sup>2</sup>	\$288
Income Taxes	84	(3) <sup>3</sup>	81
Net Income Before Taxes	\$382		\$369
Interest Charges	111	11 <sup>4</sup>	124
Income Before Interest & Taxes	<u>\$493</u>		<u>\$493</u>
<b>Pre-Tax Interest Coverage</b>	<b>4.44x</b>		<b>3.98x</b>

<sup>1</sup> Assumes \$650 million outstanding in short-term debt (maximum amount).

<sup>2</sup> Calculation for incremental change in net income and taxes due assuming \$650 million in short-term debt securities issued at 1.99%:

Annual interest expense on \$650 million @ 1.99%	\$13
(Less) actual interest expense on promissory notes accrued for the year ended February 29, 2020	<u>(2)</u>
Additional Interest Expense	\$11
(Less) reduction in income taxes	<u>(3)</u>
Reduction in Net Income	\$ 8

<sup>3</sup> Based on combined federal and state income tax rates of 26.0%.

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

<b>4(A) Change In Capital Structure</b>					
<b>CAPITALIZATION</b>	<b>Actual</b>	<b>% of Total Capitalization</b>	<b>Adjustment</b>	<b>Pro Forma</b>	<b>% of Total Capitalization</b>
Short-Term Debt	70	1.71%	430 <sup>5</sup>	\$500	11.07%
Long-Term Debt	1,841*	45.03%		\$1,841	40.75%
Common Equity	2,177	53.25%		\$2,177	48.18%
	<u>4,088</u>	<u>100.00%</u>		<u>\$4,517</u>	<u>100.00%</u>

\* Includes current portion of Long-Term Debt

<b>4(B) Change In Interest Coverage:</b>
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	<b>As of December 31, 2012</b>		
	<b><u>Actual</u></b>	<b><u>Adjustments</u></b>	<b><u>Pro Forma</u></b>
Net Income	\$146	(2) <sup>6</sup>	\$144
Income Taxes	94	(1) <sup>7</sup>	93
Net Income Before Taxes	<u>\$240</u>		<u>237</u>
Interest Charges	69	2 <sup>8</sup>	71
Income Before Interest & Taxes	<u>\$309</u>		<u>\$308</u>
<b>Pre-Tax Interest Coverage</b>	<b>4.48x</b>		<b>4.34x</b>

<sup>4</sup> Assumes all short-term debt outstanding for 12 months.

<sup>5</sup> Assumes \$500 million outstanding in short-term debt (maximum amount).

<sup>6</sup> 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	<u>0</u>
Additional Interest Expense	\$2
(Less) reduction in income taxes	<u>(1)</u>
Reduction in Net Income	\$2

<sup>7</sup> Based on combined federal and state income tax rates of 38.9%.

<sup>8</sup> Assumes all short-term debt outstanding for 12 months.

**Kentucky Utilities Company**  
**Balance Sheets as of February 29, 2020**

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 10,419,449,869.15	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	<u>3,487,737,813.39</u>	Less: Common Stock Expense.....	321,288.87
Total.....	<u>6,931,712,055.76</u>	Paid-In Capital.....	696,858,083.00
		Other Comprehensive Income.....	0.01
		Retained Earnings.....	<u>2,020,459,496.64</u>
Investments		Total Proprietary Capital.....	<u>3,025,136,268.34</u>
Electric Energy, Inc.....	-	Other Long-Term Debt.....	<u>2,639,794,945.01</u>
Ohio Valley Electric Company.....	250,000.00	Total Long-Term Debt.....	<u>2,639,794,945.01</u>
Nonutility Property-Less Reserve.....	657,564.21	Total Capitalization.....	<u>5,664,931,213.35</u>
Special Fund.....	<u>30,690,207.86</u>		
Total.....	<u>31,597,772.07</u>	Current and Accrued Liabilities	
Current and Accrued Assets		Notes Payable.....	115,984,034.45
Cash.....	9,898,547.82	Accounts Payable.....	105,869,193.35
Temporary Cash Investments.....	87,105.20	Accounts Payable to Associated Companies.....	47,865,144.94
Accounts Receivable-Less Reserve.....	247,442,491.05	Customer Deposits.....	31,914,533.79
Accounts Receivable from Associated Companies.....	20,047.85	Taxes Accrued.....	33,366,236.02
Materials and Supplies-At Average Cost		Interest Accrued.....	37,287,336.61
Fuel.....	63,575,111.14	Dividends Declared.....	-
Plant Materials and Operating Supplies.....	57,907,628.70	Miscellaneous Current and Accrued Liabilities.....	<u>30,894,820.29</u>
Stores Expense.....	3,709,407.08	Total.....	<u>403,181,299.45</u>
Emission Allowances.....	125,320.20	Deferred Credits and Other	
Prepayments.....	19,533,754.05	Accumulated Deferred Income Taxes.....	1,105,135,642.02
Miscellaneous Current and Accrued Assets.....	<u>-</u>	Investment Tax Credit.....	89,768,366.37
Total.....	<u>402,299,413.09</u>	Regulatory Liabilities.....	744,623,292.01
Deferred Debits and Other		Customer Advances for Construction.....	4,504,774.88
Unamortized Debt Expense.....	17,767,179.35	Asset Retirement Obligations.....	136,717,407.20
Unamortized Loss on Bonds.....	9,188,768.56	Other Deferred Credits.....	4,570,542.81
Accumulated Deferred Income Taxes.....	313,445,797.65	Miscellaneous Long-Term Liabilities.....	25,663,740.76
Deferred Regulatory Assets.....	428,848,037.59	Accum Provision for Pension & Postretirement Benefits.....	<u>19,526,975.94</u>
Other Deferred Debits.....	<u>63,764,230.72</u>	Total.....	<u>2,130,510,741.99</u>
Total.....	<u>833,014,013.87</u>	Total Liabilities and Stockholders Equity.....	<u>\$ 8,198,623,254.79</u>
Total Assets.....	<u>\$ 8,198,623,254.79</u>		

Kentucky Utilities Company  
Statement of Income  
February 29, 2020

	<u>Year Ended Current Month</u>
	<u>This Year</u> <u>Amount</u>
Electric Operating Revenues.....	\$ 1,735,269,293.14
Rate Refunds.....	-
Total Operating Revenues.....	<u>1,735,269,293.14</u>
Fuel for Electric Generation.....	404,710,927.16
Power Purchased.....	43,274,083.67
Other Operation Expenses.....	285,375,447.36
Maintenance.....	139,810,326.16
Depreciation.....	296,649,804.59
Amortization Expense.....	16,650,087.13
Regulatory Debits.....	9,741,275.90
Regulatory Credits.....	-
Taxes	
Federal Income.....	37,238,077.47
State Income.....	5,236,869.78
Deferred Federal Income - Net.....	28,517,924.96
Deferred State Income - Net.....	13,108,025.55
Property and Other.....	45,365,693.26
Investment Tax Credit.....	432,019.00
Loss (Gain) from Disposition of Allowances.....	<u>(113,149.56)</u>
Total Operating Expenses.....	<u>1,325,997,412.43</u>
Net Operating Income.....	409,271,880.71
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,915,400.20
Other Income Less Deductions.....	(3,085,094.59)
AFUDC - Equity.....	<u>323,287.40</u>
Total Other Income Less Deductions.....	<u>(846,406.99)</u>
Income Before Interest Charges.....	<u>408,425,473.72</u>
Interest on Long-Term Debt.....	103,792,848.32
Amortization of Debt Expense - Net.....	3,415,049.87
Other Interest Expenses.....	3,594,088.65
AFUDC - Borrowed Funds.....	<u>(214,539.62)</u>
Total Interest Charges.....	<u>110,587,447.22</u>
Net Income.....	<u>\$ 297,838,026.50</u>

**Kentucky Utilities Company**  
**Analysis of Retained Earnings**  
**February 29, 2020**

	<u>Year Ended Current Month</u>
Balance at Beginning of Period.....	\$ 1,951,621,470.14
Add:	
Net Income for Period.....	297,838,026.50
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	229,000,000.00
Balance at End of Period.....	<u>\$ 2,020,459,496.64</u>

**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 and extend 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 June 30, 2025. 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. 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.<sup>1</sup>

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<sup>1</sup> Under separate application filed with this Commission on April 10, 2020, the Company is requesting pursuant to Chapter 3 of Title 56 of the Code of Virginia, among other things, the Commission approve an increase of \$150,000,00, or a total \$650,000,000, for KU’s short-term debt in the form of a multi-year revolving credit facility.



**A 3.** The Company also proposes to amend the interest rate methodology for the Money Pool to provide increased flexibility for Transactions, in response to changes in the market. The interest rate for outstanding loans under the Money Pool will 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.

In addition, the Company seeks to extend this Commission's authorization of the *2011 Utility Money Pool Agreement* through June 30, 2025.

**A 4.** 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 2013 Amendment, and as amended by the proposed 2020 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 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 and extension of the Money Pool by the Commission, the companies will execute the 2020 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 affect 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.

**A 5.** 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 2020 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 and the 2013 Amendment is on file with the Commission in Case No. PUE-2013-00051.

**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 proposed \$650,000,000<sup>2</sup> 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.

**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

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<sup>2</sup> *Id.*

investment component, state what that is and show how it is determined.

**Response:**

Section 1.05 of the 2020 Amendment 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 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.

**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. See Exhibit F to the Application.

**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 2020 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:**

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. 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 February 29, 2020, are 47.7% and 47.9%, 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*. 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 amended *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,<sup>3</sup> 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 Federal Energy Regulatory Commission (“FERC”), under FERC’s regulations applicable to cash management programs, submitting the completed Amendment No. 2, 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 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. 2 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:**

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<sup>3</sup> *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).

The relevant Money Pool terms, including the method of determining interest rates, are discussed above and found in the *2011 Utility Money Pool Agreement*, the 2013 Amendment, and the proposed 2020 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) 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. 2**  
**TO 2011 UTILITY MONEY POOL AGREEMENT**

This **AMENDMENT NO. 2** dated as of \_\_\_\_\_, 2020 (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 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 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.”

**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: \_\_\_\_\_  
Kent W. Blake, Chief Financial Officer

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

By: \_\_\_\_\_  
Daniel K. Arbough, Treasurer

**Kentucky Utilities Company**  
**Proposed Interest Rate Calculations**

Model calculations for April 2020

One-month LIBOR as of March 31, 2020 = .99%

**Option 1** – KU/LG&E Revolving Lines of Credit

One-month Euro-dollar loan rate = LIBOR + 1.00% = **1.99%**

**Option 2** – Other short-term borrowings available to Parties - LKE credit facility

One-month LIBOR + 1.50% = **2.49%**

**Option 3** – One-month A2/P2 Commercial Paper Rate = **2.95%**