COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES AND THE ASSUMPTION OF OBLIGATIONS	)))))	**CASE NO. 2016-00083**

VERIFIED APPLICATION

Louisville Gas and Electric Company ("LG&E" or the "Company") hereby requests, pursuant to KRS 278.300, that the Commission authorize LG&E to incur debt in the form of First Mortgage Bonds in order to refinance certain series of outstanding pollution control debt as described herein. In support of this Application, LG&E states as follows:

1. The Company's full name is Louisville Gas and Electric Company. The post office address of the Company is 220 West Main Street, Louisville, Kentucky 40202. LG&E was incorporated in Kentucky on July 2, 1913 and is in good standing in Kentucky. A copy of LG&E's good standing certificate from the Kentucky Secretary of State is attached as Exhibit 1. LG&E is a utility as defined by KRS 278.010(3)(a) and (b), and as of December 31, 2015, provides retail electric service to approximately 403,000 customers in nine counties in Kentucky, and retail gas service to approximately 322,000 customers in seventeen counties in Kentucky. A description of LG&E's properties is set out in Exhibit 2 to this Application.

2. In Case No. 2008-00131 (*In the Matter of: Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), LG&E sought and received approval to take certain actions to mitigate the impact

of credit downgrades of bond insurance companies that had issued bond insurance in connection with a total of eight (8) series of the Company's variable rate pollution control debt. Case No. 2008-00131, Order dated June 17, 2008. Those credit downgrades were the result of the bond insurers' diversification into insuring riskier types of debt, such as securities backed by subprime home mortgages.

3. Subsequently, LG&E has undertaken various actions pursuant to the authority granted in Case No. 2008-00131, and currently has only three (3) series of pollution control debt impacted by bond insurance which it seeks to refinance[1]. The structure of the three series is such that the interest rates have been set based on a formula (200% of commercial paper rates) in the indenture that has allowed the Company and its customers to benefit from extremely low interest rates that averaged .20% in 2015. However, the Federal Reserve has begun to raise short-term interest rates and has signaled that it intends to continue to do so. As the Federal Reserve increases rates, the interest rates on the current bonds will increase at twice the rate of the Federal Reserve changes. LG&E believes that other interest rate modes or structures can reduce this interest rate volatility and lower costs in the long-term. LG&E has also determined that two (2) series of the impacted debt may be eligible for extension of maturities, thus extending the opportunity for low cost tax-exempt financing. Therefore, LG&E seeks authority to refinance three (3) series of outstanding pollution control debt, both to reduce the magnitude of the interest rate risk (while also terminating small ongoing insurance premiums and administrative costs associated with the bond insurance) and to extend the availability of this tax exempt financing.

The three series of pollution control debt which LG&E seeks authority to refinance are:

[1] In addition to the three series addressed in this Application, LG&E's Trimble County, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A are also covered by bond insurance. However, because those bonds are currently in long-term interest rate mode, the impact of the failed bond insurance is less, and LG&E is not seeking to refinance that series at this time.

Trimble County, Kentucky Pollution Control Revenue Bonds, 2000 Series A

4. LG&E's obligations in connection with the Trimble County, Kentucky Pollution Control Revenue Bonds, 2000 Series A ("Trimble County 2000 Series A Bonds") were authorized by the Commission by Order dated July 18, 2000 in Case No. 2000-00275 (*In the Matter of: Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds were used to provide funds to refund the Trimble County, Kentucky 7.625% Pollution Control Revenue Bonds, 1990 Series A. LG&E's obligations in connection with those bonds were authorized by the Commission by Order dated October 19, 1990 in Case No. 90-271. The proceeds of the 1990 Series A Bonds were used to provide financing for a portion of the costs of the acquisition, construction, and installation of certain air and water pollution control facilities at LG&E's Trimble County generating station.

5. The following table shows (i) the initial public offering price, (ii) proceeds to LG&E from the sale, and (iii) LG&E's expenses associated with the sale of the Trimble County 2000 Series A Bonds:

Public Offering Price	Proceeds	Expenses
$83,335,000	$83,335,000	$1,152,000

The Trimble County 2000 Series A Bonds are subject to redemption upon the direction of LG&E at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date. The Trimble County 2000 Series A Bonds are potentially eligible for extension of maturity.

Jefferson County, Environmental Facilities Revenue Bonds, 2001 Series A

6. LG&E's obligations in connection with the Jefferson County, Environmental Facilities Revenue Bonds, 2001 Series A ("Jefferson County 2001 Series A Bonds") were authorized by the Commission by Order dated August 28, 2001 in Case No. 2001-205 (*In the Matter of: Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds were used to finance portions of the costs of solid waste recycling and abatement facilities at LG&E's Mill Creek generating station in Jefferson County.

7. The following table shows (i) the initial public offering price, (ii) proceeds to LG&E from the sale and (iii) LG&E's expenses associated with the sale of the Jefferson County 2001 Series A Bonds:

Public Offering Price	Proceeds	Expenses
$10,104,000	$10,104,000	$516,000

The Jefferson County 2001 Series A Bonds are subject to redemption upon the direction of LG&E at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date. The Jefferson County 2001 Series A Bonds are not eligible for extension of maturity.

Trimble County, Kentucky Pollution Control Revenue Bonds, 2002 Series A

8. LG&E's obligations in connection with the Trimble County, Kentucky Pollution Control Revenue Bonds, 2002 Series A ("Trimble County 2002 Series A Bonds") were authorized by the Commission by Order dated August 12, 2002, in Case No. 2002-00230 (*In the Matter of: Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds were used to provide funds

to refinance the Trimble County, Kentucky Pollution Control Revenue Bonds, 1990 Series B. LG&E's obligations in connection with those bonds were authorized by the Commission by Order dated October 18, 1990, in Case No. 90-271. Proceeds from these were used to provide financing for a portion of the costs of the acquisition, construction, and installation of certain air and water pollution control facilities and solid waste disposal facilities at LG&E's Trimble County generating station.

9. The following table shows (i) the initial public offering price, (ii) proceeds to LG&E from the sale , and (iii) LG&E's expenses associated with the sale of the Trimble County 2002 Series A Bonds:

Public Offering Price	Proceeds	Expenses
$41,665,000	$41,665,000	$1,103,000

The Trimble County 2002 Series A Bonds are subject to redemption upon the direction of LG&E at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date. The Trimble County 2002 Series A Bonds are potentially eligible for extension of maturity. The Trimble County 2000 Series A Bonds, the Jefferson County 2001 Series A Bonds, and the Trimble County 2002 Series A Bonds, collectively the "Outstanding Bonds".

10. The Company requests authority to assume certain obligations under various agreements in principal amounts not to exceed the Public Offering Prices of each of the Outstanding Bonds discussed in paragraphs 4 through 9 preceding, which may be refunded, in connection with the proposed issuance of one or more series of Louisville/Jefferson County, Metro Government, Environmental Facilities Refunding Revenue Bonds (the "Louisville Metro Government Refunding Bonds"), to be appropriately designated and one or more series of

Trimble County, Kentucky Environmental Facilities Refunding Revenue Bonds (the "Trimble County Refunding Bonds"), to be appropriately designated (both the Louisville Metro Government Refunding Bonds and the Trimble County Refunding Bonds, sometimes collectively, the "Refunding Bonds"). Both Louisville Metro and Trimble County have authority to issue the Refunding Bonds and to carry out the transactions contemplated herein pursuant to the provisions of the Industrial Building Revenue Code Act, Sections 103.200 to 103.285, inclusive of the Kentucky Revised Statutes. The proceeds of the Louisville Metro Government Refunding Bonds and the Trimble County Refunding Bonds would be loaned to LG&E by Louisville Metro Government or Trimble County, as applicable, in one or more transactions to provide funds to repurchase, redeem and discharge a corresponding amount of the Outstanding Bonds, within ninety (90) days of issuance of the corresponding Refunding Bonds.

11. LG&E anticipates that the refinancing will involve LG&E's First Mortgage Bonds, (as hereinafter defined) issued to collateralize and secure the Refunding Bonds. The structure and documentation for the issuance of LG&E's First Mortgage Bonds and related agreements would be similar to the structure and documentation of other pollution control financings of LG&E approved by this Commission involving LG&E's First Mortgage Bonds, including the Outstanding Bonds. LG&E's First Mortgage Bonds would be issued in like amount to the Refunding Bonds and will be used to secure its payment obligations with respect to the Loan Agreements, as defined below. LG&E therefore requests authority to issue one or more series of its First Mortgage Bonds, Pollution Control Series (collectively, the "First Mortgage Bonds") in an aggregate principal amount not to exceed the full amount of the Refunding Bonds.

12. The First Mortgage Bonds would be delivered to one or more corporate trustees under one or more indentures of trust between Louisville Metro, or Trimble County and such

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

13. In connection with the Refunding Bonds, LG&E would assume certain obligations under one or more loan agreements with Louisville Metro Government, or Trimble County, Kentucky, respectively, and may enter into one or more guaranty agreements, or similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of the Refunding Bonds for the benefit of the holders of such bonds.

14. The Refunding Bonds would be issued pursuant to one or more indentures (each a "County Indenture"), between Louisville Metro Government, or Trimble County and the Trustee under such County Indentures, as applicable. The proceeds from the sale of the Refunding Bonds would be loaned to LG&E pursuant to one or more loan agreements between Louisville Metro Government or Trimble County and LG&E (collectively, the "Loan Agreements").

15. The payments to be made by LG&E under the Loan Agreements for one or more series of Refunding Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Refunding Bonds. The Loan Agreement(s) and the payments to be made by LG&E pursuant thereto will be assigned to the Trustee(s) to secure the payment of the principal and interest on the related Refunding Bonds. Upon issuance of a series of Refunding Bonds, LG&E may issue one or more guarantees

(collectively, the "Guarantees"), in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Refunding Bonds for the benefit of the holders of such Refunding Bonds.

16. The Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Refunding Bonds (including, in the event all or a portion of the Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between LG&E, and Louisville Metro Government or Trimble County, as applicable, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed three-quarters of one percent (.75%) of the principal amount of the Refunding Bonds of each series to be sold. Based upon past experience with similar financings, LG&E estimates that issuance costs, excluding underwriting fees, would be approximately $1.2 million, if all three series of Outstanding Bonds were refinanced individually. Efforts will be made to consolidate transactions to minimize legal and other issuance costs.

17. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by LG&E. LG&E would reserve the option to convert from time to time any variable rate Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Refunding Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Refunding Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control

Refunding Bonds, LG&E would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution Control Refunding Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Refunding Bonds. Thus, to the extent Variable Rate Pollution Control Refunding Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate, except that based on market developments, LG&E does not currently anticipate that auction mode bonds would be issued. However, subject to market conditions LG&E may utilize new variable interest rate modes not previously used for its bonds, but which are not uncommon in industry practice, such as those based on Securities Industry and Financial Markets Association ('SIFMA") rates plus a credit spread.

18. Also, in the event that Variable Rate Pollution Control Refunding Bonds are issued, LG&E may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by LG&E (the "Bank"). The Current Facility would be a credit agreement designed to provide LG&E the ability to borrow funds with which to make payments with respect to any Variable Rate Pollution Control Refunding Bonds that have been tendered for purchase and are not remarketed. LG&E would be obligated to repay any amounts borrowed under the Current Facility. The Current Facility may be pledged for the payment of the Variable Rate Pollution Control Refunding Bonds or to constitute security thereof. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, LG&E may be required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing LG&E's obligation to repay any borrowings owed to the Bank under the Current Facility.

19. In order to obtain terms and conditions more favorable to LG&E than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Refunding Bonds, LG&E may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instruments providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, are hereinafter referred to as a "Facility") with one or more banks, or other financial institutions to be selected by LG&E from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Pollution Control Refunding Bonds. In the event the Variable Rate Pollution Control Refunding Bonds are converted to bear interest at a fixed rate to maturity, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Pollution Control Refunding Bonds. The estimated cost of the financings shown in paragraph 16 does not include expenses incurred for entering into any Facility; however, the impact on the overall cost of the financing would be approximately 75 basis points.

20. In connection with any Facility, LG&E may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would document the obligation of LG&E to reimburse or repay the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, LG&E may be required to execute and deliver to the

subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing LG&E's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the County Indenture for the Variable Rate Pollution Control Refunding Bonds may be authorized, upon the terms set forth in such County Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the County Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Refunding Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

21. In connection with the issuance of the Refunding Bonds, LG&E may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow LG&E to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Refunding Bonds. The Hedging Facility will set forth the specific terms for which LG&E will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately 26 basis points.

22. The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by LG&E with the respective Bank, Facility Provider or

Counterparty, and would be the most favorable terms that can be negotiated by LG&E. The aggregate outstanding principal amount of the obligations of LG&E at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Outstanding Bonds that are refunded plus accrued but unpaid interest, and in the case of a letter of credit facility, interest for an additional 45 days, and premium, if any, on such bonds.

23. No contracts have been made for the disposition of any of the securities which LG&E proposes to issue, or for the proceeds of such sale.

24. Attached as Exhibit 3 to this Application are descriptions of the redemption provisions for the Outstanding Bonds.

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

26. Exhibit 4 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 18(2)(a), as described by 807 KAR 5:001, Section 12. It also contains information required by 807 KAR 5:001, Section 18(2)(b). Exhibit 5 to this Application consists of net present value analyses of the proposed refinancing, based on current market conditions.

27. A certified copy of LG&E's Board of Directors resolution authorizing the assumption of obligations under the Loan Agreements, and all transactions related thereto and discussed in this Application will be filed as a supplement to this Application.

28. Other requirements of the Commission's regulation regarding this application, 807 KAR 5:001, Section 18, including (1)(c) regarding the amount and kind of notes, etc., (1)(d)

regarding the use to be made of the proceeds, and (1)(f) regarding the obligations being refunded have been supplied in the extensive discussion above in paragraphs 3 through 25 of this application.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission enter its Order authorizing it to issue securities and to execute, deliver and perform the obligations of LG&E under the Loan Agreements, and any Remarketing Agreements, and Credit Agreements and the various Current Facility, Facility and Hedging Facility arrangements and other documents and related guarantees or notes set forth in this application. Louisville Gas and Electric Company further requests that the Order of the Commission specifically include provisions stating:

1. LG&E is authorized to issue its First Mortgage Bonds in one or more series and at one or more times and to execute, deliver and perform its obligations under the Loan Agreements with Louisville Metro Government, or Trimble County, Kentucky and under any notes, guarantees, remarketing agreements, hedging agreements, credit agreements and such other agreements and documents as set forth in its application, and to perform the transactions contemplated by all such agreements, including, but not limited to, borrowings or advances, and the related repayment or reimbursement obligations, under the Loan Agreements, Current Facilities and Facilities and Credit Facilities, all as described in this Application.

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

3. LG&E shall agree only to such terms and prices that are consistent with the parameters set out in its application.

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

Respectfully submitted,

Kendrick R. Riggs
John Wade Hendricks
Monica Braun
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
(502) 333-6000
Kendrick.Riggs@skofirm.com

Allyson K. Sturgeon
Louisville Gas and Electric Company
220 West Main Street
Louisville, KY 40202
(502) 627-2088
Allyson.Sturgeon@lge-ku.com

Counsel for Louisville Gas and Electric Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

DANIEL K. ARBOUGH

Subscribed and sworn before me this 29th day of February, 2016

My Commission Expires: August 31, 2019

NOTARY PUBLIC, STATE AT LARGE