

KENTUCKY UTILITIES COMPANY
FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 18(2)(a) and SEC. 12)

August 31, 2016

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value
5,300,000 shares of Cumulative Preferred Stock, without par value -- authorized, but unissued
2,000,000 shares of Preferred Stock, without par value -- authorized, but unissued

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding, without par value, recorded at \$307,818,689.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

None

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Date of Execution: As of October 1, 2010 (Supplemental Indentures were executed on October 15, 2010, November 1, 2010, November 1, 2013, September 1, 2015 and August 1, 2016.)

Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$2,350,779,405

Sinking Fund Provisions: None

Pledged Assets: Substantially all assets of Kentucky Utilities located in Kentucky

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with the amount of interest paid thereon during the last fiscal year.

Secured by first mortgage lien on substantially all assets in Kentucky.

Kentucky Utilities Company

Date of Issue	Date of Maturity	Rate of Interest	Authorized	Outstanding at December 31, 2015	Interest Expense Year Ended December 31, 2015
Pollution Control Bonds					
05/19/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 5,006
05/23/02	02/01/32	Variable	20,930,000	20,930,000	61,528
05/23/02	02/01/32	Variable	2,400,000	2,400,000	7,055
05/23/02	02/01/32	Variable	7,400,000	7,400,000	21,918
05/23/02	02/01/32	Variable	7,400,000	2,400,000	7,109
10/03/02	10/01/32	Variable *	96,000,000	96,000,000	235,248
10/20/04	10/01/34	Variable	50,000,000	50,000,000	16,682
02/23/07	10/01/34	Variable	54,000,000	54,000,000	19,063
05/24/07	02/01/26	5.75%	17,875,000	17,875,000	1,027,813
05/24/07	03/01/37	6.00%	8,927,000	8,927,000	535,620
10/17/08	02/01/32	Variable	77,947,405	77,947,405	26,649
Interest Rate Swaps					
			<u>\$ 355,779,405</u>	<u>\$ 350,779,405</u>	<u>\$ 1,963,692</u>
First Mortgage Bonds					
11/16/10	11/01/15	1.625%	\$ 250,000,000	\$ -	\$ 3,385,417
11/16/10	11/01/20	3.250%	500,000,000	500,000,000	16,250,000
09/28/15	10/01/25	3.300%	250,000,000	250,000,000	2,497,034
11/16/10	11/01/40	5.125%	750,000,000	750,000,000	38,437,500
11/14/13	11/15/43	4.650%	250,000,000	250,000,000	10,191,296
09/28/15	10/01/45	4.375%	<u>250,000,000</u>	<u>250,000,000</u>	<u>3,082,166</u>
			<u>\$ 2,250,000,000</u>	<u>\$ 2,000,000,000</u>	<u>\$ 73,843,412</u>

* On August 25, 2016, KU refinanced the Carroll County 2002 Series C bonds replacing them with Carroll County 2016 Series A bonds with a maturity date of 9/1/42 and an interest rate fixed at 1.05% until 9/1/19, at which time the Company must remarket the bonds or buy them back. There were no additional changes to the amount or structure of bonds outstanding from December 31, 2015 to August 31, 2016.

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest paid thereon during the last 12-month period.

There are no notes outstanding as of August 31, 2016.¹

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid.

Dividends on Common Stock, without par value (not based on rate per share)

2011	\$123,500,000
2012	\$99,500,000
2013	\$124,000,000
2014	\$148,000,000
2015	\$153,000,000

The amount of total proprietary capital on which dividends were paid as of Dec. 31st

2011	\$2,128,238,257
2012	\$2,176,783,084
2013	\$2,437,295,661
2014	\$2,599,430,441
2015	\$2,679,352,744

- (9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending August 31, 2016.

¹ KU maintains a syndicated revolving credit facility of \$400 million. Although there isn't any outstanding balance on the revolver, KU has executed notes under the multiyear revolving credit program.

Kentucky Utilities Company
Balance Sheet as of August 31, 2016

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 9,235,422,348.11	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization....	<u>2,980,088,654.41</u>	Less: Common Stock Expense.....	321,288.87
Total.....	<u>6,255,333,693.70</u>	Paid-In Capital.....	583,858,083.00
		Other Comprehensive Income.....	(1,795,297.72)
		Retained Earnings.....	<u>1,798,594,116.42</u>
		Total Proprietary Capital.....	<u>2,688,475,590.39</u>
Investments		Other Long-Term Debt.....	<u>2,341,490,682.64</u>
Electric Energy, Inc.....	-	Total Long-Term Debt.....	<u>2,341,490,682.64</u>
Ohio Valley Electric Company.....	250,000.00	Total Capitalization.....	<u>5,029,966,273.03</u>
Nonutility Property-Less Reserve.....	971,313.10		
Special Fund.....	<u>-</u>		
Total.....	<u>1,221,313.10</u>		
Current and Accrued Assets		Current and Accrued Liabilities	
Cash.....	8,711,701.09	ST Notes Payable to Associated Companies.....	-
Special Deposits.....	-	Notes Payable.....	-
Temporary Cash Investments.....	942,198.83	Accounts Payable.....	78,345,166.55
Accounts Receivable-Less Reserve.....	244,904,320.32	Accounts Payable to Associated Companies.....	43,216,664.22
Accounts Receivable from Associated Companies.....	208,640.74	Customer Deposits.....	28,000,984.02
Notes Receivable from Associated Companies.....	33,000,000.00	Taxes Accrued.....	59,382,341.43
Materials and Supplies-At Average Cost		Interest Accrued.....	30,139,072.19
Fuel.....	97,618,732.38	Dividends Declared.....	84,000,000.00
Plant Materials and Operating Supplies.....	44,476,438.62	Miscellaneous Current and Accrued Liabilities.....	<u>21,651,638.87</u>
Stores Expense.....	10,515,070.84	Total.....	<u>344,735,867.28</u>
Emission Allowances.....	136,559.78		
Prepayments.....	21,195,410.16	Deferred Credits and Other	
Miscellaneous Current and Accrued Assets.....	<u>-</u>	Accumulated Deferred Income Taxes.....	1,469,832,526.73
Total.....	<u>461,709,072.76</u>	Investment Tax Credit.....	95,788,137.57
Deferred Debits and Other		Regulatory Liabilities.....	157,330,338.78
Unamortized Debt Expense.....	19,770,745.89	Customer Advances for Construction.....	1,576,406.04
Unamortized Loss on Bonds.....	9,648,232.90	Asset Retirement Obligations.....	369,962,422.88
Accumulated Deferred Income Taxes.....	351,912,940.78	Other Deferred Credits.....	6,310,541.56
Deferred Regulatory Assets.....	406,740,879.04	Miscellaneous Long-Term Liabilities.....	2,343,039.61
Other Deferred Debits.....	<u>50,434,294.08</u>	Accum Provision for Pension & Postretirement Benefits...	<u>78,925,618.77</u>
Total.....	<u>838,507,092.69</u>	Total.....	<u>2,182,069,031.94</u>
Total Assets.....	<u>\$ 7,556,771,172.25</u>	Total Liabilities and Stockholders Equity.....	<u>\$ 7,556,771,172.25</u>

Kentucky Utilities Company
Statement of Income
August 31, 2016

	Year Ended 8/31/2016
Electric Operating Revenues.....	\$ 1,719,846,885.66
Rate Refunds.....	76,686.46
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Total Operating Revenues.....	1,719,923,572.12
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Fuel for Electric Generation.....	486,802,442.82
Power Purchased.....	38,544,834.09
Other Operation Expenses.....	296,204,208.48
Maintenance.....	129,353,982.34
Depreciation.....	218,690,510.76
Amortization Expense.....	11,590,545.81
Regulatory Dedit.....	33,928.72
Regulatory Credits.....	-
Taxes	
Federal Income.....	(508,887.72)
State Income.....	2,592,363.03
Deferred Federal Income - Net.....	130,076,697.01
Deferred State Income - Net.....	19,614,396.47
Property and Other.....	40,041,267.00
Investment Tax Credit.....	4,000,000.00
Loss (Gain) from Disposition of Allowances.....	(91.81)
Accretion Expense.....	-
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Total Operating Expenses.....	1,377,036,197.00
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Net Operating Income.....	342,887,375.12
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Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,846,202.00
Other Income Less Deductions.....	(518,531.13)
AFUDC - Equity.....	620,010.69
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Total Other Income Less Deductions.....	1,947,681.56
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Income Before Interest Charges.....	344,835,056.68
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Interest on Long-Term Debt.....	88,340,333.52
Amortization of Debt Expense - Net.....	3,282,749.66
Other Interest Expenses.....	2,396,055.73
AFUDC - Borrowed Funds.....	(231,145.99)
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Total Interest Charges.....	93,787,992.92
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Net Income.....	\$ 251,047,063.76

Kentucky Utilities Company
Analysis of Retained Earnings
August 31, 2016

	<u>Year Ended 8/31/16</u>
Balance at Beginning of Period.....	\$ 1,791,547,052.66
Add:	
Net Income for Period.....	251,047,063.76
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	244,000,000.00
Balance at End of Period.....	<u><u>\$ 1,798,594,116.42</u></u>