



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

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

March 7, 2022

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* for an order authorizing an amendment to a money pool agreement with an affiliate filed on behalf of Kentucky Utilities Company d/b/a Old Dominion Power Company with the Virginia State Corporation Commission on March 2, 2022.

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

cc: Robert M. Conroy, Vice President, State Regulation & Rates, LG&E and KU Services Company
Allyson K. Sturgeon, Vice President and Deputy General Counsel – Regulatory, PPL Services Corporation
Sara Judd, Senior Counsel, LG&E and KU Services Company
Mary Ellen Wimberly, Attorney, Stoll Keenon Ogden PLLC

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Filing Type:	Public
Case Number:	
Case Name:	Application of Kentucky Utilities Company for An Order Authorizing An Amendment to a Money Pool Agreement With an Affiliate
Document Type:	Application
Document Description Summary:	KU's Verified Application
Total Number of Pages:	32
PDF Document:	2022 KU-ODP Application to Engage in Affiliate Transactions.pdf

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KENDRICK R. RIGGS
DIRECT DIAL: (502) 560-4222
DIRECT FAX: (502) 627-8722
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SUITE 2000
LOUISVILLE, KY 40202-2828
MAIN: (502) 333-6000
FAX: (502) 333-6099

March 2, 2022

VIA ELECTRONIC FILING

Bernard Logan
Clerk, Virginia State Corporation Commission
Document Control Center
Office of the Clerk - SCC
P.O. Box 2118
Richmond, VA 23218

**RE: *Application of Kentucky Utilities Company for An Order Authorizing An
Amendment to a Money Pool Agreement with an Affiliate***
Case No.: PUR-2022-00_____

Dear Mr. Logan:

Please find enclosed and accept for filing the *Verified Application of Kentucky Utilities Company d/b/a Old Dominion Power Company* 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
Enclosure

Bernard Logan
March 2, 2022
Page 2

cc: (all via email)

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

Kimberly B. Pate, Director, Division of Utility Accounting & Finance

C. Meade Browder Jr., Sr Asst Attorney General/Section Chief, Office of the Attorney General

Robert M. Conroy, Vice President, State Regulation & Rates, LG&E and KU Services Company
Allyson K. Sturgeon, Vice President and Deputy General Counsel – Regulatory, PPL Services Corporation

Sara Judd, Senior Counsel, LG&E and KU Services Company

Mary Ellen Wimberly, Attorney, Stoll Keenon Ogden PLLC

COMMONWEALTH OF VIRGINIA

BEFORE THE STATE CORPORATION COMMISSION

In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING)
AN AMENDMENT TO A MONEY POOL) CASE NO. PUR-2022-000 _____
AGREEMENT WITH AN AFFILIATE)
)**

VERIFIED APPLICATION

Kentucky Utilities Company (“KU”), a Virginia public service company doing business in Virginia as Old Dominion Power Company (“KU-ODP” or the “Company”), hereby requests, pursuant to Chapter 4 of Title 56 of the Code of Virginia, that the State Corporation Commission (“Commission”) authorize KU-ODP 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 a proposed amendment.

In support of this Application, KU-ODP states as follows:

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. KU-ODP may be reached by electronic mail at the electronic mail addresses of its counsel set forth below.

6. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

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, Vice President and Deputy General Counsel
PPL Services Corporation
Sara Judd, Senior Counsel
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
asturgeon@pplweb.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

AFFILIATE REQUEST

7. Pursuant to Chapter 4 of Title 56 of the Code of Virginia KU-ODP requests authority to enter into Amendment No. 4 to the 2011 *Utility Money Pool Agreement*, dated December 1, 2011 (the “*2011 Utility Money Pool Agreement*”), in order to adjust the calculation establishing the relevant maximum amount KU, LG&E, or LKE may lend to or KU or LG&E may borrow from the Money Pool, from time to time. The Commission granted the Company authority in Case No. PUR-2020-00066 to participate in the *2011 Utility Money Pool Agreement* through

December 31, 2026. The Company seeks an extension of this authority to participate in the *2011 Utility Money Pool Agreement* through December 31, 2028.

8. Only KU 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.”

9. 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).

10. The Commission approved the *2011 Utility Money Pool Agreement* by Order dated November 29, 2011, in Case No. PUE-2011-00110.¹ The Commission has approved Amendment Nos. 1,² 2,³ and 3⁴ to the *2011 Utility Money Pool Agreement* and has extended the authority to participate in the money pool through December 31, 2026.⁵

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).

³ *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).

⁴ *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-2021-00006, Order Granting Approval (Va. SCC Mar. 2, 2021).

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) (extending the authority to participate in the money pool through December 31, 2026); *see also Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, LG&E and KU Energy LLC*,

11. Under the existing *2011 Utility Money Pool Agreement*, the amount of lending and borrowing is limited by 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's FERC borrowing limit is \$650,000,000⁶ and its commercial paper capacity limit is \$350,000,000; therefore, KU's current proposed limit on lending to or borrowing from the money pool at any one time is \$300,000,000.

12. In the proposed Amendment No. 4, the amount of lending and borrowing under the money pool would be limited by the difference between the utility's FERC borrowing limit and the amount of commercial paper actually issued and *outstanding* from time to time, rather than the size of the commercial paper facility itself. As an example, at present, KU's FERC borrowing limit is \$650,000,000 and it has no commercial paper outstanding; under the proposed Amendment No. 4, KU's limit on lending to or borrowing from the money pool based on the amount of outstanding commercial paper would be \$650,000,000. This minor change will allow KU to be indifferent on the usage of short-term debt or the money pool, which will give it flexibility to obtain the best financing available. This amendment does not increase KU's overall maximum borrowing limit, which remains capped at its FERC-approved borrowing limit then in effect.

13. Lastly, KU-ODP seeks an extension of its existing authority granted by the Commission in Case No. PUR-2020-00066 to participate in the *2011 Utility Money Pool Agreement* through December 31, 2028.

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) (extending the authority to participate in the money pool through June 30, 2018); *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) (extending the authority to participate in the money pool through June 30, 2023).

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

14. For the Commission’s convenience, a Financing Summary, a Balance Sheet, and a Statement of Income and Analysis of Retained Earnings are attached as Exhibits 1, 2, and 3. A Transaction Summary for Affiliate Transactions and a draft copy of Amendment No. 4 to the *2011 Utility Money Pool Agreement* are attached as Exhibits 4 and 5, 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.*⁷

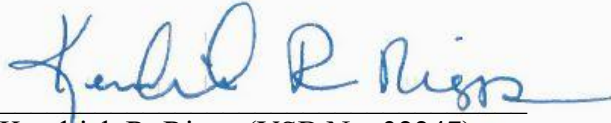
WHEREFORE, Kentucky Utilities Company d/b/a Old Dominion Power Company respectfully asks the Commission to enter an order within 60 days as provided in Virginia Code § 56-77.A authorizing KU-ODP to do the following:

- (1) Approving, pursuant to Virginia Code §§ 56-77 et seq., the proposed Amendment No. 4 to the *2011 Utility Money Pool Agreement* to be effective when executed;
- (2) Granting the Company authority to participate in the *2011 Utility Money Pool Agreement* through December 31, 2028; and
- (3) Granting all other necessary and applicable authorizations and relief.

⁷ § 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: March 2, 2022

Respectfully submitted,

A handwritten signature in blue ink that reads "Kendrick R. Riggs". The signature is written in a cursive style and is positioned above a horizontal line.

Kendrick R. Riggs (VSB No. 32247)
Stoll Keenon Ogden PLLC
500 West Jefferson Street, Suite 2000
Louisville, Kentucky 40202
Telephone: (502) 333-6000
Fax: (502) 627-8722
kendrick.riggs@skofirm.com

Allyson K. Sturgeon
Vice President and Deputy General Counsel
PPL Services Corporation
Sara V. Judd
Senior Counsel
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
Fax: (502) 217-4995
asturgeon@pplweb.com
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 served on the following persons or parties of record by electronic mail this 2nd day of March 2022:


Bernard Logan
Clerk, Virginia State Corporation Commission
Document Control Center
1300 East Main Street
Tyler Building, 1st Floor
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, 10th Floor
1300 East Main Street
Richmond, Virginia 23219

David Essah
Director, Division of Public Utility Regulation
Virginia State Corporation Commission
Tyler Building, 4th Floor
1300 East Main Street
Richmond, Virginia 23219

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



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

KENTUCKY UTILITIES COMPANY
APPLICATION TO ISSUE SECURITIES
UNDER THE UTILITY SECURITIES ACT
FINANCING SUMMARY

Item 1: **Description of Issue and Proposed Uses:**

Kentucky Utilities Company (“KU” or the “Company”) requests authority to incur debt not to exceed the aggregate amount of \$550,000,000 in the form of First Mortgage Bonds, unsecured bonds, direct bank term loans, or any combination of these forms of indebtedness. KU also requests a renewal of its authority to maintain a revolving credit line of up to \$650,000,000. Additionally, KU requests that the Commission amend and extend KU’s existing authority to allow KU to exercise extensions of its existing or any new multi-year revolving credit line(s) in 2022 and 2023 to extend the credit facility maturity date(s) to up to five years from the effective date of the amendment.

The proceeds of the indebtedness will be used to repay existing short-term debt and for general corporate purposes.

Item 2: **Terms of Issue:**

KU anticipates that any new, additional revolving credit facilities would be on similar terms as its current revolving line of credit, excluding pricing, fees, and interest rates.

The Intermediate Term Financings consist of privately placed or publicly issued, unsecured indebtedness. The price, maturity date(s), interest rate(s) and the redemption provisions and other terms and provisions of each series of Intermediate Term Financings would be determined based on negotiations among KU and the underwriters or other purchasers of such Intermediate Term Financing.

KU’s Mortgage Indenture authorizes it to issue, from time to time, bonds of one or more series, with each series having such date, maturity date(s), interest rate(s), and other terms as may be established by a supplemental indenture executed by the Company in connection with such series. All bonds issued under the Indenture would be equally and ratably secured by a first mortgage lien on substantially all of the Company’s permanently fixed properties in Kentucky. The First Mortgage Bonds may be sold at various times during 2022 or 2023 in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s) and the redemption provisions and other terms and provisions of each series of First Mortgage Bonds (including, in the event all or a portion of the First Mortgage Bonds bear a variable rate of interest, the method for determining the interest rates), would be determined on the basis of negotiations among KU and the underwriters or other purchasers of such First Mortgage Bonds. The estimated interest rates based on current market conditions would be 3.90% (fixed) for a term of thirty years.

The underwriter for the proposed transaction has not been chosen. However, the amount of compensation to be paid to underwriters or purchasers for their services would not exceed one percent (1%) of the principal amount of the First Mortgage Bonds of the series to be sold.

Estimated issuance expenses, excluding underwriting fees, for the financing described herein are as follows:

Rating Agency	\$	1,074,000
Legal		654,000
SEC S-4 Registration		130,000
Printing		50,000
Auditor		136,000
Trustee		10,000
		\$ 2,054,000

KU has the following kinds of stock issued and outstanding:
Common Stock: 37,817,878 shares issued and outstanding.

Item 3: Reasonableness of Financing Strategy:

KU's treasury group has evaluated its capital requirements through December 31, 2022, and the appropriate sources of capital available to it (both existing and potential). KU has determined that the use of First Mortgage Bonds should position the Company to realize the lowest long-term interest rates available in the market.

KU is requesting authority for the Intermediate Term Financings in addition to the First Mortgage Bonds to provide flexibility, and to ensure the Company can timely issue debt while obtaining the most favorable pricing under the existing circumstances.

Extending the Revolving Line of Credit facility through December 19, 2028 will provide additional financing flexibility. KU believes that it is appropriate to increase short-term funding vehicles to protect against capital market disruptions that could impair the Company's ability to access the capital markets.

Item 4: Impact on Company:

4 (A): Change in Capital Structure:

- (1) The issuance of the \$650 million of Short Term and \$550 million of First Mortgage Bonds or Intermediate Term Financings to replace the \$294 million in short-term debt.

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

	Actual Amount	%	Adjustment Amount	Proforma Amount	%
Short-term debt	\$ 294,018	4.7%	\$ 355,982	\$ 650,000	9.4%
Long-term debt	\$ 2,637,855	42.2%	\$ 300,000	\$ 2,937,855	42.5%
Common equity	\$ 3,320,951	53.1%	\$ -	\$ 3,320,951	48.1%
TOTAL	\$ 6,252,824	100.0%	\$ 655,982	\$ 6,908,806	100.0%

Actual Amount represents December 31, 2021. Adjustment amount brings short-term debt up to the requested limit and the long-term adjustment is net of \$250 million First Mortgage Bond that may be redeemed.

4 (B): Changes in Interest Coverage:

(1) Interest on \$550 million First Mortgage Bonds for a full year issued at an estimated rate of 3.90%.

Twelve months ended December 31, 2021 (\$ in thousands)

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

	Actual	Adjustments	Proforma
Net income	\$ 296,205	\$ (10,683)	\$ 285,522
Income taxes			
Federal	\$ 54,346	\$ (1,960)	\$ 52,386
State	\$ 15,453	\$ (557)	\$ 14,896
Net income before taxes	\$ 366,004	\$ (13,200)	\$ 352,804
Interest on long-term debt	\$ 105,252	\$ 13,200	\$ 118,452
Other interest	\$ 3,598	\$ -	\$ 3,598
Total interest charges	\$ 108,849	\$ 13,200	\$ 122,049
Income before interest and taxes	\$ 474,853	\$ -	\$ 474,853
Pre-tax interest coverage	4.36		3.89

Kentucky Utilities Company
Balance Sheets as of December 31, 2021

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 11,150,769,935.61	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	<u>3,846,906,913.80</u>	Less: Common Stock Expense.....	321,288.87
Total.....	<u>7,303,863,021.81</u>	Paid-In Capital.....	924,358,083.00
		Other Comprehensive Income.....	0.01
		Retained Earnings.....	<u>2,088,774,331.04</u>
		Total Proprietary Capital.....	<u>3,320,951,102.74</u>
Investments		Other Long-Term Debt.....	<u>2,637,854,794.23</u>
Ohio Valley Electric Company.....	250,000.00	Total Long-Term Debt.....	<u>2,637,854,794.23</u>
Nonutility Property-Less Reserve.....	177,752.39	Total Capitalization.....	<u>5,958,805,896.97</u>
Special Fund.....	<u>74,517,080.00</u>		
Total.....	<u>74,944,832.39</u>	Current and Accrued Liabilities	
		ST Notes Payable to Associated Companies.....	294,018,404.31
Current and Accrued Assets		Notes Payable.....	-
Cash.....	13,441,832.77	Accounts Payable.....	116,597,155.00
Temporary Cash Investments.....	-	Accounts Payable to Associated Companies.....	63,606,794.14
Accounts Receivable-Less Reserve.....	245,116,347.62	Customer Deposits.....	32,435,101.55
Accounts Receivable from Associated Companies.....	1,494,190.70	Taxes Accrued.....	18,917,973.84
Notes Receivable.....	1,188,579.00	Interest Accrued.....	18,362,945.79
Materials and Supplies-At Average Cost		Miscellaneous Current and Accrued Liabilities.....	<u>36,255,402.00</u>
Fuel.....	58,422,189.09	Total.....	<u>580,193,776.63</u>
Plant Materials and Operating Supplies.....	61,936,067.13		
Stores Expense.....	1,197,493.58	Deferred Credits and Other	
Emission Allowances.....	121,410.26	Accumulated Deferred Income Taxes.....	1,122,992,385.02
Prepayments.....	<u>21,559,067.30</u>	Investment Tax Credit.....	86,720,648.07
Total.....	<u>404,477,177.45</u>	Regulatory Liabilities.....	683,532,396.30
		Customer Advances for Construction.....	2,878,042.93
Deferred Debits and Other		Asset Retirement Obligations.....	104,775,932.05
Unamortized Debt Expense.....	21,328,732.68	Other Deferred Credits.....	3,863,169.31
Unamortized Loss on Bonds.....	8,007,864.04	Miscellaneous Long-Term Liabilities.....	20,437,374.81
Accumulated Deferred Income Taxes.....	257,667,175.85	Accum Provision for Pension & Postretirement Benefits.....	<u>9,171,970.90</u>
Deferred Regulatory Assets.....	456,884,036.23	Total.....	<u>2,034,371,919.39</u>
Other Deferred Debits.....	<u>46,198,752.54</u>		
Total.....	<u>790,086,561.34</u>	Total Liabilities and Stockholders Equity.....	<u>\$ 8,573,371,592.99</u>
Total Assets	<u>\$ 8,573,371,592.99</u>		

Kentucky Utilities Company
Comparative Statement of Income
December 31, 2021

	Year Ended December 31, 2021
Electric Operating Revenues.....	<u>\$ 1,826,528,118.66</u>
Total Operating Revenues.....	<u>1,826,528,118.66</u>
Fuel for Electric Generation.....	447,285,550.83
Power Purchased.....	40,034,915.32
Other Operation Expenses.....	294,124,824.30
Maintenance.....	151,248,614.64
Depreciation.....	332,914,579.03
Amortization Expense.....	19,154,756.89
Regulatory Debits.....	14,413,459.56
Regulatory Credits.....	(12,866.58)
Taxes	
Federal Income.....	58,971,076.89
State Income.....	8,254,264.54
Deferred Federal Income - Net.....	(4,624,722.66)
Deferred State Income - Net.....	7,198,679.88
Property and Other.....	51,867,515.92
Investment Tax Credit.....	187,250.00
Loss (Gain) from Disposition of Utility Plant.....	(173,263.68)
Loss (Gain) from Disposition of Allowances.....	<u>(25.43)</u>
Total Operating Expenses.....	<u>1,420,844,609.45</u>
Net Operating Income.....	405,683,509.21
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,901,281.30
Other Income Less Deductions.....	(2,640,247.25)
AFUDC - Equity.....	<u>109,546.03</u>
Total Other Income Less Deductions.....	<u>(629,419.92)</u>
Income Before Interest Charges.....	<u>405,054,089.29</u>
Interest on Long-Term Debt.....	105,251,530.47
Amortization of Debt Expense - Net.....	2,723,147.44
Other Interest Expenses.....	915,343.30
AFUDC - Borrowed Funds.....	<u>(40,556.22)</u>
Total Interest Charges.....	<u>108,849,464.99</u>
Net Income.....	<u>\$ 296,204,624.30</u>

Kentucky Utilities Company
Analysis of Retained Earnings
December 31, 2021

Retained Earnings and Undistributed Earnings	<u>Year Ended December 31, 2021</u>
Balance at Beginning of Period.....	\$ 2,042,569,706.74
Add:	
Net Income for Period.....	296,204,624.30
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	250,000,000.00
Adjust for Equity in Subsidiary	
Earnings for Year	
EEI Inc.....	-
Balance at End of Period.....	<u>\$ 2,088,774,331.04</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:

Under the existing *2011 Utility Money Pool Agreement*, the amount of lending and borrowing is limited by 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. In the proposed Amendment No. 4, the amount of lending and borrowing under the money pool would be limited by the difference between the utility’s FERC borrowing limit and the amount of commercial paper actually issued and *outstanding* from time to time, rather than the size of the commercial paper facility itself. As an example, at January 31, 2022, KU’s FERC borrowing limit is \$650,000,000 and it had no commercial paper outstanding; under the proposed Amendment No. 4, KU’s limit on lending to or borrowing from the money pool based on the amount of outstanding commercial

paper would be \$650,000,000.¹ The Company proposes to amend Section 1.02 *Rights to Borrow* to make this change.

In addition, the Company seeks an extension of the Commission's authorization of the *2011 Utility Money Pool Agreement* through December 31, 2028.

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, as amended by the 2021 Amendment, and as amended by the 2022 Amendment, a draft of which is attached to the Application as Exhibit 5. 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

¹ See Application at 5.

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 2022 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 2022 Amendment is attached to the Application as Exhibit 5. 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, the 2020 Amendment is on file with the Commission in Case No. PUR-2020-00066, and the 2021 Amendment is on file with the Commission in Case No. PUR-2021-00006.

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.

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.

² *Id.*

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 (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 basis points. 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, the Money Pool will use the 30-day average secured overnight financing rate (“SOFR”).

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 2022 Amendment is attached to the Application as Exhibit 5. 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 December 31, 2021, are 46.9% and 47.3%, 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 2022 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. 4, 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. 4 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.

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. 4
TO 2011 UTILITY MONEY POOL AGREEMENT

This **AMENDMENT NO. 4** dated as of _____, 2022 (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 benefit the Parties by providing flexibility to obtain the best financing possible.

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

1. “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 amount of commercial paper actually issued and outstanding from time to time. 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.”

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