

Kentucky Power Company
KPSC Case No. 2019-00072
Commission Staff's First Set of Data Requests
Dated April 11, 2019

DATA REQUEST

KPSC_1_1 State and explain the extent to which Kentucky Power currently expects to raise the \$275 million with secured private placement debt; with secured tax-exempt bonds; and the factors that would affect Kentucky Power's decision to raise capital using one means or the other.

RESPONSE

The Company expects to raise the \$275 million by remarketing the \$65 million WVEDA Series 2014A Pollution Control Bonds and by issuing up to \$210 million in one or more private placements or senior unsecured term loan facilities in the 2019 – 2020 timeframe. Kentucky Power currently has both private placement and term loan facilities in place and will consider use of either arrangement going forward. Private placements are more well-suited for long-term objectives as they offer longer maturities than shorter term loans which can support fluctuations in working capital and other corporate and economic objectives like the Company's \$75M local bank facility. The Company doesn't currently have a project identified for which a tax-exempt financing would be appropriate but will evaluate use as part of the financing plans going forward.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_2

Refer to the application, paragraph 9, in which Kentucky Power states "[T]he interest rate of the Notes may be fixed or variable as determined to be most advantageous to the Company" State whether Kentucky Power is seeking approval from the Commission to incur debt with a variable interest rate and, if so, what precautions and safeguards would be in place to limit the interest rate on any variable rate debt.

RESPONSE

Kentucky Power is seeking approval from the Commission to incur debt with either fixed or variable interest rates. In order to obtain competitive interest rates it is in the best interest that Kentucky Power retains the flexibility to adjust its financing program as developments in the debt capital markets occur. Current market conditions make it difficult to determine whether the debt securities will be issued as fixed or variable rate debt. Kentucky Power currently has a \$75M senior unsecured term loan facility with a variable interest rate. While there is no limit on the rate there is an optional prepayment provision that allows Kentucky Power to repay the notes at its discretion and thereby safeguard against excessive interest rates. It's also important to note that rising interest rates would impact pricing of an issuance of both fixed and floating rate debt as fixed rate debt is typically priced based on an underlying floating rate instrument (typically treasuries) plus an incremental credit spread to lock in a fixed rate at time of pricing.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_3

Refer to the application, paragraph 23, in which Kentucky Power states that it "desires to utilize interest-rate management techniques and to enter into interest rate management agreements in an effort to control its overall effective interest costs." Identify and describe each "interest rate management technique" referenced in this paragraph.

- a. Identify and describe each "interest rate management agreement" Kentucky Power is referencing and describe the type of agreements for which Kentucky Power seeks approval;
- b. Explain how those agreements function to hedge against interest rate increases and the parties with whom Kentucky Power seeks to enter into such agreements.
- c. Provide a sample of the interest rate management agreements to which Kentucky Power is referring.
- d. Provide a detailed analysis illustrating estimated interest cost savings for Kentucky Power that can result from the use of interest rate management techniques.

RESPONSE

a.

While various Interest Rate Management Agreements are commonly used in today's capital markets, Kentucky Power anticipates the specific use of Treasury locks and cash-settled forward starting swaps (collectively, "Pre-Issuance Hedges"). These instruments can be used to protect Kentucky Power from the interest rate risk associated with a future financing linked to a Treasury yield. Through the use of these instruments, Kentucky Power can effectively hedge or "lock in" the yield of the reference Treasury ahead of a funding date in the future.

Treasury Lock:

A Treasury lock is an agreement between two parties, a borrower and a counterparty, to lock in a forward yield on a specific U.S. Treasury security with a specific amount for a predetermined period of time. On the termination date, the borrower receives/makes a payment if the yield on the Treasury security is above/below the locked-in yield. This provides the borrower with a hedge against rising Treasury rates. The risk to the borrower is if yields fall below the locked-in yield on termination date, requiring a payment to the counterparty.

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With a T-lock, the “locked in” rate could be based on the current “on-the-run” Treasuries or “then current” Treasuries, also known as forward yields. The forward yields are the market’s expectation of where interest rates will move before the issuance date.

Cash-Settled Forward Starting Swap:

A cash-settled forward starting swap is used as a proxy or benchmark to provide a borrower a hedge against rising Treasury rates for longer forward periods when a Treasury Lock may be unavailable. The swap is an agreement between two parties, a borrower and a counterparty, to lock in a forward interest rate swap rate with a specific amount for a predetermined period of time. On the cash-settlement date, the borrower receives/makes a payment if the locked-in swap rate is above/below prevailing market swap rates.

In addition to the risk of rates falling below the locked in swap rate, the borrower also incurs the risk that the swap rate does not move in the same direction or with the same magnitude as the Treasury rate being used to price the related debt. The relationship between the hedge and the desired funding source may guide the borrower’s decision to use a T-Lock vs. cash-settled forward starting swap. T-Locks move in direct relationship with the specified Treasury security. On average, swaps and Treasuries have been highly correlated.

In addition, for Pre-Issuance Hedges:

- There are no upfront fees in these transactions
- The agreement is cash-settled on termination date. The settlement amount is based upon the rate locked in by the borrower, the current market rate and the present value of 1 basis point for the hedged amount over the underlying term (e.g. 10yrs) as defined in the formula below:
 - Termination Value = (Locked in Rate – Current Market Rate) x (Present Value of 1 basis point)
- A borrower can choose to enter into a hedge on all or a portion of expected issuance
- The hedge is an entirely separate agreement from any underlying bond or credit agreement
- Information used in the hedging process is transparent, publicly available and verifiable through independent sources (see Bloomberg screen shots below for an illustration of independent, third-party price verification of a typical interest rate swap and Treasury yield curve)

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91) Actions		92) Products		93) Views		94) Info		95) Settings		Swap Manager	
Solver (Coupon)				Load		Save		Trade		CCP	
3 Main		4 Details		5 Curves		6 Cashflow		7 Resets		8 Scenario	
9 Risk		10 CVA		11 Matrix							
Deal		Fixed Float Swap		Counterparty		SWAP CNTRPARTY		Ticker / SWAP		Properties	
Swap		Leg 1:Fixed		Receive		Leg 2:Float		Pay		Valuation Settings	
Notional		100MM		Notional		100MM		Curve Date		04/18/2019	
Currency		USD		Currency		USD		Valuation		04/24/2019	
Effective		6M 10/24/2019		Effective		6M 10/24/2019		CSA Coll Ccy		USD	
Maturity		10Y 10/24/2029		Maturity		10Y 10/24/2029		<input checked="" type="checkbox"/> OIS DC Stripping			
Coupon		2.565655		Index		3M US0003M					
Pay Freq		SemiAnnual		Spread		0.000 bp					
Day Count		30I/360		Leverage		1.00000					
Calc Basis		Money Mkt		Latest Index		2.54449					
				Reset Freq		Quarterly					
				Pay Freq		Quarterly					
				Day Count		ACT/360					
Market											
Leg 1: NPV		2,136,813.05		Leg 2: NPV		-2,136,813.05					
Accrued		0.00		Accrued		0.00					
Premium		2.14		Premium		-2.14					
DV01		89,451.01		DV01		1,042.30					
Valuation Results								Calculators			
Par Cpn		2.565655		Premium		0.00000		PV01		88,097.13	
Principal		0.00		BP Value		0.00000		DV01		90,493.31	
Accrued		0.00						Gamma (1bp)		97.46	
NPV		0.00									
4 Actives		5 Bills		6 Notes		7 TIPS		8 Strips		9 Sprds	
10 Curves		11 FRN		12 Bfly		13 WI					
Bills						Bonds					
31) 05/21/19		2.350/2.328		2.371		+0.003		49) 3		848 100-22/23+ 2.962 + 21+	
32) 06/18/19		2.391/2.375		2.424		--		50) 3 ³ / ₈		N48 108-09/10+ 2.951 + 22+	
33) 07/18/19		2.370/2.365		2.412		-0.015		51) 3		249 30YR 100-24/24+ 2.961 + 21	
34) 10/17/19		2.395/2.388		2.456		-0.002		TIPS			
35) 03/26/20		2.362/2.355		2.435		-0.005		52) 0 ¹ / ₂		424 99-29 ⁵ / ₈ /99-30 ³ / ₈ 0.510 --	
Notes								53) 0 ⁷ / ₈		129 102-14 ³ / ₄ /102-17 0.607 + 11 ¹ / ₄	
36) 2 ¹ / ₂		221 100-06 /06+		2.387		+ 01 ¹ / ₈		54) 1		249 100-14+ /100-18+ 0.978 + 30	
37) 2 ¹ / ₄		321 2YR 99-24 /24 ¹ / ₈		2.380		+ 01 ¹ / ₄		Curve Trades			
38) WI		2YR 2.375/2.370						55) 2yr vs 5yr		-1.137/0.760 -1.172	
39) 2 ³ / ₈		322 100-03+ /03 ³ / ₄		2.333		+ 02+		56) 2yr vs 10yr		17.914/-18.302 -1.259	
40) 2 ¹ / ₄		422 3YR 99-22 ³ / ₄ /23		2.348		+ 02+		57) 5yr vs 10yr		18.881/-19.231 -0.088	
41) 2 ³ / ₈		224 100-01 ³ / ₄ /02 ¹ / ₄		2.359		+ 04 ³ / ₄		Other Markets			
42) 2 ¹ / ₈		324 5YR 98-27 ¹ / ₄ /27+		2.371		+ 04 ³ / ₄		58) US Long(CBT)		14:31 d 146-24 +0-14	
43) WI		5YR 2.370/2.365						59) 10yr Fut (CBT)		14:30 d 123-03+ +0-08	
44) 2 ¹ / ₄		326 7YR 98-20+ /21		2.462		+ 07		60) 5Yr Fut(CBT)		14:30 d 115-06 +0-03 ³ / ₄	
45) WI		7YR 2.465/2.460						61) Dow Jones Ind		14:41 26589.680 +140.141	
46) 2 ⁷ / ₈		828 102-21 /22		2.549		+ 09		62) S&P 500 Ind		14:26 d 2906.150 +5.700	
47) 3 ¹ / ₈		N28 104-24 /25		2.558		+ 09		63) NYM WTI Crd		14:31 d 64.020 +0.260	
48) 2 ⁵ / ₈		229 10YR 100-17 /18		2.560		+ 09+		64) Gold		14:41 1274.190 +0.180	

b. The manner in which the Pre-Issuance Hedges function is described in the following scenario:

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Scenario: A borrower is issuing fixed-rate debt via the public, capital markets and is scheduled to issue the debt in 12 months. Concerned that Treasury yields will rise, increasing interest payments, before the bonds are issued, the borrower enters into a 12 month forward Treasury lock.

Objective: Protect borrower from higher future interest rates with no upfront fee.

Strategy: Lock in today's yield curve with a Treasury lock

Results: The borrower plans a fixed rate bond issuance in 12 months. The fixed rate will be the yield on a then-current 10-year Treasury note + credit spread. The borrower enters into a Treasury lock with the counterparty 12 months prior to debt issuance to lock in a yield of 3.00%, in this example. The rate on their bond financing is now effectively fixed at 3.00% + credit spread, regardless of future yield curve movements.

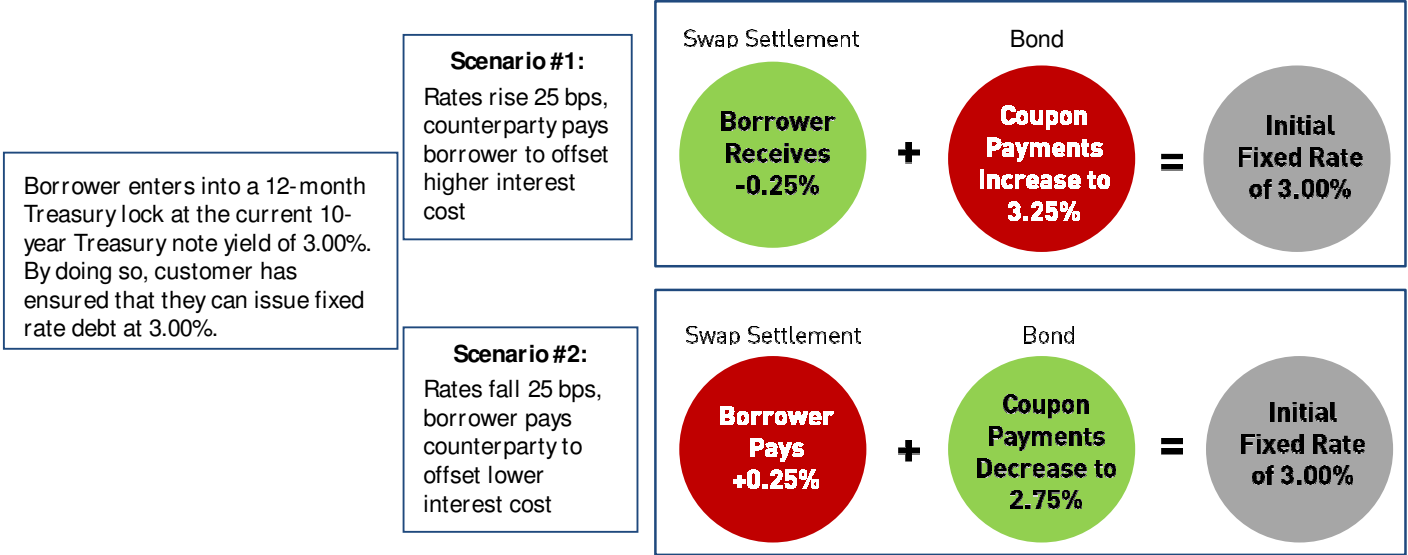
On the termination date (selected to match the expected debt issuance date), the counterparty and the borrower compare the current yield with the locked-in yield. If rates have risen, a payment will be made to the borrower based upon the movement in yields. If yields have declined, the borrower pays the counterparty. This payment allows the borrower to effectively hedge the change in yields over the 12-month period, and allows them to effectively issue the debt at the original 3.00% + credit spread. See diagram below

Through the use of a T-lock, the borrower has effectively locked in the Treasury rate of 3.00% for their financing, regardless of future interest rate movements and without incurring any upfront fees. If yields rise, the borrower will be fully insulated against higher interest costs. However, if yields fail to rise or fall, the borrower will not enjoy the benefit of stable or lower rates. In effect, the borrower has traded away any potential benefit from stable or falling rates to protect themselves from rising rates.

Kentucky Power has not identified the counterparty with whom it would enter into Pre-Issuance Hedges. The Company will only enter into transactions with highly-rated counterparties that are lenders under the bank credit facilities.

TREASURY LOCK STRUCTURE

The value of the T-lock and the coupon payments on the bonds to be issued have an inverse relationship. Any payment made to or from counterparty at settlement date is offset during the life of the bond.



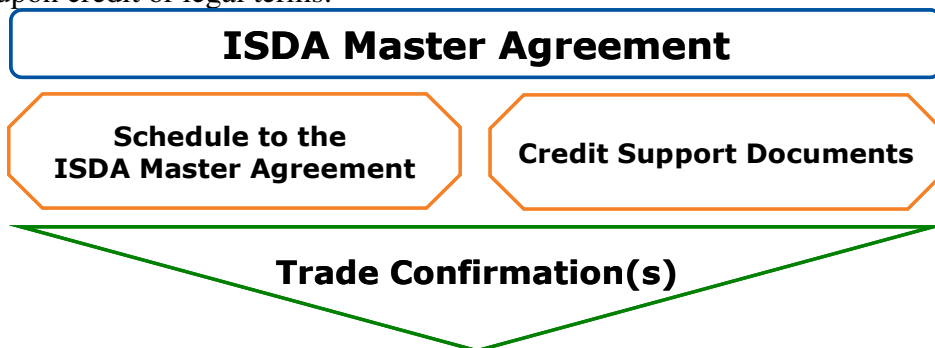
c.

The International Swaps and Derivatives Association (ISDA) was founded in 1985 with the mission of making the over-the-counter derivatives markets safer and more efficient. The organization developed the ISDA Master Agreement and related documents as a way to provide globally standardized documentation that reduces credit and legal risks.

The documents used to execute derivative transactions typically consist of:

1. ISDA Master Agreement
2. Schedule to the ISDA Master Agreement
3. Credit Support Documents (if applicable)
4. Trade Confirmations

These documents collectively make up the ISDA Agreement which serves as an umbrella agreement, allowing the parties to enter into future transactions without amending previously agreed upon credit or legal terms.



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ISDA Master Agreement:

The ISDA Agreement is built around a standardized framework that starts with the ISDA Master Agreement ("Master Agreement"). The Master Agreement is a form published by the International Swap Dealers Association, Inc. It is in a form that is not amended or edited except to include the names of the involved parties. Any modifications, elections or additions are made through the Schedule, Credit Support Annex and/or Trade Confirmations. The ISDA Master Agreement was first published in 1992 and updated in 2002. The primary difference between the two editions is the settlement method upon a termination event or event of default. See Attachment KPCO_R_KPSC_1_3_Attachment1.

Schedule to the ISDA Master Agreement:

Together with the Master Agreement, the Schedule sets forth all of the general terms and conditions necessary to define the risks, procedures, and representations between the parties. Notably, the Master Agreement and Schedule do not outline specific economic terms for a particular transaction, but rather contain both parties' elections, additions and amendments to the credit and legal framework provided in the Master Agreement. See Attachment KPCO_R_KPSC_1_3_Attachment1.

Trade Confirmations:

Once the legal and credit terms have been established, the economic terms of individual transactions can be executed. To evidence transactions, both parties enter into a trade confirmation that generally includes such details as the amounts, rates, dates, etc. The trade confirmation references the relevant ISDA documentation and can make amendments to the ISDA Agreements that apply only to that specific transaction.

A sample trade confirmation for a Treasury lock and cash-settled forward starting swap are attached as an Attachment KPCO_R_KPSC_1_3_Attachment1.

d.

The interest rate risk associated with a fixed rate bond issuance is a function of the par amount and the tenor (time of maturity) of the bond. As tenors and par amounts increase, the interest rate risk to Kentucky Power increases. Currently, the interest rate sensitivity (e.g. present value of 1 basis point) for a \$100 million bond over a 5, 10 or 30yr tenor is approximately \$47,993, \$90,781 and \$215,483 per basis point change in rates, respectively. Accordingly, if rates rise/fall ahead of a future bond issue, Kentucky Power's future interest

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expense increases/decreases as illustrated below. For example, a 25bps increase in the yield of the 30yr \$100 million bond results in \$5,387,075 of additional, present value interest expense (25 x \$215,483). Pre-Issuance Hedges allow Kentucky Power to mitigate the potential for increased future interest expense.

Mark-to-Market Amounts									
Replacement Rate Differential from Existing Swap Rate									
Start	Tenor	Notional	-0.75%	-0.50%	-0.25%	0.00%	+0.25%	+0.50%	+0.75%
Spot	5 Years	\$100MM	(3,599,475)	(2,399,650)	(1,199,825)	0	1,199,825	2,399,650	3,599,475
Spot	10 Years	\$100MM	(6,808,575)	(4,539,050)	(2,269,525)	0	2,269,525	4,539,050	6,808,575
Spot	30 Years	\$100MM	(16,161,225)	(10,774,150)	(5,387,075)	0	5,387,075	10,774,150	16,161,225

Witness: Franz D. Messner

(Multicurrency—Cross Border)

ISDA[®]

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of **May 11, 2004**

BANK and KENTUCKY POWER COMPANY

have entered and/or anticipate entering into one or more transactions (each a “Transaction”) that are or will be governed by this Master Agreement, which includes the schedule (the “Schedule”), and the documents and other confirming evidence (each a “Confirmation”) exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

1. Interpretation

- (a) **Definitions.** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this “Agreement”), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:—

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) **Deduction or Withholding for Tax.**

(i) **Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

- (1) promptly notify the other party ("Y") of such requirement;
- (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
- (4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) **Liability.** If:—

- (1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);
- (2) X does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
- (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) **Credit Support Default.**

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) **Misrepresentation.** A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) **Default under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross Default.** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) inclusive; or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Tax Event.** Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a Substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) **Tax Event Upon Merger.** The party (the “Burdened Party”) on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or Transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days' notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Transfer to Avoid Termination Event.** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into Transactions with the transferee on the terms proposed.

(iii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) **Right to Terminate.** If—

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then

continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation.***

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) ***Calculations.***

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) ***Payment Date.*** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) ***Events of Default.*** If the Early Termination Date results from an Event of Default:—

(1) ***First Method and Market Quotation.*** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) ***First Method and Loss.*** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) ***Second Method and Market Quotation.*** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the

Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss.* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

- (a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and
- (b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. Contractual Currency

(a) **Payment in the Contractual Currency.** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the “Contractual Currency”). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) **Judgments.** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term “rate of exchange” includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) **Separate Indemnities.** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) **Evidence of Loss.** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations**
- (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
- (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

10. Offices; Multibranch Parties

- (a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.
- (b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.
- (c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document

to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or
- (v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

- (i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and
- (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Service of Process.** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions

As used in this Agreement:—

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"Burdened Party" has the meaning specified in Section 5(b).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and **"lawful"** and **"unlawful"** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(c)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have

been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

“Non-default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

“Non-defaulting Party” has the meaning specified in Section 6(a).

“Office” means a branch or office of a party, which may be such party’s head or home office.

“Potential Event of Default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Reference Market-makers” means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Relevant Jurisdiction” means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

“Scheduled Payment Date” means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

“Set-off” means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

“Settlement Amount” means, with respect to a party and any Early Termination Date, the sum of:—

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party’s Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

“Specified Entity” has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Currency" has the meaning specified in the Schedule.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency, of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

BANK
(Name of Party)

KENTUCKY POWER COMPANY
(Name of Party)

By:
Name:
Title:
Date:

By:
Name:
Title:
Date:

Kentucky Power Company Sample Schedule to the Master Agreement

**SCHEDULE
to the
MASTER AGREEMENT**

dated as of May 11, 2004

between

**BANK
("Party A")**

and

**KENTUCKY POWER COMPANY
("Party B")**

PART 1

Termination Provisions and Certain Other Matters

- (1) **"Specified Entity"** means, in relation to Party A, for the purpose of:

Section 5(a)(v), none;

Section 5(a)(vi), none;

Section 5(a)(vii), none; and

Section 5(b)(iv), none;

and, in relation to Party B, for the purpose of:

Section 5(a)(v), none;

Section 5(a)(vi), none;

Section 5(a)(vii), none; and

Section 5(b)(iv), none.

- (2) **"Specified Transaction"** shall have the meaning specified in Section 14 of this Agreement provided that the following is hereby inserted before the end of the definition: "except that, notwithstanding the foregoing, any transaction in which Party B's obligations are identical to the obligations of any of its Affiliates that is also a party to that transaction (whether joint or several, or as guarantor or co-obligor) shall not be a Specified Transaction".

- (3) The “**Cross-Default**” provisions of Section 5(a)(vi), as modified below, will apply to Party A and Party B. Section 5(a)(vi) is hereby amended by (x) the deletion of the phrase “or becoming capable at such time of being declared,” from the seventh line thereof and (y) the addition of the following at the end thereof:

“provided, however, that notwithstanding the foregoing, an Event of Default shall not occur under either (1) or (2) above if, as demonstrated to the reasonable satisfaction of the other party, (a) the event or condition referred to in (1) or the failure to pay referred to in (2) is a failure to pay caused by an error or omission of an administrative or operational nature; and (b) funds were available to such party to enable it to make the relevant payment when due; and (c) such relevant payment is made within three Business Days following receipt of written notice from an interested party of such failure to pay.”

For such purpose:

- (a) “**Specified Indebtedness**” will have the meaning specified in Section 14, except that such term shall not include obligations in respect of deposits received in the ordinary course of a party's banking business when repayment of such deposits has been prevented as a result of any decree, regulation, law or other action taken by any governmental body or agency (including, without limitation, judicial action), which action is unrelated to such party's ability to pay deposits when due.
- (b) “**Threshold Amount**” means (i) with respect to Party A, an amount equal to three percent of the shareholders' equity of Party A, determined in accordance with generally accepted accounting principles in the United States of America (“GAAP”), consistently applied, as at the end of Party A's most recently completed fiscal year and (ii) with respect to Party B, USD50,000,000, or the equivalent thereof in any other currency or currencies.
- (4) The “**Credit Event Upon Merger**” provisions of Section 5(b)(iv) will apply to Party A and Party B, provided, however, that if the applicable party has long term, unsecured and unsubordinated indebtedness or deposits which is or are publicly rated (such rating, a “Credit Rating”) by Moody's Investor Services, Inc. (“Moody's”), Standard and Poors Ratings Group (“S&P”) or any other internationally recognized rating agency (a “Rating Agency”), then the words “materially weaker” in line 5 of Section 5(b)(iv) shall mean that the Credit Rating of such party (or, if applicable, the Credit Support Provider of such party) shall be rated lower than Baa3 by Moody's, or lower than BBB- by S&P or, (ii) in the event that the Credit Rating of such party (or, if applicable, the Credit Support Provider of such party) is not rated by either Moody's or S&P but is rated by a Rating Agency, lower than a rating equivalent to the foregoing by such Rating Agency of the applicable party immediately prior to the action described in Section 5(b)(iv).
- (5) The “**Automatic Early Termination**” provision of Section 6(a) will not apply to Party A or Party B.

- (6) **Payments on Early Termination.** For the purpose of Section 6(e):
- (i) Market Quotation will apply.
 - (ii) The Second Method will apply.
- (7) **“Termination Currency”** means United States Dollars.
- (8) **“Additional Termination Event”** will not apply.

PART 2
Tax Representations

- (a) **Payer Tax Representations.** For the purpose of Section 3(e) of this Agreement, Party A and Party B hereby make the following representation: It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e)) to be made by it to the other party under this Agreement. In making this representation, it may rely on: (A) the accuracy of any representation made by the other party pursuant to Section 3(f) of this Agreement; (B) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii); and (C) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement; provided that it shall not be a breach of this representation where reliance is placed on clause (B) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.
- (b) **Payee Tax Representations.** For the purpose of Section 3(f) of this Agreement:
- (i) Party A and Party B each represent, respectively, that it is the beneficial owner of each payment made or to be made under this Agreement and it is a United States Person for U.S. federal income tax purposes.
 - (ii) Party A represents that it is a banking corporation created or organized under the laws of the State of New York and its federal taxpayer identification number is 13-4994650.
 - (iii) Party B represents that it is a corporation created or organized under the laws of the State of Kentucky and its federal taxpayer identification number is 61-0247775.

PART 3
Agreement to Deliver Documents

For the purpose of Sections 4(a)(i) and 4(a)(ii) of this Agreement, each party agrees to deliver the following documents:

(a) Tax forms, documents or certificates to be delivered are:

Each party agrees to accurately complete and deliver two United States Internal Revenue Service Forms W-9 (or any successor applicable forms), in a manner reasonably satisfactory to the other party (i) upon execution of this Agreement; (ii) promptly upon reasonable demand of the other party, and (iii) promptly upon learning that any such form previously filed by the party has become obsolete or incorrect.

(b) Other documents to be delivered are:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A and Party B	Evidence of the authority and true signatures of each official or representative signing this Agreement or, as the case may be, a Confirmation, on its behalf	On or before execution of this Agreement and thereafter upon request of the other party	Yes
Party B	Opinion of Party B's legal counsel in a form satisfactory to Party A regarding (inter alia) the power and authority of Party B to enter into this Agreement and Transactions hereunder.	On or before execution of this Agreement.	Yes

Party A and Party B	Annual Report of such party (in the case of Party A, Bank) containing consolidated financial statements certified by independent certified public accountants and prepared in accordance with GAAP	To the extent not publicly available, upon request
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Party A and Party B	Unaudited consolidated financial statements of such party (in the case of Party A, Bank) for a fiscal quarter prepared in accordance with GAAP	To the extent not publicly available, upon request
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PART 4
Miscellaneous

(1) **Addresses for Notices.** For the purposes of Section 12(a) of this Agreement:

- (a) All notices or communications to Party A shall, with respect to a particular Transaction, be sent to the address, telex number, or facsimile number reflected in the Confirmation of that Transaction, and any notice for purposes of Sections 5 or 6 shall be sent to:

Bank
123 Any Street
AnyCity, Anystate 12345
Attention: Legal Department - Derivatives Practice Group
Facsimile: (123) 456-7890

- (b) All notices or communications to Party B shall be sent to the address, or facsimile number reflected below:

Kentucky Power Company
1 Riverside Plaza
Columbus, Ohio 43215
Attention: Treasurer
Facsimile: (614) 223-2807
Telephone. No: (614) 223-1000

- (2) **Process Agent.** For the purpose of Section 13(c) of this Agreement:
- Party A appoints as its Process Agent: Not Applicable.
Party B appoints as its Process Agent: Not Applicable.
- (3) **Offices.** The provisions of Section 10(a) of this Agreement will apply to Party A and Party B.
- (4) **Multibranch Party.** For the purpose of Section 10(c) of this Agreement:
- Party A is not a Multibranch Party and may act through its New York Office.
- Party B is not a Multibranch Party.
- (5) **Calculation Agent.** The Calculation Agent is Party A, unless otherwise specified in a Confirmation in relation to the relevant Transaction.
- (6) **Credit Support Document.**
- Not applicable.
- (7) **Credit Support Provider.**
- Not applicable.
- (8) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of New York.
- (9) **Netting of Payments.** Subparagraph (ii) of Section 2(c) of this Agreement will apply except to the following groups of Transactions: foreign exchange transactions and currency options.
- (10) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement.

PART 5

Other Provisions

- (1) **Set-off.** Section 6 of this Agreement is hereby amended by adding the following Subsection (f) at the end thereof:
- (f) Set-off.** (i) Any amount (the "Early Termination Amount") payable to one party (the "Payee") by the other party (the "Payer") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(iv) has occurred, will, at the option of the party ("X") other than

the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or Affected Party), be reduced by its set-off against any amount(s) (the "Other Agreement Amount") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer or any instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f). Notwithstanding the foregoing, no agreement, instrument or undertaking in which Party B's obligations arise as guarantor or credit support provider shall be eligible for set-off as provided herein nor shall any amounts derived from such agreements, instruments or undertakings be included in Other Agreement Amounts.

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise)."

Notwithstanding the foregoing, no agreement, instrument or undertaking in which Party B's obligations are identical to the obligations of any of its Affiliates that is also a party to such agreements, instruments or undertakings (whether joint or several, or as guarantor or co-obligor) shall be eligible for set-off as provided herein nor shall any amounts derived from such agreements, instruments or undertakings be included in Other Agreement Amounts.

(2) **Exchange of Confirmations.** For each Transaction entered into hereunder, Party A shall promptly send to Party B a Confirmation, via telex or facsimile transmission. Party B agrees to respond to such Confirmation within 10 Local Business Days, either confirming agreement thereto or requesting a correction of any error(s) contained therein. The parties agree that any such exchange of telexes or facsimile transmissions shall constitute a Confirmation for all purposes hereunder.

(3) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

- (a) ***Non-Reliance.*** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.
- (b) ***Assessment and Understanding.*** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
- (c) ***Status of Parties.*** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.
- (4) **Waiver of Jury Trial.** Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Agreement or any Credit Support Document. Each party (i) certifies that no representative, agent or attorney of the other party or any Credit Support Provider has represented, expressly or otherwise, that such other party would not, in the event of such a suit, action or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Agreement and provide for any Credit Support Document, as applicable, by, among other things, the mutual waivers and certifications in this Section.
- (5) **Consent to Recording.** Each Party (i) consents to the recording of all telephone conversations between trading, operations and marketing personnel of the parties and their Affiliates in connection with this Agreement or any potential Transaction; (ii) agrees to give notice to such personnel of it and its Affiliates that their calls will be recorded; and (iii) agrees that in any Proceedings, it will not object to the introduction of such recordings in evidence on grounds that consent was not properly given.
- (6) **Further Representation.** Each party represents to the other party (which representation will be deemed to be repeated by each party on each date on which a Transaction is entered into) that the financial information delivered by it pursuant to paragraph (b) of Part 3 of this Schedule, including the related schedules and notes thereto, has been prepared in accordance with GAAP, applied consistently throughout the periods involved (except as disclosed therein).

- (7) **Eligible Contract Participant.** Each party represents to the other party (which representation will be deemed to be repeated by each party on each date on which a Transaction is entered into) that it is an “eligible contract participant”, as defined in the Commodity Futures Modernization Act of 2000.
- (8) **ISDA EURO Protocol.** The parties agree that the definitions and provisions contained in Annexes 1 through 4 and Section 6 of the ISDA EURO Protocol published on 24th September 2001 (the “ISDA Protocol”), are incorporated into and apply to this Agreement and form a part hereof. References in those definitions and provisions to any “ISDA Master Agreement” will be deemed to be references to this Agreement.
- (9) **ISDA Definitions.** Reference is hereby made to the 2000 ISDA Definitions (the "2000 Definitions") and the 1998 FX and Currency Option Definitions (the "FX Definitions") (collectively the “ISDA Definitions”) each as published by the International Swaps and Derivatives Association, Inc., which are hereby incorporated by reference herein. Any terms used and not otherwise defined herein which are contained in the ISDA Definitions shall have the meaning set forth therein.
- (10) **Scope of Agreement.** Notwithstanding anything contained in this Agreement to the contrary, any transaction which may otherwise constitute a "Specified Transaction" for purposes of this Agreement which has been or will be entered into between the parties shall constitute a "Transaction" which is subject to, governed by, and construed in accordance with the terms of this Agreement, unless any Confirmation with respect to a Transaction entered into after the execution of this Agreement expressly provides otherwise.
- (11) **Inconsistency.** In the event of any inconsistency between any of the following documents, the relevant document first listed below shall govern: (i) a Confirmation; (ii) the Schedule and an ISDA Credit Support Annex (as applicable); (iii) the ISDA Definitions; and (iv) the printed form of ISDA Master Agreement and ISDA Credit Support Annex (as applicable). In the event of any inconsistency between provisions contained in the 2000 Definitions and the FX Definitions, the FX Definitions shall prevail.

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

BANK

KENTUCKY POWER COMPANY

By: _____
Name:
Title:
Date:

By: _____
Name:
Title:
Date:

Trade Confirmation Templates

[TRADE DATE]

Counterparty, Inc.
Street #
City State ZIP

Attn: Attn:
Phone: Phone:
Email: Email:

From: From:
Phone: Phone:

Reference: Reference:
USI: USI:

The purpose of this letter agreement is to confirm the terms and conditions of the Interest Rate Swap transaction (the "Transaction") entered into between BORROWER NAME ("COUNTERPARTY") and BANK ("BANK") on the Trade Date specified below.

1. The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) and any addenda or revisions thereto, are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.
2. This Confirmation constitutes a "Confirmation" as referred to in, and supplements, forms part of and is subject to, that certain ISDA Master Agreement and related Schedule between COUNTERPARTY and BANK, dated as of _____ (as amended, modified, supplemented, renewed or restated from time to time, the "ISDA Master Agreement"). All provisions contained in or incorporated by reference in the ISDA Master Agreement shall supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and the ISDA Master Agreement shall govern this Confirmation and the Transaction evidenced hereby, except as modified expressly below. In the event of any inconsistency between the provisions of the ISDA Master Agreement and this Confirmation, this Confirmation will govern for purposes of the Transaction.
3. Each party represents to the other party that:
 - (a) It is acting for its own account as principal, and it has made its own independent decisions to enter into the ISDA Master Agreement and the Transaction and as to whether the ISDA Master Agreement and the Transaction each is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary to permit it to evaluate the merits and risks of the ISDA Master Agreement and the Transaction. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into the ISDA Master Agreement or the Transaction; it being understood that information and explanations related to the terms and conditions of the ISDA Master Agreement or the Transaction shall not be considered investment advice or a recommendation to enter into the ISDA Master Agreement or the Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of the ISDA Master Agreement or the Transaction.
 - (b) It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the ISDA Master Agreement and the Transaction. It is also capable of assuming, and assumes, the risks of the ISDA Master Agreement and the Transaction.

- (c) The other party is not acting as a fiduciary for or an adviser to it in respect of the ISDA Master Agreement or the Transaction.
- (d) It has entered into the Transaction in connection with a line of its business and for purposes of hedging and not for the purpose of speculation.

4. The terms of the Transaction to which this Confirmation relates are as follows:

Type Of Transaction: Interest Rate Swap
Notional Amount: USD _____
Trade Date: [TRADE DATE]
Effective Date: [EFFECTIVE DATE]
Termination Date: [TERMINATION DATE], subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Fixed Rate Payer: COUNTERPARTY
Fixed Rate Calculation Periods: From and including the tenth (10th) day of each December and June to but excluding the tenth (10th) day of the following June and December starting with the Effective Date continuing until the Termination Date, subject to No Adjustment.
Fixed Rate Payer Payment Dates: The initial payment will commence on June 10, 2021, and thereafter on the tenth (10th) day of each December, June, and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Fixed Rate: [TBD]%
Fixed Rate Day Count Fraction: 30/360
Business Days: New York and London

Floating Amounts:

Floating Rate Payer: BANK
Floating Rate Calculation Periods: From and including the tenth (10th) day of each December, March, June, and September to but excluding the tenth (10th) day of the following March, June, September, and December starting with the Effective Date continuing until the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate Payer Payment Dates: The initial payment will commence on March 10, 2021, and thereafter on the tenth (10th) day of each June, September, December, and March ending on the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

Floating Rate for Initial
Calculation Period: TBD

Reset Dates: The first day of each Floating Rate Calculation Period, with Period End Dates subject to adjustment in accordance with the Modified Following Business Day Convention.

Floating Rate Option: USD-LIBOR-BBA-Bloomberg

Designated Maturity: Three (3) Months

Spread: Inapplicable

Floating Rate Day Count
Fraction: Actual/360

Business Days: New York and London

Compounding: Inapplicable

Early Termination:

Mandatory Early
Termination: Applicable

Settlement Terms:

Mandatory Early
Termination Date: [EFFECTIVE DATE]

Business Day Convention
For Mandatory Early
Termination Date: Modified Following

Cash Settlement
Valuation Time: 11:00 A.M. New York Time

Cash Settlement
Valuation Date: [EFFECTIVE DATE]

Valuation Business Days: New York and London

Cash Settlement Method: Collateralized Cash Price. For the avoidance of doubt, this means for purposes of calculating the Cash Settlement Amount, the Overnight Indexed Swap rate (OIS) will be the applicable discount rate. As outlined in Section 18.2 of the 2006 ISDA Definitions, the parties will first attempt to agree on the Cash Settlement Amount. If the parties are unable to agree on the Cash Settlement Amount by the Cash Settlement Valuation Time on the Cash Settlement Valuation Date, the Cash Settlement Amount will be determined using the "Collateralized Cash Price" cash settlement method.

Cash Settlement
Currency: USD

Settlement Rate: Reference Banks

Cash Settlement
Reference Banks: To be agreed upon by BANK and COUNTERPARTY

Quotation Rate: Mid

General Terms:

Calculation Agent: As set forth by the ISDA Master Agreement.

Jury Waiver: EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE ISDA MASTER AGREEMENT, ANY CREDIT SUPPORT DOCUMENT, THIS CONFIRMATION OR THE TRANSACTION EVIDENCED HEREBY.

Governing Law: The Transaction shall be governed by and construed in accordance with the laws of the State of New York, without reference to the choice of law doctrine.

Execution in Counterparts: This Confirmation may be executed in counterparts, each of which shall be an original and both of which when taken together shall constitute the same agreement. Transmission by facsimile, e-mail or other form of electronic transmission of an executed counterpart of this Confirmation shall be deemed to constitute due and sufficient delivery of such counterpart.

Electronic Records and Signatures: It is agreed by the parties that the use of electronic signatures and the keeping of records in electronic form be granted the same legal effect, validity and enforceability as a signature affixed by hand or the use of a paper-based record keeping system (as the case may be) to the extent and as provided for in any applicable law.

Periodic Interest Rate Swap Payment Options - Choose One

Pay by Automatic Debit or Credit

I hereby Authorize BANK Bank to deposit or withdraw any amounts owed to me or by me by initiating credit or debit entries to my account at the Financial Institution indicated below. Further, I authorize my Financial Institution to accept and to credit or debit any entries initiated by BANK Bank to my account. In the event that BANK Bank deposits funds erroneously into my account, I authorize BANK Bank to debit my account for an amount not to exceed the original amount of the credit.

Bank Name: _____
ABA: _____
Account #: _____
Checking or Savings: _____

This authorization is to remain in full force and effect until BANK Bank and/or my Financial Institution has received written notice from me of its termination in such time and in such manner as to afford BANK Bank and/or my Financial Institution a reasonable opportunity to act on it.

Pay by Wire

Payments to BANK shall be made in immediately available funds to:

Bank Name: _____
ABA: _____
Account #: _____
Account Of: Investment Operations

Attention: Derivative Products

Payments to COUNTERPARTY shall be made in immediately available funds to:

Bank Name: _____
 ABA: _____
 Account #: _____
 Account Of: _____
 Attention: _____

BANK Contact Information and Counterparty Contact Information for securing Web Portal Access:

Payments: derivatives.payments@BANK.com
 Audit Confirmation Requests: brokerconf@BANK.com
 Web Portal Access and Customer Onboarding: cam.derivatives@BANK.com

BANK will provide access to a secure website for the individuals listed below. Access to the site will include the ability to view the **Interest Payment Advice**, as well as two documents required by Dodd Frank as follows: i) **Mid-market Mark Report**; and ii) **Portfolio Reconciliation Report**. Unless you notify BANK in writing that you do not agree to receive these Dodd Frank required documents through the website, you agree that the posting of them on the Website is an acceptable and reliable manner of disclosure to you. Logon credentials will be provided after confirmation has been executed and returned to BANK. Please provide additional names as required.

First Name	Last Name	Email address	Telephone

Please confirm that the foregoing correctly sets forth the terms of our agreement concerning the transaction by signing this Confirmation where indicated below and returning a signed copy by overnight delivery (c/o BANK). By signing below, COUNTERPARTY acknowledges that it has consented to receive this Confirmation via electronic mail.

Please retain a signed copy of this Confirmation for your records. Should you have any questions, please call.

Yours Sincerely,

Accepted and agreed as of the date first above written:

COUNTERPARTY

By: _____
 Name:
 Title:

Counterparty, Inc.
Street #
City State ZIP

Attn:
Phone:
Email:

From:
Phone:

Reference: MX_
USI: 1030450478MX_

The purpose of this letter agreement is to confirm the terms and conditions of the Interest Rate Swap transaction (the "Transaction") entered into between BORROWER NAME ("COUNTERPARTY") and BANK ("BANK") on the Trade Date specified below. By signing below, COUNTERPARTY acknowledges that it has consented to receive this Confirmation via electronic mail.

1. The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) and any addenda or revisions thereto, are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.
2. This Confirmation constitutes a "Confirmation" as referred to in, and supplements, forms part of and is subject to, that certain ISDA Master Agreement and related Schedule between COUNTERPARTY and BANK, dated as of _____ (as amended, modified, supplemented, renewed or restated from time to time, the "ISDA Master Agreement"). All provisions contained in or incorporated by reference in the ISDA Master Agreement shall supersede all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and the ISDA Master Agreement shall govern this Confirmation and the Transaction evidenced hereby, except as modified expressly below. In the event of any inconsistency between the provisions of the ISDA Master Agreement and this Confirmation, this Confirmation will govern for purposes of the Transaction.
3. Each party represents to the other party that:
 - (a) It is acting for its own account as principal, and it has made its own independent decisions to enter into the ISDA Master Agreement and the Transaction and as to whether the ISDA Master Agreement and the Transaction each is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary to permit it to evaluate the merits and risks of the ISDA Master Agreement and the Transaction. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into the ISDA Master Agreement or the Transaction; it being understood that information and explanations related to the terms and conditions of the ISDA Master Agreement or the Transaction shall not be considered investment advice or a recommendation to enter into the ISDA Master Agreement or the Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of the ISDA Master Agreement or the Transaction.
 - (b) It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the ISDA Master Agreement and the Transaction. It is also capable of assuming, and

assumes, the risks of the ISDA Master Agreement and the Transaction.

- (c) The other party is not acting as a fiduciary for or an adviser to it in respect of the ISDA Master Agreement or the Transaction.
- (d) It has entered into the Transaction in connection with a line of its business and for purposes of hedging and not for the purpose of speculation.
- (e) It is an "eligible contract participant", as that term is defined in Section 1a(18) of the Commodity Exchange Act and applicable regulations there under.

4. The terms of the Transaction to which this Confirmation relates are as follows:

Type Of Transaction: Treasury Lock Transaction

Notional Amount: USD _____

Trade Date: [TRADE DATE]

Base Treasury Securities: As of the Determination Date, the "Then-Current" [10-Year] U. S. Treasury Note.

Base Treasury Rate: As of the Determination Date, the yield to maturity (stated as a percentage) determined by BANK based on the offered quote on the Notional Amount of Base Treasury Securities.

Dollar Value of an .01: As of the Determination Date, the change in the U.S. dollar price of the Base Treasury Securities underlying the Treasury Lock Transaction given a one (1) basis point (.01%) change in its yield to maturity.

The dollar amount per one (1) million face value will be determined from the Dollar Value of an .01 field on Bloomberg Financial Market's Government Yield Analysis Page as of the Determination Date multiplied by 10,000.

If no Dollar Value of a .01 for the Base Treasury Securities is available on the Bloomberg Financial Market's Government Yield Analysis Page, BANK shall determine the Dollar Value of a .01 as of the Determination Date.

Determination Date: [DETERMINATION DATE], no later than 1:30p.m. (New York Time).

Locked in Treasury Rate: [TBD%]

New York Banking Day: Any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

Payment Date: The first New York Banking Day following the Determination Date.

Adjustment Amount: The Adjustment Amount will equal the product of (a) the Dollar Value of an .01 on the Notional Amount expressed in millions, times (b) the difference in basis points of the Base Treasury Rate minus the Locked-In Treasury Rate. If the Base Treasury Rate is greater than the Locked-In Treasury Rate, then BANK will pay the Adjustment Amount to COUNTERPARTY. If the Base Treasury Rate is less than the Locked-In Treasury Rate, then COUNTERPARTY will pay the absolute value of such Adjustment Amount to BANK. If the Base Treasury Rate equals the

Locked-In Treasury Rate, then no payment shall be made by or to any party.

Payment of Adjustment Amount: Payment of the Adjustment Amount will be made on the Payment Date.

Assignment: No assignment without prior written consent of other party.

General Terms:

Calculation Agent: BANK

Jury Waiver: EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE ISDA MASTER AGREEMENT, ANY CREDIT SUPPORT DOCUMENT, THIS CONFIRMATION OR THE TRANSACTION EVIDENCED HEREBY.

Governing Law: The Transaction shall be governed by and construed in accordance with the laws of the State of New York, without reference to the choice of law doctrine.

Execution in Counterparts: This Confirmation may be executed in counterparts, each of which shall be an original and both of which when taken together shall constitute the same agreement. Transmission by facsimile, e-mail or other form of electronic transmission of an executed counterpart of this Confirmation shall be deemed to constitute due and sufficient delivery of such counterpart.

Electronic Records and Signatures: It is agreed by the parties that the use of electronic signatures and the keeping of records in electronic form be granted the same legal effect, validity and enforceability as a signature affixed by hand or the use of a paper-based record keeping system (as the case may be) to the extent and as provided for in any applicable law.

Payment Instructions:

Payments to BANK shall be made in immediately available funds to:

Bank Name: _____
ABA: _____
Account #: _____
Account Of: Investment Operations
Attention: Derivative Products

Payments to COUNTERPARTY shall be made in immediately available funds to:

Bank Name: _____
ABA: _____
Account #: _____
Account Of: _____
Attention: _____

OR:

I hereby Authorize BANK Bank to deposit or withdraw any amounts owed to me or by me by initiating credit or debit entries to my account at the Financial Institution indicated below. Further, I authorize my Financial Institution to accept and to credit or debit any entries initiated by BANK Bank to my account. In the event that BANK Bank deposits funds erroneously into my account, I authorize BANK Bank to debit my account for an amount not to exceed the original amount of the credit.

Bank Name: _____
ABA: _____
Account #: _____
Checking or Savings: _____

This authorization is to remain in full force and effect until BANK Bank and/or my Financial Institution has received written notice from me of its termination in such time and in such manner as to afford BANK Bank and/or my Financial Institution a reasonable opportunity to act on it.

BANK Contact Information and Counterparty Contact Information for securing Web Portal Access:

Payments: derivatives.payments@BANK.com
Audit Confirmation Requests: brokerconf@BANK.com
Web Portal Access and Customer Onboarding: BANKcm_docs@BANK.com

BANK will provide access to a secure website for the individuals listed below. Access to the site will include the ability to view the **Interest Payment Advice**, as well as two documents required by Dodd Frank as follows: i) **Mid-market Mark Report**; and ii) **Portfolio Reconciliation Report**. Unless you notify BANK in writing that you do not agree to receive these Dodd Frank required documents through the website, you agree that the posting of them on the Website is an acceptable and reliable manner of disclosure to you. Logon credentials will be provided after confirmation has been executed and returned to BANK. Please provide additional names as required.

First Name	Last Name	Email address	Telephone

Please confirm that the foregoing correctly sets forth the terms of our agreement concerning the transaction by signing this Confirmation where indicated below and returning a signed copy by overnight delivery (c/o BANK). Should you wish to return your signed copy by e-mail, please first contact your derivatives marketer.

Please retain a signed copy of this Confirmation for your records. Should you have any questions, please call.

Yours Sincerely,

Accepted and agreed as of the date first above written:

COUNTERPARTY NAME

By: _____

Name:

Title:

Kentucky Power Company
KPSC Case No. 2019-00072
Commission Staff's First Set of Data Requests
Dated April 11, 2019

DATA REQUEST

KPSC_1_4

Refer to paragraph 10 of the application.

- a. Provide the most current interest rates if Kentucky Power were to issue a secured private placement indebtedness or secured tax-exempt bonds.
- b. Provide a detailed analysis illustrating estimated interest cost savings for Kentucky Power that can result from the use of interest rate management techniques.

RESPONSE

a. Please see KPCO_R_KPSC_1_4_Attachment1.pdf for the indicative pricing documents from Barclays (private placement) and KeyBanc (tax-exempt). As points of reference, page 2 of the Barclays presentation indicates a 10 year private placement interest rate indicative pricing range of 3.99% - 4.09% while page 4 of the KeyBank presentation indicates a 10 year tax-exempt AMT interest rate indicative pricing range of 3.20% - 3.45%.

b. Regarding illustrative savings analysis please see response to KPSC_1_3_d.

Witness: Franz D. Messner



Kentucky Power Indicative New Issue Pricing

April 16th, 2019

Public Secondary Trading Comparables

Issuer	Ratings		Coupon (%)	Maturity Date	Amt (\$mm)	Current (bid)						
	Moody's	S&P				T+	G+	L+	Yield	Price		
AEP Transmission	A2	A-	3.100%	12/01/26	425	+75	+73	+74	3.241%	\$99.05		
	A2	A-	3.750%	12/01/47	500	+102	-	+124	3.995%	\$95.84		
	A2	A-	4.250%	09/15/48	325	+103	-	+125	4.005%	\$104.17		
Ohio Power	A2	A-	4.150%	04/01/48	400	+105	-	+127	4.025%	\$102.10		
Indiana Michigan Power	A3	A-	3.850%	05/15/28	350	+80	+83	+84	3.389%	\$103.50		
	A3	A-	3.750%	07/01/47	300	+119	-	+141	4.165%	\$93.15		
	A3	A-	4.250%	08/15/48	475	+122	-	+144	4.195%	\$100.91		
AEP Texas	Baa1	A-	2.400%	10/01/22	400	+55	+54	+48	2.917%	\$98.31		
	Baa1	A-	3.950%	06/01/28	500	+93	+96	+97	3.519%	\$103.26		
	Baa1	A-	3.800%	10/01/47	300	+125	-	+148	4.244%	\$92.70		
Appalachian Power	Baa1	A-	3.300%	06/01/27	325	+101	+107	+108	3.590%	\$97.97		
	Baa1	A-	4.500%	03/01/49	400	+131	-	+153	4.292%	\$103.45		
Southwestern Electric Power	Baa2	A-	4.100%	09/15/28	575	+105	+107	+108	3.630%	\$103.64		
	Baa2	A-	3.850%	02/01/48	450	+138	-	+160	4.355%	\$91.75		
Baltimore Gas & Electric	A3	A	2.400%	08/15/26	350	+78	+86	+87	3.360%	\$93.81		
	A3	A	4.250%	09/15/48	300	+113	-	+135	4.105%	\$102.44		
Monongahela Power*	A3	A-	3.550%	05/15/27	250	+101	+107	+108	3.590%	\$99.72		
American Transmission Systems**	A3	BBB	5.000%	09/01/44	400	+153	-	+176	4.512%	\$107.25		
Mid-Atlantic Interstate Transmission	A3	BBB	4.100%	05/15/28	450	+129	+132	+133	3.870%	\$101.75		
Entergy Texas Inc*	Baa1	A	4.000%	03/30/29	300	+104	+104	+106	3.629%	\$103.02		
	Baa1	A	4.500%	03/30/39	400	+127	+147	+152	4.254%	\$103.23		
Georgia Power	Baa1	A-	↓	3.250%	03/30/27	400	+115	+121	+122	3.730%	\$96.73	
Interstate Power & Light Co	Baa1	↓	A-	↓	3.600%	04/01/29	300	+110	+110	+111	3.689%	\$99.27
Oglethorpe Power Co*	Baa1	BBB+		5.050%	10/01/48	500	+152	-	+174	4.504%	\$108.78	
Pennsylvania Electric**	Baa1	BBB		3.250%	03/15/28	300	+134	+137	+138	3.920%	\$95.00	
Cleveland Electric**	Baa3	↑	BBB		4.550%	11/15/30	300	+150	+147	+147	4.083%	\$104.20

↓ negative outlook ↓ negative watch ⇔ watch developing ↔ outlook forming ↑ positive outlook ↑ positive watch *secured **144A

Recent Private Comparables and New Issue Pricing

Recent Utility Private Placement Comparables					
Issue Date	Issuer	Ratings	Maturity	Size (\$mm)	Spread (bps) / Coupon (%)
Feb-19	Public Service Company of Oklahoma	NAIC-2	10, 15, 30	\$350.0	125 (3.91%), 145 (4.11%), 150 (4.50%)
Jan-19	Portland General Electric	NAIC-1	30	\$200.0	125 (4.30%)
Dec-18	UGI Utilities Inc	NAIC-1	30	\$150.0	140 (4.55%)
Nov-18	Michigan Electric Transmission	NAIC-1	30	\$100.0	122 (4.55%), 132 (4.65%)
Nov-18	Central Maine Power	NAIC-1	10, 7, 10, 15	\$300.0	90 (3.95%), 90 (3.87%), 100 (4.05%), 115 (4.20%)
Sep-18	Hawaiian Electric Industries Inc	NAIC-2	7, 10	\$150.0	155, 165
Sep-18	Entergy New Orleans LLC	NAIC-2	15	\$60.0	145 (3.06%)
Sep-18	Duke Energy Kentucky Inc	NAIC-2	5, 10, 30	\$100.0	105 (4.01%), 110 (4.18%), 140 (4.62%)
Jun-18	Consumers Energy Co	NAIC-1	9, 20, 39	\$500.0	85 / Icur (3.68%), 110 / Icur (4.01%), 130 (4.28%)
Jun-18	El Paso Electric	NAIC-2	10	\$125.0	125 (4.22%)
Jun-18	DTE Gas	NAIC-1	10, 30	\$320.0	85 (3.81%), 105 (4.14%)
May-18	Potomac Electric Power Co	NAIC-1	30, 30 (Nov)	\$200.0	115 (4.27%), 119 (4.31%)
May-18	Delmarva Power & Light	NAIC-1	30	\$200.0	115 (4.27%)
May-18	Hawaiian Electric Company	NAIC-2	10, 15, 30	\$100.0	130, 145, 150

Indicative Private Placement Pricing ¹ : Kentucky Power Co							
Average Life:	5yr	7yr	10yr	12yr	15yr	20yr	30yr
Benchmark Treasury:	5T	7T	10T	10T	10T	ICURV20	30T
Benchmark Treasury Yield:	2.41%	2.50%	2.59%	2.59%	2.59%	2.81%	2.99%
Re-offer Spread (bps):	+130 - 140	+135 - 145	+140 - 150	+150 - 160	+165 - 175	+160 - 170	+170 - 180
Fixed USD Coupon:	3.71% - 3.81%	3.85% - 3.95%	3.99% - 4.09%	4.09% - 4.19%	4.24% - 4.34%	4.41% - 4.51%	4.69% - 4.79%

Source: Bloomberg.

Note: Rates as of 4/16/19. Assumes NAIC-2 designations.

Disclaimer

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American Electric Power Company

Tax-Exempt Market Update

KeyBanc Capital Markets Inc. – Corporate & Investment Banking
Tax-Exempt Energy Group

April 16, 2019



BOUNDLESS ENERGY™

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Disclosure of MSRB Rule G-23

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Interest rates used herein are hypothetical and take into consideration conditions in today's market and other factual information such as the issuer's credit rating, geographic location and market sector. Interest rates applied herein are hypothetical, based on current market facts and should not be viewed as rates that KBCM expects to achieve for you should we be selected to act as your underwriter or placement agent. Information about interest rates and terms for SLGs is based on current publically available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that KBCM expects to achieve for you should we be selected to act as your underwriter or placement agent.



Hypothetical New Issue Pricing Ranges

- The hypothetical new issue pricing ranges provided herein take into consideration current market conditions and certain factual information, including credit rating, geographic location and market sector. **The analysis presented herein does not constitute a recommendation and is for informational purposes only.**

**Borrower/Obligor:
Structure:
Ratings (long-term):**

**Kentucky Power Company¹
Senior Unsecured
Baa3 / A-**

Tax Status:

Mandatory Puts	2-year	<i>MMD²</i> Spread Range Spot Yield Range
	3-year	<i>MMD²</i> Spread Range Spot Yield Range
	4-year	<i>MMD²</i> Spread Range Spot Yield Range
	5-year	<i>MMD²</i> Spread Range Spot Yield Range
	6-year	<i>MMD²</i> Spread Range Spot Yield Range

Non-AMT	AMT
16-Apr-2019	16-Apr-2019
1.550%	1.550%
45 bps - 70 bps 2.000% - 2.250%	65 bps - 90 bps 2.200% - 2.450%
1.570%	1.570%
56 bps - 81 bps 2.125% - 2.375%	78 bps - 103 bps 2.350% - 2.600%
1.610%	1.610%
64 bps - 89 bps 2.250% - 2.500%	84 bps - 109 bps 2.450% - 2.700%
1.670%	1.670%
73 bps - 98 bps 2.400% - 2.650%	93 bps - 118 bps 2.600% - 2.850%
1.710%	1.710%
84 bps - 109 bps 2.550% - 2.800%	104 bps - 129 bps 2.750% - 3.000%

Maturities	10-year	<i>MMD²</i> Spread Range Spot Yield Range
	15-year	<i>MMD²</i> Spread Range Spot Yield Range
	20-year	<i>MMD²</i> Spread Range Spot Yield Range
	25-year	<i>MMD²</i> Spread Range Spot Yield Range
	30-year	<i>MMD²</i> Spread Range Spot Yield Range

Non-AMT	AMT
16-Apr-2019	16-Apr-2019
1.930%	1.930%
102 bps - 127 bps 2.950% - 3.200%	127 bps - 152 bps 3.200% - 3.450%
2.260%	2.260%
114 bps - 139 bps 3.400% - 3.650%	139 bps - 164 bps 3.650% - 3.900%
2.500%	2.500%
115 bps - 140 bps 3.650% - 3.900%	140 bps - 165 bps 3.900% - 4.150%
2.630%	2.630%
117 bps - 142 bps 3.800% - 4.050%	142 bps - 167 bps 4.050% - 4.300%
2.680%	2.680%
117 bps - 142 bps 3.850% - 4.100%	142 bps - 167 bps 4.100% - 4.350%

[1] Indicative rates as of April 16, 2019; state exemption (as applicable); par bonds, mandatory puts NC, maturities NC10

[2] The MMD index is a widely used proxy for high-grade fixed rate bonds

Sources: KBCM and TM3



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DATA REQUEST

KPSC_1_5

Refer to the application, paragraph 23, Kentucky Power states that it anticipates purchasing products such as interest rate swaps, caps, collars, floors, options, or hedging products and retaining those products as it deems necessary to hedge against interest rate increases.

- a. Describe how Kentucky Power anticipates purchasing such products.
- b. Describe how Kentucky Power anticipates using and managing such products.
- c. Describe how Kentucky Power proposes to ensure the quality of such products, and state the extent to which Kentucky Power is requesting approval to invest in such products.

RESPONSE

a. In connection with any swap, Kentucky Power shall review the proposed transaction and any considerations associated with the transaction including, but not limited to, the following:

1. The identification of the proposed benefit and potential risks
2. Independent analysis of potential savings from a proposed transaction
3. Market risk and counterparty exposure before and after the proposed transaction
4. Net termination exposure for all existing and proposed transactions
5. Credit rating of potential swap counterparty or counterparties

In reviewing proposed or possible transactions, Kentucky Power shall consider each of the risks described in question 7 below as well, as applicable. Kentucky Power shall at all times manage its use of swaps to avoid excessive exposure to any of the foregoing risks.

b. Pre-Issuance Hedges are appropriate interest rate management tools that can help Kentucky Power meet important financial objectives. Properly used, these instruments can increase Kentucky Power's financial flexibility, provide opportunities for interest rate savings and help Kentucky Power manage its balance sheet through better matching of assets and liabilities. Pre-Issuance Hedges will be integrated into Kentucky Power's overall debt management and will not be used for speculation or leverage.

Kentucky Power generally will strive to utilize Pre-Issuance Hedges if it is reasonably determined that the proposed transaction is expected to:

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1. Optimize capital structure;
2. Achieve appropriate asset/liability match;
3. Reduce interest rate risk;
4. Provide greater financial flexibility; or
5. Manage exposure to changing markets in advance of anticipated bond issuances.

c.

Kentucky Power will seek to maximize the benefits and minimize the risks it carries by actively managing its Pre-Issuance Hedge exposure. This will entail frequent monitoring of market conditions for emergent opportunities and risks.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_6

Identify and describe in detail any interest rate management instruments for which Kentucky Power seeks approval that has not been described above.

- a. How does Kentucky Power plan to purchase such instruments?
- b. How does Kentucky Power plan to use such instruments to manage interest rates?
- c. How does Kentucky Power propose to ensure the quality of such instruments; state the extent to which Kentucky Power is requesting approval to invest in such instruments.

RESPONSE

- a. N/A
- b. N/A
- c. N/A

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_7 State what, if any, limits Kentucky Power contends would be reasonable for the Commission to place on its use of interest rate management techniques and instruments and explain the basis for Kentucky Power's position.

RESPONSE

Kentucky Power has requested the same authority to use interest rate hedging agreements when prudent to do so based on market conditions in prior financing applications to hedge against adverse interest rate movements for the benefit of Kentucky Power customers. Given that Kentucky Power's cost of debt is subject to review in periodic rate case proceedings the Company does not believe limitations on the use of interest rate hedging agreements are necessary.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_8 Has Kentucky Power identified any risks posed by the use of interest rate management techniques and instruments? Describe those risks and how Kentucky Power proposes to mitigate them.

RESPONSE

The identified risks and how Kentucky Power proposes to address them are described below:

Interest Rate Risk - the risk that a generally adverse move in market rates increases the overall cost of borrowing or that credit concerns relating to Kentucky Power will have the same impact. Kentucky Power will monitor its exposure to Interest Rate Risk and take steps to mitigate such risks in the event this exposure results in significant negative impact to Kentucky Power. Kentucky Power participates in the AEP Utility Money Pool and would borrow short-term debt to make a payment (if necessary) at settlement and subsequently amortize that payment over the life of the bond to effectively increase the interest rate on the bond.

Counterparty Credit Risk - the risk of default under the Pre-Issuance Hedge by the Counterparty which results in an economic loss to Kentucky Power. Steps have been taken in the documentation of Kentucky Power's Pre-Issuance Hedges to protect Kentucky Power from Counterparty Credit Risk. Proper monitoring of such risk by Kentucky Power and adherence to the documents will allow Kentucky Power to manage Counterparty Credit Risk exposure. In addition, Kentucky Power will only enter into transactions with highly-rated counterparties that are lenders under the bank credit facilities.

Termination Risk - the risk that a Pre-Issuance Hedge could be terminated (while valued in favor of a counterparty and against Kentucky Power) as a result of any of several events, which may include a ratings downgrade for Kentucky Power or a counterparty, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and other default events as defined by the documents. Any such termination may require Kentucky Power to make significant termination payments in the future. Kentucky Power participates in the AEP Utility Money Pool and would borrow short-term debt to make a payment (if necessary) at settlement and subsequently amortize that payment over the life of the bond to effectively increase the interest rate on the bond.

Basis Risk - the risk resulting from a mismatch between a cash-settled forward starting swap and the Treasury instrument used in reference to pricing related debt. The risk that swaps separate from Treasuries cannot be hedged away and will be planned for through a flexible hedging and funding strategy as well as careful consideration of any pricing benefits of a cash-settled forward starting swap against the potential basis risk.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_9 Explain whether the issuance of additional debt will affect Kentucky Power's ability to secure additional financing in the future at competitive rates.

RESPONSE

No. Kentucky Power maintains a target capital structure that is within the 45% - 55% debt to capitalization (and conversely 55%-45% equity to capitalization) Baa investment grade credit range as defined by Moody's to afford access to capital markets at competitive rates. To that end capital spending will be financed by a balance of future debt issuances and internally-supplied funds to maintain the investment grade capital structure.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_10 Explain how the issuance of additional debt will affect Kentucky Power's equity position.

RESPONSE

See response to KPSC_1_9.

Witness: Franz D. Messner

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DATA REQUEST

KPSC_1_11

Refer to the application, Exhibit D, page 4 of 4. Kentucky Power is seeking authority to borrow \$210 million for general corporate purposes, as described in paragraph 7 of the application, explain how Kentucky Power anticipates financing the balance of the \$449 million allocated for the years 2019 - 2020 in this exhibit.

RESPONSE

The projects will be financed using internally-supplied funds to the extent available. Kentucky Power will use the proceeds of the financing authority being sought in this proceeding, which in no event will exceed \$275 million, for the proposed capital expenditures to the extent internally-supplied funds are not available to finance the projects.

Witness: Franz D. Messner

VERIFICATION

The undersigned, Franz D. Messner, being duly sworn, deposes and says he is the Managing Director of Corporate Finance for American Electric Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

F. D. Messner

Franz D. Messner

State of Ohio)
)
County of Franklin)

Case No. 2019-00072

Subscribed and sworn before me, a Notary Public, by Franz D. Messner this
17th day of April, 2019.

S. Smithisler

Notary Public

My Commission Expires April 29, 2019

